

Office of the Auditor General  
Performance Audit Report

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**Office of the Great Lakes**  
Department of Environment, Great Lakes, and Energy

August 2019

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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.

The auditor general may make investigations pertinent to the conduct of audits.

*Article IV, Section 53 of the Michigan Constitution*

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# OAG

Office of the Auditor General

## Report Summary

### *Performance Audit*

### *Office of the Great Lakes (OGL)*

### *Department of Environment, Great Lakes, and Energy*

**Report Number:**  
751-0321-18

**Released:**  
August 2019

OGL leads the State's efforts to protect and restore Michigan's waters by working with partners to support sustainable coastal communities, restore degraded waters, manage water quality and quantity, and prevent aquatic invasive species. OGL oversees the Areas of Concern (AOC) Program, which focuses on restoring 14 environmentally-impacted bodies of water in Michigan, and the Coastal Zone Management Program, which focuses on habitat, hazard management, water quality, public access, and community development. OGL expended \$5.6 million and \$4.8 million for fiscal years 2016 and 2017, respectively, and had 23 employees as of July 23, 2018.

Audit Objective			Conclusion
Objective #1: To assess the effectiveness of OGL's efforts to manage Michigan's AOC Program.			Moderately effective
Findings Related to This Audit Objective	Material Condition	Reportable Condition	Agency Preliminary Response
OGL awarded over \$328,000 to one grantee through an informal selection process and with an initially vague work plan ( <a href="#">Finding #1</a> ).		X	Agrees
OGL did not comply with certain State and federal grant requirements, resulting in reimbursement to grantees for unallowable or unsupported costs totaling \$13,667 ( <a href="#">Finding #2</a> ).		X	Agrees
Opportunities exist to improve OGL's relationships with public advisory councils in order to restore and remediate Michigan's waters ( <a href="#">Finding #3</a> ).		X	Agrees
OGL completed only 1 (8%) remedial action plan update during our 54-month audit period ( <a href="#">Finding #4</a> ).		X	Agrees
For all 5 beneficial use impairment (BUI) removals, OGL did not provide documentation to support who served on the technical teams and whether those individuals explicitly supported the BUI removal ( <a href="#">Finding #5</a> ).		X	Agrees

Observations Related to This Audit Objective	Material Condition	Reportable Condition	Agency Preliminary Response
The AOC Program was not designed to remove contaminants completely or factor in new AOCs, BUIs, or emerging contaminants ( <u>Observation #1</u> ).	Not applicable for observations.		

Audit Objective		Conclusion	
Objective #2: To assess OGL's compliance with requirements of the coastal management cooperative agreement.		Complied, with exceptions	
Findings Related to This Audit Objective	Material Condition	Reportable Condition	Agency Preliminary Response
See <u>Finding #2</u> , part a.		X	Agrees

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# OAG

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**Doug A. Ringler, CPA, CIA**  
Auditor General

August 30, 2019

Ms. Liesl Eichler Clark, Director  
Department of Environment, Great Lakes, and Energy  
Constitution Hall  
Lansing, Michigan

Dear Ms. Clark:

This is our performance audit report on the Office of the Great Lakes, Department of Environment, Great Lakes, and Energy.

We organize our findings and observations by audit objective. Your agency provided the 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 to submit it to the State Budget Office upon completion of an audit. Within 30 days of receipt, the Office of Internal Audit Services, State Budget Office, 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

# **EFFORTS TO MANAGE THE AREAS OF CONCERN PROGRAM**

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## **BACKGROUND**

The Areas of Concern\* (AOC) Program was created by the United States and Canadian governments in 1987 under the Great Lakes Water Quality Agreement (GLWQA) to help restore 43 designated AOCs of which 14 are located in Michigan. AOCs are geographic areas within the Great Lakes basin where use has been significantly impaired as a result of human activities, such as legacy contamination and development, causing a reduction in the chemical, physical, or biological integrity of the waters of the Great Lakes. These impairments are referred to as beneficial use impairments\* (BUIs). Examples of BUIs include restrictions on fish and wildlife consumption, loss of fish and wildlife habitat, restrictions on dredging, and beach closings. Exhibit #1 provides a map of Michigan's AOCs. Exhibit #2 provides a list of Michigan's 14 AOCs and the associated BUIs. Exhibit #3 provides the number of BUIs removed by AOC by fiscal year.

The Office of the Great Lakes (OGL) manages the AOC Program. As of June 30, 2018, 2 (Deer Lake and White Lake) of the 14 AOCs had been delisted (remediated and removed) by OGL. OGL collaborates with public advisory councils (PACs), universities, non-profit agencies, and other governmental agencies to delist AOCs. For the 2017-2018 award period, OGL issued grants totaling \$227,000 to PACs for items such as meeting venues, logistical support staff, and office supplies. PACs may also receive funding directly from federal awarding agencies for AOC Program-related projects.

OGL created AOC delisting guidance that includes its process for tracking AOC restoration progress, removing BUIs, and delisting AOCs. The guidance identifies specific quantitative and qualitative criteria that OGL uses to determine when BUIs have been remediated.

OGL receives federal funding for the AOC Program through a cooperative agreement with the U.S. Environmental Protection Agency (EPA). OGL collaborates with program participants by issuing grant awards via requests for proposal (RFPs), by soliciting proposals from applicants, or by identifying specific needs and choosing suitable grant recipients.

## **AUDIT OBJECTIVE**

To assess the effectiveness\* of OGL's efforts to manage Michigan's AOC Program.

## **CONCLUSION**

Moderately effective.

\* See glossary at end of report for definition.

**FACTORS  
IMPACTING  
CONCLUSION**

- Our review of files for the 2 delisted AOCs disclosed that OGL followed its AOC delisting guidance procedures.
- Our survey of PAC members disclosed that 84% of respondents rated OGL's engagement with its PACs as excellent or good.
- Reportable conditions\* related to improving documentation for the selection of AOC Program grantees, establishing policies and procedures for awarding and monitoring grants, strengthening relationships with PACs, completing remedial action plan\* (RAP) updates, and improving the process for documenting BUI removals (Findings #1 through #5).

