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August 25, 2026

FINAL REPORT TRANSMITTAL LETTER

Honorable Wayne County Commissioners:

Enclosed is our copy of the Office of Legislative Auditor General's Performance Audit report on the Wayne County Department of Economic Development, Community Development Division, HOME Investment Partnership Program. Our report is dated July 16, 2026; DAP No. 2024-57-007. The report was accepted by the Audit Committee at its meeting held on August 12, 2026, and formally received by the Wayne County Commission on August 20, 2026.

We are pleased to inform you that officials from the Wayne County Department of Economic Development - Community Development Division provided their full cooperation. If you have any questions, concerns, or desire to discuss the report in greater detail, we would be happy to do so at your convenience. This report is intended for your information and should not be used for any other purpose. Copies of all final reports of the Office of Legislative Auditor General can be found at our website at: [Legislative Auditor General Reports - Wayne County, Michigan]

Sincerely,

Marcella Cora, CPA, CIA, CICA
Auditor General

REPORT DISTRIBUTION

Wayne County Department of Economic Development
Anthony Cartwright, Interim Director
Betsy Palazzola, Community Development Division Director
Jeannie Fields, Community Development Specialist

Wayne County Department of Management & Budget
John Wallace, Chief Financial Officer
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Wanda Taylor, Department Administrator 3

Wayne County Executive

County of Wayne, Michigan

Department of Economic Development – Community Development Division

HOME INVESTMENT PARTNERSHIP PROGRAM

Performance Audit

July 16, 2026

DAP No. 2024-57-007

EXECUTIVE SUMMARY

Type of Engagement, Objective, Scope, and Audit Methodology

The Office of Legislative Auditor General (OAG) conducted a performance audit of the Wayne County Department of Economic Development, Community Development Division (CDD), HOME Investment Partnership Program (HOME). This type of engagement provides objective analysis to assist management and those charged with governance and oversight. The information contained within this audit report is intended to assist CDD management with improving the control environment over the HOME Program.

Our engagement objectives were to: a) assess compliance with grant regulations; b) assess the county's on-site monitoring of subrecipient activities; and c) determine if subrecipients and the county are seeking reimbursement on a timely basis for allowable costs. Our audit scope was initially set to cover the period of January 1, 2018 through current. However, due to limited HOME Program spending activity during the COVID-19 pandemic, we adjusted our audit scope to cover program years 2022 and 2023. For this engagement, we primarily assessed the Home Program Down Payment Assistance to eligible participants.

To address the objectives of this engagement, we held discussions with Community Development Division (CDD) management to assess whether adequate monitoring and oversight were conducted over HOME Program operations during our scope period. We also held discussions with CDD management to determine whether sufficient controls were established to ensure that the county was compliant with the requirements that are stated in the HOME Investment Partnerships Program Final Rule issued by HUD.

Introduction

The HOME Investment Partnership Program (HOME) was created by the federal government to provide affordable housing opportunities by promoting homeownership and by maintaining, improving, and expanding the supply of decent, safe, and sanitary housing. The U.S. Department of Housing and Urban Development (HUD) plays a critical role in the HOME Program by overseeing its administration, providing funding to state and local governments, and ensuring compliance with program regulations.

The Department of HUD has awarded Wayne County millions of dollars each year to operate the HOME Program. For program years 2022 through 2024, HUD awarded Wayne County a total of nearly $8.8 million in HOME grant funds. These allocations fluctuated between $2.5 million and $3.1 million annually – over the three program years.

The Community Development Division (CDD) is responsible for administering HOME grant funding to eligible subrecipients each year through a competitive Request for Proposal (RFP) process. Subrecipients include local communities and non-profit organizations, such as National Faith Homebuyers, that provide housing assistance to eligible Wayne County residents.

CDD personnel are then required to submit a drawdown request in HUD's Integrated Disbursement and Information System (IDIS) to receive the awarded grant funding from HUD. The county receives electronic fund transfers from HUD to reimburse the general fund for dollars expended on HOME Program costs.

During program years 2022 and 2023, the County's HOME Program subrecipients expended a total of $2,229,811 in awarded grant funding. These expenditures were allocated to housing projects and program costs related to Community Housing Development Organization (CHDO) Rehabilitation, Tenant-Based Rental Assistance (TBRA), and Down Payment Assistance (DPA).

SUMMARY OF ISSUES	
AUDIT OBJECTIVE 1: ASSESS COMPLIANCE WITH RULES AND REGULATIONS	
Issue Identified	**Type of Issue**
2026-01 Insufficient Monitoring and Reporting of HOME Program Spending Activity (Pg. 11)	Control Deficiency
2026-02 HOME Program Funds that are Captured and Reallocated Not Formalized to Policy (Pg. 12)	Control Deficiency
2026-03 Enhancing Compliance and Oversight in Wayne County's Down Payment Assistance (DPA) Program (Pg. 13)	Significant Deficiency
2026-04 Noncompliance with HOME Program Match Requirement (Pg. 16)	Control Deficiency

AUDIT OBJECTIVE 2: ASSESS THE COUNTY'S ONSITE MONITORING OF SUBRECIPIENT ACTIVITIES	
Issue Identified	**Type of Issue**
2026-05 Strengthen Monitoring Controls and Oversight of Subrecipient Activities (Pg. 19)	Control Deficiency
AUDIT OBJECTIVE 3: DETERMINE IF SUBRECIPIENTS AND THE COUNTY ARE SEEKING REIMBURSEMENT ON A TIMELY BASIS FOR ALLOWABLE COSTS	
Issue Identified	**Type of Issue**
2026-06 Untimely HOME Drawdown Requests and Payments to Subrecipients (Pg. 21)	Control Deficiency
2026-07 Inaccurate Recording of HOME Program Revenue and Expenditures in the General Ledger (G/L) (Pg. 23)	Control Deficiency

Views of Responsible Officials

We shared the results of our engagement with CDD management and discussed the issues noted above. We have also included management's responses to the issues in the "Views of Responsible Officials" section of each identified issue in this audit report. There were seven (7) issues, and 23 recommendations. CDD management agreed with twenty (20) of the recommendations and partially agreed with three (3) recommendations.

Corrective Action Plan

A Corrective Action Plan (CAP) will be requested approximately 30 days after the audit report is formally received and filed by the Wayne County Commission (WCC). A follow-up review may be necessary if CDD management does not implement sufficient corrective action as requested.

REPORT DETAIL

PURPOSE / OBJECTIVE

The Office of Legislative Auditor General (OAG) conducted a performance audit of the Department of Economic Development, Community Development Division (CDD), HOME Investment Partnership Program (HOME). This type of engagement provides objective analysis to assist management, as well as those charged with governance and oversight. The information contained within this audit report is intended to assist CDD management with improving the internal controls over the HOME Program

Our engagement objectives were to: 1) assess compliance with grant regulations; 2) assess the county's on-site monitoring of subrecipient activities; and 3) determine if subrecipients and the county are seeking reimbursement on a timely basis for allowable costs.

