

City of Flint,
Michigan



Year Ended
June 30, 2021

Single Audit Act
Compliance

Rehmann



CITY OF FLINT, MICHIGAN

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

March 25, 2022

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, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated December 22, 2021, 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 Robson LLC



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CITY OF FLINT, MICHIGAN

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2021

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	\$ -	\$ 1,431,611
U.S. Department of Housing and Urban Development Community Development Block Grant/Entitlement Grant Cluster:					
2011 Entitlement	14.218	Direct	B-11-MC-260018	64,013	64,013
2012 Entitlement	14.218	Direct	B-12-MC-260018	98,009	98,009
2013 Entitlement	14.218	Direct	B-13-MC-260018	193,568	221,001
2014 Entitlement	14.218	Direct	B-14-MC-260018	59,244	59,244
2015 Entitlement	14.218	Direct	B-15-MC-260018	-	22,247
2016 Entitlement	14.218	Direct	B-16-MC-260018	-	5,795
2017 Entitlement	14.218	Direct	B-17-MC-260018	54,957	59,409
2018 Entitlement	14.218	Direct	B-18-MC-260018	382,465	531,431
2019 Entitlement	14.218	Direct	B-19-MC-260018	892,736	1,476,025
2020 Entitlement	14.218	Direct	B-20-MC-260018	-	410,261
				<u>1,744,992</u>	<u>2,947,435</u>
Emergency Solutions Grant Program:					
2018 Grant Year	14.231	Direct	E-18-MC-260018	2,329	2,329
2019 Grant Year	14.231	Direct	E-19-MC-260018	83,739	98,707
				<u>86,068</u>	<u>101,036</u>
HOME Investment Partnership Program:					
2015 Grant Year	14.239	Direct	M-15-MC-260204	200	200
2016 Grant Year	14.239	Direct	M-16-MC-260204	33,115	33,115
2018 Grant Year	14.239	Direct	M-18-MC-260204	100	30,659
2019 Grant Year	14.239	Direct	M-19-MC-260204	129,585	177,295
				<u>163,000</u>	<u>241,269</u>
HOPE VI Cluster:					
Choice Neighborhood Implementation Grant	14.889	Direct	MI5F519CNG117	140,739	1,688,641
Lead Hazard Reduction Demonstration Grant Program	14.900	Direct	MILH0683-18	-	286,408
Total U.S. Department of Housing and Urban Development				<u>2,134,799</u>	<u>5,264,789</u>
U.S. Department of Justice COVID-19 BJA FY 20 Coronavirus Emergency Supplemental Funding Program	16.034	Direct	2020-VD-BX-1842	-	354,997
Edward Byrne Memorial Justice Assistance Grant Program:					
2017 Grant Year	16.738	FT	2017-H2252-MI-DJ	-	8,059
2018 Grant Year	16.738	FT	2018-H3437-MI-DJ	-	29,673
2019 Grant Year	16.738	FT	2019-H3840-MI-DJ	-	77,719
Technology Innovation for Public Safety 2018	16.738	FT	2018-DG-BX-K003	-	270,379
				<u>-</u>	<u>385,830</u>
Community Based Crime Reduction Grant	16.817	HCHN	n/a	-	3,442
Sexual Assault Kit Initiative Grant 2019 Grant Year	16.833	Direct	2019-AK-BX-0002	-	465,863
Total U.S. Department of Justice				<u>-</u>	<u>1,210,132</u>
U.S. Department of Labor WIA/WIOA Cluster: WIA Adult Program	17.258	Direct	MICA2.0_2019 CITY OF FLINT	-	53,793

