

STATE OF MICHIGAN
WAYNE COUNTY CIRCUIT COURT

CECILY MCCLELLAN AND DEMPSEY ADDISON,
in her capacity as President of the
Association of Professional and
Technical Employees,

Case No.
Hon.

Plaintiff,

v.

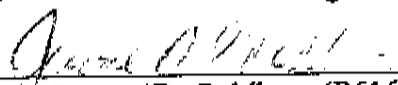
MAURA CORRIGAN, MAYOR DAVE BING,
And KIRK LEWIS

Defendants.

Jerome D. Goldberg (P61678)
Jerome D. Goldberg, PLLC
Attorney for Plaintiff
2920 East Jefferson, Suite 101
Detroit, MI 48207
(313) 393-6001

COMPLAINT

There is no other pending or resolved civil action arising out of
the transaction or occurrence alleged in the complaint.



Jerome D. Goldberg (P61678)

NOW COME Plaintiffs Cecily McClellan and Dempsey Addison, in her capacity as
President of the Association of Professional and Technical Employees, by and through their
attorneys, Jerome D. Goldberg, PLLC, and for their Complaint against the Maura Corrigan,
Mayor Dave Bing and Kirk Lewis state as follows:

JURISDICTION / PARTIES

1. Cecily McClellan is an employee of the City of Detroit, Department of Human Services, who is paid through a federal Community Services Block Grant (CSGB) which is distributed from the State of Michigan to the City of Detroit as the Community Action Agency.

2. Dempsey Addison is the president of the Association of Professional and Technical Employees (APTE), a union representing employees of the City of Detroit Department of Human Services whose jobs are funded through the Community Services Block Grant, including Cecily McClellan.

3. Maura Corrigan is the Director of the Michigan Department of Human Services.

4. Mayor Dave Bing is the mayor of the City of Detroit.

5. Kirk Lewis is the deputy mayor of the City of Detroit.

6. This complaint is for a writ of mandamus, injunctive relief pursuant to MCR 3.310 and declaratory relief pursuant to MCR 2.605.

COUNT 1 – VIOLATION OF MCL 400.1108, 42 USCS 9908, 42 USCS 9915, AND 45 CFR 96.92 BY MAURA CORRIGAN IN ILLEGALLY CUTTING OFF CSBC FUNDS TO THE CITY OF DETROIT.

7. Plaintiff incorporates paragraphs 1 – 6.

8. The City of Detroit operates as the designated Community Action Agency for the distribution and utilization of Community Service Block Grants which are awarded to the State of Michigan by the federal government for the benefit of residents of the City of Detroit.

9. The Community Service Block Grants are utilized to supply emergency services to needy Detroiters, including assistance to stop foreclosures, evictions and utility shut-offs, finding shelter, providing clothing, and assistance with transportation needs and tax preparation

10. Timothy Jewde, Anita Mitchell, Lynn Miller, Sonya Reed-Nichols, Tony Hernton, Trent Sanford and Cecily McClellan are City of Detroit employees who are members of

APTE. Their jobs are funded by CSBG grant funds as they administer the CSBG grants on behalf of the needy Detroiters who are helped by the grant funds.

11. APTE employees whose jobs are funded by the CSBG grant also help administer weatherization funds aimed at helping needy Detroiters.

12. In February, 3, 2012, Michigan Department of Human Services Supervisor Maura Corrigan approached City of Detroit Mayor Dave Bing to solicit his cooperation to effectuate the State of Michigan's intent to transfer the Community Action Agency (CAA) designation for the administration of CSBG grant funds from the City of Detroit to a new, non-profit CAA. **Exhibit 1, attached.**

13. On February 8, 2012, Mayor Dave Bing indicated his agreement with Supervisor Corrigan's proposal to de-designate the City of Detroit as the CAA for the distribution of CSBG funds to needy Detroiters. **Exhibit 2, attached.**

14. Pursuant to Mich Admin Code R 400.19405, for there to be a voluntary change in the City of Detroit's designation as the CAA for the distribution and administration of CSBF funds for Detroiters, any written request by Mayor Bing must be concurred with by the local governing body of the City. **Exhibit 3, attached.**

15. On March 2, 2012, Supervisor Corrigan testified to Detroit City Council in an attempt to "persuade" City Council to concur with Mayor Bing's voluntary de-designation of the City as the CAA for the administration of CSBG grant funds for Detroit. **Exhibit 4, attached.**

16. On March 15, 2012, Detroit City Council rejected Supervisor Corrigan's attempt to have Council concur with Mayor Bing's willingness to de-designate the City of Detroit's CAA status. In a letter from City Council President Charles Pugh to Supervisor Corrigan on behalf of the Council, he stated: "[W]e believe the City's residents would be best-served by maintaining

DDHS' programmatic role in distributing federal Community Service Block Grant (CSBG) funds." **Exhibit 5, attached.**

17. On March 23, 2012, Stephanie Comai, Acting Director of the Bureau of Community Action and Economic Opportunity, stated on behalf of the Michigan Department of Human Services, that the State would be issuing a Notice of Hearing to terminate the Detroit Department of Human Services designation as a Community Action Agency for CSBG funding. **Exhibit 6, attached.**

18. 42 USCS 9915 provides for procedures for the State to terminate the designation of a city as the CAA for the purpose of distribution of CSBG funds.