SCOPE

We conducted this performance audit in accordance with Generally Accepted Governmental Auditing Standards (GAGAS) issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives.

We believe that the evidence obtained provides a reasonable basis for our conclusions based on our audit objectives. Our audit scope was initially set to cover the period of January 1, 2018 through current. However, due to the low HOME Program spending activity that occurred during the COVID-19 pandemic, we revised our audit scope to cover program years 2022 and 2023. For this engagement, we primarily assessed the Home Program Down Payment Assistance to eligible participants.

METHODOLOGY

To address the objectives outlined for this engagement, we held discussions with Community Development Division (CDD) management to assess the adequacy of monitoring and oversight over HOME Program operations during our scope period. We also held discussions with CDD management to assess whether adequate controls were in place to ensure the County's compliance with the requirements outlined in the HOME Investment Partnerships Program Final Rule.

We utilized TeamMate Analytics to statistically select samples of HOME Program drawdown requests for review and assessment during fieldwork testing. During our testing, we evaluated whether CDD management had established adequate controls in the following areas:

- Monitoring and reporting of HOME Program spending activities.
- Capture and reallocation processes for HOME Program funding.

- Approval and processing of Down Payment Assistance (DPA) applications.
- Compliance with HUD regulations, match requirements and/or the terms of HOME subrecipient agreements.
- Monitoring and oversight of subrecipient activities.
- Timeliness of drawdown requests and payments to grantees.
- Review and reconciliation of recorded HOME drawdown expenditures and revenues in the county's general ledger (G/L) system.

Finally, we met with CDD management to discuss our identified issues and recommendations, and to obtain their input and concurrence or disagreement with the audit report's final conclusions. Management's comments and proposed corrective actions have been incorporated into the audit report.

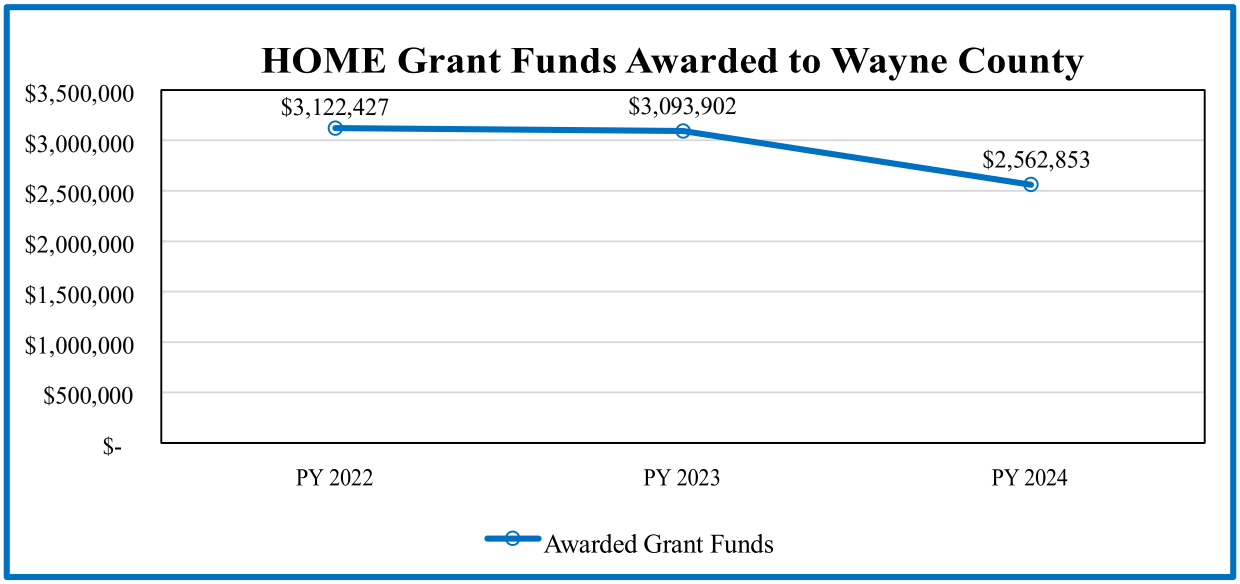
BACKGROUND

Establishment of the HOME Investment Partnership Program

In 1990, Congress passed the Cranston-Gonzalez National Affordable Housing Act, which established and authorized several new federal block grant programs within the United States. Among these, the HOME Investments Partnership Program (HOME) was established to promote affordable housing opportunities through homeownership and by maintaining, improving, and expanding the supply of decent, safe, and sanitary housing. As a result of the legislation, in July 2013, the Department of Housing and Urban Development (HUD) finalized the HOME Investment Partnerships Program Final Rule to provide guidance and stipulations for local governments to follow in the administration and execution of the HOME Program.

Over the past several years, HUD has been awarded Wayne County millions of dollars each year to operate the HOME Program. Between program years 2022 and 2024, the county was awarded a total of $8,779,182 in HOME grant funds. These allocations fluctuated between $2.6 million and $3.1 million during this three-year period, as shown in the table below.

The following types of housing-related services are offered through the Wayne County HOME Program: Down Payment Assistance (DPA), Tenant-Based Rental Assistance (TBRA), Housing Rehabilitation, and New Housing Construction.



Source: HUD Grantee Awards Report as of December 2024

<u>Awarding of HOME Grant Funding to Subrecipients</u>

The Community Development Division (CDD) has distributed millions of dollars in awarded HOME funds to local communities and non-profit organizations to provide housing assistance to eligible Wayne County residents.

County HOME funds are partially awarded through the following two processes:

(A) Each year, the CDD publishes a HOME Notice of Affordability/Request for Proposal (RFP) on the Department of Economic Development website to announce available HOME grant funding. To be considered, subrecipients must submit a completed RFP application and provide evidence that their municipality or organization meets the following minimum criteria:

- Benefits low-to-moderate income individuals and families in Wayne County.
- Has at least five (5) years of experience in managing federal grant funding.
- Can complete the project within 24 months.
- Ability to operate the program on a reimbursement basis.
- Requests a minimum of $50,000 in funding.

(B) Subrecipients must be in good standing with the State of Michigan and be able to provide a match equal to or no less than 25% of the total HOME grant funding requested. Once selected, the HOME grant awardee must sign a subrecipient agreement to receive the approved grant funding from Wayne County.

CDD also issues periodic RFPs in search of qualified developers of affordable housing projects. One such round was in the fall of 2025 and represents a major effort to expend prior year funding in a timely way, while providing hundreds of affordable housing units to Wayne County residents.

Community Housing Development Organizations, or CHDOs, are typically invited to apply to either process. Organizations wishing to become CHDOs are able to apply to do so on a semi-annual basis and often provisions for CHDO application are made within the RFP processes.

