

Office of the Auditor General
Performance Audit Report

Flint Emergency Expenditures
State of Michigan

July 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

Flint Emergency Expenditures

State of Michigan

Report Number:
000-2018-18

Released:
July 2018

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, 2017, and 2018 budget and spending authorizations provided in the fiscal year 2017 and 2018 budgets. As of June 30, 2018, appropriations totaled \$353.2 million and 10 State departments had expended a total of \$198.1 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 fifth report on the expenditure of these funds.

Audit Objective			Conclusion
Objective #1: To determine the appropriateness of State agencies' expenditure of the Flint declaration of emergency appropriations as of June 30, 2018.			Appropriate
Findings Related to This Audit Objective	Material Condition	Reportable Condition	Agency Preliminary Response
The Department of Environmental Quality (DEQ) reimbursed a contractor for travel expenditures specifically not allowed for under contract terms, resulting in \$33,151 in unallowed expenditures (Finding #1).		X	Agrees

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			
Exhibit #1 - Department of Licensing and Regulatory Affairs Exhibit #2 - Department of Environmental Quality Exhibit #3 - Michigan Department of Health and Human Services Exhibit #4 - Michigan Department of Education Exhibit #5 - Department of Military and Veterans Affairs			

Exhibits Related to This Audit Objective
(Continued)

Exhibit #6 - Michigan Department of State Police

Exhibit #7 - Department of Treasury

Exhibit #8 - Department of Attorney General

Exhibit #9 - Department of Natural Resources

Exhibit #10 - Department of Technology, Management, and Budget

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Doug A. Ringler, CPA, CIA
Auditor General

July 31, 2018

The Honorable Dave Hildenbrand, Chair
Senate Appropriations Committee
State Capitol Building
Lansing, Michigan

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

The Honorable Laura Cox, Chair
House Appropriations Committee
State Capitol Building
Lansing, Michigan

The Honorable Fred Durhal III, Min. Vice Chair
House Appropriations Committee
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 June 30, 2018. This is the fifth of the reports required every six months.

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

Sincerely,

Doug Ringler
Auditor General

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AUDIT OBJECTIVES, CONCLUSIONS, AND FINDINGS

APPROPRIATENESS OF EXPENDITURE OF FLINT DECLARATION OF EMERGENCY APPROPRIATIONS AS OF JUNE 30, 2018

AUDIT OBJECTIVE	To determine the appropriateness of State agencies' expenditure of the Flint declaration of emergency appropriations as of June 30, 2018.
CONCLUSION	Appropriate.
FACTORS IMPACTING CONCLUSION	<ul style="list-style-type: none">• We did not identify any significant errors in our review of the supporting documentation for the audited transactions.• Reportable condition* related to improved contract reimbursement (Finding #1).

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

FINDING #1

Improvement needed in reimbursing contractors for allowable expenditures.

The Department of Environmental Quality (DEQ) reimbursed a contractor for travel expenditures specifically not allowed for under contract terms.

DEQ contracted with a vendor to develop the scope, cost, and implementation schedule required for improvements to the Flint water treatment plant to meet reliability and water quality requirements. However, the contract did not allow for the reimbursement of travel expenditures.

We reviewed all \$437,161 expenditure reimbursements made through March 31, 2018 under the contract and identified \$33,151 (7.6%) in travel expenditures. The \$618,895 contract remains in effect through January 31, 2019.

DEQ informed us that it was an administrative oversight that travel expenditure reimbursement was not allowed for in the contract.

RECOMMENDATION

We recommend that DEQ reimburse contractors in accordance with contract terms.

AGENCY PRELIMINARY RESPONSE

DEQ provided us with the following response:

DEQ agrees with the finding and has taken appropriate steps to adjust the contract to allow for the reimbursement of travel expenditures as part of the contract in the future.

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 of emergency 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 June 30, 2018.

SUPPLEMENTAL INFORMATION, INCLUDING OBSERVATIONS

Exhibit #1

FLINT EMERGENCY EXPENDITURES

Department of Licensing and Regulatory Affairs (LARA)
As of June 30, 2018

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	\$1,660,000	\$1,530,930	\$0
Total	\$1,660,000	\$1,660,000	\$1,530,930	\$0

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 Applications* (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 June 30, 2018

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	Total Expenditures	Expenditures Subject to Review	
			Prior Audits	Current Audit
Water System Needs (1)	\$4,753,829	\$4,671,300	\$3,623,111	\$880,452
Lab and Testing (2)	774,000	774,000	718,720	0
Corrosion Control	36,500	0	0	0
Infrastructure Study (3)	222,171	222,171	222,171	0
Total	<u>\$5,786,500</u>	<u>\$5,667,471</u>	<u>\$4,564,002</u>	<u>\$880,452</u>

(1) Water System Needs:

Audit Methodology and Results

January 2018 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 significant errors.

Current Audit: We reviewed 6 judgmentally selected expenditures totaling \$718,202 and determined that they were appropriately supported, approved, and charged to the appropriation. We did not identify any errors.

Observations*

None

* See glossary at end of report for definition.

(2) Lab and Testing:

Audit Methodology and Results

January 2018 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.