19. Section 9915(a)(1) and (2) provides that the State must inform the entity of the deficiency to be corrected, and require the entity to correct the deficiency.

20. Section 9915(a)(3)(A) and (B) provides that the state may offer training and technical assistance, if appropriate, to help correct the deficiency, and if the State determines that such training and technical assistance are not appropriate, prepare and submit to the U.S. Secretary of Health and Human Services a report stating the reasons for such a determination.

21. On information and belief, a report in conformance with Section 9915(a)(3)(B) stating the basis for such a determination has not been prepared and submitted.

22. The March 23, 2012 State of Michigan letter to Ursula Holland, director the City of Detroit's Department of Human Services, while the State of Michigan noted that it did not believe a Quality Improvement Plan, as allowed for under Section 9915(a)(4), would be appropriate to correct the City's alleged deficiencies. **See Exhibit 6.**

23. Section 9915(a)(5) provides for mandatory notice and an opportunity for a hearing prior to a State initiating proceedings to terminate the designation of a City as the CAA for distribution of CSBG funds or reducing funding.

24. MCL 400.1108(2) states that before rescinding the designation of a community action agency, the Director of the State Department of Human Services must: (a) consult with the director of the CAA, (b) consult with the chief elected official of the city designated as the CAA, (c) hold at least one public meeting in the service area to provide low income and other citizens living with the service area the opportunity to review and comment upon the strengths and weaknesses of the existing or proposed CAA, and (d) consult with obtain the advice of the commission on the proposed action.

25. In addition, MCL 400.1108(4) states that if a state attempts to rescind the designation of a CAA, it must follow the procedures of the Community Services Block Grant Act, 42 USC 9901 to 9924.

26. The Michigan Family Independence Agency Community Services Manual, Item 501, outlines the parameters for the mandatory public hearing that must be conducted prior to initiating proceedings to terminate the designation of or reduce the CSBG funding of the CAA.

27. The requirements for the public hearing include providing low income and other citizens living within the service area the opportunity to review and comment upon the strengths and weaknesses of the existing community action agency, recognizing attendees right to speak, providing adequate accommodations for the public meeting, and accepting written comments for up to 7 days after the public meeting. **Exhibit 7, attached, State manual excerpts.**

28. The State of Michigan has not conducted a public hearing regarding the rescinding of the City of Detroit Department of Human Services as the CAA for the distribution of CSBG funds to needy Detroit residents.

29. Pursuant to both federal and Michigan state law, the State of Michigan has no authority to rescind the City of Detroit's CAA status or even begin the rescission process without holding such a hearing.

30. 42 USC 9908 (which is incorporated into the Michigan state statute) provides that a CAA will not have its funding terminated, unless **after** notice and an opportunity for a hearing on the record, the State determines that cause exists for such termination, subject to review by the Secretary of Human Services as provided in 42 USCS 9915(b).

31. 45 CFR 96.92 provides that where a State determines that it will terminate present or future funding of a CAA, the State must provide the CAA with notice and an opportunity for hearing on the record prior to terminating funding.

32. In addition, if a review of the decision to terminate funding is requested by the CAA, the State may not discontinue present or future funding until the Department of Health and Human Services confirms the State's finding of cause. *Id.*

33. In the present case, on information and belief, the State of Michigan terminated CSBG funds to the City of Detroit as early as October, 2011. **Exhibit 8, attached.**

34. In her March 2, 2012 testimony to Detroit City Council, Michigan Department of Human Services Director Maura Corrigan, in an effort to "persuade" City Council into concurring with Mayor Bing's agreement with the State's plan to de-designate the City of Detroit as the CAA for the distribution of CSBG grants to needy Detroiters, stated: "The problem if we go to adversarial is, of course, the money will stop flowing to the residents. There are difficult

choices to be made. **There will be a suspension of the money until the adversarial proceedings are concluded.” See Exhibit 4.**

35. This is a direct and deliberate misstatement of the law, which requires that CSBG funds cannot be cut off until **after** the adversarial proceedings are concluded, meaning until after a final determination subsequent to notice and a public hearing.

36. Even at that point, funds cannot be cut off until after a review of the termination is concluded by the federal government.

37. As a result of Director Corrigan’s illegal cut-off of CSBG funds to the City of Detroit, the neediest Detroiters are being denied desperately needed services, services which are vital to their very survival.

38. In addition, as a result of Director Corrigan’s illegal cut-off of CSBG funds to the City of Detroit, Plaintiff McClellan and the other APTE members now face lay-offs from their jobs, with the lay-offs scheduled for June 2012.

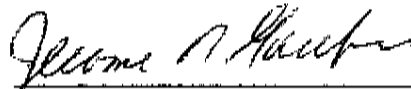
WHEREFORE: Plaintiffs respectfully requests that this honorable court enter judgment in favor of Plaintiffs by:

- a. Issuing a temporary restraining order, preliminary injunction and mandamus ordering Director Maura Corrigan to maintain and restore CSBG funds illegally terminated to the City of Detroit;
- b. Issuing a temporary restraining order and preliminary injunction and mandamus ordering Director Maura Corrigan to maintain and /or restore the City of Detroit Department of Human Services as the CAA for the delivery of CSBG funds to needy Detroiters pending the outcome of adversarial proceedings including a review by the federal Department of Health and Human Services in accordance with law.

