

Office of the Auditor General
Performance Audit Report

Clean Michigan Initiative
Environmental Protection Programs
Department of Environment, Great Lakes, and Energy

March 2021

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



OAG

Office of the Auditor General

Report Summary

Performance Audit

Clean Michigan Initiative (CMI)

Environmental Protection Programs Department of Environment, Great Lakes, and Energy (EGLE)

Report Number:
761-0217-20

Released:
March 2021

EGLE administers environmental protection programs funded with CMI bond proceeds. These programs include response activities at facilities, the Waterfront Redevelopment Program, the Remediation of Contaminated Lake and River Sediments Program, the Nonpoint Source Pollution Prevention and Control Program, the Clean Water Fund, and the Pollution Prevention Program. This performance audit was required by Section 324.19615 of the *Michigan Compiled Laws*.

Audit Objective			Conclusion
Objective #1: To assess the effectiveness of EGLE's efforts to ensure that the use of CMI funds complies with laws, regulations, and contract requirements.			Effective
Findings Related to This Audit Objective	Material Condition	Reportable Condition	Agency Preliminary Response
EGLE did not issue the required 2018 annual report to the Legislature and overstated expenditures in the 2019 report (Finding #1).		X	Agrees

Audit Objective			Conclusion
Objective #2: To compile and report data for programs eligible for CMI funding.			Compiled and reported
Findings Related to This Audit Objective	Material Condition	Reportable Condition	Agency Preliminary Response
None reported.	Not applicable.		
Observations Related to This Audit Objective	Material Condition	Reportable Condition	Agency Preliminary Response
Cost of CMI bond issuance (Observation #1).	Not applicable for observations.		
Status of CMI programs and funding (Observation #2).	Not applicable for observations.		

Obtain Audit Reports

Online: audgen.michigan.gov

Phone: (517) 334-8050

Office of the Auditor General
201 N. Washington Square, Sixth Floor
Lansing, Michigan 48913

Doug A. Ringler, CPA, CIA
Auditor General

Laura J. Hirst, CPA
Deputy Auditor General



OAG

Office of the Auditor General

201 N. Washington Square, Sixth Floor • Lansing, Michigan 48913 • Phone: (517) 334-8050 • audgen.michigan.gov

Doug A. Ringler, CPA, CIA
Auditor General

March 4, 2021

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 Clean Michigan Initiative Environmental Protection Programs, Department of Environment, Great Lakes, and Energy.

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

We organize our findings and observations by audit objective. Your agency provided the preliminary response to the recommendation 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

TABLE OF CONTENTS

CLEAN MICHIGAN INITIATIVE ENVIRONMENTAL PROTECTION PROGRAMS

	<u>Page</u>
Report Summary	1
Report Letter	3
Audit Objectives, Conclusions, Findings, and Observations	
Compliance With Laws, Regulations, and Contract Requirements	8
Findings:	
1. Improvements needed over accuracy and issuance of the annual report.	10
Compile and Report Data for CMI-Funded Programs	12
Observations:	
1. Cost of bond issuance.	13
2. Status of CMI programs and funding.	15
Supplemental Information	
Exhibit #1 - Summary of CMI Authorizations and Expenditures by Program	18
Exhibit #2 - Number of Completed CMI-Funded Projects by Program	20
Exhibit #3 - Examples of CMI-Funded Projects Completed by EGLE	22
Exhibit #4 - Examples of Sites Funded From the Renew Michigan Fund	26
Exhibit #5 - Number of Identified Underfunded CMI-Eligible Project Sites	31
Exhibit #6 - Funding Status of Assessed Priority ECRP Projects by County	32
Program Description	33
Audit Scope, Methodology, and Other Information	36
Glossary of Abbreviations and Terms	39

AUDIT OBJECTIVES, CONCLUSIONS, FINDINGS, AND OBSERVATIONS

COMPLIANCE WITH LAWS, REGULATIONS, AND CONTRACT REQUIREMENTS

BACKGROUND

In November 1998, Michigan voters approved \$675 million of Clean Michigan Initiative (CMI) bonds for environmental, natural resources, and health protection programs to clean up and redevelop contaminated sites; protect and improve water quality; prevent pollution; abate lead contamination; reclaim and revitalize community waterfronts; enhance recreational opportunities; and clean up contaminated sediments in lakes, rivers, and streams. The six environmental protection programs administered by the Department of Environment, Great Lakes, and Energy (EGLE) are response activities* at facilities*, the Waterfront Redevelopment Program, the Remediation Contaminated Lake and River Sediments Program, the Nonpoint Source Pollution Prevention and Control Program, the Clean Water Fund, and the Pollution Prevention Program.

EGLE's environmental protection programs were authorized to use \$570 million (84%) in bonds, and as of September 30, 2019, the State of Michigan had issued \$532.4 million (93%) of them. EGLE has expended \$543.6 million in CMI funds since fiscal year 1999. EGLE works closely with the Department of Treasury to minimize the administrative expense of issuing bonds and the cost of borrowing general funds. EGLE generally meets annually with the Department of Treasury to review projected CMI expenditures and cash flow.

