

Office of the Auditor General
Performance Audit Report

Flint Emergency Expenditures
State of Michigan

July 2016

State of Michigan Auditor General
Doug A. Ringler, CPA, CIA

The auditor general shall conduct post audits of financial transactions and accounts of the state and of all branches, departments, offices, boards, commissions, agencies, authorities and institutions of the state established by this constitution or by law, and performance post audits thereof.

Article IV, Section 53 of the Michigan Constitution



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Office of the Auditor General

Report Summary

Performance Audit

Report Number:
000-2016-16

Flint Emergency Expenditures

State of Michigan

Released:
July 2016

On January 5, 2016, Governor Snyder declared a State of Emergency for Genesee County (referred to as the Flint declaration of emergency) due to the ongoing health and safety issues caused by elevated lead levels in the City of Flint's drinking water. The Legislature enacted numerous appropriations to address this situation, both as supplemental appropriations to and transfers within the fiscal year 2016 budget and spending authorization provided in the fiscal year 2017 budget. As of June 3, 2016 supplemental appropriations for fiscal year 2016 totaled \$67.4 million and seven State departments have expended a total of \$29.3 million. Public Act 3 of 2016 requires the Office of the Auditor General to audit the use of the funds appropriated for this emergency and report at a minimum of every six months until the funds are expended. This is our first report on the expenditure of these funds.

Audit Objective			Conclusion
Objective #1: To determine the appropriateness of State agencies' expenditure of the Flint declaration of emergency appropriations as of June 3, 2016.			Appropriate
Findings Related to This Audit Objective	Material Condition	Reportable Condition	Agency Preliminary Response
None reported.	Not applicable	Not applicable	Not applicable
Observations Related to This Audit Objective	Material Condition	Reportable Condition	Agency Preliminary Response
The reconnection agreement between the City of Flint and the Detroit Water and Sewerage Department requires that any remaining balance in the deposit account established to offset the City of Flint's water charges be returned to the City of Flint. The appropriation act boilerplate is silent on the use of any returned funds. The Legislature may want to consider including language that specifies the use of any returned funds. (<u>Observation, Exhibit 2</u>).	Not applicable	Not applicable	Not applicable

Audit Objective			Conclusion
Objective #2: To report State agencies' expenditures of the Flint declaration of emergency appropriations.			Information provided.
Findings Related to This Audit Objective	Material Condition	Reportable Condition	Agency Preliminary Response
None reported.	Not applicable	Not applicable	Not applicable
Exhibits Related to This Audit Objective			
<u>Exhibit #1</u> - Department of Licensing and Regulatory Affairs <u>Exhibit #2</u> - Department of Environmental Quality <u>Exhibit #3</u> - Michigan Department of Health and Human Services <u>Exhibit #4</u> - Michigan Department of Education <u>Exhibit #5</u> - Department of Military and Veterans Affairs <u>Exhibit #6</u> - Michigan Department of State Police <u>Exhibit #7</u> - Department of Treasury			

A copy of the full report can be obtained by calling 517.334.8050 or by visiting our Web site at: www.audgen.michigan.gov

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Doug A. Ringler, CPA, CIA
Auditor General

July 29, 2016

The Honorable Dave Hildenbrand, Chair
Senate Appropriations Committee
S-324 Capitol Building
Lansing, Michigan

The Honorable Al Pscholka, Chair
House Appropriations Committee
S-351 Capitol Building
Lansing, Michigan

The Honorable Vincent Gregory, Min. Vice Chair
Senate Appropriations Committee
1015 Farnum Building
Lansing, Michigan

The Honorable Harvey Santana, Min. Vice Chair
House Appropriations Committee
S-688 Anderson House Office Building
Lansing, Michigan

Dear Senators Hildenbrand and Gregory and Representatives Pscholka and Santana:

I am pleased to provide this performance audit report on the Flint Emergency Expenditures, State of Michigan.

