



Michigan
Office of the Auditor General
REPORT SUMMARY

Financial Audit
Including the Provisions of the Single Audit Act
Department of Environmental Quality
October 1, 2007 through September 30, 2009

Report Number:
761-0100-10

Released:
June 2010

A Single Audit is designed to meet the needs of all financial report users, including an entity's federal grantor agencies. The audit determines if the financial schedules and/or financial statements are fairly presented; considers internal control over financial reporting and internal control over federal program compliance; determines compliance with requirements material to the financial schedules and/or financial statements; and assesses compliance with direct and material requirements of the major federal programs.

**Financial Statements and Financial Schedules:
Auditor's Reports Issued**

We issued unqualified opinions on the Department of Environmental Quality's (DEQ's) financial statements and financial schedules.

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Internal Control Over Financial Reporting

We did not report any findings related to internal control over financial reporting.

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**Noncompliance and Other Matters
Material to the Financial Statements
and/or Financial Schedules**

We did not identify any instances of noncompliance or other matters applicable to the financial statements and/or financial schedules that are required to be reported under *Government Auditing Standards*.

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Federal Awards:

Auditor's Reports Issued on Compliance

We audited 8 programs (including 3 ARRA related programs) and reported known questioned costs of \$54,860 and known and likely questioned costs totaling \$106,452. DEQ expended a total of \$265.5 million in federal awards during the two-year period that ended September 30, 2009. We issued 4 unqualified opinions and 4 qualified opinions. The opinions issued by major programs are identified on the back of this summary.

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Internal Control Over Major Programs

We identified significant deficiencies in internal control over federal program compliance (Findings 1 through 6). We consider Findings 2 through 6 to contain material weaknesses. In addition, we identified 8 recommendations (presented as 5 recommendations in Findings 1 and 3 through 6) repeated from our prior report for the two-year period ended September 30, 2007.

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Required Reporting of Noncompliance

We identified instances of noncompliance that are required to be reported in accordance with

U.S. Office of Management and Budget (OMB)
Circular A-133 (Findings 1 through 6).

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Systems of Accounting and Internal Control:

We determined that DEQ was in substantial compliance with Sections 18.1483 - 18.1487 of the *Michigan Compiled Laws*.

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Subsequent Event:

Executive Order No. 2009-45 created the Department of Natural Resources and Environment (DNRE), effective January 17, 2010. It transferred all of the authority, powers, duties, functions, responsibilities, records, personnel, property, equipment, and budgetary resources of the Department of Natural Resources (DNR) and DEQ to DNRE by a Type II transfer and abolished DNR and DEQ. Accordingly, our recommendations in this report are directed to DNRE.

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We audited the following programs as major programs:

<i>CFDA Number</i>	<i>Program Title</i>	<i>Compliance Opinion</i>
11.419	Coastal Zone Management Administration Awards	Unqualified
66.001	Air Pollution Control Program Support	Qualified
66.458	<u>Capitalization Grants for Clean Water State Revolving Funds</u> <ul style="list-style-type: none"> • Capitalization Grants for Clean Water State Revolving Funds • ARRA - Capitalization Grants for Clean Water State Revolving Funds 	Qualified
66.460	Nonpoint Source Implementation Grants	Qualified
66.468	<u>Capitalization Grants for Drinking Water State Revolving Funds</u> <ul style="list-style-type: none"> • Capitalization Grants for Drinking Water State Revolving Funds • ARRA - Capitalization Grants for Drinking Water State Revolving Funds 	Qualified
66.605	Performance Partnership Grants	Unqualified
66.801	Hazardous Waste Management State Program Support	Unqualified
66.805	<u>Leaking Underground Storage Tank Trust Fund Corrective Action Program</u> <ul style="list-style-type: none"> • Leaking Underground Storage Tank Trust Fund Corrective Action Program • ARRA - Leaking Underground Storage Tank Trust Fund Corrective Action Program 	Unqualified

A copy of the full report can be obtained by calling 517.334.8050 or by visiting our Web site at: <http://audgen.michigan.gov>



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