

City of Flint,
Michigan



Year Ended
June 30, 2023

Single Audit Act
Compliance

Rehmann

This page intentionally left blank.

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>	7
Independent Auditors' Report on Compliance for Each Major Federal Program and on Internal Control over Compliance Required by the Uniform Guidance	9
Schedule of Findings and Questioned Costs	12
Summary Schedule of Prior Audit Findings	29



This page intentionally left blank.

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

January 30, 2025

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, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated November 1, 2024, 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.

CITY OF FLINT, MICHIGAN

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2023

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	\$ -	\$ 733,317
U.S. Department of Housing and Urban Development					
CDBG - Entitlement Grants Cluster:					
Community Development Block Grant/Entitlement Grants:					
2016 Entitlement	14.218	Direct	B-16-MC-26-0018	90,312	90,312
2017 Entitlement	14.218	Direct	B-17-MC-26-0018	72,256	72,256
2018 Entitlement	14.218	Direct	B-18-MC-26-0018	43,737	43,737
2019 Entitlement	14.218	Direct	B-19-MC-26-0018	200,478	200,478
2020 Entitlement	14.218	Direct	B-20-MC-26-0018	1,796,528	1,796,529
2021 Entitlement	14.218	Direct	B-21-MC-26-0018	1,457,146	1,631,273
2022 Entitlement	14.218	Direct	B-22-MC-26-0018	-	1,493,464
COVID-19 CDBG Cares Act	14.218	Direct	B-20-MW-26-0018	309,322	348,860
Total CDBG - Entitlement Grants Cluster				3,969,779	5,676,909
Emergency Solutions Grant Program:					
2020 Grant Year	14.231	Direct	E-20-MC-26-0018	86,149	86,149
2021 Grant Year	14.231	Direct	E-21-MC-26-0018	96,590	96,590
2022 Grant Year	14.231	Direct	E-22-MC-26-0018	89,625	118,735
COVID-19 ESG Cares Act	14.231	Direct	E-20-MW-26-0018	308,013	308,013
				580,377	609,487
HOME Investment Partnership Program:					
2019 Grant Year	14.239	Direct	M-19-MC-26-0204	361,278	361,278
2020 Grant Year	14.239	Direct	M-20-MC-26-0204	8,226	8,226
2021 Grant Year	14.239	Direct	M-21-MC-26-0204	300,000	300,000
COVID-19 HOME ARPA	14.239	Direct	M-19-MC-26-0204	9,505	9,505
				679,009	679,009
HOPE VI Cluster:					
Choice Neighborhoods Implementation Grant	14.889	Direct	MI5F519CNG117	729,431	2,661,112
Lead Hazard Reduction Demonstration Grant Program:					
Lead Based Paint Hazard Control	14.900	Direct	MILH0683-18	557,702	558,154
Lead Based Paint Hazard Control	14.900	Direct	MILHB0776-21	151,826	153,669
				709,528	711,823
Total U.S. Department of Housing and Urban Development				6,668,124	10,338,340
U.S. Department of Justice					
COVID-19 BJA FY 20 Coronavirus Emergency Supplemental Funding Program	16.034	Direct	2020-VD-BX-1842	3,125	3,125
Community-Based Violence Intervention and Prevention Initiative	16.045	Direct	15PBJA-22-GG-04743-CVIP	65,587	65,587
Edward Byrne Memorial Justice Assistance Grant Program:					
2019 Grant Year	16.738	FT	2019-H3840-MI-DJ	-	18,972
2020 Grant Year	16.738	FT	2020-H7869-MI-DJ	-	89,288
2021 Grant Year	16.738	FT	15PBJA-21-GG-01578-JAGX	-	11,400
2022 Grant Year	16.738	FT	15PBJA-22-GG-02148-JAGX	-	15,542
				-	135,202
Sexual Assault Kit Initiative Grant					
2019 Grant Year	16.833	Direct	2019-AK-BX-0002	443,932	443,932
2022 Grant Year	16.833	Direct	15PBJA-22-GG-03768-SAKI	282,433	282,433
				726,365	726,365
Total U.S. Department of Justice				795,077	930,279

continued...