Section 203 of Public Act 3 of 2016, effective January 29, 2016, requires the Office of the Auditor General to audit the use of the funds appropriated for the Flint declaration of emergency and report to the chairs of the Senate and House Appropriations Committees at a minimum of every six months until the funds are expended. Our audit scope includes all funds for the Flint declaration of emergency for fiscal year 2016 as appropriated in Public Act 143 of 2015 and Public Acts 3 and 24 of 2016 expended through June 3, 2016. This is the first of the reports required every six months.

We appreciate the courtesy and cooperation extended to us during this audit.

Sincerely,

Doug Ringler
Auditor General

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AUDIT OBJECTIVES, CONCLUSIONS, AND FINDINGS

APPROPRIATENESS OF EXPENDITURE OF FLINT DECLARATION OF EMERGENCY APPROPRIATIONS AS OF JUNE 3, 2016

AUDIT OBJECTIVE

To determine the appropriateness of State agencies' expenditure of the Flint declaration of emergency appropriations as of June 3, 2016.

CONCLUSION

Appropriate.

**FACTORS
IMPACTING
CONCLUSION**

- We did not identify any significant errors in our review of the supporting documentation for the audited transactions.

EXPENDITURES OF FLINT DECLARATION OF EMERGENCY APPROPRIATIONS

AUDIT OBJECTIVE	To report State agencies' expenditures of the Flint declaration of emergency appropriations.
CONCLUSION	Information provided.
FACTORS IMPACTING CONCLUSION	<ul style="list-style-type: none">• We reported the agencies' expenditures of the appropriations as of June 3, 2016.

SUPPLEMENTAL INFORMATION, INCLUDING OBSERVATIONS

Exhibit #1

FLINT EMERGENCY EXPENDITURES

Department of Licensing and Regulatory Affairs (LARA)
As of June 3, 2016

Public Act 143 of 2015

Appropriated: \$200,000

Authorized uses: Section 154

One full-time equated employee in the Bureau of Construction Codes.

Expenditures by Authorized Use Category

	<u>Funding Allocation</u>	<u>Total Expenditures</u>	<u>Expenditures Subject to Audit</u>
Construction Codes*	<u>\$200,000</u>	<u>\$197,620</u>	<u>\$197,620</u>
Total	<u>\$200,000</u>	<u>\$197,620</u>	<u>\$197,620</u>

* Construction Codes:

Audit Methodology and Results

We reviewed 9 randomly selected expenditures totaling \$49,639. The expenditures were appropriately approved, supported, and charged to the appropriation. We did not identify any significant errors. LARA informed us that it has completed all 87 planned plumbing inspections.

Observations

None

Public Act 3 of 2016

Appropriated: \$2,000,000

Authorized uses: Section 601

LARA shall allocate funds to address needs related to the declaration of emergency issued on January 5, 2016. These funds shall be used to support plumbing fixture replacements at facilities to be designated by LARA.

Expenditures by Authorized Use Category

	<u>Funding Allocation</u>	<u>Total Expenditures</u>	<u>Expenditures Subject to Audit</u>
Plumbing Fixture Replacements*	<u>\$2,000,000</u>	<u>\$870,961</u>	<u>\$870,961</u>
Total	<u>\$2,000,000</u>	<u>\$870,961</u>	<u>\$870,961</u>

* Plumbing Fixture Replacements:

Audit Methodology and Results

We obtained an understanding and tested the effectiveness of LARA's methodology for identifying facilities requiring fixture replacement. We reviewed 21 randomly selected expenditures totaling \$682,751. The expenditures were appropriately approved, supported, and charged to the appropriation. We did not identify any significant errors. LARA informed us that it has completed all 1,399 planned fixture replacements.

Observations

None

Source: The Office of the Auditor General prepared this exhibit based on the specified Public Acts and information obtained from the Michigan Administrative Information Network (MAIN).

FLINT EMERGENCY EXPENDITURES

Department of Environmental Quality (DEQ)
As of June 3, 2016

Public Act 143 of 2015

Appropriated: \$7,300,000

Authorized uses: Sections 152 and 1251

Section 152: Two full-time equated employees for drinking water and environmental health and laboratory services.

