

Office of the Auditor General
Performance Audit Report

Flint Emergency Expenditures
State of Michigan

January 2018

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



OAG

Office of the Auditor General

Report Summary

Performance Audit

Report Number:
000-2017-18

Flint Emergency Expenditures

Released:
January 2018

State of Michigan

On January 5, 2016, Governor Rick Snyder declared a state of emergency for Genesee County (referred to as the Flint declaration of emergency or "Flint declaration") 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 and 2017 budget and spending authorizations provided in the fiscal year 2017 and 2018 budgets. As of December 31, 2017, appropriations totaled \$344.2 million and 10 State departments had expended a total of \$182.8 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 fourth 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 December 31, 2017.		Appropriate	
Findings Related to This Audit Objective	Material Condition	Reportable Condition	Agency Preliminary Response
None reported.	Not applicable.		
Observations Related to This Audit Objective	Material Condition	Reportable Condition	Agency Preliminary Response
The Michigan Department of Health and Human Services (MDHHS) provided children with nutritional support benefits targeted to purchase healthy foods that could reduce the effects of high levels of lead in their drinking water. MDHHS identified six Flint zip codes in which children were deemed eligible for the nutritional support regardless of whether their residence was actually served by the City of Flint water system. However, all children who were potentially exposed to contaminated water were not provided with nutritional support benefits (Observation #1, Exhibit #3).	Not applicable for observations.		
Exhibits Related to This Audit Objective			
Exhibit #11 - Appropriation and Allocation Summary Exhibit #12 - Information Time Line Exhibit #13 - MDHHS Benefits Provided Schedule Exhibit #14 - City of Flint Map			

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.	
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 <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			

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Doug A. Ringler, CPA, CIA
Auditor General

January 31, 2018

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

The Honorable Laura Cox, Chair
House Appropriations Committee
S-351 Capitol Building
Lansing, Michigan

The Honorable Vincent Gregory, Min. Vice Chair
Senate Appropriations Committee
6400 Connie B. Binsfeld Building
Lansing, Michigan

The Honorable Fred Durhal III, Min. Vice Chair
House Appropriations Committee
S-589 Anderson House Office Building
Lansing, Michigan

Dear Senators Hildenbrand and Gregory and Representatives Cox and Durhal:

This is our 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 funding for the Flint declaration of emergency as appropriated in Public Act 143 of 2015; Public Acts 3, 24, 249, 268, and 340 of 2016; and Public Acts 107 and 108 of 2017 expended through December 31, 2017. This is the fourth 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 DECEMBER 31, 2017

AUDIT OBJECTIVE To determine the appropriateness of State agencies' expenditure of the Flint declaration of emergency appropriations as of December 31, 2017.

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

BACKGROUND

Public Act 3 of 2016 requires the Auditor General to conduct an audit of the use of the funds appropriated for the Flint declaration and to continue to audit and report on the use of these funds every six months until the funds are expended. Due to the ongoing nature of the audit, not all reported expenditures were audited by the end of our fieldwork. Reported expenditures not subject to audit during the prior or current audits will be considered for audit during our next audit of the Flint Emergency Expenditures, unless otherwise noted.

AUDIT OBJECTIVE

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

CONCLUSION

Information provided.

FACTORS IMPACTING CONCLUSION

- We reported the agencies' expenditures of the appropriations as of December 31, 2017.

SUPPLEMENTAL INFORMATION, INCLUDING OBSERVATIONS

Exhibit #1

FLINT EMERGENCY EXPENDITURES

Department of Licensing and Regulatory Affairs (LARA)
As of December 31, 2017

Public Act 143 of 2015

Appropriated: \$200,000

Authorized Uses: Section 154

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

Expenditures By Authorized Use Category

	Funding Allocation	Total Expenditures	Expenditures Subject to Review	
			Prior Audits	Current Audit
Construction Codes	\$200,000	\$199,606	\$197,620	\$0
Total	\$200,000	\$199,606	\$197,620	\$0

Public Act 3 of 2016

Appropriated: \$1,660,000

Public Act 340 of 2016 reduced the original appropriation of \$2,000,000 to \$1,660,000. LARA informed us that the \$340,000 was not needed.

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

	Funding Allocation	Total Expenditures	Expenditures Subject to Review	
			Prior Audits	Current Audit
Plumbing Fixture Replacements	\$1,660,000	\$1,567,551	\$1,530,930	\$0
Total	\$1,660,000	\$1,567,551	\$1,530,930	\$0

Plumbing Fixture Replacements:

Audit Methodology and Results

July 2017 Audit: We reviewed 15 randomly selected expenditures totaling \$90,461. The expenditures were appropriately approved, supported, and charged to the appropriation. We did not identify any significant errors.

Current Audit: We did not conduct additional testing during this audit.

Observations*

None

Source: The OAG prepared this exhibit based on the specified Public Acts and information obtained from the Michigan Administrative Information Network* (MAIN), the Statewide Integrated Governmental Management Application (SIGMA), and the State Budget Office (SBO).

*See glossary at end of report for definition.

FLINT EMERGENCY EXPENDITURES

Department of Environmental Quality (DEQ)
As of December 31, 2017

Public Act 143 of 2015

Appropriated: \$7,300,000

Authorized Uses: Sections 152 and 1251

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

Section 1251: DEQ is authorized to pay up to \$6 million 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

	Funding Allocation	Total Expenditures	Expenditures Subject to Review	
			Prior Audits	Current Audit
Resource Management Division				
ReConnection Services	\$6,000,000	\$6,000,000	\$6,000,000	\$0
Drinking Water and Environmental Health - Technical Assistance and Coordination	300,000	300,000	291,735	0
Remediation and Development Division				
Laboratory Services - Water Sample Testing	1,000,000	1,000,000	1,000,000	0
Total	<u>\$7,300,000</u>	<u>\$7,300,000</u>	<u>\$7,291,735</u>	<u>\$0</u>

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 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 (1)	Total Expenditures	Expenditures Subject to Review	
			Prior Audits	Current Audit
Water System Needs (2)	\$4,753,829	\$4,503,563	\$2,217,079	\$1,406,032
Lab and Testing (3)	774,000	774,000	609,359	109,361
Corrosion Control	36,500	0	0	0
Infrastructure Study (4)	222,171	222,171	107,174	114,918
Total	\$5,786,500	\$5,499,734	\$2,933,612	\$1,630,311

(1) DEQ reallocated funding for the Flint declaration of emergency between the July 2017 audit and the current audit. The total amount appropriated for this program did not change.

(2) Water System Needs:

Audit Methodology and Results

July 2017 Audit: We reviewed 1 judgmentally selected expenditure totaling \$528,618 and determined that it was appropriately approved, supported, and charged to the appropriation. We did not identify any significant errors.

Current Audit: We reviewed 1 judgmentally selected expenditure totaling \$1,389,645. We determined that it was appropriately approved, supported, and charged to the appropriation. We did not identify any errors.

Observations

None

(3) Lab and Testing:

Audit Methodology and Results

July 2017 Audit: We did not test additional expenditure transactions because the dollar amount of new expenditures was not significant.

Current Audit: We reviewed 2 judgmentally selected expenditures totaling \$97,604 and determined that they were appropriately approved, supported, and charged to the appropriation. We did not identify any errors.

Observations

None

(4) Infrastructure Study:

Audit Methodology and Results

Current Audit: We reviewed 2 judgmentally selected expenditures totaling \$101,683 and determined that they were appropriately approved, supported, and charged to the appropriation. We did not identify any errors.

Observations

None

Public Act 268 of 2016

Appropriated: \$38,750,100

Authorized Uses: Sections 501, 502, and 503

Section 501: DEQ is authorized to pay up to \$3.9 million to the municipal water system. The payments shall only be made once a legally executable agreement has been reached between the parties. These funds are intended to pay service costs from July 1, 2016 through September 30, 2016.

Section 502: DEQ shall allocate funds to address needs related to the declaration of emergency for drinking water contamination. These funds may support, but are not limited to, the following activities:

- (a) Water system needs.
- (b) Water response team.

Section 503: DEQ shall grant \$25 million to a city in which a declaration of emergency due to drinking water contamination was issued. The funds shall be provided for service line removal based on a signed grant agreement between the State and the city.

Expenditures By Authorized Use Category

	Funding Allocation	Total Expenditures	Expenditures Subject to Review	
			Prior Audits	Current Audit
ReConnection Services (July 2016 - September 2016)	\$ 3,900,000	\$ 3,900,000	\$3,900,000	\$ 0
Water System Needs	2,200,000	549,118	0	0
Drinking Water Emergency Response Team (Fiscal Year 2016) (1)	2,250,000	2,227,060	994,686	139,956
ReConnection Services (October 2016 - December 2016)	3,900,000	3,900,000	3,900,000	0
Drinking Water Emergency Response Team (Fiscal Year 2017) (2)	1,500,100	1,476,996	0	313,223
Replacement of Lead Service Lines (3)	25,000,000	25,000,000	0	0
Total	\$38,750,100	\$37,053,173	\$8,794,686	\$453,179

(1) Drinking Water Emergency Response Team (Fiscal Year 2016):

Audit Methodology and Results

July 2017 Audit: We reviewed 10 randomly selected expenditures totaling \$408,625 and determined that they were appropriately approved, supported, and charged to the appropriation. We did not identify any errors.

Current Audit: We reviewed 35 randomly selected expenditures totaling \$31,008 and determined that they were appropriately approved, supported, and charged to the appropriation. We did not identify any errors.

Observations

None

(2) Drinking Water Emergency Response Team (Fiscal Year 2017):

Audit Methodology and Results

Current Audit: We reviewed 35 randomly selected expenditures totaling \$25,719 and determined that they were appropriately approved, supported, and charged to the appropriation. We did not identify any errors.

Observations

None

(3) Replacement of Lead Service Lines:

Audit Methodology and Results

The appropriations act boilerplate requires the Auditor General to conduct a preliminary audit of the City of Flint's use of these funds upon the City's receipt of \$10 million of the \$25 million. The audit will be conducted and reported separately from this audit and will be issued in early 2018.

