



MICHIGAN

OFFICE OF THE AUDITOR GENERAL

AUDIT REPORT



THOMAS H. MCTAVISH, C.P.A.
AUDITOR GENERAL

“...The auditor general shall conduct post audits of financial transactions and accounts of the state and of all branches, departments, offices, boards, commissions, agencies, authorities and institutions of the state established by this constitution or by law, and performance post audits thereof.”

– Article IV, Section 53 of the Michigan Constitution

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Michigan
Office of the Auditor General
REPORT SUMMARY

Performance Audit
Clean Michigan Initiative,
Environmental Protection Programs
Department of Environmental Quality

Report Number:
 76-217-05

Released:
 February 2006

The Department of Environmental Quality (DEQ) administers the environmental protection programs funded by the Clean Michigan Initiative (CMI) bond. These programs include: Brownfield Redevelopment and Environmental Cleanup Program, Waterfront Redevelopment Program, Remediation of Contaminated Lake and River Sediments Program, Nonpoint Source Pollution Prevention and Control Program, Clean Water Fund Program, and Pollution Prevention Program.

Audit Objective:

To assess the effectiveness of DEQ's processes for selecting projects to fund with CMI bond proceeds.

Audit Conclusion:

We concluded that DEQ's processes for selecting projects to fund with CMI bond proceeds were effective. However, our assessment disclosed a reportable condition.

Reportable Condition:

DEQ's Remediation and Redevelopment Division should improve its process for documenting its selection of CMI-funded cleanup projects (Finding 1).

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Audit Objective:

To assess the effectiveness of DEQ's monitoring efforts of CMI-funded projects.

Audit Conclusion:

We concluded that DEQ was effective in its monitoring efforts of CMI-funded

projects. Our report does not include any reportable conditions related to this audit objective.

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Audit Objective:

To assess the effectiveness and efficiency of DEQ's closeout processes for CMI-funded projects.

Audit Conclusion:

We concluded that DEQ's closeout processes for CMI-funded projects were effective. Our report does not include any reportable conditions related to this audit objective.

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Audit Objective:

To assess the effectiveness of DEQ's efforts to evaluate the performance of its CMI programs.

Audit Conclusion:

We concluded that DEQ was effective in its efforts to evaluate the performance of

its CMI programs. However, our assessment disclosed a reportable condition.

Reportable Condition:

DEQ should continue its efforts to fully develop a CQI process for evaluating the effectiveness of the CMI programs in meeting the purposes identified in the CMI legislation (Finding 2).

Noteworthy Accomplishments:

In September 2003, DEQ was one of eleven agencies that received the Most Valuable Pollution Prevention Award for its Retired Engineers Technical Assistance Program from the National Pollution Prevention Roundtable. The Most Valuable Pollution Prevention Awards are presented annually to recognize outstanding and innovative pollution prevention projects and programs.

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Agency Response:

Our audit report contains 2 findings and 2 corresponding recommendations. DEQ's preliminary response indicated that it agreed with both of our recommendations.

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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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THOMAS H. MCTAVISH, C.P.A.
AUDITOR GENERAL

February 17, 2006

Mr. Steven E. Chester, Director
Department of Environmental Quality
Constitution Hall
Lansing, Michigan

Dear Mr. Chester:

This is our report on the performance audit of the Clean Michigan Initiative, Environmental Protection Programs, administered by the Department of Environmental Quality.

This report is issued pursuant to Section 324.19615 of the *Michigan Compiled Laws*, which states that every two years that State programs are funded with money from Clean Michigan Initiative bond proceeds, the Office of the Auditor General shall conduct a performance audit of the programs. Upon completion of the performance audit, the Office of the Auditor General shall submit a report on the audit to the audited department and the Legislature.

This report contains our report summary; description of programs; audit objectives, scope, and methodology and agency responses and prior audit follow-up; comments, findings, recommendations, and agency preliminary responses; a summary of appropriations and expenditures, presented as supplemental information; and a glossary of acronyms and terms.

