

City of Flint,
Michigan



Year Ended
June 30, 2022

Single Audit Act
Compliance

Rehmann

CITY OF FLINT, MICHIGAN

Table of Contents

	<u>Page</u>
Independent Auditors' Report on the Schedule of Expenditures of Federal Awards Required by the Uniform Guidance	1
Schedule of Expenditures of Federal Awards	2
Notes to Schedule of Expenditures of Federal Awards	4
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	6
Independent Auditors' Report on Compliance for Each Major Federal Program and on Internal Control over Compliance Required by the Uniform Guidance	8
Schedule of Findings and Questioned Costs	11
Summary Schedule of Prior Audit Findings	20
Corrective Action Plan	23



INDEPENDENT AUDITORS' REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

March 28, 2023

Members of the City Council
City of Flint, Michigan

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, Michigan** (the "City"), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated December 27, 2022, which contained unmodified opinions on those financial statements. Our report includes a reference to other auditors. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Flint, Michigan's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (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 expenditure of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Rehmann Lobson LLC



CITY OF FLINT, MICHIGAN

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2022

Federal Agency / Cluster / Program Title	Assistance Listing Number	Passed Through	Pass-through / Grantor Number	Total Subawards	Federal Expenditures
U.S. Department of Commerce					
Economic Development Cluster - Title IX Revolving Loan Fund	11.307	Direct	n/a	\$ -	\$ 732,920
U.S. Department of Housing and Urban Development					
Community Development Block Grant/Entitlement Grant Cluster:					
2015 Entitlement	14.218	Direct	B-15-MC-26-0018	9,688	216,672
2016 Entitlement	14.218	Direct	B-16-MC-26-0018	-	91,541
2017 Entitlement	14.218	Direct	B-17-MC-26-0018	42,545	266,012
2018 Entitlement	14.218	Direct	B-18-MC-26-0018	150,275	832,555
2019 Entitlement	14.218	Direct	B-19-MC-26-0018	842,906	1,416,721
2020 Entitlement	14.218	Direct	B-20-MC-26-0018	453,180	1,399,912
2021 Entitlement	14.218	Direct	B-21-MC-26-0018	129,721	149,721
COVID-19 CDBG Cares Act	14.218	Direct	B-20-MW-26-0018	-	520,707
				<u>1,628,315</u>	<u>4,893,841</u>
Emergency Solutions Grant Program:					
2019 Grant Year	14.231	Direct	E-19-MC-26-0018	4,459	4,459
2020 Grant Year	14.231	Direct	E-20-MC-26-0018	118,910	130,856
2021 Grant Year	14.231	Direct	E-21-MC-26-0018	52,087	52,087
COVID-19 ESG Cares Act	14.231	Direct	E-20-MW-26-0018	982,202	1,011,337
				<u>1,157,658</u>	<u>1,198,739</u>
HOME Investment Partnership Program:					
2015 Grant Year	14.239	Direct	M-15-MC-26-0204	8,990	8,990
2017 Grant Year	14.239	Direct	M-17-MC-26-0204	-	1,446
2018 Grant Year	14.239	Direct	M-18-MC-26-0204	5,900	6,136
2019 Grant Year	14.239	Direct	M-19-MC-26-0204	-	36,290
2020 Grant Year	14.239	Direct	M-20-MC-26-0204	-	7,635
				<u>14,890</u>	<u>60,497</u>
HOPE VI Cluster:					
Choice Neighborhood Implementation Grant	14.889	Direct	MI5F519CNG117	692,714	2,397,616
Lead Hazard Reduction Demonstration Grant Program:					
Lead Based Paint Hazard Control	14.900	Direct	MILH0683-18	-	307,789
Lead Based Paint Hazard Control	14.900	Direct	MILHB0776-21	-	671
				<u>-</u>	<u>308,460</u>
Total U.S. Department of Housing and Urban Development				<u>3,493,577</u>	<u>8,859,153</u>
U.S. Department of Justice					
COVID-19 BJA FY 20 Coronavirus Emergency Supplemental Funding Program	16.034	Direct	2020-VD-BX-1842	-	53,226
Edward Byrne Memorial Justice Assistance Grant Program:					
2018 Grant Year	16.738	FT	2018-H3437-MI-DJ	-	74,350
Technology Innovation for Public Safety 2018	16.738	FT	2018-DG-BX-K003	-	75,681
2019 Grant Year	16.738	FT	2019-H3840-MI-DJ	-	7,689
2020 Grant Year	16.738	FT	2020-H7869-MI-DJ	-	21,300
				<u>-</u>	<u>179,020</u>
Byrne Criminal Justice Innovation Program	16.817	HCHN	n/a	-	2,824
Sexual Assault Kit Initiative Grant					
2019 Grant Year	16.833	Direct	2019-AK-BX-0002	-	691,580
Total U.S. Department of Justice				<u>-</u>	<u>926,650</u>

continued...