Observations

None

Public Act 340 of 2016

Appropriated: \$ 2,617,000

Authorized Uses: Sections 301 and 1601

Section 301: Work project appropriation. This funding will be used for a water distribution optimization analysis which will evaluate water distribution processes, corrosion control treatment, and any technical gaps. Standard operating procedures will also be developed and training provided to operations staff. The tentative completion date is September 30, 2020.

Section 1601: Work project appropriation. This funding will be used for infrastructure upgrades and technical assistance. The tentative completion date is September 30, 2021.

Expenditures By Authorized Use Category

	Funding Allocation	Total Expenditures	Expenditures Subject to Review	
			Prior Audits	Current Audit
Water Distribution System	\$ 817,000	\$ 627,986	\$0	\$0
Optimization Analysis	800,000	437,161	0	0
Technical Assistance and Training	1,000,000	608,169	0	0
Total	\$2,617,000	\$1,673,316	\$0	\$0

Public Act 107 of 2017

Appropriated: \$5,500,000

Authorized Uses: Section 451 and Legislative Transfer 2018-1

Section 451: Work project appropriation. This funding will be used to install a water main to connect treated water from the Great Lakes Water Authority (GLWA) to Genesee County Drain Commission (GCDC) customers and the City of Flint. This water main will enable GCDC customers to receive treated water from the Genesee County water treatment plant and allow the City of Flint to continue receiving treated water from GLWA.

Legislative Transfer 2018-1: A \$2.2 million transfer from the Drinking Water Declaration of Emergency Reserve Fund to complete residential water testing programs and contractual services of an integrity oversight monitor related to service line replacements.

Expenditures By Authorized Use Category

	Funding Allocation	Total Expenditures	Expenditures Subject to Review	
			Prior Audits	Current Audit
Parallel Pipe, Genesee County Drain Commission	\$3,300,000	\$238,127	\$0	\$0
Water Testing and Contractual Services	2,200,000	0	0	0
Total	\$5,500,000	\$238,127	\$0	\$0

Source: The OAG prepared this exhibit based on the specified Public Acts and information obtained from MAIN, SIGMA, and SBO.

FLINT EMERGENCY EXPENDITURES

Michigan Department of Health and Human Services (MDHHS)
As of December 31, 2017

Public Act 143 of 2015

Appropriated: \$1,850,000

Authorized Uses: Section 153

Allocates \$1,000,000 for emergency services to local offices and \$850,000 for the Childhood Lead Program.

Expenditures By Authorized Use Category

	Funding Allocation	Total Expenditures	Expenditures Subject to Review	
			Prior Audits	Current Audit
Emergency Services Local Office Allocations	\$1,000,000	\$1,000,000	\$1,000,000	\$ 0
Childhood Lead Program				
Environmental Blood Lead Investigations (1)	165,000	165,000	165,000	0
Epidemiologist Services	249,100	249,100	179,478	0
Nurse Case Management (2)	435,900	430,605	435,871	(5,266)
Total	<u>\$1,850,000</u>	<u>\$1,844,705</u>	<u>\$1,780,349</u>	<u>(\$5,266)</u>

(1) Environmental Blood Lead Investigations:

Audit Methodology and Results

July 2017 Audit: We reviewed 1 randomly selected expenditure totaling \$8,477 and determined that it was appropriately approved, supported, and charged to appropriation. We did not identify any errors.

Current Audit: We did not conduct additional testing during this audit.

Observations

None

(2) Nurse Case Management:

Audit Methodology and Results

July 2017 Audit: We reviewed 2 judgmentally selected expenditures totaling \$26,407 and determined that they were appropriately approved, supported, and charged to the appropriation. We did not identify any errors.

Current Audit: We determined that the accounts payable write-off was appropriate.

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 healthcare 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		Total Expenditures	Expenditures Subject to Review	
	Allocation (1)			Prior Audits	Current Audit
Purchase Water Resources	\$ 4,612,800		\$ 4,612,800	\$4,612,800	\$ 0
Purchase Water Filters	13,100	(1)	13,084	0	0
Department Field Operations					
Lead Abatement (2)	975,700	(1)	951,652	648,865	0
Epidemiological and Case Management					
Environmental Blood Lead Investigations (3)	90,000		90,000	34,034	0
Epidemiologist Services (4)	126,500		90,447	90,447	0
Nurse Case Management	70,000		70,000	0	0
Adult Blood Lead Epidemiology and Surveillance (5)	18,500		18,500	18,500	0
Nutrition Support, Food Banks, and Community Education					
Nutrition Education (6)	120,000		67,509	60,011	0
Food Bank Resources (7)	2,309,400	(1)	937,200	1,037,200	0
Childhood Nutritional Education (8)	872,000		774,425	503,869	0
Lactation Consultant (9)	85,000		84,115	17,161	0
Double Up Food Bucks Flint Expansion Project	380,000		162,786	0	0
Child and Adolescent Health Centers and Children's Health Care Access					
Children's Healthcare Access Program (10)	200,000		200,000	150,692	0
Child and Adolescent Health Centers	487,500	(1)	487,500	13,851	0
Pathways to Potential Expansion (11)	720,000		720,000	440,158	279,842
Linkages to Other Diseases (12)	275,000		275,000	235,084	0
Food Inspections (13)	200,000		200,000	200,000	0
Crisis Counseling and Behavioral Health Services					
Crisis Counseling	500,000		500,000	500,000	0
Case Management, Care Coordination, Crisis Services, Behavioral Health, and Development Services	2,535,000	(1)	0	0	0
Michigan Child Care Collaborative (14)	266,500	(1)	266,500	0	130,541
Community Counseling Centers	100,000	(1)	37,488	0	
Nurse Services	500,000		366,173	0	0
Total	\$15,457,000		\$10,925,179	\$8,562,671	\$410,383

(1) MDHHS reallocated funding between the July 2017 audit and the current audit. The total amount appropriated did not change.

(2) Lead Abatement:

Audit Methodology and Results

July 2017 Audit: We reviewed 1 judgmentally and 5 randomly selected expenditures totaling \$76,644 and determined that they were appropriately supported, approved, and charged to the appropriation. We did not identify any errors.

Current Audit: We did not conduct additional testing during this audit.

Observations

None

(3) Environmental Blood Lead Investigations:

Audit Methodology and Results

July 2017 Audit: We reviewed 2 judgmentally selected expenditures totaling \$6,084 and determined that they were appropriately supported, approved, and charged to the appropriation. We did not identify any errors.

Current Audit: We did not conduct additional testing during this audit.

Observations

None

(4) Epidemiologist Services:

Audit Methodology and Results

July 2017 Audit: MDHHS contracted for professional assistance to track external data requests and prepare reports. We reviewed 1 judgmentally selected monthly expenditure report for the contracted services totaling \$19,937 and determined that the expenditures were appropriately supported, approved, and charged to the appropriation. We did not identify any errors.

Current Audit: We did not conduct additional testing during this audit.

Observations

None

(5) Adult Blood Lead Epidemiology and Surveillance:

Audit Methodology and Results

July 2017 Audit: MDHHS contracted for professional assistance to survey adults in Flint identified with elevated blood lead levels. We reviewed 1 judgmentally selected monthly expenditure report totaling \$7,484 and determined that the expenditures were appropriately supported, approved, and charged to the appropriation. We did not identify any significant errors.

Current Audit: We did not conduct additional testing during this audit.

Observations

None

(6) Nutrition Education:

Audit Methodology and Results

July 2017 Audit: We verified that the expenditures reviewed were appropriately supported by MDHHS-approved financial status reports and grantee general ledgers. Documentation supporting the reported expenditures is maintained by the grantee. We did not identify any significant errors.

Current Audit: We did not conduct additional testing during this audit.

Observations

None

(7) Food Bank Resources:

Audit Methodology and Results

July 2017 Audit: We reviewed 8 judgmentally selected expenditures totaling \$232,993 and determined that the expenditures were appropriately supported, approved, and charged to the appropriation. We did not identify any errors.

Current Audit: We did not conduct additional testing during this audit.

Observations

None

(8) Childhood Nutritional Education:

Audit Methodology and Results

July 2017 Audit: We reviewed all expenditures totaling \$503,687 and determined that they were appropriately supported, approved, and charged to the appropriation. We did not identify any significant errors.

Current Audit: We did not conduct additional testing during this audit.

Observations

None

(9) Lactation Consultant:

Audit Methodology and Results

July 2017 Audit: We verified that the expenditures reviewed were appropriately supported by MDHHS-approved financial status reports and grantee general ledgers. Documentation supporting the reported expenditures is maintained by the grantee. We did not identify any errors.

Current Audit: We did not conduct additional testing during this audit.

Observations

None

(10) Children's Healthcare Access Program:

Audit Methodology and Results

July 2017 Audit: We reviewed 2 expenditures totaling \$6,168. We determined that they were appropriately supported, approved, and charged to the contract. We did not identify any errors.

Current Audit: We did not conduct additional testing during this audit.

Observations

None

(11) Pathways to Potential Expansion:

Audit Methodology and Results

July 2017 Audit: We reviewed 10 randomly selected transactions totaling \$35,780 and determined that they were appropriately supported, approved, and charged to the appropriation. We did not identify any errors.

Current Audit: We reviewed 10 randomly selected transactions and 2 judgmentally selected transactions totaling \$43,284 and determined that they were appropriately supported, approved, and charged to the appropriation. We did not identify any errors.

Observations

None

(12) Linkages to Other Diseases:

Audit Methodology and Results

July 2017 Audit: We reviewed 4 randomly selected transactions and 1 judgmentally selected transaction totaling \$65,594 and payroll expenditures totaling \$44,625 and determined that they were appropriately supported, approved, and charged to the appropriation. We did not identify any significant errors.

Current Audit: We did not conduct additional testing during this audit.

Observations

None

(13) Food Inspections:

Audit Methodology and Results

July 2017 Audit: We randomly selected 22 food service establishments for which grantee inspectors completed 26 inspections. The grantee could not provide supporting documentation for 9 (35%) of the 26 inspections.

Current Audit: We did not conduct additional testing during this audit.