- c. Issuing a temporary restraining order and preliminary injunction and mandamus ordering Director Maura Corrigan from naming Wayne County Metro or any other agency as the CAA for the distribution of CSBG funds to needy Detroiters pending Detroiters pending the outcome of adversarial proceedings against the City of Detroit including a review by the federal Department of Health and Human Services in accordance with law.
- d. Issuing a temporary restraining order and preliminary injunction and mandamus ordering Mayor Bing, Deputy Mayor Kirk Lewis or any other City of Detroit management personnel from laying off or terminating Plaintiff McClellan and the other APTE members named in this complaint whose jobs have been funded through the CSBG grant.
- e. Converting the preliminary injunction into a permanent injunction and mandamus in accordance with the above terms.

Respectfully submitted,

JEROME D. GOLDBERG, PLLC



Jerome D. Goldberg (P61678)
Attorney for Plaintiff
2920 East Jefferson, Suite 101
Detroit, MI 48207
Phone (313) 393-6001

DATED: April 19, 2012

EXHIBIT 1



STATE OF MICHIGAN
DEPARTMENT OF HUMAN SERVICES
LANSING

RICK SNYDER
GOVERNOR

MAURA D. CORRIGAN
DIRECTOR

February 13, 2012

Mayor Dave Bing
Coleman A. Young Municipal Center
2 Woodward Ave. Ste. 1126
Detroit, Michigan 48226-3443

Re: Detroit Department of Human Services Community Action Agency Designation

Dear Mayor Bing:

I am writing this letter on behalf of Maura Corrigan, Director of the Michigan Department of Human Services. Thank you for meeting with us on Friday, February 3, 2012. We believe it was a productive meeting.

The purpose of this letter is to confirm, in writing, our understanding of your position regarding the transfer of the Community Action Agency ("CAA") designation from the Detroit Department of Human Services ("DDHS") to a new, non-profit CAA. At the February 3 meeting, in response to our inquiry, you indicated that you would cooperate with our intention to effect this transfer and you agreed that a new, non-profit entity should be selected to serve as the CAA. We appreciate your willingness to help take this constructive step toward ensuring that federal grant funds intended for Detroit residents are, in fact, received by Detroit residents.

Our next step, with respect to this issue, will be to consult with City Council. Please let me know as soon as possible if—for any reason—this letter does not accurately state your position with respect to DDHS's administration of Community Service Block Grants.

Sincerely,

Paul C. Smith

Cc: Charles Pugh, City Council President
Kirk Lewis, Maura Corrigan, Harvey Hollins, Stephanie Comai

A handwritten signature in black ink, appearing to be "SP" or similar initials, written over a large, stylized number "5".

CITY OF DETROIT
MAYOR'S OFFICE

COLEMAN A. YOUNG MUNICIPAL CENTER
2 WOODWARD AVE., SUITE 1126
DETROIT, MICHIGAN 48226
PHONE: 313-224-3400
FAX: 313-224-4128
WWW.DETROITMI.GOV

February 8, 2012

Maura D. Corrigan, Director
MI Department of Human Services
235 South Grand Avenue
P.O. Box 30037
Lansing, Michigan 48909

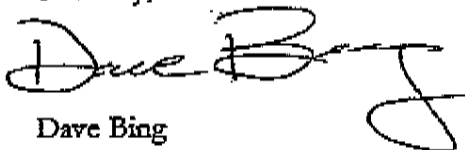
Re: Detroit Department of Human Services Community Action Agency Designation

Dear Ms. Corrigan:

The purpose of this letter is to clarify the action that the Michigan Department of Human Services ("MDHS") is requesting of the City of Detroit. We are in agreement that a new Community Action Agency ("CAA") should be selected to serve the residents of the City of Detroit. The City of Detroit voluntarily agrees that the Detroit Department of Human Services ("DDHS") will step aside as the CAA for the City of Detroit. In place of DDHS, the State of Michigan and the City of Detroit would mutually select a new CAA to serve Detroit residents.

Therefore, we are requesting that the Executive Director of the Michigan Bureau of Community Services rescind the official designation of the DDHS as the CAA serving the City of Detroit.

Sincerely,



Dave Bing

Cc: Rick Snyder, Governor
Charles Pugh, City Council President
Chris Brown, Chief Operating Officer

EXHIBIT 2

EXHIBIT 3

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TOC: Michigan Administrative Code > / . . . / > COMMUNITY ACTION PROGRAMS > **R 400.19405 Request for change in designation or service areas of community action agency.**

MICH. ADMIN. CODE R 400.19405

MICHIGAN ADMINISTRATIVE CODE
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*** This document is current through Register No. 4, March 15, 2012 ***

DEPARTMENT OF LABOR & ECONOMIC GROWTH
 BUREAU OF COMMUNITY SERVICES
 COMMUNITY ACTION PROGRAMS

MICH. ADMIN. CODE R 400.19405 (2012)

R 400.19405 Request for change in designation or service areas of community action agency.