Our comments, findings, and recommendations are organized by audit objective. The agency preliminary responses were taken from the agency's responses subsequent to our audit fieldwork. The *Michigan Compiled Laws* and administrative procedures require that the audited agency develop a formal response within 60 days after release of the audit report.

We appreciate the courtesy and cooperation extended to us during this audit.

AUDITOR GENERAL

TABLE OF CONTENTS

CLEAN MICHIGAN INITIATIVE ENVIRONMENTAL PROTECTION PROGRAMS DEPARTMENT OF ENVIRONMENTAL QUALITY

	<u>Page</u>
INTRODUCTION	
Report Summary	1
Report Letter	3
Description of Programs	7
Audit Objectives, Scope, and Methodology and Agency Responses and Prior Audit Follow-Up	11
COMMENTS, FINDINGS, RECOMMENDATIONS, AND AGENCY PRELIMINARY RESPONSES	
Process for Selecting Projects to Fund	15
1. RRD Project Selections	15
Monitoring Efforts	17
Closeout Processes	18
Efforts to Evaluate Program Performance	18
2. CQI Process	19
SUPPLEMENTAL INFORMATION	
Summary of Appropriations and Expenditures	24

GLOSSARY

Glossary of Acronyms and Terms

26

Description of Programs

Clean Michigan Initiative

In November 1998, Michigan voters approved a \$675 million Clean Michigan Initiative (CMI) bond for environmental, health, and natural resources protection programs that would clean up and redevelop contaminated sites; protect and improve water quality; prevent pollution; abate lead contamination; reclaim and revitalize community waterfronts; enhance recreational opportunities; and clean up contaminated sediments in lakes, rivers, and streams. The scope of this audit included six programs administered by the Department of Environmental Quality (DEQ): Brownfield* Redevelopment and Environmental Cleanup Program, Waterfront Redevelopment Program, Remediation of Contaminated Lake and River Sediments Program, Nonpoint Source Pollution Prevention and Control Program, Clean Water Fund Program, and Pollution Prevention Program.

The Department of Community Health administers the CMI health protection program. The Department of Natural Resources administers the CMI natural resources protection programs.

Sections 324.19601 - 324.19616 of the *Michigan Compiled Laws* provide for the specific use of CMI bond proceeds as follows:

<u>Environmental Protection Programs:</u>	Up to
Response activities* at facilities*	\$ 335,000,000
Waterfront improvements	50,000,000
Remediation of contaminated lake and river sediments	25,000,000
Nonpoint source pollution prevention and control projects or wellhead protection projects	50,000,000
Water quality monitoring, water resources protection and pollution control activities	90,000,000
Pollution prevention programs	20,000,000
 <u>Health Protection Program:</u>	
Abatement of lead hazards	5,000,000
 <u>Natural Resources Protection Programs:</u>	
State park infrastructure improvements	50,000,000
Local recreation projects	50,000,000
 Total	<u>\$ 675,000,000</u>

* See glossary at end of report for definition.

DEQ's environmental protection programs account for \$570 million (84%) of the total \$675 million in CMI bonds. As of September 30, 2004, the State of Michigan had issued nearly \$239 million (42%) in CMI bonds for the environmental protection programs administered by DEQ.

DEQ's CMI Programs

DEQ, through its various divisions, administers the following six CMI programs:

1. Brownfield Redevelopment and Environmental Cleanup Program (up to \$335 million): This Program provides funding to four subprograms:

- Redevelopment-Based Cleanup Projects (\$155 million)

This subprogram funds cleanups and/or demolition at sites in order to promote commercial redevelopment, create jobs, and revitalize neighborhoods. This subprogram also can be used to correct leaking underground storage tanks.

