

**City of Flint, Michigan**

**Single Audit Report**

**June 30, 2016**

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**Report on Internal Control Over Financial Reporting and on Compliance and  
Other Matters Based on an Audit of Financial Statements Performed  
in Accordance With *Government Auditing Standards***

**Independent Auditors' Report**

Receivership Transition Advisory Board, Honorable Mayor and Members of City Council  
City of Flint, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Flint, Michigan as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City of Flint, Michigan's basic financial statements, and have issued our report thereon dated December 15, 2016. The financial statements of Hurley Medical Center, Downtown Development Authority, and the Flint Area Enterprise Community were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with Hurley Medical Center, Downtown Development Authority, and the Flint Area Enterprise Community.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City of Flint, Michigan's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Flint, Michigan's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Flint, Michigan's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described at 2016-001 in the accompanying schedule of findings and questioned costs to be a significant deficiency.

### **Compliance and Other Matters**

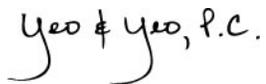
As part of obtaining reasonable assurance about whether the City of Flint, Michigan's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **The City of Flint, Michigan's Response to Findings**

The City of Flint, Michigan's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The City of Flint, Michigan's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



December 15, 2016  
Flint, Michigan



4468 Oak Bridge Dr.  
Flint, MI 48532  
Phone 810.732.3000 / 800.899.4742  
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## **Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

### **Independent Auditors' Report**

Receivership Transition Advisory Board, Honorable Mayor and Members of City Council  
City of Flint, Michigan

#### **Report on Compliance for Each Major Federal Program**

We have audited City of Flint, Michigan's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of City of Flint, Michigan's major federal programs for the year ended June 30, 2016. City of Flint, Michigan's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

The City of Flint, Michigan's basic financial statement include the operations of Hurley Medical Center, which received \$403,909 in federal awards which is not included in the schedule during the year ended June 30, 2016. Our audit, described below, did not include the operations of Hurley Medical Center because Hurley Medical Center engaged other auditors to perform an audit.

#### **Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

#### **Auditors' Responsibility**

Our responsibility is to express an opinion on compliance for each of City of Flint, Michigan's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about City of Flint, Michigan's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of City of Flint, Michigan's compliance.

### **Unmodified Opinion on the Major Federal Program**

In our opinion, City of Flint, Michigan complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2016.

### **Other Matters**

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as items 2016-002. Our opinion on each major federal program is not modified with respect to this matter.

City of Flint, Michigan's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs and corrective plan. City of Flint, Michigan's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

### **Report on Internal Control Over Compliance**

Management of City of Flint, Michigan is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered City of Flint, Michigan's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of City of Flint, Michigan's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2016-002 that we consider to be a material weakness.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

**Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Flint, Michigan as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise City of Flint, Michigan's basic financial statements. We issued our report thereon dated December 15, 2016, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards required by the Uniform Guidance are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

