



# OAG

Office of the Auditor General

## Report Summary

### Performance Audit

### Flint Emergency Expenditures

### State of Michigan

**Report Number:**  
000-2016-17

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On January 5, 2016, Governor Rick 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 November 18, 2016, appropriations totaled \$242.2 million and nine State departments had expended a total of \$85.4 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 second 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 November 18, 2016.			Appropriate
Findings Related to This Audit Objective	Material Condition	Reportable Condition	Agency Preliminary Response
The Michigan Department of Education (MDE) did not provide sufficient oversight of the Early On (EO) grant, resulting in \$517,670 in unsupported grant charges ( <u>Finding #1</u> ).		X	Agrees
Observations Related to This Audit Objective	Material Condition	Reportable Condition	Agency Preliminary Response
The Department of Treasury reimbursed the City of Flint \$841,637 for water bill credits issued for late fees assessed to water customer accounts from May 2014 through February 2016. Public Act 24 of 2016 provides for the reimbursement of credits issued for amounts billed for water; however, it does not specifically provide for the reimbursement of late payment fees ( <u>Observation #1, Exhibit #7</u> ).	Not applicable	Not applicable	Not applicable

<b>Observations Related to This Audit Objective (Continued)</b>	<b>Material Condition</b>	<b>Reportable Condition</b>	<b>Agency Preliminary Response</b>
The City of Flint reported that 815 active water customer accounts had not had an actual water meter reading in 12 to 36 consecutive months as of September 13, 2016. The City of Flint also reported that 145 active water customer accounts had meter readings showing zero water usage for at least the last 12 consecutive months. These conditions required the City of Flint to estimate the customers' water usage and corresponding water bill credits. Over time, these estimates can differ significantly from customers' actual water usage and cause misstated State-funded water bill credits ( <u>Observation #2</u> , <u>Exhibit #7</u> ).	Not applicable	Not applicable	Not applicable

<b>Audit Objective</b>			<b>Conclusion</b>
Objective #2: To report State agencies' expenditures of the Flint declaration of emergency appropriations.			Information provided
<b>Findings Related to This Audit Objective</b>	<b>Material Condition</b>	<b>Reportable Condition</b>	<b>Agency Preliminary Response</b>
None reported.	Not applicable	Not applicable	Not Applicable
<b>Exhibits Related to This Audit Objective</b>			
<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 <u>Exhibit #8</u> - Department of Attorney General <u>Exhibit #9</u> - Department of Natural Resources <u>Exhibit #10</u> - Department of Technology, Management, and Budget			

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](http://www.audgen.michigan.gov)

Office of the Auditor General  
201 N. Washington Square, Sixth Floor  
Lansing, Michigan 48913

**Doug A. Ringler, CPA, CIA**  
Auditor General

**Laura J. Hirst, CPA**  
Deputy Auditor General