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

## FINDING #1

### Improvements needed in grant selection and work plan documentation.

OGL should document its process for selecting AOC Program grantees and ensure that grant agreements include detailed work plans prior to execution. Without this documentation, OGL could not assess whether a grant agreement met its needs and was an effective and efficient use of more than \$328,000.

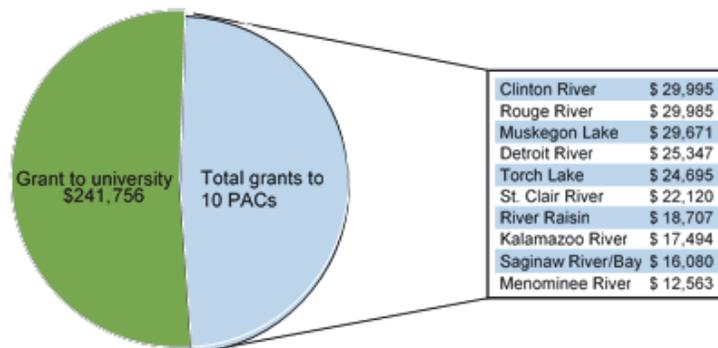
The AOC Program and PACs have been in place since the 1990s. During our audit period, OGL issued a grant to a university with a project scope of "to better understand and guide activities of Public Advisory Councils (PACs) in assisting AOC restoration." The grantee created two classes to teach graduate students about the AOC Program and PACs. The students provided their graduate project findings to OGL. Grant costs included payment of a graduate student's tuition to complete a master's degree thesis, as well as payment of a salary and fringe benefits for the student.

The initial grant amount was \$60,942. OGL amended the grant three times, increasing the grant to \$328,178 as of February 2019. The following chart depicts the time line for the initial grant award and subsequent amendments, as of February 2019:



In comparison, and specific to August 1, 2017 through July 31, 2018, OGL issued AOC grants totaling \$226,657 to 10 PACs to assist with AOC restoration efforts as follows:

AOC Grants Awarded Between August 1, 2017 and July 31, 2018



Our review of the grant agreement, amendments, and work plan disclosed:

- a. OGL should document its grant selection process to ensure that it uses the most effective and efficient options for obtaining services. Alternatives to awarding the contract to academia could include hiring a consultant with AOC Program expertise or using a competitive bidding process to identify other qualified grantees or contractors\* with previous program or related experience.

OGL informed us that it did not use AOC coordinators or consult with other states to carry out the project because it already performs these actions on a regular basis. OGL also informed us that it has not considered hiring a consultant or using a competitive bid process; however, it may do so in the future.

- b. OGL executed the grant agreement without a documented work plan. The grant agreement stated that the parties would mutually negotiate a work plan based on available resources. However, the agreement indicated that the work plan was "TBD" (to be determined).
- c. OGL's negotiated work plan, once developed, was vague and did not include specific information regarding the deliverables to be provided by the university. For example, the four jobs required to be completed by the university were:

- (1) Build relationships within the university and with OGL and PACs.
- (2) Develop and teach university classes on AOCs and their communities.
- (3) Establish and co-advise graduate student projects.
- (4) Report findings to OGL and PAC community.

The work plan did not contain any specific details regarding the work that OGL expected to be completed, and the deliverables that OGL received were questionable in value. For example, with regard to job (1), university staff introduced the OGL director to university staff, built relationships with OGL staff, and attended an out-of-state AOC conference and workshop. OGL did not document within the work plan that these were the deliverables that it expected from job (1). For another example, as of March 2019, the reports required in job (4) had not been completed.

\* See glossary at end of report for definition.

As of November 2018, OGL paid the grantee \$122,509 but had only received presentation materials, including 3 posters, 5 PowerPoint presentations, and memorandums from students who attended the AOC class (see Exhibit #4).

A work plan serves as a performance commitment and should describe the work that will be performed, when it will be accomplished, performance expectations, and estimated costs. An effective work plan should list expected outputs\* and outcomes\*, link the outputs and outcomes to funding, and identify target dates and milestones.

**RECOMMENDATION**

We recommend that OGL document its process for selecting AOC Program grantees and ensure that grant agreements include detailed work plans prior to execution.

**AGENCY  
PRELIMINARY  
RESPONSE**

The Department of Environment, Great Lakes, and Energy (EGLE) provided us with the following response:

*EGLE agrees that effective use of grant funding is essential. With OGL's transition to EGLE, the department will implement appropriate controls to assure the effective use of funds.*

\* See glossary at end of report for definition.

## FINDING #2

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### **Policies and procedures needed for awarding and monitoring grants.**

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OGL did not fully establish policies and procedures to ensure the effective awarding and monitoring of AOC and Coastal Zone Management (CZM) Program grants. Formal policies and procedures would enhance OGL's ability to meet federal regulations and State policies and help prevent OGL from inappropriately reimbursing federal funds to a grantee for unallowable costs.

OGL issues grant awards for the AOC and CZM Programs by issuing an RFP and soliciting proposals from applicants or by identifying a specific need and choosing a recipient to receive the grant. Both methods are used at the discretion of OGL management.

Our review of 7 AOC grant agreements and 15 CZM grant agreements disclosed:

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Risk assessments were not performed for 14 (88%) of 16 grantees, preventing OGL from determining the appropriate level of grantee monitoring needed.

