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City of Detroit

**FY 2022 Pre-audit Communication and
FY 2021 Single Audit Summary of Results**



Responsibilities under GAAP and GAS

- To express an opinion on whether the financial statements prepared are fairly presented in accordance with U.S. Generally accepted accounting principles (GAAP).
- We are required to communicate all noncompliance with provisions of laws, regulations, contracts or grants that may have a material effect on the financial statements.



Responsibilities under GAAP and GAS (continued)

- Government auditing standards also require that we report any instances of abuse identified during that audit that could be quantitatively or qualitatively material to the financial statements.
- Emphasis-of-matter in the auditor's report for the implementation of GASB 87, *Leases*



Planned Scope and Timing of Audit

- Audit fieldwork will include three phases:
 - Planning and risk assessment – June through August 2022.
 - Fieldwork and Deliverables – September through December 2022.
 - Completion of procedures in accordance with the above timing is highly dependent on the City's level of preparedness.



Planned Scope and Timing of Audit

- Reports issued by other auditors:
 - The City contracts with various auditors for portions of the City's group audit; these are identified in the pre-audit letter.
 - As allowed by auditing standards, we have determined it is impracticable for us to be involved in the component auditors' work to the extent which, in our judgment, would be necessary to assume responsibility for the work of the component auditors.
 - We will review the overall findings and conclusions of the component auditor that could have a material impact on the City's financial statements.



Identified Significant Risks of Misstatement

- Cash handling at locations without kiosks (new in 2022)
- Proper implementation of GASB Statement No. 87, *Leases* (new in 2022)
- Cash and investment valuation and completeness, including the processes and controls surrounding online banking.
- Proper accounting for customer billings, related receivables and allowances for doubtful accounts.
- Employee compensation expense and completeness as well as valuation and completeness of accumulated leave time balances.
- Property tax revenue and receivable valuation and completeness as well as potential liabilities for chargebacks from Wayne County.
- Income tax revenue and receivable valuation and completeness as well as liabilities for refunds.
- Allocation of common expenditures/expenses among the various funds to ensure the appropriate expenditures of the respective fund.



Identified Significant Risks of Misstatement (Continued)

- Interfund loans and transfers classification and allowability.
- Proper recording of capital assets including assets contributed between component units and governmental/business type activities.
- Liability for claims incurred but not reported is appropriately estimated by management.
- Proper cut-off of revenues and expenditures, including grant revenue and expenditures.
- Completeness and accuracy of the Schedule of Expenditures of Federal Awards, including tracking and allowability of Federal grand expenditures.
- Charging of payroll and other costs to both federal/non-federal programs (e.g. COVID-19 related funding) and existing federal awards resulting in the same expenditure being paid twice.
- Compliance with federal grant awards, including COVID related awards.



Identified Significant Risks of Misstatement (Continued)

- Proper recording of the net pension liability in accordance with GASB 68 and the net OPEB liability in accordance with GASB 75.
- Management override of financial data from the normal accounting processes.
- Proper implementation of GASB Statement No. 97 (new in 2022 – related to 457 plans).
- Management override of financial data from the normal accounting processes.
- Significant new transactions including but not limited to issuances of debt or other significant transactions with a financial reporting impact.



Response to Risks, Approach to Internal Controls and Materiality

- We will perform procedures (described in the pre-audit letter) to specifically address the risks identified above.
- We will gain an understanding of the City's internal controls but will not express an opinion on the effectiveness of these controls over financial reporting.
- The concept of materiality is inherent in our work. We place greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than with those items of lesser importance or those in which the possibility of material error is remote.



Views from the Committee

An important aspect of this communication process is the opportunity for us to obtain from you information that is relevant to our audit;

- City of Detroit's objectives and strategies, and the related business risks that may result in material misstatements.
- Matters you consider warrant particular attention during the audit.
- Concerns about the City of Detroit's internal control and its importance to the City, including oversight of the effectiveness of internal control and the detection or possibility of fraud.
- Significant communications with regulators.
- The actions of the City Council in response to developments in accounting standards, regulations, laws, previous communications from auditors, and other related matters.



