

Office of the Auditor General

Michigan State Housing Development Authority
(A Discretely Presented Component Unit of the State of Michigan)
Single Audit Report

Fiscal Year Ended June 30, 2022

The auditor general shall conduct post audits of financial transactions and accounts of the state and of all branches, departments, offices, boards, commissions, agencies, authorities and institutions of the state established by this constitution or by law, and performance post audits thereof.

The auditor general may make investigations pertinent to the conduct of audits.

Article IV, Section 53 of the Michigan Constitution



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Office of the Auditor General

Report Summary

Single Audit Report

Michigan State Housing Development Authority (MSHDA)

(A Discretely Presented Component Unit of the State of Michigan)

Fiscal Year Ended June 30, 2022

Report Number:
000-0800-23

Released:
March 2023

A single audit is designed to meet the needs of all financial report users, including an entity's federal grantor agencies. The audit determines if the financial statements are fairly presented, considers internal control over financial reporting and internal control over federal program compliance, determines compliance with requirements material to the financial statements, and assesses compliance with direct and material requirements of the major federal programs. This report contains 6 findings including 2 findings related to financial statements and schedules and 4 findings related to federal programs.

Audit Results for MSHDA's Basic Financial Statements

Fairly presented, in all material respects	Internal Control Over Financial Reporting		No instances of noncompliance or other matters required to be reported
	1 material weakness	No significant deficiencies identified	

Audit Results for the Schedule of Expenditures of Federal Awards

Fairly presented in all material respects. (1 significant deficiency)

Audit Results for the Federal Awards

Federal Awards Expended	Unmodified Opinion	Qualified Opinion	Adverse Opinion	Total Known Questioned Costs (Net)	Internal Control Over Compliance Findings	
					Material Weaknesses	Significant Deficiencies
\$1.4 billion	4 programs	No programs	No programs	\$9,129	No material weaknesses identified	4
Number of findings repeated from the prior audit					0	2

Identification of Major Federal Programs, Type of Opinion Issued on Compliance, Known Questioned Costs, and Audit Finding Numbers:

Assistance Listing Number(s)	Name of Major Federal Program or Cluster	Opinion	Known Questioned Costs	Audit Finding Number(s)
14.231	Emergency Solutions Grant Program, including COVID-19	Unmodified	\$0	2022-003 2022-004
14.239	Home Investment Partnerships Program	Unmodified	\$0	2022-005
21.023	Emergency Rental Assistance Program, including COVID-19	Unmodified	\$0	2022-003 2022-004
21.026	Homeowner Assistance Fund, including COVID-19	Unmodified	\$9,129	2022-003 2022-004 2022-006

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Doug A. Ringler, CPA, CIA
Auditor General

Laura J. Hirst, CPA
Deputy Auditor General



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Doug A. Ringler, CPA, CIA
Auditor General

March 24, 2023

Ms. Susan Corbin, Chair
Michigan State Housing Development Authority Board
and
Ms. Amy Hovey, Executive Director
Michigan State Housing Development Authority
735 East Michigan Avenue
Lansing, Michigan

Dear Ms. Corbin and Ms. Hovey:

This is our single audit report for the Michigan State Housing Development Authority, a discretely presented component unit of the State of Michigan, for the fiscal year ended June 30, 2022.

Findings and recommendations are contained in Section II and Section III of the schedule of findings and questioned costs. Management's corrective action plan is included within the auditee section of this report. The *Michigan Compiled Laws* and administrative procedures require an audited agency to develop a plan to comply with the recommendations and to submit it to the State Budget Office upon completion of an audit. Within 30 days of receipt, the Office of Internal Audit Services, State Budget Office, is required to review the plan and either accept the plan as final or contact the agency to take additional steps to finalize the plan.

We appreciate the courtesy and cooperation extended to us during this audit.

Sincerely,

A handwritten signature in black ink that reads "Doug Ringler". The signature is written in a cursive, flowing style.

Doug Ringler
Auditor General

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FINANCIAL SCHEDULE

MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY
(A Discretely Presented Component Unit of the State of Michigan)

Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2022

Federal Agency/Program or Cluster Title	Assistance Listing Number	Pass-Through Entity	Pass-Through Identification Number	Distributed to Subrecipients	Total Federal Expenditures
U.S. Department of Housing and Urban Development					
Section 8 Project-Based Cluster:					
Section 8 - Contract Administration	14.182			\$	\$ 395,724,268
Section 8 - New Construction/Substantial Rehabilitation	14.182				9,061,772
Lower Income Housing Assistance Program - Section 8 Moderate Rehabilitation	14.856				1,011,205
Total Section 8 Project-Based Cluster				\$ 0	\$ 405,797,245
Housing Voucher Cluster:					
Section 8 Housing Choice Vouchers	14.871			\$	\$ 214,920,601
COVID-19 - Section 8 Housing Choice Vouchers	14.871				3,995,558
Mainstream Vouchers	14.879				804,255
Total Housing Voucher Cluster				\$ 0	\$ 219,720,414
Housing Counseling Assistance Program	14.169			\$ 510,519	\$ 510,519
Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	14.228				156,929
Emergency Solutions Grant Program	14.231			3,111,366	3,111,366
COVID-19 - Emergency Solutions Grant Program	14.231			17,693,675	18,190,703
Total Emergency Solutions Grant Program				\$ 20,805,041	\$ 21,302,069
Home Investment Partnerships Program	14.239			\$ 1,339	\$ 11,681,248
Tax Credit Assistance Program	14.258				1,855,000
Continuum of Care Program	14.267			1,776,688	1,776,688
Housing Trust Fund	14.275				8,151,306
Project Rental Assistance Demonstration (PRA Demo) Program of Section 811 Supportive Housing for Persons with Disabilities	14.326			824,616	824,616
Family Self-Sufficiency Program	14.896				1,123,384
Total U.S. Department of Housing and Urban Development				\$ 23,918,203	\$ 672,899,418
U.S. Department of the Treasury					
COVID-19 - Coronavirus Relief Fund	21.019			\$	\$ 191,533
COVID-19 - Emergency Rental Assistance Program	21.023			695,801,428	712,175,718
COVID-19 - Homeowner Assistance Fund	21.026			827,250	22,572,779
Total U.S. Department of the Treasury				\$ 696,628,678	\$ 734,940,030
Other Federal Assistance					
COVID-19 - Housing Stability Counseling Program	99.U19				44,797
Total Other Federal Assistance				\$ 0	\$ 44,797
TOTAL EXPENDITURES OF FEDERAL AWARDS				\$ 720,546,881	\$ 1,407,884,245

Notes to the Schedule of Expenditures of Federal Awards

Note 1 Basis of Presentation

The accompanying schedule of expenditures of federal awards (financial schedule) includes the federal grant activity of the Michigan State Housing Development Authority (MSHDA) under programs of the federal government for the fiscal year ended June 30, 2022. The information in the financial schedule is presented in accordance with the requirements of Title 2, U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the financial schedule presents only a selected portion of the operations of MSHDA, it is not intended to and does not present the financial position, changes in net position, or cash flows of MSHDA.