EGLE prepares the annual State Environmental Cleanup Programs Report (annual report) to provide information to the Legislature regarding State-funded environmental programs. The annual report includes the amount of CMI bonds issued, funds allocated, and funds expended by program. The annual report also includes detailed project information, including the progress, expenditures to date, and estimated remaining costs for all projects that were allocated CMI funds.

AUDIT OBJECTIVE

To assess the effectiveness* of EGLE's efforts to ensure that the use of CMI funds complies with laws, regulations, and contract requirements.

CONCLUSION

Effective.

FACTORS IMPACTING CONCLUSION

- EGLE awarded CMI funds in accordance with laws, regulations, and contract requirements for all 26 projects reviewed. Specifically:
 - EGLE reviewed project applications to ensure that the entity was eligible to receive CMI funds.

* See glossary at end of report for definition.

- Contractual agreements between EGLE and the project applicants met CMI funding requirements.
 - EGLE appropriately monitored current projects to ensure that the projects met contractual obligations and expended funds in accordance with CMI standards.
- Project expenditures identified in the annual report reconciled with the supporting documentation for all 26 projects reviewed.
- EGLE accurately reported CMI bonds issued, allocated, and expended in the fiscal year 2019 annual report.
- EGLE fairly presented the detailed expenditures for each CMI-funded project during the audit period in the fiscal year 2019 annual report.
- Reportable condition* related to strengthening EGLE's reporting process (Finding #1).

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

FINDING #1

Improvements needed over accuracy and issuance of annual report.

EGLE should strengthen its reporting process to ensure the accuracy of CMI project activity presented in its annual report to the Legislature, which would help ensure that the Legislature has the information it needs to provide CMI program oversight.

The annual report presents detailed CMI project activity, including project site information, proposed funding needs, and funds expended. Public Act 107 of 2017 and Public Act 207 of 2018 require EGLE to annually report this information to the Legislature.

We sampled 26 of 203 projects with CMI expenditures during our audit period from the following programs: Water Quality Monitoring (WQM) Program, Brownfield Redevelopment Grant and Loan Programs, Nonpoint Source Pollution Prevention and Control Program, and Environmental Cleanup and Redevelopment Program (ECRP).

Our comparison of the sampled projects with the annual reports for fiscal years 2017 and 2019 disclosed:

- a. EGLE did not issue an annual report for fiscal year 2018.

EGLE was unable to issue this report because of updates to its internal financial tracking system and challenges in reconciling project expenditures between the Michigan Administrative Information Network* and the Statewide Integrated Governmental Management Applications* (SIGMA), which caused significant delays in accumulating the necessary information.

- b. EGLE inadvertently overstated expenditures for the response activities at facilities (which includes the Brownfield Redevelopment Grant and Loan Programs and ECRP) by \$5.5 million (2%) in the annual CMI report for fiscal year 2019. This overstatement was caused by a coding error to the incorrect CMI program in fiscal years 2012 and 2013 which resulted in an understatement of remaining CMI funds for response activities at facilities by 60%.
- c. EGLE inadvertently overstated expenditures for the Nonpoint Source Pollution Prevention and Control program by \$3,750 (0.2%) because of a funding source coding error in the annual CMI report for fiscal year 2019.
- d. Although the annual report presented an accurate expenditure total for Brownfield Redevelopment Loans, EGLE overstated Brownfield Redevelopment Loan expenditures by \$40,595 (1%) in SIGMA because of a

* See glossary at end of report for definition.

funding source coding error. Therefore, SIGMA and EGLE's project management system did not reconcile.

RECOMMENDATION

We recommend that EGLE strengthen its reporting process to ensure the accuracy of CMI project activity presented in its annual report to the Legislature.

**AGENCY
PRELIMINARY
RESPONSE**

EGLE provided us with the following response:

EGLE agrees with the recommendation. EGLE continues to improve its processes and explore opportunities in its improvements in technology to increase the accuracy of the report.

COMPILE AND REPORT DATA FOR CMI-FUNDED PROGRAMS

AUDIT OBJECTIVE	To compile and report data for programs eligible for CMI funding.
CONCLUSION	Compiled and reported.
FACTORS IMPACTING CONCLUSION	<ul style="list-style-type: none">• Observations* related to cost of bonding environmental programs and status of CMI programs and funding (Observations #1 and #2).• Exhibit #1 presents a summary of CMI authorizations and expenditures by program.• Exhibit #2 presents the number of completed CMI-funded projects by program.• Exhibit #3 presents examples of CMI-funded projects completed by EGLE.• Exhibit #4 presents examples of sites funded from the Renew Michigan Fund.• Exhibit #5 presents the number of identified underfunded CMI-eligible project sites.• Exhibit #6 presents the funding status of assessed priority ECRP projects by county.

* See glossary at end of report for definition.

OBSERVATION #1

Cost of bonding environmental programs.

The sale of general obligation bonds to fund environmental cleanup programs inflates the total cost of cleanup projects because of the additional costs to administer and provide funding.