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CITY OF FLINT, MICHIGAN

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2021

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 Relief Fund (CRF):					
Coronavirus Relief Local Government Grants (CRLGG)	21.019	MDT	SLT0040	\$ -	\$ 1,791,832
Public Safety and Public Health Payroll Reimbursement (PSPH)	21.019	MDT	SLT0040 and SLT0247	-	<u>2,100,011</u>
Total U.S. Department of Treasury				-	<u>3,891,843</u>
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	-	<u>9,084,064</u>
Drinking Water State Revolving Fund Cluster -					
Capitalization Grants for Drinking Water State Revolving Funds:					
WIIN (2018)	66.468	EGLE	90040 OPT	-	297,420
WIIN (2019)	66.468	EGLE	7421-01	-	156,920
WIIN (2020)	66.468	EGLE	7422-01	-	<u>34,231,459</u>
				-	<u>34,685,799</u>
Total U.S. Environmental Protection Agency				-	<u>43,769,863</u>
U.S. Department of Health and Human Services					
Childhood Lead Poisoning Prevention Projects, State and Local Childhood -					
Lead Poisoning Prevention and Surveillance of Blood Lead Levels in Children	93.197	MDHHS	CDC-RFA-EHA17-170402Cont18	-	24,540
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	Direct	1H79SM063521-01	100,000	781,813
Healthy Start Initiative	93.926	GC	U62MC3110	-	<u>265,939</u>
Total U.S. Department of Health and Human Services				<u>100,000</u>	<u>1,072,292</u>
Total Expenditures of Federal Awards				<u>\$ 2,234,799</u>	<u>\$ 56,694,323</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, 2021. 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, 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, 2021:

Revolving loan principal outstanding	\$ 175,071
Cash and investments in revolving loan fund	1,256,440
Administrative fees	<u>100</u>
Amount reported on the Schedule	<u>\$ 1,431,611</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
MDT	Michigan Department of Treasury
EGLE	Michigan Department of the Environment, Great Lakes, and Energy
MDHHS	Michigan Department of Health and Human Services
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 22, 2021

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, 2021, 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 22, 2021. Our report includes a reference to other auditors who audited the financial statements of the Hurley Medical Center, Downtown Development Authority and the Flint Area Economic Corporation, 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 Flint Area Economic Corporation and 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 2021-001 through 2021-008 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* with the exception of the item reported as item 2021-005.

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.



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

March 25, 2022

Members of the City Council
City of Flint, Michigan

Report on Compliance for Each Major Federal Program

We have audited the compliance of the *City of Flint, Michigan* (the "City") with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2021. 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, Downtown Development Authority, and the Flint Area Enterprise Community, 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, 2021. Our audit, described below, did not include the operations of the Hurley Medical Center, Downtown Development Authority, and the Flint Area Enterprise Community because they arranged for separate audits.

Management's Responsibility

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

Independent Auditors' Responsibility

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



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

Basis for Qualified Opinion on Drinking Water State Revolving Fund Cluster

As described in item 2021-009 in the accompanying schedule of findings and questioned costs, the City did not comply with the procurement, and suspension and debarment requirements applicable to its Drinking Water State Revolving Fund Cluster program. Compliance with this requirement is necessary, in our opinion, for the City to comply with the requirements applicable to that program.

Qualified Opinion on Drinking Water State Revolving Fund Cluster

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, 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 its Drinking Water State Revolving Fund Cluster program for the year ended June 30, 2021.

Unmodified Opinion on Each of the Other Major Federal Programs

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 other major federal programs identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2021.

Other Matters

The results of our auditing procedures disclosed another 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 2021-010. Our opinion on each major federal program is not modified with respect to this matter.

The City's responses to the noncompliance 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 compliance and, accordingly, we express no opinion on them.

Report on Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2021-009 that we consider to be a material weakness.

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

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.

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CITY OF FLINT, MICHIGAN

Schedule of Findings and Questioned Costs For the Year Ended June 30, 2021

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? X yes 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>
21.019	Coronavirus Relief Fund	Unmodified
66.458	Clean Water State Revolving Fund Cluster	Unmodified
66.468	Drinking Water State Revolving Fund Cluster	Qualified

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: \$ 1,700,830

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, 2021

SECTION II – FINANCIAL STATEMENT FINDINGS

2021-001 – 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 versions of the trial balance and 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:

- Custodial fund accounts payable and related expenses were understated by approximately \$118,000.
- Claims payable in the self-insurance fund were understated by \$202,900 related to IBNR legal claims due to the City not estimating a probable loss for two cases. Further, claims payable related to IBNR healthcare insurance claims were understated by \$126,475 due to an clerical error in the City's calculation.
- Accrued interest was incorrectly recorded at the EDC fund level, initially overstating accrued liabilities by \$94,869.
- Depreciation expense was initially understated in the EDC Oak Business Center for \$14,932.
- Revenue related to impound fees collected from impounded vehicles initially recorded in a liability account which understated revenue by \$510,920.
- Water net position and the EDC special revenue fund balance were initially understated by \$7,241 and \$168,537, respectively, due to prior year audit adjustments not being recorded.
- Deferred inflows related to delinquent property taxes were initially understated due to a change in allowance for bad debt by \$253,066 for governmental funds, of which \$102,573 was related to the general fund.
- Revenue was initially overstated in governmental activities for \$47,363,332 related to a change in deferred inflows recorded in error.

CITY OF FLINT, MICHIGAN

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2021

SECTION II – FINANCIAL STATEMENT FINDINGS

2021-001 – Material Audit Adjustments (repeat finding) (concluded)

- The net pension liability was initially overstated in governmental activities and the water and sewer funds by \$1,597,582, \$126,973, and \$170,560, respectively, due to investment earnings not being reconciled with MERS reporting.
- Beginning of the year net position was understated in business-type activities and overstated in governmental activities by \$6,018,655, respectively, due to opening net position related to interfund payables not being initially recorded.
- Beginning of the year fund balance was overstated in the special revenue grant fund by \$88,595, due to revenue adjustments posted to fund balance in error.
- Accounts receivable was initially understated in the special revenue grants funds by \$938,491 related to funds from the Flint Area Enterprise Community which had ceased operations.
- Accounts receivable in the public improvement fund was initially understated by \$455,941 due to an error in calculation of the long-term receivable.
- Long-term debt related to Section 108 was originally understated by \$380,000 due to the City not adjusting the general ledger to agree to the debt supporting records.
- Water and sewer fund unbilled receivables were initially overstated by \$1,270,616 and \$1,090,984, respectively, due to the City using a report with the incorrect beginning and ending dates for meter reads in the utility billing system. This also impacted the calculated allowance for uncollectable accounts, which was not adjusted until after auditor inquiry, requiring an adjustment to the allowance in the water and sewer funds by \$254,124 and \$218,197, respectively.

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 FY2021; improvements to these processes will continue for FY2022.

CITY OF FLINT, MICHIGAN

Schedule of Findings and Questioned Costs For the Year Ended June 30, 2021

SECTION II – FINANCIAL STATEMENT FINDINGS

2021-002 – Purchasing Cards (repeat finding)

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

Criteria. The City is responsible for developing policies and a system of internal control that ensures the City limits its exposure to misstatement whether due to fraud or error.

Condition. In order to observe the internal controls over purchasing cards (p-cards), we selected five transactions for testing. Of the five selected, we 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.

Cause. The City has a policy in place that is not being followed.

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. The City should evaluate its policies and procedures to verify that all employees are following the requirements and retain documentation and approval of all p-card purchases.

View of Responsible Officials. Management concurs with this finding. Adjustments to the approval processes for purchasing cards were made in the second half of FY2021 in response to the audit finding in FY2020.

CITY OF FLINT, MICHIGAN

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2021

SECTION II – FINANCIAL STATEMENT FINDINGS

2021-003 – 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 \$131,168 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. Additionally, a general fund has an unsupported balance of \$47,751 related to customer overpayments.

Cause. This condition was the result of a lack of management oversight. 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.

CITY OF FLINT, MICHIGAN

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2021

SECTION II – FINANCIAL STATEMENT FINDINGS

2021-004 – 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 \$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 do not have cash limits and there is no written policy on when excess cash should be moved to the lock box. Lastly, we noted the allowance for uncollectable accounts was determined using reports based on a date subsequent to year end.

Cause. This condition was the result of a lack of management oversight. Policies and internal controls are not 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 FY2022. Additionally, the team has updated their procedures regarding WRAP payments and excess cash in drawers.

CITY OF FLINT, MICHIGAN

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2021

SECTION II – FINANCIAL STATEMENT FINDINGS

2021-005 – 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 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. We noted that the investments are not in compliance and the amounts are material to the financial statements.

Cause. This condition appears to be the result of an oversight of not putting the investments in a trust fund.