- Public Health and Environmental Cleanup Projects (\$93 million)

This subprogram provides State-funded cleanups at contaminated facilities that pose an imminent or substantial endangerment to the public health, safety, or welfare or to the environment.

- Brownfield Redevelopment Grants and Loans (\$75 million)

This subprogram provides grants (\$37.5 million) and loans (\$37.5 million) to local units of government for response activities at known or suspected contaminated properties with redevelopment potential.

- Municipal Landfill Cost-Share Grants (\$12 million)

This subprogram provides grants to local units of government that undertake cleanup actions at municipal solid waste landfills on, or nominated for, the federal Super Fund National Priorities List of contaminated sites.

2. Waterfront Redevelopment Program (\$50 million): This Program provides grants to local communities for innovative waterfront improvements that contribute significantly to the local unit of government's economy or to the

redevelopment or revitalization of neighborhoods and increase public access to the Great Lakes, their connecting waterways, a river, or a lake. Eligible activities include: environmental response activities, acquisition of waterfront property, relocation and/or demolition of buildings and facilities, and infrastructure and public facility improvements.

3. Remediation of Contaminated Lake and River Sediments Program (\$25 million): This Program expands efforts already underway to remove sediments from lakes and rivers contaminated by toxins, such as polychlorinated biphenyls (PCBs), mercury, and dichlorodiphenyltrichloroethane (DDT).
4. Nonpoint Source Pollution Prevention and Control Program (\$50 million): This Program provides grants to nonprofit entities or local units of government to implement physical structures as identified in an approved DEQ watershed management plan to control the runoff of pollutants, such as sediment, nutrients, and pesticides, into rivers, lakes, and streams. This Program also funds activities to reduce nonpoint source pollution from a specific pollutant source as identified by DEQ, such as purchasing land or development rights in critical areas of a watershed or fencing and providing alternative watering systems to eliminate livestock access to lakes or streams.
5. Clean Water Fund Program (\$90 million): This Program provides funds to implement a comprehensive water quality monitoring plan to determine water quality trends, evaluate water protection programs and detect emerging problems. Also, funding is available to implement recommendations in watershed management plans in designated areas of concern or pursuant to lakeside management plans; provide assistance to local units of government to implement the regulations under phase II of the federal Storm Water Permit Program; identify and eliminate illicit connections to storm sewer systems; provide State matching funds required to access a federal grant for the Conservation Reserve Enhancement Program in Michigan; locate and plug abandoned wells; identify and fix failing septic systems that threaten or impair State waters; and protect high quality streams and lakes.

6. Pollution Prevention Program: (\$20 million): This Program consists of three subprograms:

- Retired Engineers Technical Assistance Program Fund (\$10 million)

This subprogram creates an endowment to provide funding for pollution prevention assessments by retired engineers and scientists for small businesses, municipalities, and public institutions.

- Small Business Pollution Prevention Assistance Revolving Loan Fund (\$5 million)

This subprogram provides funds to establish a revolving loan fund for small businesses to implement pollution prevention improvements.

- Pollution Prevention Activities (\$5 million)

This subprogram will further pollution prevention activities throughout the State, including start-up funding for local governments to operate household hazardous waste collections; grants to public and private organizations to implement regional pollution prevention projects; and development of an environmental education curriculum for middle schools.

Audit Objectives, Scope, and Methodology and Agency Responses and Prior Audit Follow-Up

Audit Objectives

Our performance audit* of the Clean Michigan Initiative (CMI), Environmental Protection Programs, Department of Environmental Quality (DEQ), had the following objectives:

1. To assess the effectiveness* of DEQ's processes for selecting projects to fund with CMI bond proceeds.
2. To assess the effectiveness of DEQ's monitoring efforts of CMI-funded projects.
3. To assess the effectiveness and efficiency* of DEQ's closeout processes for CMI-funded projects.
4. To assess the effectiveness of DEQ's efforts to evaluate the performance of its CMI programs.