Section 324.95102 of the *Michigan Compiled Laws* allowed the State to borrow \$675 million through the issuance of general obligation bonds to finance environmental and natural resources protection programs that would clean up and redevelop contaminated sites, protect and improve water quality, prevent pollution, abate lead contamination, reclaim and revitalize community waterfronts, enhance recreational opportunities, and clean up contaminated sediments in lakes, rivers, and streams. Section 324.95108 of the *Michigan Compiled Laws* states that, after the issuance of the bonds, there shall be appropriated each fiscal year from the State General Fund a sufficient amount to pay, when due, the principle of and interest on all outstanding bonds authorized and the costs incidental to the payment of the bonds. Of the authorized bond amount, \$570 million was dedicated to EGLE programs.

Section 324.19607 of the *Michigan Compiled Laws* describes how the bond proceeds shall be distributed. To date, the State has issued 17 CMI bond series to raise \$532.4 million in funding for EGLE programs. Also, the State issued \$105 million of CMI bonds to fund the Michigan Department of Health and Human Services and the Department of Natural Resources projects. In addition to being obligated to repay this \$637.4 million in principle, the State also paid bondholders \$294.6 million in interest. Interest paid by fiscal year was as follows:

Fiscal Year Ended September 30	Total Interest Paid**
2000	\$ 2,934,000
2001	5,370,000
2002	6,500,000
2003	6,979,000
2004	12,613,000
2005	15,132,000
2006	17,822,000
2007	20,639,000
2008	12,382,000
2009	19,488,000
2010	24,276,000
2011	23,525,000
2012	23,376,000
2013	23,229,000
2014	20,228,000
2015	18,928,000
2016	15,935,000
2017	14,056,971
2018	11,229,405
Subtotal	\$294,642,376
Total Other Costs	\$ 2,366,709
Total Bond Issuance Costs	\$297,009,085

**Source: Michigan Department of Treasury. Includes all CMI bonds issued.

Legal and administrative services and underwriter discounting costs* related to bond issues totaled \$2,366,709. Thus, the cost to administer and provide CMI funding resulted in an additional \$0.47 expense for every CMI dollar spent.

Once CMI bond proceeds are exhausted, EGLE should consider the total cost for issuing and paying general obligation bonds as it continues to seek future funding sources. Alternative funding, such as partnering with private investors, would minimize additional debt burdening on Michigan taxpayers.

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

OBSERVATION #2

Status of CMI programs and funding.

Although EGLE completed cleanup efforts on many projects, numerous underfunded projects remain (see Exhibit #5), indicating that the demand for funding greatly exceeds the amount of CMI resources available.

Since fiscal year 1999, EGLE has used CMI bond proceeds to fund cleanup and monitoring projects for 20 environmental protection programs. As of September 30, 2019, only 5 of these programs had CMI funding still available. Sections 324.19601 - 324.19616 of the *Michigan Compiled Laws* authorized \$570 million to be spent by EGLE on environmental protection programs. As of September 30, 2019, EGLE was appropriated \$561.7 million of the \$570 million of CMI funds and expended \$538.1 million, leaving an unexpended balance of \$31.9 million. Exhibit #1 presents a list of active and inactive CMI-funded programs and cumulative appropriations and expenditures by program. The remaining \$31.9 million of CMI funds are restricted by legislation for the following activities:

	Remaining CMI Funds** (in millions)
Response activities at facilities, including grants, new remediation projects, and maintenance and monitoring of previously completed projects	\$13.6
Nonpoint source pollution cleanup	11.7
Completion of contaminated lake and river sediment projects and investigative proceedings for new projects	4.5
Clean water fund and water quality monitoring	1.5
Various pollution prevention programs	0.6
Total (as of September 30, 2019)	<u>\$31.9</u>

**Includes funds used for ongoing projects and activities.

Since fiscal year 1999, EGLE has funded more than 1,600 projects using CMI bond proceeds. Exhibit #2 presents the number of completed CMI-funded projects and the amount expended by program.

Examples of underfunded projects and the status of EGLE programs include:

- a. EGLE identified 15,801 underfunded project sites within the following programs: Environmental Cleanup and Redevelopment Program; Nonpoint Source Pollution Prevention and Control Program; Superfund Program; Brownfield Redevelopment Grant and Loan Programs; and Remediation of Contaminated Lake and River Sediments Program (see Exhibit #5.) This number is not all-inclusive as not all sites within the State requiring cleanup are

known at this time. This number includes projects where cleanup has begun but lacks sufficient funding to complete.

b. Environmental Cleanup and Redevelopment Program (ECRP)

ECRP is the most significant of EGLE's environmental cleanup programs, accounting for 44% of all CMI expenditures. As of September 30, 2019, EGLE expended or designated all of the \$241 million in CMI funds authorized for ECRP.