Note 2 Summary of Significant Accounting Policies

Expenditures reported in the financial schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

MSHDA has elected not to use the 10% de minimis indirect cost rate to recover indirect costs, as allowed under the Uniform Guidance.

INDEPENDENT AUDITOR'S REPORTS



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Doug A. Ringler, CPA, CIA
Auditor General

Independent Auditor's Report on the Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

Ms. Susan Corbin, Chair
Michigan State Housing Development Authority Board
and
Ms. Amy Hovey, Executive Director
Michigan State Housing Development Authority

Report on the Audit of the Schedule of Expenditures of Federal Awards

Opinion

We have audited the schedule of expenditures of federal awards of the Michigan State Housing Development Authority (MSHDA), a discretely presented component unit of the State of Michigan, for the fiscal year ended June 30, 2022 and the related notes as listed in the table of contents.

In our opinion, the accompanying schedule of expenditures of federal awards presents fairly, in all material respects, the expenditures of federal awards of the Michigan State Housing Development Authority for the fiscal year ended June 30, 2022, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2, U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of the Schedule section of our report.

We are required to be independent of MSHDA and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Schedule

Management is responsible for the preparation and fair presentation of the schedule in accordance with accounting principles generally accepted in the United States of America and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the schedule that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Audit of the Schedule

Our objectives are to obtain reasonable assurance about whether the schedule as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with

GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the schedule.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the schedule, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the schedule.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of MSHDA's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the schedule.

We are required to communicate to those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Sincerely,



Doug Ringler
Auditor General
March 20, 2023



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Doug A. Ringler, CPA, CIA
Auditor General

Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance

Ms. Susan Corbin, Chair
Michigan State Housing Development Authority Board
and
Ms. Amy Hovey, Executive Director
Michigan State Housing Development Authority

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Michigan State Housing Development Authority's (MSHDA's) compliance with the types of compliance requirements identified as subject to audit in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of MSHDA's major federal programs for the fiscal year ended June 30, 2022. MSHDA's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Michigan State Housing Development Authority complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the fiscal year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2, U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of MSHDA and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of MSHDA's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to MSHDA's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on MSHDA's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about MSHDA's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding MSHDA's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of MSHDA's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of MSHDA's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs in Finding 2022-006. Our opinion on the major federal program is not modified with respect to this matter.

Government Auditing Standards require the auditor to perform limited procedures on MSHDA's response to the noncompliance findings identified in our compliance audit. The response is presented in the accompanying corrective action plan and management views sections of the schedule of findings and questioned costs. MSHDA's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify

any deficiencies in internal control over compliance that we considered to be material weaknesses. However, as described below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs in Findings 2022-003, 2022-004, 2022-005, and 2022-006 to be significant deficiencies.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards require the auditor to perform limited procedures on MSHDA's response to the internal control over compliance findings identified in our compliance audit. The response is presented in the accompanying corrective action plan and management views sections of the schedule of findings and questioned costs. MSHDA's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Sincerely,



Doug Ringler
Auditor General
March 20, 2023

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I: Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unmodified*
Internal control* over financial reporting:	
Material weaknesses* identified?	Yes
Significant deficiencies* identified?	No
Noncompliance or other matters material to the financial statements?	No

Federal Awards

Internal control over major programs:	
Material weaknesses* identified?	No
Significant deficiencies* identified?	Yes
Any audit findings disclosed that are required to be reported in accordance with federal regulation 2 <i>CFR</i> 200.516(a)?	Yes

Identification of Major Federal Programs and Type of Opinion Issued on Compliance:

Assistance Listing Number(s)*	Name of Major Federal Program or Cluster*	Opinion
14.231	Emergency Solutions Grant Program, including COVID-19	Unmodified
14.239	Home Investment Partnerships Program	Unmodified
21.023	Emergency Rental Assistance Program, including COVID-19	Unmodified
21.026	Homeowner Assistance Fund, including COVID-19	Unmodified

Dollar threshold used to distinguish between type A and type B programs:	\$4,223,653
Auditee qualified as a low-risk auditee*?	No

Required Reporting Thresholds

Title 2, U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance*) requires the auditor to test key controls at a level that would provide sufficient evidence the established control structure would provide a high probability material federal program noncompliance would be prevented or detected and corrected. This requires the auditor to set the tolerable exception rate of occurrence at a very low level. During the audit fieldwork, the auditor, in close consultation with the auditee, identifies the key controls the auditee has established to ensure federal program compliance. In those cases in which the auditor's tests of key controls identify exception rates in excess of the tolerable exception rate of occurrence, the auditor must generally report the observed exception rate in the report finding.

Further, the Uniform Guidance requires the auditor to report in Section III of the audit report known questioned costs* greater than \$25,000 for a type of compliance requirement for a major program and known questioned costs less than \$25,000 for a type of compliance requirement for a major program if it is likely total questioned costs* would exceed \$25,000.

As a result of these low required reporting thresholds, the reader may note, in some cases, the observed exception rates of occurrence and reported known questioned costs appear insignificant in relation to the overall federal expenditures of the auditee. After the audit report is filed with the federal audit clearinghouse, the responsible federal agency is required to issue a

* See glossary at end of report for definition.

management decision within six months of the receipt of the audit report. The management decision may include a request for the return of the known questioned costs.

Management's Corrective Action Plan

Management's planned corrective action for the findings in Section II and Section III is located in the auditee section beginning on page 34.