Rule 405. The chief elected official of a unit of local government of at least 10,000 population within a CAA's service area may, for reasons such as poor fiscal or programmatic administration specified in a written request concurred in by the local unit's governing body, do any of the following:

- (a) Request that the executive director rescind official designation of the CAA serving the community.
- (b) Request to withdraw from the CAA's service area.
- (c) Request that a different CAA, either new or existing, be designated to serve the community.

NOTES:**LexisNexis 50 State Surveys, Legislation & Regulations**

Day Care & Early Childhood Education

Source: **My Sources > Michigan > Find Statutes, Regulations, Administrative Materials & Court Rules > MI - Michigan Administrative Code**

TOC: Michigan Administrative Code > / . . . / > COMMUNITY ACTION PROGRAMS > **R 400.19405 Request for change in designation or service areas of community action agency.**

View: Full

Date/Time: Friday, April 20, 2012 - 3:03 PM EDT

In

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EXHIBIT 4

City of Detroit

CITY COUNCIL



Charles Pugh
President

Gary Brown
President Pro Tem

Kenneth V. Cockrel, Jr.
Saunteel Jenkins
Brenda Jones
Kwame Kenyatta
Andre L. Spivey
James Tate
Jo Ann Watson

Janice M. Winfrey
City Clerk

Committee of the Whole Room • 1340 Coleman A. Young Municipal Center • Detroit, Michigan 48226

**CHAIRPERSON - COUNCIL PRESIDENT
CHARLES PUGH**

FRIDAY, MARCH 2, 2012
Asst. City Council Committee Clerk
Ms. Martha Jointer

COMMITTEE OF THE WHOLE BEGINS AT 1:00 P.M.

_____ A. 1:00 P.M. – DISCUSSION - RE: The City of Detroit Department of Human Services. (Mayor's Office, Detroit Department of Human Services and Maura Corrigan, Director of Michigan Department of Human Services)

Present: Council Member Kenneth Cockrel, Jr.
Council Member Brenda Jones
Council Member Kwame Kenyatta
Council Member Andre Spivey
Council Member James Tate
Council Member JoAnn Watson
Council President Pro Tem Gary Brown
Council President Charles Pugh

Absent: Council Member Saunteel Jenkins

PRESIDENT PUGH: Council Member Jenkins will call in by phone.

Attendees: Stephanie Combine, Michigan Department of Human Services
Maura Corrigan, Director, Department of Human Services
Paul Smith, Michigan Department of Human Services
Harvey Hollins, Director, Office of Urban and Metropolitan Initiatives for the Governor

COMMITTEE OF THE WHOLE – The City of Detroit Department of Human Services - FRIDAY, MARCH 2, 2012 - 1:00 P.M. 10

Corrigan: Ms. Watson, I am explaining the steps towards voluntary de-certification; that takes the Mayor and the Council. There are also weatherization funds; the contract expires on March 31. We contacted Detroit Metro in order to keep that money flowing, which is Wayne Metro CAA, in order to keep the weatherization money flowing beginning on April 1.

In as I explained in my former remarks, as the interim CAA, if the City were to agree with the issuing of the concurrent resolution; if the Council were. The problem if we go to adversarial is, of course, the money will stop slowing to the residents.

There are difficult choices to be made. There will be a suspension of the money until the adversarial proceedings are concluded and it is our goal to keep the money flowing to the City. That is way those steps were made on the contingency. You cannot go there if you do not agree and a majority of the Council does not concur. We will go to the adversary proceedings and we will present the evidences.

WATSON: I appreciate you and I know you are the Honorable Maura Corrigan. You have been connected a long time. I have been told that some funds have already been suspended. The citizen who need services now and who needed them last week and prior weeks have not been able to get service because the State of Michigan has refuse to allow the City of Detroit draw down funds to take care of citizen who are in the greatest need. These are citizen who have been put off of welfare by the State of Michigan; kick out by the thousands from FIA who can only go to Human Services and they cannot get anything because the State is holding up the money.

Corrigan: I have attempted to lay out the situation as it is facing the city and our willingness given the inability to account for the money in letting more money flow in that circumstance, we are trying to allow the process to work, and I indicated, so that every penny of this money will go where it is supposed to go.

WATSON: Because some of this money is the president Barack Obama A R R A money and some of it is still here. I understand that some of the money has with it jobs links. The Federal Government says are to spend the money and the position that it maximizes the development of jobs where the money is spent to help people in the hardest area of need. If the money is taken out of the city of Detroit hands which you have a right to recommend. I respect the adverse finding that you found in the spring of 2011 had been provided to city Council we never received that.

Corrigan: Yes ma'am, did you have received all of them.

WATSON: There have been three investigations launched by some council members that you may not be aware of. It is not correct to say Council has done nothing. That is not correct. I cannot tell you how many letters of inquiry and investigation I have written personally based on head start and on the non-implementation of water affordability plan that was set up by President MaryAnn Mahaffey.