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- a. OGL did not perform federally required grantee risk assessments for 5 (71%) of 7 AOC grantees and 9 (100%) of 9 CZM grantees that were required to have a completed risk assessment. Federal regulations require that risk assessments be completed to determine the appropriate subrecipient\* monitoring to be performed based on a grantee's assessed level of risk. OGL did not perform the risk assessments because Department of Environmental Quality (DEQ) policy did not require it. Without risk assessments, OGL could not determine the appropriate level of monitoring needed, such as conducting site visits for high-risk grantees.
- b. OGL did not ensure that 6 AOC grantees with financial and programmatic reports due within our audit period submitted the reports within the required time frames. Reports ranged from 2 weeks to more than 3 months late. OGL included report due dates in its grant agreements; however, OGL did not sufficiently track the grantees' submission of the reports. Without these reports, OGL cannot ensure that grantees use grant funds for the intended purposes and in compliance with federal statutes, regulations, and grant terms and conditions.
- c. OGL did not reject 4 (67%) of 6 AOC grantee reimbursement requests for unallowable or unsupported costs, including:
  - (1) Consultant fees in excess of the allowable rate. OGL paid consultant fees ranging from \$95 to \$170 per hour. EPA guidance allowed a maximum rate of \$77.07 to \$77.84 per hour, depending on the calendar year. As a result, OGL overpaid federal funds totaling \$3,705.

\* See glossary at end of report for definition.

- (2) Unsupported contractual services totaling \$5,710. OGL's grant agreement with the grantee required that all supporting documentation, including itemized invoices and receipts for expenses, must be provided to OGL.
- (3) Costs to sponsor a watershed festival, including advertising and charter boat trips totaling \$3,862. The RFP for the grant specified that such activities are not eligible for reimbursement.
- (4) Guinea pig antibody supplies totaling \$390 that had no relevance to the purpose of the grant. After bringing this matter to management's attention, OGL agreed that the reimbursement was improper and occurred because of staff oversight.

It is important that OGL reimburse grantees for only allowable and supported costs because the federal awarding agency could issue sanctions or disallowances.

- d. OGL inappropriately accepted 4 (67%) of 6 AOC grant applications after the due dates stipulated in the RFPs. The seventh AOC grant was awarded without an application process. OGL informed us that it accepted the late applications because it had been in contact with the applicants throughout the application process. Accepting applications after the due date does not ensure a fair and equitable application process to all applicants.
- e. OGL did not verify the federally approved indirect cost rate for 1 (33%) of 3 AOC grants that included indirect costs. DEQ policy states that a federally negotiated indirect rate must be submitted if the grantee has one. If none exists, OGL should use 10% of the modified direct costs. OGL informed us that it failed to document a federally approved indirect cost rate at the time of grant issuance. It is important to ensure that grantees' indirect cost rates are federally approved to ensure efficient use of federal funds.

OGL informed us that it provided minimal grant training to staff and did not always follow existing DEQ policies to ensure compliance with grant regulations.

## **RECOMMENDATION**

We recommend that OGL fully establish policies and procedures to ensure the effective awarding and monitoring of AOC and CZM Program grants.

## **AGENCY PRELIMINARY RESPONSE**

EGLE provided us with the following response:

*EGLE agrees that effective use of grant funding is essential. With OGL's transition to EGLE, the department will implement appropriate controls to assure the effective use of funds.*

## **FINDING #3**

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### **Relationships with PACs could be strengthened.**

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OGL should strengthen its relationships with PACs to help ensure that it meets the AOC Program goal of restoring and remediating Michigan's waters.

The GLWQA emphasizes the importance of incorporating public opinion and providing opportunities for the public to participate in achieving the Program objective of restoring BUIs and delisting AOCs. OGL's AOC coordinators are responsible for carrying out the AOC Program by tracking and evaluating OGL's progress toward meeting BUI restoration criteria; working with citizens, media, elected officials, and various local, State, and federal agencies to implement remedial actions; and administering PAC administrative support grants. PACs are independent, voluntary citizen groups that advocate for the public's interest in AOC restoration.

Our review identified areas in which OGL can improve its relationships with PACs. We noted:

- a. OGL should establish and provide guidance to PACs for performing public outreach for BUI removal and AOC delisting. Providing guidance is important because PACs are best situated to reach the impacted public and solicit their concerns. In addition, OGL could utilize PACs to help ensure that it consistently notifies the public of upcoming BUI removals.
- b. OGL should consistently and frequently share BUI restoration criteria, the status of restoration efforts, and target completion dates with PACs to help PACs ensure that their efforts are aligned with OGL's efforts. AOC coordinators informed us that they have regular contact with their PACs. However, because there is no established guidance for how often and what information should be shared with PACs, the amount of contact varies by AOC coordinator. Sharing this information is important because PACs can provide local knowledge and expertise for the BUI restoration process.
- c. OGL should maintain a list of all active PAC members to ensure that AOC Program information is distributed effectively. Upon our request, OGL could not compile a complete list of PAC members, which demonstrated weak relationships between AOC coordinators and PAC members. Having up-to-date PAC member information would help OGL distribute information easily and enhance its communications with PACs.

Our survey of PAC members supported the suggested improvements in this finding. For example:

- Nine (16%) of 58 PAC member survey respondents were unsatisfied with the support that OGL provides to PACs in helping them effectively carry out their responsibilities.

- Two (3%) of 62 suggestions for improvement received from PAC member survey respondents indicated that OGL should better define PACs' roles and provide guidance to PACs for how to best help remove BUIs.
- Sixteen (26%) of 62 suggestions for improvement received from PAC member survey respondents suggested that OGL improve its communications and level of assistance to PACs. Suggestions included regular reporting to PACs by OGL on the AOC delisting progress and better attendance at PAC meetings.
- Eleven (19%) of 58 PAC member survey respondents indicated that OGL staff attended their PAC meetings less than half the time.

**RECOMMENDATION**

We recommend that OGL strengthen its relationships with PACs to help ensure that it meets the AOC Program goal of restoring and remediating Michigan's waters.

