

Office of the Auditor General  
Performance Audit Report

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**Flint Water Service Line Replacement  
Expenditures**

Department of Environment, Great Lakes, and Energy

October 2019

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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*

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# OAG

Office of the Auditor General

## Report Summary

*Performance Audit  
Flint Water Service Line Replacement  
Expenditures  
Department of Environment, Great Lakes,  
and Energy (EGLE)*

**Report Number:**  
761-3017-19

**Released:**  
October 2019

Public Act 340 of 2016 requires the Office of the Auditor General (OAG) to conduct a final audit of the City of Flint’s use of the \$25 million appropriated for water service line removal by January 1, 2020. This audit addresses the final audit requirement. Also, on March 28, 2017, a U.S. district judge approved a settlement agreement that required the State to allocate \$87 million and set aside an additional \$10 million in reserves to pay for the replacement of residential lead and galvanized water service lines in the City of Flint. The settlement agreement required the State to request the OAG to conduct annual “financial” and performance audits of EGLE’s administration of the payments or reimbursements described in paragraph 23 of the agreement. This performance audit addresses these requirements and is our second report on the expenditures of these funds.

Audit Objective		Conclusion	
Objective #1: To determine the appropriateness of EGLE’s administrative process to issue payments or reimbursements for the Flint water service line replacements.		Appropriate	
Findings Related to This Audit Objective	Material Condition	Reportable Condition	Agency Preliminary Response
None reported.			Not applicable.

Audit Objective		Conclusion	
Objective #2: To determine the appropriateness of EGLE’s expenditure of the Flint water service line replacement appropriations as of July 31, 2019.		Appropriate	
Findings Related to This Audit Objective	Material Condition	Reportable Condition	Agency Preliminary Response
None reported.			Not applicable.

Audit Objective			Conclusion
Objective #3: To report EGLE's expenditures of the Flint water service line replacement appropriations.			Information provided
Findings Related to This Audit Objective	Material Condition	Reportable Condition	Agency Preliminary Response
None reported.		Not applicable.	
Exhibits Related to This Audit Objective			
<u>Exhibit #1</u> - Expenditures of Appropriations - Department of Environment, Great Lakes, and Energy <u>Exhibit #2</u> - Expenditures of Appropriations - Department of Treasury <u>Exhibit #3</u> - Summary of Replacements and Excavations by Phase <u>Exhibit #4</u> - Summary of Replacements and Excavations by Zip Code			

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# OAG

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

October 16, 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 Water Service Line Replacement Expenditures, Department of Environment, Great Lakes, and Energy (EGLE). This audit was performed to meet the requirements of Public Act 340 of 2016 as well as the request for audit received in conjunction with the settlement agreement between the State and the Concerned Pastors for Social Action, et al.

Public Act 340 of 2016 requires the Office of the Auditor General (OAG) to conduct a preliminary audit of the City of Flint's use of the initial \$10 million of the \$25 million appropriated for water service line removal based on a signed grant agreement between the State and the City of Flint. Our preliminary audit, issued in June 2018, can be found at [audgen.michigan.gov/wp-content/uploads/2018/06/r761301717-0005.pdf](http://audgen.michigan.gov/wp-content/uploads/2018/06/r761301717-0005.pdf). The Act also requires the OAG to conduct a final audit of the City of Flint's use of these appropriations by January 1, 2020. This audit addresses the final audit requirement.

The settlement agreement required the State to request the OAG to conduct annual "financial" and performance audits of EGLE's administration of the payments or reimbursements described in paragraph 23 of the agreement. This performance audit addresses these requirements and is our second report on the expenditures of these funds.