CITY OF FLINT, MICHIGAN

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2022

Federal Agency / Cluster / Program Title	Assistance Listing Number	Passed Through	Pass-through / Grantor Number	Total Subawards	Federal Expenditures
U.S. Department of Labor					
WIA/WIOA Cluster:					
WIA Adult Program	17.258	Direct	MICA2.0_2019 CITY OF FLINT	\$ -	\$ 68,662
U.S. Department of Treasury					
COVID-19 Coronavirus State and Local Fiscal Recovery Fund:					
	21.027	Direct	n/a	-	3,349,993
Small Business Administration					
Community Navigator Pilot Program	59.077	Direct	SBAHQ22CNP0021	-	245,190
U.S. Environmental Protection Agency					
Clean Water State Revolving Fund Cluster - Capitalization Grants for Clean Water State Revolving Funds:					
State Clean Water Revolving Fund	66.458	EGLE	5696-01	-	11,176,164
State Clean Water Revolving Fund	66.458	EGLE	5709-01	-	2,628,082
				-	13,804,246
Drinking Water State Revolving Fund Cluster - Capitalization Grants for Drinking Water State Revolving Funds:					
Water Infrastructure and Distribution Improvement Projects	66.468	EGLE	n/a	-	8,710,134
Total U.S. Environmental Protection Agency				-	22,514,380
U.S. Department of Health and Human Services					
Childhood Lead Poisoning Prevention Projects, State and Local Childhood - Blood Lead Levels in Children:					
Flint Registry Referral Network	93.197	MSU	5NUE2EH001370	-	6,275
Michigan State University Grants for Lead Exposure	93.197	MSU	CDC-RFA-EH17-170402	-	23,677
				-	29,952
Substance Abuse and Mental Health Services Projects of Regional and National Significance:					
Stress and Trauma	93.243	Direct	1H79SM063521-01	-	523,488
Stress and Trauma	93.243	Direct	1H79SM084918-01	-	588,288
				-	1,111,776
Healthy Start Initiative	93.926	GC	U62MC3110	-	352,127
Total U.S. Department of Health and Human Services				-	1,493,855
Total Expenditures of Federal Awards				<u>\$ 3,493,577</u>	<u>\$ 38,190,803</u>

concluded

See notes to schedule of expenditures of federal awards.

CITY OF FLINT, MICHIGAN

Notes to Schedule of Expenditures of Federal Awards

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of the City of Flint, Michigan (the "City") under programs of the federal government for the year ended June 30, 2022. The information in the 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, it is not intended to and does not present the financial position, changes in net position or cash flows of the City.

Expenditures reported on the Schedule are reported on the accrual basis of accounting, which is described in Note 1 to the City's financial statements. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, and other appropriate guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts, if any, shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

2. 10% DE MINIMIS COST RATE

For purposes of charging indirect costs to federal awards, the City has not elected to use the 10 percent de minimis cost rate as permitted by §200.414 of the Uniform Guidance.

3. TITLE IX REVOLVING LOAN FUND

The following amounts were used to calculate the reported expenditures on the Schedule for the Title IX Revolving Loan Fund for the year ending June 30, 2022:

Revolving loan principal outstanding	\$ 21,534
Cash and investments in revolving loan fund	711,320
Administrative fees	<u>66</u>
Amount reported on the Schedule	<u><u>\$ 732,920</u></u>

CITY OF FLINT, MICHIGAN

Notes to Schedule of Expenditures of Federal Awards

4. PASS-THROUGH AGENCIES

The City receives certain federal grants as subawards from non-federal entities. Pass-through entities, where applicable, have been identified in the Schedule with an abbreviation, defined as follows:

Pass-through Agency Abbreviation	Pass-through Agency Name
FT	Flint Township
HCHN	Hamilton Community Health Network
EGLE	Michigan Department of Environment, Great Lakes, and Energy
MSU	Michigan State University
GC	Genesee County



**INDEPENDENT AUDITORS' 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**

December 27, 2022

Members of the 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** (the "City"), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 27, 2022. Our report includes a reference to other auditors who audited the financial statements of the Hurley Medical Center and Downtown Development Authority, as described in our report on the City's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of the Downtown Development Authority were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) as a basis for designing 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's internal control. Accordingly, we do not express an opinion on the effectiveness of the City'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 have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs, as items 2022-001 through 2022-006 that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City'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 financial statements. 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* with the exception of the item reported as item 2022-004.

City of Flint's Response to Findings

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The City'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 City'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.

A handwritten signature in black ink that reads "Lehmann Johnson LLC". The signature is written in a cursive, flowing style.

