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 Waste Management and Radiological Protection; Medical Waste, Scrap Tire, and Solid Waste Programs.

Questions regarding the summary or corrective action plan should be directed to Ms. Amy Epkey, Deputy Director, Administration, at epkeya@mihcigan.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
Mr. Steve Sliver, DEQ

Department of Environmental Quality
Summary of Agency Responses to Recommendations
OAG Performance Audit of the Medical Waste, Scrap Tire, and Solid Waste Programs
Office of Waste Management and Radiological Protection
October 1, 2012 through September 30, 2015

1. Audit recommendations the agency complied with:

Finding #3

The Office of Waste Management and Radiological Protection (OWMRP) did not retain documentation of selection process results for the awarding of scrap tire grants. This is especially important when grant requests exceed available funding and OWMRP can award grants to only a portion of the applicants.

OAG Recommendation: We recommend that OWMRP retain document of selection process results for the awarding of scrap tire grants.

DEQ Response: For the 2016 Scrap Tire Cleanup Grants, a Cleanup Grant Evaluation Form has been built into the SharePoint Work flow to make sure that each site is inspected prior to a decision being made on the application. Language was included in the recommendation memo to the Department of Environmental Quality (DEQ) Director on the Scrap Tire Cleanup Grants noting that the applications were not ranked but rather all eligible applications were recommended for funding.

The OWMRP has developed an application evaluation form for the Market Development Grants for FY 2016. This form results in a numerical ranking of each Market Development based on the Program priorities for Market Development. A scoring spreadsheet of the Market Development Grants was submitted as supporting documentation with the recommendation memo to the Director.

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

Finding #1

The OWMRP should continue to expand its pilot program to include follow-up inspections of noncompliant facilities potentially resulting in additional registration fees from unregistered medical waste-producing facilities.

OAG Recommendation: We recommend that OWMRP expand its pilot program to include follow-up inspections of noncompliant facilities.

DEQ Response: Phase 3 of the program began at the beginning of fiscal year 2016. Using the data acquired during the three pilot phases, the OWMRP will convene a Medical Waste Stakeholder Advisory Group (MWSAG). As part of their charge, the MWSAG will be asked to evaluate the pilot inspection grant program and the potential for its expansion to additional local health departments. The first meeting for the MWSAG is expected to occur in October 2016. The MWSAG will meet monthly for approximately ten months and is then anticipated to present its recommendations on Part 138 and the medical waste program, including the pilot inspection program, to the DEQ Director before October 2017.

Finding #2

Registration fees alone will not be sufficient to cover OWMRP's cost of registering and inspecting medical waste-producing facilities if it continues to expand its pilot program for medical waste grants.

OAG Recommendation: We recommend that OWMRP consider seeking amendatory legislation to adjust its fee structure to cover the cost of registering and inspecting all medical waste-producing facilities.

DEQ Response: The pilot program with local health departments was initiated to increase the Medical Waste Program's outreach and compliance in a stepwise fashion. In addition to reviewing the overall effectiveness of the pilot inspection program as described in the DEQ's response to Finding 1, the MWSAG will be asked to evaluate funding mechanisms to support a potential expansion of the pilot inspection grant program. The OWMRP anticipates that the MWSAG process will be completed and recommendations will be presented to the DEQ Director before the end of fiscal year 2017.

Finding #4

OWMRP should ensure that scrap tire policies and grant application forms accurately reflect allowable costs for applicant eligibility and reimbursement requirements. Improved guidance on allowable costs could encourage eligible applicants to apply for grant funding and also reduce inappropriate reimbursement requests.

OAG Recommendation: We recommend that OWMRP ensure that scrap tire policies and grant application forms accurately reflect allowable costs for applicant eligibility and reimbursement requirements.

DEQ Response: The OWMRP has now included in the 2016 Scrap Tire Market Development Grant language that "Salaries of individuals are not eligible for grant funding unless these are salaries of employees of public universities or colleges." This reflects current state and federal guidance. This change in application language, the types of match allowable and the use of general ledger printouts as proof of payment under the grant program will be added to Scrap Tire Program policies and procedures that are anticipated to be updated by August 2016.

Finding #5

OWMRP did not always document inspections and prepare scrap tire documentation forms prior to issuing final payments to scrap tire grantees. As a result, OWMRP could not ensure that grantees fulfilled the terms of their grant agreements.

OAG Recommendation: We recommend that OWMRP document inspections and prepare scrap tire documentation forms prior to issuing final payments to scrap tire grantees.

DEQ Response: Scrap Tire Program policies and procedures are anticipated to be updated by the end of FY 2016 to ensure proper documentation of final grant inspections and all current processes are accurately reflected. OWMRP is working to develop and schedule training for new and existing staff by the end of FY 2016. OWMRP has developed and included a SharePoint work flow task that requires the supervisor sign off on a particular registration or grant application to verify staff's compliance with documentation requirements prior to final payment being issued.

Finding #6

OWMRP did not ensure the timely and complete input of scrap tire and solid waste information into Waste Data System (WDS) to allow proper management oversight.

OAG Recommendation: We recommend that OWMRP ensure the timely and complete input of scrap tire and solid waste information into WDS.

DEQ Response: A database query is anticipated to be developed in WDS by the end of FY 2016 for managers to easily track data entry into WDS. This will allow for closer monitoring of the WDS data entry performance by staff and quicker resolution to missing data. The OWMRP internal policies and procedures will be updated to reflect this monitoring process.

Finding #7

OWMRP district staff did not always inspect and document that they inspected scrap tire haulers and collection sites prior to the issuance of annual registrations. Inspections

assist OWMRP district staff in ensuring that haulers deliver scrap tires to only registered collection sites that collection site owners accurately report scrap tire information, and that factors negatively impacting the environment and public health are not present at the collection sites.

OAG Recommendation: We recommend that OWMRP district staff inspect and document that they inspected scrap tire haulers and collection sites prior to the issuance of annual registration.

DEQ Response: Prior to the next annual registration cycle of January 2017, the OWMRP is planning to update internal policies and procedures to require complete documentation of the inspections that have occurred related to scrap tire hauler and collection sites. A database query is anticipated to be developed to be used by managers to track inspections conducted and registrations processed.

Finding #8

OWMRP did not perform some solid waste site inspections as required by statute to ensure that transfer stations and processing plants properly dispose of solid waste.

OAG Recommendation: We recommend that OWMRP perform solid waste site inspections as required by statute.

DEQ Response: The Solid Waste and Sustainability Advisory Panel (SWSAP) was established in April 2015 to evaluate all of Part 115 to determine whether it promotes the State's solid waste and sustainability goals. It is anticipated that the SWSAP's recommendations will include advice on the inspection requirements by July 2016. The OWMRP will evaluate the recommendations to the DEQ Director regarding inspection frequency and develop draft legislation, if applicable, by the target date of December 2016.

3. Audit recommendations the agency disagrees with:

None