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 ADMINISTRATIVE PROCESS FOR FLINT WATER SERVICE LINE REPLACEMENTS

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## BACKGROUND

The Flint Action and Sustainability Team (FAST), consisting of members of the Michigan National Guard, coordinated activities among the City of Flint, State and federal departments and agencies, and other stakeholders for the excavation of water service lines. FAST, whose mission ended on January 5, 2018, was replaced with the following oversight contracts:

- Effective December 20, 2017, the City of Flint entered into a 12-month contract with AECOM to provide program management services related to Phase Five water service line replacement activities.
- Effective October 25, 2017, the Office of Internal Audit Services, State Budget Office, entered into a contract with Deloitte to assist in providing necessary payment and compliance oversight as well as the design and construction monitoring for the funds appropriated for the Flint water emergency. The contract end date is December 31, 2019.
- Effective March 11, 2019, the City of Flint entered into a contract with Rowe Professional Services Company to provide program management services related to Phase Six water service line replacement activities.

## AUDIT OBJECTIVE

To determine the appropriateness of the Department of Environment, Great Lakes, and Energy's (EGLE's) administrative process to issue payments or reimbursements for the Flint water service line replacements.

## CONCLUSION

Appropriate.

## FACTORS IMPACTING CONCLUSION

- We did not identify any internal control\* weaknesses in EGLE's administrative process to issue payments or reimbursements for the Flint water service line replacements.

\* See glossary at end of report for definition.

## **APPROPRIATENESS OF EXPENDITURE OF FLINT WATER SERVICE LINE REPLACEMENT APPROPRIATIONS AS OF JULY 31, 2019**

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**AUDIT OBJECTIVE**

To determine the appropriateness of EGLE's expenditure of the Flint water service line replacement appropriations as of July 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 WATER SERVICE LINE REPLACEMENT APPROPRIATIONS

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## BACKGROUND

Public Act 340 of 2016 requires the Office of the Auditor General (OAG) to conduct a preliminary audit of the City of Flint's use of the initial \$10 million of the \$25 million appropriated for water service line removal based on a signed grant agreement between the State and the City of Flint. Our preliminary audit, issued in June 2018, can be found at [audgen.michigan.gov/wp-content/uploads/2018/06/r761301717-0005.pdf](http://audgen.michigan.gov/wp-content/uploads/2018/06/r761301717-0005.pdf). The Act also requires the OAG to conduct a final audit of the City of Flint's use of these funds by January 1, 2020. This audit addresses the final audit requirement.

In addition, a settlement agreement\* between the State and the Concerned Pastors for Social Action, et al., required the State to request the OAG to conduct annual "financial" and performance audits\* of EGLE's administration of the payments or reimbursements described in paragraph 23 of the agreement until January 1, 2020.

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 current audit will be considered for audit during our next audit of the Flint Water Service Line Replacement Expenditures.

## AUDIT OBJECTIVE

To report EGLE's expenditures of the Flint water service line replacement appropriations.

## CONCLUSION

Information provided.

## FACTORS IMPACTING CONCLUSION

- We reported EGLE's expenditures of the appropriations as of July 31, 2019.

\* See glossary at end of report for definition.

# SUPPLEMENTAL INFORMATION, INCLUDING OBSERVATIONS

Exhibit #1

## FLINT WATER SERVICE LINE REPLACEMENT EXPENDITURES Department of Environment, Great Lakes, and Energy\* (EGLE)

Expenditures of Appropriations - EGLE  
As of July 31, 2019

### Public Act 340 of 2016

Appropriated: \$25,000,000

Authorized Uses: Sections 303(1) and 303(3)

Section 303(1): EGLE 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 303(3): A total of \$5 million, of the \$25 million, shall be paid to the city upon execution of the grant agreement. Additional funding will be provided on a reimbursement basis.

#### Expenditures By Authorized Use Category

	Funding Allocation	Total Expenditures	Expenditures Subject to Review	
			Prior Audit	Current Audit
Water Service Line Replacement - Grant (1)	\$20,000,000	\$20,000,000	\$20,000,000	\$ 0
Water Service Line Replacement - Advance (2)	5,000,000	5,000,000	3,353,879	1,646,121
Total	<u>\$25,000,000</u>	<u>\$25,000,000</u>	<u>\$23,353,879</u>	<u>\$1,646,121</u>

#### (1) Water Service Line Replacement - Grant:

##### Audit Methodology and Results

**June 2018 Audit:** We reviewed 19 judgmentally and 21 randomly selected expenditures totaling \$4,115,000 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

#### (2) Water Service Line Replacement - Advance:

##### Audit Methodology and Results

**June 2018 Audit:** We reviewed 10 randomly selected transactions and 15 randomly selected employees' payroll costs totaling \$727,681 and determined that they were appropriately supported, approved, and charged to the appropriation. We did not identify any errors.