Single Audit Summary of Results

FY 2021



Single Audit Summary of Results FY 2021

	FY 2021	FY 2022
Single audit opinion date:	June 28, 2022	Goal to issue with ACFR
Original due date:	3/31/22	3/31/23
Extended due date:	9/30/22	No extensions available

Matters of Emphasis

FY 2021	FY 2022
10 major programs	Preliminarily - 10 major programs
HUD monitoring report issued Nov. 2021	2021 HUD monitoring matters remain open
Additional procedures to address HUD monitoring results	Significant pandemic funding
Significant pandemic funding	



Single Audit Summary of Results FY 2021

FY 2021 Major Program Summary				
	Assistance Listing #	Federal Program/Cluster	Opinion	# of Findings
1	10.557	Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)	Qualified	1
2	14.218	CDBG Entitlement Grants Cluster (CDBG Cluster)	Qualified	5
3	14.241	Housing Opportunities for Persons with Aids (HOPWA)	Qualified	2
4	14.231	Emergency Solutions Grant (ESG)	Unmodified	1
5	14.239	Home Investment Partnerships (HOME)	Unmodified	None noted
6	14.248	Community Development Block Grant – Section 108 Loan Guarantees (Section 108)	Unmodified	1
7	20.500/20.507	Federal Transit Cluster (FTC)	Unmodified	None noted
8	21.019	Coronavirus Relief Fund (CRF)	Unmodified	1
9	66.468	Drinking Water Revolving Cluster (DWR Cluster)	Unmodified	None noted
10	97.036	Disaster Grants – Public Assistance (FEMA)	Unmodified	1



Single Audit Finding Summary FY 2021

Finding Number	Finding Type	Major Program/Questioned Costs	Description
2021-006	MW and MNC	ALN 14.241 – HOPWA Questioned costs - \$712,939	HUD's monitoring noted that procurement requirements were not followed for a specific contractor. The contractor was paid \$712,939 during the FY. *
2021-007	MW and MNC (repeat finding)	ALN 14.241 – HOPWA Questioned costs - \$2,189	There were two instances out of 60 where the calculation of rental assistance was not available. The QC represents actual rental assistance provided during the FY.
2021-008	MW and MNC	ALN 10.557 – WIC Questioned costs - \$1,542,347	HUD's monitoring noted that procurement requirements were not followed for a specific contractor. The contractor was paid \$1,542,347 during the FY. *
2021-009	MW and MNC	ALN 14.218 – CDBG Cluster Questioned costs - \$442,785	HUD's monitoring noted two vouchers charged to the grant that lacked sufficient documentation during the FY. The two vouchers totaled \$442,785. *
2021-010	MW and MNC	ALN 14.218 – CDBG Cluster Questioned costs - \$419,589	HUD's monitoring noted disallowed expenditures incurred by one of the City's subrecipients. The voucher totaled \$419,589. *

** Note – This finding was included in the HUD Monitoring reported dated September 23, 2021.*



Single Audit Finding Summary FY 2021

Finding Number	Finding Type	Major Program/Questioned Costs	Description
2021-011	MW and MNC	ALN – 14.218 – CDBG Cluster Questioned costs - \$1,060,837	HUD’s monitoring noted that the City did not report program income earned from the 0% Loan Program and did not reflect the program income and expenditures of program income withing the GL. The QC represent the total amount of program income reported to HUD. *
2021-012	MW and MNC	ALN – 14.231 – ESG Questioned costs - \$366,011	HUD’s monitoring noted disallowed expenditures incurred by one of the City’s subrecipients. The voucher totaled \$366,011. *
2021-013	MW	ALN – 14.218 (CDBG Cluster); 14.248 (Section 108); 21.019 (CRF); 93.323 (ELC); and 97.036 (FEMA) Questioned costs – None	The SEFA was not complete and accurate. Inaccuracies were noted in the programs listed. The errors were corrected by management.
2021-014	MW and MNC	ALN 14.218 – CDBG Cluster Questioned costs – None	The City did not file the FFATA report for CDBG-CV in a timely manner.

** Note – This finding was included in the HUD Monitoring reported dated September 23, 2021.*



**Thank you for the opportunity
to serve as auditors for the
City of Detroit.**