Wayne County HOME Consortium

The Wayne County HOME Consortium was founded to coordinate the use of HOME Program funds across multiple jurisdictions within Wayne County. Its purpose is to enhance affordable housing opportunities and improve community development efforts within participating municipalities.

Wayne County's HOME award is eligible to be spent in the 34 communities (the County's "participating jurisdictions" (PJs) that comprise the Wayne County Urban County under HUD; these are the communities that receive Community Development Block Grant (CDBG) funds from Wayne County since they do not have large enough populations to receive their own awards. The other 9 Wayne County communities receive their own CDBG funding. However, not all of them are eligible to receive HOME funds directly as HOME is a smaller program. Four of those communities—Dearborn, Lincoln Park, Livonia, and Taylor—opted to join in a Consortium with Wayne County to be able to access HOME funding.

Once a consortium is formed, recognized by HUD, and allocated funding, the "lead entity" (in this case, the County) is the "participating jurisdiction." If funded directly, other members of the consortium are treated as the County's subrecipients. To coordinate the deployment of this grant funding, Wayne County and local government officials agreed to execute a recurring interlock consortium agreement. The interlock consortium agreement is a binding agreement that connects the participating municipalities and the County to coordinate responsibilities and decision-making over HOME funds. This agreement must be renewed every three (3) years to remain binding and effective.

Many residents throughout the Wayne County PJs have received HOME funding through the Down Payment Assistance program. Several of the additional 4 Consortium members have opted to run DPA programs in their cities as well. CDD has also made recent conditional awards to affordable housing projects in other non-Consortium Wayne County communities such as Westland and Detroit, under strict requirements for mutual benefit and local contributions. This funding helps provide housing-related assistance to eligible Wayne County residents <u>living outside the consortium jurisdictions</u>, ensuring broader access to affordable housing opportunities across the region.

Community Housing Development Organizations (CHDOs)

Per HUD regulations, CDD must set aside at least 15% of its awarded HOME grant funds annually for potential eligible Community Housing Development Organization (CHDO) projects. To qualify for these set-aside funds, nonprofit organizations must submit a CHDO Certification/Recertification Application and demonstrate compliance with the 12-point eligibility criteria outlined in the application. The CDD has provided HOME grant funding to several certified CHDOs, including LifeBuilders, the Charles O. Miles Senior Non-Profit Housing Organization, and Wayne Metro Community Action Agency. In the case that no CHDOs propose eligible projects, the set aside may be released after 24 months and reprogrammed for other projects. CHDOs are also eligible for county HOME funds.

Down Payment Assistance (DPA) Program – National Faith Homebuyers (NFH)

In addition to the HOME-funded projects administered through municipalities and Community Housing Development Organizations (CHDOs), the CDD has partnered with National Faith Homebuyers (NFH), a nonprofit organization that administers the Down Payment Assistance (DPA) Program for eligible homebuyers. NFH has played a significant role in administering HOME-funded housing assistance activities on behalf of Wayne County and participating municipalities. Through this partnership, NFH assists income-eligible residents with down payment and closing cost assistance to support homeownership opportunities within Wayne County. NFH works in coordination with the County and participating jurisdictions to provide free credit counseling to applicants, process applications, verify eligibility, and facilitate the distribution of HOME-funded assistance to qualified homebuyers.

Due to the volume of HOME-funded transactions administered through NFH, the organization represents a significant portion of HOME Program activity for both Wayne County and its participating jurisdictions. As such, the CDD maintains oversight responsibilities to ensure NFH administered activities comply with applicable HOME Program regulations and the terms outlined in its subrecipient agreements.

HOME Subrecipient Spending Activity

During program years 2022 and 2023, the county's HOME Program subrecipients expended a total of $2,229,811 in awarded grant funding. These HOME Program expenditures were generated from housing projects that pertained to CHDO Rehabilitation, Tenant-Based Rental Assistance (TBRA), and Down Payment Assistance (DPA).

The CDD administers the HOME Program on a reimbursement basis. After receiving a subrecipient reimbursement request, division personnel approve reimbursements to subrecipients using General Fund dollars. To facilitate this process, CDD management must process and approve a voucher approval request form for subrecipients to receive a check disbursement from the County for eligible HOME program costs. After that, CDD management submits a drawdown request in the HUD Integrated Disbursement and Information System (IDIS) to obtain reimbursement from HUD. Once received, the HUD grant funding replenishes the General Fund dollars expended by the county for the HOME Program.

Subsequent Events Impacting the HOME Program

After our scope period years of 2022 and 2023, on March 6, 2025, the Wayne County Commission (WCC) approved an amendment to the subrecipient agreement between Wayne County and National Faith Homebuyers (NFH) for the 2023 Program Year (PY) Down Payment Assistance

(DPA) Program. As part of this amendment, the maximum DPA amount per applicant increased from $13,999 to $40,000 to address rising housing costs. The total HOME grant awarded to NFH remains at $300,000, which includes a $75,000 match requirement, and the contract term remains unchanged, covering the period from March 7, 2024, through June 30, 2026.

Since then, CDD has and anticipates continued support for the County DPA program with additional funding. Additionally, while WCC approved a maximum award amount of $40,000, CDD's states their business practice is that no homebuyer will receive more than $25,000 in total assistance. Additionally, many homebuyers will continue to need lesser amounts to cover their down payment needs, and each participant's assistance is calculated individually. Some Consortia members also choose to support DPA programs with their HOME allotment, and they are following the County's practice of maximum of $25,000 per client.

As a result, the increased assistance, while it could prove beneficial for some homeowners, also will limit the number of eligible homeowners seeking DPA assistance. Additionally, the amended agreement with NFH extends the affordability period to ten (10) years for recipients receiving more than $15,000 in DPA funding. This change aligns with HUD requirements and reflects the increase in assistance from the original $13,999 per applicant.

OBJECTIVE 1: ASSESS COMPLIANCE WITH RULES AND REGULATIONS

We assessed the control environment that Community Development Division (CDD) management established within the HOME Program process to ensure the county's compliance with HUD rules and regulations. Additionally, we evaluated whether the county adhered to the requirements outlined in the HOME Investment Partnerships Program Final Rule with the subrecipients during our scope period.

Conclusion

From our assessment, we determined that CDD management should strengthen controls in the following areas:

- Improve oversight of HOME Program expenditures to ensure awarded grant funds are spent within HUD guidelines.
- Formalize the HOME Program's process when capturing and reallocating program funds into policy to ensure a standardized procedure is followed.
- Strengthen the review process for Down Payment Assistance applications to ensure applicants meet program eligibility requirements.
- Establish policies and procedures to ensure compliance with HUD's match requirement.

Below are the specific conditions we identified above, along with the corresponding recommendations, to help manage and mitigate risks related to the county's compliance with HOME Program rules and regulations.