CITY OF FLINT, MICHIGAN

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2023

Federal Agency / Cluster / Program Title	Assistance Listing Number	Passed Through	Pass-through / Grantor Number	Total Subawards	Federal Expenditures
U.S. Department of Treasury					
COVID-19 Coronavirus State and Local Fiscal Recovery Fund:	21.027	Direct	n/a	\$ 450,000	\$ 13,574,993
Federal Communications Commission					
Affordability Connectivity Outreach Grant Program	32.011	Direct	ACOGP2340048-00	-	2,183
Small Business Administration					
Community Navigator Pilot Program	59.077	Direct	SBAHQ22CNP0021	-	434,085
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	-	4,246,771
State Clean Water Revolving Fund	66.458	EGLE	5709-01	-	10,783,351
				-	15,030,122
Drinking Water State Revolving Fund Cluster - Capitalization Grants for Drinking Water State Revolving Funds:					
Water Infrastructure and Distribution Improvement Projects	66.468	EGLE	FEPA17WIIN-1	-	11,531,222
Water Infrastructure and Distribution Improvement Projects	66.468	EGLE	FEPA18WIIN-1	-	161,805
				-	11,693,027
Total U.S. Environmental Protection Agency				-	26,723,149
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	SNUE2EH001370	-	3,725
Michigan State University Grants for Lead Exposure	93.197	MSU	CDC-RFA-EH17-170402	-	15,286
Michigan State University Grants for Lead Exposure	93.197	MSU	RC113817-COF	-	17,260
				-	36,271
Substance Abuse and Mental Health Services Projects of Regional and National Significance:					
Stress and Trauma	93.243	Direct	1H79SM084918-01	707,958	851,204
Total U.S. Department of Health and Human Services				707,958	887,475
Total Expenditures of Federal Awards				\$ 8,621,159	\$ 53,623,821
					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, 2023. 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, 2023:

Revolving loan principal outstanding	\$ 21,534
Cash and investments in revolving loan fund	711,707
Administrative fees	<u>76</u>
Amount reported on the Schedule	<u><u>\$ 733,317</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
EGLE	Michigan Department of Environment, Great Lakes, and Energy
MSU	Michigan State University

■ ■ ■ ■ ■

This page intentionally left blank.

**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***

January 30, 2025

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, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 1, 2024. Our report includes a reference to other auditors who audited the financial statements of the Hurley Medical Center and Flint 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*.

Report on 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 responses, as items 2023-001 through 2023-007 that we consider to be material weaknesses.

Report on 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*.

City of Flint's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City's responses to the findings identified in our audit and described in the accompanying schedule of findings and responses. 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.

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.

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

January 30, 2025

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, 2023. 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, 2023. 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, 2023.

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 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 2023-008 through 2023-012. Our opinion on each major federal program is not modified with respect to these matters.

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

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2023-008 through 2023-012 to be significant deficiencies.

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.

CITY OF FLINT, MICHIGAN

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2023

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? yes X no

Federal Awards

Internal control over major programs:

Material weakness(es) identified? yes X no

Significant deficiency(ies) identified? X yes 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>
14.218	CDBG - Entitlement Grants Cluster	Unmodified
14.889	HOPE VI Cluster	Unmodified
21.027	Coronavirus State and Local Fiscal Recovery Funds	Unmodified
93.243	Substance Abuse and Mental Health Services - Projects of Regional and National Significance	Unmodified

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

Dollar threshold used to distinguish between Type A and Type B programs: \$ 1,608,715

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, 2023

SECTION II – FINANCIAL STATEMENT FINDINGS

2023-001 – 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, over 150 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. Adjustments affected a significant number of accounts and most opinion units. Specifically, the following areas were misstated:

CITY OF FLINT, MICHIGAN

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2023

SECTION II – FINANCIAL STATEMENT FINDINGS

2023-001 – Material Audit Adjustments (repeat finding) (continued)