Section 1251: DEQ is authorized to pay up to \$6,000,000 for reconnection services to the Detroit Water and Sewerage Department or its successor. The payments shall only be made once a legally executable agreement has been reached between the parties and a successful reconnection has occurred to the Flint water system. These funds are intended to pay reconnection costs through June 30, 2016.

Expenditures by Authorized Use Category

	<u>Funding Allocation</u>	<u>Total Expenditures</u>	<u>Expenditures Subject to Audit</u>
Resource Management Division			
Reconnection Services*	\$6,000,000	\$6,000,000	\$6,000,000
Drinking Water and Environmental Health	300,000	256,708	0
Remediation and Development Division			
Laboratory Services	<u>1,000,000</u>	<u>753,467</u>	<u>0</u>
Total	<u>\$7,300,000</u>	<u>\$7,010,175</u>	<u>\$6,000,000</u>

* Reconnection Services:

Audit Methodology and Results

We reviewed 2 randomly selected expenditures totaling \$5,000,000 and determined that they were appropriately approved, supported, and charged to the appropriation. We also determined that DEQ did not make the payments until an agreement was executed and there was a successful reconnection to the Flint water system. While we noted that the payments were related to the reconnection agreement, they were not used for reconnection costs. Rather, the funds are being used to meet the reconnection agreement requirement for a deposit with the Detroit Water and Sewerage Department as an estimated prepayment for services. The deposit is being used to pay Flint's monthly water charges through June 30, 2016. DEQ and the State Budget Office (SBO) informed us that it was understood that the funds were to be used for this purpose. The explanation was supported by a subsequent appropriation of \$3.9 million in Public Act 268 of 2016 for service costs from July 2016 through September 30, 2016.

Observation

The reconnection agreement requires that any remaining balance in the deposit account be returned to the City of Flint. The appropriation act boilerplate is silent on the use of any returned funds. The Legislature may want to consider including language that specifies the use of any returned funds.

Public Act 3 of 2016

Appropriated: \$5,786,500

Authorized uses: Section 401

DEQ shall allocate funds to address needs related to the declaration of emergency issued on January 5, 2016. These funds shall be used to support the following activities:

- (a) Water system needs.
- (b) Potential payment to the City of Flint to aid with utility issues.
- (c) Lab and testing costs.
- (d) Corrosion control procedures.
- (e) Infrastructure integrity study using outside experts.

Expenditures by Authorized Use Category

	Funding Allocation	Total Expenditures	Expenditures Subject to Audit
Flint Declaration of Emergency			
Water System Needs*	\$4,395,000	\$ 758,577	\$ 758,577
Utility Issues	0	0	0
Lab and Testing	932,000	279,056	0
Corrosion Control	36,500	0	0
Infrastructure Study**	423,000	254,323	254,323
Total	<u>\$5,786,500</u>	<u>\$1,291,956</u>	<u>\$1,012,900</u>

* Water System Needs:

Audit Methodology and Results

We reviewed 5 judgmentally selected expenditures totaling \$348,930 and determined that they were appropriately approved, supported, and charged to the appropriation. We did not identify any significant errors.

Observations

None

** Infrastructure Study:

Audit Methodology and Results

We reviewed 1 expenditure of \$107,174 and determined that it was appropriately approved, supported, and charged to the appropriation. We did not identify any errors.

Observations

None

Source: The Office of the Auditor General prepared this exhibit based on the specified Public Acts and information obtained from MAIN.

FLINT EMERGENCY EXPENDITURES

Michigan Department of Health and Human Services (MDHHS)
As of June 3, 2016

Public Act 143 of 2015

Appropriated: \$1,850,000

Authorized uses: Section 153

\$1,000,000 for emergency services local office allocations and \$850,000 for the Childhood Lead Program.