<u>**Insufficient Monitoring and Reporting of HOME Program Spending Activity**</u>

The Department of Housing and Urban Development (HUD) established the HOME Investment Partnership Program (HOME) to provide grant funding to state and local governments for affordable housing activities. Participating jurisdictions are responsible for monitoring their sub-recipients' progress toward spending activity.

We asked CDD management whether a process is in place to monitor and track HOME Program spending throughout the grant award period. In response, CDD management provided a copy of the Wayne County HOME Program Monitoring of Grantees and Subrecipients Procedures. Based on our review, we noted that the procedure does not require CDD management to evaluate the subrecipient's spending activity during the monitoring review process.

CDD management also stated that they currently report unspent HOME grant funds from prior program years within the current year's individual contract packages that are submitted to the Wayne County Commission (WCC) for approval. Based on our review of a 2023 contract package for National Faith Homebuyers (NFH), we noted that CDD management disclosed the amount of unspent funds for each program year in its communication to the Office of Fiscal Agency. However, the communication did not explain CDD's plan to expend the HOME funds prior to the funds being subject to capture or potential dates of capture.

In addition, CDD management has not established a formal process to report, on a periodic basis, unspent HOME funds to county officials. Without a formalized process to monitor subrecipient spending activity, the County may be unable to identify HOME projects that are stalled and/or delayed, which could result in loss of funds. However, CDD management stated they can provide this report to county officials going forward.

While CDD management has indicated there has been on-going discussion with HUD officials regarding the county's HOME Program, we assert CDD management will need to strengthen its internal controls over the monitoring, tracking, and reporting of HOME Program spending to maintain transparency over program spending activity and avoid capture from HUD.

<u>***Recommendation #2026-01 – Control Deficiency***</u>

To enhance the controls over the monitoring and reporting of HOME Program spending activity, we recommend CDD management establish policy and procedures that will ensure:

a) CDD management conducts periodic meetings with each of the Consortium Communities and Community Housing Development Organizations (CHDOs) to discuss the status of HOME Program spending activity throughout the year; and have Consortium Communities and/or CHDOs provide a periodic (i.e., monthly or quarterly) report on their status to expend awarded HOME Program funds.

b) CDD management provides periodic status reports to county officials for each Consortium Community, CHDO, and/or other project type, listing the total amount of HOME funds allocated and expended to date, as well as the date when any unspent HOME funds could be subject to capture.

Views of Responsible Officials

Management Agrees with the Recommendation(s)

Management agrees that enhanced policies and procedures are needed to ensure controls over HOME Program spending activity. CDD is in the process of fully updating its HOME Program policies and procedures under local HUD Field Office guidance and has contracted technical assistance providers to support this process.

HOME Program Funds that are Captured and Reallocated Not Formalized to Policy

The Department of Housing and Urban Development (HUD) requires local governments (PJ) to timely monitor sub-recipient spending of allocated program funds. HUD also requires local governments to establish and follow written policies and procedures for its HOME Program operations.

Beginning with FY 2015 grants, a participating jurisdiction is required to select the grant year's funds that will be committed to a specific project or activity. When the participating jurisdiction requests a draw of grant funds for that project or activity, HUD, through IDIS, now disburses the specific grant year's funds committed to that project or activity, rather than the oldest funds available. This change requires participating jurisdictions to commit specific FY grant funds and for HUD to assess commitment deadline compliance on a grant-specific basis.

HOME funds that become uncommitted for any reason after the funds have met their 24-month commitment deadline can be committed by the PJ to another eligible HOME project or activity.

During our period of review, we requested that CDD management provide a schedule listing the HOME Program funds that were captured from subrecipients due to inactivity and/or uncommitted and reallocated to new awardees during program years 2022 and/or 2023. CDD management stated in their response that no HOME Program funds had been captured and/or reallocated during this timeframe.

We also requested a copy of the formal policies and procedures governing the capture and reallocation of HOME funds to another eligible project or activity. CDD management responded that such policies were still being drafted and would soon be finalized. They further noted that discussions were ongoing with HUD representatives and legal counsel to determine appropriate language and criteria for the policy.

The absence of formalized policies and procedures creates a risk of inconsistency in how captured HOME funds are managed, potentially leading to an unfair or non-transparent reallocation process.

Without documented rationale for reallocating funds, transparency is reduced, random subjectivity is increased, and it becomes more difficult for third parties to assess the integrity of the reallocation process.

Management within CDD stated that moving forward, any captured HOME funds would be reallocated through the annual HOME Program Request for Proposal (RFP) process. They also indicated that they have discretion in reallocating such funds.

In conclusion, we assert that CDD management should formalize the county's HOME Program capture and reallocation process through written policies and procedures. This will help ensure a consistent, fair, and transparent approach, with clear documentation of the rationale and justification for all reallocation decisions and/or selection of a project or activity.

Recommendation #2026-02 – Control Deficiency

To enhance the control environment and transparency over the capturing and reallocating of uncommitted HOME Program funds, we recommend CDD management:

a) Finalize the capture and reallocation policy to writing.

b) Document the reasons and/or justification for capturing allocated HOME Program funds from subrecipients, along with the amounts captured, including the corresponding program year(s).

c) Document the rationale used to reallocate HOME Program funds to other subrecipients and/or newly identified projects or activities.

d) Provide county officials with periodic status reports detailing reallocated HOME funds from the various subrecipients, as well as the awarding of these captured to other subrecipients and newly identified projects.

Views of Responsible Officials

Management Agrees with the Recommendation(s)

Management agrees that enhanced policies and procedures are needed to better clarify and formalize the capture and reallocation process. This content is part of the current efforts underway to fully update HOME Program policies and procedures.

Enhancing Compliance and Oversight within Wayne County's Down Payment Assistance (DPA) Program

During our scope period, the Wayne County Down Payment Assistance (DPA) Program offered eligible first-time homebuyers up to $13,999 in assistance. The DPA Program is available in 37 communities across Wayne County, excluding Canton, Dearborn, Dearborn Heights, Detroit, Redford, and Westland.

The program targets low-income families and determines eligibility based on guidelines set by the Department of Housing and Urban Development (HUD). HUD restricts assistance to families with annual incomes at or below 80% of the area's median income. The DPA operates as a forgivable loan secured by a secondary mortgage; fully forgiven after five years if the home is not sold. Otherwise, repayment is required if the property is sold within the five-year affordability period.

While Community Development Division (CDD) is responsible for administering the HOME Program, National Faith Homebuyers (NFH) was contracted to assist with the program's administration and responsible for intake, certification, and approval of applications in accordance with HUD regulations and Wayne County standards. However, final review and approval of program cost are performed by CDD officials who also request reimbursements from HUD's Integrated Disbursement Information System (IDIS).