Observations

None

(14) Michigan Child Care Collaborative:

Audit Methodology and Results

Current Audit: We reviewed 5 judgmentally selected expenditures totaling \$96,415 and determined that they were appropriately approved, supported, and charged to the appropriation. We did not identify any errors.

Observations

None

Public Act 268 of 2016

Appropriated: \$29,928,100

Authorized Uses: Sections 601, 602, 603, and 1910

MDHHS shall allocate funds to address needs related to the declaration of emergency issued on January 5, 2016. Of the appropriated funds, \$14.8 million shall be used to support the following activities:

- (a) Nutrition support, food banks, and community education.
- (b) Intensive services and outreach for children, including evidence-based home visiting programs.
- (c) Assessment of potential linkages between the drinking water declaration of emergency and diseases in Flint residents.
- (d) Support for child and adolescent health centers and the children's healthcare access program.
- (e) Interpretation services.
- (f) Childhood lead poisoning prevention program.
- (g) \$6.1 million in federal temporary assistance for needy families for emergency needs.
- (h) \$321,000 distributed to licensed private child welfare agencies.

Of the appropriated funds, \$15.1 million shall be used to support, but are not limited to, the following activities:

- (i) Emergency nutrition assistance, nutritional and community education, food bank resources, and food inspections.
- (j) Epidemiological analysis and case management of individuals at risk of elevated blood lead levels.
- (k) Support for child and adolescent health centers, children's healthcare access program, and pathways to potential programming.
- (l) Nursing services, evidence-based home visiting programs, intensive services, and outreach for children exposed to lead coordinated through local community mental health organizations.
- (m) Department field operations costs.
- (n) Assessment of potential linkages to other diseases.

Exhibit #3
(Continued)

Expenditures By Authorized Use Category

	Funding Allocation (1)	Total Expenditures	Expenditures Subject to Review	
			Prior Audits	Current Audit
Mobile Food Bank (Fiscal Year 2016)	\$ 440,000	\$ 440,000	\$ 0	\$ 0
Nutrition Programs (2)	1,300,000	950,735	0	296,823
Linkages to Other Diseases (3)	3,200,000	2,554,217	824,815	0
Childhood Lead Poisoning Prevention Program (4)	1,250,000	386,269	141,148	0
Community Mental Health Services (Fiscal Year 2016)	704,000	0	0	0
Parents As Teachers Program (5)	260,000	150,033	0	40,823
Federal TANF Reserve	6,100,000	0	0	0
Child and Adolescent Health Center Funding (Fiscal Year 2016)	500,000	500,000	0	0
Interpretation Services	100,000	6,407	0	0
Nutrition Assistance for Children of Flint (6)	3,520,000 (1)	3,520,000	0	3,520,000
Mobile Food Bank (Fiscal Year 2017)	1,006,000	950,000	0	0
Nutrition Services 5-10 Year Olds	257,100	0	0	0
Adult Blood Lead Epidemiology and Surveillance (7)	44,400	44,400	14,113	0
Child and Adolescent Health Centers (Fiscal Year 2017)	372,500	23,851	0	0
Lead Programming for Children/Homes/Outreach (8)	204,900 (1)	129,180	60,829	0
Epidemiologist Services (9)	212,000	187,004	81,347	0
Nurse Care Management and Public Health Assessments (10)	471,300	319,284	59,814	0
Community Education	120,000	86,804	0	0
Community Mental Health Services (Fiscal Year 2017)	4,114,900 (1)	0	0	0
Parents As Teachers Program (Fiscal Year 2017)	260,000	0	0	0
Double Up Food Bucks Flint Expansion Project	380,000	0	0	0
Food Safety Inspections (11)	300,000	300,000	59,898	0
Pathways to Potential (12)	300,000	86,187	0	86,187
Children's Healthcare Access Program (CHAP) (13)	375,000	375,000	113,171	0
Flint Hospital Monitor	79,000	33,900	0	0
Flint Hospital Lab	160,000	63,040	0	0
Service Homebound, Frail Seniors	200,000	139,920	0	0
Lead Abatement GF Match for SCHIP	100,000	69,135	0	0
DEQ IAG Faucets and Fixtures (14)	3,000,000	1,615,787	772,911	114,489
Addressing Household Needs in Flint (15)	100,000	100,000	100,000	0
Rides to Wellness	497,000	497,000	0	0
Total	\$29,928,100	\$13,528,154	\$2,228,046	\$4,058,322

(1) MDHHS reallocated funding between the July 2017 audit and the current audit. The total amount appropriated did not change.

(2) Nutrition Programs:

Audit Methodology and Results

Current Audit: We reviewed 17 randomly selected expenditures totaling \$24,139 and determined that they were appropriately supported, approved, and charged to the appropriation. We did not identify any errors.

Observations

None

(3) Linkages to Other Diseases:

Audit Methodology and Results

July 2017 Audit: We reviewed 4 randomly selected transactions and 2 judgmentally selected transactions totaling \$143,924 and payroll expenditures totaling \$47,596 and determined that they were appropriately supported, approved, and charged to the appropriation. We did not identify any errors.

Current Audit: We did not conduct additional testing during this audit.

Observations

None

(4) Childhood Lead Poisoning Prevention Program:

Audit Methodology and Results

July 2017 Audit: We reviewed 3 judgmentally selected expenditures totaling \$89,046 and payroll expenditures totaling \$3,776 and determined that they were appropriately supported, approved, and charged to the appropriation. We did not identify any errors.

Current Audit: We did not conduct additional testing during this audit.

Observations

None

(5) Parents As Teachers Program:

Audit Methodology and Results

Current Audit: We reviewed 10 randomly selected expenditures and 1 judgmentally selected expenditure totaling \$11,341 and determined that they were appropriately supported, approved, and charged to the appropriation. We did not identify any errors.

Observations

None

(6) Nutrition Assistance for Children of Flint:

Audit Methodology and Results

Current Audit: Our review of expenditures totaling \$7 million, including \$3.5 million transferred from the Michigan Department of Education (MDE), determined that MDHHS identified six Flint zip codes in which children were deemed eligible for nutritional support regardless of whether their residence was actually served by the City of Flint water system. However, all children who were potentially exposed to contaminated water were not provided with nutritional support benefits.

Observation #1

Background:

The Michigan Department of Health and Human Services (MDHHS) provided support to help address the nutritional needs of children due to the Flint declaration. Nutritional support benefits were targeted to purchase healthy foods that could reduce the effects of high levels of lead in the drinking water. MDHHS allocated \$7.02 million in Temporary Assistance for Needy Families (TANF) funds (see Exhibit #11) for this purpose. See Exhibit #12 for a time line of MDHHS events related to the use of these funds.

MDHHS identified six Flint zip codes (48502, 48503, 48504, 48505, 48506, and 48507) whose water supply was impacted by high lead levels. Children in any of these six zip codes were deemed eligible for the nutritional support regardless of whether their residence was actually served by the City of Flint water system. Nutritional support benefits provided were based on the following eligibility requirements:

- Cash benefit of \$30 per child
 - Must be a Food Assistance Program (FAP) recipient with a child under the age of 18 as of February 28, 2017.
 - Must be a resident of a qualifying Flint zip code on February 28, 2017.
- Food assistance (FA) benefit of \$420 per child
 - Must be a FAP recipient as of February 28, 2017 and remain FAP eligible with a child under the age of 18 as of April 1, 2017.
 - Must be a resident of a qualifying Flint zip code on April 1, 2017.

MDHHS provided \$506,040 in cash benefits to 16,868 children and \$6,655,200 in FA benefits to 15,982 children between March 22, 2017 and October 3, 2017 (see Exhibit #13). In total (not mutually exclusive):

- 16,868 children received a \$30 cash benefit.
- 158 children received a \$30 FA benefit.
- 15,678 children received a \$420 FA benefit.
- 146 children received a \$450 FA benefit.

Observation

All children who were potentially exposed to contaminated water were not provided with nutritional support benefits. We noted:

- a. MDHHS did not provide cash benefits for 759 children who met the February 28, 2017 eligibility criteria. Also, MDHHS did not provide FA benefits for 979 children of recipients who

remained FAP eligible as of March 22, 2017 with a child under the age of 18 as of April 1, 2017. The breakdown by zip code is as follows:

Eligible Zip Code (Exhibit #14)	Total Children Not Provided \$30 Cash Benefit	Total Children Not Provided \$420 FA Benefit
48502	3	3
48503	115	156
48504	231	274
48505	118	170
48506	123	158
48507	169	218
Total	759	979

- b. MDHHS required residents of the 48532 zip code (see Exhibit #14), subsequently deemed eligible for nutritional support in June 2017, to formally request the nutritional support and provide proof that they were directly impacted by the Flint declaration. In the original six zip codes, MDHHS provided nutritional support automatically for children who met MDHHS's eligibility criteria, with no proof that they were directly impacted by the Flint declaration.

MDHHS informed us that nutritional support was provided for 16 children in the 48532 zip code. However, we estimated that 1,628 additional children were eligible for nutritional support on April 1, 2017 if zip code 48532 residents were treated similarly to the original six zip code residents.

- c. MDHHS did not provide nutritional support for children residing in three additional zip codes deemed eligible for other MDHHS programs impacted by the Flint declaration (48509, 48519, and 48529) because these zip codes were not supplied with water from the City of Flint water system. Bridges Integrated Automated Eligibility Determination System (Bridges) Eligibility Manual 709, Flint Emergency Declaration CDC, designated 10 zip codes as affected areas: 48502, 48503, 48504, 48505, 48506, 48507, 48509, 48519, 48529, and 48532.

