

City of Flint

**Federal Awards
Supplemental Information
June 30, 2007**

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Independent Auditor's Report

To the Honorable Mayor and the City Council
City of Flint

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Flint as of and for the year ended June 30, 2007, which collectively comprise the City of Flint's basic financial statements, and have issued our report thereon dated December 27, 2007. Those basic financial statements are the responsibility of the management of the City of Flint. Our responsibility was to express opinions on those basic financial statements based on our audit.

We conducted our audit in accordance with 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Flint's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis and is not a required part of the basic financial statements. The information in this schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Plante & Moran, PLLC

December 27, 2007

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*

To the Honorable Mayor and the City Council
City of Flint

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Flint as of and for the year ended June 30, 2007, which collectively comprise the City of Flint's basic financial statements, and have issued our report thereon dated December 27, 2007. We conducted our audit in accordance with 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.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies that we consider to be material weaknesses.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal controls. We consider the control deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 07-01 through 07-04 to be significant deficiencies in internal control over financial reporting.

To the Honorable Mayor and the City Council
City of Flint

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We believe the deficiencies described in the Schedule of Findings and Questioned Costs as items 07-02 and 07-04 constitutes material weaknesses.

Compliance and Other Matters

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

The City of Flint's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the City of Flint's response and, accordingly, we express no opinion on it.

We noted certain matters that we reported to the management of the City of Flint in a separate letter dated December 27, 2007.

This report is intended solely for the information and use of the City Council, management, the State of Michigan, cognizant audit agency, federal awarding agency, and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Plante & Moran, PLLC

December 27, 2007

Report on Compliance with Requirements Applicable to Each Major
Program and on Internal Control Over Compliance in
Accordance with OMB Circular A-133

To the Honorable Mayor and the City Council
City of Flint

Compliance

We have audited the compliance of the City of Flint with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2007. The major federal programs of the City of Flint are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City of Flint's management. Our responsibility is to express an opinion on the City of Flint's compliance based on our audit.

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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Flint's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of Flint's compliance with those requirements.

As described in items 07-05 through 07-09 in the accompanying schedule of findings and questioned costs, the City of Flint did not comply with the requirements regarding reporting, subrecipient monitoring, earmarking, allowable costs and cost principles, equipment management, and suspension and debarment that are applicable to its major programs; Community Development Block Grant, HOME Investment Partnership Program, and Title IX Revolving Loan Fund Grants. Compliance with such requirements is necessary, in our opinion, for the City of Flint to comply with the requirements applicable to those programs.

In our opinion, except for the noncompliance described in the preceding paragraph, the City of Flint complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended June 30, 2007.

To the Honorable Mayor and the City Council
City of Flint

Internal Control Over Compliance

The management of the City of Flint is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City of Flint's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 entity's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies and others that we consider to be material weaknesses.

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal controls. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 07-05 through 07-09 to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. Of the significant deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs, we consider items 07-08 through 07-09 to be material weaknesses.

The City of Flint's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the City of Flint's response and, accordingly, we express no opinion on it.

To the Honorable Mayor and the City Council
City of Flint

This report is intended solely for the information and use of the City Council, management, the State of Michigan, cognizant audit agency, federal awarding agency, and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Plante & Moran, PLLC

