

Office of the Auditor General
Performance Audit Report

**Michigan Occupational Safety and
Health Administration**
Department of Licensing and Regulatory Affairs

January 2016

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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Office of the Auditor General

Report Summary

Performance Audit

Michigan Occupational Safety and Health Administration (MIOSHA)

Department of Licensing and Regulatory Affairs (LARA)

Report Number:
641-0440-15

Released:
January 2016

MIOSHA protects the health and safety of Michigan workers by inspecting workplaces for compliance with occupational health and safety standards, investigating complaints of workplace health and safety hazards, and ensuring compliance with health and safety regulations through various consultation, education, and training programs. During fiscal year 2014, MIOSHA completed 4,738 health and safety inspections and conducted 494 on-site consultations and hazard surveys. MIOSHA had 233 staff as of July 2015 and expended \$14.6 million in State and \$10.6 million in federal funds in fiscal year 2014.

| Audit Objective | | | Conclusion |
|--|--------------------|----------------------|-----------------------------|
| Objective #1: To assess the effectiveness of MIOSHA's enforcement of occupational health and safety standards. | | | Effective |
| Findings Related to This Audit Objective | Material Condition | Reportable Condition | Agency Preliminary Response |
| None reported. | Not applicable | Not applicable | Not applicable |

| Audit Objective | | | Conclusion |
|--|--------------------|----------------------|-----------------------------|
| Objective #2: To assess the effectiveness of MIOSHA's administration of equipment, grants, appeals, and employee whistleblower discrimination complaints. | | | Moderately effective |
| Findings Related to This Audit Objective | Material Condition | Reportable Condition | Agency Preliminary Response |
| MIOSHA should improve its administration of consultation, education, and training (CET) grant awards. MIOSHA's grant monitoring process did not verify the appropriate use of State funds, proper reporting of grant award expenditures, or compliance with contractual requirements (Finding #1). | | X | Agrees |
| MIOSHA should implement formal equipment inventory management policies and procedures. MIOSHA had not conducted a physical inventory in over five years and could not locate 28 equipment items we requested (Finding #2). | | X | Agrees |

A copy of the full report can be
obtained by calling 517.334.8050
or by visiting our Web site at:
www.audgen.michigan.gov

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Doug A. Ringler, CPA, CIA
Auditor General

January 26, 2016

Mr. Mike Zimmer, Director
Department of Licensing and Regulatory Affairs
Ottawa Building
Lansing, Michigan

Dear Mr. Zimmer:

I am pleased to provide this performance audit report on the Michigan Occupational Safety and Health Administration, Department of Licensing and Regulatory Affairs.

We organize our findings and observations by audit objective. Your agency provided preliminary responses to the recommendations at the end of our fieldwork. The *Michigan Compiled Laws* and administrative procedures require an audited agency to develop a plan to comply with the recommendations and submit it within 60 days of the date above to the Office of Internal Audit Services, State Budget Office. Within 30 days of receipt, the Office of Internal Audit Services is required to review the plan and either accept the plan as final or contact the agency to take additional steps to finalize the plan.

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

Sincerely,

Doug Ringler
Auditor General

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AUDIT OBJECTIVES, CONCLUSIONS, FINDINGS, AND OBSERVATIONS

ENFORCING OCCUPATIONAL HEALTH AND SAFETY STANDARDS

BACKGROUND

The Michigan Occupational Safety and Health Administration (MIOSHA), Department of Licensing and Regulatory Affairs (LARA), is one of 27 state or United States territory agencies that enforce occupational health and safety standards in accordance with a State Plan* approved by the federal Occupational Safety and Health Administration* (OSHA). Exhibit #1 provides information regarding MIOSHA's program compared to if Michigan were to operate as a federal OSHA state. OSHA monitors the State Plan by conducting a Federal Annual Monitoring and Evaluation* (FAME).

MIOSHA's General Industry Safety and Health Division (GISHD) and Construction Safety and Health Division (CSHD) enforce the occupational health and safety standards through programmed* and unprogrammed* workplace health* and safety* inspections. CSHD's Asbestos Program enforces occupational health and safety standards specific to asbestos exposure. GISHD and CSHD may issue citations and assess penalties for violations of occupational health and safety standards.

MIOSHA's Radiation Safety Section (RSS) registers and regulates more than 29,000 radiation machines at approximately 10,000 facilities. RSS health physicists inspect radiation machines and facilities for compliance with applicable State radiation laws and investigate radiation incidents involving excessive radiation doses to workers or patients. RSS inspected 6,555 radiation machines during fiscal year 2014.

MIOSHA's Consultation, Education, and Training Division (CET) educates employers and employees in health and safety awareness so they are better prepared to recognize, control, and prevent hazardous working conditions. At the request of an employer, CET provides workplace health and safety on-site consultations* and hazard surveys* to review the employer's safety and health management system* and to formally report workplace hazards requiring abatement* to the employer. Penalties are not assessed for hazards identified during a CET consultation if the hazards are abated on a timely basis. CET conducted 494 on-site consultations and hazard surveys during fiscal year 2014.