*Yeo & Yeo, P.C.*

February 21, 2017  
Flint, Michigan

**City of Flint, Michigan**  
**Schedule of Expenditures of Federal Awards**  
**June 30, 2016**

<u>Federal Grantor</u>	<u>Federal CFDA #</u>	<u>Federal Assistance ID Number</u>	<u>Federal Grant Amount</u>	<u>Expenditures For FY-16</u>	<u>Amount Paid to Subrecipients</u>
<b>U.S. Department of Agriculture Forest Service</b>					
Direct Program:					
Urban & Community Forestry Program	10.675	13-DG-11420004-020	\$ 850,000	\$ 268,626	\$ -
<b>U.S. Department of Commerce - Economic Development Administration</b>					
Direct Program:					
Title IX Revolving Loan Fund - Program Income	11.307	N/A	1,500,000	1,593,768	-
<b>U.S. Department of Housing and Urban Development</b>					
Direct Program:					
Community Development Block Grant Cluster					
Community Development Block Grant - 2012 & Prior	14.218	B-10-MC-260018	3,946,525	150,261	18,413
Community Development Block Grant - 2013	14.218	B-12-MC-260018	3,579,331	287,793	130,028
Community Development Block Grant - 2014	14.218	B-13-MC-260018	3,678,128	601,916	139,819
Community Development Block Grant - 2015	14.218	B-14-MC-260018	3,629,629	1,161,177	361,775
Community Development Block Grant - 2016	14.218	B-15-MC-260018	3,617,741	1,702,992	885,810
Total Community Development Block Grant Cluster			<u>18,451,354</u>	<u>3,904,139</u>	<u>1,535,845</u>
Emergency Shelter Grant - 2015	14.231	E-14-MC-260018	298,806	118,066	116,301
Emergency Shelter Grant - 2016	14.231	E-15-MC-260018	323,533	217,221	217,221
Total Emergency Solutions Grant			<u>622,339</u>	<u>335,287</u>	<u>333,522</u>
Home Investment Partnership Program - 2012 & prior	14.239	M-11-MC-260204	1,148,343	164,597	94,625
Home Investment Partnership Program - 2015	14.239	M-14-MC-260204	745,525	692,913	650,973
Home Investment Partnership Program - 2016	14.239	M-15-MC-260204	666,059	7,103	-
Total Home Investment Partnership Program			<u>2,559,927</u>	<u>864,613</u>	<u>745,598</u>
NSP2 Program Income	14.256	B-09-CN-MI-0035	282,253	282,253	-
FY2014 Choice Neighborhood Planning Grant	14.892	M15F519CNP114	500,000	329,388	-
Total Department of Housing & Urban Development			<u>22,415,873</u>	<u>5,715,680</u>	<u>2,614,965</u>

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

**City of Flint, Michigan**  
**Schedule of Expenditures of Federal Awards**  
**June 30, 2016**

<u>Federal Grantor</u>	<u>Federal CFDA #</u>	<u>Federal Assistance ID Number</u>	<u>Federal Grant Amount</u>	<u>Expenditures For FY-16</u>	<u>Amount Paid to Subrecipients</u>
<b>U.S. Department of Justice</b>					
Direct Program:					
Public Safety Partnership and Community Policing Grants - Technology	16.710	2009CKWX0500	\$ 500,000	\$ 259,821	\$ -
Safe Highway Initiative	16.710	2010-DD-BX-0527	<u>100,000</u>	<u>49,599</u>	-
Total Public Safety Partnership & Community Policing Grants			<u>600,000</u>	<u>309,420</u>	-
Passed through Flint Township:					
Edward Byrne Memorial Justice Assistance Grant - 2013	16.738	2013-DJ-BX-0632	166,521	15,813	-
Edward Byrne Memorial Justice Assistance Grant - 2014	16.738	2014-H2514MI-DJ	191,187	46,657	-
Edward Byrne Memorial Justice Assistance Grant - 2015	16.738	2015-H2814-MI-DJ	<u>159,488</u>	<u>6,110</u>	-
Total Edward Byrne Memorial Justice Assistance Grant			<u>517,196</u>	<u>68,580</u>	-
Direct Program:					
Sexual Assault Kit Initiative Grant	16.833	2015-AK-BX-K016	<u>1,166,409</u>	<u>75,335</u>	-
Total Department of Justice			<u>2,283,605</u>	<u>453,335</u>	-
<b>U.S. Department of Transportation</b>					
Passed through State of Michigan:					
Highway Planning and Construction Cluster					
MDOT Project Federal Flow Through	20.205	HH8820	300,000	36,399	-
Recreational Trail	20.219	ENH#200900116	<u>175,000</u>	<u>638</u>	-
Total Department of Transportation			<u>475,000</u>	<u>37,037</u>	-
<b>U.S. Department of Health and Human Services</b>					
Passed through State of Michigan:					
State of Michigan Sec of State election grant	93.617	N/A	<u>14,649</u>	<u>3,378</u>	-
Americorps State and National	94.006	MACF-16-25500	<u>288,119</u>	<u>245,541</u>	-
Volunteers in Service to America	94.013	15VSNMI001	<u>10,000</u>	<u>953</u>	-
Total Department of Health and Human Services			<u>312,768</u>	<u>249,872</u>	-
<b>Total Federal Assistance</b>			<u>\$ 28,237,246</u>	<u>\$ 8,318,318</u>	<u>\$ 2,614,965</u>

**City of Flint, Michigan**  
**Notes to the Schedule of Expenditures of Federal Awards**  
**June 30, 2016**

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**Note 1 - Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of City of Flint, Michigan under programs of the federal government for the year ended June 30, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of City of Flint, Michigan, it is not intended to and does not present the financial position, changes in net assets, or cash flows of City of Flint, Michigan.