March 21, 2008

Schedule of Expenditures of Federal Awards Year Ended June 30, 2007

<u>Federal Grantor</u>	<u>Federal CFDA Number</u>	<u>Federal Assistance ID Number</u>	<u>Federal Grant Amount</u>	<u>Accrued Expenditures For Year Ended 30-Jun-07</u>
Department of Housing and Urban Development				
Direct programs:				
Community Development Block Grant - 1996	14.218	B-99-MC-260018	\$ 5,800,648	\$ -
Community Development Block Grant - 1999	14.218	B-99-MC-260018	5,569,000	33,664
Community Development Block Grant - 2000	14.218	B-00-MC-260018	5,574,000	5,391
Community Development Block Grant - 2002	14.218	B-02-MC-260018	5,886,000	79,653
Community Development Block Grant - 2003	14.218	B-03-MC-260018	5,274,000	190,208
Community Development Block Grant - 2004	14.218	B-04-MC-260018	5,216,000	129,093
Community Development Block Grant - 2005	14.218	B-05-MC-260018	4,932,705	1,504,178
Community Development Block Grant - 2006	14.218	B-06-MC-260018	4,420,093	3,007,099
Emergency Shelter Grant - 2005	14.231	S-05-MC-260018	190,780	98,473
Emergency Shelter Grant - 2006	14.231	S-06-MC-260018	189,731	101,978
Home Investment Partnership Program - 1997	14.239	M-97-MC-260204	1,670,000	44,205
Home Investment Partnership Program - 1998	14.239	M-98-MC-260204	1,793,000	370,063
Home Investment Partnership Program - 1999	14.239	M-98-MC-260204	1,933,000	127,358
Home Investment Partnership Program - 2000	14.239	M-00-MC-260204	1,934,000	820,559
Home Investment Partnership Program - 2001	14.239	M-00-MC-260204	2,154,000	137,551
Home Investment Partnership Program - 2002	14.239	M-02-MC-260204	2,153,000	426,923
Home Investment Partnership Program - 2003	14.239	M-03-MC-260204	1,359,439	724,621
Home Investment Partnership Program - 2004	14.239	M-04-MC-260204	1,469,791	264,144
Home Investment Partnership Program - 2005	14.239	M-05-MC-260204	1,299,639	941,497
EDI - Economic Development	14.246	B-00-SP-MI-0178	462,500	269,594
Total Department of Housing & Urban Development			59,281,326	9,276,252

City of Flint

Schedule of Expenditures of Federal Awards (continued) Year Ended June 30, 2007

<u>Federal Grantor</u>	<u>Federal CFDA Number</u>	<u>Federal Assistance ID Number</u>	<u>Federal Grant Amount</u>	<u>Accrued Expenditures For Year Ended 30-Jun-07</u>
Department of Justice				
Direct programs:				
Local Law Enforcement Block Grant	16.592	2004-LB-bx-1198	151,111	52,883
Weed and Seed	16.595	2005-WS-Q4-0019	225,000	122,064
Domestic Violence Initiative	16.575	2006-WE-AX-0074	261,421	2,686
Indirect programs:				
Passed through State of Michigan				
Victims of Crime Act of 1984 (20431-9V04)	16.575	2006-VA-GX-0594	110,107	45,140
Victims of Crime Act of 1984 (20431-10V04)	16.575	2007-VA-GX-0594	110,107	95,161
Passed through Genesee Co.				
Byrne Memorial 2006 - FANG	16.579	70983-5-06-B	32,304	9,776
Byrne Memorial 2007 - FANG	16.579	70983-6-07-B	34,858	21,429
Passed through Genesee Township				
Justice Assistance Grant - JAG	16.595	Unknown	178,377	15,358
Total Department of Justice			1,103,285	364,497
Department of Commerce				
Direct Program:				
Title IX Revolving Loan Fund	11.307		1,500,000	2,918,978
Total Federal Assistance			\$ 61,884,611	\$ 12,559,727

City of Flint

Notes to Schedule of Expenditures of Federal Awards Year Ended June 30, 2007

Note 1 - Significant Accounting Policies

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Flint and is presented on the same basis of accounting as the basic financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note 2 - Loans Outstanding

At June 30, 2007, the City of Flint revolving loan fund has a business loan portfolio of \$283,100 and cash and investment holdings of \$2,501,476. Current year expenditures were \$134,402.

City of Flint

Notes to Schedule of Expenditures of Federal Awards Year Ended June 30, 2007

Note 3 - Subrecipient Awards

Of the federal expenditures presented in the schedule, federal awards were provided to subrecipients as follows:

Federal Program Title	CFDA Number	Amount Provided to Subrecipients
Department of Housing and Urban Development		
Catholic Charities of Shiawassee	14.218	\$ 9,546
Child Advocacy Center	14.218	6,368
Community Development Corp	14.218	19,206
Community Recovery Services	14.218	18,228
Court Street Village	14.218	33,092
Disability Network	14.218	160,095
Flint Area Enterprise Community	14.218	266,820
Flint Neighborhood Improvement and Preservation Project	14.218	518,266
Genesee County Youth Corp	14.218	43,787
Girl Scouts Fair Winds Council	14.218	19,761
Hurley Foundation	14.218	41,954
Legal Services of Eastern Michigan	14.218	39,623
Metro Housing Partnership, Inc.	14.218	17,524
Shelter of Flint	14.218	15,751
St Agnes Church	14.218	12,872
St. Luke North End Women's	14.218	12,500
Transition House	14.218	25,858
United Way - Flint Eastside	14.218	15,400
Urban Comm Youth Outreach	14.218	28,776
Vista Drop in Center	14.218	33,590
YWCA of Flint	14.218	13,448
Court Street Village	14.239	1,025,000
First Street Lofts, LLC	14.239	545,500
Flint Neighborhood Improvement and Preservation Project	14.239	1,600,714
Salem Housing Community Development Corp	14.239	16,335