AUDIT OBJECTIVE

To assess the effectiveness* of MIOSHA's enforcement of occupational health and safety standards.

* See glossary at end of report for definition.

CONCLUSION

Effective.

FACTORS IMPACTING CONCLUSION

- Our review of 104 workplace health and safety inspections, 10 on-site consultations and hazard surveys, 21 asbestos related inspections, and 20 radiation facility inspections for the audit period indicated that all were completed substantially in compliance with applicable State laws and agency policies and procedures.
- GISHD and CSHD conducted 4,738 health and safety inspections during fiscal year 2014 (Exhibit #2), exceeding their required quota by 691 inspections.
- No findings or observations* were identified in the fiscal year 2014 FAME Report (Exhibit #2).
- MIOSHA conducted significantly more safety inspections per safety compliance officer than any other state (Exhibit #2).
- Annual workplace injury and illness incident rates in Michigan have steadily declined since calendar year 2000, significantly closing the gap between Michigan workplace injury and illness incident rates and the national average (Exhibit #3).
- The annual number of workplace fatalities in Michigan have significantly decreased since calendar year 2000 (Exhibit #4).
- MIOSHA used a risk-based approach for inspection activities, prioritizing workplaces with a higher risk of injuries, illnesses, and death and imminent danger* and workplace accident inspections.
- MIOSHA ensured timely abatement of identified hazards in 100% of the consultations sampled and 97% of the applicable inspections sampled.
- MIOSHA's customer satisfaction rate exceeded 90% according to the customer satisfaction survey.
- MIOSHA was awarded the Alfred P. Sloan Award for Excellence in Workplace Effectiveness and Flexibility in January 2014 for the sixth consecutive year.

* See glossary at end of report for definition.

ADMINISTERING EQUIPMENT, GRANTS, APPEALS, AND EMPLOYEE WHISTLEBLOWER DISCRIMINATION COMPLAINTS

BACKGROUND

Equipment: MIOSHA utilizes an equipment inventory control database to maintain and control equipment available to GISHD and CSHD safety and health field officers.

Grants: MIOSHA awards annual CET grants to nonprofit organizations to complement MIOSHA's health and safety training and education activities. CET grant award recipients must comply with all spending and reporting requirements.

Appeals: MIOSHA's Appeals Division provides employers, employees, and MIOSHA with fair, objective, and professional resolution of contested MIOSHA citations that cannot be resolved through the informal processes utilized by GISHD and CSHD. The Appeals Division conducts prehearings and/or formal hearings in an attempt to reach a settlement or may represent MIOSHA at a formal hearing presided over by an administrative law judge. The judge's decision is reviewed, and upheld or reversed, by the Board of Health and Safety Compliance and Appeals and becomes a final order of the Board. After exhausting the appeals process, a party may file an appeal with a Michigan circuit court within 60 days of the final order of the Board.

Employee Whistleblower Discrimination Complaints: GISHD's Employee Discrimination Section (EDS) investigates complaints by workers who have been allegedly discriminated against for exercising their right to report occupational health and safety hazards to MIOSHA. If there is a violation, EDS orders all appropriate relief, including rehiring or reinstating the employee to the former position with back pay. EDS investigations are conducted in accordance with the OSHA Whistleblower Investigations Manual.

AUDIT OBJECTIVE

To assess the effectiveness of MIOSHA's administration of equipment, grants, appeals, and employee whistleblower discrimination complaints.

CONCLUSION

Moderately effective.

FACTORS IMPACTING CONCLUSION

- Timely calibration of 92% of 62 equipment items requiring calibration, such as noise level, temperature, air velocity, and air quality meters.

- Use of a competitive selection process to award CET grants to nonprofit organizations.
- Consistent processes and timely decisions related to contested MIOSHA cases for all 4 appeals sampled.
- Improved timeliness of MIOSHA's whistleblower discrimination complaint investigation follow-up and significant compliance with applicable federal standards for all 14 complaint investigations reviewed.
- Reportable condition* related to need for improved CET grant award administration.
- Reportable condition related to the need for improved equipment inventory management.

** See glossary at end of report for definition.*

FINDING #1

Improved CET grant award administration needed.

MIOSHA should improve its administration of CET grant awards to help ensure that grant funds are expended appropriately and that grant award recipients are in compliance with all contractual requirements.

MIOSHA issued 39 CET grant awards totaling \$1.7 million during the period October 1, 2013 through September 30, 2015. Our review of 7 CET grant awards, totaling \$460,000, noted:

- a. MIOSHA did not verify that grantees used CET grant funds for allowable expenditures.

Section 18.1485 of the *Michigan Compiled Laws* requires each department to establish an internal accounting and administrative control system. Sound internal control* would include an effective grant monitoring process to ensure the appropriate use of State funds.