EXHIBIT 5



City of Detroit
CITY COUNCIL

CHARLES PUGH
COUNCIL PRESIDENT

March 23, 2012

VIA FACSIMILE TRANSMISSION & U.S. MAIL
(313) 456-0526

Maura D. Corrigan, Director
Michigan Department of Human Services
3038 W Grand Blvd., Suite 5-350
Detroit, MI 48202

Re: De-Designation of Detroit Department of Human Services as CAA

Dear Director Corrigan,

City Council is in receipt of your correspondence dated March 16, 2012. Please be advised we do not concur with the expression noted in Mayor Bing's February 8, 2012 letter to you relative to the voluntary de-designation of the Detroit Department of Human Services (DDHS) as the City's Community Action Agency (CAA). After having deliberated over this matter at some length, and for the reasons set forth in this letter, we believe the City's residents would be best-served by maintaining DDHS' programmatic role in distributing federal Community Service Block Grant (CSBG) funds. This should certainly be the case until representatives from your department, the Mayor's Office and City Council determine that a Detroit-based non-profit entity should be designated as the CAA to serve the City of Detroit. If an alternate CAA becomes necessary at some future point, Council strongly supports the utilization of an RFP process, with City involvement, to select an eligible entity to administer CSBG funds.

Again, this determination was not arrived at lightly and has been discussed at length among myself and my colleagues. City Council acknowledges that serious allegations of wrong-doing have arisen within DDHS's operations and that some credible supporting evidence may exist on these claims. However, it is Council's position that de-designation is not desirable, necessary, nor is it in the best interest of the citizens of Detroit at this time and thus should not occur. The current stalemate has no doubt left countless numbers of citizens without the services they both need and deserve.

Consequently, this letter also serves as a formal request for the restoration of the City's CSBG funding to DDHS. These funds are currently being held by the State, however, City Council has found no authority to support this action and understand that it is specifically prohibited in the

Maura D. Corrigan
March 23, 2012
Page Two

federal regulations. Given that DDHS remains the only CAA currently designated to serve Detroit residents under the controlling federal regulations, it follows that DDHS must remain in place, active and fully supported by the State until such time that it is replaced, either through a voluntary process or through the adversarial one that you have referenced in the past. The State's current suspension of funding to DDHS, coupled with the political maneuvering surrounding the proposed de-designation has created a level of uncertainty and a real void in the safety net that needy Detroit residents have come to rely upon as well as accelerating layoffs in DDHS.

We understand the severity of the State's allegations on which the request to de-designate is based; however, it is Council's belief that the concerns noted by the State can be remedied. This can be accomplished through proper management of DDHS, for which the City has already taken important remedial steps, such as initiating investigations, removing the Director, terminating certain employees implicated in the alleged wrongdoing, and the development of sound internal controls of the operation with ample oversight to insure compliance with said controls.

It is our sincere hope and firm belief that the City and State can negotiate a mutually agreeable solution to our shared concerns surrounding the operation of DDHS and the future of the City's CSBG funding. This is evidenced by the compromises discussed to date and the State's willingness to engage in productive dialogue. We welcome the opportunity to further discuss solutions that will achieve our common goal – to ensure eligible Detroit residents receive the assistance they so greatly need and deserve – by implementing strict oversight, monitoring and reporting procedures to insure DDHS compliance with federal policies.

Sincerely,



Charles Fugh
President, Detroit City Council

c.c. Mayor Dave Bing
City Council Members
Chris Brown, COO
Loretta Davis, Group Executive DHHS
DHHS Interim Director Ursula Holland
Paul C. Smith, Esq., Group Executive, People Group, MI Dept. Human Services
Stephanie Comai, Director Revenue & Partnership Enhancement, MI Dept. Human Services
Harvey Hollins, III, Director, MI Office of Urban and Metropolitan Initiatives

EXHIBIT 6



STATE OF MICHIGAN
DEPARTMENT OF HUMAN SERVICES
LANSING

RICK SNYDER
GOVERNOR

MAURA D. CORRIGAN
DIRECTOR

March 23, 2012

Ms. Ursula Holland, Interim Director
City of Detroit Department of Human Services
1151 Taylor, Herman Kiefer Complex, 6th Floor
Detroit, MI 48202

Dear Ms. Holland:

The Bureau of Community Action and Economic Opportunity (BCAEO) within the Michigan Department of Human Services (MDHS) has completed the comprehensive monitoring report. The City of Detroit, Department of Human Services (DDHS) was given many opportunities to respond to our request to provide documentation. We made numerous communications through emails and telephone calls requesting program and accounting information. We also conducted a series of onsite visits in an attempt to obtain documentation and discuss the issues. All of these efforts were taken in an attempt to mitigate or eliminate findings identified during the review. Despite our efforts, DDHS could not supply a large portion of the requested information, and could not prove compliance with contract requirements.

The MDHS comprehensive monitoring report identifies significant deficiencies in the period under review. This report also disclosed that DDHS failed to correct major findings identified in prior periods, which shows a continuation of noncompliance by DDHS. Evidence of multiple, widespread, and repeated deficiencies involves gross negligence use of funds and criminal wrongdoing, which impairs DDHS' ability to administer the Community Services Block Grant (CSBG). These deficiencies include, but are not limited to, internal control breakdown(s) related to accounting transactions and cost allocations, internal control breakdown(s) related to client eligibility and internal control breakdown(s) related to service delivery. The MDHS has determined, based on the seriousness of the deficiencies and the time reasonably required to correct these deficiencies, a Quality Improvement Plan (QIP) is not appropriate.