Opinion Unit	Initial Over (Under) Statement			
	Assets	Liabilities	Revenues	Expenses/ Expenditures
General fund	\$ (1,319,113)	\$ (558,667)	\$ (2,567,446)	\$ (1,807,000)
Grants fund	(24,551,696)	(27,269,655)	12,874,162	10,156,203
Major streets fund	562,360	586,257	262	24,159
American Rescue Plan Act fund	(1,500,000)	(1,499,860)	1,499,860	1,500,000
Aggregate remaining fund information - governmental funds	137,084	236,212	(295,914)	(196,786)
Aggregate remaining fund information - internal service funds	(5,562,871)	1,116,691	(3,667,299)	3,012,263
Full accrual adjustments to governmental activities	340,999	70,800,713	(19,932,499)	50,527,215
Total Governmental activities	<u>\$ (31,893,237)</u>	<u>\$ 43,411,691</u>	<u>\$ (12,088,874)</u>	<u>\$ 63,216,054</u>
Sewer fund	\$ (26,584,930)	\$ (14,924,929)	\$ 10,360,796	\$ 22,020,797
Water fund	(16,332,911)	4,805,348	(15,294,896)	5,843,363
Total Business-type activities	<u>\$ (42,917,841)</u>	<u>\$ (10,119,581)</u>	<u>\$ (4,934,100)</u>	<u>\$ 27,864,160</u>
EDC Component Unit	<u>\$ 901,700</u>	<u>\$ 317,873</u>	<u>\$ (148,631)</u>	<u>\$ (732,458)</u>
Aggregate remaining fund information - fiduciary funds	<u>\$ (896,533)</u>	<u>\$ (5,630,789)</u>	<u>\$ (875,533)</u>	<u>\$ (5,609,789)</u>

CITY OF FLINT, MICHIGAN

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2023

SECTION II – FINANCIAL STATEMENT FINDINGS

2023-001 – Material Audit Adjustments (repeat finding) (concluded)

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.

CITY OF FLINT, MICHIGAN

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2023

SECTION II – FINANCIAL STATEMENT FINDINGS

2023-002 – Grant Recievables

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, to prevent or detect misstatements to the financial statements, and to ensure compliance with grant requirements.

Condition. During our audit, we noted that the City is not performing grant draw downs timely. This issue caused significant discrepancies in financial statements, disrupted cash flow, restricted funds used to fund other potentially unallowable purposes, and increased the risk of non-compliance with grant terms. The recurring nature of this problem indicates a systemic weakness in the grant management process, necessitating corrective actions to ensure timely draw requests and improve financial reporting accuracy.

Cause. The untimely grant draw requests were primarily caused by the lack of a robust grant management system, insufficient staff training, poor communication between departments, administrative overload, and inefficient processes.

Effect. These factors collectively led to more than one year delays in requesting funds, impacting City cashflow, financial reporting accuracy and compliance with grant terms. Addressing these issues is essential to ensure timely draw requests and improve overall financial management.

Recommendation. The City should implement a robust grant management system to effectively track and manage draw schedules, while providing comprehensive training to staff on the importance and procedures of timely draw requests is essential. Additionally, streamlining and optimizing the processes for requesting draws will help reduce delays. Regular monitoring and review of grant draw schedules and financial reports will allow for the timely identification and resolution of any issues. Enhancing communication between departments will ensure that all necessary information for draw requests is promptly shared. These steps will collectively improve the timeliness of grant draw requests, improve cashflow, improve financial reporting accuracy, and reduce the risk of non-compliance with grant terms.

View of Responsible Officials. Management concurs with this finding.

CITY OF FLINT, MICHIGAN

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2023

SECTION II – FINANCIAL STATEMENT FINDINGS

2023-003 – 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 \$700,000 in credit balances spread across roughly 2,100 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.