MIOSHA did not review any CET grant award expenditure documentation.

CET grant contracts require grantees to retain documentation to support grant expenditures. Although MIOSHA conducted site visits of the grantees, it did not review any of the expenditure documentation during its on-site monitoring visits or require the grantee to submit any of the expenditure documentation.

MIOSHA informed us that it had not assigned any staff the responsibility of monitoring, or previously considered the need to monitor, grantee expenditures.

- b. Three (43%) grantees appeared to report budgeted expenditures rather than actual expenditures on their quarterly and final reports.

CET grant contracts require quarterly financial status reports, including detailed expenditures, and a final report, including a comparison of actual to budgeted expenditures and reasons for any discrepancies. However, the expenditures reported by these three grantees always equaled the amounts budgeted, and the quarterly reports did not include any expenditure detail.

MIOSHA indicated that it accepted the grantees' reports as factual.

- c. MIOSHA did not enforce contractual requirements related to budget adjustments.

CET grant contracts require grantees to obtain written MIOSHA approval prior to budget adjustments that deviate by plus or minus 5% or more from the initial budget.

* See glossary at end of report for definition.

Grant expenditures for three CET grantees routinely deviated from budgeted amounts by more than 20% without approval.

Three CET grantees exceeded 15 of their 16 budgeted line items on their fiscal year 2014 final reports by plus or minus 5% or more, including 4 line items that they exceeded by plus or minus 100% or more. None of the grantees sought, nor did MIOSHA provide, prior written approval for any of these 15 deviations.

MIOSHA informed us that it typically allows a deviation of 15% to 20% prior to requiring grantees to obtain written approval of budget adjustments. However, we noted that MIOSHA did not provide prior approval for 11 deviations of 20% or more.

RECOMMENDATION

We recommend that MIOSHA improve its administration of CET grant awards.

AGENCY PRELIMINARY RESPONSE

LARA provided us with the following response:

LARA agrees with these findings and has taken corrective action.

With the fiscal year 2016 grant cycle, we require all CET grantees to submit a General Ledger detailing all grant related expenditures, along with their quarterly reports. The reports will be reviewed by the CET Grant Administrator to compare actual versus budgeted expenditures to ensure the appropriate use of State funds.

We have changed the language for the fiscal year 2016 CET Grants as shown below:

- *"The Grantee agrees that all funds shown in the Budget (Attachment B) are to be spent as detailed in the Budget.*
- *Changes in the Budget of less than 15% of the total line item amount do not require prior written approval, but Grantee must provide notice to the Grant Administrator.*
- *Changes in the Budget equal to or greater than 15% of the total line item amount will be allowed only upon prior review and written approval by the Grant Administrator. A formal grant amendment must be signed by both the Grantor and Grantee."*

We believe this will ensure compliance with contractual obligations.

FINDING #2

Formal equipment inventory management policies and procedures needed.

Physical equipment inventory not conducted in over five years.

MIOSHA could not locate 28 equipment items.

MIOSHA should implement formal equipment inventory management policies and procedures to help ensure that field staff equipment is consistently and properly accounted for and safeguarded.

Section 18.1485 of the *Michigan Compiled Laws* requires each department to establish an internal accounting and administrative control system that includes a system of authorization and recordkeeping procedures to control assets. Also, equipment inventory management policies and procedures would help ensure the effective and efficient use of State resources.

MIOSHA maintains equipment for field staff usage, such as digital cameras, exposure monitoring pumps, noise measuring instruments, and air velocity measuring meters. As of September 2015, MIOSHA's equipment inventory control database indicated that 1,154 equipment items were assigned to 91 field staff.

Our review of MIOSHA's equipment inventory management process disclosed:

- a. MIOSHA had not conducted a physical inventory of field staff equipment items in over five years.
- b. MIOSHA did not accurately track equipment assigned to field staff in its equipment inventory control database. Specifically:
 - (1) Our review of 120 equipment items assigned to 5 MIOSHA field staff as of July 7, 2015 disclosed:
 - (a) MIOSHA could not locate 11 equipment items. These included items such as a Garmin global positioning system (GPS), a noise dosimeter, and a digital camera. The value of all 11 items was roughly estimated at \$7,230.
 - (b) The equipment inventory control database indicated that 5 equipment items were in the field staff's possession; however, MIOSHA confirmed that these items were physically located in the laboratory.
 - (2) Our review of MIOSHA's equipment inventory control database noted that 17 equipment items were assigned to 4 former MIOSHA field staff who had not been employed by MIOSHA for 16 to 39 months. MIOSHA did not have documentation that these items were returned by the former employees nor could it physically locate these items.

MIOSHA informed us that it previously used student assistants to help maintain the equipment inventory control database; however, it has not had sufficient funding to employ student assistants for several years.