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

Recommendation. We recommend that the City maintain an approved investment policy and verify that its investments are allowable in accordance with State law. We also recommend that the City create a legally irrevocable trust in compliance with GASB 74 for the death benefit and that the funds be deposited into this trust.

View of Responsible Officials. Management concurs with this finding. The City's legal team is currently working on the irrevocable trust.

CITY OF FLINT, MICHIGAN

Schedule of Findings and Questioned Costs For the Year Ended June 30, 2021

SECTION II – FINANCIAL STATEMENT FINDINGS

2021-006 – Payroll Documentation (repeat finding)

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

Criteria. Management is responsible for maintaining payroll documentation to support the rates employees are paid.

Condition. When comparing nine individuals selected from the OPEB census to support in the personnel files, we noted the one instance 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, we noted one instance 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.

Cause. This condition appears to be the result of City employees making changes and not retaining documentation or approval.

Effect. As a result of this condition, City employees may be being paid incorrectly and the pension and OPEB census data used by the actuaries may be incorrect.

Recommendation. We recommend that the City verify that census data being provided to the actuaries is complete and accurate and supported by documentation in the employee files.

View of Responsible Officials. Management concurs with this finding. The City and its new healthcare administrator are working on a database for retiree healthcare.

CITY OF FLINT, MICHIGAN

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2021

SECTION II – FINANCIAL STATEMENT FINDINGS

2021-007 – 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 \$1,804,827. 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, 2021 was \$461,816. Further, we noted there were multiple accounts with undistributed taxes that have not changed since the previous year.

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 is working on a 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, 2021

SECTION II – FINANCIAL STATEMENT FINDINGS

2021-008 – 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) 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 is included in the Schedule of Adjustments Passed.

Cause. This condition was the result of a lack of management oversight. Much of the City's capital assets are project-based. The information regarding the nature of expenses and whether they should be included in capital assets requires knowledge from the departments. Due to the City's use of decentralized accountants, there were issues related to communication, accountability, and timing. Internal controls did not detect 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:

- The City's capital asset cost basis was adjusted for capitalization of repairs and maintenance and disposals for a net increase in cost basis of \$31,304,749.
- The final capital asset roll-forwards outlined balances that required adjustments to reconcile the Water fund and Sewer fund capital assets by reducing capital assets by \$3,406,710 and \$179,135, respectively.
- The final capital asset roll-forward outlined a balance that required an adjustment to reconcile the Internal service fund capital assets by increasing capital assets by \$357,276.

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. The finance team will work to review the current fixed asset system and update procedures for FY2022. Additionally, the finance team will discuss with administration centralizing accountants.

CITY OF FLINT, MICHIGAN

Schedule of Findings and Questioned Costs For the Year Ended June 30, 2021

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

2021-009 – Suspension and Debarment (repeat finding)

Finding Type. Material Noncompliance/Material Weakness in Internal Controls over Compliance (Procurement, Suspension and Debarment).

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.

Criteria. Subrecipients 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 5 out of 9 vendors selected for testing. It also could not locate procurement documentation for 2 out of 9 tested.

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. Procurement and suspension and debarment documentation was not available for several vendors selected for testing, which exposes the City 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. Management concurs with this finding. The City plans to update its document retention procedures to ensure all documents are maintained and can be found, including attaching documents to records in the BS&A Purchasing system.

CITY OF FLINT, MICHIGAN

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2021

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

2021-010 – Charging of Salaries Earned Outside of Period of Performance

Finding Type. 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.

Criteria. Grant expenditures are required to be incurred during the period of performance for the grant. For the CRF grants passed through the State of Michigan, expenditures were to be incurred between March 1 and December 31, 2020.

Condition. 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.

Cause. This condition was caused by certain members of the City's grant management being unaware of the presence of retroactive pay in the payroll charged to the grant.

Effect. Costs were charged to the PSPHPR program that were incurred outside of the period of performance.

Questioned Costs. No costs were required to be questioned as a result of this finding inasmuch as the amount of ineligible cost did not exceed reportable thresholds. However, due to the State actually reimbursing only a portion of the costs reported by the City, the amount actually received was less than the City's eligible costs.