However, EGLE identified 14,813 sites that are unfunded, have been placed on funding hold, or are insufficiently funded. Exhibit #5 presents the number of identified underfunded CMI-eligible project sites. Of these identified sites, 14,539 were pending a priority assessment as of August 2020. Exhibit #6 presents the funding status of 274 assessed priority ECRP projects by county. EGLE had not allocated additional CMI funding for these or other ECRP cleanup projects. As a result, EGLE suspended or had not begun cleanup efforts at 82 of the 274 identified assessed priority sites.

c. Brownfield Redevelopment Grant and Loan Programs

EGLE offers grants and loans for the evaluation, cleanup, removal, or containment of hazardous substances at eligible brownfield properties. The goals of the programs are to ensure the safe reuse of abandoned, vacant, or underutilized properties with known contamination and to promote redevelopment of brownfield sites. EGLE issued \$71.4 million in grants and loans to clean up 134 project sites. As of July 2020, 24 eligible sites remained underfunded (see Exhibit #5).

d. Nonpoint Source Pollution Prevention and Control Program

Eliminating nonpoint source pollution is a critical task of EGLE given that additional water quality issues in Michigan are caused by rain, snowmelt, or wind bringing pollutants into water sources. Since 1999 through September 30, 2020, EGLE has awarded 104 nonpoint source grants totaling \$42.1 million. These CMI funds were leveraged to secure an additional \$33.8 million in local matching funds. These funds were used to promote practices resulting in 119,000 tons of sediment load reductions, 127,000 pounds of phosphorus load reductions, and 264,000 pounds of nitrogen load reductions to Michigan lakes and rivers.

EGLE informed us that, from 1999 through September 30, 2020, stakeholders have submitted applications for 1,252 projects totaling \$335 million. EGLE awarded \$122 million in nonpoint source grants for 441 of those projects. As a

result, at least \$213 million in unmet funding needs remained for 811 projects (see Exhibit #5).

e. Remediation of Contaminated Lake and River Sediments Program

EGLE partners with the U.S. Environmental Protection Agency (EPA) by providing a 35% match to clean up contaminated lake and river sediments that qualify for federal funding under the Great Lakes Legacy Act. EGLE appropriated \$24.7 million in CMI funds and was pledged \$6.3 million from industrial partners* to secure \$56 million of federal funding for the cleanup of lake and river sediment contamination in Michigan.

EGLE informed us that since 2002, nine projects have been completed for this program, allowing for the removal of 427,000 cubic yards of contaminated sediment in four Great Lakes areas of concern*.

CMI funding has been a critical tool for the State of Michigan to address contaminated properties throughout the State. Environmental cleanup and redevelopment projects have been the main benefactors of this voter-approved funding. Exhibit #3 provides examples of contaminated properties whose redevelopment was facilitated by CMI funding.

After 22 years, CMI bond funds are nearly exhausted. In 2019, a new funding source, the Renew Michigan Fund, was approved by the Legislature to help continue this critical work. Examples of sites being funded from the Renew Michigan Fund are presented in Exhibit #4.

EGLE identified numerous environmental cleanup projects still in need of funding (Exhibits #5 and #6). To continue remediation efforts on these identified projects, EGLE should consider funding sources in addition to CMI and the \$25 million Renew Michigan Fund which is appropriated over fiscal years 2019 and 2020. Without continued funding, contaminated soil and water sites, both known and unknown to EGLE that pose a health risk to humans and the environment, may remain unremediated.

* See glossary at end of report for definition.

SUPPLEMENTAL INFORMATION

UNAUDITED
Exhibit #1

CLEAN MICHIGAN INITIATIVE ENVIRONMENTAL PROTECTION PROGRAMS Department of Environment, Great Lakes, and Energy (EGLE)

Summary of CMI Authorizations and Expenditures by Program As of September 30, 2019

