
Michigan State Housing Development Authority

(a component unit of the State of Michigan)

Federal Awards Supplemental Information

June 30, 2024

Independent Auditor's Reports

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Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

Independent Auditor's Report

To the Board of Directors and
Mr. Doug A. Ringler, CPA, CIA,
Auditor General, State of Michigan
Michigan State Housing Development Authority

We have audited the financial statements of the business-type activities of Michigan State Housing Development Authority (the "Authority"), a component unit of the State of Michigan, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements. We issued our report thereon dated October 25, 2024, which contained an unmodified opinion on the financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements. We have not performed any procedures with respect to the audited financial statements subsequent to October 25, 2024.

The accompanying schedule of expenditures of federal awards is presented for the purpose of additional analysis, as required by the Uniform Guidance, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Plante & Moran, PLLC

March 25, 2025

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of
Financial Statements Performed in Accordance with *Government Auditing Standards*

Independent Auditor's Report

To Management; the Board of Directors; and
Mr. Doug A. Ringler, CPA, CIA,
Auditor General, State of Michigan
Michigan State Housing Development Authority

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of Michigan State Housing Development Authority (the "Authority"), a component unit of the State of Michigan, as of and for the year ended June 30, 2024 and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated October 25, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a certain deficiency in internal control that we consider to be a material weakness and another deficiency that we consider to be a significant deficiency.

A deficiency in internal control exists when the design or operation of a control 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. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Authority's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as Finding 2024-001 to be a material weakness.

A significant deficiency is 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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as Finding 2024-002 to be a significant deficiency.

To Management; the Board of Directors; and
Mr. Doug A. Ringler, CPA, CIA,
Auditor General, State of Michigan
Michigan State Housing Development Authority

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The Authority's Responses to the Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Authority's responses to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The Authority's responses were not subjected to the other auditing procedures applied in the audit of the financial statements, and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Plante & Moreau, PLLC

October 25, 2024

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

Independent Auditor's Report

To the Board of Directors and
Mr. Doug A. Ringler, CPA, CIA,
Auditor General, State of Michigan
Michigan State Housing Development Authority

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Michigan State Housing Development Authority's (the "Authority"), a component unit of the State of Michigan, 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 the Authority's major federal programs for the year ended June 30, 2024. The Authority'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 Authority complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of the major federal programs for the year ended June 30, 2024.

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* (the "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 the Authority 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 the Authority'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 the Authority's federal programs.

To the Board of Directors and
Mr. Doug A. Ringler, CPA, CIA,
Auditor General, State of Michigan
Michigan State Housing Development Authority

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 the Authority'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 a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Authority'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 the Authority'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 the Authority'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 the Authority'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.

Report on Internal Control Over Compliance

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.

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. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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.

To the Board of Directors and
Mr. Doug A. Ringler, CPA, CIA,
Auditor General, State of Michigan
Michigan State Housing Development Authority

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.

Plante & Moreau, PLLC

March 25, 2025

Michigan State Housing Development Authority

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2024

Federal Agency/Pass-through Agency/Program Title	Assistance Listing Number	Pass-through Entity Identifying Number	Total Amount Provided to Subrecipients	Federal Expenditures
U.S. Department of Housing and Urban Development:				
Section 8 Project-Based Cluster:				
Section 8 - Project-Based Rental Assistance	14.195		\$ -	\$ 437,686,256
Lower Income Housing Assistance Program - Section 8 Moderate Rehabilitation	14.856		-	214,686
Total Section 8 Project-Based Cluster			-	437,900,942
Housing Voucher Cluster:				
Section 8 Housing Choice Vouchers	14.871		-	284,617,314
COVID-19 - Section 8 Housing Choice Vouchers	14.871		-	8,119,492
Mainstream Vouchers	14.879		-	1,536,818
Total Housing Voucher Cluster			-	294,273,624
Housing Counseling Assistance Program	14.169		621,375	695,327
Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii:				
Community Development Block Grants	14.228		-	672
Recovery Housing Program	14.228		-	894,437
Neighborhood Stabilization Program	14.228		40,708	40,708
Total Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii			40,708	935,817
Emergency Solutions Grant Program	14.231		8,906,045	8,906,045
COVID-19 - Emergency Solutions Grant Program	14.231		4,580,809	4,580,809
Total Emergency Solutions Grants			13,486,854	13,486,854
Home Investment Partnerships Program	14.239		-	13,159,625
COVID-19 - Home Investment Partnerships Program	14.239		4,484,746	5,069,990
Total Home Investment Partnerships Program			4,484,746	18,229,615
ARRA - Neighborhood Stabilization Program	14.256		530,857	530,857
Tax Credit Assistance Program	14.258		-	1,867,645
Continuum of Care Program	14.267		2,867,910	2,867,910
Housing Trust Fund	14.275		-	8,310,661
Project Rental Assistance Demonstration (PRA Demo) Program of Section 811				
Supportive Housing for Persons with Disabilities	14.326		1,244,814	1,244,814
Performance Based Contract Administration Program	14.327		-	15,170,097
Family Self-Sufficiency Program	14.896		-	1,479,974
Total U.S. Department of Housing and Urban Development			23,277,264	796,994,137
U.S. Department of the Treasury:				
COVID-19 - Coronavirus Relief Fund	21.019		-	(253,557)
COVID-19 - Emergency Rental Assistance Program	21.023		10,519,921	16,401,742
COVID-19 - Homeowner Assistance Fund	21.026		-	56,630,024
COVID-19 - State and Local Fiscal Recovery Funds - MI-HOPE Program	21.027		20,433,185	21,570,283
COVID-19 - State and Local Fiscal Recovery Funds - Missing Middle Program	21.027		-	5,811,980
COVID-19 - State and Local Fiscal Recovery Funds - Housing and Community Development Fund Program	21.027		1,776,229	4,482,539
Total COVID-19 - State and Local Fiscal Recovery Funds			22,209,414	31,864,802
Total U.S. Department of the Treasury			32,729,335	104,643,011
Other Federal Assistance -				
COVID-19 - Housing Stability Counseling Program	99.U19		-	44,150
Total expenditures of federal awards			\$ 56,006,599	\$ 901,681,298

