

Office of the Auditor General
Performance Audit Report

Flint Emergency Expenditures
State of Michigan

January 2019

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:
000-2018-19

Released:
January 2019

On January 5, 2016, former 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, 2018, and 2019 budgets. As of November 30, 2018, appropriations totaled \$379.9 million and 10 State departments had expended a total of \$216.5 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 sixth report on the expenditure of these funds.

Audit Objective			Conclusion
Objective #1: To determine the appropriateness of State agencies' expenditure of the Flint declaration of emergency appropriations as of November 30, 2018.			Appropriate
Findings Related to This Audit Objective	Material Condition	Reportable Condition	Agency Preliminary Response
None reported.	Not applicable.		

Audit Objective			Conclusion
Objective #2: To report State agencies' expenditures of the Flint declaration of emergency appropriations.			Information provided
Findings Related to This Audit Objective	Material Condition	Reportable Condition	Agency Preliminary Response
None reported.	Not applicable.		

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
- 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

January 31, 2019

The Honorable Jim Stamas, Chair
Senate Appropriations Committee
State Capitol Building
Lansing, Michigan

The Honorable Shane Hernandez, Chair
House Appropriations Committee
State Capitol Building
Lansing, Michigan

The Honorable Curtis Hertel, Jr., Min. Vice Chair
Senate Appropriations Committee
Connie B. Binsfeld Building
Lansing, Michigan

The Honorable Jon Hoadley, Min. Vice Chair
House Appropriations Committee
Anderson House Office Building
Lansing, Michigan

Dear Senators Stamas and Hertel and Representatives Hernandez and Hoadley:

This is our performance audit report on the Flint Emergency Expenditures, State of Michigan.

Section 203, 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; Public Acts 107 and 108 of 2017; and Public Act 207 of 2018 expended through November 30, 2018. This is the sixth 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 NOVEMBER 30, 2018

AUDIT OBJECTIVE To determine the appropriateness of State agencies' expenditure of the Flint declaration of emergency appropriations as of November 30, 2018.

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 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 audit 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 November 30, 2018.

SUPPLEMENTAL INFORMATION, INCLUDING OBSERVATIONS

Exhibit #1

FLINT EMERGENCY EXPENDITURES

Department of Licensing and Regulatory Affairs (LARA)
As of November 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 November 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 (1)		Total Expenditures	Expenditures Subject to Review	
				Prior Audits	Current Audit
Water System Needs (2)	\$4,870,158	(1)	\$4,870,158	\$4,528,112	\$0
Lab and Testing	694,171	(1)	694,171	694,171	0
Infrastructure Study	222,171		222,171	222,171	0
Total	\$5,786,500		\$5,786,500	\$5,444,454	\$0

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

(2) Water System Needs:

Audit Methodology and Results

July 2018 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.

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

Observations*

None

* See glossary at end of report for definition.

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 \$25.0 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, 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	549,118	1,650,882
Drinking Water Emergency Response Team (Fiscal Year 2016) (2)	2,250,000	2,250,000	2,239,874	0
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	1,476,996	0
Total	\$13,750,100	\$13,750,100	\$12,065,988	\$1,650,882

(1) Water System Needs:

Audit Methodology and Results

July 2018 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.

Current Audit: We reviewed all expenditures totaling \$1,650,882 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

July 2018 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.

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

Observations

None

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

Audit Methodology and Results

July 2018 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.

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

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	Total	Expenditures Subject to Review	
	Allocation (1)	Expenditures	Prior Audits	Current Audit
Water Distribution				
Optimization Analysis (2)	\$ 817,000	\$ 812,301	\$ 723,763	\$88,538
Water Plant Analysis (3)	580,088 (1)	446,135	437,161	0
Technical Assistance and Training (4)	1,000,000	845,120	710,016	0
School Water Testing	219,912 (1)	126,698	0	0
Replacement of Lead Service Lines (5)	25,000,000	25,000,000	0	0
Total	\$27,617,000	\$27,230,254	\$1,870,940	\$88,538

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

(2) Water Distribution Optimization Analysis:

Audit Methodology and Results

July 2018 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.