Section II: Findings Related to the Financial Statements and Schedule of Expenditures of Federal Awards

Finding 2022-001 relates to the basic financial statements, which were audited by other auditors, and is reported in the Michigan State Housing Development Authority Financial Report for the Fiscal Year Ended June 30, 2022, located at <audgen.michigan.gov/wp-content/uploads/2022/11/Michigan-State-Housing-Development-Authority-0622-FS-Final.pdf>.

FINDING 2022-002

Inaccurate Reporting of Federal Expenditures

Condition

The Michigan State Housing Development Authority (MSHDA) needs to enhance its internal control over the preparation of the schedule of expenditures of federal awards (SEFA) to ensure it accurately reflects expenditures incurred as of the fiscal year-end for the COVID-19* Emergency Rental Assistance (ERA) Program and Emergency Solutions Grant (ESG) Program.

During fiscal year 2022, MSHDA advanced funds to ERA Program and ESG Program subrecipients*. For the ESG Program, MSHDA did not perform procedures to determine the amount of advancements subsequently becoming expenditures incurred by the subrecipients as of June 30, 2022; however, it did perform these procedures for the ERA Program and made the necessary adjustments. In addition, it did not perform procedures for either program to determine the amount of expenditures incurred by the subrecipients as of June 30, 2022 but not yet reimbursed by MSHDA. By recording expenditures only when funds were disbursed, MSHDA utilized a cash basis of accounting; however, the SEFA is prepared on an accrual basis. MSHDA subsequently corrected the ERA Program expenditures understatement on its SEFA for inclusion in this audit report. We noted:

- a. MSHDA understated ERA Program expenditures by \$11.5 million for 22 (59%) of 37 subrecipients.
- b. MSHDA overstated ESG Program expenditures by a net of \$12,015 for 38 (97%) of 39 subrecipients. In addition, for 20 (27%) of 75 open grant awards, MSHDA did not have expenditure information through June 30, 2022 because subrecipients did not submit their quarterly financial status reports resulting in a potential understatement on the SEFA.

Criteria

Title 2, Part 200, sections 502(a), 508(b), and 510(b) of the *Code of Federal Regulations** (CFR) require MSHDA to prepare a SEFA reporting the total federal awards expended based on when the activity related to the federal award occurs. Also, federal regulation 2 CFR 200.1 indicates for a SEFA prepared on an accrual basis, expenditures include the services performed by

* See glossary at end of report for definition.

subrecipients, whereas for a SEFA prepared on a cash basis, expenditures include cash advance payments and payments made to subrecipients.

Section N50.116 of the *Codification of Governmental Accounting and Financial Reporting Standards** (Codification), published by the Governmental Accounting Standards Board* (GASB), states that, for these voluntary nonexchange transactions, eligibility requirements are required to be met before a transaction can occur and, until those requirements are met, the expenses and revenues for resources transmitted in advance should not be recognized. Section N50.117 of the Codification states that eligibility requirements include instances when the provider offers resources on a reimbursement ("expenditure-driven") basis and the recipient has incurred allowable costs under the applicable program.

Cause

MSHDA informed us that because of an oversight, it did not make the appropriate year-end adjustments.

Effect

An increased risk exists that inaccurate information could be presented on the SEFA impacting decisions made using this information.

Known Questioned Costs

None.

Recommendation

We recommend MSHDA enhance its internal control over the preparation of the SEFA to ensure it accurately reflects expenditures incurred as of the fiscal year-end for the ERA and ESG programs.

Management Views

MSHDA agrees with the finding.

Section III: Findings and Questioned Costs Related to Federal Awards

FINDING 2022-003

MATT 2.0 Security Management and Access Controls

Federal Agency	U.S. Department of Housing and Urban Development
Pass-Through Entity	Not Applicable
Assistance Listing Title and Number	Emergency Solutions Grant Program: ALN 14.231 and 14.231 (COVID-19)
Federal Award Identification Number (FAIN) and Year	E-19-DC-26-0001 07/01/2019 - 09/30/2021 E-20-DC-26-0001 11/12/2020 - 11/12/2022 E-20-DW-26-0001 07/23/2020 - 07/23/2022 E-21-DC-26-0001 08/16/2021 - 08/16/2023
Total Expenditures of Federal Awards	\$21,302,069
Total COVID-19 Expenditures	\$18,190,703
Compliance Requirement(s)	Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Matching, Level of Effort, and Earmarking; and Special Tests and Provisions - Obligation, Expenditure and Payment Requirements

* See glossary at end of report for definition.

Type of Finding	Significant Deficiency
Known Questioned Costs by FAIN	\$0
Repeat Finding	2021-003
State Agency	Michigan State Housing Development Authority

Federal Agency	U.S. Department of the Treasury
Pass-Through Entity	Not Applicable
Assistance Listing Title and Number	Emergency Rental Assistance Program: ALN 21.023 (COVID-19)
Federal Award Identification Number (FAIN) and Year	ERA0415 01/27/2021 - 09/30/2022 ERA0084 05/11/2021 - 09/30/2025
Total Expenditures of Federal Awards	\$712,175,718
Total COVID-19 Expenditures	\$712,175,718
Compliance Requirement(s)	Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Period of Performance
Type of Finding	Significant Deficiency
Known Questioned Costs by FAIN	\$0
Repeat Finding	2021-003
State Agency	Michigan State Housing Development Authority

Federal Agency	U.S. Department of the Treasury
Pass-Through Entity	Not Applicable
Assistance Listing Title and Number	Homeowner Assistance Fund: ALN 21.026 (COVID-19)
Federal Award Identification Number (FAIN) and Year	HAF0031 12/07/2021 - 09/30/2026
Total Expenditures of Federal Awards	\$22,572,779
Total COVID-19 Expenditures	\$22,572,779
Compliance Requirement(s)	Activities Allowed or Unallowed and Allowable Costs/Cost Principles
Type of Finding	Significant Deficiency
Known Questioned Costs by FAIN	\$0
Repeat Finding	Not Applicable
State Agency	Michigan State Housing Development Authority

Condition

MSHDA did not fully establish effective security* management and access controls* over the MSHDA Activity Tracking Tool (MATT) 2.0 users. Federal program subrecipients utilize MATT 2.0 to submit financial status reports and payment requests. Also, MSHDA program staff utilize MATT 2.0 to manage subgrants and review and approve subrecipient payment requests. We noted:

- a. MSHDA did not establish a process to review previously created active generic or test accounts not associated with a specific user.
- b. MSHDA did not review user access semiannually for privileged accounts or annually for all other accounts.
- c. MSHDA did not disable 2,973 (85%) of 3,503 MATT 2.0 user accounts that last logged in before fiscal year 2022. These users include 75 MSHDA employees, 5 other State employees, and 2,893 external partners. Also, 2,132 (72%) of these users had not logged in since access was granted.

