

## EXECUTIVE DIGEST

### ENVIRONMENTAL RESPONSE DIVISION

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#### **INTRODUCTION**

This report contains the results of our performance audit of the Environmental Response Division, Bureau of Environmental Protection, Department of Natural Resources, for the period October 1, 1992 through August 31, 1995.

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#### **AUDIT PURPOSE**

This performance audit was conducted as part of the constitutional responsibility of the Office of the Auditor General. Performance audits are conducted on a priority basis related to the potential for improving effectiveness and efficiency.

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#### **BACKGROUND**

The Environmental Response Division was located within the Bureau of Environmental Protection, Department of Natural Resources. The Division was transferred to the Department of Environmental Quality effective October 1, 1995. The Division's mission is to effectively determine, evaluate, and control risk to the environment and the health, safety, and welfare of Michigan's citizens. This is to be accomplished by carrying out cleanup or other response activities at sites of environmental contamination and by developing and managing information about chemicals in the environment.

The Division's major responsibilities include conducting the publicly funded cleanup of sites of environmental contamination under the federal Superfund Program, the Michigan Environmental Response Act, and the Environmental Protection Bond Program; supervising cleanups conducted by responsible parties; providing emergency response capabilities for environmental incidents; administering the Pollution Emergency Alerting System; and providing environmental laboratory services for the Department. As of August 31, 1995, the Division had 298 employees. The Division's operating expenditures for fiscal year 1994-95 were approximately \$24.8 million.

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**AUDIT OBJECTIVES,  
CONCLUSIONS, AND  
NOTEWORTHY  
ACCOMPLISHMENTS**

**Audit Objective:** To assess the Division's effectiveness in identifying, assessing, and addressing environmental contamination.

**Conclusion:** We concluded that the Division was generally effective in identifying, assessing, and addressing environmental contamination. However, we noted one material condition which could affect the Division's effectiveness:

- There were no uniform quality standards for environmental laboratories that provide analytical data for sites of environmental contamination. Laboratory analysis is critical to the process of addressing sites of environmental contamination. Without standards, the Division had limited assurance that the analytical data was reliable (Finding 1).

The Department concurs with the need for quality standards and will establish them for contractors. The Department also concurs with the need for a Statewide environmental laboratory certification program. However, compliance will require legislation and budgetary resources.

In addition, we noted reportable conditions relating to approval of environmental laboratories, quality assurance/quality control data, contractor costs, project budgets, contractor evaluations, equipment purchased under level of effort (LOE) contracts, rent/buy documentation, Superfund funding, and monitoring wells (Findings 2 through 10).

**Audit Objective:** To assess the Division's effectiveness in identifying potentially responsible parties (PRP's) and recovering costs related to response activities.**Conclusion:** We concluded that the Division was effective in identifying PRP's and recovering costs.

**Noteworthy Accomplishments:** As of August 31, 1995, the Division had completed 243 cost recovery packages, documenting approximately \$106 million of State expenditures at contaminated sites. There have been 95 consent decrees and judgments that awarded the State over \$41 million in costs and interest. Settlement payments totaling \$23.5 million have been received. The Division has also settled six claims for damages to natural resources and received \$4.8 million in compensation. In addition, the Division has placed 32 liens, with a total value of \$13.5 million, on affected properties.

**Audit Objective:** To assess the Division's effectiveness in facilitating the redevelopment of contaminated sites.

**Conclusion:** We could not draw a conclusion as to the effectiveness of the Division's redevelopment efforts because these efforts were recently implemented. The Division had established programs with the intent of facilitating the redevelopment of contaminated sites; however, only a few projects had been completed at the time of our audit.

**Noteworthy Accomplishments:** As of August 31, 1995, the Division, in conjunction with the Department of Attorney General, had issued 46 "covenants not to sue" to purchasers of contaminated property. The Division had awarded site assessment grants totaling \$7.6 million to 21 local units of government and site reclamation grants totaling \$14.8 million to 20 local units of government.

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**AUDIT SCOPE  
AND  
METHODOLOGY**

Our audit scope was to examine the program and other records of the Environmental Response Division for the period October 1, 1992 through August 31, 1995. Our audit was conducted in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States and, accordingly, included such tests of the records and such other auditing procedures as we considered necessary in the circumstances.

To accomplish our objectives, we reviewed legislation, administrative rules, management plans, Environmental

Protection Agency (EPA) reports, Division policies and procedures, contracts and related support documents, and other Division reports and manuals. We interviewed program staff at both the central office and the district offices.

We reviewed contaminated site scoring procedures, the documentation for a sample of site scores, and changes to site scores. We identified the Division's methods of addressing sites of environmental contamination. We reviewed the process for assigning sites to LOE contractors.

We also reviewed the process for approving environmental laboratories. In addition, we analyzed EPA performance evaluation results for four approved laboratories.

We visited three district offices and reviewed sample files for evidence of work performed, documentation of project manager oversight, invoice approval, and evaluations of contractor performance.

We reviewed procedures for identification of PRP's and for preparation of cost recovery packages. We also reviewed site revitalization grants and "covenants not to sue."

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**AGENCY  
RESPONSES**

Our audit report contains 10 findings and 12 corresponding recommendations. The Department of Environmental Quality concurs with our recommendations and informed us that it plans to comply with them.