DDHS has continuously failed to comply with the terms of the CSBG grant agreement to meet appropriate standards, goals, and requirements. Pursuant to Section 678C(a)(5) of the CSBG Act and Community Services Policy Manual (CSPM) Item 501 Termination or Reduction in Funding, a notice of hearing to terminate DDHS' designation as a Community Action Agency for CSBG funding will be forthcoming.

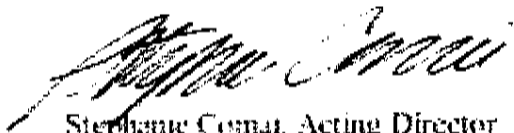
Seventeen (17) findings, two (2) administrative recommendations, and three (3) prior findings were identified in the comprehensive monitoring report. BCAEO expects DDHS to repay MDHS the identified disallowed costs using non-federal and non-state funds. Please submit repayment of the disallowed costs totaling \$2,487,232.96 to MDHS by May 22, 2012.

Payment must be remitted to

Michigan Department of Human Services
Bureau of Community Action and Economic Opportunity
Attn: Jeff Wyman, Fiscal Monitor
235 S. Grand Ave., Suite 204
P.O. Box 30037
Lansing, MI 48900

Enclosed is the comprehensive monitoring report. If you have any questions, please contact Cecelia Hutson at (313) 456-1246, or Kris Schoenow at (517) 241-8084.

Sincerely,



Stephanie Comar, Acting Director
Bureau of Community Action and Economic Opportunity

cc: The Honorable Dave Bing
The Honorable Charles Pugh
The Honorable Gary Brown
The Honorable Saunteel Jenkins
The Honorable Kenneth V. Cockrel, Jr.
The Honorable Brenda Jones
The Honorable Andre Spivey
The Honorable James Tate
The Honorable Kwame Kenyatta
The Honorable JoAnn Watson
Loretta V. Davis, Director/Health Officer
Norman L. White, Chief Financial Officer, City of Detroit Finance Department
Richard Young, Chief Accounting Officer, City of Detroit Finance Department
Paula Kaiser VanDamm, Acting Director Bureau of Community Service
Kris Schoenow, Assistant Director, BCAEO
Viran Parag, Grant Manager, BCAEO
Steve Listman, Grant Monitor, BCAEO
Jeff Wyman, Financial Analyst, BCAEO
Cecelia Hutson, Financial Analyst, BCAEO
Josh Larsen, Director, Office of Monitoring and Internal Controls
Monitoring File ID #241, BCAEO

EXHIBIT 7

MICHIGAN FAMILY INDEPENDENCE AGENCY		Item 501	Page 1 of 6
Community Services Policy Manual	SUBJECT: Community Services Block Grant CORRECTIVE ACTION - TERMINATION OR REDUCTION IN FUNDING		EFFECTIVE DATE 04/01/2012 ISSUE DATE 04/01/2012

ISSUANCES AFFECTED

REFERENCES

- The CSBG Act, P.L. 97-35 of 1981, as amended by the Coats Human Services Reauthorization Act of 1998
 - Section 676(b) State Application and Plan
 - Section 676(c) Funding Termination or Reductions
 - Section 678C. Corrective Action; Termination and Reduction of Funding
- PA 230 of 1981
- Community Action Program (CAP) Administrative Rules, R 400.19101—R 400.19606

PURPOSE

To establish policy and procedures for Corrective Action, Termination or Reduction in funding under the CSBG Program.

BACKGROUND

- Section 676(b)(8) of the Act requires that :

...any eligible entity in the State that received funding in the previous fiscal year through a community services block grant made under this subtitle will not have its funding terminated under this subtitle, or reduced below the proportional share of funding the entity received in the previous fiscal year unless, after providing notice and an opportunity for a hearing on the record, the State determines that **cause** exists for such termination or such reduction, subject to review by the Secretary as provided in section 678C(b).

Note: Michigan's definition of "eligible entity" is a community action agency (CAA).

MICHIGAN FAMILY INDEPENDENCE AGENCY		Item 501	Page 2 of 6
Community Services Policy Manual	SUBJECT: Community Services Block Grant CORRECTIVE ACTION - TERMINATION OR REDUCTION IN FUNDING		EFFECTIVE DATE 04/01/2012 ISSUE DATE 04/01/2012

- Section 676(c) of the Act states that – For the purposes of making a determination in accordance with subsection (b)(8), with respect to:
 1. **A Funding Reduction -- the term 'cause' includes:**
 - a) a statewide redistribution of funds to respond to
 - the results of the most recently available census or other appropriate data;
 - the designation of a new eligible entity; or
 - severe economic dislocation; or
 - b) the failure of an eligible entity to comply with the terms of an agreement or a State plan, or to meet a State requirement, as described in section 678C(a).
 2. **A Termination -- the term 'cause' includes** the failure of an eligible entity to comply with the terms of an agreement or a State plan, or to meet a State requirement, as described in section 678C(a).
- Section 678C(a) of the Act requires that states follow specific steps when issuing Corrective Action or imposing a Reduction or Termination in funding. Those steps have been incorporated into the following policy. Note: A determination to terminate the designation or reduce the funding of a CAA is reviewable by the Secretary of the federal Department of Health and Human Services (HHS).

POLICY

A) Cause for a statewide redistribution of CSBG funds includes the state's response to:

1. The results of the most recently available census or other appropriate data;
2. The establishment of a new eligible entity; and
3. Severe economic dislocation.