To evaluate compliance with DPA eligibility standards, we selected a statistical sample of 12 drawdown requests (or 8.5% of the 141 total requests during 2022 and 2023) for review. For each drawdown sample, we reviewed the application packet to assess key areas including, but not limited to:

1. Adherence to HUD's HOME Program income limits based on household size.

2. Compliance with Wayne County's maximum housing ratio of 35%.

3. Completeness of application packets.

Based on this assessment, we determined six (6) of the 12 (50%) application packets reviewed contained one (1) or more of the following exceptions in the three areas of assessment:

1. Income Limit Exceeded:
    - One applicant exceeded HUD's income limit for a family of four by $4,849 (2022 limit: $71,600; applicant's income: $76,449).

2. Excessive Housing Ratios:
    - Three (3) applicants surpassed the maximum housing ratio of 35%, an indicator of housing affordability calculated by dividing monthly housing expenses by monthly income.
        - Two applicants exceeded the maximum by 1% and 2% respectively;
        - However, one applicant's ratio exceeded the ratio by 11%; (a seasonal employee and used average amount earned over the past three years to determine monthly income)

Monthly Mortgage Payment	$1,034
/ Monthly Income	2,236
= Housing Ratio of	46%

3. Incomplete Application Packets:
   - Three (3) packets were missing required documentation, including:
     - 60 days of paystubs
     - Copy of Social Security Card
     - Homebuyer's Education Certificate (a program requirement)
     - Affidavit Regarding Conflict-of-Interest (ensures that there are no conflicts with county employees and/or subrecipient involved in decision-making or oversight of the DPA Program)
     - Affidavit of Voluntary Sell from the Seller (affirms that the sale of the property is voluntary)

4. No exceptions were noted in the remaining six (6) packets.

Although CDD officials have established review and approval procedures, the exceptions noted above suggest these procedures are not always applied consistently. Additionally, it appears that a secondary review may not be occurring prior to the approval of program applications which could have detected some of the noted exceptions.

Failure to follow a standardized and thorough review process increases the risk of approving ineligible applicants, which could result in noncompliance with HOME Program regulations. Such noncompliance may lead to unallowable program costs and potential repayment obligations for the County.

Recommendation #2026-03 – Significant Deficiency

To mitigate the identified issues and improve compliance with DPA Program requirements, we recommend CDD management:

a) Provide ongoing training to NFH and CDD staff to reinforce the importance of obtaining complete and accurate documentation for each application and assessing adherence to HUD and Wayne County standards.

b) Strengthen its internal review procedures by ensuring a secondary review is conducted prior to approving program applications and reimbursements.

c) Ensure the use of the Loan Checklist is conducted on every application and signed off by the reviewers to ensure that all required documentation has been submitted.

Views of Responsible Officials

Management Partially Agrees with the Recommendation(s)

CDD agrees with the importance to provide ongoing training to staff and subrecipients. CDD is updating the DPA program policies and procedures alongside the rest of the HOME program and will be retraining subrecipients on the materials and updated program guidelines.

At the time of this audit, program materials varied on the social security card requirement. A checklist used by program staff included collecting copies of social security cards while the prevailing policies and procedures did not, resulting in inconsistencies with what was held on file.

Since the time of this initial audit, CDD has implemented a secondary review prior to approving applications and reimbursements. CDD will make sure that the Loan Checklist is up to date and consistently applied.

Noncompliance with HOME Program Match Requirement

Section 92.218 of the Code of Federal Regulations (CFR) states that participating jurisdictions (PJs) must contribute at least 25% of the funds drawn from the Home Investment Trust Fund Treasury Account for each program year. The contributions must be for eligible activities that meet the HOME Program's affordable housing requirements.

Participating jurisdictions (PJs) must document compliance with the 25% matching contribution requirement in its Consolidated Annual Performance and Evaluation Report (CAPER) in accordance with 24 CFR 92.218 through 92.221This includes providing detailed information on:

- Eligible contributions made during the fiscal year;
- The sources of those funds;
- How the contributions supported activities that met the HOME Program's affordable housing requirements; and
- The deposit of matching funds into the HOME Investment Trust Fund Local Account.

Per regulations, there are two Trust Funds: The U.S. Treasury Home Investment Trust Treasury Account used to obtain drawdowns and the Local Trust Account which is used to deposit:

- ➢ Recaptured funds from homeowners not meeting program residential guidelines,
- ➢ Program income is defined as gross income received by the PJ which is directly generated from the use of HOME funds and matching contributions.
- ➢ Any interest earned, if applicable, on funds while deposited into the local Home account, and.
- ➢ Matching fund requirements – To be recognized as a cash contribution, matching funds must be non-federal and permanently contributed to affordable housing or to the Home Program. If such funds are not deposited in the required amount, the PJ cannot take match credit (See 24 CFR 92.220(a)(1)(iii).

In accordance with CFR 92.502(c)(3), Home Funds in the local account of the Home Investment Program must be distributed before drawdowns requests are made for Home Funds in the United States Treasury account.

In addition, Section 92.508 requires the four (4) PJs (i.e., Wayne County HOME Consortium), as well as the County, to maintain sufficient records to demonstrate compliance with HOME Program requirements, including match funds. Specific records must be kept for the amount and type of match contributions. PJs must also keep a running log and project records documenting match contributions by project (i.e., Down Payment Assistance (DPA)). These records must be available for the Department of Housing & Urban Development's (HUD's) review and must be maintained for at least 5 years after the completion of the project.

Based on discussions with management within the Community Development Division (CDD), the county has not included the 25% matching fund requirement in the contracts/agreements with subrecipients. As an example, a $300,000 award to National Faith Homebuyers (NFH) included a 25% match requirement of $75,000. CDD management acknowledged that this stipulation is not included in the subrecipient contract with NFH, rendering the match requirement unenforceable. According to CDD officials, NFH is aware of the match requirement and has indicated it fulfills the requirement by discounting homebuyer counseling services.

During discussions with the CDD officials, it was noted that the county relies on bank statements provided by NFH, which show deposits into NFH's checking account to document match contributions. However, these funds were not deposited into a HOME Investment Trust Fund Local Account owned by Wayne County as required. We were informed that the county has not established methodology to record the match deposits.

Therefore, no mechanism is currently in place to verify the accuracy of the amounts reported in the CAPER or to confirm the reported match contributions fulfill the HOME Program match requirements. Addressing these deficiencies is critical to ensuring accountability and compliance with HOME Program guidelines.

Further, we found that CDD officials have not formalized or included the 25% match requirement in subrecipient agreements. Additionally, CDD has not developed or implemented internal policies and procedures to ensure that a match log is maintained to track contributions toward meeting the requirement.

Not enforcing the 25% match requirement could lead to match funds being deemed noncompliant with federal regulations. Moreover, the absence of a match log hinders CDD's ability to track and report match contributions accurately and reduces accountability in how match obligations are met.