RECOMMENDATION

We recommend that MIOSHA implement formal equipment inventory management policies and procedures.

**AGENCY
PRELIMINARY
RESPONSE**

LARA provided us with the following response:

LARA agrees with this finding.

We will develop and implement procedures by May 1, 2016, to require an annual physical inventory be conducted by July 15th of each year. The procedure will detail tracking, transferring, and recalling equipment from staff in district offices and home-based staff.

In addition, an equipment technician was hired on November 30, 2015 to help alleviate the backlog of work in the Instrument Calibration and Maintenance Unit. LARA expects to have the backlog remedied by August 1, 2016.

SUPPLEMENTAL INFORMATION

UNAUDITED
Exhibit #1

MICHIGAN OCCUPATIONAL SAFETY AND HEALTH ADMINISTRATION
Department of Licensing and Regulatory Affairs

Comparison of MIOSHA and Michigan if Operated as a Federal OSHA State

Overall Summary:

If federal OSHA operated the safety and health program in Michigan:

- The State would lose the ability to decide how to best address workplace safety and health conditions unique to Michigan; set its own priorities; and have approaches and policies that are different from, though at least as effective as, the federal approach.
- The program would primarily become an enforcement program and would include first instance sanctions, higher penalties for serious violations, and a federally targeted program for inspecting Michigan workplaces.
- Significant services offered by MIOSHA would not be available.
- The State would lose approximately \$10.6 million and \$3.6 million of federal funding and penalty revenue, respectively.

| MIOSHA | Michigan if Operated as a Federal OSHA State |
|--|--|
| <p>Program Administration</p> <ul style="list-style-type: none"> • Coverage for both public and private employers. • Direct access to State legislators who oversee the strategic direction of the program. • Program administration located in Lansing. • Flexibility to address emerging issues in a timely manner, such as "Tough Economic Times" penalty reductions. • Customer surveys and customer comment cards used to rate services. Results show more than 90% satisfaction. • Michigan stakeholders involved in policy development. • Collected penalties deposited in State General Fund. | <p>Program Administration</p> <ul style="list-style-type: none"> • Coverage for only private employers. More than 530,000 public employees would not be protected. • Limited access to federal legislators in Washington, D.C. • Program administration located in Washington, D.C. • Issues and emphasis programs determined on a national level, such as the policy to increase penalties. • No defined evaluation of customer service. • Limited input from Michigan employers or stakeholders. • Collected penalties deposited in the United States Treasury. |
| <p>Outreach Services</p> <ul style="list-style-type: none"> • Active Michigan Voluntary Protection Program with 28 participating companies. • Extensive voluntary safety outreach services. • Extensive affordable safety training opportunities through the MIOSHA Training Institute (MTI). • Grants of \$865,000 annually to nonprofit organizations for safety and health training and activities. | <p>Outreach Services</p> <ul style="list-style-type: none"> • Limited support for continuing the Voluntary Protection Programs. • Only on-site consultation outreach services. • Training through OSHA Education Centers and some colleges nationwide. • No grant monies to Michigan. |

This exhibit continued on next page.

MICHIGAN OCCUPATIONAL SAFETY AND HEALTH ADMINISTRATION
Department of Licensing and Regulatory Affairs

Comparison of MIOSHA and Michigan if Operated as a Federal OSHA State
(Continued)

Rulemaking Process

- The LARA director has final authority to approve or disapprove proposed rules (standards).
- Citizen advisory committees used for input on rules and to develop implementation charges.
- Industry may request a state-specific rule.

Rulemaking Process

- Federal OSHA has final authority to approve or disapprove proposed rules (standards).
- Rules are drafted by federal OSHA staff.

Source: The Office of the Auditor General prepared this exhibit with information obtained from MIOSHA.

MICHIGAN OCCUPATIONAL SAFETY AND HEALTH ADMINISTRATION
 Department of Licensing and Regulatory Affairs

Comparison of OSHA State Plan States and United States Territories
Fiscal Year 2014