See notes to schedule of expenditures of federal awards.

Notes to Schedule of Expenditures of Federal Awards

Year Ended June 30, 2024

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Michigan State Housing Development Authority (the "Authority") under programs of the federal government for the year ended June 30, 2024. The information in the 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* (the "Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of the Authority, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Authority.

Note 2 - Summary of Significant Accounting Policies

Expenditures reported in the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The pass-through entity identifying numbers are presented where available.

The Authority has elected not to use the 10 percent *de minimis* indirect cost rate to recover indirect costs, as allowed under the Uniform Guidance.

Schedule of Findings and Questioned Costs

Michigan State Housing Development Authority

Schedule of Findings and Questioned Costs

Year Ended June 30, 2024

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? ☒ Yes ☐ No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? ☒ Yes ☐ None reported
- Noncompliance material to financial statements noted? ☐ Yes ☒ None reported

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? ☐ Yes ☒ No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? ☐ Yes ☒ None reported
- Any audit findings disclosed that are required to be reported in accordance with Section 2 CFR 200.516(a)? ☐ Yes ☒ No

Identification of major programs:

Assistance Listing Number	Name of Federal Program or Cluster	Opinion
14.871/14.879	Housing Voucher Cluster	Unmodified
14.275	Housing Trust Fund	Unmodified
14.327	Performance Based Contract Administration Program	Unmodified
21.023	Emergency Rental Assistance Program, including COVID-19	Unmodified
21.027	State and Local Fiscal Recovery Funds, including COVID-19	Unmodified

Dollar threshold used to distinguish between type A and type B programs:

\$3,000,000

Auditee qualified as low-risk auditee?

☐ Yes ☒ No

Michigan State Housing Development Authority

Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2024

Section II - Financial Statement Audit Findings

Reference Number	Finding
2024-001	<p>Finding Type - Material weakness</p> <p>Criteria - Strong internal controls include ensuring that all transactions are appropriately accounted for and reported in the financial statements.</p> <p>Condition - Unique transactions entered into during fiscal years 2023 and 2024 were not reflected appropriately in the general ledger.</p> <p>Context - The unique transactions relate to one-time appropriations of State of Michigan funds (such as the General Fund), which the Authority does not receive on a regular basis. Appropriations from State of Michigan funds should be recognized by the Authority as revenue in the fiscal year of the appropriation, absent any other eligibility criteria under GASB Statement No. 33. Revenue related to appropriations from State of Michigan funds for housing gap financing (\$150 million in fiscal year 2023), housing and community development (\$50 million in fiscal year 2024), and legislative enhancement (\$94.3 million in fiscal year 2024) was recorded as revenue only to the extent associated expenses were incurred rather than in the fiscal year of the appropriation, as required by GASB Statement No. 33.</p> <p>Cause - A mechanism was not in place to identify the proper accounting treatment for unique transactions, such as the appropriations from State of Michigan funds.</p> <p>Effect - As a result, adjustments were necessary to the fiscal year 2023 and 2024 financial statements to comply with GASB Statement No. 33.</p> <p>Recommendation - Management should implement a mechanism to capture transactions that are unique in nature so that they can be accounted for appropriately.</p> <p>Views of Responsible Officials and Planned Corrective Actions - The Authority agrees with this finding. The Authority has implemented a confirmation process with the State of Michigan to receive third-party verification of any new funding sources provided by the State. Additionally, prior to completion of audit fieldwork, the Authority's finance team will meet with its external auditors to review new funding sources and their applicable accounting treatment.</p>

Michigan State Housing Development Authority

Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2024

Section II - Financial Statement Audit Findings (Continued)

