

Office of the Auditor General
Performance Audit Report

Flint Emergency Expenditures
State of Michigan

July 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.

The auditor general may make investigations pertinent to the conduct of audits.

Article IV, Section 53 of the Michigan Constitution



Performance Audit

Report Number:
000-2019-19

Flint Emergency Expenditures

State of Michigan

Released:
July 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 March 31, 2019, appropriations totaled \$339.5 million and 10 State departments had expended a total of \$263.2 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 seventh 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 March 31, 2019.			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

July 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 Acts 207 and 265 of 2018 expended through March 31, 2019. This is the seventh 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 MARCH 31, 2019

AUDIT OBJECTIVE

To determine the appropriateness of State agencies' expenditure of the Flint declaration of emergency appropriations as of March 31, 2019.

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. State agencies prepare exhibits based on expenditures reported to the State Budget Office (SBO).

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 March 31, 2019.

SUPPLEMENTAL INFORMATION, INCLUDING OBSERVATIONS

Exhibit #1

FLINT EMERGENCY EXPENDITURES

Department of Licensing and Regulatory Affairs (LARA)
As of March 31, 2019

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 SBO.

* See glossary at end of report for definition.

FLINT EMERGENCY EXPENDITURES

Department of Environmental Quality* (DEQ)
As of March 31, 2019

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 \$6.0 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>

* Effective April 22, 2019, Executive Order No. 2019-6 renamed the Department of Environmental Quality as the Department of Environment, Great Lakes, and Energy.

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	\$4,870,158	\$4,870,158	\$4,528,112	\$0
Lab and Testing	694,171	694,171	694,171	0
Infrastructure Study	222,171	222,171	222,171	0
Total	<u>\$5,786,500</u>	<u>\$5,786,500</u>	<u>\$5,444,454</u>	<u>\$0</u>

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 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	2,200,000	0
Drinking Water Emergency Response Team (Fiscal Year 2016)	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)	1,500,100	1,500,100	1,476,996	0
Total	\$13,750,100	\$13,750,100	\$13,716,870	\$0

(1) Water System Needs:

Audit Methodology and Results

January 2019 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.

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

Observations*

None

* See glossary at end of report for definition.

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	\$ 812,301	\$ 812,301	\$ 0
Water Plant Analysis	571,732 (1)	446,135	437,161	0
Technical Assistance and Training	1,009,536 (1)	883,295	710,016	0
School Water Testing (3)	218,732 (1)	148,154	0	126,698
Replacement of Lead Service Lines (4)	25,000,000	25,000,000	0	0
Total	<u>\$27,617,000</u>	<u>\$27,289,885</u>	<u>\$1,959,478</u>	<u>\$126,698</u>

(1) DEQ reallocated funding between the January 2019 audit and the current audit. The total amount appropriated did not change.

(2) Water Distribution Optimization Analysis:

Audit Methodology and Results

January 2019 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.

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

Observations

None

(3) School Water Testing:

Audit Methodology and Results

Current Audit: We reviewed all expenditures totaling \$126,698 and determined that they were appropriately supported, approved, and charged to the appropriation. We did not identify any errors.

Observations

None

(4) 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	\$3,300,000	\$ 0
Water Testing and Contractual Services (1)	1,500,000	110,897	0	110,897
Deloitte Contract	700,000	0	0	0
Total	<u>\$5,500,000</u>	<u>\$3,410,897</u>	<u>\$3,300,000</u>	<u>\$110,897</u>

(1) Water Testing and Contractual Services:

Audit Methodology and Results

Current Audit: We reviewed all expenditures totaling \$110,897 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: \$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
Replacement of Lead Service Lines	\$20,000,000	\$8,098,536	\$0	\$0
Total	\$20,000,000	\$8,098,536	\$0	\$0

Replacement of Lead Service Lines:

Audit Methodology and Results

The settlement agreement required the State to request the OAG to conduct annual financial* and performance* audits of DEQ's administration of the payments or reimbursements described in paragraph 23 of the agreement. The replacement of lead service lines audit will be reported separately from this audit and will be issued later in 2019.

Observations

None

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

* See glossary at end of report for definition.