Current Audit: We reviewed all expenditures totaling \$88,538 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

July 2018 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 Prior Audit Follow-Up in the Audit Scope, Methodology, and Other Information section of the report).

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

Observations

None

(4) Technical Assistance and Training:

Audit Methodology and Results

July 2018 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.

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

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, Department of Environmental Quality, 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	Total	Expenditures Subject to Review	
	Allocation (1)	Expenditures	Prior Audits	Current Audit
Parallel Pipe; GCDC (2)	\$3,300,000	\$3,300,000	\$3,300,000	\$0
Water Testing and Contractual Services	1,500,000 (1)	110,897	0	0
Deloitte Contract	700,000 (1)	0	0	0
Total	\$5,500,000	\$3,410,897	\$3,300,000	\$0

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

(2) Parallel Pipe; GCDC:

Audit Methodology and Results

July 2018 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.

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

Observations

None

Public Act 207 of 2018

Appropriated: \$20,000,000

Authorized Uses: Section 602

DEQ is authorized to pay \$20 million for service line replacements related to the Drinking Water Declaration of Emergency. The tentative completion date is September 30, 2020.

Expenditures By Authorized Use Category

	Funding Allocation	Total Expenditures	Expenditures Subject to Review	
			Prior Audits	Current Audit
Lead Service Line Replacements	\$20,000,000	\$0	\$0	\$0
Total	\$20,000,000	\$0	\$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 November 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		Total Expenditures	Expenditures Subject to Review	
	Allocation (1)			Prior Audits	Current Audit
Purchase Water Resources	\$582,486	(1)	\$ 582,486	\$ 582,486	\$0
Bottled Water Purchases	417,514	(1)	417,514	417,514	0
Childhood Lead Program:					
Environmental Blood Lead Investigations	165,000		165,000	165,000	0
Epidemiologist Services (2)	249,100		249,100	249,100	0
Nurse Case Management	435,900		435,871	430,605	0
Total	<u>\$1,850,000</u>		<u>\$1,849,971</u>	<u>\$1,844,705</u>	<u>\$0</u>

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

(2) Epidemiologist Services:

Audit Methodology and Results

July 2018 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.

Current Audit: We did not conduct 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.

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		13,084	0	0
Department Field Operations:					
Lead Abatement (2)	1,071,800	(1)	1,137,119	869,255	0
Epidemiological and Case Management:					
Environmental Health Staff Support (formerly Epidemiologist Services)	126,500		90,447	90,447	0
Nurse Case Management (3)	70,000		70,000	70,000	0
Adult Blood Lead Epidemiology and Surveillance	18,500		18,500	18,500	0
Nutrition Support, Food Banks, and Community Education:					
Nutrition Education	118,500	(1)	67,509	60,011	0
Food Bank Resources	1,776,700		1,776,660	1,037,200	0
Nutritional Education Backpack Program (formerly Childhood Nutritional Education)	872,000		872,000	503,869	0
Lactation Consultant (4)	78,600	(1)	78,648	72,139	0
Double Up Food Bucks Flint Expansion Project (5)	380,000		380,000	162,786	0
Child and Adolescent Health Centers and Children's Healthcare Access Program:					
CHAP (6)	200,000		200,000	200,000	0
Child and Adolescent Health Centers Pathways to Potential Expansion	487,500		457,500	13,851	0
	1,253,700	(1)	1,253,678	720,000	0
Linkages to Legionnaires Disease (formerly Linkages to Other Diseases) (7)	275,000		275,000	265,661	0
Food Inspections	200,000		200,000	200,000	0
Crisis Counseling and Behavioral Health Services:					
Crisis Counseling	500,000		500,000	500,000	0
Community Mental Health Services (formerly Case Management, Care Coordination, Crisis Services, Behavioral Health, and Development Services)	2,535,000		0	0	0
Michigan Child Care Collaborative (8)	237,900	(1)	237,918	237,918	0
Community Counseling Centers	100,900	(1)	100,835	0	0
Nurse Services (9)	528,500	(1)	528,538	423,652	0
Total	\$15,457,000		\$12,870,236	\$10,058,089	\$0

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

- (2) Lead Abatement:

Audit Methodology and Results

July 2018 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.