Audit Scope

Our audit scope was to examine the program and other records of the environmental protection programs of the Clean Michigan Initiative. 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.

As part of our audit, we prepared a summary of appropriations and expenditures for the CMI environmental protection programs at DEQ. Our audit was not directed toward expressing an opinion on this information and, accordingly, we express no opinion on it.

* See glossary at end of report for definition.

Audit Methodology

Our audit procedures, conducted from April through August 2005, included an examination of records and activities related to the environmental protection programs of CMI for the period October 1, 2002 through September 30, 2004.

We conducted a preliminary review of DEQ's operations related to CMI to formulate a basis for defining the audit objectives and scope of audit. Our review included interviewing DEQ personnel; reviewing applicable laws, regulations, policies, procedures, and other reference materials; reviewing selected files, records, and reports; and obtaining an understanding of DEQ's operations as they related to CMI activities.

To accomplish our audit objectives, we interviewed DEQ personnel and examined selected CMI files and other information relating to the specific CMI programs and subprograms we selected for our review.

To assess the effectiveness of DEQ's processes for selecting projects to fund with CMI bond proceeds, we examined DEQ's methods for identifying eligible participants and projects, prioritizing and selecting projects, and documenting the criteria and rationale used.

To assess the effectiveness of DEQ's monitoring efforts of CMI-funded projects, we gained an understanding of the procedures used by DEQ. We evaluated whether DEQ had sufficient procedures to ensure the eligibility of program expenditures and evaluate the completion of the agreed-upon projects to ensure consistency with the intended program purposes.

To assess the effectiveness and efficiency of DEQ's closeout processes for CMI-funded projects, we reviewed DEQ's procedures. We determined whether DEQ's procedures ensured that projects were closed out in a timely manner, project documentation was complete and appropriate, and the projects' accomplishments were consistent with the program purposes as outlined in the CMI legislation.

To assess the effectiveness of DEQ's efforts to evaluate the performance of its CMI programs, we determined whether DEQ had established measurable performance standards* or goals*. Also, we analyzed the completeness and accuracy of DEQ

* See glossary at end of report for definition.

databases used in tracking CMI data and compared the CMI data to the reports prepared by DEQ for the Legislature.

Agency Responses and Prior Audit Follow-Up

Our audit report contains 2 findings and 2 corresponding recommendations. DEQ's preliminary response indicated that it agreed with both of our recommendations.

The agency preliminary response that follows each recommendation in our report was taken from the agency's written comments subsequent to our audit fieldwork. Section 18.1462 of the *Michigan Compiled Laws* and Department of Management and Budget Administrative Guide procedure 1280.02 require DEQ to develop a formal response to our audit findings and recommendations within 60 days after release of the audit report.

We released our prior performance audit of the Clean Michigan Initiative, Environmental and Health Protection Programs, Department of Environmental Quality and Department of Community Health (#7621703), in February 2005. Within the scope of this audit, we followed up both prior audit recommendations. DEQ was in the process of complying with one recommendation, and the other recommendation was no longer applicable.

COMMENTS, FINDINGS, RECOMMENDATIONS,
AND AGENCY PRELIMINARY RESPONSES

PROCESS FOR SELECTING PROJECTS TO FUND

COMMENT

Audit Objective: To assess the effectiveness of the Department of Environmental Quality's (DEQ's) processes for selecting projects to fund with Clean Michigan Initiative (CMI) bond proceeds.

Conclusion: We concluded that DEQ's processes for selecting projects to fund with CMI bond proceeds were effective. However, our assessment disclosed a reportable condition* related to Remediation and Redevelopment Division (RRD) project selections (Finding 1).

FINDING

1. RRD Project Selections

DEQ's Remediation and Redevelopment Division (RRD) should improve its process for documenting its selection of CMI-funded cleanup projects. Without complete documentation, DEQ could not show that projects selected were those that presented the most significant risk to public health or the environment or those that had redevelopment potential.

