RICK SNYDER
GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF ENVIRONMENTAL QUALITY
LANSING

KEITH CREAGH
DIRECTOR

May 26, 2016

VIA E-MAIL

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

Dear Mr. Weiler:

In accordance with the State of Michigan, Financial Management Guide, Part VII, enclosed is a summary identifying our responses and corrective action plans to address recommendations contained within the Office of the Auditor General's audit report of the Department of Environmental Quality (DEQ), Office of Drinking Water and Municipal Assistance, Community and Noncommunity Water Supplies.

Questions regarding the summary or corrective action plan should be directed to Ms. Amy Epkey, Deputy Director, Administration, at epkeya@michigan.gov or 517-284-5002.

Sincerely,

Signature Redacted

Keith Creagh
Director
517-284-6700

Enclosure
cc: Senate Appropriations Subcommittee on Environmental Quality Members
House Appropriations Subcommittee on Environmental Quality Members
Ms. Ellen Jeffries, Director, Senate Fiscal Agency
Ms. Mary Ann Cleary, Director, House Fiscal Agency
Mr. Doug Ringler, Office of the Auditor General
Mr. Jarrod Agen, Governor's Office
Mr. Josh Sefton, Senate Fiscal Agency
Mr. Austin Scott, House Fiscal Agency
Mr. Jim Sygo, Chief Deputy Director, DEQ
Ms. Amy Epkey, Deputy Director, DEQ
Ms. Maggie Pallone, Deputy Director, DEQ
Ms. Mary Ann Dolehanty, DEQ

Department of Environmental Quality
Summary of Agency Responses to Recommendations
OAG Performance Audit of the Community and Noncommunity Water Supplies
Office of Drinking Water & Municipal Assistance
October 1, 2013 through September 30, 2015

1. Audit recommendations the agency complied with:

Please see below responses for status.

2. Audit recommendations the agency agrees with and will comply:

The Department of Environmental Quality (DEQ) agrees with the audit findings involved in the Community and Noncommunity Water Supplies audit issued March 2016. The DEQ intends to comply with the OAG recommendations. The DEQ corrective action plan is included below.

Finding #1

DEQ needs to improve its oversight and monitoring of community water supplies that implement a new water source or treatment process to ensure that DEQ meets its mission of promoting wise management of water resources to support healthy communities. Not ensuring that the Flint Water Treatment Plant implemented optimal corrosion control treatment when switching to the Flint River water source may have contributed to elevated lead levels in the drinking water system.

OAG Recommendation: We recommend that DEQ improve its oversight and monitoring of community water supplies that implement a new water source or treatment process to ensure that DEQ meets its mission of promoting wise management of water resources to support healthy communities.

DEQ Response:

- On December 9, 2015, the city of Flint Water Treatment Plant began applying corrosion control treatment. The water quality is being assessed by DEQ on a weekly basis. On April 8, 2016, the United States Environmental Protection Agency (USEPA) indicated the water quality is improving.

- On March 14, 2016, the DEQ sent a letter to all community water supplies, advising them to review and update their distribution system material inventory and the Lead and Copper Rule (LCR) sampling pools to ensure compliance with the LCR and associated guidance and protocols.

- The DEQ will implement a peer review process for evaluating significant and atypical changes in source or treatment. The DEQ will establish a Project Review Team comprised of engineering and technical specialists that will meet at least quarterly (more often if needed) to provide oversight and feedback to district

engineers on complex or significant modifications to public water supplies. Target Date: May 31, 2016.

- The DEQ will also implement an ongoing training series, similar to the Air Quality Division's 'Rules School,' to better inform staff of potential or future rule and guidance modifications, as well as existing regulations. Target Date: January 1, 2017.

- The DEQ will provide training to staff with regard to the LCR and associated policy and guidance. This training is scheduled for June 22, 2016, and will be given to approximately 70 technical and managerial staff from the Office of Drinking Water and Municipal Assistance (ODWMA). Topics will include sampling site selection, distribution system inventories, corrosion control technologies, and source water or treatment modifications. The training will incorporate recommendations from the March 2016 USEPA document '*Optimal Corrosion Control Evaluation Technical Recommendations for States and Public Water Systems.*' Content and attendance will be documented. Target Date: June 22, 2016.

Finding #2

ODWMA needs to improve its processes to ensure that sample sites selected for lead and copper testing meet LCR tier requirements and that consistent sources are used to determine populations served. ODWMA cannot ensure that it takes necessary actions to safeguard drinking water if it does not have assurances that samples are from homes with lead pipes and that sample sizes are appropriate and representative of the distribution system.

OAG Recommendation: We recommend that ODWMA improve its processes to ensure that sample sites selected for lead and copper testing meet LCR tier requirements and that consistent sources are used to determine populations served.

DEQ Response:

- On March 14, 2016, the DEQ sent a letter to all community water supplies advising them to review and update their distribution system material inventory and LCR sampling pools in order to ensure compliance with the LCR and associated guidance and protocols.

- The DEQ will send additional detailed instructions to community water supplies due for LCR sampling during the summer of 2016. This mailing will include a revised Lead and Copper reporting form template that will allow DEQ staff to collect additional information from water supplies and more accurately assess that proper site selection criteria have been met. Target Date: May 15, 2016.