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

March 28, 2023

Members of the City Council
City of Flint, Michigan

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the compliance of the **City of Flint, Michigan** (the "City") with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2022. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

The City's basic financial statements also include the operations of the Hurley Medical Center and Downtown Development Authority, which may have received certain federal awards that are not included in the schedule of expenditures of federal awards for the year ended June 30, 2022. Our audit, described below, did not include the operations of the Hurley Medical Center and Downtown Development Authority because they arranged for separate audits.

In our opinion, the City 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, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Independent Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.



Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the City's federal programs.

Independent Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

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 item 2022-007. Our opinion on each major federal program is not modified with respect to this matter.

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the noncompliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

Report on 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 Independent Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Purpose of this Report

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.

Lehmann Johnson LLC

CITY OF FLINT, MICHIGAN

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2022

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? X yes no

Significant deficiency(ies) identified? yes X none reported

Noncompliance material to financial statements noted? X yes no

Federal Awards

Internal control over major programs:

Material weakness(es) identified? yes X no

Significant deficiency(ies) identified? yes X none reported

Identification of major programs, and type of auditors' report issued on compliance:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>	<u>Type of Opinion</u>
14.231	Emergency Solutions Grant Program	Unmodified
21.027	Coronavirus State and Local Fiscal Recovery Funds	Unmodified
66.458	Clean Water State Revolving Fund Cluster	Unmodified
66.468	Drinking Water State Revolving Fund Cluster	Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? yes X no

Dollar threshold used to distinguish between Type A and Type B programs: \$ 1,145,724

Auditee qualified as low-risk auditee? yes X no

CITY OF FLINT, MICHIGAN

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2022

SECTION II – FINANCIAL STATEMENT FINDINGS

2022-001 – Material Audit Adjustments (repeat finding)

Finding Type. Material Weakness in Internal Control over Financial Reporting.

Criteria. Management is responsible for maintaining its accounting records in accordance with generally accepted accounting principles (GAAP).

Condition. During the audit, multiple adjustments were provided in order to reach proper year-end balances. The majority of the adjustments that were made to the trial balance were identified by the auditors, while a few were identified by the City.

Cause. This condition was the result of internal controls not detecting all adjustments necessary to properly record year-end balances.

Effect. As a result of this condition, the City's accounting records were initially misstated by amounts material to the financial statements. Specifically, the following areas were misstated:

- Governmental activities interfund balances were overstated by \$8,356,938 and the related business-type activities interfund balances were understated \$8,356,938 due to the internal allocation being calculated incorrectly.
- Fund balance in the grants special revenue fund was understated by \$262,123 and the related revenue was overstated by the same amount due to the City not reconciling to the ending audit balances in the prior year.
- A reclass entry was made in the general fund to move \$517,660 from the Genesee County liability account to accounts payable.
- Accounts payable and related professional fees expenses in the sewer fund were understated by \$626,000 due to the City not accruing invoices related to a CIP project at year-end. Further, depreciation expense and related accumulated depreciation in the water fund was overstated by \$103,431.
- Income tax revenue and the related income tax receivable in the general fund were understated by \$1,503,585 due to the City not appropriately adjusting the year-end balance.
- Prepaid assets in the fringe benefit internal service fund were understated and accounts payable were overstated by \$172,774 due to the City not recording a prepaid item appropriately.
- Sewer fund accounts receivable and related charges for services were understated by \$202,225 due to the City not properly recording receivables related to unbilled utilities. Further, the water fund accounts receivable and related charges for services were understated by \$234,645 due to the reasoning noted above.

CITY OF FLINT, MICHIGAN

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2022

- Sewer fund accounts receivable and related bad debt expense was understated by \$40,445 and water fund accounts receivable and related bad debt expense was understated by \$46,929 due to the City not appropriately recording the reserve for doubtful accounts receivable.
- Grants special revenue fund unearned revenue was overstated and the related expenditures were understated by \$175,489 due to the City improperly recording the auction of seized guns from traffic stops as unearned revenue that does not meet the criteria.
- Grants special revenue fund due from other governments and related unavailable revenue was understated by \$348,098. Further, governmental activities deferred inflow was understated and related revenue was understated by the same amount. This was due to the City initially not recording the due from other governments and deferred inflows of resources for prior year grants that the City still has not received as of June 30, 2022.
- Death benefit trust fund beginning net position and transfers out was understated by \$924,141 due to the City incorrectly closing current year activity.
- Sewer fund construction in progress was understated and the related expenses were overstated by \$1,327,321 due to the City recording costs as repairs and maintenance expenses for projects that should have been capitalized.
- Sewer fund capital assets were understated and the related expenses were overstated by \$1,054,780 and water fund capital assets were overstated and the related expenses were understated by \$1,054,780 due to the City capitalizing costs in the water funds that should have been capitalized in the sewer fund.
- Major streets due from other governments and unavailable revenue was understated by \$519,585 due to the City not recording receivables relating to reimbursable expenses for street improvements. Governmental activities capital grants was understated by the same amount.

Recommendation. We recommend that the City prepare, review, and reconcile all year-end schedules that are used in financial reporting prior to audit fieldwork.