RRD is responsible for overseeing regulated party cleanup projects, addressing public health and environmental threats at sites of environmental contamination, and facilitating brownfield redevelopment. In addition to CMI funding, RRD received funding from other State and federal funding sources. In accordance with *Michigan Administrative Code R 299.5209 - 299.5217*, RRD established a process for site identification and tracking. RRD also established a process to assign a numerical score to each site, which represented the relative present and potential hazard of the site. In December 2002, DEQ updated and formally recognized RRD's process for scoring sites by including its updated site assessment model in *Michigan Administrative Code R 299.5801 - 299.5823*. *Michigan Administrative Code R 299.5219* requires DEQ to rescore all sites maintained in RRD's Environmental Response Network Information Exchange (ERNIE) using the updated site assessment model by December 21, 2005. RRD maintained detailed

* See glossary at end of report for definition.

information about each site, including site scores, in its ERNIE management information system.

Section 324.19608(7) of the *Michigan Compiled Laws* requires DEQ to annually submit to the Legislature for approval a list of all cleanup projects that are recommended for CMI funding. As also required by this section and in recognizing the limitation of funds available, DEQ established criteria for evaluating, prioritizing, and recommending projects for funding. For example, four of the eight criteria were related to the existence of imminent human exposure; readiness to proceed with the project; redevelopment potential; and geographic distribution.

In fiscal year 2003-04, the Legislature approved CMI funding for 32 cleanup projects, for a total of \$10,510,000, as recommended by RRD. To review RRD's selection process, we randomly selected 10 of these projects, totaling \$3,265,000. Five of the projects selected for review were leaking underground storage tank (LUST) projects and 5 were public health and environmental cleanup projects.

We noted:

- a. RRD did not provide field staff at DEQ's eight district offices with written procedures to assist them in the selection process. RRD's field staff began the selection process by determining which projects should be considered for funding, then numerically ranked the projects. RRD compiled each district office's proposed projects into a combined priority listing for further evaluation and final selection of recommended projects. Without written procedures, RRD could not be sure that field staff appropriately considered all sources of information for projects, including those projects identified in ERNIE, those projects nominated by local units of government, and known contaminated sites in their districts. Also, RRD could not be sure that field staff, in ranking the projects, applied a thorough, consistent, and objective process.
- b. RRD did not document its use of the site scores in ERNIE and related information, as a basis in the selection process. Four of the 5 public health and environmental cleanup projects in our sample had site scores identified in ERNIE (RRD had not assigned site scores for LUST projects at the time of our review). However, we could not locate documentation to indicate how these site scores were used to select those projects that represented the most significant risk to public health, safety, or welfare or to the environment. RRD

management informed us that because the site scores in ERNIE were not all current, they were not always reliable for use in the selection process. RRD was in the process of updating the site scores in ERNIE in efforts to comply with the December 21, 2005 deadline.

- c. RRD did not consistently document the use of the established criteria for evaluating, prioritizing, and recommending projects for funding. For all 10 projects that we reviewed, RRD did not document its consideration of one or more of the eight established criteria.

RECOMMENDATION

We recommend that RRD improve its process for documenting its selection of CMI-funded cleanup projects.

AGENCY PRELIMINARY RESPONSE

RRD agreed with the recommendation and responded that it believes it can improve its overall process for documenting its selection of CMI-funded projects. RRD will evaluate and consider both the statutory provisions regarding site scores and the usefulness of this information in selecting projects, in relation to other standard site selection criteria. Also, RRD will evaluate opportunities and the need for additional, enhanced formal guidance for the site selection process to ensure that the resulting documentation appropriately demonstrates that, in relation to established criteria, projects selected are those that present the most significant risk to public health or the environment or those projects that have redevelopment potential.

MONITORING EFFORTS

COMMENT

Audit Objective: To assess the effectiveness of DEQ's monitoring efforts of CMI-funded projects.