FLINT EMERGENCY EXPENDITURES

Michigan Department of Health and Human Services (MDHHS)
As of March 31, 2019

Public Act 143 of 2015

Appropriated: \$1,850,000

Authorized Uses: Section 153

Allocates \$1,000,000 for emergency services local office allocations 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
Purchase Water Resources	\$ 582,486	\$ 582,486	\$ 582,486	\$0
Bottled Water Purchases	417,514	417,514	417,514	0
Childhood Lead Program:				
Environmental Blood Lead Investigations	165,000	165,000	165,000	0
Epidemiologist Services	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>

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 (2)	13,100	13,084	0	13,084
Department Field Operations:				
Lead Abatement	1,071,800	1,101,940	869,255	0
Epidemiological and Case Management:				
Environmental Health Staff Support	126,500	90,447	90,447	0
Nurse Case Management	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 (3)	118,500	67,509	62,992	4,517
Food Bank Resources (4)	1,776,700	1,776,660	1,037,200	739,460
Nutritional Education Backpack Program (5)	872,000	872,000	503,869	368,131
Lactation Consultant	78,600	78,648	72,139	0
Double Up Food Bucks Flint Expansion Project (6)	380,000	380,000	162,786	217,214
Child and Adolescent Health Centers and Children's Healthcare Access Program:				
CHAP	200,000	200,000	200,000	0
Child and Adolescent Health Centers	487,500	457,500	13,851	0
Pathways to Potential Expansion (7)	1,253,700	1,253,678	720,000	533,678
Linkages to Legionnaires Disease	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	2,535,000	0	0	0
Michigan Child Care Collaborative	237,100 (1)	237,082	237,082	0
Community Counseling Centers (8)	101,700 (1)	101,670	0	100,835
Nurse Services (9)	528,500	528,538	423,652	104,886
Total	<u>\$15,457,000</u>	<u>\$12,835,055</u>	<u>\$10,060,234</u>	<u>\$2,081,805</u>

(1) MDHHS reallocated funding between the January 2019 audit and the current audit. The total amount appropriated did not change.

(2) Purchase Water Filters:

Audit Methodology and Results

Current Audit: We reviewed all expenditures totaling \$13,084 and determined that they were appropriately supported, approved, and charged to the appropriation. We did not identify any errors.

Observations

None

(3) Nutrition Education:

Audit Methodology and Results

Current Audit: We reviewed all expenditures totaling \$4,517 and determined that they were appropriately supported, approved, and charged to the appropriation. We did not identify any errors.

Observations

None

(4) Food Bank Resources:

Audit Methodology and Results

Current Audit: We reviewed all expenditures totaling \$739,460 and determined that they were appropriately supported, approved, and charged to the appropriation. We did not identify any errors.

Observations

None

(5) Nutritional Education Backpack Program:

Audit Methodology and Results

Current Audit: We reviewed all expenditures totaling \$368,131 and determined that they were appropriately supported, approved, and charged to the appropriation. We did not identify any errors.

Observations

None

(6) Double Up Food Bucks Flint Expansion Project:

Audit Methodology and Results

Current Audit: We reviewed all expenditures totaling \$217,214 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

Current Audit: We reviewed all expenditures totaling \$533,678 and determined that they were appropriately supported, approved, and charged to the appropriation. We did not identify any errors.

Observations

None

(8) Community Counseling Centers:

Audit Methodology and Results

Current Audit: We reviewed all expenditures totaling \$100,835 and determined that they were appropriately supported, approved, and charged to the appropriation. We did not identify any errors.

Observations

None

(9) Nurse Services:

Audit Methodology and Results

Current Audit: We reviewed all expenditures totaling \$104,886 and determined that they were appropriately supported, approved, and charged to the correct 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		Total	Expenditures Subject to Review	
	Allocation (1)			Prior Audits	Current Audit
Mobile Food Bank (Fiscal Year 2016) (2)	\$ 446,400	(1)	\$ 446,408	\$ 440,000	\$ 6,408
Nutrition Programs (3)	1,262,000	(1)	1,261,911	296,823	965,088
Linkages to Legionnaires Disease	2,677,000		2,677,014	2,317,189	0
Lead Abatement Program (Fiscal Year 2016)	386,600	(1)	386,581	141,148	0
Media Campaign	304,400	(1)	304,424	304,424	0
Parents As Teachers Program (Fiscal Year 2016)	323,600	(1)	323,618	204,688	0
Federal TANF Reserve	6,100,000		0	0	0
Child and Adolescent Health Centers (Fiscal Year 2016)	662,500	(1)	662,500	0	0
Interpretation Services (Fiscal Year 2016)	26,900	(1)	26,893	0	0
Nutrition Assistance for Children of Flint	3,623,400	(1)	3,623,336	3,520,000	0
Mobile Food Bank (Fiscal Year 2017) (4)	1,716,800		1,716,804	960,000	756,804
Nutritional Education Backpack Program (5)	942,000	(1)	914,265	0	914,265
Adult Blood Lead Epidemiology and Surveillance	44,400		44,379	44,379	0
Child and Adolescent Health Centers (Fiscal Year 2017)	60,900	(1)	60,909	0	0
Lead Abatement Program (Fiscal Year 2017)	324,800	(1)	316,165	103,269	0
Environmental Health Staff Support	266,400	(1)	266,333	212,000	0
Nurse Case Management (Fiscal Year 2016)	329,400	(1)	329,353	329,353	0
Community Education (Fiscal Year 2017)	127,300	(1)	107,359	85,369	0
Community Mental Health Services	1,869,300	(1)	0	0	0
Parents As Teachers Program (Fiscal Year 2017)	389,600	(1)	275,092	0	0
Double Up Food Bucks Flint Expansion Project (6)	178,000	(1)	178,015	152,429	25,586
Food Safety Inspections (Fiscal Year 2016)	300,000		273,983	59,898	0
Food Safety Inspections (Fiscal Year 2017)	280,800	(1)	280,826	271,258	0
Michigan Child Care Collaborative (7)	338,300	(1)	338,334	0	338,334
Pathways to Potential Expansion (8)	493,100	(1)	340,189	86,187	254,002
CHAP (Fiscal Year 2016) (9)	267,300	(1)	267,338	0	267,338
Flint Hospital Monitor	42,500		42,500	42,500	0
Flint Hospital Lab	63,000	(1)	63,040	63,040	0
Service Homebound, Frail Seniors (10)	400,000		399,984	0	399,864
Lead Abatement GF Match for SCHIP	111,900	(1)	111,865	55,986	0
DEQ IAG Faucets and Fixtures	2,091,900	(1)	2,091,911	2,186,796	0
Addressing Household Needs in Flint	440,000	(1)	440,000	100,000	0
Rides to Wellness (11)	1,164,700	(1)	1,164,735	0	1,164,735
Veggie Box Program	168,800	(1)	46,076	0	0
Nurse Family Partnership (12)	439,200	(1)	439,240	0	439,240
Community Counseling Centers (Fiscal Year 2016) (13)	33,500	(1)	33,505	0	29,556
CHAP (Fiscal Year 2017)	682,200	(1)	545,631	375,000	0
Community Counseling Centers (Fiscal Year 2017) (new)	47,400		43,432	0	0
Community Education (Fiscal Year 2016) (new)	200		198	0	0
Interpretation Services (Fiscal Year 2017) (new)	8,500		5,206	0	0
Nurse Case Management (Fiscal Year 2017) (new) (14)	428,000		428,014	0	147,029
Water Heater Replacement (new)	65,100		50,225	0	0
Total	\$29,928,100		\$21,327,591	\$12,351,736	\$5,708,249

- (1) MDHHS reallocated funding between the January 2019 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 all expenditures totaling \$6,408 and determined that they were properly supported, approved, and charged to the appropriation. We did not identify any errors.

Observations

None

- (3) Nutrition Programs:

Audit Methodology and Results

Current Audit: We reviewed all expenditures totaling \$965,088 and determined that they were appropriately supported, approved, and charged to the appropriation. We did not identify any errors.

Observations

None

- (4) Mobile Food Bank (Fiscal Year 2017):

Audit Methodology and Results

Current Audit: We reviewed all expenditures totaling \$756,804 and determined that they were appropriately supported, approved, and charged to the appropriation. We did not identify any errors.

Observations

None

- (5) Nutritional Education Backpack Program:

Audit Methodology and Results

Current Audit: We reviewed all expenditures totaling \$914,265 and determined that they were appropriately supported, approved, and charged to the appropriation. We did not identify any errors.

Observations

None

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

Audit Methodology and Results

Current Audit: We reviewed all expenditures totaling \$25,586 and determined that they were appropriately supported, approved, and charged to the appropriation. We did not identify any errors.

Observations

None

(7) Michigan Child Care Collaborative:

Audit Methodology and Results

Current Audit: We reviewed all expenditures totaling \$338,334 and determined that they were appropriately supported, approved, and charged to the appropriation. We did not identify any errors.