* See glossary at end of report for definition.

- d. MSHDA did not maintain adequate documentation that a system access form was properly approved and documented prior to granting access for 1 (11%) of 9 sampled MATT 2.0 users.

Criteria

Federal regulation 2 *CFR* 200.303 requires the auditee to establish and maintain effective internal control over federal awards that provides reasonable assurance that the auditee is managing federal awards in compliance with federal statutes, regulations, and the terms and conditions of federal awards.

According to State of Michigan Administrative Guide to State Government policy 1340.00, security controls must be implemented to protect State information from unauthorized access, use, disclosure, modification, destruction, or denial and to ensure confidentiality, integrity, and availability of State information.

State of Michigan Technical Standard 1340.00.020.01 requires agencies to implement and document baseline controls ensuring that users are only granted access which is necessary to accomplish assigned tasks in accordance with roles and responsibilities of their job functions. The Standard also requires agencies to specify the authorized users for each account, accounts be reviewed for compliance with account management requirements semiannually for privileged accounts and annually for all other accounts, and the information system to automatically disable inactive user accounts after 60 days.

Cause

For parts a., b., and c., MSHDA informed us it is in the process of establishing controls over internal generic and test accounts and reviewing and disabling internal user accounts. Also, MSHDA believed its review should be limited to those users who do not use the portal.

For part d., MSHDA informed us it is in the process of centralizing IT functions, and this is a training issue resulting because of a shift from a decentralized to a centralized IT approach.

Effect

Without effective security management and access controls, individuals may obtain unauthorized or inappropriate access to MATT 2.0. As a result, an increased risk exists that MSHDA cannot ensure the security of the MATT 2.0 data used to issue payments to subrecipients of federal awards.

Known Questioned Costs

None.

Recommendation

We recommend MSHDA fully establish effective security management and access controls over MATT 2.0.

Management Views

MSHDA agrees with the finding.

FINDING 2022-004

MATT 2.0 Change Management Process

Federal Agency	U.S. Department of Housing and Urban Development
Pass-Through Entity	Not Applicable

Assistance Listing Title and Number	Emergency Solutions Grant Program: ALN 14.231 and 14.231 (COVID-19)
Federal Award Identification Number (FAIN) and Year	E-19-DC-26-0001 07/01/2019 - 09/30/2021 E-20-DC-26-0001 11/12/2020 - 11/12/2022 E-20-DW-26-0001 07/23/2020 - 07/23/2022 E-21-DC-26-0001 08/16/2021 - 08/16/2023
Total Expenditures of Federal Awards	\$21,302,069
Total COVID-19 Expenditures	\$18,190,703
Compliance Requirement(s)	Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Matching, Level of Effort, and Earmarking; and Special Tests and Provisions - Obligation, Expenditure and Payment Requirements
Type of Finding	Significant Deficiency
Known Questioned Costs by FAIN	\$0
Repeat Finding	2021-004
State Agency	Michigan State Housing Development Authority

Federal Agency	U.S. Department of the Treasury
Pass-Through Entity	Not Applicable
Assistance Listing Title and Number	Emergency Rental Assistance Program: ALN 21.023 (COVID-19)
Federal Award Identification Number (FAIN) and Year	ERA0415 01/27/2021 - 09/30/2022 ERA0084 05/11/2021 - 09/30/2025
Total Expenditures of Federal Awards	\$712,175,718
Total COVID-19 Expenditures	\$712,175,718
Compliance Requirement(s)	Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Period of Performance
Type of Finding	Significant Deficiency
Known Questioned Costs by FAIN	\$0
Repeat Finding	2021-004
State Agency	Michigan State Housing Development Authority

Federal Agency	U.S. Department of the Treasury
Pass-Through Entity	Not Applicable
Assistance Listing Title and Number	Homeowner Assistance Fund: ALN 21.026 (COVID-19)
Federal Award Identification Number (FAIN) and Year	HAF0031 12/07/2021 - 09/30/2026
Total Expenditures of Federal Awards	\$22,572,779
Total COVID-19 Expenditures	\$22,572,779
Compliance Requirement(s)	Activities Allowed or Unallowed and Allowable Costs/Cost Principles
Type of Finding	Significant Deficiency
Known Questioned Costs by FAIN	\$0
Repeat Finding	Not Applicable
State Agency	Michigan State Housing Development Authority

Condition

MSHDA had not fully implemented its change management process over MATT 2.0 during fiscal year 2022. We sampled 17 MATT 2.0 change records and noted for 4 (24%) records, MSHDA did not document approvals prior to implementation of changes in the production environment.

Criteria

Federal regulation 2 *CFR* 200.303 requires the auditee to establish and maintain effective internal control over federal awards that provides reasonable assurance the auditee is

managing federal awards in compliance with federal statutes, regulations, and the terms and conditions of federal awards.

State of Michigan Technical Standard 1340.00.060.04 requires the business owner to authorize the implementation in the production environment.

State of Michigan Administrative Guide to State Government policy 1340.00 requires approved personnel to adequately manage the configuration of the State's systems by methods such as tracking and documenting system changes.

Cause

For 3 of the records, MSHDA informed us it followed its previous change management process prior to implementing a stricter change management process in November 2021, which includes requiring its electronically documented approval before any production changes can be made.

For the remaining record, MSHDA was not able to provide documented support in accordance with its change management process effective November 2021.

Effect

Without a fully implemented change management process, individuals may make unauthorized or inappropriate changes to MATT 2.0. As a result, an increased risk exists that MSHDA cannot ensure MATT 2.0 is configured and operating securely and as intended.