Reference Number	Finding
2024-002	<p>Finding Type - Significant deficiency</p> <p>Criteria - Effective reconciliation procedures over federal grants should be in place in order to properly reflect activity for the COVID-19 State and Local Fiscal Recovery Fund (SLFRF) - MI-HOPE program in accordance with generally accepted accounting principles (GAAP).</p> <p>Condition - The Authority did not accrue for expenses incurred by subrecipients but not yet paid by the Authority through June 30, 2024. Additionally, the Authority did not record cash advances held by certain subrecipients as an asset at June 30, 2024.</p> <p>Context - Federal expenses and associated federal revenue were understated by \$4.8 million as a result of expenses incurred by subrecipients but not yet paid by the Authority. Additionally, an asset of \$5.8 million representing cash advances held by certain subrecipients at June 30, 2024 was not recorded. As a result of these items, the Authority's liability associated with the MI-HOPE program, either related to accounts payable or amounts paid in advance to subrecipients, was also understated by \$5.8 million at June 30, 2024.</p> <p>Cause - The Authority did not have effective processes in place to accurately identify and record expenses incurred by the subrecipients but not yet reimbursed by the Authority through year end or cash advances held by certain subrecipients at year end for the MI-HOPE program.</p> <p>Effect - As a result, adjustments to the financial statements were required to accurately reflect MI-HOPE program activity for fiscal year 2024 in accordance with GAAP.</p> <p>Recommendation - We recommend the Authority enhance its internal control over the reconciliation of the MI-HOPE program grant activity to ensure the financial statements accurately reflect expenses incurred, revenue earned, and cash advances held by subrecipients.</p> <p>Views of Responsible Officials and Planned Corrective Actions - The Authority agrees with this finding. The Authority's finance team will work with the program area during its year-end closing process to obtain subrecipient account records. The Authority will implement a new process for subgrantee and internal program area reporting to ensure timely submission of this data. This information will be used to reconcile discrepancies and more accurately reflect programmatic expenditures.</p>

Section III - Federal Program Audit Findings

None



STATE OF MICHIGAN

GRETCHEN WHITMER
GOVERNOR

MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY
LANSING

AMY HOVEY
CHIEF EXECUTIVE OFFICER
AND EXECUTIVE DIRECTOR

Michigan State Housing Development Authority
Summary Schedule of Prior Audit Findings
Fiscal Year Ended June 30, 2024

Findings Related to the Financial Statements

Prior Year Finding Number:
2023-001

Fiscal Year in Which the Finding Initially Occurred:
2023

Original Finding Description:

During fiscal year 2023, MSHDA did not perform procedures to determine the amount of expenditures incurred by the subrecipients but not yet reimbursed by MSHDA through June 30, 2023 or to reconcile expenditures reported in the general ledger to ERA program reporting to the U.S. Department of the Treasury.

Status:
Fully corrected.

Findings Related to the Federal Awards

Prior Year Finding Number:
2023-002

Fiscal Year in Which the Finding Initially Occurred:
2023

Federal Agency, Assistance Listing Number and Name:
14.327, U.S. Department of Housing and Urban Development (HUD).
Performance Based Contract Administration Program

Original Finding Description:

The original SEFA prepared for audit purposes included expenditures that should have been reported under ALN 14.327 under the Section 8 Project-Based Cluster.

Status:
Fully corrected.



STATE OF MICHIGAN

GRETCHEN WHITMER
GOVERNOR

MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY
LANSING

AMY HOVEY
CHIEF EXECUTIVE OFFICER
AND EXECUTIVE DIRECTOR

Management Views and Corrective Action Plan

Findings Related to the Financial Statements

Finding Reference Number: 2024-001

Recommendation: Management should implement a mechanism to capture transactions that are unique in nature so that they can be accounted for appropriately.

Agency Response:

The MSHDA agrees with this finding.

The Authority has implemented a confirmation process with the State of Michigan's State Budget Office to receive third-party verification of any new funding sources provided by the State. Moving forward, prior to completion of audit fieldwork, the Authority's finance team will meet with its external auditors to review new funding sources and their applicable accounting treatment.

Completion date:

3/12/2025

Responsible Individual(s):

Jason Fedewa, Director of Finance

Finding Reference Number: 2024-002

Recommendation: We recommend the Authority enhance its internal control over the reconciliation of the MI-HOPE program grant activity to ensure the financial statements accurately reflect expenses incurred, revenue earned, and cash advances held by subrecipients.

Management Views

The MSHDA agrees with this finding.

Corrective Action

The Authority implemented a new process for subgrantee and internal program area reporting to ensure timely submission of this data. Moving forward, this process will be used to reconcile discrepancies and more accurately reflect

programmatic expenditures. The Authority's finance team will work with the program area during its year end closing process to obtain subrecipient account records.

Completion Date(s)

3/12/2025

Responsible Individual(s)

Jason Fedewa, Director of Finance