View of Responsible Officials. Management concurs with this finding. New processes were developed in FY2022, and improvements were made. Further advancements to these processes will continue through FY2023.

CITY OF FLINT, MICHIGAN

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2022

SECTION II – FINANCIAL STATEMENT FINDINGS

2022-002 – Unsupported Accounts (repeat finding)

Finding Type. Material Weakness in Internal Control over Financial Reporting.

Criteria. Management is responsible for maintaining its accounting records in accordance with generally accepted accounting principles (GAAP).

Condition. The City has liabilities of \$120,943 recorded in the custodial fund that are unsupported and the City is unsure what these amounts represent and who the City is holding these funds for.

Cause. This condition was the result of a lack of reconciliations. Internal controls did not detect all adjustments necessary to properly record year-end balances.

Effect. The City's accounting records could be potentially misstated with no detail to support the individual payable items.

Recommendation. We recommend that the City review its accounts, determine the individual items payable or receivable, and adjust accordingly.

View of Responsible Officials. Management concurs with this finding. The Finance Team is working on a review of past delinquent tax collections, distributions, and captures to correct past errors and update current procedures. Subsequent to year-end, the City will continuously review the liabilities of in the custodial fund and escheat to the State on a regular basis.

CITY OF FLINT, MICHIGAN

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2022

SECTION II – FINANCIAL STATEMENT FINDINGS

2022-003 - Utility Billing (repeat finding)

Finding Type. Material Weakness in Internal Control over Financial Reporting.

Criteria. Management is responsible for establishing effective internal controls to safeguard the City's assets, and to prevent or detect misstatements to the financial statements. In establishing appropriate internal controls, careful consideration must be given to the cost of a particular control and the related benefits to be received. Accordingly, management must make the difficult decision of what degree of risk it is willing to accept, given the City's unique circumstances. Ideally, no single individual should ever be able to authorize a transaction, record the transaction in the accounting records, and maintain custody of the assets resulting from the transaction. Effectively, proper segregation of duties is intended to prevent an individual from committing an act of fraud or abuse and being able to conceal it.

Condition. The City has approximately \$1.0 million in credit balances spread across roughly 3,200 accounts in the utility billing module. Additionally, any credits to customer accounts do not have a formal approval process in place. The billing supervisor can approve credits and then also approve the final billings before they are sent to customers. This is an inappropriate segregation of incompatible duties. Water Residential Assistance Program ("WRAP") credits are applied to customer accounts without anyone independently reviewing the credits against the listing provided by Genesee County. Further, the service charges for water and sewer in the utility billing system did not agree to the approved rates.

Cause. This condition was the result of policies and internal controls not being designed properly.

Effect. As a result of this condition, the City is exposed to an increased risk that misstatements or misappropriations might occur and not be detected by management in a timely manner.

Recommendation. We recommend that the City implement proper internal controls over utility billing and collections and document through a written policy. Any WRAP credits should also be approved correctly in accordance with a policy and documented. Additionally, credit balances for utility billing should be escheated to the State or applied to different accounts for the same customer. Further, the service charges in the utility billing system should be reviewed to ensure they agree to the approved rates.

View of Responsible Officials. Management concurs with this finding. The Customer Service team is currently applying the credit balances where possible and will escheat the remaining balances in FY2023. Additionally, the team has updated its procedures regarding WRAP payments and excess cash in drawers. Subsequent to year-end, the City has completed more refunds and adjustments and has continued working on the credits. The City also has a part-time employee who primarily focuses on this item. The City's billing team also reviews our accounts, determines the individual items payable or receivable, and adjusts accordingly. Therefore, we anticipate this finding will be eliminated in the FY 2022-23 ACFR.

CITY OF FLINT, MICHIGAN

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2022

SECTION II – FINANCIAL STATEMENT FINDINGS

2022-004 – Investments (repeat finding)

Finding Type. Material Noncompliance; Material Weakness in Internal Control over Financial Reporting.

Criteria. The City's investments must be allowable in accordance with Public Act 20 of 1943.

Condition. The City transferred investment of \$924,141 with the closure of the Death Benefit "trust fund" into the fringe benefits internal service fund. We noted that these investments are not in compliance with Public Act 20 of 1943 and the amounts are material to the financial statements.

Cause. This condition appears to be the result of management not understanding Public Act 20 of 1943 and the allowable types of investments.

Effect. As a result of this condition, the City is out of compliance with State law.

Recommendation. We recommend that the City review Public Act 20 of 1943 and ensure necessary adjustments are made to the type of investments the City holds.

View of Responsible Officials. Management concurs with this finding. Subsequent to year-end, the City's finance team worked with the legal team and its Municipal Advisor to revise and update the investment policy, which the City Council then adopted. Moreover, the City's finance team is working with its Municipal Advisor to re-invest these funds in a manner that complies with P.A. 20 of 1943.