Recommendation #2026-04 – Control Deficiency

To ensure compliance with the HOME Program's match requirements, we recommend CDD management:

a) Amend the existing contract(s) to ensure the match contribution language is included in subrecipient contracts/agreements and details how the contribution will be met. (i.e., reduction in homebuyer counseling service fees, donated property etc.).

b) Establish the HOME Investment Trust Local Fund to capture the subrecipients' match requirements deposits, recaptured funds from homeowners etc., to provide accountability and transparency over this process.

c) Establish formal policies and procedures to ensure consistent adherence to the 25% match requirement is met. These policies should outline clear guidelines for monitoring and verifying match contributions.

d) Establish and maintain a log of match funds contributed by each subrecipient, supported by project-level documentation and/or invoices, to effectively track and monitor match contributions.

e) Implement a process to verify that all required match contributions are supported and reported accurately in the Comprehensive Annual Performance and Evaluation Report (CAPER) annually.

Views of Responsible Officials

Management Partially Agrees with the Recommendation(s)

CDD intends to revise future agreements in order to better represent match requirements, including removing that stipulation when it is no longer applicable.

CDD does not intend to create a local trust fund to capture match. This is because even when match is considered a “cash contribution” by HUD, it is often not actual money. Moreover, Wayne County will be meeting its match requirement through a different section of federal rule, “Forbearance of fees.” 24 CFR 92.220(a)(2)(i) This match is coming from the tax incentives provided to multi-family affordable housing projects within the County’s HOME program.

This process of determining match will be codified in the HOME program policies and procedures through the ongoing updating effort.

While CDD agrees that a log of match funds and documentation thereof should be created. However, HOME rules do not dictate that the 25% program match requirements be applied proportionately to each activity and subrecipient CDD funds using HOME. Instead, Wayne County is required to ensure that its HOME program on the whole meets the 25% requirement. Additionally, if eligible match in any given year exceeds 25% of that year’s HOME allocation, Wayne County may “bank” the excess match and apply it towards future program year match requirements.

CDD will work with M&B to understand how best to reflect match contributions within the County’s annual CAPER.

OBJECTIVE 2: ASSESS THE COUNTY'S ONSITE MONITORING OF SUBRECIPIENT ACTIVITIES

We also assessed whether Community Development Division (CDD) management developed adequate controls to ensure that HOME Program subrecipient activities were adequately monitored and tracked during our scope period.

Conclusion

We determined that CDD management has a policy requiring annual monitoring of HOME Program subrecipients; however, CDD currently only monitors Consortium Community activity on an annual basis. We recommend that CDD management consider conducting periodic monitoring reviews of all subrecipients to ensure compliance with HUD regulations.

Below are the specific conditions, along with the corresponding recommendations, that we identified to manage and mitigate risks with the county's onsite monitoring of HOME subrecipient activities.

Strengthen Monitoring Controls & Oversight of Subrecipient Activities

Section 92.504(a) of the Code of Financial Regulations (CFR) states "that local governments are required to review the performance and compliance of each contractor, State recipient, and/or subrecipient at least annually." Local governments are also required to establish written policies, procedures, and systems for monitoring the performance and compliance of all HOME grant awardees and subrecipients.

In addition, the Wayne County HOME Program Monitoring of Grantees and Subrecipients Procedures mandates annual monitoring by the Community Development Division (CDD) to ensure that its grantees and subrecipients comply with regulations in implementing the HOME Program. We inquired with CDD management to determine whether they conducted any monitoring audits and/or reviews for the subrecipients that received HOME grant funds during years 2022 and 2023.

In response, CDD management stated that the division had not conducted any monitoring reviews of non-consortium HOME Program subrecipients – such as National Faith Homebuyers or Wayne Metro Community Action Agency – during our scope period. As of March 2026, based on a follow-up email inquiry, CDD confirmed that no monitoring reviews or audits of these subrecipients had been conducted over the past few years.

The following chart outlines the aggregate drawdown amounts for the HOME Program subrecipients across various activities including Community Housing Development Organization (CHDO) Housing Rehabilitation, Tenant-Based Rental Assistance (TBRA), and Down Payment Assistance (DPA).

Total Drawdowns Submitted for Subrecipient Activity in Years 2022 & 2023	
HOME Program Subrecipients	**Aggregate Totals**
CHDO Rehabilitation	$230,638
Tenant Based Rental Assistance (TBRA)	$227,661
Down Payment Assistance (Non-Consortium)	$762,647
Down Payment Assistance (Consortium)	$1,008,886
Total Drawdown Amount	**$2,229,832**

Source: IDIS Drawdown Report provided on 3/7/2024

Given the substantial total of $1,220,946 across various non-consortium activities, annual monitoring of subrecipient activities is critical to mitigate and manage risks associated with administering the grant funded programs and to detect errors and omissions in a timely manner.

For years 2022 and 2023, CDD has not followed its internal procedures that require division personnel to monitor and review all HOME Program subrecipients at least annually by September 30th of each year.

The absence of periodic annual reviews of all subrecipient activity may prevent CDD management from timely identifying subrecipients that fail to meet eligibility requirements or comply with HOME Program regulations. This could result in the unallowable use of HOME grant funds and may impact county resources. Therefore, we conclude that CDD management should strengthen its controls to ensure all subrecipients are reviewed and assessed regularly, in accordance with internal policies and HUD regulations.

Recommendation #2026-05 – Control Deficiency

To enhance controls over the monitoring of HOME Investment Partnership Program subrecipient activity, we recommend that CDD management:
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a) Ensure division personnel, follow HUD regulations and internal policy, and conduct annual monitoring reviews of subrecipients awarded HOME grant funds on a go-forward basis, including but not limited to, periodic reviews for all subrecipients awardees.

b) Ensure the results and conclusions from the monitoring reviews are documented in a report and discussed with the subrecipient(s) to facilitate corrective action measures; and reports are retained for third-party review.

c) Develop a process to follow up on corrective actions implemented by the subrecipients and ensure that issues identified during monitoring reviews are resolved promptly.

Views of Responsible Officials

Management Agrees with the Recommendation(s)

CDD consulted with HUD on monitoring requirements and will be increasing the amount of monitoring it does annually. The process will be clarified in the updated policies and procedures. Monitoring of entities will be done according to a risk assessment for entities that are not otherwise subject to annual monitoring. Monitoring will be conducted using official HUD monitoring exhibits. Results will continue to be provided to and discussed with subrecipients and kept on file; follow up actions will be further documented and filed as well.

OBJECTIVE 3: DETERMINE IF SUBRECIPIENTS AND THE COUNTY ARE SEEKING REIMBURSEMENT ON A TIMELY BASIS FOR ALLOWABLE COSTS

We assessed whether Community Development Division (CDD) management established adequate controls to ensure the timeliness of HUD drawdown requests and the processing of payments to subrecipients. We also evaluated the accuracy of HOME-related expenditures and program income recorded in the County's general ledger system.