We identified 1,990 children who would have been eligible for nutritional support. All three zip codes bordered the original six zip codes identified by MDHHS, with zip code 48529 located almost entirely within the originally determined eligible zip code 48507:

Zip Code (Exhibit #14)	Eligible Children Not Provided FAP Benefit
48509	447
48519	394
48529	1,149
Total	1,990

- d. MDHHS did not provide nutritional support for an additional 7,326 children who resided in one of the 10 zip codes for some period of time between April 25, 2014 (one day after the switch

to Flint River water) and March 31, 2017 (one day before the MDHHS FAP benefit eligibility date). The chart below provides a breakdown by the length of time the children resided in the 10 zip codes:

Zip Code (Exhibit #14)	Less Than 1 Month	1 - 5 Months	6 - 11 Months	12 - 24 Months	25 - 34 Months	35 Months and Over	Total
48502*	28	46	23	11	1	9	118
48503*	39	214	178	189	66	204	890
48504*	49	218	195	282	97	284	1,125
48505*	65	226	225	236	78	241	1,071
48506*	31	216	233	244	138	281	1,143
48507*	46	284	291	327	108	369	1,425
48532	15	94	117	144	60	141	571
48509	16	45	36	74	11	75	257
48519	6	44	34	61	24	47	216
48529	13	121	105	114	54	103	510
Total	308	1,508	1,437	1,682	637	1,754	7,326

* Original 6 zip codes provided nutritional support benefits.

(7) Adult Blood Lead Epidemiology and Surveillance:

Audit Methodology and Results

July 2017 Audit: We reviewed 2 judgmentally selected expenditures totaling \$4,756 and determined that they were appropriately supported, approved, and charged to the appropriation. We did not identify any errors.

Current Audit: We did not conduct additional testing during this audit.

Observations

None

(8) Lead Programming for Children/Homes/Outreach:

Audit Methodology and Results

July 2017 Audit: We reviewed payroll transactions for 14 pay periods totaling \$60,829 and determined that they were appropriately supported, approved, and charged to the appropriation. We did not identify any errors.

Current Audit: We did not conduct additional testing during this audit.

Observations

None

(9) Epidemiologist Services:

Audit Methodology and Results

July 2017 Audit: We reviewed 2 judgmentally selected expenditures totaling \$30,468 and determined that they were appropriately supported, approved, and charged to the appropriation. We did not identify any errors.

Current Audit: We did not conduct additional testing during this audit.

Observations

None

(10) Nurse Care Management and Public Health Assessments:

Audit Methodology and Results

July 2017 Audit: We reviewed 2 judgmentally selected expenditures totaling \$34,837 and determined that they were appropriately supported, approved, and charged to the appropriation. We did not identify any errors.

Current Audit: We did not conduct additional testing during this audit.

Observations

None

(11) Food Safety Inspections:

Audit Methodology and Results

July 2017 Audit: We verified that the expenditures reviewed were appropriately supported by MDHHS-approved financial status reports and grantee general ledgers. We did not identify any significant errors.

Current Audit: We did not conduct additional testing during this audit.

Observations

None

(12) Pathways to Potential:

Audit Methodology and Results

Current Audit: We reviewed 5 randomly selected transactions and 2 judgmentally selected transactions totaling \$19,402 and determined that they were appropriately supported, approved, and charged to the appropriation. We did not identify any errors.

Observations

None

(13) Children's Healthcare Access Program (CHAP):

Audit Methodology and Results

July 2017 Audit: We reviewed 2 judgmentally selected expenditures totaling \$41,693 and determined that they were appropriately supported, approved, and charged to the appropriation. We did not identify any errors.

Current Audit: We did not conduct additional testing during this audit.

Observations

None

(14) DEQ IAG Faucets and Fixtures:

Audit Methodology and Results

July 2017 Audit: We judgmentally selected 1 expenditure and randomly selected 5 additional expenditures totaling \$164,413 and determined that they were appropriately supported, approved, and charged to the appropriation. We did not identify any errors.

Current Audit: We judgmentally selected 1 expenditure totaling \$114,489 and determined that it was appropriately supported, approved, and charged to the appropriation. We did not identify any errors.

Observations

None

(15) Addressing Household Needs in Flint:

Audit Methodology and Results

July 2017 Audit: We reviewed the only expenditure and determined that it was appropriately supported, approved, and charged to the appropriation. We did not identify any errors.

Current Audit: We did not conduct additional testing during this audit.

Observations

None

Public Act 107 of 2017

Appropriated: \$21,541,700

Authorized Uses: Section 1905 and Legislative Transfer 2018-1

Section 1905: MDHHS shall allocate funds to address needs in a city in which a declaration of emergency was issued because of drinking water contamination. These funds may support, but are not limited to, the following activities:

- (a) Nutrition assistance, nutritional and community education, food bank resources, and food inspections.
- (b) Epidemiological analysis and case management of individuals at risk of elevated blood lead levels.
- (c) Support for child and adolescent health centers, children's healthcare access program, and pathways to potential programming.
- (d) Nursing services, breastfeeding education, evidence-based home visiting programs, intensive services, and outreach for children exposed to lead coordinated through local community mental health organizations.

- (e) Department field operations costs.
- (f) Lead poisoning surveillance, treatment, and abatement.
- (g) Nutritional incentives provided to local residents through the Double Up Food Bucks Flint Expansion Project.
- (h) Genesee County health department food inspectors to perform water testing at local food service establishments.

Legislative Transfer 2018-1: The Legislature transferred \$7.5 million from the Drinking Water Declaration of Emergency Reserve Fund to support the Flint Community Outreach and Education (CORE) door-to-door program and Points of Distribution (POD) program at fixed sites. The programs support temporary jobs for the purpose of distributing bottled water and water filters, educating residents on the use of filters, staffing warehouses (\$6.0 million for the preceding items), and residential water sampling and testing (\$1.5 million). This transfer is intended to provide sufficient funding for these programs through March 2018.

Expenditures By Authorized Use Category

	Funding Allocation	Total Expenditures	Expenditures Subject to Review	
			Prior Audits	Current Audit
Comprehensive Lead Poisoning Prevention Program	\$ 709,000	\$ 0	\$0	\$0
Lactation Consultant	300,000	0	0	0
Child and Adolescent Health Centers	650,000	0	0	0
Children's Healthcare Access Program (CHAP)	375,000	39,108	0	0
Lead Abatement	180,000	6,899	0	0
Nurse Family Partnership	500,000	0	0	0
Nutrition Outreach	1,436,000	102,047	0	0
Parents as Teachers Evidence-Based Home Visiting Program	259,500	4,814	0	0
Toxicology Support	122,100	28,425	0	0
Nutrition Initiatives	7,830,000	5,661	0	0
Purchase Water Resources	1,000,100	0	0	0
Double Up Food Bucks Flint Expansion Project	380,000	0	0	0
Water Inspections at Food Establishments	300,000	25,000	0	0
Michigan Child Care Collaborative	N/A	4,576	0	0
Service Homebound, Frail Seniors	N/A	17,541	0	0
Community Outreach and Education (CORE)	6,000,000	0	0	0
CORE - Bottled Water	1,500,000	0	0	0
Total	<u>\$21,541,700</u>	<u>\$234,071</u>	<u>\$0</u>	<u>\$0</u>

N/A: Not available at this time.

Source: The OAG prepared this exhibit based on the specified Public Acts and information obtained from MAIN, SIGMA, and SBO.

FLINT EMERGENCY EXPENDITURES

Michigan Department of Education (MDE)
As of December 31, 2017

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 (EO) 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 Review</u>	
			<u>Prior Audits</u>	<u>Current Audit</u>
Nurses	\$ 320,000	\$ 320,000	\$ 320,000	\$0
EO/Special Education Services, Lead Exposure Monitoring, Wraparound Services Coordination, Communications	2,225,000	2,225,000	1,917,335	0
Food and Nutrition	140,000	140,000	95,229	0
Total	<u><u>\$2,685,000</u></u>	<u><u>\$2,685,000</u></u>	<u><u>\$2,332,564</u></u>	<u><u>\$0</u></u>

Nurses:

Audit Methodology and Results

July 2017 Audit: We verified that the additional drawdowns matched the expenditures recorded in the budgets. Also, we reviewed the supporting documentation for 4 judgmentally selected expenditures totaling \$38,752. We determined that the expenditures were appropriately approved, supported, and charged to the grant. We did not identify any errors.

Current Audit: We did not conduct additional testing during this audit.

Observations

None

Public Act 249 of 2016

Appropriated: \$21,830,000

Authorized Uses: Sections 11o. and 11s. and Legislative Transfer 2017-5

MDE shall allocate funds to needs related to the declaration of emergency issued on January 5, 2016. These funds shall be used to support the following activities to children that reside within the boundaries of a district with a majority of its territory located within the boundaries of a city for which an executive proclamation of emergency is issued:

- (a) \$9.2 million to provide State early childhood services to children.
- (b) An amount not to exceed \$1.3 million for the purpose of employing school nurses and school social workers.
- (c) An amount not to exceed \$1.2 million to augment staff for the purpose of providing additional early childhood services and for nutritional services to children.
- (d) An amount not to exceed \$6.2 million to provide State early intervention services for children who are less than 4 years of age as of September 1, 2016.
- (e) An amount not to exceed \$1.5 million to enroll children in school-day Great Start Readiness Programs.

Also, Legislative Transfer 2017-5 transferred \$2.5 million to the appropriation under Section 11s. for services to the children of Flint. These funds should be used to support the following activities:

- (f) \$1.3 million for school nurses and school social workers within Flint Community Schools.
- (g) \$1.2 million for early intervention and early literacy services, as well as nutritional services.

Expenditures By Authorized Use Category

	Funding Allocation	Total Actual Expenditures	Expenditures Subject to Review	
			Prior Audits	Current Audit
Early Intervention and Great Start Readiness Program Services 0 - 4 (Fiscal Year 2016) (1)	\$ 9,200,000	\$ 900,000	\$ 404,910	\$ 0
GISD Services to School Aged Children	812,500	812,500	0	0
GISD Fresh Fruits and Vegetables	382,500	382,500	0	0
School Nurses for Flint Public Schools (2)	317,500	317,500		317,500
School Social Workers for Flint Public Schools	975,000	975,000	0	0
Early Intervention Services 0 - 3 (Fiscal Year 2017) (3)	6,155,000	6,155,000	762,060	0
Great Start Readiness Program (Fiscal Year 2017) (4)	1,500,000	652,500	0	474,498
School Nurses and Social Workers for Flint Public Schools (5)	1,292,500	317,500	0	317,500
Early Intervention Services, Early Literacy, and Nutritional Services	1,195,000	1,195,000	0	0
Total	\$21,830,000	\$11,707,500	\$1,166,970	\$1,109,498

(1) Early Intervention and Great Start Readiness Program Services 0 - 4 (Fiscal Year 2016):

Audit Methodology and Results

July 2017 Audit: We reviewed 3 judgmentally and 6 randomly selected expenditures totaling \$102,034 and determined that the expenditures were appropriately approved, supported, and charged to the grant. We did not identify any errors.

