



GRETCHEN WHITMER
GOVERNOR

STATE OF MICHIGAN
STATE BUDGET OFFICE
LANSING

CHRISTOPHER M. HARKINS
DIRECTOR

January 5, 2022

MEMORANDUM

TO: Office of Internal Audit Services
State Budget Office

FROM: Heather Boyd, Director *HB*
Office of Financial Management

SUBJECT: July 2021 Flint Emergency Expenditures Report Corrective Action Plan

In accordance with the State of Michigan Financial Management Guide, Part VII, Chapter 4, attached is a summary table identifying our responses and corrective action plans to address recommendations contained within the Office of the Auditor General's July 2021 Flint Emergency Expenditures Report.

Questions regarding the summary table or corrective action plans should be directed to Derek Childs, Single Audit Coordinator, at ChildsD5@michigan.gov.

Attachment

cc: Executive Office
Doug Ringler, Auditor General
Mary Ann Cleary, House Fiscal Agency
Kathryn Summers, Senate Fiscal Agency
Thomas Albert, House Appropriations Committee
Jim Stamas, Senate Appropriations Committee
Kyle Guerrant, MDE
Caitlin Hengesbach, MDE
Gloria Suggitt, MDE
Steve Bendele, MDHHS
Pam Myers, MDHHS
Christopher Harkins, SBO
Bethany Wicksall, SBO
Shawna Hessling, SBO
Derek Childs, SBO

AUDIT REPORT SUMMARY

DEPARTMENT: Office of Financial Management, State Budget Office
AUDIT: Flint Emergency Expenditures
AUDIT PERIOD: October 1, 2020 through March 31, 2021
REPORT DATED: July 30, 2021

Summary of Agency Responses to Recommendations

Audit recommendations the agency will comply with:

- Finding 1
- Finding 2
- Finding 3
- Finding 4

Finding 1

MDE did not sufficiently monitor FCS's use of school social worker.

Recommendation

We recommend that the Michigan Department of Education (MDE) sufficiently monitor Flint Community Schools' (FCS) use of school social worker funding for the Flint declaration of emergency.

Management Views

MDE agrees with the finding.

Planned Corrective Action

MDE has met with current management at FCS to improve the retention of detailed supporting documentation. MDE will continue to improve current monitoring controls, including retaining requested supporting documentation, such as general ledgers and invoices, on a regular basis to ensure the funds are used for social workers and associated program costs. MDE will establish a grant agreement for fiscal year 2022 for appropriations related to the Flint Declaration of Emergency with detailed cost allowability requirements, including the social worker appropriations that are currently granted to FCS.

Anticipated Completion Date

The 2022 grant agreement will be established by January 31, 2022. Review and monitoring of FCS will be ongoing.

Finding 2

Improved oversight needed in Flint YMCA grant reimbursements.

Recommendation

We recommend that MDE provide sufficient oversight of the Flint YMCA grant for nutrition assistance to Flint residents.

Management Views

MDE agrees with the finding.

Planned Corrective Action

The Flint YMCA acted as a fiduciary only during the development and implementation of the Flint Fresh Food Hub (FFFH). Now that the FFFH is running, MDE will establish a grant agreement with FFFH for fiscal year 2022 for appropriations related to the Flint Declaration of Emergency to include detailed cost allowability requirements and will no longer have a grant agreement with the Flint YMCA. MDE will review the monthly reports, follow up with questions, and determine allowability of reported expenditures each month. MDE will continue to improve current monitoring controls, including retaining requested supporting documentation, such as general ledgers and invoices, on a regular basis to ensure the funds are used for nutrition related purposes.

Anticipated Completion Date

The 2022 grant agreement will be established by January 31, 2022. Review and monitoring of FFFH will be ongoing.

Finding 3

Improved MDE oversight needed in FBEM grant charges.

Recommendation

We recommend that MDE provide sufficient oversight of the Food Bank of Eastern Michigan's (FBEM's) grant for nutrition assistance to Flint residents.

Management Views

MDE agrees with the finding.

Planned Corrective Action

MDE will establish a grant agreement for fiscal year 2022 for appropriations related to the Flint Declaration of Emergency to include detailed cost allowability requirements. MDE will review the monthly reports, follow up with questions, and determine allowability of reported expenditures each month. MDE will continue to improve current monitoring controls, including retaining requested supporting documentation, such as general ledgers and invoices, on a regular basis to ensure the funds are used for nutrition related purposes.

Anticipated Completion Date

The 2022 grant agreement will be established by January 31, 2022. Review and monitoring of FBEM will be ongoing.

Finding 4

Insufficient oversight of the FCS grant for employing school nurses.

Recommendation

We recommend that the Michigan Department of Health and Human Services (MDHHS) provide sufficient oversight of the FCS grant for employing school nurses.

Management Views

The Michigan Department of Health and Human Services (MDHHS) agrees with the finding.

Planned Corrective Action

For part a., MDHHS focused limited resources on conducting in-person reviews for the FCS schools that had a School Wellness Program. MDHHS plans to conduct onsite reviews for the remaining nurse-only sites by December 2021.

For part b., MDHHS will continue to monitor both financial and programmatic reporting for the FCS grant. The unsupported expenditures occurred when FCS used an outside accounting service. Since that time, all accounting services were brought in house at FCS and significant improvements have already been noted in this area. The randomly sampled expenditures that occurred with the in-house staff were substantiated; therefore, we believe FCS has put the necessary processes in place to ensure all expenditures will have appropriate support moving forward. However, MDHHS will continue to monitor FCS financial staff to ensure that controls are maintained.

Anticipated Completion Date

December 2021