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

Observations

None

- (3) Nurse Case Management:

Audit Methodology and Results

July 2018 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.

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

Observations

None

- (4) Lactation Consultant:

Audit Methodology and Results

July 2018 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.

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

Observations

None

- (5) Double Up Food Bucks Flint Expansion Project:

Audit Methodology and Results

July 2018 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.

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

Observations

None

(6) CHAP:

Audit Methodology and Results

July 2018 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.

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

Observations

None

(7) Linkages to Legionnaires Disease (formerly Linkages to Other Diseases):

Audit Methodology and Results

July 2018 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.

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

Observations

None

(8) Michigan Child Care Collaborative:

Audit Methodology and Results

July 2018 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.

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

Observations

None

(9) Nurse Services:

Audit Methodology and Results

July 2018 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.

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

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.

Expenditures By Authorized Use Category

	Funding		Total Expenditures	Expenditures Subject to Review	
	Allocation (1)			Prior Audits	Current Audit
Mobile Food Bank (Fiscal Year 2016) (2)	\$ 446,500		\$ 446,408	\$ 440,000	\$0
Nutrition Programs	1,497,700	(1)	1,261,911	296,823	0
Linkages to Legionnaires Disease (formerly Linkages to Other Diseases) (3)	2,677,000	(1)	2,677,000	2,317,189	0
Lead Abatement Program (formerly Childhood Lead Poisoning Prevention Program)	620,000	(1)	386,581	141,148	0
Media Campaign (4)	304,700		304,621	304,424	0
Parents As Teachers Program (5)	323,700	(1)	323,618	204,688	0
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	27,000	(1)	26,893	0	0
Nutrition Assistance for Children of Flint	3,670,000		3,623,336	3,520,000	0
Mobile Food Bank (Fiscal Year 2017) (6)	1,716,800	(1)	1,716,800	960,000	0
Nutrition Education Backpack Program (formerly Nutrition Services 5-10 Year Olds)	257,100		229,400	0	0
Adult Blood Lead Epidemiology and Surveillance (7)	44,400		44,400	44,400	0
Child and Adolescent Health Centers (Fiscal Year 2017)	372,500		23,851	0	0
Lead Abatement Program (Fiscal Year 2017) (formerly Lead Programming for Children/Homes/Outreach) (8)	329,000	(1)	174,457	103,269	0
Environmental Health Staff Support (formerly Epidemiologist Services) (9)	212,000		212,000	212,000	0
Nurse Case Management (formerly Nurse Case Management and Public Health Assessments) (10)	657,300	(1)	609,246	442,635	0
Community Education (11)	120,000		85,369	85,369	0
Community Mental Health Services (Fiscal Year 2017)	1,901,900	(1)	886	0	0
Parents As Teachers Program (Fiscal Year 2017)	260,000		197,692	0	0
Double Up Food Bucks Flint Expansion Project (12)	380,000		178,015	152,429	0
Food Safety Inspections (Fiscal Year 2016)	300,000		300,000	59,898	0
Food Safety Inspections (Fiscal Year 2017) (13)	300,000		281,096	271,258	0
Michigan Child Care Collaborative	350,000		338,334	0	0
Pathways to Potential Expansion	681,100	(1)	340,189	86,187	0
CHAP (Fiscal Year 2016) (formerly CHAP) (14)	375,000		375,000	375,000	0
Flint Hospital Monitor (15)	42,500	(1)	42,500	42,500	0
Flint Hospital Lab (16)	80,000		63,040	63,040	0
Service Homebound, Frail Seniors	400,000		399,984	0	0
Lead Abatement GF Match for SCHIP (17)	130,000	(1)	107,566	55,986	0
DEQ IAG Faucets and Fixtures (18)	2,731,000	(1)	2,186,796	2,186,796	0
Addressing Household Needs in Flint	100,000		100,000	100,000	0
Rides to Wellness	1,164,800		1,164,735	0	0
Veggie Box Program	110,000	(1)	10,433	0	0
Nurse Family Partnership (new)	440,000	(1)	439,240	0	0
Community Counseling Centers (new)	38,700	(1)	33,505	0	0
CHAP (Fiscal Year 2017) (new)	267,400	(1)	267,338	0	0
Total	\$29,928,100		\$19,472,240	\$12,465,039	\$0