Current Audit: We did not conduct additional testing during this audit.

Observations

None

(2) School Nurses for Flint Public Schools:

Audit Methodology and Results

Current Audit: We reviewed 12 judgmentally selected expenditures totaling \$142,746 and determined that the expenditures were appropriately approved, supported, and charged to the appropriation. We did not identify any errors.

Observations

None

(3) Early Intervention Services 0 - 3 (Fiscal Year 2017):

Audit Methodology and Results

July 2017 Audit: We reviewed 20 judgmentally selected expenditures totaling \$85,195 and determined that the expenditures were appropriately approved, supported, and charged to the grant. We did not identify any errors.

Current Audit: We did not conduct additional testing during this audit.

Observations

None

(4) Great Start Readiness Program (Fiscal Year 2017):

Audit Methodology and Results

Current Audit: We reviewed 9 judgmentally selected expenditures totaling \$102,034 and determined that the expenditures were appropriately approved, supported, and charged to the appropriation. We did not identify any errors.

Observations

None

(5) School Nurses and Social Workers for Flint Public Schools:

Audit Methodology and Results

Current Audit: We reviewed 14 judgmentally selected expenditures totaling \$73,873 and determined that the expenditures were appropriately approved, supported, and charged to the appropriation. We did not identify any errors.

Observations

None

Public Act 268 of 2016

Appropriated: \$33,650,100

Authorized Uses: Sections 401 and 402

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

- (a) To address child care and nutrition needs.
- (b) \$8.0 million for child care and development funds for emergency needs.

Expenditures By Authorized Use Category

	Funding Allocation	Total Expenditures	Expenditures Subject to Review	
			Prior Audits	Current Audit
Nutrition Assistance (1)	\$ 9,500,000	\$5,710,709	\$0	\$3,599,007
Child Care Assistance (0 - 3) (Fiscal Year 2016) (2)	8,100,000	2,712,096	0	1,624,945
Child Care and Development Fund Reserve for Flint Day Care Needs	8,000,000	0		0
Child Care Assistance (0 - 3) (Fiscal Year 2017)	8,050,100	0		0
Total	\$33,650,100	\$8,422,805	\$0	\$5,223,952

(1) Nutrition Assistance:

Audit Methodology and Results

Current Audit: MDE transferred \$3.5 million to MDHHS from Temporary Assistance for Needy Families (TANF) funds for additional food assistance benefits (see MDHHS Exhibit #3 for our audit of these funds).

We also reviewed \$99,007 as part of the MDE Nutrition Assistance Flint Logistics program by performing substantive analytical procedures on funds expended for packaging of emergency food assistance. We determined that the Flint Logistics expenditures were appropriately approved, supported, and charged to the appropriation. We did not identify any errors.

Observations

None

(2) Child Care Assistance (0 - 3) (Fiscal Year 2016):

Audit Methodology and Results

Current Audit: We reviewed 12 judgmentally selected expenditures totaling \$1,619,643 and determined that they were appropriately approved, supported, and charged to the appropriation. In addition, we reviewed 11 months of classroom enrollments to determine the required percentage of enrollment, as required by the grant agreement, and determined that enrollment was within the agreed upon percentage. We did not identify any errors.

Observations

None

Public Act 107 of 2017

Appropriated: \$100

Authorized Uses: Section 1101

This section authorizes a \$100 restricted fund placeholder for the Drinking Water Declaration of Emergency.

Expenditures By Authorized Use Category

	Funding Allocation	Total Expenditures	Expenditures Subject to Review	
			Prior Audits	Current Audit
Drinking Water Declaration of Emergency Placeholder	\$100	\$0	\$0	\$0
Total	\$100	\$0	\$0	\$0

Public Act 108 of 2017

Appropriated: \$8,730,000

Authorized Uses: Section 11s.

MDE shall allocate funds to address the needs related to the declaration of emergency issued on January 5, 2016. These funds shall be used to support the following activities to children that reside within the boundaries of a district with a majority of its territory located within the boundaries of a city for which an executive proclamation of emergency is issued:

- (a) An amount not to exceed \$2.625 million for the purpose of employing school nurses and school social workers.
- (b) \$2.5 million to provide State early childhood services and nutritional services to children.
- (c) An amount not to exceed \$3.0 million to enroll children in school-day Great Start Readiness Programs.
- (d) An amount not to exceed \$605,000 for nutritional services to children.

Expenditures By Authorized Use Category

	Funding Allocation	Total Expenditures	Expenditures Subject to Review	
			Prior Audits	Current Audit
Support for Flint Schools	\$2,625,000	\$ 0	\$0	\$0
Support for GISD	1,720,000	0	0	0
GISD Nutrition	780,000	0	0	0
Summer Great Start Readiness Programs	3,000,000	818,100	0	0
Nutritional Services	605,000	0	0	0
Total	\$8,730,000	\$818,100	\$0	\$0

Source: The OAG prepared this exhibit based on the specified Public Acts and information obtained from MAIN, SIGMA, and SBO.

FLINT EMERGENCY EXPENDITURES

Department of Military and Veterans Affairs (DMVA)
As of December 31, 2017

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

	Funding Allocation	Total Expenditures	Expenditures Subject to Review	
			Prior Audits	Current Audit
Michigan National Guard Water Support Efforts	\$2,000,000	\$2,000,000	\$1,962,031	\$0
Total	\$2,000,000	\$2,000,000	\$1,962,031	\$0

Public Act 340 of 2016

Appropriated: \$500,000

Authorized Uses: Section 105

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

	Funding Allocation	Total Expenditures	Expenditures Subject to Review	
			Prior Audits	Current Audit
Michigan National Guard Water Support Efforts	\$500,000	\$476,834	\$0	\$0
Total	\$500,000	\$476,834	\$0	\$0

Source: The OAG prepared this exhibit based on the specified Public Acts and information obtained from MAIN, SIGMA, and SBO.

FLINT EMERGENCY EXPENDITURES

Michigan Department of State Police (MSP)
As of December 31, 2017

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

	Funding Allocation	Total Expenditures	Expenditures Subject to Review	
			Prior Audits	Current Audit
Flint Water Interagency Coordinating Committee	\$100,000	\$9,043	\$7,043	\$0
Total	\$100,000	\$9,043	\$7,043	\$0

Public Act 268 of 2016

Appropriated: \$6,000,000

Authorized Uses: Section 801

MSP shall allocate funds to address needs related to the declaration of emergency issued on January 5, 2016. These funds may support, but are not limited to, purchases of water and replacement filter cartridges.

Expenditures By Authorized Use Category

	Funding Allocation	Total Expenditures	Expenditures Subject to Review	
			Prior Audits	Current Audit
Water and Filter Cartridges	\$6,000,000	\$6,000,000	\$4,943,494	\$0
Total	\$6,000,000	\$6,000,000	\$4,943,494	\$0

Water and Filter Cartridges:

Audit Methodology and Results

July 2017 Audit: We reviewed 20 randomly sampled expenditures totaling \$177,073. We determined that the expenditures were appropriately approved, supported, and charged to the appropriation. We did not identify any errors.

Current Audit: We did not conduct additional testing during this audit.

Observations

None

Public Act 107 of 2017

Appropriated: \$3,908,100

Authorized Uses:

MSP shall allocate \$3.9 million from the Drinking Water Declaration of Emergency Reserve Fund to support various Flint Operational Costs including warehouse costs, Federal Emergency Management Agency (FEMA) matching funds, logistical and IT support from the Department of Technology, Management, and Budget (DTMB), and printing costs related to fliers and mailers.

Expenditures By Authorized Use Category

	Funding Allocation	Total Expenditures	Expenditures Subject to Review	
			Prior Audits	Current Audit
Section 18 Reimburse - DTMB	\$3,908,100	\$2,508,100	\$0	\$0
Total	\$3,908,100	\$2,508,100	\$0	\$0

**Flint Emergency Expenditures Paid From the
Disaster and Emergency Contingency Fund**

Appropriated: \$14,000,000

Public Act 268 of 2016 appropriated \$10 million to the Disaster and Emergency Contingency Fund (DECF).

Public Act 107 of 2017 increased the original appropriation by an additional \$4 million.

Authorized Uses:

DECF was established by the Emergency Management Act (Public Act 390 of 1976). The Act authorizes the MSP Director to expend money from DECF for needs required for the mitigation of the effects of, or in response to, a disaster or emergency and to pay necessary and reasonable overtime, travel, and subsistence expenses incurred by an employee of the State acting at the direction of the Director.

Reimbursed Expenditures

	Funding Allocation	Total Expenditures	Expenditures Subject to Review	
			Prior Audits	Current Audit
Emergency Response	\$14,000,000	\$11,219,510	\$7,710,796	\$0
Total	\$14,000,000	\$11,219,510	\$7,710,796	\$0

DECF Expenditure History

DECF - Flint related expenditures (Fiscal Year 2016)	\$ 9,718,344
DECF - Flint related expenditures (Fiscal Year 2017)	11,304,214
Total:	\$21,022,558
Less transfers:	
Article XXI, Section 1003, Public Act 268 of 2016 to Treasury	(\$ 894,948)
Legislative Transfer 2017-5 to Treasury	(2,400,000)
Article XX, Section 115, Public Act 107 of 2017 to Treasury	(4,000,000)
Article XX, Section 112, Public Act 107 of 2017 to MSP	(2,508,100)
Total Transfers	(\$ 9,803,048)
DECF - Flint Related Expenditures (Net)	\$11,219,510

Emergency Response:

Audit Methodology and Results

July 2017 Audit: We randomly sampled and judgmentally selected and reviewed various transactions supporting the \$4.06 million in reimbursements paid for from DECF. We determined that the expenditures were approved, supported, and related to the Flint declaration of emergency. We did not identify any significant errors.