Recommendation. We recommend that the City implement necessary internal controls to ensure that costs charged to federal programs are incurred within the known period of performance related to a specific federal award program.

View of Responsible Officials. Management concurs with this finding. The City plans to improve its grant procedures by ensuring proper communication between the department with the grant, grants administration, and payroll (as needed).



CITY OF FLINT, MICHIGAN

Summary Schedule of Prior Audit Findings For the Year Ended June 30, 2021

FINANCIAL STATEMENT FINDINGS

Finding 2020-001 – 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 2021-001.

Finding 2020-002 – Purchasing Cards

Of the five purchasing cards (p-cards) selected, the audit identified five instances in which the Agreement to Accept the Procurement Card was missing approval signatures from either the department head, finance department, or both. The audit also identified for one of the expense reports selected for testing, the expense report was submitted and approved by the same individual instead of the p-card user signing and the p-card coordinator approving per the City policy. Further, the City does not have the purchasing manager approve the issuance of p-cards as outlined in the City policy. Finally, the City also has a process in place whereby department head purchases are approved by subordinates in that department. This is not a proper level of independent review. This matter was repeated as finding 2021-002.

Finding 2020-003 – Unsupported Accounts

The custodial fund had payables and receivables for property taxes recorded for \$4,193,158 that the City was not able to provide detail or an explanation for. Further, the City had additional liabilities of \$276,620 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. Additionally, the City had retainage payable amounts totaling \$96,025 in the water fund that the City was unable to provide support for and would need to be resolved with the vendor to substantiate whether the balance recorded is accurate. The City is not reconciling these retainages back to the general ledger. In the current year, the City corrected the custodial fund payables and receivables related to the property taxes recorded. The remaining matters were repeated as finding 2021-003.

Finding 2020-004 – Utility Billing

The City had approximately \$2.5 million in credit balances spread across roughly 8,700 accounts in the utility billing module. Additionally, any credits to customer accounts do not appear to 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 accounts that credits are applied to agree with 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. Additionally, there were tax liens of \$574,056 that had been removed and placed on the tax roll and then subsequently placed back into the utility billing receivable balance during the prior year, for which the City does not have a policy in place for the removal of tax liens. Finally, there were removed tax liens of \$469,511 that were improperly included in water and sewer revenue instead of being reported as a liability in the current year since they will be settled with the County as a chargeback in fiscal year 2021. The City corrected the tax liens in the current year. The remaining matters were repeated as 2021-004.

CITY OF FLINT, MICHIGAN

Summary Schedule of Prior Audit Findings

For the Year Ended June 30, 2021

FINANCIAL STATEMENT FINDINGS (CONCLUDED)

Finding 2020-005 – Investments

The City was unable to provide an approved investment policy. Additionally, the City had \$668,412 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. We noted that the investments are not in compliance and the amounts are material to the financial statements. This matter was repeated as finding 2021-005.

Finding 2020-006 – Payroll Documentation

The audit identified multiple instances of discrepancies when comparing six individuals selected from the OPEB census and seven individuals selected from the pension census to supporting documentation in the personnel files, as well as discrepancies between OPEB census data downloads from 2017 and 2019 when comparing employees demographic information. This matter was repeated as finding 2021-006.

Finding 2020-007 – 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 \$1,549,297. 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 \$362,670. This matter was repeated as finding 2021-007.

CITY OF FLINT, MICHIGAN

Summary Schedule of Prior Audit Findings

For the Year Ended June 30, 2021

FEDERAL AWARD FINDINGS

Finding 2020-008 – Immaterial Noncompliance/Significant Deficiency - 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; CFDA Number 66.468; All Award Numbers.

The City was unable to provide documentation to support its consideration of suspension and debarment requirements for 10 out of 14 vendors selected for testing. This finding is repeated as finding 2021-009.

Finding 2020-009 – Immaterial Noncompliance/Significant Deficiency - Subrecipient Monitoring Activities (repeat comment)

Program. HOME Investment Partnership Program (HOME); U.S. Department of Housing and Urban Development (HUD); CFDA Number 14.239; All Award Numbers.