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

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

Audit Methodology and Results

July 2018 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.

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

Observations

None

(3) Linkages to Legionnaires Disease (formerly Linkages to Other Diseases):

Audit Methodology and Results

July 2018 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 errors.

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

Observations

None

(4) Media Campaign:

Audit Methodology and Results

July 2018 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.

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

Observations

None

(5) Parents As Teachers Program:

Audit Methodology and Results

July 2018 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.

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

Observations

None

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

Audit Methodology and Results

July 2018 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.

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

Observations

None

(7) Adult Blood Lead Epidemiology and Surveillance:

Audit Methodology and Results

July 2018 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.

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

Observations

None

(8) Lead Abatement Program (Fiscal Year 2017) (formerly Lead Programming for Children/Homes/Outreach):

Audit Methodology and Results

July 2018 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.

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

Observations

None

(9) Environmental Health Staff Support (formerly Epidemiologist Services):

Audit Methodology and Results

July 2018 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.

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

Observations

None

(10) Nurse Case Management (formerly Nurse Case Management and Public Health Assessments):

Audit Methodology and Results

July 2018 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.

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

Observations

None

(11) Community Education:

Audit Methodology and Results

July 2018 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.

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

Observations

None

(12) Double Up Food Bucks Flint Expansion Project:

Audit Methodology and Results

July 2018 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.

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

Observations

None

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

Audit Methodology and Results

July 2018 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.

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

Observations

None

(14) CHAP (Fiscal Year 2016) (formerly CHAP):

Audit Methodology and Results

July 2018 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.

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

Observations

None

(15) Flint Hospital Monitor:

Audit Methodology and Results

July 2018 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.

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

Observations

None

(16) Flint Hospital Lab:

Audit Methodology and Results

July 2018 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.

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

Observations

None

(17) Lead Abatement GF Match for SCHIP:

Audit Methodology and Results

July 2018 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.

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

Observations

None

(18) DEQ IAG Faucets and Fixtures:

Audit Methodology and Results

July 2018 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.

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, 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 was intended to provide sufficient funding for these programs through March 2018.