Observations

None

(8) Pathways to Potential Expansion:

Audit Methodology and Results

Current Audit: We reviewed all expenditures totaling \$254,002 and determined that they were appropriately supported, approved, and charged to the appropriation. We did not identify any errors.

Observations

None

(9) CHAP (Fiscal Year 2016):

Audit Methodology and Results

Current Audit: We reviewed all expenditures totaling \$267,338 and determined that they were appropriately supported, approved, charged to the appropriation. We did not identify any errors.

Observations

None

(10) Service Homebound, Frail Seniors:

Audit Methodology and Results

Current Audit: We reviewed all expenditures totaling \$399,864 and determined that they were appropriately supported, approved, and charged to the appropriation. We did not identify any errors.

Observations

None

(11) Rides to Wellness:

Audit Methodology and Results

Current Audit: We reviewed 2 judgmentally and 220 randomly sampled expenditures totaling \$15,385 and determined that they were appropriately supported, approved, and charged to the appropriation. We did not identify any significant errors.

Observations

None

(12) Nurse Family Partnership:

Audit Methodology and Results

Current Audit: We reviewed all expenditures totaling \$439,240 and determined that they were appropriately supported, approved, and charged to the appropriation. We did not identify any errors.

Observations

None

(13) Community Counseling Centers (Fiscal Year 2016):

Audit Methodology and Results

Current Audit: We reviewed all expenditures totaling \$29,556 and determined that they were appropriately supported, approved, and charged to the appropriation. We did not identify any errors.

Observations

None

(14) Nurse Case Management (Fiscal Year 2017):

Audit Methodology and Results

Current Audit: We reviewed 19 randomly sampled expenditures totaling \$54,128 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 will provide sufficient funding for these programs through March 2018.

Exhibit #3
(Continued)

Expenditures By Authorized Use Category

	Funding		Total	Expenditures Subject to Review	
	Allocation (1)		Expenditures	Prior Audits	Current Audit
Nurse Case Management (2)	\$ N/A	(1)	\$ 126,769	\$ 0	\$ 126,769
Lactation Consultant	N/A	(1)	75,000	51,388	0
Child and Adolescent Health Centers	650,000		650,000	0	0
CHAP	42,000	(1)	42,000	0	0
Lead Abatement Program	200,000	(1)	0	0	0
Nurse Family Partnership	N/A	(1)	77,668	0	0
Nutrition Outreach	N/A	(1)	68	0	0
Parents as Teachers Evidence-Based					
Home Visiting	N/A	(1)	0	0	0
Environmental Health Staff Support (3)	122,100	(1)	349,181	81,942	222,839
Adult Blood Lead Epidemiology and					
Surveillance (4)	44,400		44,400	14,855	29,545
Nutrition Initiatives	3,287,100	(1)	0	0	0
Purchase Water Resources	1,000,100		0	0	0
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)	5,400,000		2,591,406	0	2,524,000
CORE - Contractual Services	600,000		0	0	0
CORE - Sampling and Testing	1,500,000		115,148	0	0
Nutrition Programs (6)	N/A	(1)	434,422	0	434,422
Linkages to Legionnaires Disease	N/A	(1)	374,241	0	0
Nutritional Education Backpack Program	N/A	(1)	0	0	0
Nutrition Assistance for Children of Flint	2,600,000		206,031	0	0
TANF Eligible Water Heater Replacement	900,000		160	0	0
Michigan Child Collaborative	290,000	(1)	28,190	0	0
Service Homebound, Frail Seniors	200,000		0	0	0
Community Counseling Centers (new)	140,000		0	0	0
Interpretation Services (new)	N/A		735	0	0
Lead Programming (new)	410,000		110,414	0	0
Media Campaign (new)	300,000		0	0	0
Mobile Food Bank (new)	1,436,000		0	0	0
Nutrition Education (new)	120,000		0	0	0
Pathways to Potential Expansion (new)	800,000		0	0	0
Rides to Wellness (new)	820,000		0	0	0
Total	<u>\$21,541,700</u>		<u>\$5,283,103</u>	<u>\$148,185</u>	<u>\$3,337,575</u>

N/A: Not available as of March 31, 2019. Funding allocation amounts continuously change and will be updated as information becomes available.

- (1) MDHHS reallocated funding between the January 2019 audit and the current audit. The total amount appropriated did not change.