**AGENCY  
PRELIMINARY  
RESPONSE**

EGLE provided us with the following response:

*EGLE agrees that ongoing communication, collaboration, and engagement with the PACs is necessary. OGL will develop a list of PAC members and consult with PACs and the Statewide Public Advisory Council to explore ways of improving communications and engagement.*

## FINDING #4

### Improvements needed in RAP updates.

OGL did not always complete required RAP updates in compliance with its cooperative agreement with the EPA. Without RAP updates, the general public's involvement and participation, which is essential in the delisting process, is limited.

Federal regulations require that OGL develop a work plan outlining the purpose and scope of activities and tasks that it will complete to meet the cooperative agreement. OGL indicated in its work plan that it would complete periodic RAP updates.

RAP updates are designed to document and communicate progress on specific actions that are important for delisting an AOC. The GLWQA of 2012 states that the United States and Canadian governments shall cooperate with State governments to ensure that RAPs are developed, periodically updated, and implemented for each AOC. The protocol also states that each RAP shall include:

- a. BUIs and their causes.
- b. Criteria for removing BUIs.
- c. Entities responsible for implementing remedial actions.
- d. Remedial measures taken and the status of the BUI.
- e. Monitoring processes to confirm restoration of BUIs.

OGL completed only one RAP update between January 2014 and June 2018.

Between January 1, 2014 and June 30, 2018, OGL did not complete any RAP updates for 11 (92%) of the 12 AOC sites. For 1 of the 11 AOCs, OGL had not completed a RAP update since 2007. The following table identifies the year of the most recent RAP updates for each AOC:

<u>AOC Site</u>	<u>Most Recent RAP Update</u>
Torch Lake	2007
Detroit River	2008
St. Clair River	2008
Rouge River	2008
Clinton River	2011
Manistique River	2011
Muskegon Lake	2011
Kalamazoo River	2012
River Raisin	2012
Saginaw River/Bay	2012
St. Mary's River	2012
Menominee River*	2017

\* Completed in conjunction with the Wisconsin DNR.

Instead of preparing RAP updates, OGL used an internal action list process to monitor BUI remediation. However, we noted:

- OGL did not consistently update the action list.
- The action list was not available to the public.
- The action list did not contain all required information, such as the criteria for removing BUIs.

OGL informed us that it did not interpret that the cooperative agreement required RAP updates. However, in its two most recent cooperative agreement work plans, OGL committed to completing periodic RAP updates.

## **RECOMMENDATION**

We recommend that OGL complete required RAP updates in compliance with its cooperative agreement with the EPA.

## **AGENCY PRELIMINARY RESPONSE**

EGLE provided us with the following response:

*EGLE agrees that language in the cooperative agreement regarding RAP updates was ambiguous and subject to different interpretations. EGLE intends to refine the language in the new cooperative agreement with EPA to provide additional clarity on when RAP updates will be developed.*

## **FINDING #5**

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### **Improved process needed for documenting BUI removals.**

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OGL should improve its process for documenting BUI removals. Without solid processes and complete documentation, OGL cannot demonstrate to interested parties and the public that it properly removed BUIs.

The GLWQA identifies the guiding principles, including accountability, coordination, and public engagement, that should be followed to achieve the purpose of the AOC Program. These principles help ensure that the Great Lakes provide a source of safe high-quality drinking water and public recreational use and are free from high levels of pollutants that could be harmful to humans, wildlife, and aquatic organisms. OGL's AOC Program guidance specifies the following actions for BUI removal:

- OGL staff will consult with a technical team at the State and federal levels to review the BUI removal documentation and determine whether to support the removal of the BUI.
- OGL will hold a public meeting if the technical team supports removal of a BUI. Beginning in 2015, OGL must hold the meeting only if requested.
- OGL will review public comments supporting or opposing the BUI removal and respond appropriately.
- The OGL director will send a letter to the EPA to document removal of the BUI and request concurrence for its removal.

We randomly and judgmentally sampled 5 of the 21 BUIs removed between January 1, 2014 and June 30, 2018 and noted:

- a. OGL did not always establish a designated technical team to review BUI removal documentation and determine the team's support for the removal of all 5 BUIs. Although OGL's BUI removal guidance requires consultation with a technical team to review the documentation and determine support for BUI removal, OGL informed us that this is not a formal process and OGL staff typically informally meet, call, or e-mail the necessary State, federal, or local agencies throughout the BUI removal process. OGL also informed us that a technical team's role is to provide a broad consultation and not a formal approval.

However, a technical team that is responsible for reviewing final BUI removal documentation would provide assurance that the most appropriate and knowledgeable subject-matter experts agree with and support the decision to remove a BUI.

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OGL did not consistently notify the public of upcoming BUI removals.

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b. OGL did not establish a consistent process for notifying the public of upcoming BUI removals. We noted:

- (1) OGL did not hold a public meeting related to the removal of 1 (50%) of 2 BUIs removed prior to 2015. OGL did not hold the meeting because a meeting was not requested. OGL subsequently updated its policy to require that a meeting be held only if requested.
- (2) OGL did not maintain documentation to support whether or not the public objected to a BUI's removal for 1 (20%) of 5 BUIs. OGL did not document the receipt of public comment because its policy did not explicitly require it to do so.

OGL informed us that it posted notices of a BUI removal on DEQ's online calendar and/or the AOC Program Web site for comment periods of two weeks. However, OGL could not always provide documentation of these notices. We noted that other states used more robust public outreach methods such as press releases, public open houses, newspaper articles, and multiple e-mail distribution lists.

Ensuring a consistent communication process and documenting the public's involvement in the process is important because long-term success of the AOC Program is dependent upon the public's use and satisfaction with the quality of Great Lakes waters.

c. OGL did not maintain documentation to support that the OGL director signed the letter to the EPA to request removal for 1 (20%) of 5 BUIs.

## RECOMMENDATION

We recommend that OGL improve its process for documenting BUI removals.

