

**City of Flint, Michigan**

**Single Audit Report**

**June 30, 2018**

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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**

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, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City of Flint's basic financial statements, and have issued our report thereon dated December 20, 2018.

#### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City of Flint'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Flint's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Flint's internal control.

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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section 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. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2018-001 that we consider to be a material weakness.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Flint'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's Response to Findings and Corrective Action Plan**

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

### **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.

*Yeo & Yeo, P.C.*

December 20, 2018  
Flint, MI



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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**

Honorable Mayor and Members of City Council  
City of Flint, Michigan

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

We have audited the City of Flint'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 the City of Flint's major federal programs for the year ended June 30, 2018. The City of Flint's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

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

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

#### ***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of the City of Flint'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 the audit 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). Those standards and the 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 the City of Flint'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 the City of Flint's compliance.

### ***Opinion on Each Major Federal Program***

In our opinion, the City of Flint complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

### ***Other Matters***

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2018-002, 2018-003 and 2018-004. Our opinion on each major federal program is not modified with respect to these matters.

The City of Flint's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs and corrective action plan. The City of Flint'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 the City of Flint 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 the City of Flint'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 the 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 the City of Flint'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 a 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2018-002, 2018-003, and 2018-004, that we consider to be significant deficiencies.

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

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 the 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 the City of Flint, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City of Flint's basic financial statements. We issued our report thereon dated December 20, 2018, 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 is presented for purposes of additional analysis as required by the Uniform Guidance and is 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 expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

*Yeo & Yeo, P.C.*

December 20, 2018  
Flint, Michigan

**City of Flint, Michigan**  
**Schedule of Expenditures of Federal Awards**  
**June 30, 2018**

Federal Grantor	Federal CFDA #	Federal Assistance ID Number	Federal Grant Amount	Expenditures	Amount Paid to Subrecipients
<b>U.S. Department of Agriculture Forest Service</b>					
Direct Program:					
Urban & Community Forestry Program	10.675	13-DG-11420004-020	\$ 850,000	\$ 65,838	\$ -
<b>U.S. Department of Commerce - Economic Development Administration</b>					
Direct Program:					
Economic Development Cluster:					
Title IX Revolving Loan Fund - Program Income	11.307	N/A	1,500,000	1,455,896	-
<b>U.S. Department of Housing and Urban Development</b>					
Direct Program:					
Community Development Block Grant - Entitlement Grant Cluster:					
Community Development Block Grants/Entitlement Grants - 2012 & prior	14.218	B-11-MC-26-0018	3,946,525	10,317	-
Community Development Block Grants/Entitlement Grants - 2013	14.218	B-12-MC-26-0018	3,579,331	19,879	5,125
Community Development Block Grants/Entitlement Grants - 2014	14.218	B-13-MC-26-0018	3,678,128	52,248	35,977
Community Development Block Grants/Entitlement Grants - 2015	14.218	B-14-MC-26-0018	3,629,629	37,639	17,127
Community Development Block Grants/Entitlement Grants - 2016	14.218	B-15-MC-26-0018	3,617,741	93,637	56,417
Community Development Block Grants/Entitlement Grants - 2017	14.218	B-16-MC-26-0018	3,615,454	1,557,169	717,702
Community Development Block Grants/Entitlement Grants - 2018	14.218	B-17-MC-26-0018	3,563,724	763,549	167,592
Total Community Development Block Grant Cluster			<u>25,630,532</u>	<u>2,534,438</u>	<u>999,940</u>
Emergency Solutions Grant Program - 2016	14.231	E-15-MC-260018	323,533	1,024	-
Emergency Solutions Grant Program - 2017	14.231	E-16-MC-260018	325,669	269,483	281,528
Emergency Solutions Grant Program - 2018	14.231	E-17-MC-260018	632,144	297,256	284,676
Total Emergency Solutions Grant			<u>1,281,346</u>	<u>567,763</u>	<u>566,204</u>
Home Investment Partnerships Program - 2012 & prior	14.239	M-11-MC-260204	1,148,343	38,433	-
Home Investment Partnerships Program - 2013	14.239	M-12-MC-260204	783,832	31,000	15,375
Home Investment Partnerships Program - 2014	14.239	M-13-MC-260204	725,741	64,924	64,924
Home Investment Partnerships Program - 2015	14.239	M-14-MC-260204	745,525	12,155	-
Home Investment Partnerships Program - 2016	14.239	M-15-MC-260204	666,059	106,205	-
Home Investment Partnerships Program - 2017	14.239	M-16-MC-260204	691,589	24,449	5,661
Home Investment Partnerships Program - 2018	14.239	M-17-MC-260204	684,250	25,000	25,000
Total Home Investment Partnerships Program			<u>5,445,339</u>	<u>302,166</u>	<u>110,960</u>
Neighborhood Stabilization Program (Recovery Act) Program Income	14.256	B-09-CN-MI-0035	96,051	96,051	-
Choice Neighborhood Planning Grant	14.892	M15F519CNP114	500,000	4,173	-
Total Department of Housing & Urban Development			<u>32,953,268</u>	<u>3,504,591</u>	<u>1,677,104</u>