- (2) Nurse Case Management:

Audit Methodology and Results

Current Audit: We reviewed all expenditures totaling \$126,769 and determined that they were appropriately supported, approved, and charged to the correct appropriation. We did not identify any errors.

Observations

None

- (3) Environmental Health Staff Support:

Audit Methodology and Results

Current Audit: We reviewed all expenditures totaling \$222,839 and determined that they were appropriately supported, approved, and charged to the appropriation. We did not identify any errors.

Observations

None

- (4) Adult Blood Lead Epidemiology and Surveillance:

Audit Methodology and Results

Current Audit: We reviewed all expenditures totaling \$29,545 and determined that they were appropriately supported, approved, and charged to the appropriation. We did not identify any errors.

Observations

None

- (5) CORE:

Audit Methodology and Results

Current Audit: We reviewed 30 randomly sampled expenditures totaling \$114,778 and determined that they were appropriately supported, approved, and charged to the appropriation. We did not identify any errors.

Observations

None

- (6) Nutrition Programs:

Audit Methodology and Results

Current Audit: We reviewed 16 judgmentally and 24 randomly sampled expenditures totaling \$428,091 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

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 Allocation (1)	Total Expenditures	Expenditures Subject to Review	
			Prior Audits	Current Audit
CHAP	\$ 375,000	\$ 25,920	\$0	\$ 0
Child and Adolescent Health Centers	650,000	0	0	0
Child Care Assistance for Flint Children	200,000	0	0	0
Double Up Food Buck Flint Expansion Project	300,000	0	0	0
Lactation Consultant (new)	N/A	55,832	0	0
Lead Abatement	1,561,900 (1)	215,934	0	0
Lead Poisoning Prevention	N/A (1)	0	0	0
Nurse Case Management (new)	709,000 (1)	74,644	0	0
Nurse Family Partnership	500,000	257,349	0	0
Parents as Teachers Evidence-Based Home Visiting Program	260,000	0	0	0
Rides to Wellness (new)	N/A	187,705	0	0
Service Homebound, Frail Seniors (new) (2)	N/A	49,737	0	49,737
Water Heater Replacement (new)	65,100 (1)	13,239	0	0
Total	<u>\$4,621,100</u>	<u>\$880,360</u>	<u>\$0</u>	<u>\$49,737</u>

N/A: Not available as of March 31, 2019. Funding allocation amounts continuously change and will be updated as information becomes available.

(1) MDHHS reallocated funding between the January 2019 audit and the current audit. The total amount appropriated did not change.

(2) Service Homebound, Frail Seniors:

Audit Methodology and Results

Current Audit: We reviewed all expenditures totaling \$49,737 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 Education (MDE)
As of March 31, 2019

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	2,225,000	0
Food and Nutrition (1)	140,000	140,000	140,000	0
Total	<u>\$2,685,000</u>	<u>\$2,685,000</u>	<u>\$2,685,000</u>	<u>\$0</u>

- (1) Food and Nutrition:

Audit Methodology and Results

January 2019 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.

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

Observations

None

Public Act 249 of 2016

Appropriated: \$21,830,000

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

Sections 11o. and 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 for the purpose of providing the following services and programs to children who 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: The Legislature 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	\$ 9,200,000	\$ 900,000	\$4,890,614
Early Intervention Services	812,500	812,500	732,751	0
Nutritional Services (2)	382,500	382,500	259,757	122,659
School Nurses for Flint Public Schools	317,500	317,500	317,500	0
School Social Workers for Flint Public Schools (3)	975,000	975,000	975,000	0
Early Intervention Services 0 - 3 (Fiscal Year 2017) (4)	6,155,000	6,155,000	6,155,000	0
Great Start Readiness Program (Fiscal Year 2017)	1,500,000	652,500	652,500	0
School Nurses and Social Workers for Flint Public Schools Reserves	1,292,500	1,291,800	317,500	0
Early Intervention Services, Early Literacy, and Nutritional Services Reserves	1,195,000	1,195,000	442,065	0
Total	<u>\$21,830,000</u>	<u>\$20,981,800</u>	<u>\$10,752,073</u>	<u>\$5,013,274</u>

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

Audit Methodology and Results

Current Audit: We reviewed 25 randomly selected expenditures totaling \$104,654 and determined that the expenditures were appropriately supported, approved, and charged to the appropriation. We also conducted analytical review procedures totaling \$1,055,678 associated with indirect costs and employee benefit costs. We did not identify any errors.