CITY OF FLINT, MICHIGAN

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2022

SECTION II – FINANCIAL STATEMENT FINDINGS

2022-005 - Tax Distributions (repeat finding)

Finding Type. Material Weakness in Internal Control over Financial Reporting.

Criteria. Section 43(3)(a) of Public Act 206 of 1893, the General Property Tax Act, MCL 211.43(3)(a) (the "Public Act"), provides that local units of Government with a State equalized value of more than \$15,000,000 shall, within 10 business days after the first and fifteenth day of each month, account for and deliver to the county treasurer and other tax assessing units, the tax collections on hand on the first and fifteenth day of each month.

Condition. During our review of undistributed receipts, we noted that there were taxes collected by the City on behalf of other local units that were not distributed in accordance with the Public Act totaling \$1,063,456. We also noted that the City had erroneously paid some local units more than was collected on their behalf. The total of these overpayments as of June 30, 2022 was \$458,560. Further, we noted there were multiple accounts with undistributed taxes that have not changed since the previous year. The State requires amounts collected to be distributed timely.

Cause. This condition appears to be the result of City not implementing proper internal controls to ensure the timely and appropriate disbursement of property taxes collected on behalf of other local units of government.

Effect. As a result of this condition, the City is in violation of Public Act 206 of 1893 and is also exposed to an increased risk related to the overpayments.

Recommendation. We recommend that the City implement procedures over disbursing property taxes collected on behalf of other local units of government in accordance with the Public Act as well as procedures to ensure that the amount remitted to the other local units does not exceed the amount collected on behalf of the local unit.

View of Responsible Officials. Management concurs with this finding. The finance team will work with customer service to regularly review of past collections, distributions, and captures to correct past errors and update current procedures.

CITY OF FLINT, MICHIGAN

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2022

SECTION II – FINANCIAL STATEMENT FINDINGS

2022-006 – Preparation of Schedule of Expenditures of Federal Awards (SEFA)

Finding Type. Material Weakness in Internal Control over Financial Reporting.

Criteria. 2 CFR 200.510, requires that non-federal recipients for federal awards, “The auditee must prepare a SEFA for the period covered by the auditee's financial statements which must include the total Federal awards expended as determined in accordance with 2 CFR 200.502. At a minimum, the schedule must list individual Federal programs by Federal agency, list the names of any pass-through agencies associated with specific awards, provide total Federal awards expended for each individual Federal program and the Assistance Listings Number or other identifying number when the Assistance Listings information is not available, include the total amount provided to subrecipients from each Federal program, and include notes that describe that significant accounting policies used in preparing the schedule, and note whether or not the auditee elected to use the 10% de minimis cost rate as covered in 2 CFR 200.414.”

Condition. While management was able to provide us with a mostly complete SEFA during our audit fieldwork, several adjustments were ultimately required. The provided SEFA was initially misstated by \$2.6 million due to the omission of expenditures from the Capitalization Grants for Clean Water State Revolving Funds award. It was noted during transactional testing that the Emergency Solutions Grant Program (14.231) total is overstated by \$73,314.

Cause. As is the case with many larger governments, the City administers a vast array of federal and state grants throughout its many departments. The function of grant administration is therefore very decentralized.

Effect. As a result of this condition, the City's SEFA was initially misstated by an amount that was material to the financial statements.

Recommendation. We recommend that the City formally adopt a policy for grants administration, and clearly assign the responsibility for grant reporting and preparation of the SEFA each year. All grant financial reports should be reviewed centrally by a member of management prior to submission, and compared against the City's accounting records. Incoming grant receipts should similarly be reviewed to determine the appropriate program for coding. Differences between amounts requested, amounts received, and/or amounts reported on the City's accounting records should be promptly investigated and resolved.

View of Responsible Officials. The City will adopt a policy for grants administration and assign to the Grants and Budget Administrator who is responsible for ensuring that all grant reports are reviewed and in compliance with regulations.

CITY OF FLINT, MICHIGAN

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2022

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

2022-007 – Suspension and Debarment (repeat finding)

Finding Type. Immaterial Noncompliance (Procurement, Suspension and Debarment).

Program. Coronavirus State and Local Fiscal Recovery Funds (SLFRF); U.S. Department of Treasury; Assistance Listing Number 21.027.

Criteria. Recipients of federal awards are required to follow their own internal purchasing policies, as well as complying with purchasing standards set forth in the Uniform Guidance. Part of that guidance requires an entity to check if a vendor is suspended or debarred before entering into a contract.

Condition. The City was unable to provide documentation to support its consideration of suspension and debarment requirements for 1 out of 3 vendors selected for testing.

Cause. Management has indicated that the City is conducting proper procurement processes and checking for suspension and debarment, but does not have the proper internal controls in place to ensure that documentation of the verification is retained in accordance with federal requirements.