The City utilized “desk audits” as its only method of during-the-award monitoring. While this is an acceptable monitoring activity, the use of this as the only activity should be supported by a formal risk assessment process and associated policies and procedures that dictate what monitoring plan must be followed for specific ranges of subrecipient risk. The City has a risk assessment worksheet that classifies subrecipients as low, medium or high risk, but there was not a procedure in place to link the assessed risk to the appropriate monitoring plan. This finding is considered resolved as a risk-based monitoring plan was implemented during fiscal 2021.

Finding 2020-010 – Immaterial Noncompliance/Significant Deficiency - Subrecipient Monitoring - Subgrantee Agreements

Programs. HOME Investment Partnership Program (HOME); U.S. Department of Housing and Urban Development (HUD); CFDA Number 14.239; All Award Numbers.

The City provided subawards to 2 subrecipients. Although there are several references to the HOME program in the subgrant agreements, along with numerous references to sections of HUD's HOME code as being applicable, the Assistance Listing, formerly Catalog of Federal Domestic Assistance (CFDA) number is not mentioned. In addition, Exhibit B of the subgrant agreement, Financial Management Standards, refers to administrative guidance in OMB Circulars A-110, A-122 and A-133, which have all been superseded by the Uniform Guidance. This finding is considered resolved as the contract templates have been updated to include assistance listing numbers and removed outdated guidance references.



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**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, 2021, and corrective actions to be completed.

2021-001 – Material Audit Adjustments (repeat finding)

Auditor Description of Condition and Effect: During the audit, multiple versions of the trial balance and 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 plans to implement a thorough year-end task list to limit the chances that year-end adjustments would be missed. Additionally, the finance team will ensure thorough reconciliations of accounts and a secondary review of adjustments and reconciliations. Finance will work with the other department to ensure inventory counts are done on June 30th. New processes for year-end were developed in FY2021; improvements to these processes will continue for FY2022. Now that the team's new management has been through the process for the FY2021 audit, the team will be better prepared before the FY2022 audit.

Responsible Person: Jenn Ryan, Deputy Chief Financial Officer

Anticipated Completion Date: June 2022

CITY OF FLINT OFFICE OF FINANCE

2021-002 – Purchasing Cards (repeat finding)

Auditor Description of Condition and Effect: In order to observe the internal controls over purchasing cards (p-cards), we selected five transactions for testing. Of the five selected, we 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. 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: The City should evaluate its policies and procedures to verify that all employees are following the requirements and retain documentation and approval of all p-card purchases.

Corrective Action: The City plans to ensure that the purchasing card administrator reviews p-cards agreements and expense reports for appropriate approval signatures. The Finance team has designated a p-card administrator, who will review past agreements for appropriate signatures. Additionally, the City has changed the p-card expense report approval process from subordinates (expense report preparer) to supervisors for all p-card users. Adjustments to the approval processes for purchasing cards were made in the second half of FY2021 in response to the audit finding in FY2020.

Responsible Person: Wade Goble, Chief Auditor

Anticipated Completion Date: June 2022

CITY OF FLINT OFFICE OF FINANCE

2021-003 – Unsupported Accounts (repeat finding)

Auditor Description of Condition and Effect: The City has liabilities of \$131,168 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. Additionally, a general fund has an unsupported balance of \$47,751 related to customer overpayments. 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: The City plans to complete thorough reconciliations of all accounts at year-end. The Finance team has reconciled most accounts; any accounts needing further review will be completed in preparation for the FY2022 audit. The Finance team is working on a review of past delinquent tax collections, distributions, and captures to correct past errors and update current procedures.

Responsible Person: Jenn Ryan, Deputy Chief Financial Officer

Anticipated Completion Date: June 2022

**CITY OF FLINT
OFFICE OF FINANCE**

2021-004 – Utility Billing (repeat finding)

Auditor Description of Condition and Effect: The City has 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 do not have cash limits and there is no written policy on when excess cash should be moved to the lock box. Lastly, we noted the allowance for uncollectable accounts was determined using reports based on a date subsequent to year end. 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: The City plans to improve auditing and approvals for the Treasury functions. The Customer Service team is currently applying the credit balances where possible and will escheat the remaining balances in FY2022. Additionally, the team has updated their procedures regarding WRAP payments and excess cash in drawers.