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B) Pursuant to the CAP Administrative Rules (R 400.19408), cause for reducing the allocation to an agency or terminating funding to an agency includes the state's response to:

1. The agency's governing board failure to exercise sufficient authority or leadership to ensure that BCAEO-administered funds are expended in accordance with applicable regulations, laws, or contractual obligations.
2. The agency's administrative leadership failure to demonstrate that it has the administrative knowledge and skills required to ensure that the agency's fiscal, personnel, program, or property management systems are adequate to support BCAEO funded projects.
3. The agency's failure to properly account for BCAEO-administered funds and property.
4. The agency's lack of adequate general management systems to support BCAEO-funded programs.
5. The agency's demonstrated lack of capacity for effective service delivery of BCAEO-funded programs.
6. The agency having liabilities which significantly exceed its assets.
7. The agency filing for bankruptcy.
8. The agency's failure to make substantive improvement in problem areas identified in an audit or monitoring reports.
9. The agency's failure to meet performance objectives.[Pursuant to the Act, Section 678C(a).]

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C) Procedure:

If the state determines, on the basis of a final decision in a review pursuant to section 678B (Monitoring of Eligible Entities) of the Act, that a CAA has failed to comply with the terms of an agreement, or the State plan, to provide CSBG services or to meet appropriate standards, goals, and other requirements established by the State (see B above), BCAEO shall , pursuant to section 678C of the Act —

1. Inform the CAA of the deficiency to be corrected;
2. Require the CAA to correct the deficiency;
3.
 - a) Offer training and technical assistance, if appropriate, to help correct the deficiency, and prepare and submit to the Secretary of HHS a report describing the training and technical assistance offered; or
 - b) If BCAEO determines that such training and technical assistance are not appropriate, prepare and submit to the Secretary of HHS a report stating the reasons for this determination;

Examples of situations in which BCAEO may determine that technical assistance is not appropriate may include, but are not limited, to the following:

- A deficiency for which the State has previously provided technical assistance and the eligible entity has failed to institute corrective actions;
- Multiple, widespread, and/or repeated deficiencies that cannot feasibly be addressed through technical assistance;
- A deficiency that involves evidence of fraudulent reporting or use of funds, or other evidence or criminal wrongdoing.

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4. a) At the discretion of BCAEO (taking into account the seriousness of the deficiency and the time reasonably required to correct the deficiency), allow the CAA to develop and implement, within 60 days after being informed of the deficiency, a quality improvement plan to correct such deficiency within a reasonable period of time, as determined by BCAEO; and

Examples of instances in which BCAEO may exercise discretion on whether a quality improvement plan is appropriate or necessary may include, but not limited to the following:

- A deficiency for which an eligible entity has previously instituted a corrective action plan and has repeated findings;
 - A deficiency that involves evidence of fraudulent reporting or use of funds, or other evidence of criminal wrongdoing and therefore presents a risk requiring immediate action.
- b) Not later than 30 days after receiving from the CAA a proposed quality improvement plan pursuant to subparagraph a), either approve such proposed plan or specify the reasons why the proposed plan cannot be approved; and
5. Hold a public meeting in the service area to provide low income and other citizens living within the service area the opportunity to review and comment upon the strengths and weaknesses of the existing community action agency.
- a) To obtain the floor (right to speak) an attendee must be the first to stand when the person speaking has finished and must be recognized by the BCAEO Director before speaking.
- b) All remarks must be contained to 2 to 5 minutes and is at the discretion of the BCAEO Director.
- c) Adequate accommodations will be secured to hold the public meeting. If the amount of attendees exceeds the room capacity, attendees will be given the opportunity to submit written comments.

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- d) Written public comments will also be accepted up to 7 days after the public meeting
6. After providing adequate notice and an opportunity for a hearing, initiate proceedings to terminate the designation of or reduce the CSBG funding of the CAA unless the entity corrects the deficiency.

D) Review

Pursuant to Section 678C, a determination to terminate the designation or reduce the funding of a CAA is reviewable by the Secretary of HHS. The Secretary shall, upon request, review such determination. The review shall be completed not later than 90 days after the Secretary receives from BCAEO all necessary documentation relating to the determination to terminate the designation or reduce the funding. If the review is not completed within 90 days, the determination of BCAEO shall become final at the end of the 90th day.

EXHIBIT 8



CITY OF DETROIT
DEPARTMENT OF HUMAN SERVICES

1151 TAYLOR STREET
DETROIT, MICHIGAN 48202
PHONE 313-852-5609 TTY:311
FAX 313-852-4837

January 31, 2012

Mr. Alan Kimichik, Director
Office of Inspector General
235 S. Grand Ave Suite 1115
Lansing, MI 48933

Dear Mr. Kimichik

As you know the City of Detroit - Department of Human Services (DHS) has been anxiously awaiting reimbursement for expenditures under our DOE-ARRA and CSBG programs. I am respectfully requesting to come to Lansing for a meeting with you and your team to discuss the status of reimbursement. As you are aware Detroit Urban League staffs were laid off in December, putting a halt to weatherization production. The department has approximately \$1.1 million in unpaid invoices for weatherization contractors under the DOE-ARRA program, and approximately \$1 million in outstanding invoices to contractors under our Community Services Block Grant (CSBG) program. The lack of payment is affecting this department's ability to provide quality, efficient and effective services. Telephone services have been interrupted due to lack of payment, and additional layoffs of Pantry & Clothing Boutique staffs are scheduled to occur Friday, February 3, 2012. Further delays in the payment process will result in additional layoffs of department staff.