	EGLE Spending Plan (Note 1)	Cumulative Appropriations	Cumulative Program Expenditures	CMI Funds Remaining
Active Programs:				
Environmental Cleanup and Redevelopment Program	\$ 241,025,634	\$ 241,043,091	\$ 231,378,768	\$ 9,646,866
Brownfield Redevelopment Grant Program	50,000,000	50,031,716	46,416,847	3,583,153
Brownfield Redevelopment Loan Program (Note 2)	25,000,000	25,000,000	25,000,000	
Remediation of Contaminated Lake and River Sediments Program	25,000,000	24,692,349	20,471,090	4,528,910
Nonpoint Source Pollution Prevention and Control Program	48,443,334	42,147,345	37,132,761	11,310,573
Water Withdrawal Assessment Program	1,473,490	2,267,746	1,804,899	(331,409)
Water Quality Monitoring Program	42,691,691	43,000,767	41,447,161	1,244,530
Clean Water Initiative (Note 3)	1,159,282			1,159,282
Total Active Programs	<u>\$ 434,793,431</u>	<u>\$ 428,183,014</u>	<u>\$ 403,651,526</u>	<u>\$ 31,141,905</u>
Inactive Programs:				
NPL - Municipal Landfill Cost-Share Grant Program (Note 4)	\$ 8,000,000	\$ 8,000,000	\$ 8,000,000	\$
Pollution Prevention Activities and Initiatives	4,290,214	3,558,431	3,558,431	731,783
Waterfront Redevelopment Program	50,000,000	49,999,668	49,999,668	332
Retired Engineers Technical Assistance Program (Note 5)	10,000,000	10,000,000	10,000,000	
Small Business Pollution Prevention Loan Program	5,000,000	5,000,000	5,000,000	
Illicit Storm Water Connection Grants Program (Note 5)	7,638,931	7,611,158	7,611,158	27,773
Remedial Action Plan and Lakewide Management Plan (Note 4)	7,692,968	7,692,968	7,692,968	
Conservation Reserve Enhancement Program (Note 4)	5,000,000	5,000,000	5,000,000	
Abandoned Well Management Grants (Note 4)	2,277,286	2,277,286	2,277,286	
Voluntary Storm Water Permits	3,395,246	3,395,246	3,395,246	
Failing On-Site Septic Systems (Note 4)	6,771,056	6,771,056	6,771,056	
Protecting High Quality Waters (Note 6)	5,681,111	5,681,111	5,681,111	
Statewide Groundwater Inventory and Mapping	973,000	973,000	973,000	
Village of Chesaning - Water Pollution Control Grant (Notes 6 and 7)	899,957	899,957	899,957	
Water Withdrawal Assessment Program (Note 8)	498,800	497,280	498,800	
Administrative Support (Note 9)	17,088,000	17,087,499	17,087,999	1
Total Inactive Programs	<u>\$ 135,206,569</u>	<u>\$ 134,444,660</u>	<u>\$ 134,446,680</u>	<u>\$ 759,889</u>
Total Active and Inactive Programs (Note 10)	<u>\$ 570,000,000</u>	<u>\$ 562,627,674</u>	<u>\$ 538,098,206</u>	<u>\$ 31,901,794</u>

This exhibit continued on the next page.

Notes:

- (1) EGLE established subcategories within the CMI allocations set in law that further refine the respective allocations. Within each allocation made in Section 324.19607 of the *Michigan Compiled Laws*, EGLE, through the Department of Treasury, established separate funds for tracking purposes. Under each fund, EGLE requests appropriations from the State Budget Office and the Legislature in order to spend resources related to the respective allocations.
- (2) The Brownfield Redevelopment Loan Program provides an ongoing source of CMI funds to re-loan to borrowers.
- (3) The funds remaining from the Clean Water Initiative have been appropriated to the Water Withdrawal Assessment Program.
- (4) Completed in fiscal year 2010.
- (5) Completed in fiscal year 2009.
- (6) Completed in fiscal year 2011.
- (7) The Village of Chesaning grant was a one-time appropriation in the boilerplate and was not part of a program appropriation.
- (8) The Water Withdrawal Assessment Program was appropriated to the Department of Natural Resources (DNR); however, EGLE fulfilled the required reporting of CMI funds for this program.
- (9) Section 324.19608(4) of the *Michigan Compiled Laws* restricts administrative costs to 3%; EGLE tracked this cost through a separate appropriation.
- (10) EGLE's environmental protection programs account for \$570 million (84%) of the total \$675 million of CMI bonds.

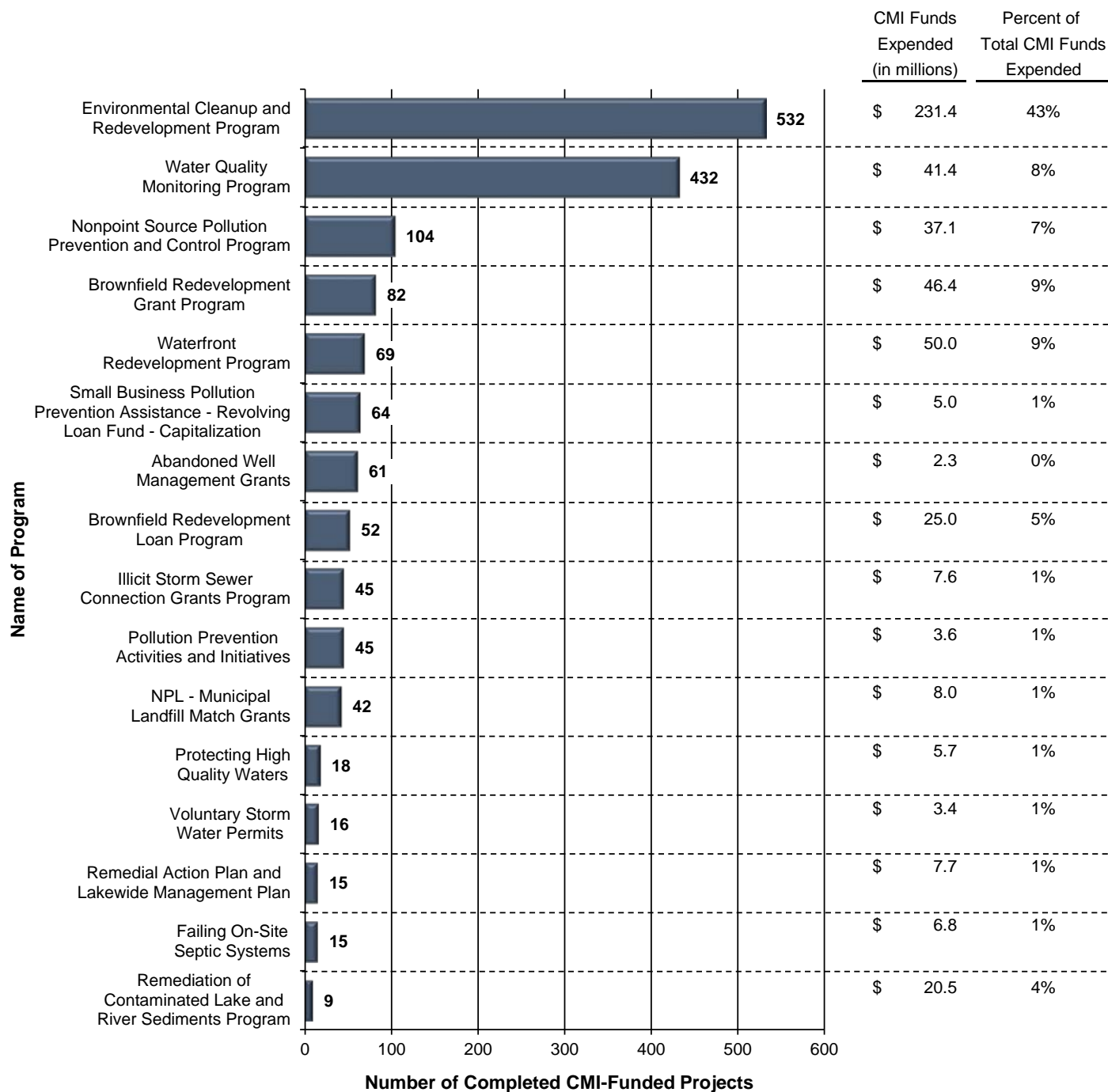
Source: The OAG prepared this exhibit based on EGLE's CMI Bond Expenditure Tracking Report and the Fiscal Year 2019 State Environmental Cleanup Programs Report.