*This exhibit continued on next page.*

\* See glossary at end of report for definition.

**Current Audit:** We reviewed all expenditures totaling \$1,646,121 and determined that they were appropriately supported, approved, and charged to the appropriation. We did not identify any errors.

Observations

None

**Public Act 33 of 2017**

Appropriated: \$100,000,000

Authorized Uses: Section 301

EGLE shall allocate \$100 million in federal funding, Water Infrastructure Improvements for the Nation (WIIN) Act\*, for the drinking water declaration of emergency. These funds shall be used for water treatment plant improvements, water service line replacement, distribution system upgrades, corrosion control, and other infrastructure needs.

Expenditures By Authorized Use Category

	Funding Allocation	Total Expenditures	Expenditures Subject to Review	
			Prior Audit	Current Audit
Water Service Line Replacement	\$ 20,000,000	\$7,468,430	\$2,010,665	\$5,457,765
Water Service Line Replacement Contingency (new)	10,000,000	0	0	0
Chemical Feed Building Project (new)	3,400,000	20,917	0	0
Dort and Cedar Project (new)	10,125,000	275,470	0	0
Local Assistance Project (new)	2,259,175	1,304,564	0	0
Meter Replacement Project (new)	18,460,000	200,993	0	0
Northwest Transmission Main Project (new)	12,296,900	324,932	0	0
Secondary Water Source Project (new)	9,163,300	272,686	0	0
Water Main Replacement Project (new)	13,683,125	0	0	0
Water Quality Monitoring Project (new)	612,500	127,272	0	0
<b>Total</b>	<b>\$100,000,000</b>	<b>\$9,995,264</b>	<b>\$2,010,665</b>	<b>\$5,457,765</b>

Water Service Line Replacement:

Audit Methodology and Results

**June 2018 Audit:** We reviewed 7 judgmentally selected expenditures totaling \$1,401,355 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 \$5,457,765 and determined that they were appropriately supported, approved, and charged to the appropriation. We did not identify any errors.

Observations

None

*This exhibit continued on next page.*

\* See glossary at end of report for definition.

**Public Act 207 of 2018**

Appropriated: \$20,000,000

Authorized Uses: Section 602

EGLE 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	Total	Expenditures Subject to Review	
	Allocation	Expenditures	Prior Audit	Current Audit
Water Service Line Replacement	\$20,000,000	\$15,657,139	\$0	\$15,657,139
Total	\$20,000,000	\$15,657,139	\$0	\$15,657,139

Water Service Line Replacement:

Audit Methodology and Results

**Current Audit:** We reviewed all expenditures totaling \$15,657,139 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 the Michigan Administrative Information Network\* (MAIN), the Statewide Integrated Governmental Management Applications\* (SIGMA), WIIN bank statements, and EGLE.

\* See glossary at end of report for definition.

FLINT WATER SERVICE LINE REPLACEMENT EXPENDITURES  
 Department of Environment, Great Lakes, and Energy

Expenditures of Appropriations - Department of Treasury (Treasury)  
As of July 31, 2019

**Public Act 107 of 2017**

Appropriated: \$9,000,000\*

Authorized Uses: Legislative Transfer 2018-3

A \$9 million transfer from the Drinking Water Declaration of Emergency Reserve Fund (Department of Technology, Management, and Budget) for the cost of service line replacements.

Expenditures By Authorized Use Category

	Funding Allocation	Total Expenditures	Expenditures Subject to Review	
			Prior Audit	Current Audit
Water Service Line Replacement	\$9,000,000	\$9,000,000	\$0	\$9,000,000
Total	<u>\$9,000,000</u>	<u>\$9,000,000</u>	<u>\$0</u>	<u>\$9,000,000</u>

Water Service Line Replacement:

Audit Methodology and Results

**Current Audit:** We reviewed all expenditures totaling \$9,000,000 and determined that they were appropriately supported, approved, and charged to the appropriation. We did not identify any errors.