**City of Flint, Michigan**  
**Schedule of Expenditures of Federal Awards**  
**June 30, 2018**

Federal Grantor	Federal CFDA #	Federal Assistance ID Number	Federal Grant Amount	Expenditures	Amount Paid to Subrecipients
<b>U.S. Department of Justice</b>					
Passed through Michigan Department of Health and Human Services:					
Crime Victim Assistance	16.575	2015VAGX0044	\$ 365,927	\$ 51,194	\$ -
Passed through Flint Township:					
Edward Byrne Memorial Justice Assistance Grant Program					
Edward Byrne Memorial Justice Assistance Grant - 2014	16.738	2014-H2514MI-DJ	191,187	77,753	-
Edward Byrne Memorial Justice Assistance Grant - 2015	16.738	2015-H2814-MI-DJ	159,488	31,456	-
Edward Byrne Memorial Justice Assistance Grant - 2016	16.738	2016-H3232-MI-DJ	155,606	93,211	-
Total Edward Byrne Memorial Justice Assistance Grant			<u>506,281</u>	<u>202,420</u>	<u>-</u>
Direct Program:					
Sexual Assault Kit Initiative Grant	16.833	2015-AK-BX-K016	2,162,652	336,570	-
Total Department of Justice			<u>3,034,860</u>	<u>590,184</u>	<u>-</u>
<b>U.S. Environmental Protection Agency</b>					
Passed through State of Michigan:					
Drinking Water State Revolving Fund Cluster:					
Capitalization Grants for Drinking Water State Revolving Funds - WIIN Arcadis	66.468		1,499,928	1,010,432	-
Capitalization Grants for Drinking Water State Revolving Funds - WIIN	66.468		20,000,000	6,764,015	-
Total Drinking Water State Revolving Fund Cluster			<u>21,499,928</u>	<u>7,774,447</u>	<u>-</u>
Direct Program:					
Brownfields Assessment and Cleanup Cooperative Agreements	66.818	BR-9665501	400,000	321,279	-
Total Environmental Protection Agency			<u>21,899,928</u>	<u>8,095,726</u>	<u>-</u>
<b>U.S. Department of Health and Human Services</b>					
Passed through Centers for Disease Control:					
Blood Disorder Program: Prevention, Surveillance, and Research	93.080	U27DD001155	19,500	18,459	-
Direct Program:					
Maternal, Infant, and Early Childhood Home Visiting Cluster:					
Maternal and Child Health Federal Consolidated Programs	93.110	H30MC24047-01-01	15,000	10,599	-
Maternal and Child Health Federal Consolidated Programs	93.110	T20MC07463	1,782	1,557	-
Total Maternal, Infant, and Early Childhood Home Visiting Cluster			<u>16,782</u>	<u>12,156</u>	<u>-</u>
Passed through Regents of the University of Michigan:					
Research Related to Deafness and Communication Disorders	93.173	5-RO1-DC-014703-03	29,918	24,892	-
Direct Program:					
Childhood Lead Poisoning Prevention Projects, State and Local Childhood					
Lead Poisoning Prevention and Surveillance of Blood Lead Levels in Children	93.197	NUE2EH001370-01-00	654,554	82,113	-