CLEAN MICHIGAN INITIATIVE ENVIRONMENTAL PROTECTION PROGRAMS

Department of Environment, Great Lakes, and Energy (EGLE)

Number of Completed CMI-Funded Projects by Program

Fiscal Years 1999 Through 2019



The accompanying notes facilitate the understanding of this exhibit.

This exhibit continued on the next page.

Notes:

- (1) CMI programs not included in Exhibit #2 account for approximately \$19.2 million (4%) of total CMI expenditures. These programs are:
 - (a) Water Use and Withdrawal Program, which was a Statewide project.
 - (b) Retired Engineers Technical Assistance Program Fund (completed), which provided individual test results for private businesses and local municipalities.
 - (c) Conservation Reserve Enhancement Program (completed), which provided State matching funds for a federal program that was managed by the Michigan Department of Agriculture and Rural Development.
 - (d) Statewide Groundwater Inventory and Mapping, which was a Statewide project.
 - (e) Village of Chesaning - Water Pollution Control Grant (completed in fiscal year 2011).
 - (f) Water Use and Withdrawal Program (DNR).
- (2) CMI administrative support costs not included in Exhibit #2 account for \$17.1 million (3%) of total CMI expenditures.
- (3) Exhibit #2 includes projects that have a status of monitoring, operations and maintenance, closed monitoring, completed, undergoing closeout, or closed. The number of projects reported for each program may not be all-inclusive because the exhibit does not include projects such as those still in progress or on funding hold.

Source: The OAG prepared this exhibit based on data obtained from EGLE.

CLEAN MICHIGAN INITIATIVE

Department of Environment, Great Lakes, and Energy

Examples of CMI-Funded Projects Completed by EGLE
As of September 30, 2019

MICHIGAN
BROWNFIELD
REDEVELOPMENT
PROGRAM

Inn on Water Street
102 Bridge Street
Marine City, St. Clair County

A Brownfield Redevelopment Grant and Loan from EGLE helped Marine City and a property owner redevelop this former auto sales and service operation into a boutique hotel and condominiums. The new hotel and associated bar and restaurant created 15 new jobs and more than \$3 million in private investment, and further cemented Marine City as a tourist destination just north of Detroit.



First developed in 1890, Terhune Sales and Service began operations in 1939. A petroleum release and contaminated soil was reported in 1994 during the removal of two underground storage tanks. That release was closed in 1996, noting that contamination remained beneath the building.

The EGLE grant and loan paid for asbestos removal and building demolition as well as removal of gasoline contaminated soils, two additional underground storage tanks, and four hydraulic hoists.



The Inn on Water Street, a 27-room boutique hotel with 4 condominium units, sits on a main corner in downtown Marine City with stunning views of the St. Clair River. The added hotel capacity meets the needs of the underserved market and adds to the vibrancy of the downtown. Tourism is a major source of revenue in Marine City and the Inn brings people downtown. The full-service bar and restaurant retained some of the feel of the former Terhune building including sliding garage doors and signage.