Known Questioned Costs

None.

Recommendation

We recommend MSHDA fully implement its change management process over MATT 2.0.

Management Views

MSHDA agrees with the finding.

FINDING 2022-005

Home Investment Partnerships Program, ALN 14.239, Special Tests and Provisions - Housing Quality Standards

Federal Agency	U.S. Department of Housing and Urban Development
Pass-Through Entity	Not Applicable
Assistance Listing Title and Number	Home Investment Partnerships Program: ALN 14.239
Federal Award Identification Number (FAIN) and Year	M21-SG260100 08/16/2021 - 09/01/2029 M20-SG260100 03/22/2021 - 09/01/2028
Total Expenditures of Federal Awards	\$11,681,248
Total COVID-19 Expenditures	\$0
Compliance Requirement(s)	Special Tests and Provisions - Housing Quality Standards
Type of Finding	Significant Deficiency
Known Questioned Costs by FAIN	\$0
Repeat Finding	Not Applicable
State Agency	Michigan State Housing Development Authority

Condition

MSHDA did not sufficiently monitor rental housing properties to ensure federal housing quality standards were met for 2 (8%) of 25 sampled properties receiving Home Investment Partnerships Program (HOME Program) funding. We noted:

- a. For one property, MSHDA did not conduct an on-site inspection by June 30, 2022, as required.
- b. For the other property, MSHDA did not obtain an annual certification from the property owner that all buildings and HOME Program-assisted units were suitable for occupancy.

Criteria

Federal regulation 2 *CFR* 200.303 requires the auditee to establish and maintain effective internal control over the federal awards that provides reasonable assurance the auditee is managing the federal awards in compliance with federal statutes, regulations, and the terms and conditions of federal awards.

Federal regulation 24 *CFR* 92.504(d)(1)(ii) requires that on-site inspections of HOME Program-assisted rental housing properties must occur at least once every three years during the property's period of affordability and that property owners must annually certify to MSHDA that each building and all HOME Program-assisted units are suitable for occupancy.

Because of the COVID-19 pandemic, HUD waived the on-site inspection requirement from April 10, 2020 through December 31, 2021. HUD provided additional guidance via a memorandum dated September 27, 2021 which states that, within 180 days of the end of HUD's waiver period, participating jurisdictions must physically inspect units that would have been subject to ongoing inspections since the waiver period began.

Cause

For part a., MSHDA informed us that the on-site inspection was not conducted because of a misunderstanding between MSHDA and its inspection contractor regarding the timing of the COVID-19 waiver.

For part b., MSHDA noted that because of an oversight, it did not send monthly overdue certification reminders to this property owner.

Effect

MSHDA was unable to ensure that all HOME Program-assisted rental housing projects and units met property standards and were suitable for occupancy. The federal grantor agency could issue sanctions or disallowances related to noncompliance.

Known Questioned Costs

None.

Recommendation

We recommend MSHDA sufficiently monitor rental housing properties to ensure federal housing quality standards are met for properties receiving HOME Program funding.

Management Views

MSHDA agrees with the finding.

FINDING 2022-006

Homeowner Assistance Fund, ALN 21.026, Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Eligibility - Eligibility Determinations

Federal Agency	U.S. Department of the Treasury
Pass-Through Entity	Not Applicable
Assistance Listing Title and Number	Homeowner Assistance Fund: ALN 21.026 (COVID-19)
Federal Award Identification Number (FAIN) and Year	HAF0031 12/07/2022 - 09/30/2026
Total Expenditures of Federal Awards	\$22,572,779
Total COVID-19 Expenditures	\$22,572,779
Compliance Requirement(s)	Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Eligibility
Type of Finding	Significant Deficiency and Noncompliance
Known Questioned Costs by FAIN	HAF0031 - \$9,129
Repeat Finding	Not Applicable
State Agency	Michigan State Housing Development Authority

Condition

MSHDA did not obtain and maintain sufficient documentation to support the Homeowner Assistance Fund (HAF) applicants' eligibility was properly determined for 3 (12%) of 25 HAF assistance payments reviewed. We noted:

- a. For 1 (4%) applicant, sufficient documentation did not exist to support the applicant's eligibility. Contradictory information was provided by the applicant as to the hardship encountered from the COVID-19 pandemic. MSHDA did not detect this at the time of its review and therefore did not follow up with the applicant.
- b. For 1 (4%) applicant, MSHDA did not document the required income calculation to support the homeowner met the income eligibility requirement. We performed this calculation and determined the client was eligible for HAF assistance.
- c. For 1 (4%) applicant, MSHDA did not ensure its system checklist was completed prior to approving for eligibility. We determined this did not affect the applicant's eligibility.

Criteria

Subpart E of federal regulation 2 *CFR* 200 requires costs charged to federal programs be adequately documented, be necessary and reasonable for the administration of the federal award, be in accordance with the relative benefits received by the program, and be consistent with policies and procedures that apply to both the federal award and other activities of the state.

The HAF Guidance requires homeowners to attest that they experienced financial hardship after January 21, 2020 associated with the coronavirus pandemic. A financial hardship is defined as a material reduction in income or a material increase in expenses. The attestation must describe the nature of the financial hardship.

MSHDA's internal policy requires case managers to verify and calculate homeowner income during their determination of eligibility in the initial review of the application. Case managers must record their calculations within the activity log. Calculations are performed to determine annual income utilizing supporting documentation. In addition, case managers must use a

system checklist to ensure all parts of the application have been reviewed prior to approving the homeowner's eligibility.

Cause

MSHDA informed us that these errors resulted from employee oversight.

Effect

MSHDA may have provided assistance to ineligible applicants. The federal grantor agency could issue sanctions or disallowances related to noncompliance.

Known Questioned Costs

- \$9,129 - federal share.

Recommendation

We recommend MSHDA obtain and maintain sufficient documentation to support the HAF applicants' eligibility is properly determined.

Management Views

MSHDA agrees with the finding.