**City of Flint, Michigan**  
**Schedule of Expenditures of Federal Awards**  
**June 30, 2018**

Federal Grantor	Federal CFDA #	Federal Assistance ID Number	Federal Grant Amount	Expenditures	Amount Paid to Subrecipients
<b>U.S. Department of Health and Human Services (continued)</b>					
Direct Program:					
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	1H79SM063521-01	\$ 4,860,530	\$ 862,776	\$ -
Trans-NIH Research Support	93.310	UG30D023285	29,967	22,301	-
Passed through Children's Hospital of Philadelphia:					
Cancer Treatment Research	93.395	N/A	9,250	9,250	-
Passed through Michigan Department of Health and Human Services:					
Maternal, Infant, and Early Childhood Home Visiting Cluster:					
Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program	93.505	X10MC29482	445,393	445,393	-
Children's Health Insurance Program	93.767	E20173032-00	7,888,800	3,275,640	-
Children's Health Insurance Program	93.767	E20182803-00	8,000,000	980,507	-
Total Children's Health Insurance Program			15,888,800	4,256,147	-
Organized Approaches to Increase Colorectal Cancer Screening	93.800	5U58DP002022	11,596	11,596	-
Passed through Genesee County Health Department:					
Healthy Start Initiative	93.926	H49MC00148	109,710	35,723	-
Direct Program:					
Volunteers in Service to America	94.013	15VSNMI001	10,000	2,031	-
Operation AmeriCorps	94.025	MACF-17-25500	450,590	111,132	111,132
Total Department of Health and Human Services			22,536,590	5,893,969	111,132
<b>U.S. Department of Homeland Security</b>					
Direct Program:					
Assistance to Firefighters Grant	97.044	EMW-2016-FO-04826	293,775	267,069	-
Staffing for Adequate Fire and Emergency Response (SAFER)	97.083	EMW-2015-FH-00796	3,767,280	1,562,211	-
Total Department of Homeland Security			4,061,055	1,829,280	-
<b>Total Federal Assistance</b>			<b>\$ 86,835,701</b>	<b>\$ 21,435,484</b>	<b>\$ 1,788,236</b>

**City of Flint, Michigan**  
**Notes to the Schedule of Expenditures of Federal Awards**  
**June 30, 2018**

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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 the City of Flint, Michigan under programs of the federal government for the year ended June 30, 2018. 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 the City of Flint, Michigan, it is not intended to and does not present the financial position, changes in net position, or cash flows of the 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	\$ 21,435,484
Title IX grant based on grant allocation formula (not actual expenses)	(1,455,896)
Expenditures not drawn within 60 days (unavailable revenue)	(473,369)
Expenditures reported on subrecipient records	(713,077)
Section 108 loans in default	95,070
Prior year unavailable revenue recognized	1,048,093
Federal Revenue per the Financial Statements	<u>\$ 19,936,305</u>
Federal revenue per the governmental funds	\$ 7,905,710
Federal revenue included in capital contributions in the Water Fund	12,030,595
	<u>\$ 19,936,305</u>

**City of Flint, Michigan**  
**Notes to the Schedule of Expenditures of Federal Awards**  
**June 30, 2018**

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**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.

**Note 5 - Federal CFDA # Reporting**

For the year ended June 30, 2018, grant number E20173032-00 was reported under CFDA # 93.767. This grant was previously reported under CFDA # 93.778, as was identified in the grant award received from the Michigan Department (the Department) of Health and Human Services during the 2017 fiscal year. The Department has confirmed that it provided the incorrect CFDA # in the previous year.

**City of Flint, Michigan**  
**Schedule of Findings and Questioned Costs**  
**June 30, 2018**

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

Noncompliance material to financial statements noted?

       Yes   X   No

*Federal Awards*

Internal control over major programs:

- Material weakness(es) identified?        Yes   X   No
  
- Significant deficiency(ies) identified that are not considered to be material weakness(es)?   X   Yes        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, 2018**

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Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
11.307	Economic Development Cluster
66.468	Drinking Water State Revolving Fund Cluster
93.243	Substance Abuse and Mental Health Services Projects of Regional and National Significance
97.083	Staffing for Adequate Fire and Emergency Response

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, 2018**

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**SECTION II – GOVERNMENT AUDITING STANDARDS FINDINGS**

**Finding 2018-001 – Material Weakness – Capital Asset Reconciliations**

<b>Criteria:</b>	The City should have a process in place in which all capital asset schedules, including additions and disposals, are reviewed and agreed to supporting documentation to ensure that the amounts recorded are accurate.
<b>Condition:</b>	Capital assets were not reconciled at the start of fieldwork and several subsequent adjustments were necessary after client schedules were provided.
<b>Cause and Effect:</b>	There has been significant turnover in the accounting department during the year ended June 30, 2018. In addition, various other departments are integral to the proper reporting of capital asset additions and disposals. The effect was significant journal entries were required to reconcile capital assets.
<b>Recommendation:</b>	We recommend the City review all capital asset reconciliations, along with supporting documentation obtained from other departments, to ensure that amounts are appropriately recorded. As a part of this process, the City should also review all expenditure accounts to ensure that all additions were identified and capitalized as well as all proceed accounts to confirm all disposals were recorded.
<b>Views of Responsible Officials:</b>	Management agrees with the finding.
<b>Corrective Action Plan:</b>	See attached corrective action plan.