**Note 2 - Summary of Significant Accounting Policies**

**Expenditures**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles contained in the Uniform Guidance or OMB Circular A-87 *Cost Principles for State, Local and Indian Tribal Governments* where certain types of expenditures are not allowable or are limited as to reimbursement.

**Indirect Cost Rate**

City of Flint has elected not to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**Note 3 - Reconciliation to the Financial Statements**

Expenditures per the Schedule of Expenditures of Federal Awards	\$ 8,318,318
Title IX grant based on grant allocation formula (not actual expenses)	(1,593,768)
Expenditures not drawn within 60 days (unavailable revenue)	(996,559)
Section 108 loans in default	296,537
Prior year unavailable revenue recognized	<u>982,512</u>
Federal Revenue per the Financial Statements	<u><u>\$ 7,007,040</u></u>

**Note 4 - Grant Awards Exceeding Expenditures**

Expenditures reported under CFDA # 11.307 - Title IX Revolving Loan Fund exceed the original grant amount due to the revolving nature of this grant. The original grant amount received from federal agencies is \$1,500,000, however as additional loans are granted, the formula used to calculate federal expenditures can result in total expenditures exceeding the original grant award.

**City of Flint, Michigan**  
**Schedule of Findings and Questioned Costs**  
**June 30, 2016**

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**SECTION I – SUMMARY OF AUDITORS’ RESULTS**

Type of auditors’ report issued on the financial statements: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? \_\_\_\_\_ Yes   X   No
  
- Significant deficiency(ies) identified that are not considered to be material weakness(es)?   X   Yes \_\_\_\_\_ None reported

Noncompliance material to financial statements noted?

\_\_\_\_\_ Yes   X   No

*Federal Awards*

Internal control over major programs:

- Material weakness(es) identified?   X   Yes \_\_\_\_\_ No
  
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? \_\_\_\_\_ Yes   X   None reported

Type of auditors’ report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with section§200.516(a)?

  X   Yes \_\_\_\_\_ No

**City of Flint, Michigan**  
**Schedule of Findings and Questioned Costs**  
**June 30, 2016**

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Identification of major programs:

CFDA Number(s)

Name of Federal Program or Cluster

14.218

Community Development Block Grant Cluster

Dollar threshold used to distinguish  
between type A and type B programs:

\$750,000

Auditee qualified as low-risk auditee?

Yes  No

**City of Flint, Michigan**  
**Schedule of Findings and Questioned Costs**  
**June 30, 2016**

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**SECTION II – GOVERNMENT AUDITING STANDARDS FINDINGS**

**2016-001, 2015-002, 2014-002 – Significant Deficiency – Capital Asset Maintenance**

Criteria: The City should have a process in place in which all capital asset schedules, including additions and disposals, are reviewed and agreed to support to ensure that the amounts recorded are correct. As a part of this process, the City should also review all expenditure accounts to ensure that all additions have been properly identified and review all proceed accounts to ensure that all disposals have been recorded. Also, as the City posts the entries for asset additions to the general ledger, they should ensure that the expense account is appropriately relieved in the full accrual funds.

Condition: Capital assets was not fully reconciled at the start of fieldwork and several subsequent adjustments were necessary after client schedules were provided.

Context: Auditor proposed adjustments to correct depreciation expense and accumulated depreciation on assets purchased in the first three quarters of the fiscal year. In addition, several other minor adjustments had to be recorded to fully reconcile the general ledger to the software generated capital asset reports.

Cause: During the current year, the City converted their capital asset management to BS&A's capital asset module. The schedules were previously maintained in excel. In addition, the City relies on many other departments to obtain capital asset additions and disposals. Due to the amount of time it takes to receive that information, and the coordination necessary to import the capital assets into the new software, resulted in the items noted above.

Effect: Auditor proposed entries were required to correct capital asset activity.