City of Flint

Schedule of Findings and Questioned Costs Year Ended June 30, 2007

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major program(s):

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

Type of auditor's report issued on compliance for major program(s): Qualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? Yes No

Identification of major program(s):

Community Development Block Grant 14.218

HOME Investment Partnership 14.239

Title IX Revolving Loan Fund 11.307

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low risk auditee? Yes No

City of Flint

Schedule of Findings and Questioned Costs (continued) Year Ended June 30, 2007

Section II - Financial Statement Audit Findings

Reference Number	Findings
07-01	<p>Updating of Capital Asset Records</p> <p>Finding Type - Significant deficiency</p> <p>Criteria - Existing capital asset infrastructure records should be updated for construction replacing existing streets.</p> <p>Condition - The City does not remove replaced infrastructure from capital asset record when new substantial repairs and replacements are made.</p> <p>Context - Capital asset records are not updated for infrastructure replaced annually.</p> <p>Effect - Capital asset records may not be accurate.</p> <p>Cause - The City does not have a process in place to identify and remove infrastructure from the capital asset schedule when improvements are made to previously constructed infrastructure.</p> <p>Recommendation - We suggest that such a process be developed and implemented to ensure that capital asset records are accurate.</p> <p>Views of Responsible Officials and Planned Corrective Actions - The City has good procedures in place to identify and update our records for deletion. It was an oversight. It will be corrected in the future.</p>

City of Flint

Schedule of Findings and Questioned Costs (continued) Year Ended June 30, 2007

Section II - Financial Statement Audit Findings (continued)

Reference Number	Findings
07-02	<p>Recording of Water Fund Payable</p> <p>Finding Type - Material weakness</p> <p>Criteria - Water purchases made near year end should be accrued as a payable and a current year expense.</p> <p>Condition - An invoice for water purchases made in May and June of the current year was not accrued as a payable and expense at year end.</p> <p>Context - One invoice out of 104 were found to be improperly excluded from AP at year end.</p> <p>Effect - Payables and expenses in the Water Fund were understated.</p> <p>Cause - When reviewing invoices subsequent to year end, the invoice was not properly identified as an expense applicable to the prior year.</p> <p>Recommendation - We suggest that a process be implemented to ensure that all amounts owed as of year end are accrued as expense and liabilities on the general ledger.</p> <p>Views of Responsible Officials and Planned Corrective Actions - The City has good procedures in place to review expenditures for year end accrual. It was an oversight. It will be corrected in the future.</p>

City of Flint

Schedule of Findings and Questioned Costs (continued) Year Ended June 30, 2007

Section II - Financial Statement Audit Findings (continued)

Reference Number	Findings
07-03	<p>Estimation of Uncollectible Receivables</p> <p>Finding Type - Significant deficiency</p> <p>Criteria - Accounting standards require the accrual of revenue be reduced annually by an estimate of the receivables that will not be collected.</p> <p>Condition - The City did not properly account for the aging of income tax assessments receivable when estimating the amount that would be uncollectible.</p> <p>Context - Income tax assessments receivable transferred to the enforcement system were not considered when the City estimated the amount of receivables deemed uncollectible.</p> <p>Effect - Accounts receivable could be improperly valued at year end.</p> <p>Cause - The City did not properly account for the aging of income tax assessments receivable when estimating the amount that would be uncollectible.</p> <p>Recommendation - We suggest that the aging of the receivables be monitored and taken into consideration when recording the correct uncollectible amount.</p> <p>Views of Responsible Officials and Planned Corrective Actions - The City has good procedures in place to estimate the uncollectible receivable. We will review and update our methods as and when needed.</p>

City of Flint

Schedule of Findings and Questioned Costs (continued) Year Ended June 30, 2007

Section II - Financial Statement Audit Findings (continued)