Effect. The City is exposed to an increased risk that future noncompliance could occur and not be prevented or detected by the City's internal controls.

Questioned Costs. No costs were required to be questioned as a result of this finding inasmuch as our testing did not reveal any unallowed costs, and the vendors in question were not actually suspended or debarred.

Recommendation. We recommend that the City implement necessary internal controls to ensure documentation of its compliance with the requirements of the Uniform Guidance is maintained.

View of Responsible Officials. The City will implement the necessary internal controls to ensure the policy for compliance is followed and documented.

CITY OF FLINT, MICHIGAN

Summary Schedule of Prior Audit Findings

For the Year Ended June 30, 2022

FINANCIAL STATEMENT FINDINGS

Finding 2021-001 – Material Audit Adjustments

The audit identified the need for substantial adjustments to the City's accounting records, which impacted a variety of funds and financial statement areas that collectively had a material effect on the City's financial statements. This matter was repeated as finding 2022-001.

Finding 2021-002 – Purchasing Cards

Of the five purchasing cards (p-cards) selected, the audit noted the following instances: 1) one out of five p-cards selected had a request that was signed by all required parties but was missing the department head signature, 2) one out of five p-cards selected had both the request and agreement only signed by the card holder and were missing signatures from both the department head and the p-card administrator, 3) for two out of five p-cards selected, the City was unable to provide support for the p-card approval and 4) one out of the five p-cards selected had an expense report that was signed by an individual who was the assigned approver per the City's policy and the listing of users and approvers. This matter is considered resolved at June 30, 2022.

Finding 2021-003 – Unsupported Accounts

The City reported liabilities of \$131,168 recorded in the custodial fund that are unsupported and the City was unsure what these amounts represent and who the City is holding these funds for. Additionally, the general fund had an unsupported balance of \$47,751 related to customer overpayments. This matter is repeated as finding 2022-002.

Finding 2021-004 – Utility Billing

The City had approximately \$2.3 million in credit balances spread across roughly 8,200 accounts in the utility billing module. Additionally, any credits to customer accounts do not have a formal approval process in place. The billing supervisor can approve credits and then also approve the final billings before they are sent to customers. This is an inappropriate segregation of incompatible duties. Water Residential Assistance Program ("WRAP") credits are applied to customer accounts without anyone independently reviewing the credits against the listing provided by Genesee County. Further, the service charges for water and sewer in the utility billing system did not agree to the approved rates. Also, the cash drawers used for utility collections did not have cash limits and there was no written policy on when excess cash should be moved to the lock box. Lastly, the auditors noted the allowance for uncollectable accounts was determined using reports based on a date subsequent to year end. This matter is repeated as finding 2022-003.

CITY OF FLINT, MICHIGAN

Summary Schedule of Prior Audit Findings

For the Year Ended June 30, 2022

FINANCIAL STATEMENT FINDINGS (CONCLUDED)

Finding 2021-005 – Investments

The City has \$924,141 recorded in a Death Benefit "trust fund". However, a formal trust agreement does not exist, so the investments are required to comply with PA 20. The auditors noted that the investments are not in compliance and the amounts are material to the financial statements. This matter was repeated as finding 2022-004.

Finding 2021-006 – Payroll Documentation

When comparing nine individuals selected from the OPEB census to support in the personnel files, one instance was noted in which the employee's marital status per the personnel file did not agree to the data submitted to the actuary. When comparing ten individuals selected from the pension census to supporting documents in the personnel files, one instance was noted in which the employee's marital status per the personnel file did not agree to the data submitted to MERS. Further, the City was unable to provide a complete listing of terminated employees in the OPEB plan during the year. Instead, the City had to provide a listing for each pay period (26 reports) that showed the employees demographic information for each month during the year, and the auditors had to compile the information to make a complete listing. The City does not have a listing readily available and does not keep track of the information in the plan during the year. This matter is considered resolved at June 30, 2022.

Finding 2021-007 – Tax Distributions

The audit noted that taxes collected by the City on behalf of other local units that were not distributed in accordance with the Public Act totaling \$1,804,827. It was also noted that the City had erroneously paid some local units more than was collected on their behalf. The total of these overpayments as of June 30, 2021 was \$461,816. Further, the auditors noted there were multiple accounts with undistributed taxes that have not changed since the previous year. This matter was repeated as finding 2022-005.

2021-008 – Capital Assets

The audit noted the following: 1) the initial capital asset roll-forwards provided outlined beginning balances that did not agree with the prior year audited ending balances, 2) the end of year balances on the initial roll-forwards did not reconcile with the trial balance, 3) initial roll-forwards did not reconcile with supporting schedules, 4) instances with assets added to the BS&A fixed assets module without all of the required data fields completed to provide accurate reporting, 5) assets with inconsistencies between asset fund source, function, and department in the BS&A fixed assets module, 6) instances in which disposed assets were not removed from the capital asset detail listings, 7) material amounts of water and sewer capital assets that were initially expensed as repairs and maintenance, 8) material adjustments were necessary to agree the final capital asset roll-forwards to the trial balance, and 9) sewer fund capital assets were expensed in error for \$277,782, which was included in the Schedule of Adjustments Passed. This matter is considered resolved at June 30, 2022.