Expenditures by Authorized Use Category

	<u>Funding Allocation</u>	<u>Total Expenditures</u>	<u>Expenditures Subject to Audit</u>
Emergency Services Local Office Allocations*	\$1,000,000	\$ 964,681	\$964,681
Childhood Lead Program	850,000	503,159	0
Total	<u>\$1,850,000</u>	<u>\$1,467,840</u>	<u>\$964,681</u>

* Emergency Services Local Office Allocations:

Audit Methodology and Results

We determined that all expenditures were properly supported by a signed receiving document and agency-approved invoice. We did not identify any errors.

Observations

None

Public Act 3 of 2016

Appropriated: \$15,457,000

Authorized uses: Section 501

MDHHS shall allocate funds to address needs related to the declaration of emergency issued on January 5, 2016. These funds shall be used to support the following activities:

- (a) Purchases of bottled water, water filters, and replacement filter cartridges.
- (b) Department field operations costs.
- (c) Epidemiological analysis and case management of individuals at risk of elevated blood lead levels.
- (d) Nutrition support, food banks, and community education.
- (e) Support for child and adolescent health centers and children's health care access program.

- (f) Assessment of potential linkages to other diseases.
- (g) Food inspections.
- (h) Crisis counseling and behavioral health services.
- (i) Additional nurse services.

Expenditures by Authorized Use Category

	Funding Allocation	Total Expenditures	Expenditures Subject to Audit
Bottled Water, Water Filters, and Cartridges*	\$4,612,800	\$ 0	\$ 0
Department Field Operations			
Lead Abatement	1,510,000	158,621	0
Epidemiological and Case Management			
Environmental Blood Lead Investigations	90,000	0	0
Epidemiology Services	145,000	14,321	0
Nurse Case Management	70,000	0	0
Nutrition Support, Food Banks, and Community Education			
Nutrition Education	120,000	17,062	0
Food Bank Resources**	1,037,200	0	0
Childhood Nutritional Education	872,000	0	0
Lactation Consultant	85,000	40,800	0
Double Up Food Bucks Flint Expansion Project	380,000	0	0
Child and Adolescent Health Centers and Children's Health Care Access			
Children's Healthcare Access Project	200,000	0	0
Child and Adolescent Health Centers Pathways to Potential Expansion	650,000	0	0
	720,000	0	0
Linkages to Other Diseases	275,000	1,923	0
Food Inspections	200,000	96,000	0
Crisis Counseling and Behavioral Health Services			
Crisis Counseling***	500,000	500,000	500,000
Case Management, Care Coordination, Crisis Services, Behavioral Health, and Development Services	3,290,000	0	0
Michigan Child Care Collaborative	200,000	14,409	0
Nurse Services	500,000	0	0
Total	<u>\$15,457,000</u>	<u>\$843,136</u>	<u>\$500,000</u>

* Bottled Water, Water Filters, and Cartridges:

Audit Methodology and Results

MDHHS received but has delayed paying vendor invoices for delivered water and filter supplies until it reconciles the invoices with its receiving records. The vendor invoices date back to January 13, 2016. We subsequently noted that on June 27, 2016, MDHHS initiated payments to the vendor.

Observations

None

** Food Bank Resources:

Audit Methodology and Results

MDHHS informed us that it has requested but not yet received any invoices for food delivered by its food bank contractor.

Observations

None

*** Crisis Counseling:

Audit Methodology and Results

On February 3, 2016, MDHHS advanced an existing contracted mental health services provider in Genesee County \$500,000 to provide crisis counseling services for non-Medicaid eligible individuals impacted by the Flint water crisis. MDHHS informed us that it verbally instructed the provider to separately identify its expenditure of these funds on the periodic financial reports that it submitted to MDHHS for its other contracted services. As of June 3, 2016, the provider had not separately identified any related expenditures. The provider's next financial report for the period April through June 2016 is due in August 2016.

Observations

None

Source: The Office of the Auditor General prepared this exhibit based on the specified Public Acts and information obtained from MAIN.