Observations

None

(2) Nutritional Services:

Audit Methodology and Results

Current Audit: We reviewed 2 judgmentally and 1 randomly selected expenditures totaling \$114,937 and determined that the expenditures were appropriately supported, approved, and charged to the appropriation. We did not identify any errors.

Observations

None

(3) School Social Workers for Flint Public Schools:

Audit Methodology and Results:

January 2019 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.

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

Observations

None

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

Audit Methodology and Results

January 2019 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.

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) (1)	8,100,000	8,458,306	2,712,096	5,746,210
Child Care and Development Fund Reserve for Flint Day Care Needs	8,000,000	7,211,256	0	0
Child Care Assistance (0 - 3) (Fiscal Year 2017)	8,050,100	0	0	0
Total	<u>\$33,650,100</u>	<u>\$21,155,384</u>	<u>\$6,311,103</u>	<u>\$5,746,210</u>

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

Audit Methodology and Results

Current Audit: We reviewed 50 randomly sampled expenditures totaling \$1,395,837 and determined that they were appropriately supported, approved, and charged to the appropriation. We did not identify any significant errors.

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 for the purpose of providing the following services and programs to children who 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 million 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
School Nurses and Social Workers for Flint Public Schools	\$2,625,000	\$2,625,000	\$ 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	3,000,000	1,636,200	0
Nutritional Services	605,000	605,000	0	0
Total	\$8,730,000	\$8,730,000	\$1,636,200	\$0

Public Act 265 of 2018

Appropriated: \$7,369,600

Authorized Uses: Section 11s. and Administrative Transfer 2018-5.

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 for the purpose of providing the following services and programs to children who 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, classroom aides, and school social workers.
- (b) An amount not to exceed \$605,000 for nutritional services to children.

Administrative Transfer 2018-5: Moved \$4,139,600 from the Discretionary Payments line item appropriation to the drinking water declaration of emergency appropriation for the purposes described in the partial settlement agreement in the civil action known as *D.R., et al. v. Michigan Department of Education, et al.*, which includes planning and initial implementation of a program to screen and assess children who may have been exposed to elevated levels of lead in the Flint water supply.

Expenditures By Authorized Use Category

	Funding Allocation	Total Expenditures	Expenditures Subject to Review	
			Prior Audits	Current Audit
Childcare Services	\$ 50,000	\$ 0	\$0	\$0
GISD: EO	705,000	0	0	0
Great Start Readiness Program	50,000	0	0	0
School Nurses for Flint Public Schools	675,000	0	0	0
School Social Workers for Flint Public Schools	1,750,000	943,542	0	0
Screen and Assess Children Exposed	4,139,600	4,139,600	0	0
Total	<u>\$7,369,600</u>	<u>\$5,083,142</u>	<u>\$0</u>	<u>\$0</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 Military and Veterans Affairs (DMVA)
As of March 31, 2019

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	<u>\$2,000,000</u>	<u>\$2,000,000</u>	<u>\$2,000,000</u>	<u>\$0</u>

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	<u>\$500,000</u>	<u>\$476,834</u>	<u>\$476,834</u>	<u>\$0</u>

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 March 31, 2019

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	\$6,000,000	\$6,000,000	\$6,000,000	\$0
Total	\$6,000,000	\$6,000,000	\$6,000,000	\$0

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

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	\$11,316,876	\$7,710,796	\$3,606,080
Total	<u>\$14,000,000</u>	<u>\$11,316,876</u>	<u>\$7,710,796</u>	<u>\$3,606,080</u>

DECF Expenditure History

DECF - Flint related expenditures (Fiscal Year 2016)	\$ 9,718,344
DECF - Flint related expenditures (Fiscal Year 2017)	11,379,791
DECF - Flint related expenditures (Fiscal Year 2018)	21,789
DECF - Flint related expenditures (Fiscal Year 2019 through March 31, 2019)	0
Total	<u>\$21,119,924</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	(2,508,100)
Total transfers	<u>(\$9,803,048)</u>
DECF - Flint related expenditures (Net)	<u>\$11,316,876</u>

Audit Methodology and Results

Current Audit: We reviewed 45 judgmentally and 44 randomly sampled expenditures totaling \$1,307,544. We determined that the expenditures 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 Treasury (Treasury)
As of March 31, 2019

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	1,380,000	265,484	0	0
Integrity Oversight Monitor	300,000	0	0	0
Bottled Water Purchases (2017-5)	2,400,000	2,400,000	2,400,000	0
Bottled Water Purchases (2017-7)	7,300,000	6,788,651	0	0
Total	<u>\$24,130,000</u>	<u>\$21,191,979</u>	<u>\$14,137,844</u>	<u>\$0</u>

Public Act 107 of 2017

Appropriated: \$13,900,000

Authorized Uses: Sections 115 and 752 and Legislative Transfers 2018-3 and 2018-8.