CITY OF FLINT, MICHIGAN

Summary Schedule of Prior Audit Findings

For the Year Ended June 30, 2022

FEDERAL AWARD FINDINGS

Finding 2021-009 – Material Noncompliance/Material Weakness - Suspension and Debarment (repeat finding)

Program. Drinking Water State Revolving Fund Cluster; U.S. Environmental Protection Agency; Passed through Michigan Department of the Environment, Great Lakes, and Energy; Assistance Listing Number 66.468; All Award Numbers.

The City was unable to provide documentation to support its consideration of suspension and debarment requirements for 5 out of 9 vendors selected for testing. It also could not locate procurement documentation for 2 out of 9 tested. No recurrence of this issue was noted for this program for the year ended June 30, 2022. The suspension and debarment matter was repeated as finding 2022-007.

2021-010 – Immaterial Noncompliance - Period of Performance

Program. Coronavirus Relief Fund (CRF); U.S. Department of Treasury; Passed through Michigan Department of Treasury; Assistance Listing Number 21.019; Award Numbers SLT0040 and SLT0247.

The public safety department payrolls for the periods ended May 2 and May 16, 2020 were charged to the Public Safety and Public Health Reimbursement Program (PSPHPR) grant. Due to a recently signed collective bargaining agreement, retroactive pay that included amounts earned prior to March 1, 2020, the beginning of the period of performance, were included in the aforementioned payrolls. This matter is considered resolved at June 30, 2022.





SHELDON NEELEY
MAYOR

CITY OF FLINT OFFICE OF FINANCE

CORRECTIVE ACTION PLAN

Pursuant to federal regulations, Uniform Administrative Requirements Section 200.511, the following are the findings as noted in the City of Flint's Single Audit report for the year ended June 30, 2022, and corrective actions to be completed.

2022-001 – Material Audit Adjustments (repeat finding)

Auditor Description of Condition and Effect: During the audit, multiple adjustments were provided in order to reach proper year-end balances. The majority of the adjustments that were made to the trial balance were identified by the auditors, while a few were identified by the City. As a result of this condition, the City's accounting records were initially misstated by amounts material to the financial statements.

Auditor Recommendation: We recommend that the City prepare, review, and reconcile all year-end schedules that are used in financial reporting prior to audit fieldwork.

Corrective Action: The City of Flint will review and reconcile year-end schedules prior to the start of audit fieldwork.

Responsible Person: CFO, Robert Widigan

Anticipated Completion Date: June 2023

CITY OF FLINT
OFFICE OF FINANCE

2022-002 – Unsupported Accounts (repeat finding)

Auditor Description of Condition and Effect: The City has liabilities of \$120,943 recorded in the custodial fund that are unsupported and the City is unsure what these amounts represent and who the City is holding these funds for. The City's accounting records could be potentially misstated with no detail to support the individual payable items.

Auditor Recommendation: We recommend that the City review its accounts, determine the individual items payable or receivable, and adjust accordingly.

Corrective Action: This fund is currently being investigated and reconciled. Identified refunds will be issued and unidentified items will be sent to the State's unclaimed property account.

Responsible Person: CFO, Robert Widigan and City Treasurer, Amanda Trujillo

Anticipated Completion Date: June 2023

CITY OF FLINT

OFFICE OF FINANCE

2022-003 – Utility Billing (repeat finding)

Auditor Description of Condition and Effect: The City has approximately \$1.0 million in credit balances spread across roughly 3,200 accounts in the utility billing module. Additionally, any credits to customer accounts do not have a formal approval process in place. The billing supervisor can approve credits and then also approve the final billings before they are sent to customers. This is an inappropriate segregation of incompatible duties. Water Residential Assistance Program ("WRAP") credits are applied to customer accounts without anyone independently reviewing the credits against the listing provided by Genesee County. Further, the service charges for water and sewer in the utility billing system did not agree to the approved rates. As a result of this condition, the City is exposed to an increased risk that misstatements or misappropriations might occur and not be detected by management in a timely manner.

Auditor Recommendation: We recommend that the City implement proper internal controls over utility billing and collections and document through a written policy. Any WRAP credits should also be approved correctly in accordance with a policy and documented. Additionally, credit balances for utility billing should be escheated to the State or applied to different accounts for the same customer. Further, the service charges in the utility billing system should be reviewed to ensure they agree to the approved rates.