Expenditures By Authorized Use Category

	Funding		Expenditures Subject to Review	
	Allocation (1)	Total Expenditures	Prior Audits	Current Audit
Nurse Case Management (formerly Comprehensive Lead Poisoning Prevention Program)	\$ 471,300	\$ 260,034	\$ 0	\$ 0
Lactation Consultant (2)	300,000	75,000	51,388	0
Child and Adolescent Health Centers	650,000	0	0	0
CHAP	375,000	42,000	0	0
Lead Abatement Program	180,000	105,288	0	0
Nurse Family Partnership	500,000	0	0	0
Nutrition Outreach	1,236,000 (1)	735	0	0
Parents as Teachers Evidence-Based Home Visiting Program	259,500	0	0	0
Environmental Health Staff Support (3)	315,400	304,781	81,942	0
Adult Blood Lead Epidemiology and Surveillance (4)	44,400	44,400	14,855	0
Nutrition Initiatives	2,330,000 (1)	0	0	0
Purchase Water Resources (5)	1,000,100	340,000	0	340,000
Double Up Food Bucks Flint Expansion Project	380,000	0	0	0
Flint Hospital Monitor	100,000	23,650	0	0
Flint Hospital Lab	100,000	13,620	0	0
Community Education with Genesee County Health Department	100,000	20,000	0	0
CORE	5,400,000	2,591,406	0	0
CORE - Contractual Services	600,000	0	0	0
CORE - Sampling and Testing	1,500,000	115,148	0	0
Nutrition Programs (new)	600,000 (1)	488,304	0	0
Linkages to Legionnaires Disease (new)	375,000 (1)	374,241	0	0
Nutrition Education Backpack Program (new)	685,000 (1)	684,865	0	0
Nutrition Assistance for Children of Flint (new)	2,600,000 (1)	206,031	0	0
TANF Eligible Water Heater Replacement (new)	900,000 (1)	160	0	0
Michigan Child Collaborative (new)	340,000 (1)	11,666	0	0
Service Homebound, Frail Seniors (new)	200,000 (1)	0	0	0
Total	\$21,541,700	\$5,701,329	\$148,185	\$340,000

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

- (2) Lactation Consultant:

Audit Methodology and Results

July 2018 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.

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

Observations

None

- (3) Environmental Health Staff Support:

Audit Methodology and Results

July 2018 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.

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

Observations

None

- (4) Adult Blood Lead Epidemiology and Surveillance:

Audit Methodology and Results

July 2018 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.

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

Observations

None

- (5) Purchase Water Resources:

Audit Methodology and Results

Current Audit: We reviewed all expenditures totaling \$340,000 and determined that they were appropriately supported, approved, and charged to the appropriation. We did not identify any errors.

Observations

None

Public Act 207 of 2018

Appropriated: \$4,621,100

Authorized Uses: Section 1905

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.

Expenditures By Authorized Use Category

	Funding	Total	Expenditures Subject to Review	
	Allocation	Expenditures	Prior Audits	Current Audit
Child and Adolescent Health Centers	\$ 650,000	\$0	\$0	\$0
Child Care Assistance for Flint Children	200,000	0	0	0
CHAP	375,000	0	0	0
Double Up Food Buck Flint Expansion Project	300,000	0	0	0
Lead Abatement	1,627,100	0	0	0
Lead Poisoning Prevention	709,000	0	0	0
Nurse Family Partnership	500,000	0	0	0
Parents as Teachers Evidence-Based Home Visiting Program	260,000	0	0	0
Total	\$4,621,100	\$0	\$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 Education (MDE)
As of November 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 (1)	2,225,000	2,225,000	2,225,000	0
Food and Nutrition (2)	140,000	140,000	95,229	44,771
Total	\$2,685,000	\$2,685,000	\$2,640,229	\$44,771

- (1) EO/Special Education Services, Lead Exposure Monitoring, Wraparound Services Coordination, Communications:

Audit Methodology and Results

July 2018 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.

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

Observations

None

- (2) Food and Nutrition:

Audit Methodology and Results

Current Audit: We reviewed all expenditures totaling \$44,771 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	\$ 900,000	\$ 0
Early Intervention Services (2)	812,500	812,500	732,751	0
Nutritional Services (3)	382,500	382,500	259,757	0
School Nurses for Flint Public Schools	317,500	317,500	317,500	0
School Social Workers for Flint Public Schools (4)	975,000	975,000	0	975,000
Early Intervention Services 0 - 3 (Fiscal Year 2017) (5)	6,155,000	6,155,000	1,065,463	5,089,537
Great Start Readiness Program (Fiscal Year 2017) (6)	1,500,000	652,500	652,500	0
School Nurses and Social Workers for Flint Public Schools Reserves	1,292,500	975,000	317,500	0
Early Intervention Services, Early Literacy, and Nutritional Services Reserves (7)	1,195,000	1,195,000	442,065	0
Total	\$21,830,000	\$12,365,000	\$4,687,536	\$6,064,537

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

Audit Methodology and Results

July 2018 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.