## AGENCY PRELIMINARY RESPONSE

EGLE provided us with the following response:

*EGLE agrees that there is an opportunity to improve the documentation associated with BUI removals. EGLE will develop a checklist for use by AOC coordinators during the BUI removal process. The checklist and documentation will be reviewed by the Program supervisor at the conclusion of each BUI removal.*

## **OBSERVATION #1**

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### **Important AOC Program clarifications.**

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OGL informed us that the AOC Program was not designed to remove contaminants completely, add emerging contaminants to existing AOCs or BUIs, or identify new AOCs and BUIs. For example:

- a. Delisting an AOC does not mean that the site has been restored to a pristine condition; rather, it means that the most egregious problems impacting that body of water have been resolved.

For example, an AOC with a BUI of "Restrictions on Fish and Wildlife Consumption" signifies that the fish from the affected area had higher levels of chemicals than fish in similar areas of the Great Lakes region. According to OGL guidance, this BUI can be removed when analysis of trend data for fish with consumption advisories shows similar trends to other appropriate Great Lakes trend sites.

The BUI for restrictions on fish and wildlife consumption may be removed, yet an advisory not to consume fish may still be in place by the Michigan Department of Health and Human Services (MDHHS) as MDHHS's fish consumption guidelines are unique to MDHHS (see Exhibit #5). For example, in 2014, OGL removed the BUI for the Deer Lake AOC "Restrictions on Fish and Wildlife Consumption"; however, the fish were still unsafe to eat. In its BUI removal documentation, OGL indicated that it expects that fish consumption advisories will remain in place for Deer Lake for the foreseeable future, as they are for all inland lakes in Michigan because of mercury contamination of fish tissue. In addition, the Department of Natural Resources (DNR) designated Deer Lake as only a catch and release site.

- b. New AOCs and BUI types are not added as they are identified. OGL informed us that the intent of the AOC Program was to remediate legacy contaminants and not to address new contaminants. Therefore, emerging contaminants that currently threaten the quality of the Great Lakes, such as per- and polyfluoroalkyl substances (PFAS), are not identified as BUIs. As of December 2018, PFAS had been detected at one AOC (Saginaw River) and one AOC control site (Huron River). The United States and Canadian governments have not added new AOCs or BUI types since 1991. Depending on the contaminant, emerging contaminants may be addressed by other State-funded or federally funded programs.

Stakeholders should begin discussions to determine whether the AOC Program, as designed, meets the current needs of the State in relation to protecting and restoring Michigan's waters.

# COMPLIANCE WITH COASTAL MANAGEMENT COOPERATIVE AGREEMENT

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## BACKGROUND

OGL's Coastal Management Program, authorized under the federal Coastal Zone Management Act, was established in 1978 and focuses on habitat, hazard management, water quality, public access, and community development. OGL works with the National Oceanic and Atmospheric Administration (NOAA) to obtain funding for the Program and, through its cooperative agreement with NOAA, has established the following goals:

- Increasing and improving public access to all visitors of the Great Lakes coastline.
- Assisting coastal communities to plan for future land use, identifying coastal hazards, and managing growth and development.
- Revitalizing urban waterfronts and ports.
- Fostering stewardship of coastal habitats and water quality.
- Preserving and interpreting cultural and historic maritime resources.

To receive funding from NOAA, OGL must comply with administrative requirements for grants and cooperative agreements which include oversight and monitoring of its grants to coastal governments, nonprofit organizations, and universities.

## AUDIT OBJECTIVE

To assess OGL's compliance with requirements of the coastal management cooperative agreement.

## CONCLUSION

Complied, with exceptions.

## FACTORS IMPACTING CONCLUSION

- Our site visits and review of completed CZM grant projects disclosed no exceptions.
- Our review of 4 performance and 2 financial reports disclosed no inaccurate or unsupported information.
- Reportable condition related to lack of performing grantee risk assessments (Finding #2, part a.).

# SUPPLEMENTAL INFORMATION

UNAUDITED  
Exhibit #1

OFFICE OF THE GREAT LAKES  
Department of Environment, Great Lakes, and Energy

Map of Michigan's AOCs



Note: Deer Lake and White Lake were delisted in 2014.

Source: Guidance for Delisting Michigan's Great Lakes Areas of Concern 2018 update.

**OFFICE OF THE GREAT LAKES**  
Department of Environment, Great Lakes, and Energy

Description of BUIs for Michigan's 14 AOCs  
As of July 2018

**Michigan Areas of Concern Beneficial Use Impairment Progress**

Michigan's Areas of Concern program recognizes the importance of keeping the public informed of environmental progress. With the support of the Great Lakes Restoration Initiative and local stakeholders, the AOC program is achieving remarkable results in restoring Beneficial Uses and anticipates this progress will continue. This document will be updated regarding the latest Beneficial Use Impairment (BUI) removals.

Area of Concern	Restrictions on fish and wildlife consumption	Degradation of benthos	Loss of fish and wildlife habitat	Restrictions on dredging	Beach closings	Degradation of fish and wildlife populations	Eutrophication or undesirable algae	Bird or animal deformities or other reproductive problems	Restrictions on drinking water consumption or taste and odor problems	Fish tumors or other deformities	Tainting of fish and wildlife flavor	Added costs to agriculture or industry	Degradation of phyto- or zooplankton populations	Original Total	Remaining Today
Saginaw Bay/River	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	12	9
Detroit River	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	11	9
St. Clair River	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	10	2
St. Marys River	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	10	5
Muskegon Lake	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	9	5
River Raisin	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	9	4
Rouge River	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	9	9
Clinton River	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	8	8
Kalamazoo River	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	8	6
White Lake	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	8	0
Menominee River	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	6	2
Manistique River	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	5	2
Deer Lake	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	3	0
Torch Lake	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	3	2
<b>Original Total</b>	14	13	12	12	11	10	10	8	7	5	4	3	1	1	<b>111</b>
<b>Remaining Today</b>	10	9	7	7	4	8	5	4	4	1	3	0	0	1	<b>63</b>

<input type="checkbox"/>	Beneficial Use Impaired
<input checked="" type="checkbox"/>	Beneficial Use Restored
<input type="checkbox"/>	Not Applicable to this Area of Concern



Updated July 2018

For more information, contact Rick Hobria at [hobrlar@michigan.gov](mailto:hobrlar@michigan.gov)

Source: OGL prepared this exhibit.