Current Audit: We did not conduct additional testing during this audit.

Observations

None

Source: The OAG prepared this exhibit based on the specified Public Acts and information obtained from MAIN, SIGMA, and SBO.

FLINT EMERGENCY EXPENDITURES

Department of Treasury (Treasury)
As of December 31, 2017

Public Act 24 of 2016

Appropriated: \$30,000,000

Authorized Uses: Section 301

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

Expenditures By Authorized Use Category

	Funding Allocation	Total Expenditures	Expenditures Subject to Review	
			Prior Audits	Current Audit
Water Credit Reimbursements	\$30,000,000	\$30,000,000	\$30,000,000	\$0
Total	\$30,000,000	\$30,000,000	\$30,000,000	\$0

Public Act 268 of 2016

Appropriated: \$24,130,000

Authorized Uses: Sections 1001 and 1003 and Legislative Transfers 2017-1, 2017-5, and 2017-17

Section 1001: Treasury shall allocate up to \$12,750,000 to reimburse the water enterprise fund of the City of Flint in an amount equal to credits posted to its customers' accounts in accordance with Section 1002.

Section 1003: Treasury shall allocate funds for purposes related to the drinking water declaration of emergency. These funds may support, but are not limited to, Mission Flint costs.

Legislative Transfer 2017-1: A \$300,000 transfer from the Drinking Water Declaration of Emergency Reserve Fund (DTMB) to provide for contractual services of an integrity oversight monitor.

Legislative Transfer 2017-5: A \$2,400,000 transfer from the Drinking Water Declaration of Emergency Reserve Fund (DTMB) to provide for continued purchase of bottled water for MSP.

Legislative Transfer 2017-7: A \$7,300,000 transfer from the Drinking Water Declaration of Emergency Reserve Fund (DTMB) for the continued purchase of bottled water through February 2018.

Expenditures By Authorized Use Category

	Funding Allocation	Total Expenditures	Expenditures Subject to Review	
			Prior Audits	Current Audit
Water Credit Reimbursements (1)	\$12,750,000	\$11,737,844	\$11,737,844	\$ 0
Mission Flint Program Management (2)	1,380,000	1,379,580	897,901	0
Integrity Oversight Monitor	300,000	270,143	0	0
Bottled Water Purchases (3)	2,400,000	2,400,000	0	2,400,000
Bottled Water Purchases	7,300,000	0	0	0
Total	\$24,130,000	\$15,787,567	\$12,635,745	\$2,400,000

(1) Water Credit Reimbursements:

Audit Methodology and Results

July 2017 Audit: We reviewed the summary of procedures performed and the public accounting firm's reports for the 4 remaining payments for the period May 2016 through February 2017. We determined that the payments were appropriately approved, supported, and charged to the appropriation. We did not identify any errors.

Current Audit: We did not conduct additional testing during this audit.

Observations

None

(2) Mission Flint Program Management:

Audit Methodology and Results

July 2017 Audit: We reviewed the request for reimbursement from MSP for bottled water purchases dated May 31, 2017. We determined that the request was appropriately approved, supported, and charged to the appropriation. We did not identify any errors.

Current Audit: We did not conduct additional testing during this audit.

Observations

None

(3) Bottled Water Purchases:

Audit Methodology and Results

Current Audit: We reviewed all expenditures totaling \$2,400,000 and determined that the payments were appropriately approved, supported, and charged to the appropriation. We did not identify any errors.

Observations

None

Public Act 107 of 2017

Appropriated: \$4,400,000

Authorized Uses: Sections 115 and 752

Section 115: A \$4,000,000 transfer from the Drinking Water Declaration of Emergency Reserve Fund (DTMB) to provide for continued purchase of bottled water by MSP.

Section 752: Treasury shall allocate \$400,000 to the University of Michigan - Flint for costs related to the drinking water declaration of emergency.

Expenditures By Authorized Use Category

	Funding Allocation	Total Expenditures	Expenditures Subject to Review	
			Prior Audits	Current Audit
Bottled Water Purchases	\$4,000,000	\$4,000,000	\$0	\$4,000,000
University of Michigan - Flint	400,000	400,000	0	0
Total	<u>\$4,400,000</u>	<u>\$4,400,000</u>	<u>\$0</u>	<u>\$4,000,000</u>

Bottled Water Purchases:

Audit Methodology and Results

Current Audit: We reviewed 8 judgmentally selected expenditures totaling \$3,970,406 and determined that the payments were appropriately approved, supported, and charged to the appropriation. We did not identify any errors.

Observations

None

Source: The OAG prepared this exhibit based on the specified Public Acts and information obtained from MAIN, SIGMA, and SBO.

FLINT EMERGENCY EXPENDITURES

Department of Attorney General (AG)
As of December 31, 2017

Public Act 268 of 2016

Appropriated: \$3,900,000

Authorized Uses: Sections 301 and 314

Section 301: The AG may spend the funds for the costs of all associated expenses related to the declaration of emergency issued on January 5, 2016 due to drinking water contamination up to \$1,300,000.

Section 314: From the lawsuit settlement proceeds fund appropriated in part 1, the AG may spend the funds for the costs of all associated expenses related to the declaration of emergency due to drinking water contamination up to \$2,600,000.

Expenditures By Authorized Use Category

	<u>Funding Allocation</u>	<u>Total Expenditures</u>	<u>Expenditures Subject to Review</u>	
			<u>Prior Audits</u>	<u>Current Audit</u>
Drinking Water Declaration of Emergency Legal Services	<u>\$3,900,000</u>	<u>\$3,900,000</u>	<u>\$0</u>	<u>\$0</u>
Total	<u>\$3,900,000</u>	<u>\$3,900,000</u>	<u>\$0</u>	<u>\$0</u>

Drinking Water Declaration of Emergency Legal Services:

Audit Methodology and Results

We did not audit AG expenditures because the criminal investigation into the Flint water crisis is ongoing.

Observations

None

Public Act 107 of 2017

Appropriated: \$2,600,000

Authorized Uses: Section 314 and Public Act 158 of 2017

Section 314: From the lawsuit settlement proceeds fund appropriated in part 1, the AG may spend the funds for the costs of all associated expenses related to the declaration of emergency due to drinking water contamination up to \$2,000,000.

Public Act 158 of 2017: Increased funding by \$600,000 for the costs of all associated expenses related to the declaration of emergency issued on January 5, 2016 due to drinking water contamination.

Expenditures By Authorized Use Category

	Funding Allocation	Total Expenditures	Expenditures Subject to Review	
			Prior Audits	Current Audit
Drinking Water Declaration of Emergency Legal Services	\$2,600,000	\$2,600,000	\$0	\$0
Total	\$2,600,000	\$2,600,000	\$0	\$0

Drinking Water Declaration of Emergency Legal Services:

Audit Methodology and Results

We did not audit AG expenditures because the criminal investigation into the Flint water crisis is ongoing.

Observations

None

Source: The OAG prepared this exhibit based on the specified Public Acts and information obtained from MAIN, SIGMA, and SBO.

FLINT EMERGENCY EXPENDITURES

Department of Natural Resources (DNR)
As of December 31, 2017

Public Act 268 of 2016

Appropriated: \$250,000

Authorized Uses: Section 701

DNR shall allocate funds to address needs related to the declaration of emergency issued on January 5, 2016. These funds shall support a limited summer youth employment program.

Expenditures By Authorized Use Category

	<u>Funding Allocation</u>	<u>Total Expenditures</u>	<u>Expenditures Subject to Review</u>	
			<u>Prior Audits</u>	<u>Current Audit</u>
Summer Youth Employment Program	<u>\$250,000</u>	<u>\$250,000</u>	<u>\$250,000</u>	<u>\$0</u>
Total	<u>\$250,000</u>	<u>\$250,000</u>	<u>\$250,000</u>	<u>\$0</u>

Summer Youth Employment Program:

Audit Methodology and Results

July 2017 Audit: We reviewed 21 random and 1 judgmentally selected expenditures totaling \$34,557. We determined that the expenditures were appropriately approved, supported, and charged to the appropriation. We did not identify any significant errors.

Current Audit: We did not conduct additional testing during this audit.

Observations

None

Source: The OAG prepared this exhibit based on the specified Public Act and information obtained from MAIN, SIGMA, and SBO.

FLINT EMERGENCY EXPENDITURES

Department of Technology, Management, and Budget (DTMB)
As of December 31, 2017

Public Act 107 of 2017

Appropriated: \$500,000

Authorized Uses: Section 113 and 701

DTMB shall allocate funds to contract with an integrity oversight monitor to ensure legal compliance, detect misconduct, and promote best practices in the expenditure of the funds appropriated for the drinking water declaration of emergency.

Expenditures By Authorized Use Category

	Funding Allocation	Total Expenditures	Expenditures Subject to Review	
			Prior Audits	Current Audit
Integrity Monitoring	\$500,000	\$0	\$0	\$0
Total	\$500,000	\$0	\$0	\$0

**Flint Emergency Expenditures Paid From the
 Drinking Water Declaration of Emergency Reserve Fund**

Appropriated: \$54,400,000

Public Act 268 of 2016 appropriated \$18.9 million to the Drinking Water Declaration of Emergency Reserve Fund.

Public Act 340 of 2016 increased the original appropriation by an additional \$10.0 million.

Public Act 107 of 2017 increased the appropriation by an additional \$25.5 million.

Authorized Uses: Sections 901 and 902

Section 901: The Drinking Water Declaration of Emergency Reserve Fund is created within the State treasury. Funds may only be spent from the Drinking Water Declaration of Emergency Reserve Fund upon appropriation or legislative transfer.

Section 902: DTMB may contract with an integrity oversight monitor to ensure legal compliance, detect misconduct, and promote best practices in the expenditure of the funds appropriated under part 1 as determined by DTMB. The integrity oversight monitor shall supplement this State's existing compliance control mechanisms to prevent the inefficient expenditure of State funds.