Conclusion

From our assessment, we determined that CDD management should strengthen controls over the timeliness of drawdown requests and the accuracy of recording HOME Program revenue and expenditures in the general ledger. Below are the specific conditions, along with the corresponding recommendations, that we identified to manage and mitigate risks within the HOME Program reimbursement process.

Untimely HOME Drawdown Requests and Payments to Subrecipients

The Department of Housing and Urban Development (HUD) requires local governments to submit drawdown requests in the Integrated Disbursement Information System (IDIS) to receive reimbursement for its HOME Program expenditures. Drawdowns are awarded grant funds obtained from HUD. In addition, CFR §92.502 and CFR §200.302 requires that satisfactory information and support is provided and/or retained for the drawdown amounts that are submitted in IDIS.

We requested CDD management to provide an updated IDIS report containing a listing of all drawdown requests that were submitted in IDIS during calendar years 2022 and 2023. We noted that our population contained 209 drawdown requests during the two (2) year period.

Using Teammate Analytics, we selected a statistical sample of 20 drawdown requests, or approximately 10% of the population, to assess the timeliness of the drawdown entry and the accuracy of the drawdown amount requested as reported in IDIS. We deemed any reimbursement requests and/or payments to subrecipients over 45 days or more as untimely based upon the criteria stated within Section 120-46(b) of the Wayne County Procurement Ordinance[1]. Of the 20 drawdowns selected, 19 of the samples related to HOME Program costs and the remaining one (1) expenditure pertained to HOME administrative costs.

CDD management provided the individual voucher packet for each of the 20 drawdowns. From our assessment, we found that 12 of the 20 sampled drawdown requests had a total of 16 exceptions in one (1) or more of the following areas:

- For ten (10) (or 50%) of the 20 samples, we found that the drawdown request was submitted for reimbursement in IDIS more than 45 days after the check payment was disbursed to the subrecipient. Therefore, the County utilized general fund dollars for an extended period after 45 days to cover HOME Program expenditures. The range exceeding 45 days was from 49 days up to 295 days.

- Six (6) sampled packages lacked an email from the subrecipient which would provide the date of the drawdown request.

We determined that our sample of 20 HOME drawdown requests had an aggregate dollar value of $280,144. Of this amount, $196,813 in HUD drawdown requests contained one or more of the exceptions noted above. No exceptions were noted for the remaining $83,331. See the table below.

Aggregate Dollar Value of Sampled HOME Drawdown Requests		
	Sample Total	**Dollar Value**
Exceptions	12	$196,813
No Exceptions	8	$83,331
Total(s)	**20**	**$280,144**

Therefore, we conclude that CDD management has not established a formal process to monitor the timeliness for submitting HOME Program drawdown requests throughout the year. Without a structured monitoring mechanism, CDD management may be unable to track outstanding or unsubmitted drawdown requests, potentially leading to instances where subrecipients have been reimbursed, but the corresponding reimbursement request to HUD remains unprocessed. Additionally, delays in requesting reimbursement from HUD may result in prolonged or excessive use of General Fund dollars.

Recommendation #2026-06 – Control Deficiency

To enhance controls over the submission, approval and reimbursement of HOME Program expenditures from HUD, we recommend CDD management:

[1] Section 120-46(b) of the Wayne County Procurement Ordinance

a) Establish a formal process for monitoring and tracking the timeliness of HOME drawdown expenditures that are received and reimbursed to sub-recipients and the respective HUD drawdown.

b) Ensure that each drawdown request is adequately supported by correspondence (i.e., emails) to substantiate when the IDIS reimbursement was requested by the subrecipient.

Views of Responsible Officials

Management Agrees with the Recommendation(s)

CDD is working to improve internal tracking of drawdowns so that delays are identified and addressed in a timely manner. The County recently moved its G/L to Oracle, so many of these processes are being revised and reestablished. Once fully implemented, subrecipient reimbursement requests must be submitted electronically via Oracle so dates will be automatically logged.

Inaccurate Recording of HOME Program Revenue and Expenditures in G/L

Verification of HOME Drawdown Expenditures in the General Ledger (G/L)

We inquired with CDD management to determine if they currently review and/or reconcile HOME drawdown expenditures recorded in HUD's Integrated Disbursement and Information System (IDIS) for reimbursement to HOME expenditures recorded in the county's general ledger system, for accuracy. CDD management stated within its written responses that they currently utilize a tracking sheet to review HOME drawdown expenditures throughout the year. However, they did not confirm that a reconciliation process had been established.

We requested CDD management to provide an Excel IDIS Report that contained a listing of all HOME drawdown requests that were created in the IDIS system during the years of 2022 and 2023. We analyzed the report and determined that a total of 209 drawdown requests were completed during 2022 and 2023. We also determined that a total of 173 of these completed drawdown requests pertained to HOME projects and the remaining 36 pertained to HOME administration costs.

Using Teammate Analytics, we statistically selected a sample of 23 drawdowns, or 11% of the population, to reconcile with the amounts recorded in the G/L. Nineteen (19) of the 23 samples related to HOME projects and the remaining four (4) pertained to HOME administrative costs.

Based upon our review of the 23 samples, we determined the following:

1) For 20 of our samples, we were able to determine that the drawdown expenditure amounts reported in IDIS were accurately recorded in the county's general ledger system. We noted that 19 of the 20 samples related to HOME projects and one (1) pertained to HOME administration costs.

2) For the remaining three (3) samples or 13%, we could not determine whether the HOME administrative drawdown expenditures recorded in IDIS were accurately posted to the G/L, resulting in the following reconciling differences:

HOME Drawdown Reconciling Differences			
IDIS Voucher No.	**Amount Recorded in IDIS System**	**Amount Recorded in G/L System**	**Dollar Variance**
6763951	$ 9,922	$7,221	$2,701
6680865	$8,856	$0	$8,856
6764227	$705	$0	$705
Total	**$19,483**	**$7,221**	**$12,262**

IDIS Voucher No. 6763951

We found that a total of $9,922 was submitted for reimbursement in IDIS for HOME Program administration costs in 2022. However, upon our review of the voucher packet and the county's G/L, only $7,221 of the drawdown amount was posted to the general ledger, resulting in an unreconciling difference of $2,701.

ED management stated that the drawdown amount of $9,922 should have been split between the HOME Program and the Community Block Development Grant (CBDG) Program. We noted that only $5,838 of the total amount pertained to the HOME Program and the remaining $4,084 should have been allocated to the CBDG Program. Thus, it resulted in a misclassification of program expenditures.

IDIS Voucher Nos. 6680865 and 6764227

We found that a total of $8,856 and $705, respectively, were submitted in IDIS for HOME administration costs; however, ED management was unable to provide the applicable HOME expenditure account, the Approval Request Form and/or the supporting schedules used to record the drawdown expenditure entry in the G/L. Therefore, we could not determine whether the drawdown expenditures were accurately recorded in the general ledger.