OFFICE OF THE GREAT LAKES  
Department of Environment, Great Lakes, and Energy

Number of BUIs Removed by AOC by Fiscal Year

	BUIs During 1987 - 2005	Number of BUIs Removed in Fiscal Year												BUIs Remaining as of July 31, 2018		
		2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017		2018	
Clinton River	8															8
Deer Lake	3						2			1*						<b>Delisted</b>
Detroit River	11						1		1							9
Kalamazoo River	8						1	1								6
Manistique River	5	1		1	1											2
Menominee River	6						1						2	1		2
Muskegon Lake	9						1		2		1					5
River Raisin	9							1	2		2					4
Rouge River	9															9
Saginaw River/Bay	12			2						1						9
St. Clair River	10				1		1	2		1		1	2			2
St. Mary's River	10									2		2	1			5
Torch Lake	3		1													2
White Lake	8						1	2	1	4*						<b>Delisted</b>
<b>Total BUIs at year-end</b>	<b>111</b>	<b>110</b>	<b>109</b>	<b>106</b>	<b>104</b>	<b>104</b>	<b>96</b>	<b>90</b>	<b>84</b>	<b>75</b>	<b>72</b>	<b>69</b>	<b>64</b>	<b>63</b>		<b>63</b>

\* AOC delisted.

Source: The OAG prepared this exhibit using data obtained from OGL.

OFFICE OF THE GREAT LAKES  
Department of Environment, Great Lakes, and Energy

Posters Created by Grantee

## Life After Delisting: Sustaining Economic, Ecological, and Social Revitalization in Michigan Areas of Concern

Client: Michigan Office of the Great Lakes

May 16, 2018

**Research Question:** What effective processes and strategies could the MI Office of the Great Lakes implement to promote ongoing revitalization in the Michigan AOC communities?



**Methods:**

- Literature review
- Semi-structured interviews with local, state, and federal stakeholders
- Focus Groups
- Community Frameworks
- Story Mapping



**Deliverables:**

- Recommendations to MIOGL on the three focus areas
- Broader frameworks that will benefit other initiatives that engage communities



*This exhibit continued on next page.*

## Evaluating Organizational Process: A Conversation Framework for Exploring AOC Stakeholder Advisory Group Operations

Client: Michigan Office of the Great Lakes

May 16, 2018

**Have you asked yourself...** What intangible components of stakeholder advisory groups are necessary for supporting and sustaining the momentum of an effective remedial action plan?

### Background

- Organizational Process: the approach and steps taken collectively by a group to further a common goal
- Effective process is required to sustain momentum and group durability throughout and beyond delisting

### Problem Statement

- An imbalance between implementing actions and tending to process reduces the effectiveness and durability of stakeholder advisory groups. The need to secure competitive funding and difficulty in measuring process incentivizes greater focus on actions with measurable outcomes. There is a need for a simple tool that enables stakeholder advisory groups to acknowledge these constraints and give more weight to process.

#### Tending to Process

- Conflict Management
- Long-term Vision
- Organizational Processes
- People & Relationships
- Trust
- Sense of Place

#### Focus on Actions

- BUI Removal
- Management Actions
- Habitat Projects
- Sediment Remediation

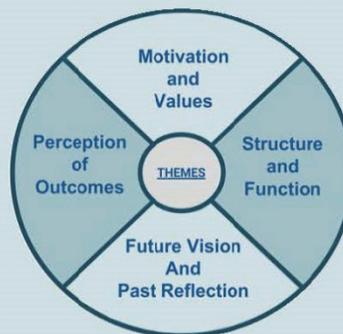


### Objectives

- Create a simple, diagnostic tool for evaluating effectiveness and durability of stakeholder advisory groups
- Inspire reflection and direct attention to process

### Method

- Based on literature review and agency insights, we distilled four salient question themes into a **conversation framework**



### Interactive Example

Directions: If you wish, write your answers to the below questions

#### Motivation

What motivates you to be involved in the AOC process?

#### Structure & Function

What would sufficient community representation look like for the PAC to function as intended?