Recommendation: We recommend that the City review all capital asset reconciliations, along with supporting documentation obtained from the departments, to ensure that amounts are appropriately recorded. We further recommend a complete inventory of capital assets.

Views of Responsible Officials and Corrective Actions: See page 15.

**City of Flint, Michigan**  
**Schedule of Findings and Questioned Costs**  
**June 30, 2016**

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**SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

**2016-002 – Material Weakness and Noncompliance – Lack of Timely Implementation of Uniform Grant Guidance**

Program information – Community Development Block Grant Entitlement Grants Cluster, U.S. Department of Housing and Urban Development (HUD), CFDA #14.218; Emergency Shelter Grant, U.S. Department of Housing and Urban Development (HUD), CFDA #14.231; HOME Investment Partnership Program, U.S. Department of Housing and Urban Development (HUD), CFDA #14.239

Specific Requirement – The City should have written policies and procedures satisfying all applicable requirements as described in 2 CFR 200 as a precondition to receive federal funds.

Criteria – During 2015, HUD provided transition guidance concerning 2 CFR 200, which required grant agreements for some HUD programs (e.g., Community Development Block Grant, HOME Investment Partnerships, Emergency Solutions Grants) to incorporate the regulations of CFR part 200 for these grants as of December 26, 2014.

Condition – The process undertaken by the City to implement Uniform Grant Guidance under 2 CFR 200, and the creation of revised written procedures addressing the new requirements described by 2 CFR 200, were not provided.

Cause/Effect – The City was unable to provide a complete manual of federal written procedures that met the requirements of 2 CFR 200. Although the procurement policies required under Uniform Grant Guidance were not implemented, there was no formal documentation of this deferral as required if the City was utilizing the optional two year extension. It was further noted that contracts established in vendor and subrecipient relationship were not updated to include 2 CFR 200 requirements.

Recommendation – We recommend that the City complete a manual that includes all policies and procedures required of the City by its funding agents to ensure compliance with 2 CFR 200. We recommend the Authority seek HUD's advice on how to handle this noncompliance condition given that the implementation of 2 CFR Part 200 did not occur as required.

View of Responsible Officials and Corrective Action Plan – See corrective action plan at page 16.

**City of Flint, Michigan**  
**Schedule of Prior Year Findings and Questioned Costs**  
**June 30, 2016**

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**GOVERNMENT AUDITING STANDARDS FINDINGS**

**2015-001, 2014-001 Finding Type – Material Weakness – Audit Adjustments**

Criteria: Management should record all year-end closing entries in accordance with generally accepted accounting principles (GAAP) prior to the start of the audit.

Condition: Adjusting journal entries were required in order to prepare the City's financial statements in accordance with GAAP. These entries related to adjusting capital leases, fund balances, accounts receivable for various grants and related revenue, deferred grant revenue, inventory, capital assets and related expenditures, water and sewer delinquent utility receivables, claims payable, and accrued interest.

Context: All of these entries relate to adjustments that are made once a year during the year-end closing process. These adjustments do not affect the integrity of the day-to-day internal financial statements.

Cause: The City did not receive all information in a timely fashion prior to the commencement of the audit. This resulted in several of the adjustments listed above. In addition, there was some oversight during review of the final trial balance that resulted in auditor-proposed adjustments.

Effect: Auditor-proposed journal entries were recorded.

Current Year Status: RESOLVED

**2015-002, 2014-002 Finding Type – Material Weakness – Capital Asset Maintenance**

Criteria: The City should have a process in place in which all capital asset schedules, including additions and disposals, are reviewed and agreed to support to ensure that the amounts recorded are correct. As a part of this process, the City should also review all expenditure accounts to ensure that all additions have been properly identified and review all proceed accounts to ensure that all disposals have been recorded. Also, as the City posts the entries for asset additions to the general ledger, they should ensure that the expense account is appropriately relieved in the full accrual funds.

Condition: Assets were duplicated on different asset listings and asset costs were duplicated for additions.

Context: Auditor proposed capital asset schedules be re-worked to remove duplicates.