Outcomes

- State Equalized Value increased from \$181,700 to \$662,300 in 2018
- \$3.3 million in private investment
- 15 new jobs created
- 7,258 tons of contaminated soil removed
- 26,024 gallons of contaminated groundwater removed
- Two underground storage tanks removed
- Four hydraulic hoists removed
- 11,309 square feet of building demolished
- 27 new hotel rooms
- 4 new condominium units

This exhibit continued on the next page.

MICHIGAN
BROWNFIELD
REDEVELOPMENT
PROGRAM

Versatile Fabrication

414 West Broadway Avenue
Muskegon Heights, Muskegon County

Industrial manufacturing has returned to a 14-acre vacant property through a cooperative effort between the City of Muskegon Heights and EGLE. EGLE provided Brownfield Redevelopment Grant funds to the city for site investigation and contaminated soil disposal activities which helped enable a local business to redevelop the property.

From 1891 to 2010, the site operated as a crane manufacturing company. In 2010, operations ceased and the facility closed its doors leaving 23-acres of land and a vacant 441,000 square foot building. The building was demolished in 2011. A developer acquired the southern 14-acres of the property in 2014.

Shallow soil across the site was contaminated with petroleum products and metals. EGLE grant funds were used to investigate the extent of soil contamination and remove areas of contaminated soil posing exposure concerns.

Versatile Fabrication constructed a new 20,000 square foot industrial facility on the site to conduct specialized industrial stainless steel manufacturing. The building provides space for newly acquired equipment and machinery to increase production and diversify services provided. With many additional acres available for redevelopment and being located next to their headquarters, Versatile Fabrication plans to further expand their facility, creating an industrial campus setting.

Additional Information:
[Versatile Fabrication Web Site](#)
[Redevelopment Story](#)
[Site History and Demolition](#)



Outcomes

- Real property State equalized value increased from \$65,200 to \$807,900 in 2016
- \$2.72 million in private investment
- 5 new full-time jobs created and 50 jobs retained
- 232 tons of contaminated soil removed
- Barren land improved with a new building, parking, and landscaped areas
- Prior to discharge to the on-site detention basin, stormwater from areas covered with impermeable surfaces is pre-treated

This exhibit continued on the next page.

MICHIGAN
BROWNFIELD
REDEVELOPMENT
PROGRAM

SVRC Marketplace
203 South Washington Avenue
Saginaw, Saginaw County



The Saginaw News' downtown newsroom had been lively with the sound of typewriters and telephones for 50 years. In 2012, the building went silent when the News reduced its publication schedule, outsourced printing operations, and moved to a smaller location. In 2015, a buyer proposed the redevelopment of the vacant News building and five adjacent properties, including a gas station and car repair business, as a new food marketplace. EGLE awarded the Saginaw Downtown Development Authority (DDA) a Brownfield Redevelopment Grant to reuse the Saginaw News building.

The DDA used the grant to address environmental contamination and blight that were barriers to reusing the six properties. An environmental investigation found that soil in the project area was contaminated with petroleum and industrial fill. Excavated contaminated soil was sent to a landfill and other areas were capped with clean fill. The DDA demolished the blighted gas station and abated asbestos in the Saginaw News building.

This exhibit continued on the next page.

In 2015, the DDA and SVRC Industries, an organization that serves children and adults with disabilities, teamed up to buy the six parcels along the Saginaw River. SVRC renovated the building, in part, to create job opportunities for its clients. The SVRC Marketplace opened in 2018 and is a busy downtown destination for residents and visitors, with a year-round food market for 40 vendors, a seasonal farmer's market, and office space for commercial, medical, university, and financial tenants. SVRC improved the vacant property around the News building and opened the riverfront to public use. The SVRC Marketplace created 100 new jobs, including many for SVRC clients. In 2016, the international style Saginaw News Building was listed on the National Register of Historic Places. Additional Information:
MLIVE Marketplace Tour 2018

Source: EGLE prepared this exhibit.

Funding and Incentives

- \$820,130 EGLE Brownfield Redevelopment Grant
- \$1,500,000 Michigan Economic Development Corporation Grant
- \$2,379,849 Foundation grants
- \$1,800,000 New Market Tax Credit
- \$2,911,164 Historic Tax Credit
- \$12,503,067 developer financing

Outcomes

- \$14,900,000 in private investment
- 100 new jobs
- 100,000 square feet of asbestos abated
- 6,634 tons of contaminated soil removed

CLEAN MICHIGAN INITIATIVE

Department of Environment, Great Lakes, and Energy

Examples of Sites Funded From the Renew Michigan Fund
As of September 30, 2019

MICHIGAN BROWNFIELD REDEVELOPMENT PROGRAM	The Inn Project Huron and Lake Street Rogers City, Presque Isle County
--	---

A Brownfield Redevelopment Grant from EGLE was provided to Rogers City to help facilitate the redevelopment of a former lumber yard and bulk petroleum storage facility located on Lake Huron adjacent to the municipal marina.

The blighted properties on approximately 3-acres have been vacant for several years. Contamination is suspected due to the former property uses. Prior Phase I assessments



performed on both properties identified several recognized environmental concerns. Potential contaminants of greatest concern included metals and petroleum-related compounds.