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

Observations

None

(2) Early Intervention Services:

Audit Methodology and Results

July 2018 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.

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

Observations

None

(3) Nutritional Services:

Audit Methodology and Results

July 2018 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.

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

Observations

None

(4) School Social Workers for Flint Public Schools:

Audit Methodology and Results

Current Audit: We reviewed all expenditures totaling \$975,000 and determined that they were appropriately supported, approved, and charged to the appropriation. We did not identify any errors.

Observations

None

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

Audit Methodology and Results

July 2018 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.

Current Audit: We reviewed 33 randomly selected expenditures totaling \$298,870 and determined that the expenditures were appropriately supported, approved, and charged to the appropriation. We also conducted analytical review procedures for \$936,340 associated with indirect costs and employee benefit costs. We did not identify any errors.

Observations

None

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

Audit Methodology and Results

July 2018 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.

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

Observations

None

(7) Early Intervention Services, Early Literacy, and Nutritional Services Reserves:

Audit Methodology and Results

July 2018 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.

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

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 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	\$ 9,500,000	\$ 5,485,822	\$3,599,007	\$0
Child Care Assistance (0 - 3) (Fiscal Year 2016)	8,100,000	2,712,096	2,712,096	0
Child Care and Development Fund Reserve for Flint Day Care Needs	8,000,000	7,369,102	0	0
Child Care Assistance (0 - 3) (Fiscal Year 2017)	8,050,100	0	0	0
Total	\$33,650,100	\$15,567,020	\$6,311,103	\$0

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

Audit Methodology and Results

July 2018 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.

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

Observations

None

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 \$2,625,000 for the purpose of employing school nurses and school social workers.
- (b) \$2,500,000 to provide State early childhood services and nutritional services to children.
- (c) An amount not to exceed \$3,000,000 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	1,720,000	0	0
GISD Nutrition	780,000	780,000	0	0
Summer Great Start Readiness Programs	3,000,000	2,387,360	1,636,200	0
Nutritional Services	605,000	65,200	0	0
Total	\$8,730,000	\$6,032,452	\$1,636,200	\$0

Summer Great Start Readiness Programs:

Audit Methodology and Results

July 2018 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.

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 Military and Veterans Affairs (DMVA)
As of November 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

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

Michigan National Guard Water Support Efforts:

Audit Methodology and Results

July 2018 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.

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

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

Michigan National Guard Water Support Efforts:

Audit Methodology and Results

July 2018 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.

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

Michigan Department of State Police (MSP)
As of November 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
Bottled Water Purchases (formerly Water and Filter Cartridges)	\$6,000,000	\$6,000,000	\$6,000,000	\$0
Total	\$6,000,000	\$6,000,000	\$6,000,000	\$0

Bottled Water Purchases (formerly Water and Filter Cartridges):

Audit Methodology and Results

July 2018 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.

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

Section 18 Reimburse - DTMB:

Audit Methodology and Results

July 2018 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.

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

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	Total	Expenditures Subject to Review	
	Allocation	Expenditures	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)	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 November 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	\$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 2017-7

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	1,380,000	0
Integrity Oversight Monitor (2)	300,000	270,143	270,143	0
Bottled Water Purchases	2,400,000	2,400,000	2,400,000	0
Bottled Water Purchases	7,300,000	894,948	0	0
Total	\$24,130,000	\$16,682,935	\$15,787,987	\$0

(1) Mission Flint Program Management:

Audit Methodology and Results

July 2018 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.

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

Observations

None

(2) Integrity Oversight Monitor:

Audit Methodology and Results

July 2018 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.