FLINT EMERGENCY EXPENDITURES

Michigan Department of Education (MDE)
As of June 3, 2016

Public Act 3 of 2016

Appropriated: \$2,685,000

Authorized uses: Section 301

MDE shall allocate funds to address needs related to the declaration of emergency issued on January 5, 2016. These funds shall be used to support the following activities:

- (a) Hiring additional school nurses.
- (b) In the intermediate school district in which the declaration of emergency has been made, providing Early On and special education services, monitoring children from age 0 to 3 for symptoms of potential lead exposure, coordinating wraparound services, providing nutritional snacks to elementary students, and providing and coordinating communications for parents, educators, and the community.

Expenditures by Authorized Use Category

	<u>Funding Allocation</u>	<u>Total Expenditures</u>	<u>Expenditures Subject to Audit</u>
Nurses*	\$ 320,000	\$ 79,968	\$ 79,968
Early On and Special Education Services, Lead Exposure Monitoring, Wraparound Services Coordination, and Communications**	2,225,000	480,230	480,230
Food and Nutrition***	140,000	95,229	95,229
Total	<u>\$2,685,000</u>	<u>\$655,427</u>	<u>\$655,427</u>

* Nurses:

Audit Methodology and Results

MDE granted \$320,000 to the School District of the City of Flint to place nurses in 9 Flint elementary schools. The District subsequently contracted with a staffing agency for the nurses. The District draws down funds each month using MDE's electronic grant/cash management system. The District provided MDE with an updated budget each month that reported the District's expenditures. We verified that the drawdowns matched the expenditures recorded in these documents. Documentation supporting the reported expenditures is maintained at the District.

Observations

None

** Early On and Special Education Services, Lead Exposure Monitoring, Wraparound Services Coordination, and Communications:

Audit Methodology and Results

MDE granted and immediately advanced the Genesee Intermediate School District (GISD) \$2,225,000 for Early On, wraparound service coordination, and communication services. MDE retroactively requested and received the required SBO approval to advance the funding to GISD. MDE records expenditures against the advance when GISD submits required biweekly expenditure reports. We verified that the expenditures were supported by biweekly expenditure reports submitted by GISD.

Observations

None

*** Food and Nutrition:

Audit Methodology and Results

MDE granted and immediately advanced GISD \$140,000 for Food and Nutrition. MDE retroactively requested and received the required SBO approval to advance the funding to GISD. We determined that GISD's methodology for identifying all children eligible for supplemental nutrition was comprehensive and appeared to achieve its intended purpose. Also, we determined that GISD's controls over the ordering, receipt, delivery, and inventory of food items were sound. In addition, we determined that the expenditures were appropriately approved, supported, and charged to the appropriation. We did not identify any errors.

Observations

None

Source: The Office of the Auditor General prepared this exhibit based on the specified Public Acts and information obtained from MAIN.

FLINT EMERGENCY EXPENDITURES

Department of Military and Veterans Affairs (DMVA)
As of June 3, 2016

Public Act 3 of 2016

Appropriated: \$2,000,000

Authorized uses: Section 701

DMVA shall allocate funds to address needs related to the declaration of emergency issued on January 5, 2016. These funds shall be used to support the Michigan National Guard water support efforts.

Expenditures by Authorized Use Category

	<u>Funding Allocation</u>	<u>Total Expenditures</u>	<u>Expenditures Subject to Audit</u>
Michigan National Guard Water Support Efforts*	<u>\$2,000,000</u>	<u>\$1,962,031</u>	<u>\$1,962,031</u>
Total	<u>\$2,000,000</u>	<u>\$1,962,031</u>	<u>\$1,962,031</u>

* Michigan National Guard Water Support Efforts:

Audit Methodology and Results

We reviewed 17 randomly selected expenditures totaling \$767,078 and determined they were appropriately approved, supported, and charged to the appropriation. We did not identify any significant errors.

Observations

None

Source: The Office of the Auditor General prepared this exhibit based on the specified Public Acts and information obtained from MAIN.

FLINT EMERGENCY EXPENDITURES

Michigan Department of State Police (MSP)
As of June 3, 2016

Public Act 3 of 2016

Appropriated: \$100,000

Authorized uses: Section 801

MSP shall allocate funds to address needs related to the declaration of emergency issued on January 5, 2016. These funds shall be used to support operational funding for the Flint Water Interagency Coordinating Committee.

