

EXECUTIVE DIGEST

AIR QUALITY DIVISION

INTRODUCTION

This report, issued in January 1998, contains the results of our performance audit* of the Air Quality Division, Department of Environmental Quality (DEQ).

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* .

BACKGROUND

DEQ's stated mission* is to drive improvements in environmental quality for the protection of public health and natural resources to benefit current and future generations. This is to be accomplished through effective administration of agency programs, providing for the use of innovative strategies, while helping to foster a strong and sustainable economy.

The Division annually receives approximately 1,100 new source* review (NSR) permit applications. As of June 1, 1997, the Division had 205 employees. Division expenditures for fiscal year 1995-96 were \$16.9 million.

AUDIT OBJECTIVES,
CONCLUSIONS, AND
NOTEWORTHY
ACCOMPLISHMENTS

Audit Objective: To assess the effectiveness of the Division in meeting its mission to regulate sources of air pollutants to minimize adverse impact on human health, the environment, and society.

Conclusion: We concluded that the Division's regulatory functions were generally effective in minimizing adverse impact on human health, the environment, and society. However, we noted reportable conditions* relating to the development of quantified goals* and objectives*, monitoring of contractor, timely processing and district staff approval of NSR permits, timeliness of enforcement activities, complaint investigations, and compliance inspections (Findings 1 through 7).

Noteworthy Accomplishments: In April 1995, the United States Environmental Protection Agency (U.S. EPA) designated the Detroit/Ann Arbor area as being in attainment* with the ozone standard, making it the largest metropolitan area in the nation to achieve that status.

In the U.S. EPA Office of Inspector General audit report entitled "Region 5's Air Enforcement and Compliance Assistance Program," dated September 13, 1996, the Division was commended for its use of penalties, specifically those based on economic benefit* that companies received by not complying with applicable air pollution laws and regulations, to deter companies from violations. During the last three fiscal years, judgments and settlements paid to the State for noted air violations have increased from \$1,494,134 in fiscal year 1993-94, to \$1,741,581 in fiscal year 1994-95, to \$2,554,567 in fiscal year 1995-96. The other three Region 5 states reviewed

by the U.S. EPA in its report did not usually assess the economic benefit component.

Audit Objective: To assess the efficiency of the Division's permitting, air quality monitoring, and enforcement processes.

Conclusion: We concluded that the Division's permitting, air quality monitoring, and enforcement processes were generally efficient.

Noteworthy Accomplishments: The Division eliminated its backlog of NSR permit applications that were received but not acted upon, which had peaked at nearly 900 in April 1993.

**AUDIT SCOPE AND
METHODOLOGY**

Our audit scope was to examine the program and other records of the Air Quality Division. 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.

Our audit procedures included examinations of the Division's records and activities covering the period October 1, 1994 through January 31, 1997.

We studied legislation, administrative rules, management plans, Division policies and procedures, and other Division reports and manuals. We interviewed program staff at both the central office and the district offices.

We reviewed air monitoring reports completed by both the Division and the U.S. EPA to determine if the Division's

efforts had a positive impact on the ambient air* quality in the State. We examined the air monitoring site audit schedule and tested monitoring site accuracy audits to verify their completion. We analyzed the Division's procedures to ensure that source emission data was reported in a timely manner.

We examined records relating to a sample of NSR permit applications to determine if the permits were processed in a timely manner and in accordance with statutory requirements and Division procedures. We reviewed a sample of escalated enforcement* cases for compliance with State and federal requirements and timeliness of resolution.

We visited 3 of the Division's 9 district offices (Cadillac, Grand Rapids, and Jackson) to discuss field district activities with the district supervisor and program staff. We tested a sample of files of source inspections, complaint investigations, and violations for compliance with specified requirements, established procedures, and timeliness of completion. We accompanied district staff on source inspection and complaint investigation visits.

**AGENCY RESPONSES
AND PRIOR AUDIT
FOLLOW-UP**

Our audit report contains 7 findings and 12 recommendations. DEQ's preliminary response indicated that it agreed with all 12 recommendations.

DEQ had complied with 11 of the 17 prior audit recommendations included within the scope of our current audit. Two of the prior audit recommendations were repeated in this audit report, and 4 were rewritten because of changes in the individual situations.