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

Observations

None

(3) Infrastructure Study:

Audit Methodology and Results

January 2018 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.

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

Observations

None

Public Act 268 of 2016

Appropriated: \$13,750,100

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 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. This section was replaced with Section 303 of Public Act 340 of 2016.

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 (1)	2,200,000	2,200,000	0	549,118
Drinking Water Emergency Response Team (Fiscal Year 2016) (2)	2,250,000	2,239,874	1,134,642	1,105,232
ReConnection Services (October 2016 - December 2016)	3,900,000	3,900,000	3,900,000	0
Drinking Water Emergency Response Team (Fiscal Year 2017) (3)	1,500,100	1,500,100	313,223	1,163,773
Total	<u>\$13,750,100</u>	<u>\$13,739,974</u>	<u>\$9,247,865</u>	<u>\$2,818,123</u>

(1) Water System Needs:

Audit Methodology and Results

Current Audit: We reviewed all expenditures totaling \$549,118 and determined that they were appropriately supported, approved, and charged to the appropriation. We did not identify any errors.

Observations

None

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

Audit Methodology and Results

January 2018 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.

Current Audit: We reviewed 12 judgmentally selected expenditures totaling \$248,345 and determined that they were appropriately supported, approved, and charged to the appropriation. We did not identify any errors.

Observations

None

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

Audit Methodology and Results

January 2018 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.

Current Audit: We reviewed 25 judgmentally selected expenditures totaling \$205,368 and determined that they were appropriately supported, approved, and charged to the appropriation. We did not identify any significant errors.

Observations

None

Public Act 340 of 2016

Appropriated: \$27,617,000

Authorized Uses: Sections 301, 303, 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 303: 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.

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 (1)	Total Expenditures	Expenditures Subject to Review	
			Prior Audits	Current Audit
Water Distribution				
Optimization Analysis (2)	\$ 817,000	\$ 771,729	\$0	\$ 723,763
Water Plant Analysis (3)	680,088 (1)	437,161	0	437,161
Technical Assistance and Training (4)	1,000,000	710,016	0	710,016
School Water Testing	119,912 (1)	52,546	0	0
Replacement of Lead Service Lines (5)	25,000,000	25,000,000	0	0
Total	<u>\$27,617,000</u>	<u>\$26,971,452</u>	<u>\$0</u>	<u>\$1,870,940</u>

(1) DEQ reallocated funding between the January 2018 audit and the current audit. The total amount appropriated did not change.

(2) Water Distribution Optimization Analysis:

Audit Methodology and Results

Current Audit: We reviewed 8 judgmentally selected expenditures totaling \$639,014 and determined that they were appropriately supported, approved, and charged to the appropriation. We did not identify any errors.

Observations

None

(3) Water Plant Analysis:

Audit Methodology and Results

Current Audit: We reviewed all expenditures totaling \$437,161 and identified \$33,151 in travel expenditures reimbursed to a contractor specifically not allowed for under contract terms (see Finding #1).

Observations

None

(4) Technical Assistance and Training:

Audit Methodology and Results

Current Audit: We reviewed 178 judgmentally and 22 randomly selected expenditures totaling \$420,452 and determined that they were appropriately supported, approved, and charged to the appropriation. We did not identify any significant errors.

Observations

None

(5) 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 was conducted and reported separately in the Flint Water Service Line Replacement Expenditures report (761-3017-17) issued in June 2018.

Observations

None

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; GCDC	\$3,300,000	\$3,300,000	\$0	\$3,300,000
Water Testing and Contractual Services	2,200,000	11,613	0	0
Total	<u>\$5,500,000</u>	<u>\$3,311,613</u>	<u>\$0</u>	<u>\$3,300,000</u>

Parallel Pipe; GCDC:

Audit Methodology and Results

Current Audit: We reviewed all expenditures totaling \$3,300,000 and determined that they were appropriately supported, approved, 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

Michigan Department of Health and Human Services (MDHHS)
As of June 30, 2018

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	165,000	165,000	165,000	0
Epidemiologist Services (1)	249,100	249,100	179,478	69,622
Nurse Case Management (2)	435,900	435,900	430,605	0
Total	<u>\$1,850,000</u>	<u>\$1,850,000</u>	<u>\$1,775,083</u>	<u>\$69,622</u>

(1) Epidemiologist Services:

Audit Methodology and Results

Current Audit: We reviewed 3 randomly selected expenditures totaling \$55,516 and determined that they were appropriately supported, approved, and charged to the appropriation. We did not identify any errors.

Observations

None

(2) Nurse Case Management:

Audit Methodology and Results

January 2018 Audit: We determined that the accounts payable write-off was appropriate.

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

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 the Children's Healthcare Access Program (CHAP).
- (f) Assessment of potential linkages to other diseases.
- (g) Food inspections.
- (h) Crisis counseling and behavioral health services.
- (i) Additional nurse services.