Corrective Action: Management concurs with this finding. The Customer Service team is currently applying the credit balances where possible and will escheat the remaining balances in FY2023. Additionally, the team has updated its procedures regarding WRAP payments and excess cash in drawers. Subsequent to year-end, the City has completed more refunds and adjustments and has continued working on the credits. The City also has a part-time employee who primarily focuses on this item. The City's billing team also reviews our accounts, determines the individual items payable or receivable, and adjusts accordingly. Therefore, we anticipate this finding will be eliminated in the FY 2022-23 ACFR.

Responsible Person: CFO, Robert Widigan and City Treasurer, Amanda Trujillo

Anticipated Completion Date: June 2023

CITY OF FLINT
OFFICE OF FINANCE

2022-004 – Investments (repeat finding)

Auditor Description of Condition and Effect: The City transferred investment of \$924,141 with the closure of the Death Benefit "trust fund" into the fringe benefits internal service fund. We noted that these investments are not in compliance with Public Act 20 of 1943 and the amounts are material to the financial statements. As a result of this condition, the City is out of compliance with State law.

Auditor Recommendation: We recommend that the City review Public Act 20 of 1943 and ensure necessary adjustments are made to the type of investments the City holds.

Corrective Action: Management concurs with this finding. Subsequent to year-end, the City's finance team worked with the legal team and its Municipal Advisor to revise and update the investment policy, which the City Council then adopted. Moreover, the City's finance team is working with its Municipal Advisor to re-invest these funds in a manner that complies with P.A. 20 of 1943.

Responsible Person: CFO, Robert Widigan

Anticipated Completion Date: In process and Completed by May 2023.

CITY OF FLINT
OFFICE OF FINANCE

2022-005 – Tax Distributions (repeat finding)

Auditor Description of Condition and Effect: During our review of undistributed receipts, we noted that there were taxes collected by the City on behalf of other local units that were not distributed in accordance with the Public Act totaling \$1,063,456. We also noted that the City had erroneously paid some local units more than was collected on their behalf. The total of these overpayments as of June 30, 2022 was \$458,560. Further, we noted there were multiple accounts with undistributed taxes that have not changed since the previous year. The State requires amounts collected to be distributed timely. As a result of this condition, the City is in violation of Public Act 206 of 1893 and is also exposed to an increased risk related to the overpayments.

Auditor Recommendation: We recommend that the City implement procedures over disbursing property taxes collected on behalf of other local units of government in accordance with the Public Act as well as procedures to ensure that the amount remitted to the other local units does not exceed the amount collected on behalf of the local unit.

Corrective Action: Management concurs with this finding. The finance team will work with customer service to regularly review the disbursement process to ensure the City is paying the correct amount and timeliness of the payments.

Responsible Person: CFO, Robert Widigan and City Treasurer, Amanda Trujillo

Anticipated Completion Date: June 2023

CITY OF FLINT

OFFICE OF FINANCE

2022-006 – Preparation of Schedule of Expenditures of Federal Awards (SEFA)

Auditor Description of Condition and Effect: While management was able to provide us with a mostly complete SEFA during our audit fieldwork, several adjustments were ultimately required. The provided SEFA was initially misstated by \$2.6 million due to the omission of expenditures from a Capitalization Grants for Clean Water State Revolving Funds award. It was noted during transactional testing that the Emergency Solutions Grant Program (14.231) total is overstated by \$73,314. As a result of this condition, the City's SEFA was initially misstated by an amount that was material to the financial statements.

Auditor Recommendation: We recommend that the City formally adopt a policy for grants administration, and clearly assign the responsibility for grant reporting and preparation of the SEFA each year. All grant financial reports should be reviewed centrally by a member of management prior to submission, and compared against the City's accounting records. Incoming grant receipts should similarly be reviewed to determine the appropriate program for coding. Differences between amounts requested, amounts received, and/or amounts reported on the City's accounting records should be promptly investigated and resolved.

Corrective Action: The City will adopt a policy for grants administration and assign to the Grants and Budget Administrator who is responsible for ensuring that all grant reports are reviewed and in compliance with regulations.

Responsible Person: Grants and Budget Administrator, Chay Linseman

Anticipated Completion Date: June 2023

CITY OF FLINT
OFFICE OF FINANCE

2022-007 – Suspension and Debarment (repeat finding)

Program. Coronavirus State and Local Fiscal Recovery Funds (SLFRF); U.S. Department of Treasury; Assistance Listing Number 21.027.

Auditor Description of Condition and Effect: The City was unable to provide documentation to support its consideration of suspension and debarment requirements for 1 out of 3 vendors selected for testing. The City is exposed to an increased risk that future noncompliance could occur and not be prevented or detected by the City's internal controls.

Auditor Recommendation: We recommend that the City implement necessary internal controls to ensure documentation of its compliance with the requirements of the Uniform Guidance is maintained.

Corrective Action: The City will implement the necessary internal controls to ensure the policy for compliance is followed and documented.

Responsible Person: CFO, Robert Widigan

Anticipated Completion Date: June 2023
