

February 28, 2012

Honorable Daniel Levinson, Inspector General

Department of Health and Human Services

330 Independence Ave.

Washington, D.C. 20201

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

Dear Honorable Friedman:

FILED
 2013 SEP 19 P 2:00
 U.S. BANKRUPTCY COURT
 CLERK
 E.O. MICHIGAN-DETROIT

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

14940 Rosemary St. (Correction) 111 Calvert St 48202

Detroit, Michigan 48213

(313) 820-6934

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



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



STATE OF MICHIGAN
DEPARTMENT OF HUMAN SERVICES
LANSING

RICK SNYDER
GOVERNOR

MAURA D. CORRIGAN
DIRECTOR

May 17, 2012

Brenda Davis
31418 Schoennerr Road
Apt. 1
Warren, MI 48088

Re: Freedom of Information Act (FOIA) Request

The Michigan Department of Human Services (DHS) received your written request for a copy of the transcript of the public hearing regarding the Detroit Department of Human Services Community Action Agency held on 04-23-12.

Your request for copies of public records is granted and is subject to the conditions and procedures of the Michigan FOIA. This Act permits a fee to be charged for the cost of providing public records. However, the DHS will not charge a fee for this request. This fee waiver is limited to this request only. Enclosed are the documents that respond to your request.

Sincerely,

Rebekah Mason Visconti, FOIA Coordinator
Michigan Department of Human Services Legal Services
Grand Tower Suite 715
PO Box 30037
Lansing MI 48909
517-335-7508

Enclosure

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STATE OF MICHIGAN
DEPARTMENT OF HUMAN SERVICES
COMMUNITY SERVICES BLOCK GRANT

REC'D MAY 07 2012

Public comment re: Strengths and weaknesses of the current
Community Action Agency serving the citizens of Detroit

PUBLIC HEARING

3020 West Grand Boulevard, Detroit, Michigan
Monday, April 23, 2012, 10:00 a.m.

APPEARANCES:

For Department of Human Services: MS. STEPHANIE COMAI
Acting Director, Bureau of Community
Action and Economic Opportunity
235 South Grand Avenue
Lansing, Michigan 48
(517) 241-5116

Also Present: Kris Schoenow, Assistant Director,
Bureau of Community Action and
Economic Opportunity

Paul Smith, Group Executive Policy
Specialist

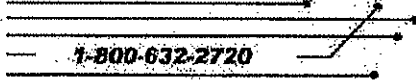
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1-800-632-2720



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1 Detroit, Michigan

2 Monday, April 23, 2012 - 10:17 a.m.

3 MS. COMAI: Good morning, and welcome. My name is
4 Stephanie Comai. I am the acting director of the Bureau of
5 Community Action and Economic Opportunity at the Michigan
6 Department of Human Services. I am joined today by two
7 colleagues from the Department of Human Services, Paul
8 Smith, who is the group executive policy specialist, and
9 Kris Schoenow, assistant director of the Bureau of Community
10 Action and Economic Opportunity. The Michigan DHS, in
11 accordance with Michigan law, has initiated the process to
12 designate the Detroit Department of Human Services as the
13 Community Action Agency, or CAA, serving low income
14 residents of the city of Detroit based on pervasive evidence
15 of mismanagement of funds. In further accordance with
16 Michigan law and the de-designation process, the Michigan
17 DHS is holding this public meeting to consider public
18 comment, and the strengths and the weaknesses of the current
19 CAA serving the citizens of Detroit.

20 As background, CAA's were established in the early
21 1970's to address poverty and approve the self-sufficiency
22 of low income individuals. The Michigan DHS supports this
23 mission and believes that the citizens of Detroit would be
24 more effectively served by rescinding the Detroit DHS's
25 designation and selecting a new nonprofit organization to

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1 serve as the CAA for the city of Detroit.

2 We've arrived at this conclusion based on evidence
3 that shows extensive mismanagement of funds and evidence of
4 criminal activity. Such evidence includes, but is not
5 limited to the following. In several programs, foreclosure
6 assistance, transportation assistance and emergency
7 assistance, Detroit Department of Human Services had very
8 high error rates, providing assistance to ineligible people.
9 Some of the ineligible people who received assistance were
10 employees of Detroit DHS. For several consecutive years
11 Detroit DHS billed both the Michigan Department of Human
12 Services and the Michigan Department of Education for the
13 same costs. Detroit DHS has not paid over \$1 million to
14 weatherization contractors, but included those costs in
15 billings to the State of Michigan. The poor performance of
16 the Detroit DHS in delivering weatherization services has
17 resulted in termination of this contract and moving forward
18 with a new provider to ensure that Detroit residents receive
19 these services.