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 \$4,000,000 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.

Legislative Transfer 2018-3: A \$9,000,000 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	\$ 4,000,000	\$4,000,000	\$4,000,000	\$0
University of Michigan - Flint Water Costs (1)	400,000	400,000	400,000	0
Service Line Replacements	9,000,000	0	0	0
Total	\$13,400,000	\$4,400,000	\$4,400,000	\$0

(1) University of Michigan - Flint Water Costs:

Audit Methodology and Results

July 2018 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.

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 Attorney General (AG)
As of November 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 \$1.3 million.

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 \$2.6 million.

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><u>\$3,900,000</u></u>	<u><u>\$3,900,000</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></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	\$2,599,980	\$0	\$0
Total	\$2,600,000	\$2,599,980	\$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

Public Act 207 of 2018

Appropriated: \$2,600,000

Authorized Uses: Section 314

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 \$2.6 million.

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	\$0	\$0	\$0
Total	\$2,600,000	\$0	\$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 Natural Resources (DNR)
As of November 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 November 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	\$500,000	\$0	\$500,000
Total	\$500,000	\$500,000	\$0	\$500,000

Integrity Monitoring:

Audit Methodology and Results

Current Audit: We reviewed 1 judgmentally and 2 randomly selected expenditures totaling \$272,443 and determined that they were appropriately supported, approved, and charged to the appropriation. We did not identify any errors.

Observations

None

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

Appropriated: \$53,900,000

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 \$25.0 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.

**Drinking Water Declaration of Emergency
Summary of Emergency Reserve Fund Withdrawals
As of December 31, 2018**

Budget Area/Program/Authorization	FY 2015-16 Year-to-Date	FY 2016-17 Year-to-Date	FY 2017-18 Year-to-Date	FY 2018-19 Year-to-Date
Agriculture and Rural Development				
Placeholder (PA 107 of 2017, Article I)	\$0	\$0	\$100	\$0
Education				
Placeholder (PA 268 of 2016, PA 107 of 2017, and PA 207 of 2018: Article VI)	0	100	100	100
Environmental Quality				
Placeholder (PA 268 of 2016, PA 107 of 2017, PA 207 of 2018: Article VII)	0	100	100	100
Water distribution system optimization study (PA 340 of 2016)	477,000	0	0	0
Flint water plant technical assistance/training (PA 340 of 2016)	0	1,464,400	0	0
Genesee County back-up water plant pipe costs (PA 107 of 2017, Article XX)	0	3,300,000	0	0
Residential water testing (Leg. transfer request 2018-1)	0	0	1,500,000	0
Integrity oversight monitoring (Leg. transfer request 2018-1)	0	0	700,000	0
Service line replacements (PA 207 of 2018, Article XX)	0	0	2,000,000	0
Health and Human Services				
Placeholder (PA 268 of 2016, PA 107 of 2017, PA 207 of 2018: Article X)	0	100	100	100
Michigan Works/Flint CORE training programs (Leg. transfer request 2018-1)	0	0	7,500,000	0
Licensing and Regulatory Affairs				
Placeholder (PA 107 of 2017, Article XIII)	0	0	100	0
Military and Veterans Affairs				
Support for National Guard deployment (PA 340 of 2016)	500,000	0	0	0
School Aid				
Placeholder (PA 249 of 2016, PA 108 of 2017, PA 265 of 2018: Article I)	0	100	100	100
Flint community schools: nurses/social workers (Leg. transfer request 2017-5)	0	1,292,500	0	0
Genesee ISD: literacy/nutritional services (Leg. transfer request 2017-5)	0	1,195,000	0	0
State Police				
Funds for water, warehousing, transport, logistics (PA 107 of 2017, Article XX)	0	3,908,100	0	0
Integrity oversight monitoring (PA 107 of 2017, Article XX)	0	500,000	0	0
Talent and Economic Development				
Placeholder (PA 207 of 2018, Article VIII)	0	0	0	100
Technology, Management, and Budget				
Placeholder (PA 207 of 2018, Article VIII)	0	0	0	100
Treasury				
Placeholder (PA 268 of 2016, Article VIII; PA 201 of 2017; PA 207 of 2018, Article VIII)	0	100	100	100
Bottled water purchases/distribution/warehousing (PA 107 of 2017, Article XX)	0	4,000,000	0	0
UM-Flint costs for water emergency (PA 107 of 2017, Article XX)	0	400,000	0	0
Integrity oversight monitoring (Leg. transfer requests 2017-1 and 2018-8)	0	300,000	500,000	0
Bottled water purchases/distribution/warehousing (Leg. transfer request 2017-5)	0	2,400,000	0	0
Bottled water purchases/distribution/warehousing (Leg. transfer request 2017-7)	0	7,300,000	0	0
Service line replacements (Leg. transfer requests 2018-3 and 2019-1)	0	0	9,000,000	5,613,000
Genesee County register of deeds water line records (PA 207 of 2018, Article XX)	0	0	50,000	0
Total Flint Drinking Water Emergency Reserve Fund Withdrawals	\$977,000	\$26,060,500	\$21,250,700	\$5,613,700
Cumulative Reserve Fund Appropriations				\$53,900,000
Cumulative Reserve Fund Withdrawals (excluding 19 unexpended \$100 placeholders)				(\$53,900,000)
Reserve Fund Balance				\$0