#### Perception of outcomes

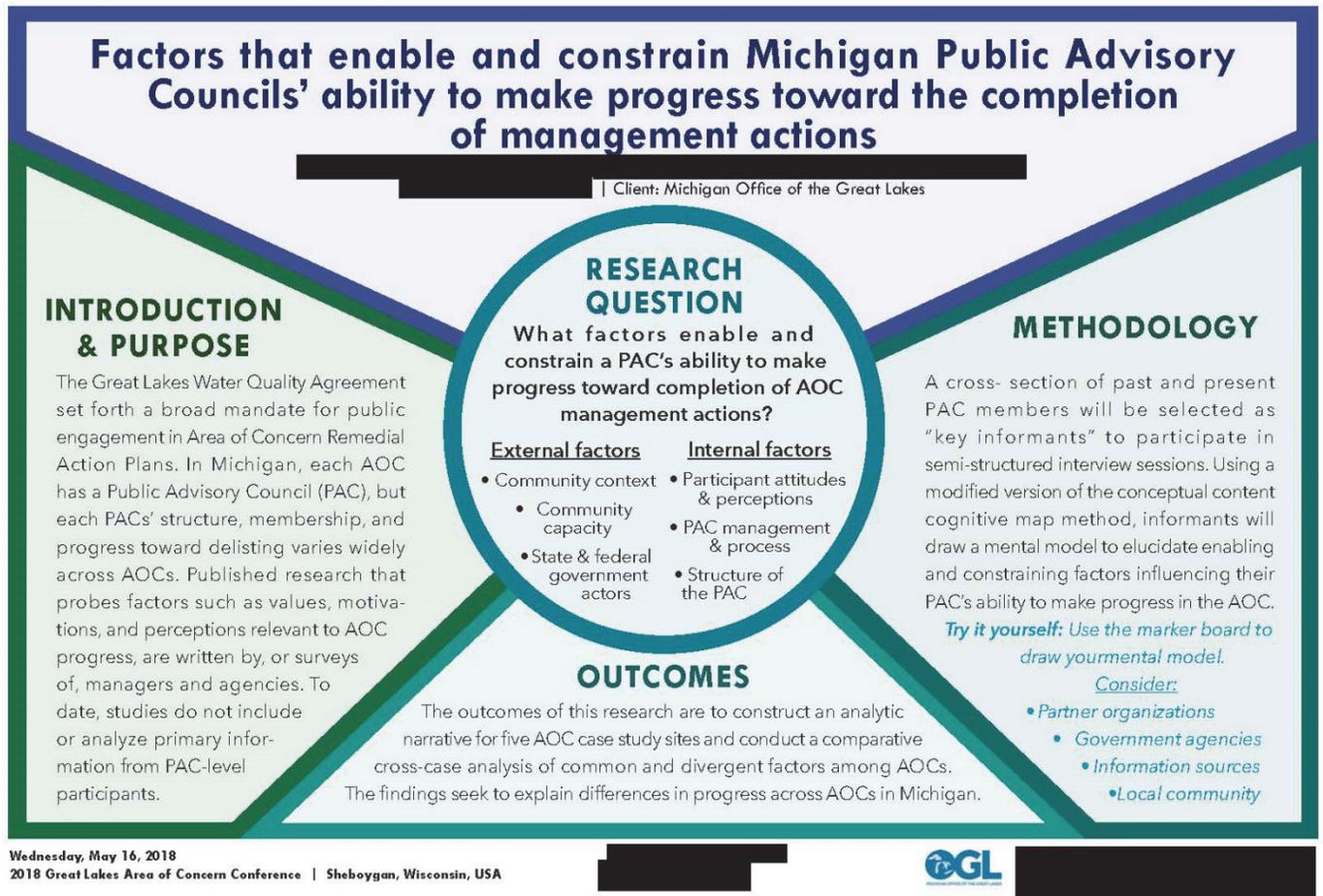
To what factors do you attribute the successful outcomes of RAP implementation?

#### Future & Reflection

If you could change anything about the delisting process what would it be?



*This exhibit continued on next page.*



Wednesday, May 16, 2018  
2018 Great Lakes Area of Concern Conference | Sheboygan, Wisconsin, USA

Source: OGL.

OFFICE OF THE GREAT LAKES  
Department of Environment, Great Lakes, and Energy

Excerpt From Flyer Explaining the Difference Between the Fish Consumption BUIs  
and the Eat Safe Fish Guidelines

**BUIs and Eat Safe Fish Guidelines are NOT the same.**

- ***Fish Consumption BUIs*** compare chemical levels in fish from the AOC to chemical levels in fish that are not in an AOC. When these levels are similar - meaning the amount of chemicals in fish from the AOC are little different than those from other lakes and rivers in the state that are not in an AOC - then the BUI can be removed.
- The ***MDCH Eat Safe Fish Guide*** helps you find safer fish to eat from Michigan lakes and rivers. MDCH tests filets of fish for chemicals from locations all around the state. The *Eat Safe Fish Guide* can help you find safer fish to eat in lakes and rivers throughout Michigan, not just in the AOC.

When the Fish Consumption BUI is removed from an AOC's list of problems, fish from the lake or river will still be tested and listed in the ***MDCH Eat Safe Fish Guide*** for some time after.

Michigan lakes and rivers are improving thanks to federal and state environmental rules and the hard work of the US Environmental Protection Agency, the MDEQ, and the PACs, but it will take many years for these chemicals to leave the ecosystem and the fish.

Source: Excerpt from flyer issued by MDHHS, formerly the Michigan Department of Community Health (MDCH).

## DESCRIPTION

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OGL was established within DNR under the Natural Resources and Environmental Protection Act, Public Act 451 of 1994, as the lead agency for the development of policies, programs, and procedures to protect, enhance, and manage the Great Lakes. Executive Order No. 2011-1 transferred OGL to DEQ. Executive Order No. 2017-9 transferred OGL back to DNR and, most recently, Executive Order No. 2019-02 established the Department of Environment, Great Lakes, and Energy (EGLE) and transferred OGL from the DNR to EGLE, effective April 7, 2019.

OGL's strategic goals are to:

- Protect and restore aquatic ecosystems.
- Promote a culture of stewardship.
- Support vibrant, healthy, and resilient communities.
- Build collaboration and shared governance for water.

To accomplish these goals, OGL works with federal and local partners to support sustainable coastal communities, restore degraded waters, manage water quality and quantity, and prevent aquatic invasive species.

OGL consists of the Great Lakes Management Unit, which manages the Michigan AOC Program, and the Coastal Management Program Unit, which manages the CZM Program.

In fiscal years 2016 and 2017, OGL received EPA funding for the AOC Program of \$2.7 million and \$1.8 million, of which \$190,000 and \$251,000, respectively, was awarded to PACs to support their administration and local BUI restoration efforts. The remaining amount was used to fund State administrative costs and other miscellaneous program projects.

For fiscal years 2015, 2016, 2017, and 2018 through June 30, OGL expended \$6.7 million, \$5.6 million, \$4.8 million, and \$2.4 million, respectively. As of July 23, 2018, OGL had 23 employees.

## AUDIT SCOPE, METHODOLOGY, AND OTHER INFORMATION

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### AUDIT SCOPE

To examine the books and records of OGL. 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.

### PERIOD

Our audit procedures, which included a preliminary survey, audit fieldwork, report preparation, analysis of agency responses, and quality assurance, generally covered January 1, 2014 through June 30, 2018.