20 On one occasion Detroit DHS billed the State of
21 Michigan for a workforce program that was never implemented.
22 There are ongoing criminal investigations and there has been
23 one arrest thus far of a former Detroit DHS employee for
24 misuse of funds. In total, we found approximately \$2
25 million of disallowed costs in our recent review. Let me be

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1 clear about that. Every dollar of misspent funds is a
2 dollar that cannot be used to address the needs of low
3 income Detroit residents, and we believe Detroit deserves
4 better.

5 If Detroit DHS is de-designated as the CAA serving
6 Detroit, state law requires the governor, with the mayor's
7 concurrence, select a new entity to serve as the CAA. Mayor
8 Bing has already concurred in our decision to move forward
9 with de-designation.

10 The Michigan DHS will make a recommendation to the
11 governor following an open, competitive bidding process to
12 select an existing or new nonprofit located in the city of
13 Detroit to become the new CAA. We intend to have a
14 representative designated by Mayor Bing serve on the
15 selection committee. The selection committee will be
16 responsible for evaluating proposals that are submitted and
17 recommending a new CAA to the governor. This process will
18 ensure that high quality nonprofit with an effective service
19 delivery system located in the city of Detroit serve the
20 needs of low income Detroit residents. This new CAA will be
21 governed by a board consisting of one third consumers,
22 one-third public officials and one-third members of the
23 private sector.

24 I'm now going to open up this meeting to public
25 comment. In order to ensure that all participants have a

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1 chance to speak, I respectfully request each person limit
2 their remarks to no more than two minutes. Paul is serving
3 as timekeeper and will signal to you when you have 30
4 seconds remaining. We're going to take public comment until
5 about 12:00 noon. If we're not able to hear from each
6 person, and it looks like we're going to, or if your
7 comments are longer than the allotted two minutes, we would
8 welcome receiving your comments through e-mail, fax or US
9 mail. I believe you all received information on how to
10 submit your comments in the handout you received. I would
11 also like to remind everyone in attendance to please be
12 respectful and courteous towards each other.

13 We are transcribing this event, as you can see, so
14 please state and spell your name so we can get your name in
15 the record accurately.

16 And with that, I would welcome our first
17 participant. Ma'am, if you want to begin in the front row.
18 Hello? Sure. Thank you.

19 MS. MCCLELLAN: My name is Cecily McClellan.
20 Excuse me. I'm a little hoarse. I disagree with the --

21 MS. COMAI: I'm sorry. Could you just spell your
22 name so we can get it accurately in the transcription?

23 MS. MCCLELLAN: Yes.

24 MS. COMAI: Thank you.

25 MS. MCCLELLAN: Cecily is spelled C-e-c-i-l-y.

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1 McClellan is M-c-c-l-e-l-l-a-n. I am an employee of the
2 Department of Human Services. I am also first vice
3 president of APTE. I totally disagree with the
4 de-designation. Based on the comments that you just read,
5 Ms. Comaine (pronouncing) --

6 MS. COMAI: Comai.

7 MS. MCCLELLAN: Comai? Thank you. I'm sorry.

8 MS. COMAI: That's okay.

9 MS. MCCLELLAN: Those are allegations. The
10 Department of Human Service has been in existence since
11 1964, since the beginning of the Total Action Against
12 Poverty. We have serviced thousands, tens of thousands of
13 persons through weatherization, through food program,
14 through eviction, through emergency needs, burn out, and in
15 case in point, you mention about the tax program. We've
16 serviced and prevented over 700 families in the city of
17 Detroit from losing their homes as a result of tax
18 foreclosure. And the vast majority of those persons were
19 SSI, which means they were very much below income. The
20 program went up to 200 percent of poverty. Most of those
21 persons were below 100 percent of poverty. I think the
22 error that you reviewed was more in calculations, and
23 calculations should not be considered fraud.