Source: The OAG prepared this exhibit based on the specified Public Acts and information obtained from MAIN, SIGMA, and SBO. In addition, the Senate Fiscal Agency provided its Drinking Water Declaration of Emergency Summary of Emergency Reserve Fund Withdrawals as of December 31, 2018 for inclusion in this report (this summary is unaudited).

DESCRIPTION

On January 5, 2016, former 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, 2018, and 2019 budgets. As noted below, 10 State departments had received appropriations totaling \$379.9 million as of November 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
Licensing and Regulatory Affairs	(340,000)
Military and Veterans Affairs	500,000
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
Environmental Quality	3,300,000
Legislative Transfer 2018-1	2,200,000
Health and Human Services	14,041,700
Legislative Transfer 2018-1	7,500,000
State Police	3,908,100
Disaster and Emergency Contingency Fund	4,000,000
Technology, Management, and Budget	500,000
Drinking Water Declaration of Emergency Reserve Fund	25,000,000
Treasury	4,400,000
Legislative Transfer 2018-3	9,000,000
Subtotal	<u>\$ 76,449,800</u>
Public Act 108 of 2017 - July 14, 2017	
Education	\$ 8,730,000
Subtotal	<u>\$ 8,730,000</u>
Public Act 207 of 2018 - June 21, 2018	
Attorney General	\$ 2,600,000
Environmental Quality	20,000,000
Health and Human Services	4,621,100
Subtotal	<u>\$ 27,221,100</u>
Total	<u>\$379,894,700</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 sixth 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 November 30, 2018 and funded by Public Act 143 of 2015; Public Acts 3, 24, 249, 268, and 340 of 2016; Public Acts 107 and 108 of 2017; and Public Act 207 of 2018.

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, and quality assurance, generally covered July 1, 2018 through November 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 November 30, 2018.

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

* See glossary at end of report for definition.

of their expenditures and related purchasing processes, payment mechanisms, and monitoring activities.

- 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.

PRIOR AUDIT FOLLOW-UP

Following is the status of the reported finding from our July 2018 performance audit of the Flint Emergency Expenditures, State of Michigan (000-2018-18):

DEQ implemented corrective action in May 2018 by updating the contract to allow for the reimbursement of travel expenditures. We concluded that DEQ has fully complied with the prior audit recommendation.

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.

* See glossary at end of report for definition.

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.
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 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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