



STATE OF MICHIGAN

GRETCHEN WHITMER
GOVERNOR

MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY
LANSING

GARY HEIDEL
ACTING EXECUTIVE DIRECTOR

Management Views and Corrective Action Plan

Findings Related to the Financial Statements

Finding 2021-001

Timely Closing Process and Preparation of the Financial Statements

Management Views

The MSHDA agrees in part. The Authority had a number of unique and a few onetime 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.

Planned Corrective Action

The planned 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.

Anticipated Completion Date

June 24, 2022

Responsible Individual(s)

Jason Fedewa, Chief Accountant

Findings Related to the Federal Awards

Finding 2021-002

Inaccurate Reporting of Federal Expenditures

Management Views

The MSHDA agrees.

The MSHDA's original position was that an expenditure existed when the funds were paid to the subrecipients. While we did collect year end information related to advances, the MSDHA did not process an adjustment to account for them. The MSHDA originally prepared its SEFA based on guidance outlined in the AICPA Audit Guide for the Government Auditing Standards and Single Audits, Chapter 7, paragraph 7.07 and

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Table 7-1, and Title 2, Subtitle A, Chapter II, Part 200, Subpart F, 200.502. This guidance indicates that the basis for determining when federal awards are expended for amounts provided to subrecipients is when the disbursement is made to the subrecipient. After reviewing guidance within Title 2, Subtitle A, Chapter II, Part 200, Subpart A, 200.1 related to accrual expenditures and consulting with the OAG and the Michigan Office of Financial Management (OFM) during this Single Audit, the MSHDA adjusted its SEFA to align with the guidance in Subpart A.

The MSHDA does perform subsequent procedures to determine allowable expenses and requires sub-grantees to submit supporting documentation in the Financial State Report (FSR) process. Cumulative data is compiled quarterly by program staff and provided to finance staff.

Subpart a. The \$72,557,946 in CERA program funds and \$17,283 in ESG funds were properly advanced to sub-grantees in accordance with the grant agreements. Expenditures are supported with documentation through the FSR process. MSHDA adjusted our SEFA and the reporting of expenditures.

Planned Corrective Action

a. The MSHDA agreed to adjust our FY20-21 financial statements to align with the guidance in Subpart A. This is 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.

Completion Dates

Completed: March 17, 2022.

Anticipated Completion date: June 30, 2022.

Responsible Individual(s)

Jason Fedewa, Chief Accountant

Finding 2021-003

MATT 2.0 Security Management and Access Controls

Management Views

The MSHDA agrees.

3.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 in process.

3.b The MSHDA agrees. The MSHDA could be more proactive at monitoring user activity in the MATT 2.0 system. This was a finding for the same system that was audited, and part of the OAG performance audit report issued during this audit period in May 2021, which covered July 1, 2017 through December 31, 2019. Remediation is

already in process and almost complete. The MSHDA informed the OAG auditors of this open finding at the start of the audit and that the MSHDA has been in the process of remediation.

3.c. The MSHDA agrees. Please note that the 8 other State employees referenced are state employees, but these are actually set as external users in the system.

Historically, the MSHDA has always made a distinction between internal users and external users, as external users do not have the ability to access the main MATT 2.0 system. One key to better understand the system design is that when the MSHDA partners with a company, the system creates an external company portal that gives the company various tools that they can choose to utilize. This portal does not give nor allow access to the main MATT 2.0 system. These external company portal users are not considered system accounts and the system design does not allow unauthorized access, use, disclosure, or denial of State of Michigan information. However, the MSHDA's goal is to ensure the utmost security in our IT systems and agrees that regardless of internal or external, these accounts need to be disabled in a timely manner as the State's policy does not differentiate between the two. Therefore, as recommended, the MSHDA will start treating the external portal users the same as full system users and ensuring appropriate disabling of these accounts. To that end, Remediation is already in process as part of 3.a and 3.b and almost complete. Going forward the MSHDA will ensure timely disabling of both internal and external accounts.

Planned Corrective Action

The MSHDA Technical Support Services (TSS) department is completing a full user audit of the system as well as setting up the process of doing a semi-annual review of MATT 2.0 user accounts.

Anticipated Completion Date

October 31, 2022

Responsible Individual(s)

Mark Whitaker and SaVille Hill, MSHDA Technical Support Services

Finding 2021-004

MATT 2.0 Change Management Process

Management Views

The MSHDA agrees.