Responsible Person: Amanda Trujillo, City Treasurer

Anticipated Completion Date: June 2022

CITY OF FLINT OFFICE OF FINANCE

2021-005 – Investments (repeat finding)

Auditor Description of Condition and Effect: 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. We noted that the investments are not in compliance 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 maintain an approved investment policy and verify that its investments are allowable in accordance with State law. We also recommend that the City create a legally irrevocable trust for the death benefit and that the funds be deposited into this trust.

Corrective Action: The City plans to create an Irrevocable Trust agreement and bank account. The Law, Finance, and Treasury teams are working together to implement the trust.

Responsible Person: William Kim, Interim City Attorney

Anticipated Completion Date: June 2022

**CITY OF FLINT
OFFICE OF FINANCE**

2021-006 – Payroll Documentation (repeat finding)

Auditor Description of Condition and Effect: When comparing nine individuals selected from the OPEB census to support in the personnel files, we noted the one instance 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, we noted one instance 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. As a result of this condition, City employees may be being paid incorrectly and the pension and OPEB census data used by the actuaries may be incorrect.

Auditor Recommendation: As a result of this condition, City employees may be being paid incorrectly and the pension and OPEB census data used by the actuaries may be incorrect.

Corrective Action: The City plans to increase training and improve and document processes to avoid discrepancies in the future. Additional training has taken place between Human Resources (HR) staff, Finance Payroll staff, and MERS to better understand and correct enrollment errors. The City has changed vendors for the retiree healthcare, which should result in better documentation and a database.

Responsible Person: Katrina Slabchuck, Payroll Supervisor

Anticipated Completion Date: June 2022

CITY OF FLINT OFFICE OF FINANCE

2021-007 – 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 \$1,804,827. 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, 2021 was \$461,816. Further, we noted there were multiple accounts with undistributed taxes that have not changed since the previous year. 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: The City plans to update its procedures for the payments and reconciliation of property taxes due to other agencies, including timely and accurate distributions. The Finance team is working on a review of past collections, distributions, and captures to correct past errors and update current procedures.

Responsible Person: Wade Goble, Chief Auditor

Anticipated Completion Date: June 2022

CITY OF FLINT OFFICE OF FINANCE

2021-008 – Capital Assets

Auditor Description of Condition and Effect: 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) 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 is included in the Schedule of Adjustments Passed. 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:

- The City's capital asset cost basis was adjusted for capitalization of repairs and maintenance and disposals for a net increase in cost basis of \$31,304,749.
- The final capital asset roll-forwards outlined balances that required adjustments to reconcile the Water fund and Sewer fund capital assets by reducing capital assets by \$3,406,710 and \$179,135, respectively.
- The final capital asset roll-forward outlined a balance that required an adjustment to reconcile the Internal service fund capital assets by increasing capital assets by \$357,276.

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 plans to complete a thorough review of the fixed asset subledger to implement corrections before the FY2022 year-end. Additionally, the Finance team will review and update procedures in preparation for the FY2022 year-end.

Responsible Person: Angela Bothell, Finance Accounting Coordinator

Anticipated Completion Date: June 2022

CITY OF FLINT OFFICE OF FINANCE

2021-009 – Suspension and Debarment (repeat finding)

Auditor Description of Condition and Effect: 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. They also could not locate procurement documentation for 2 out of 9 tested. Procurement and suspension and debarment documentation was not available for several vendors selected for testing, which exposes the City 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 plans to update its document retention procedures to ensure all documents are maintained and can be found, including attaching documents to records in the BS&A Purchasing system.

Responsible Person: Lauren Rowley, Purchasing Manager

Anticipated Completion Date: June 2022

CITY OF FLINT OFFICE OF FINANCE

2021-010 – Charging of Salaries Earned Outside of Period of Performance

Auditor Description of Condition and Effect: 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 of 2020, the beginning of the period of performance, were included in the aforementioned payrolls. Costs were charged to the PSPHPR program that were incurred outside of the period of performance.

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 plans to improve its grant procedures by ensuring proper communication between the department with the grant, grants administration, and payroll (as needed).

Responsible Person: Martita Moffett-Page, Grants Administrator

Anticipated Completion Date: June 2022