Fund Activity

	Funding Allocation	Total Transfers	Remaining Allocation
Drinking Water Declaration of Emergency Reserve Fund	\$54,400,000	\$36,737,000	\$17,663,000
Total	\$54,400,000	\$36,737,000	\$17,663,000

Drinking Water Declaration of Emergency Reserve Fund

Schedule of Funding Transfers to Other State Departments
As of December 31, 2017

<u>Transfer Type</u>	<u>Transferred To</u>	<u>Fund Usage</u>	<u>Amount</u>
Legislative Transfer (2017-1)	Treasury	Integrity Oversight Monitor	\$ 300,000
Legislative Transfer (2017-5)	Treasury	Bottled Water Purchases	2,400,000
Legislative Transfer (2017-5)	MDE	Nurses and Social Workers	1,292,500
Legislative Transfer (2017-5)	MDE	Early Intervention, Early Literacy and Nutritional Services	1,195,000
Public Act 340 of 2016	DEQ	Water Distribution System Optimization Analysis	477,000
Public Act 340 of 2016	DEQ	Water Plant Analysis & Technical Assistance and Training	1,464,400
Public Act 340 of 2016	DMVA	National Guard Deployment	500,000
Public Act 107 of 2017	DEQ	Parallel pipe	3,300,000
Public Act 107 of 2017	MSP	Distribution of water	3,908,100
Public Act 107 of 2017	Treasury	Bottled Water Purchases	4,000,000
Public Act 107 of 2017	Treasury	University of Michigan - Flint Water Costs	400,000
Public Act 107 of 2017	DTMB	Integrity Monitoring	500,000
Legislative Transfer (2017-7)	Treasury	Bottled Water Purchases	7,300,000
Legislative Transfer (2018-1)	DEQ	Water Testing and Contractual Services	2,200,000
Legislative Transfer (2018-1)	MDHHS	CORE and Bottled Water	7,500,000
Total Transfers			<u>\$36,737,000</u>

Note: Expenditures associated with these transfers will be included in our review of expenditures for the specified departments.

Source: The OAG prepared this exhibit based on the specified Public Acts and information obtained from MAIN, SIGMA, and SBO.

FLINT EMERGENCY EXPENDITURESNutritional Support for Flint Children
Appropriation and Allocation Summary

<u>Department</u>	<u>Total Appropriation</u>	<u>Allocated to Nutritional Support</u>
MDHHS	\$29,928,100 ¹	\$3,520,000
MDE	33,650,100 ²	3,500,000
Total	<u>\$63,578,200</u>	<u>\$7,020,000</u>

MDE transferred \$3.5 million in TANF funds to MDHHS on July 26, 2017.

¹See Exhibit #3.

²See Exhibit #4.

Source: The OAG prepared this exhibit based on Public Act 268 of 2016 and information obtained from MAIN.

FLINT EMERGENCY EXPENDITURES

Nutritional Support for Flint Children
Information Time Line
February 16, 2017 Through January 24, 2018

- February 16, 2017: MDHHS issued a press release stating that Flint families with children who qualify for food assistance benefits will receive an additional \$30 per child monthly beginning in March 2017 and ending in December 2017. The press release also stated that there are 15,622 children receiving the additional benefits through Michigan's Food Assistance Program, part of the U.S. Supplemental Nutrition Assistance Program.
- February 16, 2017: MDHHS sent letters to the eligible recipients indicating that each child qualified for an additional \$30 of FA benefits each month from March 2017 through December 2017 for a total benefit of \$300.
- March 22, 2017: MDHHS provided a \$30 cash benefit for eligible children.
- April 21, 2017: MDHHS sent a second letter to eligible recipients stating that a one-time payment of \$420 would be paid instead of paying monthly benefits through December 2017. The change in benefit payments was caused by a system change needed for accounting purposes and federal program eligibility concerns related to recipients receiving the additional benefits.
- May 18, 2017: MDHHS started issuing the \$420 FA benefit for eligible children.
- June 21, 2017: The OAG met with MDHHS to gain an understanding of eligibility requirements.
- June 21, 2017: MDHHS provided a list of the 15,622 children who were provided nutritional support.
- September 25, 2017: The OAG met with MDHHS to discuss preliminary testing results of the OAG analysis of MDHHS's list of 15,622 children who were provided nutritional support. MDHHS informed the OAG that all children residing in a qualifying Flint zip code were eligible for nutritional support regardless of whether their residence was actually served by the City of Flint water system.
- October 18, 2017: The OAG provided MDHHS with preliminary testing results of issues noted in part b. of Observation #1.
- December 4, 2017: The OAG provided MDHHS with preliminary testing results of issues noted in parts a., c., and d. and provided an update of issues noted in part b. of Observation #1.
- December 26, 2017: The OAG provided MDHHS with an additional update regarding testing results noted in Observation #1.
- January 2, 2018: The OAG provided MDHHS testing results of 60 cases sampled from MDHHS's list of 15,622 children who were provided nutritional support. The OAG results disclosed that 5 of the 60 tested were not eligible to receive FA benefits. MDHHS concurred with these results on January 4, 2018.

- January 11, 2018: MDHHS provided the OAG with the Bridges coding used to identify actual nutritional support benefits provided.
- January 18, 2018: MDHHS provided the OAG with refined eligibility requirements for nutritional support benefits provided to eligible children.
- January 24, 2018: MDHHS informed the OAG that the \$420 FA benefit was calculated as of March 22, 2017 rather than April 1, 2017. Further OAG testing identified 3 children who turned 18 between March 22, 2017 and April 1, 2017, making them ineligible to receive the \$420 FA benefit.

FLINT EMERGENCY EXPENDITURES

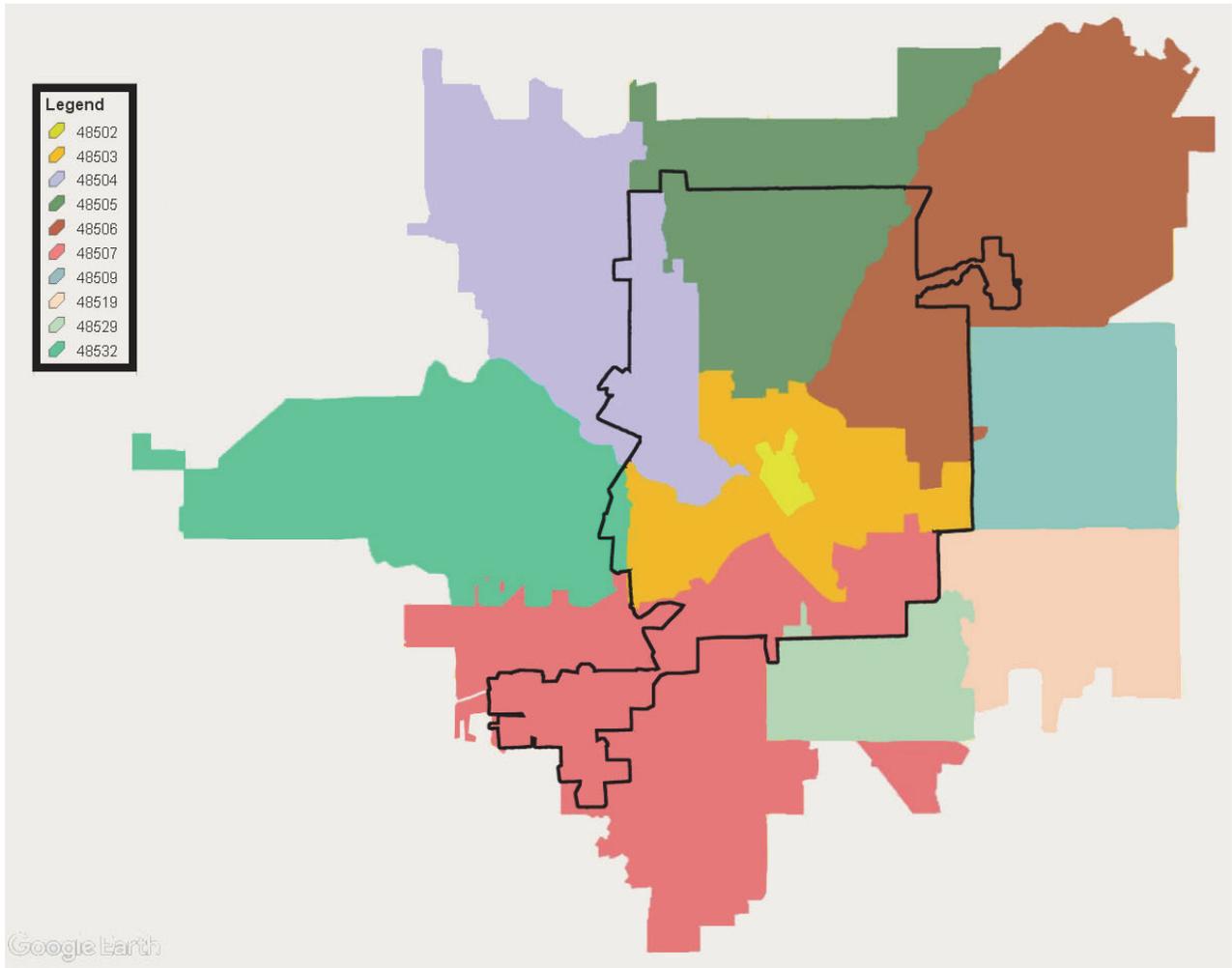
Nutritional Support for Flint Children
 MDHHS Benefits Provided Schedule
March 22, 2017 Through October 3, 2017

<u>Date Benefits Were Provided</u>	<u>Type of Benefits Provided</u>	<u>Number of Children Who Were Provided Benefits</u>	<u>Amount of Benefits Provided Per Child</u>	<u>Total Amount of Benefits Provided</u>
March 22, 2017	Cash	16,868	\$ 30	\$ 506,040
May 18, 2017	FA	15,051	\$420	6,321,420
May 19, 2017	FA	4	\$420	1,680
May 25, 2017	FA	34	\$420	14,280
May 26, 2017	FA	114	\$420	47,880
May 31, 2017	FA	49	\$420	20,580
June 1, 2017	FA	62	\$420	26,040
June 2, 2017	FA	33	\$420	13,860
June 5, 2017	FA	52	\$420	21,840
June 6, 2017		4	\$ 30	
	FA	53	\$420	29,580
		16	\$450	
June 14, 2017	FA	63	\$420	26,460
June 15, 2017		2	\$ 30	
	FA	13	\$420	5,520
June 16, 2017		12	\$420	
	FA	8	\$450	8,640
June 30, 2017		21	\$ 30	
	FA	41	\$420	33,150
		34	\$450	
July 5, 2017		31	\$420	
	FA	10	\$450	17,520
July 21, 2017		5	\$ 30	
	FA	26	\$420	25,020
		31	\$450	
August 14, 2017		126	\$ 30	
	FA	26	\$420	28,200
		30	\$450	
October 3, 2017		14	\$420	
	FA	17	\$450	13,530
Subtotal	Cash	16,868	\$ 30	\$ 506,040
		158	\$ 30	
Subtotals	FA	15,678	\$420	\$6,655,200
		146	\$450	
Total				<u>\$7,161,240</u>

Source: The OAG prepared this exhibit based on Bridges payment data.