Observations

None

\* EGLE was responsible for the administrative process of ensuring the appropriateness of the reimbursements to the City of Flint for water service line replacements utilizing the funding appropriated to Treasury.

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

FLINT WATER SERVICE LINE REPLACEMENT EXPENDITURES  
Department of Environment, Great Lakes, and Energy (EGLE)

Summary of Replacements and Excavations by Phase  
As of July 31, 2019

The settlement agreement requires that the City of Flint shall have conducted the following excavations:

- A minimum of 6,000 households by January 1, 2018.
- A minimum of 12,000 households by January 1, 2019.
- A minimum of 18,000 households by January 1, 2020.

<u>Phase</u>	<u>Water Service Lines Replaced</u>	<u>Excavations Completed - Copper to Copper<sup>1</sup></u>	<u>Hydro-Excavations Completed - Copper to Copper<sup>2</sup></u>	<u>Hydro-Excavations (Full Excavation Needed)<sup>3</sup></u>	<u>Total Excavations Completed</u>
One	40 <sup>4</sup>	3	0	0	43
Two	177	39	0	0	216
Three	596	215	2	5	818
Four	5,645	1,526	2,128	4,013	13,312
Five	1,661	9,045	0	0	10,706
Total	<u>8,119</u>	<u>10,828</u>	<u>2,130</u>	<u>4,018</u>	<u>25,095<sup>5</sup></u>

<sup>1</sup> Full excavations completed that identified a copper pipe composition resulting in no additional excavations or water service line replacements.

<sup>2</sup> Hydro-excavations completed that identified a copper pipe composition resulting in no additional excavations or water service line replacements. Hydro-excavation activities ended in June 2018.

<sup>3</sup> Hydro-excavations that did not identify a copper pipe composition that will require additional excavations or water service line replacements. Hydro-excavation activities ended in June 2018.

<sup>4</sup> The U.S. Environmental Protection Agency (EPA) funded water service line replacements for 6 homes.

<sup>5</sup> This exhibit includes only activity that has been reimbursed by EGLE to the City of Flint as of July 31, 2019. All subsequent activity will be reviewed in our next Flint Water Service Line Replacement Expenditures audit.

As of July 31, 2019, the City of Flint and EGLE have satisfied the January 1, 2018, January 1, 2019, and January 1, 2020 excavation requirements.

Source: The OAG prepared this exhibit based on financial status reports provided by the City of Flint and contractor invoices provided by EGLE.

FLINT WATER SERVICE LINE REPLACEMENT EXPENDITURES  
Department of Environment, Great Lakes, and Energy (EGLE)

Summary of Replacements and Excavations by Zip Code<sup>1</sup>  
As of July 31, 2019

<u>Zip Code</u>	<u>Active Water Accounts</u>	<u>Water Service Lines Replaced</u>	<u>Excavations Completed - Copper to Copper<sup>2</sup></u>	<u>Hydro-Excavations Completed - Copper to Copper<sup>3</sup></u>	<u>Active Water Accounts Remaining<sup>4</sup></u>
48502	401	2	0	0	399
48503	7,547	2,522	2,421	509	2,095
48504	5,821	1,851	3,062	231	677
48505	4,394	1,325	1,921	315	833
48506	4,634	1,230	1,632	549	1,223
48507	4,866	1,149	1,463	526	1,728
48509	1	0	0	0	1
48529	3	0	0	0	3
48532	622	40	329	0	253
<b>Total</b>	<u>28,289</u>	<u>8,119</u>	<u>10,828</u>	<u>2,130</u>	<u>7,212</u>

<sup>1</sup> This exhibit does not include hydro-excavations that resulted in an unknown, lead, or galvanized pipe composition as shown in Exhibit #3. These addresses are not complete and are included in the Active Water Accounts Remaining column because they will require a full excavation to determine pipe composition.

<sup>2</sup> Full excavations completed that identified a copper pipe composition resulting in no additional excavations or water service line replacements.