24 I'd like to state that please be informed that I
25 wrote the inspector general, because I think the Health and
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1 Human Services Department should be involved in this. Based
2 on our calculations, since you cut off funding since October
3 and drastically hurt the citizens of the city of Detroit,
4 that means that we have people that lost their home because
5 they had no heat this winter. We had seniors that had to
6 move out their home because of no heat this winter. We had
7 persons that the State of Michigan that cut off at four or
8 five year limitation, and now they could not receive
9 services with their eviction notices. And we would have
10 helped those people. We have a long history --

11 MR. SMITH: You have 30 seconds left.

12 MS. MCCLELLAN: As a result, the city of
13 Detroit -- wait a minute. I'm going to try to collect my
14 thoughts. Furthermore, the director of the Michigan
15 Department of Human Services recommended that the mayor of
16 Detroit subsequently concurred that funding be withheld to a
17 nonprofit -- be given to a nonprofit organization. Please
18 note that the Detroit City Council wrote you on March 23rd
19 and opposed that action. I think you need to review that
20 action. I think we have a long history, and I don't think
21 allegations should ever get rid of a agency with the tenure
22 of 48 years plus. And thank you so much for hearing my
23 comments.

24 MS. COMAI: Thank you for coming. If you have
25 written comments, if you'd like to leave them at the front

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1 table, that would be fine.

2 Next? Front row. We're going to go sort of in
3 order of seating.

4 UNIDENTIFIED SPEAKER: Can I pass and come back
5 around?

6 MS. COMAI: Sure. That would be fine. Thank you.
7 Good morning.

8 MS. GRIFFITH: Good morning. My name is Phyllis
9 Griffith. P-h-y-l-l-i-s. Griffith, G-r-i-f-f-i-t-h. I
10 oppose this action of closing the Department of Human
11 Services. These are city workers that have been helping
12 people for years. I've known many families that received
13 this help. This -- well, Governor Snyder said he wants to
14 help Detroit. Well, by taking this away from Detroit and
15 the city workers, that means they have no jobs. That means
16 no taxes are coming in, so how is this helping Detroit? I
17 think this should stay here in the city of Detroit and our
18 city workers should have this job. Thank you.

19 MS. COMAI: Thank you. Yes?

20 MS. SLAPPY: Good morning.

21 MS. COMAI: Good morning.

22 MS. SLAPPY: My name is Marcella Slappy. That's
23 S, in Sam, l-a-p-p-y. I believe that the city of Detroit
24 Department of Human Services must continue to provide
25 services for Detroiters. There is no democracy in Detroit,
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1 Michigan. We did not see any democracy in the consent
2 agreement. There is no democracy here where you are trying
3 to take over our 50-plus city agency. We did not see
4 democracy in Public Act 4. You, I, we, have never seen
5 democracy. All we have seen is hypocrisy. I believe in the
6 human beings and that all human beings should be respected
7 as such. You stated that there's mismanagement of funds, so
8 you get rid of the people who has the -- who mismanaged the
9 fund. You don't take away the whole department. You said
10 some employees. You did not -- it was not all employees.
11 There's a procedure. There's a guideline when it comes to
12 de-seginating (sic) a department. If there was mismanage of
13 funds and some employees were bad employees, the first step
14 the State of Michigan should have done was trained employees
15 that were left. So once again, I do not believe in this
16 de-seginating (sic) Department of Human Services for the
17 city of Detroit. Thank you.

18 MS. COMAI: Thank you. The gentleman in the --
19 did you want to?

20 UNIDENTIFIED SPEAKER: No.

21 MS. COMAI: Second row? You want to start?

22 MR. BOYLE: My name is Stephen Boyle, and I am a
23 concerned citizen.

24 MS. COMAI: Could you spell your name?

25 MR. BOYLE: B-o-y-l-e. I am a resident of
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1 else in the second row on the other side? Okay. Next row?

2 MR. LITTLE: Morning.

3 MS. COMAI: Good morning.

4 MR. LITTLE: My name is Leslie, L-e-s-l-i-e, Clay,
5 C-l-a-y, Little, L-i-t-t-l-e. I oppose this takeover of
6 this Department of Human Services because we've been under
7 assault from the State of Michigan since they took over our
8 schools back in 1999, Public Act 10, and we know how that
9 turned out. The schools, when they gave it back to us, was
10 de-funded when they gave it back to us. Just time and time
11 again the state comes over and becomes big brother to
12 Detroit. And time and time again when we received the
13 services, the service is unrendered to the citizens of
14 Detroit. There's a bunch of patriots back in the 1700's
15 that told King George to back off, so they formed a union.
16 What has happened to the union here? They formed a
17 Declaration of Independence. I think Detroit, it's time for
18 us to declare a declaration of independence.