- The DEQ will revise its Policy ODWMA-399-013, Classification of Public Water Supplies, to incorporate a procedure for reviewing and evaluating population served values utilizing appropriate methods. This policy will encompass multiple

methods of determining population served, since the process is necessarily different for municipalities, private supplies, etc. Target Date: July 31, 2016.

Finding #3

ODWMA did not always conduct community water supply sanitary surveys or surveillance visits within the time frames required by DEQ policy.

OAG Recommendation: We recommend that ODWMA conduct community water supply sanitary surveys and surveillance visits within the time frames required by DEQ policy.

DEQ Response:

- Since January 1, 2016, the DEQ has completed 58 sanitary surveys. Due to the fact that sanitary surveys are undertaken on a rolling three-year time frame; other sanitary surveys have come due since that time. As of April 15, 2016, the DEQ has a backlog of 124 overdue sanitary surveys. Of these, fourteen of them are more than a year overdue. These fourteen surveys are in the process of being scheduled and will be completed. A strategy to address the remaining 110 sanitary surveys and eliminate ongoing backlog will be developed. Target Date: September 30, 2016.

- The DEQ will conduct a workload and process analysis to optimize the sanitary survey procedures and identify the necessary resources to improve timeliness of sanitary survey completeness. This may incorporate technological improvements and additional personnel. Target Date: September 30, 2016.

- While routine surveillance visits are not a requirement of the Safe Drinking Water Act, the DEQ strives to accomplish these visits in order to provide ongoing assistance and oversight at community water supplies. The DEQ will conduct a workload analysis to determine the optimal frequency of on-site visits and request the necessary resources to meet our goals. Target Date: September 30, 2016.

- The DEQ will revise its Policy ODWMA-399-026, Frequency of Surveillance at Community Public Water Systems, to require standardized written documentation of visits. Target Date: September 30, 2016.

Finding #4

ODWMA did not ensure that local health departments (LHD) conducted all sanitary surveys, surveillance visits, and other monitoring within the time frames required by DEQ policy for noncommunity water supplies.

OAG Recommendation: We recommend that ODWMA ensure that LHDs conduct sanitary surveys, surveillance visits, and other monitoring within the time frames required by DEQ policy for noncommunity water supplies.

DEQ Response:

- The DEQ notified LHDs with past due sanitary surveys via e-mail on March 22, 2016, to prioritize and perform all noncommunity public water supply (NCWS) sanitary surveys that are past due. Some of these NCWS are seasonal in nature and will not open until late spring or early summer and, therefore, cannot be surveyed until they are back open to the public. The DEQ will track and follow up on these surveys to ensure completion. If the LHDs are unable to follow up with the identified past due surveys, a formal corrective action plan will be arranged between the LHD and the DEQ. Target Date: June 30, 2016.

- The DEQ will amend requirements within the annual grant to LHDs specifying the required time frame for completion of sanitary surveys. The DEQ will include a step in the contract quarterly review process to identify LHDs that are behind in their sanitary survey field visits, rather than waiting until the annual review process, which is an after-the-fact audit. Target Date: October 1, 2016.

- The DEQ will provide a sanitary survey training event offered to LHDs, which will include information regarding the timeline requirements for surveys and deadlines for formal documentation in the database after the survey is performed. This will also include a directive that a sanitary survey or field assessment must be performed before bringing an inactive system back into the NCWS inventory. Target Date July 30, 2016.

- The DEQ will conduct a workload and process analysis to optimize the sanitary survey procedures and identify the necessary resources to improve timeliness of sanitary survey completeness. This may incorporate technological improvements and a request for additional funding for LHDs. Target Date: September 30, 2016.

- On April 1, 2016, new rules went into effect regarding the required activities for *E. coli* violations. The DEQ is working closely with LHDs and NCWS to ensure proper implementation of these new requirements related to repeat samples, site visits/assessments and public notice. The database notifies the DEQ of all *E. coli* results and with this information we will assist in assuring compliance and initiate enforcement if a supply fails to act. Target Date: May 1, 2016.

- On March 31, 2016, the DEQ contacted the LHDs via e-mail that did not have in their possession documentation that the nontransient noncommunity water supplies (NTNCWS) performed public education for a lead action level exceedance. Therefore, public education of the consumers will be carried out by the water supply owner. Target Date: May 1, 2016.

- On February 18, 2016, the DEQ spoke with LHD administrators about oversight related to the sampling for lead and copper at NTNCWS. To ensure all required activities for lead action level exceedances occur in the future, the DEQ implemented a documented process where the DEQ and LHD staff work together from the beginning on every Lead/Copper action level exceedance. This will ensure that public education, consumer notification, and the removal of fixtures

with high sample results and other remediation actions will occur timely. This increased partnership with the LHDs will be officially announced in a mailed correspondence. Target Date: May 1, 2016.

- The DEQ reminded LHDs via e-mail on April 18, 2016, that NCWS with regulated treatment need a treatment surveillance visit annually. While this visit is not a requirement of the Safe Drinking Water Act, it is a positive public health measure to ensure proper operation and maintenance of treatment equipment. The DEQ will conduct a workload analysis to determine the optimal frequency of on-site visits and request the necessary resources to contract out to LHD to meet these goals. The DEQ will implement a process to sending out a reminder to perform this visit. Target Date: June 30, 2016.

3. Audit recommendations the agency disagrees with:

Not Applicable