Exhibit #3
(Continued)

Expenditures By Authorized Use Category

	Funding Allocation (1)	Total Expenditures	Expenditures Subject to Review Prior Audits	Current Audit
Purchase Water Resources	\$ 4,612,800	\$ 4,612,800	\$4,612,800	\$ 0
Purchase Water Filters	13,100	13,084	0	0
Department Field Operations:				
Lead Abatement (2)	1,600,000 (1)	896,616	682,899	186,356
Epidemiological and Case Management:				
Epidemiologist Services	126,500	90,447	90,447	0
Nurse Case Management (3)	70,000	70,000	0	70,000
Adult Blood Lead Epidemiology and Surveillance	18,500	18,500	18,500	0
Nutrition Support, Food Banks, and Community Education:				
Nutrition Education	120,000	67,509	60,011	0
Food Bank Resources	1,776,700 (1)	1,776,660	1,037,200	0
Childhood Nutritional Education	872,000	774,425	503,869	0
Lactation Consultant (4)	85,000	78,648	17,161	54,978
Double Up Food Bucks Flint Expansion Project (5)	380,000	162,786	0	162,786
Child and Adolescent Health Centers and Children's Healthcare Access Program:				
CHAP (6)	200,000	200,000	150,692	49,308
Child and Adolescent Health Centers	487,500	487,500	13,851	0
Pathways to Potential Expansion (7)	720,000	720,000	720,000	0
Linkages to Other Diseases (8)	275,000	275,000	235,084	30,577
Food Inspections	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	0	0	0
Michigan Child Care Collaborative (9)	266,500	266,455	130,541	135,913
Community Counseling Centers	98,400 (1)	86,762	0	0
Nurse Services (10)	500,000	500,000	0	423,652
Total	<u>\$15,457,000</u>	<u>\$11,797,192</u>	<u>\$8,973,055</u>	<u>\$1,113,570</u>

(1) MDHHS reallocated funding between the January 2018 audit and the current audit. The total amount appropriated did not change.

(2) Lead Abatement:

Audit Methodology and Results

Current Audit: We reviewed 6 judgmentally and 1 randomly selected expenditures totaling \$97,466 and determined that they were appropriately supported, approved, and charged to the appropriation. We did not identify any errors.

Observations

None

(3) Nurse Case Management:

Audit Methodology and Results

Current Audit: We reviewed 4 judgmentally selected expenditures totaling \$8,401 and determined that they were appropriately supported, approved, and charged to the appropriation. We did not identify any errors.

Observations

None

(4) Lactation Consultant:

Audit Methodology and Results

Current Audit: We reviewed all expenditures totaling \$54,978 and determined that they were appropriately supported, approved, and charged to the appropriation. We did not identify any errors.

Observations

None

(5) Double Up Food Bucks Flint Expansion Project:

Audit Methodology and Results

Current Audit: We reviewed all expenditures totaling \$162,786 and determined that they were appropriately supported, approved, and charged to the appropriation. We did not identify any errors.

Observations

None

(6) CHAP:

Audit Methodology and Results

Current Audit: We reviewed 1 judgmentally and 2 randomly selected expenditures totaling \$38,536 and determined that they were appropriately supported, approved, and charged to the appropriation. We did not identify any errors.

Observations

None

(7) Pathways to Potential Expansion:

Audit Methodology and Results

January 2018 Audit: We reviewed 10 randomly selected transactions and 2 judgmentally selected transactions totaling \$43,284. We determined that they were appropriately supported, approved, and charged to the appropriation.

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

Observations

None

(8) Linkages to Other Diseases:

Audit Methodology and Results

Current Audit: We reviewed all expenditures totaling \$30,577 and determined that they were appropriately supported, approved, and charged to the appropriation. We did not identify any errors.

Observations

None

(9) Michigan Child Care Collaborative:

Audit Methodology and Results

January 2018 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.

Current Audit: We reviewed all expenditures totaling \$135,913 and determined that they were appropriately supported, approved, and charged to the appropriation. We did not identify any errors.

Observations

None

(10) Nurse Services:

Audit Methodology and Results

Current Audit: We reviewed 2 judgmentally and 2 randomly selected expenditures totaling \$240,329 and determined that they were appropriately supported, approved, 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 CHAP.
- (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, CHAP, 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) (2)	\$ 446,500 (1)	\$ 446,408	\$ 0	\$ 440,000
Nutrition Programs (3)	1,415,300 (1)	1,415,171	296,823	0
Linkages to Other Diseases (4)	3,200,000	3,077,014	824,815	1,492,374
Childhood Lead Poisoning Prevention Program	457,200 (1)	386,581	141,148	0
Media Campaign (5)	304,700 (1)	304,621	0	304,424
Parents As Teachers Program (6)	260,000	259,999	40,823	163,865
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	82,500 (1)	6,407	0	0
Nutrition Assistance for Children of Flint (7)	3,670,000 (1)	3,623,336	3,520,000	0
Mobile Food Bank (Fiscal Year 2017) (8)	1,006,000	960,000	0	960,000
Nutrition Services 5-10 Year Olds	257,100	0	0	0
Adult Blood Lead Epidemiology and Surveillance (9)	44,400	44,400	14,113	30,287
Child and Adolescent Health Centers (Fiscal Year 2017)	372,500	23,851	0	0
Lead Programming for Children/Homes/Outreach (10)	204,900	130,706	60,829	42,440
Epidemiologist Services (11)	212,000	212,000	81,347	130,653
Nurse Case Management and Public Health Assessments (12)	471,300	471,300	59,814	382,821
Community Education (13)	120,000	95,369	0	86,804
Community Mental Health Services (Fiscal Year 2017)	3,064,900 (1)	886	0	0
Parents As Teachers Program (Fiscal Year 2017)	260,000	33,570	0	0
Double Up Food Bucks Flint Expansion Project (14)	380,000	152,429	0	152,429
Food Safety Inspections (Fiscal Year 2016)	300,000	225,000	59,898	0
Food Safety Inspections (Fiscal Year 2017) (15)	300,000 (1)	271,258	0	271,258
Michigan Child Care Collaborative	350,000 (1)	99,796	0	0
Pathways to Potential Expansion (16)	300,000	86,187	86,187	0
CHAP (17)	375,000	375,000	113,171	261,829
Flint Hospital Monitor (18)	79,000	61,850	0	59,700
Flint Hospital Lab (19)	80,000 (1)	76,660	0	76,660
Service Homebound, Frail Seniors	400,000 (1)	209,377	0	0
Lead Abatement GF Match for SCHIP (20)	100,000	55,986	0	55,986
DEQ IAG Faucets and Fixtures (21)	3,000,000	2,917,736	887,400	2,029,887
Addressing Household Needs in Flint	100,000	100,000	100,000	0
Rides to Wellness	1,164,800 (1)	888,291	0	0
Veggie Box Program	250,000 (1)	0	0	0
Water Heater Replacement	300,000 (1)	0	0	0
Total	\$29,928,100	\$17,511,189	\$6,286,368	\$6,941,417

(1) MDHHS reallocated funding between the January 2018 audit and the current audit. The total amount appropriated did not change.

(2) Mobile Food Bank (Fiscal Year 2016):

Audit Methodology and Results

Current Audit: We reviewed 3 randomly selected expenditures totaling \$23,891 and determined that they were appropriately supported, approved, and charged to the appropriation. We did not identify any significant errors.

Observations

None

(3) Nutrition Programs:

Audit Methodology and Results

January 2018 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.

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

Observations

None

(4) Linkages to Other Diseases:

Audit Methodology and Results

Current Audit: We reviewed 1 judgmentally and 7 randomly selected expenditures totaling \$438,974 and determined that they were appropriately supported, approved, and charged to the appropriation. We did not identify any significant errors.

Observations

None

(5) Media Campaign:

Audit Methodology and Results

Current Audit: We reviewed all expenditures totaling \$304,424 and determined that they were appropriately supported, approved, and charged to the appropriation. We did not identify any errors.

Observations

None

(6) Parents As Teachers Program:

Audit Methodology and Results

January 2018 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.

Current Audit: We reviewed 3 randomly selected and 6 judgmentally selected expenditures totaling \$158,382 and determined that they were appropriately supported, approved, and charged to the appropriation. We did not identify any errors.

Observations

None

(7) Nutrition Assistance for Children of Flint

Audit Methodology and Results

January 2018 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.

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

Observation From January 2018 Audit:

Observation #1

- a. MDHHS did not provide cash benefits (\$30) for 759 children who met the February 28, 2017 eligibility criteria. Also, MDHHS did not provide food assistance (FA) benefits (\$420) for 979 children of recipients who remained Food Assistance Program (FAP) eligible as of March 22, 2017 with a child under the age of 18 as of April 1, 2017.
- b. MDHHS required residents of the 48532 zip code, 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 of emergency. 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 of emergency.
- 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 of emergency (48509, 48519, and 48529) because these zip codes were not supplied with water from the City of Flint water system.
- 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).

Follow-Up During Current Audit

For part a. MDHHS provided total cash benefits of \$14,550 for 485 children who met the February 28, 2017 eligibility criteria. Also, MDHHS provided FA benefits totaling \$192,360 for 458 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. Further review of these expenditures will be reported during our next audit report, which will be released no later than January 31, 2019. MDHHS took no further action for parts b., c., and d.

(8) Mobile Food Bank (Fiscal Year 2017):

Audit Methodology and Results

Current Audit: We reviewed 7 randomly selected expenditures totaling \$381,654 and determined that they were appropriately supported, approved, and charged to the appropriation. We did not identify any errors.

Observations

None

(9) Adult Blood Lead Epidemiology and Surveillance:

Audit Methodology and Results

Current Audit: We reviewed all expenditures totaling \$30,287 and determined that they were appropriately supported, approved, and charged to the appropriation. We did not identify any errors.

Observations

None

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

Audit Methodology and Results

Current Audit: We reviewed all expenditures totaling \$42,440 and determined that they were appropriately supported, approved, and charged to the appropriation. We did not identify any errors.

Observations

None

(11) Epidemiologist Services:

Audit Methodology and Results

Current Audit: We reviewed 3 randomly selected and 1 judgmentally selected expenditures totaling \$87,156 and determined that they were appropriately supported, approved, and charged to the appropriation. We did not identify any errors.

Observations

None

(12) Nurse Case Management and Public Health Assessments:

Audit Methodology and Results

Current Audit: We reviewed 30 randomly selected expenditures totaling \$26,191 and determined that they were appropriately supported, approved, and charged to the appropriation. We did not identify any errors.