19 MS. COMAI: Thank you. Yes, ma'am?

20 MS. BUKOWSKI: My name is Diane Bukowski, and I've
21 been covering this for the Voice of Detroit, and in covering
22 it --

23 MS. COMAI: I'm sorry. Could you spell your name
24 for the record?

25 MS. BUKOWSKI: B-u-k-o-w-s-k-i. In the process of
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April 23, 2012

1 investigating this whole situation, I discovered that the
2 executive director of the Wayne County -- of the Wayne Metro
3 Community Action Agency is running his own real estate
4 business out of their Ecorse office on West Jefferson, at
5 3715 West Jefferson. Now, he -- that's a total conflict of
6 interest. Wayne Community Metro Agency also sold him a
7 piece of property -- it's in the public records -- for \$10.
8 I used to work on my other part time job down in that
9 office. That's how I recognized the address when I saw the
10 listing of his business. Now, I don't have his name with me
11 right now, but if you go on-line to voiceofdetroit.net there
12 is a whole piece of his conflict of interest, and even
13 dealing with his own agency, let alone dealing with the
14 Detroit Department of Human Services. Most of the people on
15 the Wayne County Metro -- on the Wayne Metro Community
16 Action Agency, their board are people who live in places
17 like Grosse Ile, which is one of the wealthiest cities in
18 the area, and other Down river suburbs. They have no
19 representatives of the city of Detroit and no black
20 representatives. And this is a travesty that a service for
21 the people of the city of Detroit should be turned over to
22 people from -- wealthy individuals who are also corrupt and
23 probably more corrupt than what has been claimed about the
24 Department of Human Services. So I believe that you should
25 investigate that before you decide on this.

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1 Again, if you go to --

2 MR. SMITH: 30 seconds.

3 MS. BUKOWSKI: http/voiceofdetroit.net and put in
4 "Department of Human Services" in there, in the search
5 engine, you'll bring the story up.

6 MS. COMAI: Thank you.

7 MS. TAYLOR: Good morning. My name is Debra
8 Taylor. I'm with We the People of Detroit.

9 MS. COMAI: Is that spelled just --

10 MS. TAYLOR: D-e-b-r-a, Taylor.

11 MS. COMAI: Thank you.

12 MS. TAYLOR: And I'm really fatigued with showing
13 up at public hearings that are rushed without proper notice,
14 with a political agenda, and a corrupt agenda, in my mind.
15 This is political. This is about jobs, contracts and money.
16 Michigan has become up south, the new Mississippi. Ms.
17 Corrigan, the state director of the Department of Human
18 Services, came to City Council and tried to bully them into
19 decertifying the Department of Human Services, and all along
20 the mainstream media has participated in discrediting the
21 Department of Human Services with partial truths. This
22 is --

23 (Off the record interruption)

24 MS. COMAI: I'm sorry. Could we just make sure
25 cell phones are turned off?

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1 UNIDENTIFIED SPEAKER: Yeah, I'll turn it off.

2 MS. COMAI: Thank you.

3 MS. TAYLOR: This is a grab for jobs. This is
4 political. This is unethical. This is illegal. It's
5 immoral, and it should not be -- you can't dress up a pig
6 and put perfume on them and call them something else. And
7 what we have here is very polite people, such as yourself,
8 will go through the process of recording the record, but it
9 won't make a difference in the political agenda. But what
10 people need to understand is there is a higher power that
11 all are going to have to be accountable to. And I've seen
12 this played out in other means, and so what I would say is
13 that turning over or attempting to turn over the Department
14 of Human Services from the city of Detroit, which has
15 nothing to do with the deficit --

16 MR. SMITH: 30 seconds.

17 MS. TAYLOR: It has all to do with federal dollars
18 and the grabbing of power illegally. And it is a racial
19 issue. This Governor Snyder has targeted African American
20 communities consistently in a nice voice, with a nice smile,
21 saying he wants to help. But he wants us to slit our own
22 throat, and we won't stand for it. We won't take it. We
23 will respond in an appropriate way, and you guys ought to
24 really consider your conscience in doing the bidding for the
25 higher-ups, because everyone will be accountable. I am

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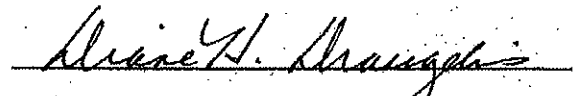
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I certify that this transcript, consisting of 86 pages, is a complete, true and correct transcript of the public hearing and testimony taken in this case on April 23, 2012.

May 4, 2012



Diane H. Draugelis, CER 2530
Network Reporting Corporation
2604 Sunnyside Drive
Cadillac, Michigan 49601-8749

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