AUDITEE SECTION



STATE OF MICHIGAN

MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY
LANSING

GRETCHEN WHITMER
GOVERNOR

AMY HOVEY
EXECUTIVE DIRECTOR

**Summary Schedule of Prior Audit Findings
Fiscal Year Ended June 30, 2022**

Prior Audit Findings Related to the Financial Statements

Audit Period: July 1, 2020 through June 30, 2021
Finding Number: 2021-001
Initial Year Written: Fiscal Year 2021
Finding Title: Timely Closing Process and Preparation of the Financial Statements

Finding: Certain general ledger account balances were not appropriately stated on the trial balance received, and some reconciliation and review processes had not occurred prior to the beginning of the audit.

Current Status: The MSHDA did not correct the deficiencies noted in the finding.

Reason(s) for Recurrence:

The Authority had a number of unique and a few one-time accounting adjustments that were discussed with Plante & Moran, PLLC auditors after the ledger was provided. Going forward, the Authority will discuss known issues earlier in the audit. There will remain the possibility that, during the audit process, the independent auditors will come to a different conclusion as to the recording of activities that will result in late entries or be added to the unrecorded possible adjustments schedule.

Corrective Action:

The corrective action implemented by the MSHDA to address this finding is to schedule an entrance/planning meeting prior to each future Financial Audit, to discuss adjustments and/or modifications to the financial statements, in an effort to ensure the general ledger is complete and free of adjustments before the audit begins.

Prior Audit Findings Related to Federal Awards

Audit Period: July 1, 2020 through June 30, 2021
Finding Number: 2021-002
Initial Year Written: Fiscal Year 2021
Finding Title: Inaccurate Reporting of Federal Expenditures

Finding: The Michigan State Housing Development Authority (MSHDA) needs to enhance its internal control over advancements to ensure the schedule of expenditures of federal awards (SEFA) reflects only expenditures incurred as of the fiscal year-end for the Emergency Rental Assistance (ERA) Program and Emergency Solutions Grant (ESG) Program.

Current Status: The MSHDA has not corrected the deficiencies noted in the finding.

Reason(s) for Recurrence: Corrective action had not been fully implemented prior to the start of FY21-22 Single Audit.

Corrective Action:

- a. The MSHDA agreed to adjust its FY20-21 financial statements to align with the guidance in Subpart A. This was completed.
- b. For FY21-22 and future, adjustments will be entered to account for the difference between total advanced program funds and expenditures incurred as of the MSHDA's fiscal year end and reported on the SEFA accordingly.

Audit Period: July 1, 2020 through June 30, 2021
Finding Number: 2021-003
Initial Year Written: Fiscal Year 2021
Finding Title: MATT 2.0 Security Management and Access Controls

Finding: MSHDA did not fully establish effective security management and access controls over the MSHDA Activity Tracking Tool (MATT) 2.0 users. Federal program subrecipients utilize MATT 2.0 to submit financial status reports and payment requests.

Current Status: The MSHDA has not corrected the deficiencies noted in the finding. This condition does not apply to the CRF program, as

there were no applicable expenditures in FY21-22 processed through the MATT 2.0 system for CRF.

Reason(s) for Recurrence: The MSHDA had not fully implemented the corrective action prior to the start of the FY21-22 Single Audit. The FY20-21 audit report was issued in August 2022. Corrective Action was completed November 30, 2022.

Corrective Action:
The MSHDA Technical Support Services (TSS) department completed a full user audit of the system and established a semi-annual review of MATT 2.0 user accounts.

Audit Period: July 1, 2020 through June 30, 2021
Finding Number: 2021-004
Initial Year Written: Fiscal Year 2021
Finding Title: MATT 2.0 Change Management Process

Finding: MSHDA did not fully implement an effective change management process over its MATT 2.0 application. We sampled 20 MATT 2.0 change records and noted for all 20 records MSHDA did not document approvals prior to implementation of changes in the production environment.

Current Status: The MSHDA did not correct the deficiencies noted in the finding. This condition does not apply to the CRF program, as there were no applicable expenditures in FY21-22 processed through the MATT 2.0 system for CRF.

Reason(s) for Recurrence: The MSHDA had not fully implemented the corrective action.

Corrective Action:
The MSHDA implemented a change management process requiring approval from TSS department before production changes can be made.

Audit Period: July 1, 2020 through June 30, 2021
Finding Number: 2021-005
Initial Year Written: Fiscal Year 2021
Finding Title: MSHDA. Subrecipient Monitoring - Subaward Information

Finding: MSHDA did not report to its subrecipients all subaward information as required by the Uniform Guidance.

Current Status: The MSHDA corrected the deficiencies noted in the finding.

Audit Period: July 1, 2020 through June 30, 2021
Finding Number: 2021-006
Initial Year Written: Fiscal Year 2021
Finding Title: Housing Voucher Cluster. ALN 14.871 and 14.879, Activities Allowed or Unallowed and Allowable Costs/Cost Principles - Accounting for HAP Expenditures

Finding: MSHDA had not fully established controls to ensure that expenditures were accurately recorded and claimed against the appropriate housing assistance payment (HAP) grant.

Current Status: The MSHDA corrected the deficiencies noted in the finding.

Audit Period: July 1, 2020 through June 30, 2021
Finding Number: 2021-007
Initial Year Written: Fiscal Year 2021
Finding Title: Coronavirus Relief Fund. ALN 21.019, Activities Allowed or Unallowed and Allowable Costs/Cost Principles - Payments in Excess of Grant Award Amount

Finding: MSHDA did not have sufficient controls in place to prevent payments to subrecipients in excess of their CRF grant award amounts. We noted MSHDA overpaid \$1,046,855 to a CRF subrecipient.

Current Status: The MSHDA corrected the deficiencies noted in the finding. The MSHDA corrected the system errors noted in the finding, and activities to recoup the overpaid funds is ongoing.

Audit Period: July 1, 2020 through June 30, 2021
Finding Number: 2021-008
Initial Year Written: Fiscal Year 2021
Finding Title: Emergency Rental Assistance Program. ALN 21.023, Procurement and Suspension and Debarment- Suspension and Debarment Process

Finding: MSHDA did not have an adequate process to ensure that its ERA Program subrecipients were not suspended or debarred

prior to its plans to enter into grant agreements with 7 of the 9 subrecipients we reviewed.

Current Status: The MSHDA corrected the deficiencies noted in the finding.