Reference Number	Findings
07-04	<p>Lack of Segregation of Duties at Golf Courses</p> <p>Finding Type - Significant deficiency / Material weakness</p> <p>Criteria - Duties should be segregated so that the same person does not have control over both the asset and the accounting records for that asset.</p> <p>Condition - Golf course supervisor is responsible for receipting and recording cash receipts prior to deposit with treasury.</p> <p>Context - Due to the small staff at the golf course there was a lack of segregation of duties. The golf course supervisor receipts cash, prepares the receipt and bank deposit, and determines the account coding assigned to receipts. The supervisor has control over both the un-deposited cash and the financial records related to those cash receipts prior to the deposit of the receipts with the treasury department.</p> <p>Effect - Lack of segregation of duties</p> <p>Cause - Due to the size of the staff at the golf course there is a lack of segregation of duties.</p> <p>Recommendation - None</p> <p>Views of Responsible Officials and Planned Corrective Actions - The cost of instituting ideal internal control procedures in golf courses will far exceed the benefits. We have established internal control procedures after carefully considering cost and benefits. Segregation of duties is missing not more than 2 hours a day during the golf season. We will review and update our procedures periodically.</p>

City of Flint

Schedule of Findings and Questioned Costs (continued) Year Ended June 30, 2007

Section III - Federal Program Audit Findings

Reference Number	Findings
07-05	<p>Program Name - Title IX Revolving Loan Fund I I.307</p> <p>Finding Type - Noncompliance / Significant deficiency</p> <p>Criteria - Grant guidelines require that the City submit semi-annual reports for each of the three Title IX programs.</p> <p>Condition - The six semi-annual reports required to be submitted were all filed late.</p> <p>Questioned Costs - None</p> <p>Context - There are three different Title IX grants that are required to submit semi-annual reports. The three reports due November 1 were submitted on November 30. The three reports due May 1 were submitted on May 8.</p> <p>Cause and Effect - Staffing constraints resulted in late submission</p> <p>Recommendation - We recommend that procedures be implemented to ensure reports are filed timely.</p> <p>Views of Responsible Officials and Planned Corrective Actions - The Department of Community and Economic Development (DCED) submitted letter to EDA on May 8, 2007 requesting authorization to change its due dates to file its semi-annual reports to May 10th and November 10th of each year to establish a time frame to allow the city to comply with the grant guidelines. This request to change reporting date was due to the City not receiving bank statements, via mail, until after the 20th of the month. EDA did not approve the request. The City Finance Department instituted a new procedure in fiscal 2008 that allows its staff person, who generates the reports, to have electronic access to bank accounts. This procedure will enable the accounts to be reconciled in a timeframe that would allow the City to submit its reports to EDA by the filing deadlines.</p>

City of Flint

Schedule of Findings and Questioned Costs (continued) Year Ended June 30, 2007

Section III - Federal Program Audit Findings (continued)

Reference Number	Findings
07-06	<p>Program Name - Community Development Block Grant 14.218 & HOME 14.239</p> <p>Finding Type - Noncompliance / Significant deficiency</p> <p>Criteria - Grant guidelines require that the City verify that vendors and subcontractors with contracts exceeding \$25,000 are not suspended or debarred from participating in federally funded activities.</p> <p>Condition - The City does not consistently verify that vendors/contractors are not debarred or suspended prior to purchases and sub-recipient agreements.</p> <p>Questioned Cost - Unknown</p> <p>Context - Of the 11 HOME and CDBG vendors and sub-recipients subject to the disbarment and suspension that were tested, 2 sub-recipients and 1 vendor were not tested for debarment or suspension in accordance with grant requirements.</p> <p>Cause and Effect - The City has no consistent system in place to verify debarment or suspension of vendors/contractors. The City may be contracting with vendors that are suspended or debarred.</p> <p>Recommendation - We recommend that procedures be implemented to consistently verify that potential vendors and contractors are not debarred or suspended from participating in federally funded programs prior to the purchase of goods or services.</p> <p>Views of Responsible Officials and Planned Corrective Actions - Beginning with the fiscal year ending June 30, 2008, the DCED will revise its internal procedures to include verification of its subrecipient agencies and vendors receiving federal funds, to ensure they are not on the federal Excluded Parties List System, prior to the execution date of a written agreement. In addition, the subrecipient contract will include a provision that requires each subrecipient agency to include as part of its reimbursement request, a suspension and debarment verification of its vendors and contractors receiving more than \$25,000 for goods and services ensuring they are not listed on the federal Excluded Parties List System as debarred. DCED will not reimburse subrecipients for any vendor and contractors that are on the federal Excluded Parties List System.</p>

