



RICK SNYDER
GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF ENVIRONMENTAL QUALITY
LANSING



DAN WYANT
DIRECTOR

July 18, 2012

Mr. Doug Ringler, Director
Office of Internal Audit Services
Office of the State Budget
George W. Romney Building
111 South Capitol, 6th Floor
Lansing, Michigan 48913

Dear Director:

In accordance with the State of Michigan, Financial Management Guide, Part VII, attached is a summary table identifying our responses and the corrective action plan, to address recommendations contained within the Office of the Auditor General's audit report of Fee Adequacy within the Department of Environmental Quality (DEQ), Air Quality Division (AQD).

Questions regarding the summary table or the corrective action plan should be directed to Mike Jackson, Manager, AQD Administration, DEQ, at jacksonm11@michigan.gov or at 517-335-6982.

Sincerely,

Signature Redacted

James Kasprzak, Chief
Administration Division
517-241-7427

Enclosures

cc/enc: Mr. Dennis Muchmore, Executive Office
Ms. Wendy Siegel, Executive Office
Ms. Mary Ann Cleary, House Fiscal Agency
Ms. Ellen Jeffries, Senate Fiscal Agency
Mr. Thomas H. McTavish, Office of the Auditor General
Mr. Mike Green, Senate Appropriations Subcommittee on Environmental Quality
Mr. Tom Casperson, Senate Committee on Natural Resources, Environment
and Great Lakes
Ms. Eileen Kowall, House Appropriations Subcommittee on Environmental Quality
Mr. Frank Foster, House Committee on Natural Resources, Tourism and
Outdoor Recreation
Ms. Jane Schultz, DEQ
Mr. G. Vinson Hellwig, DEQ
Ms. Lynn Fiedler, DEQ
Mr. Mike Jackson, DEQ

Department of Environmental Quality
Summary of Agency Responses to Recommendations
OAG Performance Audit of Fee Adequacy within the Air Quality Division Issued
October, 2011

Audit Recommendations the DEQ has complied with

ROP Program Fee Adequacy

Audit Recommendations the DEQ agrees with and will comply

Facility Inspections and Permit Processing

Audit Recommendations the DEQ disagrees with

There are no recommendations where the DEQ has not complied or does not intend to comply.

Department of Environmental Quality
Final Plan to Address Audit Recommendations
OAG Performance Audit of Fee Adequacy within the Air Quality Division Issued
October, 2011

Renewable Operating Permit (ROP) Program Fees and Costs

The Office of the Auditor General (OAG) recommended that *DEQ establish a fee system for the ROP Program to generate sufficient revenues to cover the cost of the ROP Program as required by federal regulation 40 CFR 70.9 and the Clean Air Act.*

The DEQ agrees with this finding and has complied.

The Legislature must approve any increases to the ROP Program fees. DEQ submitted an ROP Program fee increase to the Legislature in January, 2011. Public Act 164 of 2011 (PA 164) was signed into law and given immediate effect on October 5, 2011. The DEQ believes the changes to the Air Quality Fee structure under PA 164 will generate sufficient revenues to cover the cost of the ROP program as required by federal regulation 40 CFR 70.9 and the Clean Air Act.

Facility Inspections and Permit Processing

The OAG recommended that *DEQ complete annual inspections and process permit applications within the appropriate time frames as required by federal regulation 40 CFR 70.9 and the Clean Air Act.*

The DEQ agrees with this finding and will comply.

The DEQ anticipates an increase in projected revenues due to changes to the Air Quality Fee structure under Public Act 164 of 2011. This revenue increase will allow the hiring of additional ROP staff. The DEQ plans to be staffed at the correct level beginning October, 2012 and will be in compliance with this recommendation by October 1, 2013. In addition, the DEQ continues to strive to improve efficiencies in the ROP process to the maximum extent possible. A Lean Process Improvement (LPI) program was completed for the renewal portion of the ROP program last year. This streamlined application process is expected to save time for both the DEQ and permittee and will help in achieving compliance within this timeframe.