STATE OF MICHIGAN

MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY
LANSING

GRETCHEN WHITMER
GOVERNOR

AMY HOVEY
EXECUTIVE DIRECTOR

Management Views and Corrective Action Plan

Findings Related to the Financial Statements

Finding 2022-001
Timely Year-End Close Process

Management Views

The MSHDA agrees with this finding.

The finance department experienced turnover that led to delays in reconciliations and the production of the financial statements.

Planned Corrective Action

Finance has re-evaluated the staffing needs and processes related to the Authority's accounting functions. Finance is now utilizing an IT product (SharePoint Tasks) to track the timing of reconciliations and the production of financial statements and reports. This product was implemented in Q1 of FY22-23.

Completion Date(s)

September 30, 2022

Responsible Individual(s)

Jeff Sykes, Chief Financial Officer, Director of Finance
Jason Fedewa, Deputy Director of Finance

Finding 2022-002
Inaccurate Reporting of Federal Expenditures

Management Views

The MSHDA agrees with the finding.

The MSHDA agrees and has made the recommended modifications to the SEFA.

Planned Corrective Action

Finance management will complete a more thorough review and reconciliation of federal expenditures for the ESG and ERA programs prior to closing the financials for the year.

Anticipated Completion Date(s)
September 15, 2023

Responsible Individual(s)
Jason Fedewa, Deputy Director of Finance

Findings Related to the Federal Awards

Finding 2022-003 **MATT 2.0 Security Management and Access Controls**

Management Views
The MSHDA agrees.

The MSHDA has been working on implementing better controls for the systems it utilizes and during the latter part of 2022, The MSHDA implemented system security processes and procedures, as a part of this finding and corrective action plans for the previous OAG audits to ensure that MSHDA has fully established an effective security management framework and access controls over MATT 2.0.

- a. The MSHDA agrees. Additionally, access review is also addressed in 3.b which appears to be the basis of this finding and where remediation is already completed as of 11/30/2022.
- b. The MSHDA agrees. The MSHDA could have been more proactive at monitoring user activity in the MATT 2.0 system during this time. Remediation is already complete as MSHDA currently does have a monitoring process in place as of 11/30/2022.
- c. The MSHDA agrees. Remediation of this is already completed as we now have a process in place to disable all types of accounts in a timely manner, as of 11/30/2022.
- d. The MSHDA agrees. The instance for this exception was a one-off training issue and is not indicative of an overall security management issue. This has been addressed with the user, and they were provided further directions on how to handle the system access form.

Planned Corrective Action
None (Corrective action for the prior finding on this condition was implemented 11/30/2022)

Anticipated Completion Date(s)
N/A

Responsible Individual(s)

N/A

Finding 2022-004

MATT 2.0 Change Management Process

Management Views

The MSHDA agrees.

The MSHDA was improving the existing change management process for MATT 2.0 and completed that change in November of 2021, which occurred during this audit period. The remaining record that did not have documented support was a training issue that has already been addressed.

Planned Corrective Action

None (Corrective action for the prior finding on this condition was implemented 11/10/2021)

Anticipated Completion Date(s)

N/A

Responsible Individual(s)

N/A

Finding 2022-005

Home Investment Partnerships Program, ALN 14.239, Special Tests and Provisions - Housing Quality Standards

Management Views

The MSHDA agrees.

a. Upon review, the noted property was not on the system generated HOME inspection list. This was an error on our part, and an inspection was subsequently completed on 1/12/23. The IRS waived inspections for 2022 and 2023; however, this inspection should have been completed in 2022 by our contracted inspectors. It appears there was a misunderstanding of the MSHDA's guidance that all inspections should move forward despite the waiver. This mistake was a direct result of changing waivers by the IRS and HUD due to Covid, and a human error while pulling reports for developments to be inspected.

b. The MSHDA agrees and obtained the overdue certification form on January 11, 2023.

Corrective Action

a. The missing inspection was completed on January 12, 2023.

b. The MSHDA obtained the overdue certification form on January 11, 2023.

In response to this condition and finding, the MSHDA is instituting a second-level review process, to ensure that monthly reminders for missing owner certifications are issued. In addition, management will perform additional monitoring of the control activities, within the existing process, for properties in non-compliance.

Completion Date(s)

- a. January 12, 2023
- b. January 11, 2023

Responsible Individual(s)

James Espinoza, Compliance Specialist
Nate Thelen, Multi-family compliance manager

Finding 2022-006

Homeowner Assistance Fund, ALN 21.026, Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Eligibility - Eligibility Determinations

Management Views

The MSHDA agrees with the finding.

Sample #13 The MSHDA agrees with the OAG final conclusion. Additional, ongoing discussion was required to justify or clarify hardship of homeowner.

Sample #22 The MSHDA agrees with the OAG conclusion.

The assigned CM did not detail the income calculations in the case notes of the application file. The applicant's income was double checked, and the applicant homeowner did meet income eligibility requirements. Detailing income in the application case notes provides better controls for staff in each process of the file evaluation.

Sample #17 The MSHDA agrees with the OAG conclusion.

The checklist was completed by the assigned CM. A "yes" answer was indicated in all fields except for the field "Reviewed Homeowner Sustainability" where it was left blank. This Sustainability factor is not a requirement of the MIHAF program, nor a requirement from the federal grantor agency. Homeowner Sustainability is only an indicator of whether homeowner budgeting counseling might be recommended to the applicant. The Case Manager should have answered the question on this data field and completed the checklist entirely.

Planned Corrective Action

a. The MSHDA will implement further training of both Case Managers and Case Manager Assistants to address the noted items. This will include additional training on documentation of the homeowner's hardship.

b. The MSHDA will provide additional training to staff making sure that all fields on

the checklist are answered correctly. The Checklist now has a system failsafe that all fields must have an answer prior to allowing the file to be conditionally approved in the online application portal.

Anticipated Completion Date(s)

a. & b. March 1, 2023.