City of Flint

Schedule of Findings and Questioned Costs (continued) Year Ended June 30, 2007

Section III - Federal Program Audit Findings (continued)

Reference Number	Findings
07-07	<p>Program Name - Community Development Block Grant 14.218</p> <p>Finding Type - Noncompliance / Significant deficiency</p> <p>Criteria - Grant guidelines require that the City maintain records of capital assets purchased with federal grants to ensure that any sale proceeds from disposal of related assets are returned to the federal agency.</p> <p>Condition - The City does not have a system in place to track assets purchased with block grant funds in the Community Development Block Grant department in years prior to 2007. In addition, the City does not keep track of assets purchased in other City departments with block grant funds for those items purchased prior to 2007.</p> <p>Question Costs - None</p> <p>Context - The City does not have a complete historical listing of capital assets purchased with grant funds.</p> <p>Cause and Effect - The City has no system in place to identify all equipment purchased with block grant funds.</p> <p>Recommendation - We recommend that procedures be implemented to maintain a complete listing of equipment purchased with Community Development Block Grant funds, including items purchased prior to the 2007 fiscal year.</p> <p>Views of Responsible Officials and Planned Corrective Actions - In fiscal year 2007, the city's Finance Department began keeping a record of fixed assets purchased with federal funds. During fiscal year 2007, DCED did not purchase any fixed asset items. All future fixed assets items acquired by DCED will be included in the fixed asset record that is maintained by the Finance Department.</p>

City of Flint

Schedule of Findings and Questioned Costs (continued) Year Ended June 30, 2007

Section III - Federal Program Audit Findings (continued)

Reference Number	Findings
07-08	<p>Program Name - HOME 14.239</p> <p>Finding Type - Noncompliance / Material weakness</p> <p>Criteria - Grant guidelines require that grant expenditures be for activities be supported by appropriate documentation to verify that they are allowable.</p> <p>Condition - Disbursement files did not contain documentation supporting the entire disbursement to a sub-recipient at the time the disbursement was made from federal funds. Support for the entire disbursement was eventually requested and received from the sub-recipient. However the subsequent documentation was only requested by DCD as a result of the disbursement being selected for testing as part of the 2007 single audit fieldwork</p> <p>Question costs - None</p> <p>Context - 19 federal expenditures were selected for the testing of allowability. Of the 19 selected, one was found to not have complete support from the subrecipient with the payment request.</p> <p>Cause and Effect - Federal expenditures could be present for activities that are not supported as to their allowability under the requirements of the grant.</p> <p>Recommendation - We suggest that the City implement a procedure to verify that the amount requested for reimbursements from sub-recipients are agreed to complete documentation that supports the entire amount requested as an allowable grant cost.</p> <p>Views of Responsible Officials and Planned Corrective Actions - DCED acknowledges that the HOME payment lacked one piece of supporting documentation, which was an administrative oversight. All HOME payments in the future will be reviewed carefully to ensure that supporting documentation is included with the payment request.</p>

City of Flint

Schedule of Findings and Questioned Costs (continued) Year Ended June 30, 2007

Section III - Federal Program Audit Findings (continued)

Reference Number	Findings
07-09	<p>Program Name - Community Development Block Grant 14.218</p> <p>Finding Type - Noncompliance / Material weakness</p> <p>Criteria - Grant guidelines require that the City accurately report project expenditures by specific project codes in the IDIS reporting system. During year end close out reporting, the IDIS system utilizes the project codes to determine if current year expenditures comply with annual grant spending limits regarding public service and planning and administrative activities.</p> <p>Condition -Revisions were made to reclassify expenditures incurred prior to June 30, 2007 in IDIS to a project number that differed from the project number used in the initial drawdown. A total of \$86,849 of expenditures originally charged to administration was reclassified to rehabilitation project costs and a total of \$48,385 was reclassified from public service project expenditures to rehabilitation and neighborhood project costs. Subsequently, but after preparation of year end programmatic reports, the expenditures were revised in IDIS back to the original public service activity and administration codes used at initial drawdown.</p> <p>Question Costs - \$115,801</p> <p>Context - If the project costs revisions had not been implemented prior to year end close out reporting, expenditures for planning and administration and public service on "CDBG Financial Summary for Program Year 2006" would have been reported as exceeding the cap limits. Public service expenditures would have been reported as 15.5% of total IDIS expenditures. Also administrative and planning costs would have been reported as 21.56% of total expenditures. Based on the project classifications as finally revised, administration and planning costs exceeded the cap limit by \$72,160 and public services costs exceeded the cap limit by \$43,641. These excess amounts have been reported as questioned costs.</p> <p>Cause and Effect - City employees with access to the Integrated Disbursement and Information System are making revisions to the HUD activity ID numbers that are no longer in agreement with HUD activity ID number documented for the actual federal expenditure.</p>