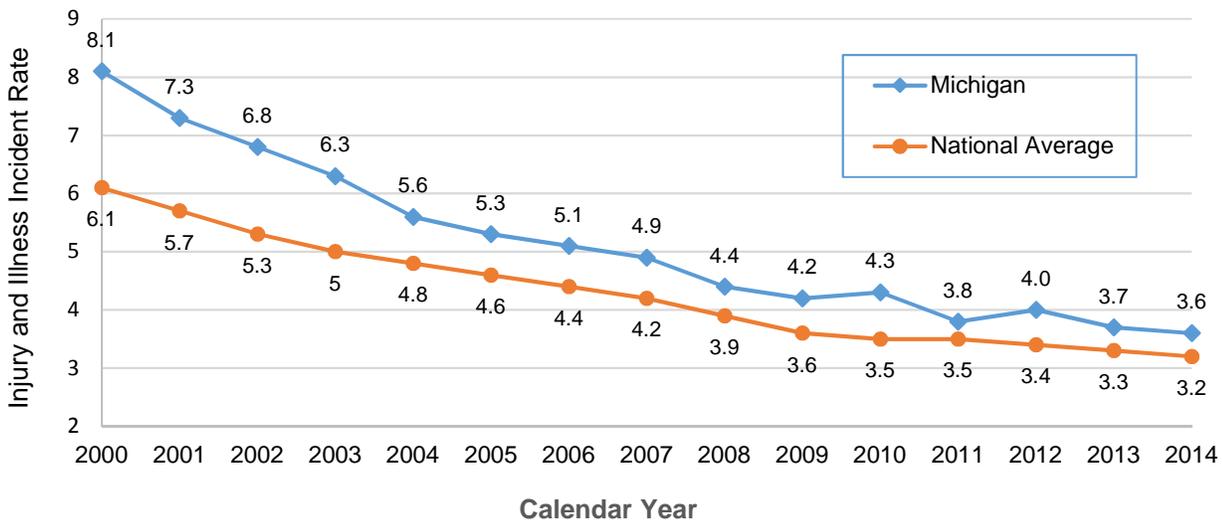
| <u>State/United States Territory</u> | <u>Findings Identified in FAME</u> | <u>Observations Identified in FAME</u> | <u>Safety Compliance Officers</u> | <u>Safety Inspections Conducted</u> | <u>Safety Inspections Per Officer</u> |
|--------------------------------------|------------------------------------|--|-----------------------------------|-------------------------------------|---------------------------------------|
| Alaska | 13 | 2 | 5 | 200 | 40 |
| Arizona | 8 | 1 | 20 | 882 | 44 |
| California | 20 | 4 | 164 | 5,608 | 34 |
| Connecticut | 4 | 4 | 3 | 155 | 52 |
| Hawaii | 13 | 4 | 6 | 379 | 63 |
| Illinois | 13 | 2 | 10 | 186 | 19 |
| Indiana | 23 | 4 | 20 | 921 | 46 |
| Iowa | 0 | 6 | 10 | 510 | 51 |
| Kentucky | 8 | 9 | 24 | 839 | 35 |
| Maryland | 1 | 0 | 35.5 | 1,213 | 34 |
| MICHIGAN | 0 | 0 | 39 | 3,788 | 97 |
| Minnesota | 5 | 3 | 33 | 1,953 | 59 |
| Nevada | 10 | 3 | 30 | 1,174 | 39 |
| New Jersey | 2 | 2 | 9 | 663 | 74 |
| New Mexico | 4 | 0 | 7.5 | 320 | 43 |
| New York | 1 | 2 | 20 | 1,308 | 65 |
| North Carolina | 0 | 0 | 56 | 1,878 | 34 |
| Oregon | 0 | 4 | 44 | 3,328 | 76 |
| Puerto Rico | 0 | 6 | 25 | 1,246 | 50 |
| South Carolina | 1 | 0 | 14 | 839 | 60 |
| Tennessee | 0 | 5 | 19 | 1,264 | 67 |
| Utah | 9 | 5 | 10 | 619 | 62 |
| Vermont | 11 | 7 | 5 | 208 | 42 |
| Virginia | 0 | 0 | 33 | 2,059 | 62 |
| Virgin Islands | 13 | 2 | 1 | 28 | 28 |
| Washington | 1 | 4 | 74 | 3,961 | 54 |
| Wyoming | 5 | 7 | 6 | 188 | 31 |

Source: The Office of the Auditor General prepared this exhibit with information obtained from the 2014 Federal Annual Monitoring and Evaluation (FAME) Reports on the osha.gov Web site.

| Did State Meet OSHA Negotiated Number of Safety Inspections? | Health Compliance Officers | Health Inspections Conducted | Health Inspections Per Officer | Did State Meet OSHA Negotiated Number of Health Inspections? |
|---|----------------------------------|------------------------------------|--------------------------------------|---|
| No | 2.5 | 83 | 33 | No |
| No | 10 | 195 | 20 | No |
| No | 62 | 1,556 | 25 | Yes |
| Yes | 2 | 81 | 41 | Yes |
| Yes | 3 | 143 | 48 | Yes |
| No | 4 | 186 | 47 | No |
| No | 18 | 214 | 12 | No |
| No | 8 | 236 | 30 | Yes |
| No | 15 | 151 | 10 | No |
| No | 12.5 | 213 | 17 | No |
| YES | 26 | 950 | 37 | YES |
| Yes | 16 | 603 | 38 | Yes |
| Yes | 11 | 492 | 45 | Yes |
| No | 5.5 | 236 | 43 | Yes |
| Yes | 3 | 91 | 30 | Yes |
| No | 14 | 414 | 30 | No |
| No | 43 | 1,346 | 31 | No |
| No | 27 | 913 | 34 | Yes |
| Yes | 18 | 357 | 20 | No |
| No | 8 | 138 | 17 | No |
| No | 12 | 245 | 20 | No |
| No | 9 | 105 | 12 | No |
| No | 3 | 88 | 29 | Yes |
| Yes | 15 | 730 | 49 | Yes |
| No | 1 | 26 | 26 | Yes |
| No | 33 | 1,063 | 32 | No |
| No | 3 | 23 | 8 | No |