During the middle of calendar year 2020, the Technical Support Services (TSS) department was improving the existing change management process for MATT 2.0 and was aware of all system changes being requested during this time. These requests were all reviewed and recorded within a tracking system where there is documentation of which changes were allowed into production. As of November

2021, the MSHDA has completed implementing a stricter change management process which includes requiring electronically documented approval from the TSS department before any production changes can be made.

Corrective Action

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

Completion Date

November 10, 2021

Responsible Individual(s)

Mark Whitaker

SaVille Hill

Finding 2021-005

MSHDA, Subrecipient Monitoring – Subaward Information

Management Views

The MSHDA agrees.

Planned Corrective Action

As this project ended 12/31/2021, the MSHDA will ensure that the unique entity identifier is included in future grant agreements. The MSHDA will amend current grant agreements to include the unique entity identifier.

Completion Dates

- a. Project ended December 31, 2021.
- b. Correction for current grant agreements via amendment May 31, 2022.

Responsible Individual(s)

Juli Chant, Departmental Analyst

Peggy Pertner, Manager

Finding 2021-006

Housing Voucher Cluster, ALN 14.871 and 14.879, Activities Allowed and Unallowed and Allowable Costs/Cost Principles

Management Views

The MSHDA agrees.

Housing Assistance Payments of \$4.9 million were eligible expenses for both the CARES funding and Housing Choice Voucher Program. In December 2020 the CARES funding was used to pay for those Housing Assistance Payments. A journal entry was made to expense the cost to the CARES grant. However, after this entry, another entry

was made also charging the expense the Housing Choice Voucher Program. This accounting error was discovered and corrected in fiscal year 2022. The same expense was temporarily listed twice: no improper funds were requested of nor received from either federal funding source.

The expenditure of \$4,908,275 in program funds was applied toward allowable costs, despite the corrected accounting error, as evidenced by support documentation for those expenditures.

Planned Corrective Action

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

Anticipated Completion Date

June 30, 2022

Responsible Individual(s)

Jason Fedewa, Chief Accountant

Finding 2021-007

Coronavirus Relief Fund, ALN 21.019 (COVID-19), Activities Allowed or Unallowed and Allowable Costs/Cost Principles – Payments in Excess of Grant Award Amount

Management Views

The MSHDA agrees.

The reported condition was identified by MSHDA program staff as a technical system error that was reported to the 3rd party vendor for correction upon identification of the error. OAG auditors were affirmatively notified of this condition during their audit.

Planned Corrective Action

System error: The MSHDA notified the system vendor of this error on 12/23/2020. The issue was corrected by the vendor and the fix was moved into production on 1/28/2021. Reports were then worked on and generated to help identify any possible overpayments. During this time, it was discovered that there were still issues with the 'Cash on Hand' and the final fix went into production on 8/27/2021. Screenshots of the code changes fixing this issue were provided to the OAG during the audit.

Overpayment: MSHDA began seeking repayment of the overpayment upon identification of the error. The overpayment was communicated to the sub-recipient and a demand for repayment was issued. The MSHDA notified the sub-recipient that a reconciliation will be performed in accordance with 2 CFR 200.1 once the funds are returned. The MSHDA is also coordinating with federal grantor agencies to recapture overpaid funds.

Completion Dates

System error: Completed August 27, 2021.

Overpayment: Anticipated Completion October 1, 2022, pending coordination with federal grantor agencies.

Responsible Individual(s)

System error: Mark Whitaker, MSHDA Technical Support Services

Overpayment: Jonathan Hilliker, MSHDA Audit, Compliance, and Fraud Investigation

Finding 2021-008

Emergency Rental Assistance, ALN 21.023, Procurement and Suspension and Debarment – Suspension and Debarment Process

Management Views

The MSHDA agrees with this finding.

The MSHDA did not previously have an established process, specific to CERA, to check for suspensions or debarments; however, we relied on a parallel process in FY21 for the ESG program, which includes CERA fiduciaries and a check for suspension or debarment.

Planned Corrective Action

The MSHDA has already implemented corrective action to address this condition. The MSHDA is performing a separate check for CERA sub-grantees and separately documenting the result and time the check was performed.

Further, the MSHDA is working to incorporate this suspension or debarment check in our existing sub-grantee profile review process (initially and annually) where this check is performed for all federal sub-grantees administered by the MSHDA.

Completion Dates

CERA-specific suspension or debarment check implemented: January 4, 2022

Responsible Individual(s)

Jack Ho