Observations

None

(13) Community Education:

Audit Methodology and Results

Current Audit: We reviewed 4 randomly selected expenditures totaling \$10,431 and determined that they were appropriately supported, approved, and charged to the appropriation. We did not identify any errors.

Observations

None

(14) Double Up Food Bucks Flint Expansion Project:

Audit Methodology and Results

Current Audit: We reviewed all expenditures totaling \$152,429 and determined that they were appropriately supported, approved, and charged to the appropriation. We did not identify any errors.

Observations

None

(15) Food Safety Inspections (Fiscal Year 2017):

Audit Methodology and Results

Current Audit: We verified that the expenditures reviewed totaling \$271,258 were appropriately supported by MDHHS-approved financial status reports. We also randomly selected 25 grantee-completed inspections of food service establishments and determined that inspections were completed as required. We did not identify any significant errors.

Observations

None

(16) Pathways to Potential Expansion:

Audit Methodology and Results

January 2018 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.

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

Observations

None

(17) CHAP:

Audit Methodology and Results

Current Audit: We reviewed 2 randomly selected expenditures and 1 judgmentally selected expenditure totaling \$137,696 and determined that they were appropriately supported, approved, and charged to the appropriation. We did not identify any errors.

Observations

None

(18) Flint Hospital Monitor:

Audit Methodology and Results

Current Audit: We reviewed 4 randomly selected expenditures totaling \$17,200 and determined that they were appropriately supported, approved, and charged to the appropriation. We did not identify any errors.

Observations

None

(19) Flint Hospital Lab:

Audit Methodology and Results

Current Audit: We reviewed 2 randomly selected expenditures totaling \$30,205 and determined that they were appropriately supported, approved, and charged to the appropriation. We did not identify any errors.

Observations

None

(20) Lead Abatement GF Match for SCHIP:

Audit Methodology and Results

Current Audit: We reviewed 1 judgmentally and 7 randomly selected expenditures totaling \$9,052 and determined that they were appropriately supported, approved, and charged to the appropriation. We did not identify any errors.

Observations

None

(21) DEQ IAG Faucets and Fixtures:

Audit Methodology and Results

January 2018 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.

Current Audit: We reviewed 4 judgmentally and 2 randomly selected expenditures totaling \$718,727 and determined that they were appropriately supported, approved, and charged to the appropriation. We did not identify any errors.

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, CHAP, 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 Program.
- (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 (1)		Total Expenditures	Expenditures Subject to Review	
				Prior Audits	Current Audit
Comprehensive Lead Poisoning Prevention Program	\$ 471,300	(1)	\$ 28,918	\$0	\$ 0
Lactation Consultant (2)	300,000		63,748	0	51,388
Child and Adolescent Health Centers	650,000		0	0	0
CHAP	375,000		112,308	0	0
Lead Abatement Program	180,000		30,534	0	0
Nurse Family Partnership (3)	500,000		294,830	0	76,702
Nutrition Outreach	1,436,000		61,550	0	0
Parents as Teachers Evidence-Based Home Visiting Program	259,500			0	0
Environmental Health Staff Support (4)	315,400	(1)	149,955	0	81,942
Adult Blood Lead Epidemiology and Surveillance (ABLES) (5)	44,400	(1)	22,260	0	14,855
Nutrition Initiatives	7,830,000		201,810	0	0
Purchase Water Resources	1,000,100		340,000	0	0
Double Up Food Bucks Flint Expansion Project	380,000		0	0	0
Flint Hospital Monitor	100,000	(1)	23,650	0	0
Flint Hospital Lab	100,000	(1)	13,620	0	0
Community Education with Genesee County Health Department	100,000	(1)	10,000	0	0
CORE	5,400,000	(1)	0	0	0
CORE - Contractual Services	600,000	(1)	0	0	0
CORE - Sampling and Testing	1,500,000		0	0	0
Total	<u>\$21,541,700</u>		<u>\$1,353,183</u>	<u>\$0</u>	<u>\$224,887</u>

(1) MDHHS reallocated funding between the January 2018 audit and the current audit. The total amount appropriated did not change.

(2) Lactation Consultant:

Audit Methodology and Results

Current Audit: We reviewed 4 judgmentally selected expenditures totaling \$8,853 and determined that they were appropriately supported, approved, and charged to the appropriation. We did not identify any errors.

Observations

None

(3) Nurse Family Partnership:

Audit Methodology and Results

Current Audit: We reviewed 1 judgmentally selected expenditure totaling \$35,597 and determined that it was appropriately supported, approved, and charged to the appropriation. We did not identify any errors.

Observations

None

(4) Environmental Health Staff Support:

Audit Methodology and Results

Current Audit: We reviewed 2 randomly selected expenditures totaling \$24,142 and determined that they were appropriately supported, approved, and charged to the appropriation. We did not identify any errors.