Conclusion: We concluded that DEQ was effective in its monitoring efforts of CMI-funded projects. Our report does not include any reportable conditions related to this audit objective.

CLOSEOUT PROCESSES

COMMENT

Audit Objective: To assess the effectiveness and efficiency of DEQ's closeout processes for CMI-funded projects.

Conclusion: We concluded that DEQ's closeout processes for CMI-funded projects were effective. Our report does not include any reportable conditions related to this audit objective.

EFFORTS TO EVALUATE PROGRAM PERFORMANCE

COMMENT

Audit Objective: To assess the effectiveness of DEQ's efforts to evaluate the performance of its CMI programs.

Conclusion: We concluded that DEQ was effective in its efforts to evaluate the performance of its CMI programs. However, our assessment disclosed a reportable condition related to a continuous quality improvement* (CQI) process (Finding 2).

Noteworthy Accomplishments: In September 2003, DEQ was one of eleven agencies that received the Most Valuable Pollution Prevention Award for its Retired Engineers Technical Assistance Program (RETAP) from the National Pollution Prevention Roundtable (NPPR). NPPR is the largest membership organization in the United States devoted solely to pollution prevention. NPPR's mission is to provide a national forum for promoting the development, implementation, and evaluation of efforts to avoid, eliminate, or reduce pollution at the source. The Most Valuable Pollution Prevention Awards are presented annually to recognize outstanding and innovative pollution prevention projects and programs. Applicants for the award are judged based on their innovation, measurable results, transferability, commitment, optimization of available project resources, and demonstration of source reduction activities. RETAP provides on-site technical assistance to public institutions, municipalities, and small businesses, focusing on resource conservation, preventative maintenance, and process

* See glossary at end of report for definition.

and energy efficiency. RETAP also includes technology demonstrations and a student intern program.

FINDING

2. CQI Process

DEQ should continue its efforts to fully develop a CQI process for evaluating the effectiveness of the CMI programs in meeting the purposes identified in the CMI legislation. Without a fully developed CQI process, DEQ could not effectively evaluate the actual performance of the CMI programs.

The Legislature and the Governor have required, in various appropriations acts and in Executive Directive No. 1996-1, that State programs use quality improvement processes to manage the use of limited State resources. Also, Executive Directive No. 2001-3, which rescinded Executive Directive No. 1996-1 effective June 8, 2001, stated that it was a goal to increase efforts toward continuous improvement and ensure the implementation of quality and customer service management techniques.

A CQI process should include: performance indicators* for measuring outputs* and outcomes*; performance standards or goals that describe the desired level of outcomes based on management expectations, peer group performance, and/or historical data; a performance measurement system* to gather actual output and outcome data; a comparison of the actual data with desired outputs and outcomes; a reporting of the comparison results to management; and proposals of program changes to improve effectiveness and efficiency.

DEQ implemented partial components of a CQI process. For example, various divisions developed strategic plans, which were incorporated into DEQ's overall strategic plan. These strategic plans outlined planned initiatives, program enhancements, and ongoing program activities. Also, the RRD, in its administration of the Brownfield Redevelopment and Environmental Cleanup Program, annually developed action plans as a method to monitor the status of each project, to assist in project accountability, and to help ensure the effective use of limited resources. In addition, DEQ had implemented various databases as performance measurement systems to provide for comprehensive data and program reporting.

* See glossary at end of report for definition.

However, our audit disclosed:

- a. For 7 of 9 CMI programs and subprograms that we selected for review, DEQ had not developed quantified or measurable performance standards or goals by which DEQ management and the Legislature could assess DEQ's program effectiveness and initiate changes to improve effectiveness. Performance standards or goals should describe the desired level of outcomes based on management expectations, peer group performance, and/or historical data.