MICHIGAN OCCUPATIONAL SAFETY AND HEALTH ADMINISTRATION
Department of Licensing and Regulatory Affairs

Annual Workplace Injury and Illness Incident Rates in the Private Sector
Calendar Years 2000 Through 2014

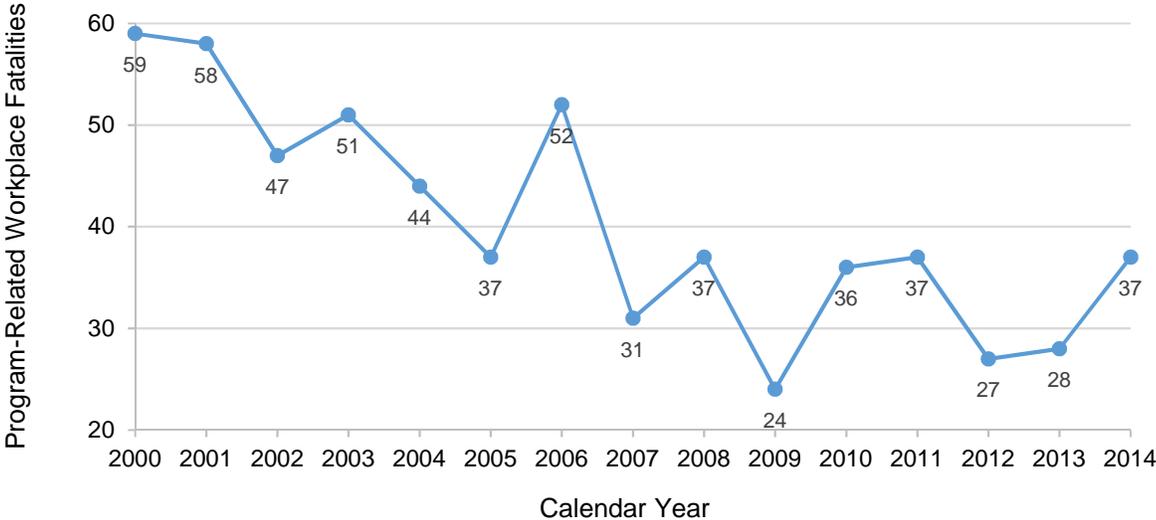


This graph shows the annual workplace injury and illness incident rates (per 100 workers) for calendar years 2000 through 2014 for both Michigan and the national average. Employers must record nonfatal cases of work-related injuries and illnesses under OSHA's recordkeeping guidelines.

Source: The Office of the Auditor General prepared this exhibit with information obtained from the Bureau of Labor Statistics, United States Department of Labor.

MICHIGAN OCCUPATIONAL SAFETY AND HEALTH ADMINISTRATION
Department of Licensing and Regulatory Affairs

Annual Number of Program-Related Workplace Fatalities in Michigan
Calendar Years 2000 Through 2014



This graph shows the annual number of program-related workplace fatalities in Michigan for calendar years 2000 through 2014. A fatality is recorded as program-related if it occurred as a result of a violation of a specific MIOSHA standard rule or the general duty clause or in violation of a good safety and health practice that would be the subject of a safety and health recommendation.

Source: MIOSHA.

AGENCY DESCRIPTION

MIOSHA's mission* is to help protect the safety, health, earned wages, and fringe benefits of Michigan workers. MIOSHA accomplishes its mission by inspecting workplaces for compliance with occupational health and safety standards, investigating complaints of workplace health and safety hazards, and ensuring compliance with health and safety regulations through various consultation, education, and training programs.

MIOSHA administers its occupational safety and health program in compliance with provisions of the Michigan Occupational Safety and Health Act (Sections 408.1001 - 408.1094 of the *Michigan Compiled Laws*) and various Michigan occupational health and safety standards that must be at least as effective as federal OSHA standards.

MIOSHA also administers the Asbestos Abatement Contractors Licensing Act (Sections 338.3101 - 338.3319 of the *Michigan Compiled Laws*), the Asbestos Worker Accreditation Act (Sections 338.3401 - 338.3418 of the *Michigan Compiled Laws*), and the Radiation Control section of the Public Health Code (Sections 333.13501 - 333.13537 of the *Michigan Compiled Laws*).

During fiscal year 2014, MIOSHA expended \$14.6 million and \$10.6 million in State and federal funds, respectively. MIOSHA had 233 staff as of July 2015.

* See glossary at end of report for definition.