Observations

None

(5) Adult Blood Lead Epidemiology and Surveillance (ABLES):

Audit Methodology and Results

Current Audit: We reviewed 1 randomly selected expenditure totaling \$5,012 and determined that it was appropriately supported, approved, 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

Michigan Department of Education (MDE)
As of June 30, 2018

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

	Funding Allocation	Total Expenditures	Expenditures Subject to Review	
			Prior Audits	Current Audit
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	1,619,211	605,789
Food and Nutrition	140,000	140,000	95,229	0
Total	<u>\$2,685,000</u>	<u>\$2,685,000</u>	<u>\$2,034,440</u>	<u>\$605,789</u>

EO/Special Education Services, Lead Exposure Monitoring, Wraparound Services Coordination, Communications:

Audit Methodology and Results

Current Audit: We reviewed 35 judgmentally selected expenditures totaling \$167,481 and determined that they were appropriately supported, approved, and charged to the appropriation. We did not identify any errors.

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.

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 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	\$ 495,090
Early Intervention Services (2)	812,500	812,500	0	732,751
Nutritional Services (3)	382,500	382,500	0	259,757
School Nurses for Flint Public Schools (4)	317,500	317,500	317,500	0
School Social Workers for Flint Public Schools	975,000	975,000	0	0
Early Intervention Services 0 - 3 (Fiscal Year 2017) (5)	6,155,000	6,155,000	762,060	303,403
Great Start Readiness Program (Fiscal Year 2017) (6)	1,500,000	652,500	474,498	178,002
School Nurses and Social Workers for Flint Public Schools Reserves (7)	1,292,500	975,000	317,500	0
Early Intervention Services, Early Literacy, and Nutritional Services Reserves (8)	1,195,000	442,065	0	442,065
Total	<u>\$21,830,000</u>	<u>\$11,612,065</u>	<u>\$2,276,468</u>	<u>\$2,411,068</u>

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

Audit Methodology and Results

Current Audit: We reviewed 25 judgmentally selected expenditures totaling \$114,193 and determined that the expenditures were appropriately supported, approved, and charged to the appropriation. We did not identify any errors.

Observations

None

(2) Early Intervention Services:

Audit Methodology and Results

Current Audit: We reviewed 13 judgmentally selected expenditures totaling \$329,050 and determined that the expenditures were appropriately supported, approved, and charged to the appropriation. We did not identify any errors.

Observations

None

(3) Nutritional Services:

Audit Methodology and Results

Current Audit: We reviewed 20 judgmentally selected expenditures totaling \$40,835 and determined that the expenditures were appropriately supported, approved, and charged to the appropriation. We did not identify any errors.

Observations

None

(4) School Nurses for Flint Public Schools:

Audit Methodology and Results

January 2018 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.

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

Observations

None

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

Audit Methodology and Results

Current Audit: We reviewed 22 judgmentally selected expenditures totaling \$112,078 and determined that the expenditures were appropriately supported, approved, and charged to the appropriation. We did not identify any errors.

Observations

None

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

Audit Methodology and Results

January 2018 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.

Current Audit: We reviewed 24 judgmentally selected expenditures totaling \$68,177 and determined that the expenditures were appropriately supported, approved, and charged to the appropriation. We did not identify any errors.

Observations

None

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

Audit Methodology and Results

January 2018 Audit: We reviewed 14 judgmentally selected expenditures totaling \$73,873 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) Early Intervention Services, Early Literacy, and Nutritional Services Reserves:

Audit Methodology and Results

Current Audit: We reviewed 8 judgmentally selected expenditures totaling \$248,042 and determined that the expenditures were appropriately supported, approved, 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	\$3,599,007	\$ 0
Child Care Assistance (0 - 3) (Fiscal Year 2016) (2)	8,100,000	2,712,096	1,624,945	1,087,151
Child Care and Development Fund Reserve for Flint Day Care Needs	8,000,000	1,990,797	0	0
Child Care Assistance (0 - 3) (Fiscal Year 2017)	8,050,100	0	0	0
Total	\$33,650,100	\$10,413,602	\$5,223,952	\$1,087,151

(1) Nutrition Assistance:

Audit Methodology and Results

January 2018 Audit: MDE transferred \$3.5 million to MDHHS from Temporary Assistance for Needy Families (TANF) funds for additional food assistance benefits.

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.

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

Observations

None

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

Audit Methodology and Results

January 2018 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.

Current Audit: We reviewed 1 judgmentally and 3 randomly selected expenditures totaling \$135,803. We determined that the expenditures were appropriately supported, approved, and charged to the appropriation. 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	\$1,079,892	\$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	1,636,200	0	1,636,200
Nutritional Services	605,000	0	0	0
Total	<u>\$8,730,000</u>	<u>\$2,716,092</u>	<u>\$0</u>	<u>\$1,636,200</u>

Summer Great Start Readiness Programs:

Audit Methodology and Results

Current Audit: We reviewed 2 randomly selected expenditures totaling \$545,400 and determined that they were appropriately supported, approved, 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 Military and Veterans Affairs (DMVA)
As of June 30, 2018

Public Act 3 of 2016

Appropriated: \$2,000,000

Authorized Uses: Section 701

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

Expenditures By Authorized Use Category

	<u>Funding Allocation</u>	<u>Total Expenditures</u>	<u>Expenditures Subject to Review</u>	
			<u>Prior Audits</u>	<u>Current Audit</u>
Michigan National Guard Water Support Efforts	<u>\$2,000,000</u>	<u>\$2,000,000</u>	<u>\$1,962,031</u>	<u>\$37,969</u>
Total	<u><u>\$2,000,000</u></u>	<u><u>\$2,000,000</u></u>	<u><u>\$1,962,031</u></u>	<u><u>\$37,969</u></u>

Michigan National Guard Water Support Efforts:

Audit Methodology and Results

Current Audit: We reviewed 2 judgmentally and 2 randomly selected expenditures totaling \$32,182 and determined that they were appropriately supported, approved, and charged to the appropriation. We did not identify any errors.