Without periodic reconciliations between IDIS and the G/L, CDD management may be unable to promptly identify drawdown expenditures that are omitted or inaccurately recorded in the county's general ledger. According to CDD management, although the annual reconciliation of HOME Program drawdowns was discontinued, management plans to collaborate with Management & Budget (M&B) to reinstate this process on a quarterly basis.

Additionally, we noted CDD management does not have a process in place to validate the accuracy of the journal entry recording program costs/revenues prior to preparing the journal entry to the general ledger. This lack of validation increases the risk of recording inaccurate expenditures and misclassifying costs between programs (e.g., HOME or CDBG).

Based upon our assessment, we determined that CDD management, overall (87%), is accurately recording the program expenditure reimbursement requests in the general ledger. However, given the 13% exception rate for the limited sample tested, management will need to strengthen its controls over the reconciliation of HOME drawdowns reported in IDIS and HOME expenditures recorded in the general ledger~~,~~ to ensure that the amounts are correctly reported in both financial systems.

Incorrect Recording of HOME Program Income

According to 24 CFR 92.503(c), recaptured HOME funds, including those received from a Down Payment Assistance (DPA) lien release, must be recorded as HOME Program Income and deposited into the HOME Investment Trust Fund.

During our fieldwork procedures, we noted an instance where a HOME funded property was sold during the affordability period, requiring the repayment of $10,249 to release the County's DPA lien. However, our review of the G/L showed that the repayment was incorrectly recorded as CDBG Program Income instead of HOME Program Income by CDD staff.

We followed up with CDD management, and they confirmed they were aware of the error. CDD had already requested a reclassification in the prior year and provided a copy of the email request dated July 2024. However, it is important to note that the correction was made 7 months after the reclassification was requested. Therefore, it appears CDD has not established followed up procedures with M&B to ensure HOME Program reclassification entries are processed in a timely manner.

Recommendation #2026-07 – Control Deficiency

To enhance controls over the reconciliation of HOME Program expenditures and program income in IDIS and/or the county's general ledger system, we recommend CDD management:

a) Develop policies and procedures to include, but not be limited to, the following:
    i. Conduct timely reconciliations of program expenditures and income.
    ii. Document and correct discrepancies during the reconciliation process between IDIS and/or the General Ledger systems in a timely manner.
    iii. Retain a sign-off on the reconciliation sheet upon completion.

b) Ensure that CDD management performs a detailed review of the HOME drawdown journal entry requests and the supporting documentation prior to preparing the entry for recording in the county's general ledger.

c) Ensure that CDD personnel re-establish the periodic reconciliation of all HOME Program drawdown expenditures that were submitted in IDIS to verify its accuracy and reconcile to the county's general ledger, at least quarterly.

d) Establish procedures to periodically follow up with M&B to ensure that identified program transaction errors (i.e., program income) are timely recorded and corrected in the G/L prior to year-end.

Views of Responsible Officials

Management Agrees with the Recommendation(s)

The ongoing effort to update HOME program policies and procedures includes revising and expanding upon financial management practice guidance. M&B has also modified its organization structure to assign specific staff to assist CDD with financial management needs, which includes reconciliations. CDD has also discussed enhanced reconciliation practices with HUD. The County recently moved its G/L to Oracle, so many of these processes are being revised and reestablished. CDD is working with M&B to develop methods within the new system to track and perform reconciliations.

OAG OVERALL CONCLUSION

We determined that the Department of Economic Development, Community Development Division (CDD) established controls to ensure that downpayment assistance funding was disbursed to DPA applicants in the correct amounts during our scope period. Also, CDD management also developed a HOME Program Subrecipient Monitoring Policy to strengthen their oversight of subrecipient activity. However, we determined the control environment could be further enhanced and developed.

Specifically, CDD management needs to enhance controls in the following areas, including but are not limited to:

- Monitoring the timeliness of HOME Program spending to identify uncommitted program funds that were allocated.
- Development of policies and procedures for the HOME Program capture of funds and reallocation process.
- Conducting detailed reviews of Downpayment Assistance Applications.
- Establishing a Local Home Trust fund to enhance accountability and transparency and enforce the matching fund requirement with HOME Program subrecipients to ensure compliance with HUD regulations.

- Revising internal policies to require grant-funded recipients be reviewed and monitored annually.

- Timeliness of drawdown requests to replenish the General Fund for HOME expenditures.

- Review and reconciliation of recorded HOME drawdown expenditures and revenues in the county's general ledger system.

Based on our audit, there were seven (7) areas, and 23 recommendations made to strengthen controls and improve processes within the HOME Program. Of the seven (7) issues identified, one (1) is classified as a significant deficiency requiring management attention in the near term, while the remaining six (6) are considered control deficiencies and deemed low risk.

We discussed the issues and corresponding recommendations with representatives from the Department of Economic Development, Community Development Division (CDD). CDD management agreed with twenty (21) of the recommendations and partially agreed with two (2) recommendations for the seven (7) identified issues/areas.

A Corrective Action Plan will be requested approximately 30 days after the audit report is formally received and filed by the Wayne County Commission (WCC). If sufficient corrective action is not implemented by management as requested, a follow-up review may be necessary.

This audit report is intended solely for the information and use of management within the Department of Economic Development, Community Development Division, and the Wayne County Commission. It is not intended to be, and should not be, used by anyone other than these specified parties. This restriction is not intended to limit the distribution of the audit report, which is a matter of public record.

Sincerely,

Marcella Cora, CPA, CIA, CICA
Auditor General

Appendix A

Definition of Internal Control Deficiencies

Control Deficiency (low risk)

A control deficiency exists when the internal control design or operation does not allow management or employees, in the normal course of performing their assigned functions, to prevent, detect or correct errors in assertions made by management on a timely basis. A deficiency in design exists when (1) a control necessary to meet the control objective is missing or (2) an existing control is not properly designed so that, even if the control operates as designed, the control objective is not met.

A deficiency in operation exists when a properly designed control does not operate as intended, or when the person(s) performing the control does not possess the necessary authority or qualifications to perform the control effectively.

Significant Deficiency (medium risk)

A matter that, in the auditor's judgment, represents either an opportunity for improvement or significant deficiency in management's ability to operate a program or department in an effective and efficient manner. A significant deficiency in internal control, or combination of deficiencies, that adversely affects the organization's ability to initiate, authorize, record, process or report data reliably in accordance with applicable criteria or framework such that it is more than a remote likelihood that a misstatement of the subject matter that is more than inconsequential will not be prevented or detected.

Material Weakness Deficiency (high risk)

A significant deficiency that could impair the ability of management to operate the department in an effective and efficient manner and/or affect the judgment of an interested person concerning the effectiveness and efficiency of the department. A significant or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of subject matter will not be prevented or detected.