AUDIT SCOPE, METHODOLOGY, AND OTHER INFORMATION

AUDIT SCOPE

To examine the records and processes related to MIOSHA's efforts to protect the safety and health of Michigan workers. We conducted this performance audit* in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Although MIOSHA's Wage and Hour Program is responsible for protecting the earned wages and fringe benefits of Michigan workers, it was not included within the scope of this audit.

PERIOD

Our audit procedures, which included a preliminary survey, audit fieldwork, report preparation, analysis of agency responses, and quality assurance, generally covered the period October 1, 2012 through July 31, 2015.

METHODOLOGY

We conducted a preliminary survey of MIOSHA to gain an understanding of MIOSHA's operations and activities in order to establish our audit objectives, scope, and methodology. During our preliminary survey, we:

- Interviewed MIOSHA administrative and divisional management.
- Reviewed applicable *Michigan Compiled Laws* and *Michigan Administrative Code* requirements.
- Examined MIOSHA standards, policies, and procedures.
- Analyzed available MIOSHA records, data, and statistics.
- Performed preliminary testing of:
 - Health and safety inspections closed during fiscal year 2014 for compliance with applicable laws, standards, policies, and procedures.
 - Equipment inventory controls.
 - CET grants for compliance with contract requirements.

* See glossary at end of report for definition.

- Radiation machine installations for compliance with registration requirements.
- Health and safety officer and consultant evaluations for compliance with supervisor field staff monitoring requirements.
- Original and renewal asbestos license applications and fee assessments from October 1, 2012 through July 7, 2015 for timeliness and accuracy.

OBJECTIVE #1

To assess the effectiveness of MIOSHA's enforcement of occupational health and safety standards.

To accomplish this objective, we:

- Randomly selected and tested 104 of 6,028 health and safety inspections for compliance with applicable laws, standards, policies, and procedures.
- Randomly selected and tested 10 of 494 on-site consultations and hazard surveys for compliance with applicable agency policies and procedures.
- Observed one judgmentally selected GISHD health inspection and one judgmentally selected CSHD safety inspection.
- Judgmentally selected and tested 21 of 423 asbestos abatement related inspections for compliance with applicable State and federal laws.
- Randomly selected and tested 20 of 30,027 radiation equipment safety inspections for compliance with applicable State laws.
- Reviewed 100% of field staff assignments throughout the State to determine if geographical assignments are equitable.

Our random samples were selected to eliminate any bias and to enable us to project the results to the entire population.

The GISHD and CSHD inspections were judgmentally selected based on location and availability of health and safety inspectors.

The asbestos abatement related inspections were judgmentally selected based on the likelihood that the items were applicable to our intended criteria.

OBJECTIVE #2

To assess the effectiveness of MIOSHA's administration of equipment, grants, appeals, and employee whistleblower discrimination complaints.

To accomplish this objective, we:

- Tested 62 equipment items assigned to 5 judgmentally selected health and safety officers and consultants to determine if equipment is calibrated on a timely basis.
- Tested equipment inventory controls related to the 120 equipment items assigned to 5 judgmentally selected health and safety officers and consultants.
- Judgmentally selected and tested 7 of the 39 fiscal year 2014 and fiscal year 2015 CET grant awards for compliance with contract requirements.
- Randomly selected and tested 4 of 229 contested MIOSHA cases for compliance with appeals timeliness standards.
- Randomly selected and tested 14 of 294 randomly selected employee whistleblower discrimination complaint investigations for compliance with the OSHA Whistleblower Investigations Manual.

Our random samples were selected to eliminate any bias and enable us to project the results to the entire population.

Health and safety officer and consultant equipment inventories were judgmentally selected based on the divisional assignment and the number of equipment items assigned to an individual. CET grants were judgmentally selected based on grant dollar amounts and fiscal year awarded.

CONCLUSIONS

We base our conclusions on our audit efforts and the resulting material conditions* and reportable conditions.

When selecting activities or programs for audit, we direct our efforts based on risk and opportunities to improve State government operations. Consequently, we prepare our performance audit reports on an exception basis.

AGENCY RESPONSES

Our audit report contains 2 findings and 2 corresponding recommendations. LARA's preliminary response indicates that it agrees with both recommendations.

* See glossary at end of report for definition.

The agency preliminary response that follows each recommendation in our report was taken from the agency's written comments and oral discussion at the end of our audit fieldwork. Section 18.1462 of the *Michigan Compiled Laws* and the State of Michigan Financial Management Guide (Part VII, Chapter 4, Section 100) require an audited agency to develop a plan to comply with the recommendations and submit it within 60 days after release of the audit report to the Office of Internal Audit Services, State Budget Office. Within 30 days of receipt, the Office of Internal Audit Services is required to review the plan and either accept the plan as final or contact the agency to take additional steps to finalize the plan.