Observations

None

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	\$476,834
Total	\$500,000	\$476,834	\$0	\$476,834

Michigan National Guard Water Support Efforts:

Audit Methodology and Results

Current Audit: We reviewed 1 judgmentally and 1 randomly selected expenditure totaling \$428,793 and determined that they were appropriately supported, approved, 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

Michigan Department of State Police (MSP)
As of June 30, 2018

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	\$1,056,959
Total	\$6,000,000	\$6,000,000	\$4,943,494	\$1,056,959

Water and Filter Cartridges:

Audit Methodology and Results

Current Audit: We reviewed 21 randomly selected expenditures totaling \$77,339 and determined that they were appropriately supported, approved, and charged to the appropriation. We did not identify any errors.

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 to include 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	\$2,508,100
Total	\$3,908,100	\$2,508,100	\$0	\$2,508,100

Section 18 Reimburse - DTMB:

Audit Methodology and Results

Current Audit: We reviewed 32 judgmentally and 28 randomly selected expenditures totaling \$796,326. We determined that the expenditures were appropriately supported, approved, and charged to the appropriation. We did not identify any errors.

Observations

None

**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	\$11,319,931	\$7,710,796	\$0
Total	<u>\$14,000,000</u>	<u>\$11,319,931</u>	<u>\$7,710,796</u>	<u>\$0</u>

DECF Expenditure History

DECF - Flint related expenditures (Fiscal Year 2016)	\$ 9,718,344
DECF - Flint related expenditures (Fiscal Year 2017)	11,382,846
DECF - Flint related expenditures (Fiscal Year 2018 through June 30)	21,789
Total	<u>\$21,122,979</u>
Less transfers:	
Article XXI, Section 1003, Public Act 268 of 2016 to Treasury	(\$ 894,948)
Legislative Transfer Request 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	<u>(2,508,100)</u>
Total transfers	<u>(\$9,803,048)</u>
DECF - Flint related expenditures (Net)	<u>\$11,319,931</u>

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 June 30, 2018

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	<u>\$30,000,000</u>	<u>\$30,000,000</u>	<u>\$30,000,000</u>	<u>\$0</u>

Public Act 268 of 2016

Appropriated: \$24,130,000

Authorized Uses: Sections 1001 and 1003 and Legislative Transfers 2017-1, 2017-5, and 2017-7.

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	\$12,750,000	\$11,737,844	\$11,737,844	\$ 0
Mission Flint Program Management (1)	1,380,000	1,380,000	894,948	485,052
Integrity Oversight Monitor (2)	300,000	270,143	0	270,143
Bottled Water Purchases (3)	2,400,000	2,400,000	2,400,000	0
Bottled Water Purchases	7,300,000	894,948	0	0
Total	<u>\$24,130,000</u>	<u>\$16,682,935</u>	<u>\$15,032,792</u>	<u>\$755,195</u>

(1) Mission Flint Program Management:

Audit Methodology and Results

Current Audit: We reviewed 3 judgmentally and 8 randomly selected expenditures totaling \$263,017 and determined that they were appropriately supported, approved, and charged to the appropriation. We did not identify any errors.

Observations

None

(2) Integrity Oversight Monitor:

Audit Methodology and Results

Current Audit: We reviewed all expenditures totaling \$270,143 and determined that the expenditures were appropriately supported, approved, and charged to the appropriation. We did not identify any errors.

Observations

None

(3) Bottled Water Purchases:

Audit Methodology and Results

January 2018 Audit: We reviewed all expenditures totaling \$2,400,000 and determined that they 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: \$13,400,000

Authorized Uses: Sections 115 and 752 and Legislative Transfer 2018-3.

Section 115: A \$4 million 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.

Legislative Transfer 2018-3: A \$9 million transfer from the Drinking Water Declaration of Emergency Reserve Fund (DTMB) for the cost of service line replacements.

Expenditures By Authorized Use Category

	Funding Allocation	Total Expenditures	Expenditures Subject to Review	
			Prior Audits	Current Audit
Bottled Water Purchases (1)	\$4,000,000	\$4,000,000	\$4,000,000	\$ 0
University of Michigan - Flint				
Water Costs (2)	400,000	400,000	0	400,000
Service Line Replacements	9,000,000	0	0	0
Total	<u>\$13,400,000</u>	<u>\$4,400,000</u>	<u>\$4,000,000</u>	<u>\$400,000</u>

(1) Bottled Water Purchases:

Audit Methodology and Results

January 2018 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.