For example, our review of RRD's fiscal year 2003-04 strategic plan disclosed that its identified planned initiatives, program enhancements, and ongoing program activities were not quantified or measurable. For example, program enhancements included: "On an ongoing basis, pursue emergency response actions at abandoned landfill sites determined to represent imminent and substantial threats to public health, safety, welfare, or the environment." Also, in one of DEQ's pollution prevention programs, it had established as a goal: "Reduce the generation of waste by participating Michigan businesses and institutions."

However, DEQ had not developed a process to quantify or measure how it has pursued emergency response actions at abandoned landfill sites or how it has reduced the generation of waste by Michigan businesses and institutions.

- b. To be more effective, DEQ could improve the completeness and accuracy of its performance measurement system used in RRD. Without complete and accurate information, DEQ management and other users cannot be sure of the reliability of the information they are obtaining from the system. Further, without reliable information, the system cannot be effective for DEQ management to monitor, assess, and report on the overall effectiveness of the programs.

RRD is responsible for the Redevelopment-Based Cleanup Projects and the Public Health and Environmental Cleanup Projects. In 2000, RRD implemented ERNIE to identify and monitor the performance and financial information for each of the sites.

We noted:

- (1) When RRD implemented ERNIE, it did not capture the pre-2000 financial information for existing sites. As a result, we noted that one RRD staff member, who was responsible for financial monitoring and reporting, had to create a separate database to gather needed information. We were also informed by another RRD staff member, who was responsible for program monitoring and reporting, that she also maintained a separate database to gather needed information. These RRD staff members had to use their separate databases, in conjunction with the information in ERNIE, to accurately summarize project status information for the annual consolidated report to the Legislature, as required by Section 324.19608(9) of the *Michigan Compiled Laws*, and some of the other requests for information from interested parties and DEQ management.
- (2) As reported in Finding 1.b. of this audit report, RRD had not updated all of the site scores in ERNIE to represent the relative present and potential hazard of each site. As a result, the site scores were not reliable in selecting sites for funding and for other administrative uses. RRD was in the process of updating the site scores in ERNIE in efforts to comply with the December 21, 2005 deadline.

We were informed by RRD staff members that they were in the process of developing a new performance measurement system that would be more comprehensive and effective in meeting their needs.

RECOMMENDATION

We recommend that DEQ continue its efforts to fully develop a CQI process for evaluating the effectiveness of the CMI programs in meeting the purposes as identified in the CMI legislation.

AGENCY PRELIMINARY RESPONSE

DEQ partially agreed with the finding. DEQ responded that it agreed with and has already partially addressed the recommendation. DEQ informed us that it continues to incorporate quality improvement principles into its strategic planning process and related activities and that it has already implemented several

information systems and project management techniques to facilitate an overall performance measurement system. Also, DEQ has plans to further enhance systems to improve the overall performance measurement system for the CMI programs. For example, DEQ stated that technological updates have already been implemented for the ERNIE database, enabling DEQ to resolve the financial reporting limitations, noted in the audit finding, by the end of fiscal year 2005-06.

DEQ also informed us that it recently submitted, for approval by the federal Environmental Protection Agency, a quality management plan (QMP) required for its federal grants. DEQ stated that, as part of the QMP, it identified the need for CQI. Data from the CMI program would be among the information upon which CQI would continue to be performed. Use of information (and supporting systems) will be evaluated and enhanced by DEQ to meet the needs of CQI.

Lastly, to ensure a complete and effective CQI process for the CMI programs, DEQ will commence a series of discussions with program managers in the several divisions that manage the CMI environmental protection programs. DEQ informed us that the purpose of these discussions is to further develop quantifiable and measurable performance standards in order to improve DEQ's capability to more effectively evaluate the effectiveness of the CMI programs. As part of this process, DEQ will improve its documentation of those instances in which quantifiable and measurable standards are less useful than consideration of other qualitative factors for use in evaluating DEQ's effectiveness in achieving the purposes of the CMI legislation.