**PRIOR AUDIT
FOLLOW-UP**

We followed up the 9 recommendations from our January 1998 performance audit of the Bureau of Safety and Regulation, Department of Consumer and Industry Services (63-440-97). LARA complied with 8 of the prior audit recommendations, and we rewrote the other recommendation for inclusion in Finding #1 of this report.

Also, within the scope of this audit, we followed up 1 of the 7 recommendations from our January 2005 performance audit of the Bureau of Health Systems, Department of Community Health (63-450-03). LARA complied with the prior audit recommendation.

**SUPPLEMENTAL
INFORMATION**

Our audit report includes supplemental information that relates to our audit objectives (Exhibits #1 through #4). Our audit was not directed toward expressing an opinion on this information.

GLOSSARY OF ABBREVIATIONS AND TERMS

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| abatement | The act of correcting safety hazards. |
| CET | Consultation, Education, and Training Division. |
| CSHD | Construction Safety and Health Division. |
| EDS | Employee Discrimination Section. |
| effectiveness | Success in achieving mission and goals. |
| Federal Annual Monitoring and Evaluation (FAME) | A process through which federal OSHA monitors and evaluates State Plans annually. This process is used to determine whether the State Plan is continuing to operate at least as effectively as OSHA, to track a State Plan's progress in achieving its strategic and annual performance goals, and to ensure that the State Plan is meeting its mandated responsibilities under federal laws and regulations. A formal report is issued each year. |
| GISHD | General Industry Safety and Health Division. |
| hazard survey | Within the scope of the visit, the collection of information on hazards; observation of work processes, methods, procedures, and employee activities; employee interviews; and provision of advice on hazard control or elimination as appropriate. |
| health inspection | Inspections conducted by industrial hygienists to ensure compliance with health standards that generally focus on occupational health exposures, such as asbestos, lead, silica, noise, and air quality. |
| imminent danger | A condition or practice in a place of employment such that a danger exists which could reasonably be expected to cause death or serious physical harm either immediately or before the danger can be eliminated through the enforcement procedures otherwise provided. |
| internal control | The plan, policies, methods, and procedures adopted by management to meet its mission, goals, and objectives. Internal control includes the processes for planning, organizing, directing, and controlling program operations. It also includes the systems for measuring, reporting, and monitoring program performance. Internal control serves as a defense in safeguarding assets and in |

preventing and detecting errors; fraud; violations of laws, regulations, and provisions of contracts and grant agreements; or abuse.

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| LARA | Department of Licensing and Regulatory Affairs. |
| material condition | A matter that, in the auditor's judgment, is more severe than a reportable condition and could impair the ability of management to operate a program in an effective and efficient manner and/or could adversely affect the judgment of an interested person concerning the effectiveness and efficiency of the program. |
| MIOSHA | Michigan Occupational Safety and Health Administration. |
| mission | The main purpose of a program or an entity or the reason that the program or the entity was established. |
| observation | An item that has not proven to impact the effectiveness of the State Plan but should continue to be monitored by OSHA. |
| Occupational Safety and Health Administration (OSHA) | A federal agency within the United States Department of Labor and created with the passage of the Occupational Safety and Health Act of 1970. |
| on-site consultation | The process of walking through an employer's worksite, identifying hazards, providing correction assistance, and helping to develop or improve the employer's occupational safety and health management system. It includes a written report to the employer on the findings and recommendations resulting from the visit. It may include training and education needed to address hazards or potential hazards at the worksite. |
| performance audit | An audit that provides findings or conclusions based on an evaluation of sufficient, appropriate evidence against criteria. Performance audits provide objective analysis to assist management and those charged with governance and oversight in using the information to improve program performance and operations, reduce costs, facilitate decision making by parties with responsibility to oversee or initiate corrective action, and contribute to public accountability. |
| programmed inspection | Inspections of worksites that have been scheduled based upon objective or random selection criteria. The worksites may be selected by state scheduling plans, special emphasis programs, or strategic plan-related criteria. |

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| reportable condition | A matter that, in the auditor's judgment, is less severe than a material condition and falls within any of the following categories: an opportunity for improvement within the context of the audit objectives; a deficiency in internal control that is significant within the context of the audit objectives; all instances of fraud; illegal acts unless they are inconsequential within the context of the audit objectives; significant violations of provisions of contracts or grant agreements; and significant abuse that has occurred or is likely to have occurred. |
| RSS | Radiation Safety Section. |
| safety and health management system | A comprehensive, employer-provided, site-specific system to protect employee safety and health. |
| safety inspection | Inspections conducted by safety compliance officers to ensure compliance with safety standards that generally focus on work activities. |
| State Plan | Federal OSHA approved job safety and health programs operated by individual states instead of federal OSHA. |
| unprogrammed inspection | Inspections of worksites that are scheduled in response to alleged hazardous working conditions that have been identified at a specific worksite. Unprogrammed inspections include fatality and catastrophe investigations, complaint investigations, referrals, and follow-up inspections. |