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

**Finding 2018-002 – Significant Deficiency and Noncompliance – Special Tests – Loan Requirements**

<b>Program Information:</b>	Economic Development Cluster, U.S. Department of Commerce – Economic Development Administration, There is no available award number or award year. CFDA #11.307.
<b>Criteria:</b>	Minimum standard loan documentation must be maintained.
<b>Condition:</b>	For two of two loans selected for testing, there was no support retained to provide evidence that the minimum loan documentation was retained for signed bank turn down letters demonstrating that credit was not otherwise available.

**City of Flint, Michigan**  
**Schedule of Findings and Questioned Costs**  
**June 30, 2018**

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<b>Questioned Costs:</b>	None.
<b>Cause and Effect:</b>	The loan files did not contain any signed bank turn letters and therefore we could not determine whether this compliance requirement had been met when the loans were made.
<b>Recommendation:</b>	We recommend the City review the compliance requirements for revolving loan funds and retain all required documentation to be compliant with the program.
<b>Views of Responsible Officials:</b>	Management agrees with the finding.
<b>Corrective Action Plan:</b>	See attached corrective action plan.

**Finding 2018-003 – Significant Deficiency and Noncompliance – Reporting**

<b>Program Information:</b>	Substance Abuse and Mental Health Services Projects of Regional and National Significance, U.S. Department of Health and Human Services, 1H79SM063521-01, 2018, CFDA #93.243.
<b>Criteria:</b>	SF-425 must be filed annually and the elements of the programmatic reports must be supported by underlying documentation.
<b>Condition:</b>	The SF-425 was not filed and various elements of the programmatic report could not be supported.
<b>Questioned Costs:</b>	None.
<b>Cause and Effect:</b>	The SF-425 was not filed and the supporting data for the programmatic report was not retained. The effect is noncompliance with grant requirements.
<b>Recommendation:</b>	We recommend the City file all required reports in a timely manner and maintain all data used to prepare those reports.
<b>Views of Responsible Officials:</b>	Management agrees with the finding.
<b>Corrective Action Plan:</b>	See attached corrective action plan.

**City of Flint, Michigan**  
**Schedule of Findings and Questioned Costs**  
**June 30, 2018**

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**Finding 2018-004 – Significant Deficiency and Noncompliance – Uniform Guidance Policies and Procedures**

<b>Program Information:</b>	All federal grants.
<b>Criteria:</b>	The City is responsible for establishing written policies and procedures that are in compliance with Uniform Guidance when receiving federal funding.
<b>Condition:</b>	The City has not updated all of its federal policies and procedures to be completely in compliance with Uniform Guidance. Compliance requirements may include some or all of the following: cash management, conflict of interest, payroll and federal timekeeping, financial management systems, payments, allowable costs, period of performance, matching or cost sharing, program income, procurement, equipment and real property, supplies, copyrights, subawards to debarred and suspended parties, monitoring and reporting program performance, financial reporting, retention and access requirements for records.
<b>Questioned Costs:</b>	None.
<b>Cause and Effect:</b>	The City is not in compliance with Uniform Guidance. This could result in unallowable costs or takeback of federal funds for lack of compliance.
<b>Recommendation:</b>	The City has some policies and procedures that are in compliance with Uniform Guidance, however, much of these policies and procedures are specific to the CDBG grant. We recommend the City review the compliance requirements of Uniform Guidance and develop and implement all required policies and procedures. The policies and procedures should be written and be applicable to all grant types.
<b>Views of Responsible Officials:</b>	Management agrees with the finding.
<b>Corrective Action Plan:</b>	See attached corrective action plan.

**City of Flint, Michigan**  
**Summary Schedule of Prior Audit Findings**  
**June 30, 2018**

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**SECTION IV – PRIOR AUDIT FINDINGS**

**GOVERNMENT AUDITING STANDARDS FINDINGS**

There were no *Government Auditing Standards* findings for the year ended June 30, 2017.

**FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

There were no findings or questioned costs for Federal Awards for the year ended June 30, 2017.