CITY OF FLINT, MICHIGAN

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2023

SECTION II – FINANCIAL STATEMENT FINDINGS

2023-004 – 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 \$5,237,285. Additionally, we noted prior year collections of \$1,063,456 were not distributed in accordance with the Public Act. In the prior year we noted that the City had erroneously paid some local units more than was collected on their behalf. The total of these overpayments was \$458,560, and as of June 30, 2023, had not been collected. 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.

CITY OF FLINT, MICHIGAN

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2023

SECTION II – FINANCIAL STATEMENT FINDINGS

2023-005 – Capital Assets

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.

Condition. During our testing of capital assets, we 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) assets had inconsistencies between asset fund source, function, and department in the BS&A capital assets module, 5) instances in which disposed assets were not removed from the capital asset detail listings, 6) \$11.5 million of deposits on Berston Field House upgrades and \$2.6 million of firetruck assets were initially expensed as repairs and maintenance, 7) new accounting standards for subscription-based information technology arrangements (SBITAs) and leases (GASB 96 and 87) were not implemented or updated, and 8) material adjustments were necessary to agree the final capital asset roll-forwards to the trial balance. These adjustments are included in finding 2023-001.

Cause. This condition arose due to several factors: inaccurate data entry, insufficient coordination between departments, irregular reconciliation processes, and inadequate management oversight. Consequently, internal controls failed to identify all necessary adjustments to accurately record year-end balances.

Effect. Consequently, the reliability of financial statements was compromised, potentially misleading stakeholders and affecting decision-making processes. As a result of this condition, the audit process was delayed and the City's accounting records were initially misstated by amounts material to the financial statements.

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.

CITY OF FLINT, MICHIGAN

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2023

SECTION II – FINANCIAL STATEMENT FINDINGS

2023-006 – Preparation of the Schedule of Expenditures of Federal Awards (repeat finding)

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

Criteria. The Uniform Guidance requires that the City “identify, in its accounts, all federal awards received and expended and the federal programs under which they were received. Federal program and award identification shall include, as applicable, the assistance listing number, award number and year, name of the federal agency, and name of the pass-through entity.” In addition, the City is required to “prepare appropriate financial statements, including the schedule of expenditures of federal awards in accordance with the Uniform Guidance.”

Condition. While management was able to provide a mostly complete schedule of expenditures of federal awards (SEFA) during audit fieldwork, material adjustments were required to properly report federal receivables, revenue, expenditures and unavailable revenue accounts. The final SEFA required adjustments to increase federal expenditures by approximately \$14 million.

Cause. As is the case with other large governments, the City administers a wide array of federal and state grants through its many departments. The function of grant administration is decentralized and controls did not include the correct amounts on the SEFA.

Effect. The amount of federal expenditures changing throughout the audit caused delays in the audit process. Additionally, the reliability of financial information was compromised, potentially misleading stakeholders and affecting decision-making processes.

Recommendation. The City should evaluate its processes to ensure that all federal programs are appropriately included on the SEFA with the appropriate amounts and that every program on the SEFA is reconciled to the underlying accounting records.

View of Responsible Officials. Management concurs with this finding.

CITY OF FLINT, MICHIGAN

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2023

SECTION II – FINANCIAL STATEMENT FINDINGS

2023-007 – Timely Filing of Financial Statements with State and 2 CFR 200 Reporting Package

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

Criteria. The Michigan Department of Treasury, requires local units to file audited financial statements within six months of the entity's fiscal year end. Additionally, 2 CFR 200 Section 200.512 states the data collection form must be submitted within the earlier of 30 calendar days after receipt of the auditor's report or nine months after the end of the audit period.

Condition. The City did not file its financials statements with the State or its 2023 data collection form and reporting package within the required timeframe.

Cause. Management does not have proper policies and procedures in place to ensure that the audit reporting package is completed and filed on a timely basis.

Effect. As a result of this condition, the City was not in compliance with the filing requirements specified by the Michigan Department of Treasury and 2 CFR 200 Section 200.512.

Recommendation. We recommend that the City establish policies and procedures to ensure that future reporting packages are filed on a timely basis.