Expenditures by Authorized Use Category

	<u>Funding Allocation</u>	<u>Total Expenditures</u>	<u>Expenditures Subject to Audit</u>
Flint Water Interagency Coordinating Committee*	<u>\$100,000</u>	<u>\$3,700</u>	<u>\$3,700</u>
Total	<u>\$100,000</u>	<u>\$3,700</u>	<u>\$3,700</u>

* Flint Water Interagency Coordinating Committee:

Audit Methodology and Results

We reviewed the supporting documentation for 5 randomly selected expenditures totaling \$1,909 and determined that the expenditures were appropriately approved, supported, and charged to the appropriation. We did not identify any errors.

Observations

None

Source: The Office of the Auditor General prepared this exhibit based on the specified Public Acts and information obtained from MAIN.

FLINT EMERGENCY EXPENDITURES

Department of Treasury (Treasury)
As of June 3, 2016

Public Act 24 of 2016

Appropriated: \$30,000,000

Authorized uses: Section 301

Treasury shall allocate up to \$30,000,000 to reimburse the water enterprise fund of the City of Flint in an amount equal to credits posted to its customers' accounts in accordance Section 302.

Expenditures by Authorized Use Category

	<u>Funding Allocation</u>	<u>Reported Expenditures</u>	<u>Expenditures Subject to Audit</u>
Water Credit Reimbursements*	<u>\$30,000,000</u>	<u>\$15,000,000</u>	<u>\$15,000,000</u>
Total	<u>\$30,000,000</u>	<u>\$15,000,000</u>	<u>\$15,000,000</u>

* Water Credit Reimbursements:

Audit Methodology and Results:

The City of Flint contracted with a public accounting firm to assess the accuracy and completeness of credits applied to residential and other water customer accounts for the period May 2014 through February 2016 for compliance with Public Act 24 of 2016 requirements. Upon receiving preliminary confirmation that the credits were materially compliant with Act 24 requirements, Treasury released \$15,000,000 to the City of Flint and plans to release the remaining balance, up to the total amount of credits, upon receiving the firm's final report. We reviewed the engagement letter describing the purpose of the review, discussed the detailed review procedures with the firm, reviewed supporting working papers, and reviewed the firm's draft report. We concluded that the review appeared sufficient to ensure that, materially, the credits were applied to the correct residential and other water customer accounts and in the correct amount as specified in Public Act 24 of 2016. Treasury informed us that the firm will also assess the accuracy and completeness of water bill credits issued for March 2016 forward before Treasury reimburses the City of Flint for the credits.

Observations

None

Source: The Office of the Auditor General prepared this exhibit based on the specified Public Acts and information obtained from MAIN.

DESCRIPTION

On January 5, 2016, Governor Snyder declared a state of emergency for Genesee County (referred to as the Flint declaration of emergency) due to the ongoing health and safety issues caused by elevated lead levels in the City of Flint's drinking water. The state of emergency was extended twice and is set to expire August 14, 2016.

The Legislature enacted numerous appropriations to address this situation, both as supplemental appropriations to and transfers within the fiscal year 2016 budget and spending authorization provided in the fiscal year 2017 budget. As noted below, seven State departments had received supplemental appropriations totaling \$67.4 million as of June 3, 2016, the end of the audit period for this report.

<u>Appropriations Act/Department</u>	<u>Amount Appropriated</u>
Public Act 143 of 2015 - October 15, 2015	
Environmental Quality	\$ 7,300,000
Health and Human Services	1,850,100
Licensing and Regulatory Affairs	200,000
Subtotal	<u>\$ 9,350,100</u>
Public Act 3 of 2016 - January 29, 2016	
Education	\$ 2,685,000
Environmental Quality	5,786,500
Health and Human Services	15,457,000
Licensing and Regulatory Affairs	2,000,000
Military and Veteran Affairs	2,000,000
State Police	100,000
Subtotal	<u>\$28,028,500</u>
Public Act 24 of 2016 - February 26, 2016	
Treasury	<u>\$30,000,000</u>
Subtotal	<u>\$30,000,000</u>
Total	<u>\$67,378,600</u>

Public Act 3 of 2016 requires the Office of the Auditor General to audit the use of the funds appropriated for this emergency and report at a minimum of every six months until the funds are expended. This is our first report on the expenditure of these funds.