### METHODOLOGY

We conducted a preliminary survey to obtain an understanding of OGL's efforts to manage the AOC Program and comply with its CZM cooperative agreement. During our preliminary survey, we:

- Interviewed OGL staff to obtain an understanding of the organizational structure, responsibilities, and activities related to the AOC and CZM Programs.
- Reviewed policies and procedures and sections of the *Code of Federal Regulations* and *Michigan Compiled Laws* applicable to OGL operations.
- Reviewed OGL appropriations acts and analyzed expenditures between October 1, 2015 and June 30, 2018.
- Reviewed the GLWQAs of 1987 and 2012, the Great Lakes Restoration Initiative Action Plan II of 2012, and OGL's cooperative agreements with the EPA to obtain an understanding of OGL's responsibilities for the AOC Program.
- Reviewed OGL's cooperative agreements with NOAA to obtain an understanding of OGL's responsibilities for the CZM Program.

\* See glossary at end of report for definition.

## **OBJECTIVE #1**

To assess the effectiveness of OGL's efforts to manage Michigan's AOC Program.

To accomplish this objective, we:

- Interviewed OGL staff to understand the AOC delisting process and reviewed the 2 AOCs delisted between January 1, 2014 and June 30, 2018 to determine whether OGL followed procedures outlined in its AOC delisting guidance.
- Surveyed 253 PAC members to assess their satisfaction with the support provided by OGL and to gather opinions on the effectiveness of the AOC Program.
- Interviewed AOC coordinators to assess their consistency in providing guidance to PACs and monitoring AOC restoration progress.
- Randomly and judgmentally sampled 5 of the 21 BUIs removed between January 1, 2014 and June 30, 2018 to assess whether the BUI removals were documented and approved according to OGL's AOC delisting guidance.
- Reviewed documentation of RAPs and RAP updates for the 12 AOCs to assess OGL's compliance with its cooperative agreement with the EPA and the protocol outlined in the GLWQA.
- Reviewed 7 randomly and judgmentally sampled AOC Program grants of 33 grants awarded between October 1, 2015 and June 30, 2018 to assess OGL's compliance with selected State and federal laws and regulations and internal grant policies and procedures. Because of our judgmental sample selection, we could not project our results into the entire population.

Our random samples were selected to eliminate bias and enable us to project the results to the respective populations.

## **OBJECTIVE #2**

To assess OGL's compliance with requirements of the coastal management cooperative agreement.

To accomplish this objective, we:

- Obtained an understanding of OGL's process for approving and monitoring competitively and non-competitively awarded CZM Program grants.
- Randomly and judgmentally sampled 15 of 67 CZM Program grants awarded between October 1, 2014 and June 30, 2018 to assess whether OGL complied with selected State and federal laws and regulations and internal grant policies and procedures.

- Visited 4 judgmentally sampled grantees of 42 who were awarded CZM competitive grants to assess the grantee's satisfaction with OGL. We also verified that the projects were completed.
- Randomly sampled and reviewed the accuracy of selected information from 4 of 17 performance reports and 2 of 8 financial reports that were submitted by OGL to NOAA from October 1, 2014 through March 31, 2018.

Our random samples were selected to eliminate bias and to enable us to project the results to the respective populations. For our judgmental samples, we could not project our results to the respective populations.

## **CONCLUSIONS**

We base our conclusions on our audit efforts and any resulting material conditions\* or 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 5 findings and 5 corresponding recommendations. OGL's preliminary response indicates that it agrees with all of the recommendations.

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 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 to submit it to the State Budget Office upon completion of an audit. Within 30 days of receipt, the Office of Internal Audit Services, State Budget Office, 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.

## **SUPPLEMENTAL INFORMATION**

Our audit report includes supplemental information presented as Exhibits #1 through #5. Our audit was not directed toward expressing a conclusion on this information.

\* See glossary at end of report for definition.

## **GLOSSARY OF ABBREVIATIONS AND TERMS**

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<b>AOC Program</b>	Areas of Concern Program.
<b>area of concern (AOC)</b>	A geographic area within the Great Lakes basin designated by the United States and Canadian governments where significant impairment of beneficial uses has occurred as a result of human activities at the local level.
<b>beneficial use impairment (BUI)</b>	A reduction in the chemical, physical, or biological integrity of the waters of the Great Lakes.
<b>contractor</b>	An entity hired to provide goods or services to the State of Michigan.
<b>CZM Program</b>	Coastal Zone Management Program.
<b>DEQ</b>	Department of Environmental Quality.
<b>DNR</b>	Department of Natural Resources.
<b>effectiveness</b>	Success in achieving mission and goals.
<b>EGLE</b>	Department of Environment, Great Lakes, and Energy.
<b>EPA</b>	U.S. Environmental Protection Agency.
<b>GLWQA</b>	Great Lakes Water Quality Agreement.
<b>material condition</b>	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. Our assessment of materiality is in relation to the respective audit objective.
<b>MDHHS</b>	Michigan Department of Health and Human Services.
<b>NOAA</b>	National Oceanic and Atmospheric Administration.

<b>observation</b>	A commentary that highlights certain details or events that may be of interest to users of the report. An observation may not include all of the attributes (condition, effect, criteria, cause, and recommendation) that are presented in an audit finding.
<b>OGL</b>	Office of the Great Lakes.
<b>outcome</b>	An actual impact of a program or an entity.
<b>output</b>	A product or a service produced by a program or an entity.
<b>PAC</b>	public advisory council.
<b>performance audit</b>	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.
<b>PFAS</b>	per- and polyfluoroalkyl substances.
<b>remedial action plan (RAP)</b>	A required cleanup plan for all designated AOCs in the Great Lakes basin.
<b>reportable condition</b>	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.
<b>RFP</b>	request for proposal.
<b>subrecipient</b>	A nonfederal entity that receives a subaward from a pass-through entity to carry out part of a federal program but does not include an individual that is a beneficiary of such program.







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