I am confident that during our meeting we can come to a viable resolution to this issue, as well as strategies to more effectively partner to ensure that our most vulnerable population receives the much needed services that this department provides.

Please advise me of your availability to meet on either Wednesday, 2/1/12, Thursday 2/2/12 (afternoon) or Friday 2/3/12. Thank you in advance for your time and consideration to address this critical issue.

Regards,

Ursula Holland
Interim Director

cc: Josh Laren, Internal Monitoring
Stephanie Comai, BCAEO



DEPARTMENT OF HEALTH AND HUMAN SERVICES
OFFICE OF INSPECTOR GENERAL

WASHINGTON, DC 20201



APR 03 2012

Ms. Cecily McClellan
14940 Rosemary Street
Detroit, MI 48213

Dear Ms. McClellan:

This letter is in response to your March 1, 2012, fax to U.S. Department of Health and Human Services (HHS) Inspector General Daniel Levinson concerning allegations that the State of Michigan has been withholding \$16.8 million in Community Services Block Grant (CSBG) funding from the City of Detroit Community Action Agency since October 2011. You stated that this action is in potential violation of section 678C(b) of the CSBG Act. As a course of redress, you have requested a Federal review of the State of Michigan's actions.

The Office of Inspector General is responsible for reducing fraud, waste, abuse, and mismanagement in the programs of HHS. To fulfill this responsibility, the Office of Investigations (OI) works closely with the agencies that oversee these programs. After reviewing your complaint, OI has determined that this matter should be referred to the Administration for Children and Families, Office of Community Services (OCS), Division of State Assistance (DSA). OCS-DSA has oversight of the CSBG program and is (1) responsible for State review and monitoring; and (2) authorized to take corrective actions, implement quality improvement plans, or terminate or reduce CSBG funding for cause. Accordingly, we have referred your complaint to Mr. Seth Hassett, Director of OCS-DSA, for review and action as deemed appropriate. For your followup, Mr. Hassett can be contacted at (202) 401-2333 or at the following address: 370 L'Enfant Promenade, SW, 5th Floor West, Washington, DC 20447. All future inquiries should be directed to this office.

We are deeply committed to ensuring the integrity and effectiveness of all the programs of HHS and would like to thank you for bringing this matter to our attention.

Sincerely,

Jennifer Trussell *for*
Acting Director
Investigations Branch

February 28, 2012

Honorable Gregory H. Friedman, Inspector General

Department of Energy

1000 Independence Avenue, S.W.

Washington, D.C. 20585

Re: Discontinued Community Service Block Grant and Department of Energy Funding

Dear Honorable Friedman:

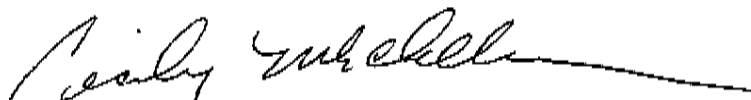
Please be informed that the State of Michigan has been withholding 16.8 million Community Services Block Grant (CSBG) Funding from the City of Detroit Community Action Agency (CAA) since October 2011. Furthermore, the Director of the Michigan Department of Human Services recommended and the Mayor of Detroit subsequently concurred that funds withheld be given to a non-profit agency outside Detroit. The withholding of funds has led to home weatherization being stopped mid-stream, leaving citizens home exposed to elements, non-payment to weatherization contractor and the systematic elimination of all CSBG and Department of Energy (DOE) services to the most vulnerable citizens in Detroit. This action appears to be in violation of the following federal regulation:

1. CSBGA 678C (b) (review by HHS): A decision to terminate a CAA designation is subject to review by HHS. Generally, the HHS has 90 days from the time it receives the necessary documentation to make a decision. The CAA has 30 days from the state determination to request a review by HHS. See 45 CFR 96.92. The state may not discontinue funding while a review is pending (or within the initial 30 day period).

The City of Detroit is governed by an executive branch (Mayor) and a legislative branch (Council), the mayor has voluntarily agreed (2/8/12) to de-designate the Detroit DHS/CAA. However, the Detroit City Council through resolution has opposed this action (2/28/12). Additionally, by withholding funds the mayor used general funds to pay the salaries of grant funded civil service staff, which inappropriately causes this city to potentially trigger Public Act 4 the Emergency Manager. If Public Act 4 is imposed the City of Detroit will no longer be governed by elected officials and cause irreparable damage. If the entire Department is laid off this constitutes union busting and a violation of the local privatization ordinance.

As a United States citizen, resident of Michigan and the City of Detroit, and employee of the Detroit Department of Human Services, I am requesting an investigation of this matter. Specifically, as it relates to the discontinuation of funding and services to the citizens of Detroit.

Sincerely,



Cecily R. McClellan

[REDACTED]
[REDACTED]
(313) 820-6934

Cc: Congresspersons John Conyers, Gary Peters, Hanson Clark, Carl Levin, Debbie Stabenow and Detroit Council