<sup>3</sup> Hydro-excavations completed that identified a copper pipe composition resulting in no additional excavations or water service line replacements. Hydro-excavations activities ended in June 2018.

<sup>4</sup> Active water accounts remaining as of July 31, 2019 that will require excavations to determine pipe compositions.

Source: The OAG prepared this exhibit based on a list of all active water accounts as of July 31, 2019 obtained from the City of Flint Treasurer's Office, financial status reports provided by the City of Flint, and contractor invoices provided by EGLE.

## DESCRIPTION

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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.

On March 28, 2017, a U.S. district judge approved a settlement agreement that required the State to allocate \$87 million and set aside an additional \$10 million in reserves to pay for the replacement of residential lead and galvanized water service lines in the City of Flint. In accordance with the settlement agreement, 18,000 residential service lines must be excavated by January 1, 2020. As of July 31, 2019, a total of 25,095 excavations were completed (see Exhibit #3) and 7,212 residential addresses still required pipe composition verification (see Exhibit #4).

The six-phase, three-year program, referred to as the FAST Start Program, will excavate 6,000 residential water service lines per year for a total of 18,000 lines excavated by January 1, 2020. The initial team consisted of members of the Michigan National Guard and was established to coordinate the FAST Start Program activities among the City of Flint, State and federal departments and agencies, and other stakeholders.

Phase One of the FAST Start Program began in March 2016 and targeted high-risk households in Flint for lead water service line removal and replacement. High-risk households include those with children under age 6, children with elevated blood lead levels, pregnant women, senior citizens, residential day care facilities, people with compromised immune systems, and households where water tests indicate high levels of lead at the tap. Phase One was primarily funded by Public Act 3 of 2016 expenditures that were subject to review in our Flint Emergency Expenditures audits issued in July 2016 (000-2016-16) and January 2017 (000-2016-17).

Phases Two and Three of the FAST Start Program began in August 2016 and continued to focus on high-risk households. Phases Two and Three were funded with a \$5 million advance appropriated in Public Act 340 of 2016. Phase Three introduced hydro-excavation, a method of digging utilizing pressurized water and a vacuum system to quickly and safely expose pipe materials currently underground. Hydro-excavations provided a more efficient method to verify the underground pipe composition without having to complete a full excavation.

Phase Four began in May 2017, focusing on 10 zones within the City of Flint that were identified with the highest concentrations of lead-tainted pipes. Phase Four was funded with \$20 million from Public Act 340 of 2016 and \$20 million from Public Act 33 of 2017.

Phase Five began in May 2018, focusing on 10 zones within the City of Flint that were selected based on the results of Phase Four activity. Phase Five continued with hydro-excavations, water service line replacements, and site restoration activities; however, the City of Flint ended hydro-excavation activities in June 2018. Phase Five was funded with \$9 million from Public Act 107 of 2017 and \$20 million from Public Act 207 of 2018.

Public Act 340 of 2016 requires the OAG to conduct a preliminary audit of the City of Flint's use of the initial \$10 million of the \$25 million appropriated for water service line removal based on a signed grant agreement between the State and the City of Flint. The Act also requires the OAG to conduct a final audit of the City of Flint's use of these funds by January 1, 2020. The settlement agreement required the State to request the OAG to conduct annual "financial" and performance audits of EGLE's administration of the payments or reimbursements described in paragraph 23 of the agreement until January 1, 2020. This is our second report on the expenditures of these funds.

## **AUDIT SCOPE, METHODOLOGY, AND OTHER INFORMATION**

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### **AUDIT SCOPE**

To determine if EGLE's administrative process to issue payments or reimbursements for the Flint water service line replacements was appropriate and if the expenditures charged to the Flint water service line replacement appropriations were appropriate and to report those expenditures. Our audit was limited to expenditures reported by July 31, 2019 and funded by Public Act 340 of 2016, Public Acts 33 and 107 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 current audit will be considered for audit during our next audit of the Flint Water Service Line Replacement Expenditures, unless otherwise noted. We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

### **PERIOD**

Our audit procedures, which included audit planning, audit fieldwork, report preparation, and quality assurance, generally covered April 1, 2018 through July 31, 2019.