SUPPLEMENTAL INFORMATION

CLEAN MICHIGAN INITIATIVE (CMI), ENVIRONMENTAL PROTECTION PROGRAMS

Department of Environmental Quality (DEQ)
 Summary of Appropriations and Expenditures
As of September 30, 2004

	<u>Appropriations</u>	<u>Expenditures</u>
Brownfield Redevelopment and Environmental Cleanup Program	\$249,441,002	\$130,923,827
Waterfront Redevelopment Program	48,075,338	39,149,955
Remediation of Contaminated Lake and River Sediments Program	22,960,232	5,421,746
Nonpoint Source Pollution Prevention and Control Program	29,134,957	10,293,177
Clean Water Fund Program	51,142,470	20,553,836
Pollution Prevention Program	17,742,593	16,756,923
DEQ Administration	9,755,500	9,752,771
Total	<u>\$428,252,092</u>	<u>\$232,852,235</u>
Portion of Total CMI Bonds Allocated for Environmental Protection Programs	\$570,000,000	\$570,000,000
Percent Appropriated and Expended	75.1%	40.9%

Source: Department of Environmental Quality Consolidated Report on the Environmental Protection Bond Fund, the Cleanup and Redevelopment Fund, and the Clean Michigan Initiative Bond Fund, Fiscal Year 2003-04.

GLOSSARY

Glossary of Acronyms and Terms

brownfield	Abandoned, idle, or under-used industrial and commercial properties, often in urban areas, where expansion or redevelopment is hindered or complicated by real or perceived environmental conditions.
CMI	Clean Michigan Initiative.
continuous quality improvement (CQI)	A process that aligns the vision and mission of an organization with the needs and expectations of internal and external customers. It normally includes a process to improve program effectiveness and efficiency by assessing performance indicators that measure outputs and outcomes related to the program vision, mission, goals, and objectives.
DEQ	Department of Environmental Quality.
effectiveness	Program success in achieving mission and goals.
efficiency	Achieving the most outputs and outcomes practical with the minimum amount of resources.
ERNIE	Environmental Response Network Information Exchange.
facility	Any area, place, or property where a hazardous substance in excess of the concentrations which satisfy the requirements of Section 324.20120a(1)(a) or Section 324.20120a(17) of the <i>Michigan Compiled Laws</i> or the cleanup criteria for unrestricted residential use has been released, deposited, disposed of, or otherwise comes to be located. "Facility" does not include any area, place, or property at which response activities have been completed which satisfy the cleanup criteria for the residential category provided for in Section 324.20120a(1)(a) and Section 324.20120a(17) of the <i>Michigan Compiled Laws</i> or at which corrective action has

been completed under part 213 of the Natural Resources and Environmental Protection Act (Act 451, P.A. 1994, as amended) which satisfies the cleanup criteria for unrestricted residential use.

goals	The agency's intended outcomes or impacts for a program to accomplish its mission.
LUST	leaking underground storage tank.
NPPR	National Pollution Prevention Roundtable.
outcomes	The actual impacts of the program.
outputs	The products or services produced by the program.
performance audit	An economy and efficiency audit or a program audit that is designed to provide an independent assessment of the performance of a governmental entity, program, activity, or function to improve public accountability and to facilitate decision making by parties responsible for overseeing or initiating corrective action.
performance indicators	Information of a quantitative or qualitative nature used to assess achievement of goals and/or objectives.
performance measurement system	A system for capturing and processing data to determine if the program is achieving its goals.
performance standard	A desired level of output or outcome.
QMP	quality management plan.
reportable condition	A matter that, in the auditor's judgment, represents either an opportunity for improvement or a significant deficiency in management's ability to operate a program in an effective and efficient manner.

response activity The evaluation, interim response activity, remedial action, demolition, or other actions necessary to protect the public health, safety, or welfare; the environment; or the State's natural resources.

RETAP Retired Engineers Technical Assistance Program.

RRD Remediation and Redevelopment Division.