AUDIT SCOPE, METHODOLOGY, AND OTHER INFORMATION

AUDIT SCOPE

To determine if the expenditures charged to Flint declaration of emergency appropriations were appropriate and to report those expenditures. Our audit was limited to expenditures incurred by June 3, 2016 and funded by Public Act 143 of 2015 and Public Acts 3 and 24 of 2016. We conducted this performance audit* in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our conclusions based on our objectives.

PERIOD

Our audit procedures, which included audit planning, audit fieldwork, report preparation, and quality assurance, generally covered the period October 15, 2015 through June 3, 2016.

METHODOLOGY

In this initial audit, we spent significant time obtaining an understanding of the multiple programs and processes utilized to implement the appropriations across the seven State departments. The various audit planning activities were necessary to sufficiently plan the audit work and to develop a basis for defining our audit objectives and scope. In future audits, as the State department's report additional amounts expended for these programs we will be completing audits of a greater share of the expenditure's incurred. During our planning, we:

- Reviewed appropriation acts enacted prior to June 3, 2016 that contained appropriations to assist with the Flint declaration of emergency along with related Senate and House Fiscal Agencies' analyses.
- Met with SBO Office of Financial Management and Office of Internal Audit Services staff to obtain an understanding of the controls established over expenditures and reporting.
- Observed activities at the State Emergency Operations Center and obtained an understanding of the various systems used to coordinate activities and purchases for the Flint declaration of emergency.
- Interviewed selected personnel from the Office of Purchasing, Department of Technology, Management, and Budget, and reviewed purchasing policies.

* See glossary at end of report for definition.

OBJECTIVE #1

To determine the appropriateness of State agencies' expenditure of the Flint declaration of emergency appropriations as of June 3, 2016.

To accomplish this objective, we:

- Interviewed management and staff from the seven State departments appropriated Flint emergency funding along with staff from local agencies to obtain an understanding of their expenditures and related purchasing processes, payment mechanisms, and monitoring activities.
- Reviewed selected contracts, grant agreements, and purchase orders.
- Reviewed source documentation supporting selected expenditures.
- Analyzed an independent third-party review of the process for determining water usage credits.

OBJECTIVE #2

To report State agencies' expenditures of the Flint declaration of emergency appropriations.

To accomplish this objective, we:

- Obtained the account coding used by the seven State departments for expenditure of appropriations.
- Extracted the expenditures charged to the appropriations from the Michigan Administrative Information Network* (MAIN) using the coding provided by the seven State departments.
- Reconciled our expenditure totals with those reported biweekly by the seven State departments to the Office of Financial Management.

CONCLUSIONS

We base our conclusions on the results of our audit procedures.

* See glossary at end of report for definition.

GLOSSARY OF ABBREVIATIONS AND TERMS

DEQ	Department of Environmental Quality.
DMVA	Department of Military and Veterans Affairs.
LARA	Department of Licensing and Regulatory Affairs.
Michigan Administrative Information Network (MAIN)	The State's automated administrative management system that supports accounting, purchasing, and other financial management activities.
MDE	Michigan Department of Education.
MDHHS	Michigan Department of Health and Human Services.
MSP	Michigan Department of State Police.
observation	A commentary that highlights certain details or events that may be of interest to users of the report. An observation differs from an audit finding in that it may not include the attributes (condition, effect, criteria, cause, and recommendation) that are presented in an audit finding.
performance audit	An audit that provides findings or conclusions based on an evaluation of sufficient, appropriate evidence against criteria. Performance audits provide objective analysis to assist management and those charged with governance and oversight in using the information to improve program performance and operations, reduce costs, facilitate decision making by parties with responsibility to oversee or initiate corrective action, and contribute to public accountability.
SBO	State Budget Office.