Dr. Karen Weaver  
Mayor

## CITY OF FLINT, MICHIGAN Department of Finance

Steve Branch  
City Administrator

Hughey Newsome  
Chief Financial Officer

Dawn Steele  
Deputy Finance Director

Yeo & Yeo, CPAs  
5300 Bay Road, Suite 100  
Saginaw, MI 48604

RE: Corrective Action Plan

Within the course of the annual audit, the auditors identified certain deficiencies. The City is aware of these findings and has addressed them in the following manner:

### **2018-001 Finding Type - Material Weakness – Capital Asset Maintenance**

The City will ensure a process is in place to review capital asset activity along with related journal entries. As a part of this process, the City has implemented a new system in which an item will be flagged as a capital asset through the purchase order system or through the accounts payable system and will be entered directly into the fixed asset system during the disbursement process. Prior to the beginning of the FY18 audit, the City experienced difficulty obtaining necessary documentation in order to post adjusting journal entries. Additionally, previous staff had not updated procedures required to perform capital asset accounting. The Finance Department has been building the knowledge and capacity of the newly assigned accountant in the department to manage the capital assets. As the City continued to calculate and post capital asset activity to FY18, the accountant discovered discrepancies that made further adjustments necessary. Staff immediately brought this matter to the attention of the auditors who had already begun their review. The City is in the process of updating the procedures for capital assets and is confident that the accountant assigned to capital assets has a thorough understanding of the process. This will enable staff to monitor and record acquisitions and disposals in a timely and accurate manner.

If you have further questions or concerns, please feel free to contact me at your convenience.

Sincerely,

A handwritten signature in blue ink, appearing to read "Hughey Newsome", is written over a horizontal line.

Hughey Newsome  
Chief Financial Officer



**Dr. Karen Weaver**  
Mayor

## **CITY OF FLINT, MICHIGAN**

### **Department of Finance**

**Steve Branch**  
City Administrator

**Hughey Newsome**  
Chief Financial Officer

**Dawn Steele**  
Deputy Finance Director

Yeo & Yeo, CPAs  
5300 Bay Road, Suite 100  
Saginaw, MI 48604

RE: Corrective Action Plan

Within the course of the annual audit, the auditors identified certain deficiencies. The City is aware of these findings and has addressed them in the following manner:

#### **2018-002 – Significant Deficiency and Noncompliance – Special Tests – Loan Requirements**

According to the new regulations implemented with the 2017 overhaul of the EDA RLF program, the requirement to obtain a bank-turn-down letter from the borrower has been changed to allow EDA RLF Operators to provide evidence that the terms and conditions of the loan being extended to the borrower are not otherwise available. Therefore, future loans will not require bank turn down letters, which were difficult to obtain, but will document by comparison, the loan terms and conditions from other local borrowers to satisfy, 13 CFR 301.11(a)(1)(ii)(H). Such document requirement will be added to the loan-closing checklist to ensure that the requirement is considered prior to closing.

If you have further questions or concerns, please feel free to contact me at your convenience.

Sincerely,

**Hughey Newsome**  
Chief Financial Officer



**Dr. Karen Weaver**  
Mayor

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RE: Corrective Action Plan

Within the course of the annual audit, the auditors identified certain deficiencies. The City is aware of these findings and has addressed them in the following manner:

#### **2018-003 – Significant Deficiency and Noncompliance – Reporting**

The City will ensure that all reports are filed timely and will maintain all data used to prepare these reports. Since the declaration of the water crisis at the City of Flint, the City has received several grants to help with the crisis. Unfortunately the City has not been able to increase their capacity for overseeing all of the grant funding received for the water crisis. There has been significant turnover in the Finance Department especially during the year ended June 30, 2018. The City did hire a Grants and Finance Coordinator in March 2018 in the Administration Department to perform the financial operations of several grants that have been awarded to the City specifically related to the water crisis. Said responsibilities include preparing and filing grant reports including the SF-425 and maintaining all data used in preparing these reports. This new position works closely with the Finance Department to assure accuracy and timeliness of financial reports and to assure that detailed programmatic reports are being maintained.

If you have further questions or concerns, please feel free to contact me at your convenience.

Sincerely,

A handwritten signature in blue ink, appearing to read "Hughey Newsome", written over a horizontal line.

**Hughey Newsome**  
Chief Financial Officer



Dr. Karen Weaver  
Mayor

## CITY OF FLINT, MICHIGAN Department of Finance

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RE: Corrective Action Plan

Within the course of the annual audit, the auditors identified certain deficiencies. The City is aware of these findings and has addressed them in the following manner:

### **2018-004 – Significant Deficiency and Noncompliance – Uniform Guidance Policies and Procedures**

The City will review its current Grant Administration Policies and Procedures to determine any necessary changes or updates needed to be completely in compliance with Uniform Guidance. There has been significant turnover in the Finance Department especially during the year ended June 30, 2018. The Grants and Budget Administrator position has been vacant since January 2018. This position is tasked with reviewing and updating the Policy. The City is working towards having this position filled permanently at which time the review of the policy will commence.

If you have further questions or concerns, please feel free to contact me at your convenience.

Sincerely,

Hughey Newsome  
Chief Financial Officer