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.

Legislative Transfer 2018-8: A \$500,000 transfer from the Drinking Water Declaration of Emergency Reserve Fund (DTMB) to provide for contractual services of an integrity oversight monitor.

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	400,000	400,000	400,000	0
Replacement of Lead Service Lines (1)	9,000,000	9,000,000	0	0
Integrity Oversight Monitor (new)	500,000	0	0	0
Total	<u>\$13,900,000</u>	<u>\$13,400,000</u>	<u>\$4,400,000</u>	<u>\$0</u>

(1) Replacement of Lead Service Lines:

Audit Methodology and Results

The settlement agreement required the State to request the OAG to conduct annual financial and performance audits of DEQ's administration of the payments or reimbursements described in paragraph 23 of the agreement. The replacement of lead service lines audit will be reported separately from this audit and will be issued later in 2019.

Observations

None

Public Act 207 of 2018

Appropriated: \$5,663,000

Authorized Uses: Section 118 and Legislative Transfer 2019-1.

Section 118: A \$50,000 transfer from the Drinking Water Declaration of Emergency Reserve Fund to fund improved recording of service line improvements in the City of Flint by the Genesee County Register of Deeds.

Legislative Transfer 2019-1: A \$5,613,000 transfer from the Drinking Water Declaration of Emergency Reserve Fund (DTMB) to provide for Food Bank contractual costs, water filters and related fixtures, and lead service line replacements.

Expenditures By Authorized Use Category

	Funding Allocation	Total Expenditures	Expenditures Subject to Review	
			Prior Audits	Current Audit
Genesee County Register of Deeds	\$ 50,000	\$0	\$0	\$0
Food Bank Resources	200,000	0	0	0
Filters and Fixtures Purchases	180,000	0	0	0
Replacement of Lead Service Lines	5,233,000	0	0	0
Total	<u>\$5,663,000</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</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 Attorney General (AG)
As of March 31, 2019

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

	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.

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	<u>\$2,600,000</u>	<u>\$2,599,980</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 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	\$715,053	\$0	\$0
Total	<u>\$2,600,000</u>	<u>\$715,053</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 March 31, 2019

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 March 31, 2019

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	\$500,000	\$0
Total	<u>\$500,000</u>	<u>\$500,000</u>	<u>\$500,000</u>	<u>\$0</u>

Integrity Monitoring:

Audit Methodology and Results

January 2019 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.

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

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 March 31, 2019**

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 March 31, 2019 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 \$339.5 million as of March 31, 2019, 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
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>\$121,608,300</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
Subtotal	<u>\$ 27,777,000</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
Treasury	4,400,000
Legislative Transfer 2018-3	9,000,000
Legislative Transfer 2018-8	500,000
Subtotal	<u>\$ 51,949,800</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
Treasury	50,000
Legislative Transfer 2019-1	5,613,000
Subtotal	<u>\$ 32,884,100</u>
Public Act 265 of 2018 - June 28, 2018	
Education	\$ 7,369,600
Subtotal	<u>\$ 7,369,600</u>
Total	<u>\$339,527,300*</u>

* Total appropriations decreased by \$40.4 million from the prior audit report issued in January 2019 (000-2018-19). The decrease was due to the removal of the Drinking Water Declaration of Emergency Reserve Fund (\$53.9 million), as these funds are fully accounted for in the departments' exhibits, and the addition of new appropriations (\$13.5 million) during this reporting period.

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 seventh 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 March 31, 2019 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 Acts 207 and 265 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 December 1, 2018 through March 31, 2019.

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 March 31, 2019.

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 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.

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.
financial audit	An audit that is designed to provide reasonable assurance about whether the financial schedules of an audited entity are presented fairly, in all material respects, in accordance with the applicable financial reporting framework.
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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