Responsible Individual(s)

Dawn Hengesbach, MIHAF Operations Manager

Glenn Ross, MIHAF Team Lead

Raul Escobedo, MIHAF Team Lead

Krysta Smith, MIHAF Team Lead

GLOSSARY

GLOSSARY OF ABBREVIATIONS AND TERMS

access controls	Controls that protect data from unauthorized modification, loss, or disclosure by restricting access and detecting inappropriate access attempts.
adverse opinion	A type of modified opinion in which the auditor states that the audited entity did not comply, in all material respects, with the cited compliance requirements that are applicable to each major federal program.
Assistance Listing Number (ALN)	A five-digit code, formerly known as a <i>Catalog of Federal Domestic Assistance (CFDA)</i> number, assigned to a federal assistance program included in the Assistance Listings.
Assistance Listings	Descriptions of federal programs that provide grants, loans, scholarships, insurance, and other types of assistance awards.
auditor's comments to management views	Comments the OAG includes in a single audit to comply with <i>Government Auditing Standards</i> . Auditors are required to evaluate the validity of the audited entity's management views when they are inconsistent or in conflict with the findings, conclusions, or recommendations. If the auditors disagree with the management views, they should explain in the report their reasons for disagreement.
cluster	A grouping of closely related federal programs that have similar compliance requirements. Although the programs within a cluster are administered as separate programs, a cluster of programs is treated as a single program for the purpose of meeting the audit requirements of the Uniform Guidance.
Code of Federal Regulations (CFR)	The codification of the general and permanent rules published by the departments and agencies of the federal government.
Codification of Governmental Accounting and Financial Reporting Standards (Codification)	An integration of currently effective accounting and reporting standards for state and local governments.
COVID-19	The disease caused by a new coronavirus called SARS-CoV-2. It is a potentially severe illness often characterized by fever, coughing, and shortness of breath. The World Health Organization learned of the virus in December 2019.

CRF	Coronavirus Relief Fund.
deficiency in internal control over federal program compliance	The design or operation of a control over compliance that does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis.
deficiency in internal control over financial reporting	The design or operation of a control that does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis.
ERA	Emergency Rental Assistance.
ESG	Emergency Solutions Grant.
financial audit	An audit that is designed to provide reasonable assurance about whether the basic financial statements and/or financial schedules of an audited entity are presented fairly, in all material respects, in accordance with the applicable financial reporting framework.
Governmental Accounting Standards Board (GASB)	An arm of the Financial Accounting Foundation established to promulgate standards of financial accounting and reporting with respect to activities and transactions of state and local governmental entities.
HAF	Homeowner Assistance Fund.
HOME Program	Home Investment Partnerships Program.
internal control	A process, effected by those charged with governance, management, and other personnel, designed to provide reasonable assurance about the achievement of the entity's objectives with regard to the reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.
known questioned costs	Questioned costs that are specifically identified by the auditor.

low-risk auditee	As provided for in the Uniform Guidance, an auditee that may qualify for reduced federal audit coverage if it receives an annual single audit and it meets other criteria related to prior audit results.
material misstatement	A misstatement in the basic financial statements that causes the statements to not present fairly the financial position or the changes in financial position, and, where applicable, cash flows thereof, in accordance with the applicable financial reporting framework.
material noncompliance	Violations of laws, regulations, contracts, and grants that could have a direct and material effect on major federal programs or on basic financial statement and/or financial schedule amounts.
material weakness in internal control over federal program compliance	A deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.
material weakness in internal control over financial reporting	A deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the basic financial statements will not be prevented, or detected and corrected, on a timely basis.
MATT 2.0	MSHDA Activity Tracking Tool.
modified opinion	A qualified opinion, an adverse opinion, or a disclaimer of opinion.
MSHDA	Michigan State Housing Development Authority.
other noncompliance	Violations of contracts or grant agreements that are not material to the basic financial statements but should be communicated to management in accordance with <i>Government Auditing Standards</i> . Other noncompliance also includes violations of laws, regulations, contracts, or grant agreements; fraud; or other internal control deficiencies that may be communicated to management in accordance with <i>Government Auditing Standards</i> .
pass-through entity	A nonfederal entity that provides a federal award to a subrecipient to carry out a federal program.

qualified opinion	A type of modified opinion in which the auditor identifies a scope limitation or material noncompliance with one or more of the cited compliance requirements that are applicable to each major federal program.
questioned cost	A cost that is questioned by the auditor because of an audit finding: (1) which resulted from a violation or possible violation of a statute, regulation, or the terms and conditions of a federal award, including for funds used to match federal funds; (2) where the costs, at the time of the audit, are not supported by adequate documentation; or (3) where the costs incurred appear unreasonable and do not reflect the actions a prudent person would take in the circumstances.
security	Safeguarding an entity's data from unauthorized access or modification to ensure its availability, confidentiality, and integrity.
SEFA	schedule of expenditures of federal awards.
significant deficiency in internal control over federal program compliance	A deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.
significant deficiency in internal control over financial reporting	A deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.
single audit	A financial audit, performed in accordance with the Single Audit Act Amendments of 1996 and the Uniform Guidance, which is designed to meet the needs of all federal grantor agencies and other financial report users. In addition to performing the audit in accordance with the requirements of auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in <i>Government Auditing Standards</i> issued by the Comptroller General of the United States, a single audit requires the assessment of compliance with requirements that could have a direct and material effect on a major federal program and the consideration of internal control over compliance in accordance with the Uniform Guidance.
subrecipient	A nonfederal entity that receives a subaward from a pass-through entity to carry out part of a federal program but does not include an individual that is a beneficiary of such program. A subrecipient may also be a recipient of other federal awards directly from a federal awarding agency.
Uniform Guidance	Title 2, U.S. <i>Code of Federal Regulations</i> Part 200, <i>Uniform Administrative Requirements, Cost Principles, and Audit</i>

Requirements for Federal Awards. The Uniform Guidance, which was officially implemented in December 2014 by the Council on Financial Assistance Reform, establishes uniform cost principles and audit requirements for federal awards to nonfederal entities and administrative requirements for all federal grants and cooperative agreements. The Uniform Guidance supersedes guidance from earlier OMB circulars.

unmodified opinion

The opinion expressed by the auditor when the auditor, having obtained sufficient appropriate audit evidence, concludes:

- a. The basic financial statements or financial schedules are presented fairly, in all material respects, in accordance with the applicable financial reporting framework.
- b. The audited entity complied, in all material respects, with the cited compliance requirements that are applicable to each major federal program.

U.S. Office of Management and Budget (OMB)

A cabinet-level office that assists the President in overseeing the preparation of the federal budget and in supervising its administration in executive branch agencies.



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