View of Responsible Officials. Management concurs with this finding.

CITY OF FLINT, MICHIGAN

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2023

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

2023-008 – Suspension and Debarment (repeat finding)

Finding Type. Immaterial Noncompliance/Significant Deficiency in Internal Control over Compliance (Procurement, Suspension and Debarment).

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

Substance Abuse and Mental Health Services - Projects of Regional and National Significance; U.S. Department of Health and Human Services; Assistance Listing Number 93.243; Award Number 1H79SM084918-01.

Criteria. Recipients of federal awards are required to follow their own internal purchasing policies, as well as comply 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 7 out of 8 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

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2023

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

2023-009 – Subrecipient Monitoring

Finding Type. Immaterial Noncompliance/Significant Deficiency in Internal Control over Compliance (Subrecipient Monitoring).

Program. Substance Abuse and Mental Health Services - Projects of Regional and National Significance; U.S. Department of Health and Human Services; Assistance Listing Number 93.243; Award Number 1H79SM084918-01.

Criteria. When a grant recipient makes subawards to other recipients, certain compliance requirements are required in order to monitor the activity of the subrecipients. The Uniform Guidance requires that the pass-through entity clearly identify to the subrecipient: (1) the award as a subaward at the time of subaward (or subsequent subaward modification) by providing the information described in 2 CFR section 200.331(a)(1); (2) all requirements imposed by the Pass-Through Entity (PTE) on the subrecipient so that the federal award is used in accordance with federal statutes, regulations, and the terms and conditions of the award (2 CFR section 200.331(a)(2)); and (3) any additional requirements that the PTE imposes on the subrecipient in order for the PTE to meet its own responsibility for the federal award (e.g., financial, performance, and special reports) (2 CFR section 200.331(a)(3)). The Uniform Guidance further requires that the pass-through entity value each subrecipient's risk of noncompliance for purposes of determining the appropriate subrecipient monitoring related to the subaward (2 CFR section 200.331(b)). This evaluation of risk may include consideration of such factors as: (1) The subrecipient's prior experience with the same or similar subawards; (2) The results of previous audits including whether or not the subrecipient receives single audit in accordance with 2 CFR part 200, subpart F, and the extent to which the same or similar subaward has been audited as a major program; (3) Whether the subrecipient has new personnel or new or substantially changed systems; and (4) The extent and results of federal awarding agency monitoring (e.g., if the subrecipient also receives federal awards directly from a federal awarding agency).

Condition. Subaward contracts review did not contain appropriate information related to the federal program. No assistance listing number or federal program name was noted in the language of the agreements. In addition, no evidence of formal risk assessment was documented.

Cause. The City does not have the proper internal controls in place to ensure that contract language contains all of the information required to be communicated under the Uniform Guidance or that documentation of the risk assessment process related to subrecipients of federal awards is maintained.

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 of the monitoring process and tests of transactions did not indicate any unallowable costs.

CITY OF FLINT, MICHIGAN

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2023

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

2023-009 – Subrecipient Monitoring (concluded)

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. Part of the solution will be implementing grant management software.

CITY OF FLINT, MICHIGAN

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2023

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

2023-010– Special Reporting for Federal Funding Accountability and Transparency Act

Finding Type. Immaterial Noncompliance/Significant Deficiency in Internal Control over Compliance (Reporting).

Programs. Choice Neighborhoods Implementation Grant; U.S. Department of Housing and Urban Development; Assistance Listing Number 14.889; Award Number MI5F519CNG117.

Substance Abuse and Mental Health Services - Projects of Regional and National Significance; U.S. Department of Health and Human Services; Assistance Listing Number 93.243; Award Number 1H79SM084918-01.

Criteria. Under the requirements of the Federal Funding Accountability and Transparency Act (Pub. L. No. 109-282), as amended by Section 6202 of Pub. L. No. 110-252, hereafter referred as the “Transparency Act” that are codified in 2 CFR Part 170, recipients (i.e., direct recipients) of grants or cooperative agreements are required to report first-tier subawards of \$30,000 or more to the Federal Funding Accountability and Transparency Act Subaward Reporting System (FSRS).