**Schedule of Findings and Questioned Costs (continued)
Year Ended June 30, 2007**

Section III - Federal Program Audit Findings (continued)

Reference Number	Findings
<p>07-09 (Continued)</p>	<p>Program Name - Community Development Block Grant 14.218 (Continued)</p> <p>Recommendation – We suggest that the City implement a procedure to ensure that HUD activity ID numbers are input correctly into the Integrated Disbursement and Information System and that the HUD activity ID number are in agreement with the actual federal expenditure. We would also recommend that the City retain written documentation to support re-classifications of IDIS activity codes to ensure that the changes are appropriate and necessary. Finally, if revisions to cost categories are made for expenditures incurred prior to year end close out procedures, all year end closeout reports should be revised to reflect the correct amounts.</p> <p>Views of responsible officials and planned corrective actions – IDIS is a HUD Internet database system that allows grantees to draw down funds as well as report on what has been accomplished with these funds. IDIS is not an accounting system. It is a disbursement or draw down reporting system. IDIS has been HUD’s disbursement and reporting system since 1996. Projects can have more than one activity. Amendments to projects and activities can be made to correct errors and to accurately report information regarding disbursements or beneficiaries and to make other adjustments as needed.</p> <p>DCED staff review payments and draws on IDIS and make adjustments when needed. The two payments were reclassified during year-end closeout process because it appeared they had been drawn twice. These two payments were reclassified to other activities, where there were expenditures to support the amount that was drawn. After year-end closeout, it was determined that these payments were not drawn twice and were subsequently revised back to their original activity after consultation with Finance Department staff. These expenditures are unbilled 2007 receivables in BS&A for fiscal year 2008. They will be counted in fiscal year 2008 CAPER.</p> <p>HUD allows grantees to make or adjust draws 90 days after the year-end. The City has the option, any time after July 1 to September 28, to flag a draw in IDIS as a prior fiscal year draw or allow it to ride in the current fiscal year. These adjustments are reflected in the respective CAPER report. The grantee cannot make adjustments to the fiscal year IDIS reports that are part of the CAPER after September 28.</p>

City of Flint

Schedule of Findings and Questioned Costs (continued) Year Ended June 30, 2007

Section III - Federal Program Audit Findings (continued)

Reference Number	Findings
07-09 (Continued)	<p>Program Name - Community Development Block Grant 14.218 (Continued)</p> <p>As part of year-end reporting analysis, DCED staff reviewed IDIS and CAPER to assess disbursements being reported for the program and to make sure the cap limits were not exceeded. As part of this process, draws were reclassified to other IDIS activities, where there were valid and eligible expenditures to support the amounts that were drawn to stay under the cap limits.</p> <p>Additionally, the City did not exceed cap limits in fiscal year 2007 as the City did not obligate CDBG contracts in amounts that would exceed cap limits, including program income, as defined in OMB A-133 Compliance Supplement. These regulations indicate that not more than 20 percent of the total grant award plus 20 percent of the program income received during a program year may be obligated during that year for activities that qualify as planning and administration pursuant to 24 CFR sections. In addition, the compliance supplement indicates that the amount of CDBG funds obligated during the program year for public services must not exceed 15 percent of the grant amount received for that year plus 15 percent of the program income it received during the preceding program year. Obligation, as defined by the Office of Management and Budget, is defined as the amounts determined for orders placed, contracts and grants awarded, services received and similar transactions during a given period that require payment by the recipient during the same or a future period.</p> <p>A review of the allocations of contracts and grants awarded for fiscal year ending June 30th evidence that the City has not obligated funds that exceed the caps for planning and administration and public service activities.</p> <p>In summary, IDIS is not an accounting system. It is a disbursement and information reporting system. These transactions were proper and allowable under IDIS, CAPER and HUD reporting requirements.</p>