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

Observations

None

(2) University of Michigan - Flint Water Costs:

Audit Methodology and Results

Current Audit: We reviewed all expenditures totaling \$400,000 and determined that they were appropriately supported, approved, 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 June 30, 2018

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

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

	Funding Allocation	Total Expenditures	Expenditures Subject to Review	
			Prior Audits	Current Audit
Drinking Water Declaration of Emergency Legal Services	\$2,600,000	\$1,749,829	\$0	\$0
Total	<u>\$2,600,000</u>	<u>\$1,749,829</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

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 June 30, 2018

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

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

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 June 30, 2018

Public Act 107 of 2017

Appropriated: \$500,000

Authorized Uses: Sections 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

Drinking Water Declaration of Emergency Reserve Fund
Public Act 268 of 2016

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 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	\$45,737,000	\$8,663,000
Total	\$54,400,000	\$45,737,000	\$8,663,000

Drinking Water Declaration of Emergency Reserve Fund

Schedule of Funding Transfers to Other State Departments
As of June 30, 2018

Transfer Type	Transferred To	Fund Usage	Amount
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	School Nurses and Social Workers for Flint Public Schools Reserves	1,292,500
Legislative Transfer (2017-5)	MDE	Early Intervention Services, Early Literacy, and Nutritional Services Reserves	1,195,000
Public Act 340 of 2016	DEQ	Water Distribution Optimization Analysis	477,000
Public Act 340 of 2016	DEQ	Water Plant Analysis and Technical Assistance and Training	1,464,400
Public Act 340 of 2016	DMVA	Michigan National Guard Water Support Efforts	500,000
Public Act 107 of 2017	DEQ	Parallel pipe; GCDC	3,300,000
Public Act 107 of 2017	MSP	Section 18 Reimburse - DTMB	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	7,500,000
Legislative Transfer (2018-3)	Treasury	Service Line Replacements	9,000,000
Total Transfers			\$45,737,000

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.

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, 2017, and 2018 budget and spending authorizations provided in the fiscal year 2017 and 2018 budgets. As noted below, 10 State departments had received appropriations totaling \$353.2 million as of June 30, 2018, 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	13,750,100
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>\$140,508,300</u>

Public Act 340 of 2016 - December 14, 2016	
Environmental Quality	\$ 27,617,000
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>\$ 37,777,000</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
Legislative Transfer 2018-3	9,000,000
Education	100
Subtotal	<u>\$ 76,949,900</u>
Public Act 108 of 2017 - July 14, 2017	
Education	<u>\$ 8,730,000</u>
Subtotal	<u>\$ 8,730,000</u>
Total	<u>\$353,173,700</u>

Public Act 3 of 2016 requires the Office of the Auditor General (OAG) 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 fifth report on the expenditure of these funds.

AUDIT SCOPE, METHODOLOGY, AND OTHER INFORMATION

AUDIT SCOPE

To determine if the expenditures charged to Flint declaration of emergency appropriations were appropriate and to report those expenditures. Our audit was limited to expenditures reported by June 30, 2018 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 objectives.

PERIOD

Our audit procedures, which included audit planning, audit fieldwork, report preparation, analysis of agency response, and quality assurance, generally covered January 1, 2018 through June 30, 2018.

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:

- 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 June 30, 2018.

* 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, memorandums of understanding, and purchase orders.
- Reviewed source documentation supporting selected expenditures. Our samples were judgmentally and randomly selected. Therefore, we could not project the results to the overall populations.

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.

AGENCY RESPONSES

Our audit report contains 1 finding and 1 corresponding recommendation. DEQ's preliminary response indicates that it agrees with the recommendation.

The agency preliminary response that follows the recommendation in our report was taken from the agency's written comments and oral discussion at the end of our fieldwork. Section 18.1462 of the *Michigan Compiled Laws* and the State of Michigan Financial Management Guide (Part VII, Chapter 4, Section 100) require an audited agency to develop a plan to comply with the recommendations and to submit it within 60 days after release of the audit report to the Office of Internal Audit Services, State Budget Office. Within 30 days of receipt, the Office of Internal Audit Services is required to review the plan and either accept the plan as final or contact the agency to take additional steps to finalize the plan.

* See glossary at end of report for definition.

**SUPPLEMENTAL
INFORMATION**

Our audit report includes supplemental information presented as Exhibits #1 through #10.

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.
CHAP	Children's Healthcare Access Program.
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. Our assessment of materiality is in relation to the respective audit objective.
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 supported accounting, purchasing, and other financial management activities through fiscal year 2017.
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 differs from an audit finding in that it may not include the attributes (condition, effect, criteria, cause, and recommendation) that are presented in an audit finding.
performance audit	An audit that provides findings or conclusions based on an evaluation of sufficient, appropriate evidence against criteria. Performance audits provide objective analysis to assist management and those charged with governance and oversight in using the information to improve program performance and operations, reduce costs, facilitate decision-making by parties with responsibility to oversee or initiate corrective action, and contribute to public accountability.
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.
Statewide Integrated Governmental Management Applications (SIGMA)	The State's enterprise resource planning business process and software implementation that support budgeting, accounting, purchasing, human resource management, and other financial management activities.
TANF	Temporary Assistance for Needy Families.
Treasury	Department of Treasury.



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