Condition. Despite passing through qualifying amounts, the City could produce no evidence that the subawards had been reported through the FSRS.

Cause. The City does not have the proper internal controls in place to ensure that subaward reporting is submitted for all direct grants.

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 tests of transactions did not indicate any unallowable costs.

Recommendation. We recommend that the City implement necessary internal controls to ensure that reporting of subawards greater than \$30,000 is submitted to the FSRS for all direct grants.

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

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2023

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

2023-011– Report Filing - 2022 and 2023 CAPER

Finding Type. Immaterial Noncompliance/Significant Deficiency in Internal Control over Compliance (Reporting).

Program. Community Block Grants/Entitlement Grants; U.S. Department of Housing and Urban Development; Assistance Listing Number 14.218; All awards.

Criteria. Consolidated Annual Performance and Evaluation Report (CAPER) (24 CFR 91.520) – A grantee’s CAPER, submitted through the IDIS e-Con Planning Suite, is due 90 days after the close of a jurisdiction’s program year.

Condition. As of the completion of audit fieldwork, the 2022 and 2023 CAPERs have not been filed.

Cause. The City does not have the proper internal controls in place to ensure that all required reporting is submitted in a timely manner.

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 tests of transactions did not indicate any unallowable costs.

Recommendation. We recommend that the City implement necessary internal controls to ensure that all required reports are submitted in a timely manner.

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

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2023

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

2023-012– Support for Payroll Allocations

Finding Type. Immaterial Noncompliance/Significant Deficiency in Internal Control over Compliance (Allowable

Program. Community Block Grants/Entitlement Grants; U.S. Department of Housing and Urban Development; Assistance Listing Number 14.218; All awards.

Criteria. Per 2 CFR § 200.430(g)(1)(vi), Charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed. These records must support the distribution of the employee's salary or wages among specific activities or cost objectives if the employee works on more than one Federal award; a Federal award and non-Federal award; an indirect cost activity and a direct cost activity; two or more indirect activities allocated using different allocation bases; or an unallowable activity and a direct or indirect cost activity.

Condition. During testing it was noted that the actual amounts charged to the grant were initially charged using the allocation rates from the previous pay period, and subsequently adjusted to the proper amount through a manual journal entry. When factoring in the amounts of the journal entries, the amount charged to the grant still differed from the support provided for 3 items of the 29 tested.

Cause. The City does not have the proper internal controls in place to ensure that all allocations of personnel cost are allocated according to the support retained.

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 the amount of likely questioned cost did not exceed the required threshold.

Recommendation. We recommend that the City implement necessary internal controls to ensure that all allocations of personnel cost are allocated according to the support retained.

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, 2023

Finding 2022-001 – 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 2023-001.

Finding 2022-002 – Unsupported Accounts

The City had 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. This matter is shown as an other matter included on Attachment A to the Independent Auditors' Communication with Those Charged with Governance.

Finding 2022-003 – Utility Billing

The City had approximately \$1.0 million in credit balances spread across roughly 3,200 accounts in the utility billing module. Additionally, any credits to customer accounts did 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. This matter was repeated as finding 2023-003.

Finding 2022-004 – Investments

The audit identified investments in the internal service fund that were not in compliance with State law and the amounts are material to the financial statements. In the current year, the City moved the investments to allowable investments per State law.

Finding 2022-005 – Tax Distributions

The audit identified 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. The audit also identified that the City had erroneously paid some local units more than was collected on their behalf. The total of these overpayments was \$458,560. This matter was repeated as finding 2023-004.

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

While management prepared a mostly complete SEFA during 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. This matter is repeated as finding 2023-006.

CITY OF FLINT, MICHIGAN

Summary Schedule of Prior Audit Findings

For the Year Ended June 30, 2023

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.

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. This matter is repeated as finding 2023-008.

■ ■ ■ ■ ■

This page intentionally left blank.