**City of Flint, Michigan**  
**Schedule of Prior Year Findings and Questioned Costs**  
**June 30, 2016**

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Cause: During the past several years, there has been various changes in management and asset schedules have changed hands, resulting in information lost during transition. Additionally, the City relies on many other departments to obtain fixed asset additions and disposals. Due to the amount of time it takes to receive that information, a thorough review of the information received by finance was not performed. That led to the items noted above.

Effect: Auditor proposed entries were required to correct capital asset activity.

Current Year Status: Still an issue in the current year, see Finding 2016-001.

**2015-003, 2014-003 Finding Type – Material Weakness – Prior Period Adjustments**

Criteria: Management is responsible for establishing, maintaining, and monitoring internal controls, and for the fair presentation in the financial statements of financial position and results of operations in accordance with U.S. generally accepted accounting principles (GAAP).

Condition: Misstatements were not detected in a timely manner by the City's internal controls over financial reporting. The prior period adjustments decreased the beginning net position on the government-wide statements and internal service funds.

Context: All of these entries relate to adjustments that are made once a year during the year-end closing process. These adjustments do not affect the integrity of the day-to-day internal financial statements.

Cause: In the prior year, there was no amount booked for an annuity shortfall claim payable at year end. In the prior year, various capital assets were recorded twice on the government-wide financial statements (see also, Finding 2015-002).

Effect: Without the recording of the prior period adjustments, the government-wide financial statements would have been misstated by \$135,997. In addition, the self-insurance fund would have been misstated by \$383,674, the sewer fund by \$160,749, the water fund by \$52,481, the data processing fund by \$26,523, and the central maintenance and garage fund by \$804,830.

Current Year Status: RESOLVED

**City of Flint, Michigan  
Corrective Action Plan  
June 30, 2016**

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**Dr. Karen Weaver  
Mayor**

**CITY OF FLINT, MICHIGAN  
Department of Finance**

**Sylvester Jones, Jr.  
City Administrator**

**David L. Sabuda  
Finance Director**

**Dawn Steele  
Deputy Finance Director**

December 15, 2016

Yeo & Yeo, CPAs  
4468 Oak Bridge Drive  
Flint, MI 48532

RE: Corrective Action Plan

Within the course of the annual audit a deficiency was identified by the auditors. The City is aware of this finding and has addressed it in the following manner:

**2016-01, 2015-002, 2014-02 Finding Type – Significant Deficiency – Capital Asset Maintenance**

The City did convert to a new capital asset management system in FY2015/16. The Finance Department is in the process of working out some of the issues that were encountered with the new software system and those issues have been corrected. The City is also updating the policy & procedures for the capital asset program to ensure that all information imported into the system is correct and accurate and that depreciation is calculated in a manner that fairly reflects what should be expenses for depreciation.

Sincerely,

A handwritten signature in black ink, appearing to read "David L. Sabuda".

**David L. Sabuda, CPA  
Interim Chief Financial Officer**

**City of Flint, Michigan  
Corrective Action Plan  
June 30, 2016**

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**Dr. Karen W. Weaver  
Mayor**

**CITY OF FLINT, MICHIGAN  
Department of Finance**

**Sylvester Jones  
City Administrator**

**David L. Sabuda  
Chief Financial Officer**

**Dawn Steele  
Deputy Finance Director**

February 22, 2017

Yeo & Yeo, P.C.  
CPAs and Business Consultants  
Flint, MI 48532

Attention: Molly Fish, CPA

Re: Single Audit Finding 2016-002 and Corrective Action Plan

Dear Ms. Fish:

In response to the single audit finding, please be advised of the following:

- The City is aware of the Uniform Guidance requirements and has amended all of its contracts beginning in 2016, in compliance with the Uniform Grant Guidance.
- The City is in the process of updating its Standard Operating Procedures to ensure that all requirements contained in the 24 CFR Part 200 are incorporated and implemented in all future contracts, as well as shared with sub recipients.
- HUD recognized that there was confusion generally about the applicability of part 200 to grant agreements, references to regulations it replaced, how it would apply, and timing of the publication of program conforming regulations. In recognition of that confusion, HUD has stated that it will not make findings of noncompliance with the Uniform Requirements between December 26, 2014 and January 6, 2016.

A handwritten signature in black ink, appearing to read "D. Sabuda".

**David L. Sabuda  
Interim Chief Financial Officer**