FLINT EMERGENCY EXPENDITURES

City of Flint Map
As of January 23, 2018



Note: The black boundaries show the City of Flint.

Source: The OAG created this exhibit using Google Earth.

DESCRIPTION

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 state of emergency expired August 14, 2016.

The Legislature enacted numerous appropriations to address this situation, both as supplemental appropriations to and transfers within the fiscal year 2016 and 2017 budget and spending authorizations provided in the fiscal year 2017 and 2018 budgets. As noted below, 10 State departments had received appropriations totaling \$344.2 million as of December 31, 2017, the end of the audit period for this report:

Appropriations Act/Department	Amount Appropriated
Public Act 143 of 2015 - October 15, 2015	
Environmental Quality	\$ 7,300,000
Health and Human Services	1,850,000
Licensing and Regulatory Affairs	200,000
Subtotal	<u>\$ 9,350,000</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 Veterans Affairs	2,000,000
State Police	100,000
Subtotal	<u>\$ 28,028,500</u>
Public Act 24 of 2016 - February 26, 2016	
Treasury	\$ 30,000,000
Subtotal	<u>\$ 30,000,000</u>
Public Act 249 of 2016 - June 27, 2016	
Education	\$ 19,342,500
Legislative Transfer 2017-5	2,487,500
Subtotal	<u>\$ 21,830,000</u>
Public Act 268 of 2016 - June 29, 2016	
Attorney General	\$ 3,900,000
Education	33,650,100
Environmental Quality	38,750,100
Health and Human Services	29,928,100
Natural Resources	250,000
State Police	6,000,000
Disaster and Emergency Contingency Fund	10,000,000
Technology, Management, and Budget	
Drinking Water Declaration of Emergency Reserve Fund	18,900,000
Treasury	14,130,000
Legislative Transfer 2017-1	300,000
Legislative Transfer 2017-5	2,400,000
Legislative Transfer 2017-7	7,300,000
Subtotal	<u>\$165,508,300</u>

Public Act 340 of 2016 - December 14, 2016	
Environmental Quality	\$ 2,617,000
Military and Veterans Affairs	500,000
Licensing and Regulatory Affairs	(340,000)
Technology, Management, and Budget	
Drinking Water Declaration of Emergency Reserve Fund	10,000,000
Subtotal	<u>\$ 12,777,000</u>
Public Act 107 of 2017 - July 14, 2017	
Attorney General	2,600,000
Technology, Management, and Budget	500,000
Drinking Water Declaration of Emergency Reserve Fund	25,500,000
Health and Human Services	14,041,700
Legislative Transfer 2018-1	7,500,000
Environmental Quality	3,300,000
Legislative Transfer 2018-1	2,200,000
State Police	3,908,100
Disaster and Emergency Contingency Fund	4,000,000
Treasury	4,400,000
Education	100
Subtotal	<u>\$ 67,949,900</u>
Public Act 108 of 2017 - July 14, 2017	
Education	\$ 8,730,000
Subtotal	<u>\$ 8,730,000</u>
Total	<u>\$344,173,700</u>

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

AUDIT SCOPE, METHODOLOGY, AND OTHER INFORMATION

AUDIT SCOPE

To determine if the expenditures charged to the Flint declaration appropriations were appropriate and to report those expenditures. Our audit was limited to expenditures reported by December 31, 2017 and funded by Public Act 143 of 2015; Public Acts 3, 24, 249, 268, and 340 of 2016; and Public Acts 107 and 108 of 2017.

Due to the ongoing nature of the audit, not all reported expenditures were audited by the end of our fieldwork. Reported expenditures not subject to audit during the prior or current audits will be considered for audit during our next audit of the Flint Emergency Expenditures, unless otherwise noted. 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 findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

PERIOD

Our audit procedures, which included audit planning, audit fieldwork, report preparation, and quality assurance, generally covered June 1, 2017 through December 31, 2017).

METHODOLOGY

We conducted various audit planning activities during our first audit to develop a basis for defining our audit objectives and scope. Because this audit was a continuation of the first audit, we utilized the same objectives and scope. During this audit, we:

- Reviewed additional appropriations acts enacted prior to December 31, 2017 that contained appropriations to assist with the Flint declaration of emergency along with related Senate and House Fiscal Agencies' analyses.
- Continued to meet with Office of Internal Audit Services and department staff to enhance our understanding of the controls established over expenditures and reporting.
- Reviewed SBO reports to gain an understanding of expenditures reported by State departments.

OBJECTIVE #1

To determine the appropriateness of State agencies' expenditure of the Flint declaration of emergency appropriations as of December 31, 2017.

**See glossary at end of report for definition.*

To accomplish this objective, we

- Interviewed management and staff from 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 memorandums of understanding.
- Reviewed source documentation supporting selected expenditures.

OBJECTIVE #2

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

To accomplish this objective, we:

- Updated the account coding used by 10 State departments for expenditure of appropriations.
- Extracted the expenditures charged to the appropriations from MAIN and SIGMA.
- Obtained selected expenditure data from SBO.

CONCLUSIONS

We base our conclusions on our audit efforts and any resulting material conditions*, reportable conditions*, or observations.

PRIOR AUDIT FOLLOW-UP

Following is the status of the reported finding from our July 2017 performance audit of the Flint Emergency Expenditures, State of Michigan (000-2017-17):

The Michigan Department of Agriculture and Rural Development (MDARD) implemented corrective action in July 2017. We verified that MDARD has worked with the Genesee County Health Department on the establishment of a separate water safety inspection protocol that has a higher frequency than regular food establishment inspections. We also determined that MDARD now conducts quarterly audits of these inspections to ensure that proper documentation is maintained. Our review noted that MDARD completed quarterly audits in July 2017 and October 2017. We concluded that MDARD has improved its oversight of the food and water lead safety inspections.

**See glossary at end of report for definition.*

Following is the status of the reported finding from our January 2017 performance audit of the Flint Emergency Expenditures, State of Michigan (000-2016-17):

MDE implemented corrective action in April 2017. MDE updated its Allowable Cost Guide, which became effective in April 2017. The Allowable Cost Guide continues to require the use of Personnel Activity Reports (PARs) when an employee's salaries and benefits are funded by more than one source. We verified that MDE required the use of PARs for payroll expenditures beginning in April 2017. We selected a random sample of 10 employees from 3 randomly selected pay periods. Our review noted that the PARs were appropriately completed, supported, and approved. We concluded that MDE has provided sufficient oversight of the Early On (EO) grant to ensure the appropriateness of grant charges.

**SUPPLEMENTAL
INFORMATION**

Our audit report includes supplemental information presented as Exhibits #1 through #14.

Occasionally, amounts appropriated, funding allocations, total expenditures, or expenditures subject to review may change between reports. In most instances, this is a result of agency coding changes, expenditure transfers, or errors identified during our review of expenditures. Exhibits are adjusted as we become aware of these changes.

GLOSSARY OF ABBREVIATIONS AND TERMS

AG	Department of Attorney General.
Bridges	Bridges Integrated Automated Eligibility Determination System.
CDC	Child Development and Care.
CORE	Community Outreach and Education.
DECF	Disaster and Emergency Contingency Fund.
DEQ	Department of Environmental Quality.
DMVA	Department of Military and Veterans Affairs.
DNR	Department of Natural Resources.
DTMB	Department of Technology, Management, and Budget.
EO	Early On.
FA	food assistance.
FAP	Food Assistance Program.
GCDC	Genesee County Drain Commission.
GISD	Genesee Intermediate School District.
GLWA	Great Lakes Water Authority.
IT	information technology.
LARA	Department of Licensing and Regulatory Affairs.

material condition	A matter that, in the auditor's judgment, is more severe than a reportable condition and could impair the ability of management to operate a program in an effective and efficient manner and/or could adversely affect the judgment of an interested person concerning the effectiveness and efficiency of the program.
MDARD	Michigan Department of Agriculture and Rural Development.
MDE	Michigan Department of Education.
MDHHS	Michigan Department of Health and Human Services.
Michigan Administrative Information Network (MAIN)	The State's automated administrative management system that supports accounting, purchasing, and other financial management activities.
MSP	Michigan Department of State Police.
OAG	Office of the Auditor General.
observation	A commentary that highlights certain details or events that may be of interest to users of the report. An observation may not include the attributes (condition, effect, criteria, cause, and recommendation) that are presented in an audit finding.
PAR	Personal Activity Report.
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.
reportable condition	A matter that, in the auditor's judgment, is less severe than a material condition and falls within any of the following categories: an opportunity for improvement within the context of the audit objectives; a deficiency in internal control that is significant within the context of the audit objectives; all instances of fraud; illegal acts unless they are inconsequential within the context of the audit objectives; significant violations of provisions of contracts or grant agreements; and significant abuse that has occurred or is likely to have occurred.
SBO	State Budget Office.

SIGMA Statewide Integrated Governmental Management Application.

TANF Temporary Assistance for Needy Families.

Treasury Department of Treasury.



Report Fraud/Waste/Abuse

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Hotline: (517) 334-8060, Ext. 1650