### **METHODOLOGY**

In our initial audit, we conducted a preliminary survey to gain an understanding of the Flint water service line replacement process and to establish our audit objectives, scope, and methodology. Because this audit is a continuation of the first audit, we utilized the same objectives and scope. During this audit, we:

- Continued to meet with various City of Flint management and staff to enhance our understanding of Flint's administrative process to submit water service line replacement invoices to EGLE for expenditure reimbursement.
- Reviewed the new contract agreements to enhance our understanding of the oversight process for the water service line replacement activities.

### **OBJECTIVE #1**

To determine the appropriateness of EGLE's administrative process to issue payments or reimbursements for the Flint water service line replacements.

To accomplish this objective, we

- Continued to meet with EGLE management and staff to enhance our understanding of EGLE's administrative process to issue payments or reimbursements for the Flint water service line replacements.
- Continued to evaluate EGLE's administrative process to ensure that payments or reimbursements issued for the Flint water service line replacement activities were appropriate.
- Tested EGLE's administrative process for consistency in ensuring that payments or reimbursements issued for the Flint water service line replacement activities were appropriate.

## **OBJECTIVE #2**

To determine the appropriateness of EGLE's expenditure of the Flint water service line replacement appropriations as of July 31, 2019.

To accomplish this objective, we:

- Reviewed source documentation supporting expenditures to ensure that EGLE properly reimbursed the City of Flint for excavations, water service line replacements, and restoration services.
- Validated the prices charged on the contractor invoices to the prices listed in the contract between the contractors and the City of Flint.

## **OBJECTIVE #3**

To report EGLE's expenditures of the Flint water service line replacement appropriations.

To accomplish this objective, we:

- Updated the account coding used by EGLE for expenditures of appropriations.
- Extracted the expenditures charged to the appropriations from MAIN and SIGMA.
- Reconciled expenditure totals to bank statements, contractor invoices, and City of Flint financial status reports.

**CONCLUSIONS**

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

**AGENCY  
RESPONSES**

Not applicable.

**SUPPLEMENTAL  
INFORMATION**

Our audit report includes supplemental information presented as Exhibits #1 through #4.

Occasionally, information (such as 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. Exhibits are adjusted as we become aware of these changes.

\* See glossary at end of report for definition.

## **GLOSSARY OF ABBREVIATIONS AND TERMS**

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<b>Department of Environment, Great Lakes, and Energy (EGLE)</b>	Formerly known as the Department of Environmental Quality (DEQ). Executive Order No. 2019-6 renamed DEQ as EGLE effective April 22, 2019.
<b>FAST</b>	Flint Action and Sustainability Team.
<b>internal control</b>	A process, effected by those charged with governance, management, and other personnel, designed to provide reasonable assurance about the achievement of the entity's objectives with regard to the reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.
<b>material condition</b>	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.
<b>Michigan Administrative Information Network (MAIN)</b>	The State's automated administrative management system that supported accounting, purchasing, and other financial management activities through fiscal year 2017.
<b>OAG</b>	Office of the Auditor General.
<b>observation</b>	A commentary that highlights certain details or events that may be of interest to users of the report. An observation may not include all of the attributes (condition, effect, criteria, cause, and recommendation) that are presented in an audit finding.
<b>performance audit</b>	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.
<b>reportable condition</b>	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.

**settlement agreement**

The settlement agreement between the State and the Concerned Pastors for Social Action, et al., requiring the State to make payments of at least \$87 million through January 1, 2020 for water service line replacement. The agreement included a provision for the State to request the Auditor General to conduct annual “financial” and performance audits of EGLE’s administration of the payments or reimbursements for water service line replacement. The Auditor General agreed to the audit request on April 17, 2017.

**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.

**Water Infrastructure  
Improvements for the  
Nation (WIIN) Act**

A 2016 federal act that addresses, supports, and improves America’s drinking water infrastructure. Included in the WIIN Act are three new drinking water grants that promote public health and the protection of the environment.







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