Grant funds will be used to provide an updated Phase I Environmental Site Assessment (ESA) and a Phase II ESA to determine on-site impacts. If contamination is identified in the Phase II ESA, an evaluation will be performed of potential actions necessary to make the properties safe for reuse.

With an investment of \$1.8 million, the developer will construct a boutique hotel with 11 suites and 4 cottages. The project is estimated to create 20 jobs.

The current State equalized value of the property is \$184,700 and is expected to increase to \$1.45 million after redevelopment. Construction should begin in the summer of 2020 and be completed by the spring of 2021.

Outcomes

- State equalized value increase from \$184,700 to \$1.45 million
- \$1.8 million in private investment
- 20 new jobs
- 11 new hotel suites
- 4 new rental cottage units

This exhibit continued on the next page.

**MICHIGAN
ENVIRONMENTAL
REMEDiation
PROGRAM**

Hoskins Manufacturing
830 East Kittle Road
Mio, Oscoda County

Funding from EGLE helped address contamination associated with a former manufacturing facility in Mio. Contaminated soils and abandoned waste materials were removed from the site. An investigation detected significant groundwater contamination that discharges to a nearby creek. A soil and groundwater remediation system is being installed at the site.

The Hoskins Manufacturing plant operated from the late 1960s until 2001, manufacturing thermoelectric nickel and chromium alloys in the form of wire, strip, and ribbon. Poor waste handling and chemical storage practices at the site resulted in the soil and groundwater becoming contaminated with chlorinated solvents, chlorides, and metals.

In 2002, the Environmental Protection Agency (EPA) performed an emergency action to remove 700,000 gallons of chemicals and waste left behind when Hoskins abandoned the plant. The EPA returned in 2006 to remove an additional 9,500 tons of contaminated materials.

Between 2003 and 2011, EGLE used approximately \$4.5 million of various State funding sources, including CMI funds, to investigate the environmental condition of the site, demolish the building, remove additional contaminated soil and sludge, and perform a pilot study to determine the effectiveness of a proposed groundwater remediation system. From 2012 through 2018, EGLE monitored the groundwater plume and evaluated the effectiveness of the proposed remediation strategy.

Chlorinated solvent and metal contaminated soil remain near the former manufacturing building. Contaminated groundwater is migrating in a plume approximately ½-mile long and discharging into Perry Creek. Contaminants have been detected in surface water samples in Perry Creek as far as ½-mile south of where the groundwater contamination enters the creek. The health department continues to monitor residential wells in the vicinity of the groundwater contamination plume. No contamination has been found in these wells to date, however, the groundwater contamination plume appears to be shifting toward the residential neighborhood to the south of the site.

EGLE is currently installing a soil flushing system to address soil contamination and conducting injections to remediate the groundwater using \$3 million in additional funding.



This exhibit continued on the next page.

MICHIGAN
BROWNFIELD
REDEVELOPMENT
PROGRAM

Muskegon Convention Center

460 West Western Avenue
Muskegon, Muskegon County

A Brownfield Redevelopment Grant from EGLE provided assistance to the City of Muskegon during construction of a municipally owned convention center. The former industrial site used EGLE brownfield funds to address contaminated groundwater encountered during construction and to abandon a nearly ½-mile deep former brine well located on the project site.

Prior to 1950, the property was used for lumberyard operations and several commercial businesses. Sometime prior to 1950, the city acquired the property and installed 4th Street, a city owned roadway. In 2019, the roadway was vacated and removed in preparation for the construction of a 42,000 square-foot convention center.

Because the site is located near Muskegon Lake and the groundwater is shallow, dewatering was necessary to install footings and foundations. During the process of gaining approval to discharge the water to the local wastewater treatment plant, groundwater samples were collected and per- and polyfluoroalkyl substance (PFAS) contamination was discovered in the groundwater. No known sources were identified for the PFAS contamination. The unanticipated presence of PFAS in the groundwater required the dewatering effluent to be treated and properly disposed. The project was stalled until nearly \$500,000 in EGLE brownfield grant funds were awarded to accomplish this task.

During construction, an abandoned brine well was exposed and was discovered to be bubbling oil and gas. EGLE provided an additional \$400,000 in funding to address and properly abandon the 2,627-foot deep former well.

Construction of the Muskegon Convention Center is still underway and is anticipated to be completed in 2021. Construction of the city-owned convention center has already spurred an \$8 million investment in the adjacent Delta Hotel and a \$3 million investment to renovate the neighboring LC Walker Arena. The project itself will create 20 jobs and result in an investment of \$20 million.



Outcomes

- \$20 million in private investment
- 20 new full-time jobs created
- 42,000 square-foot convention center constructed
- Approximately 14 million gallons of PFAS contaminated groundwater treated
- Leaking abandoned well addressed and properly abandoned

This exhibit continued on the next page.

**MICHIGAN
ENVIRONMENTAL
REMEDiation
PROGRAM**

Ruddiman Drive Site

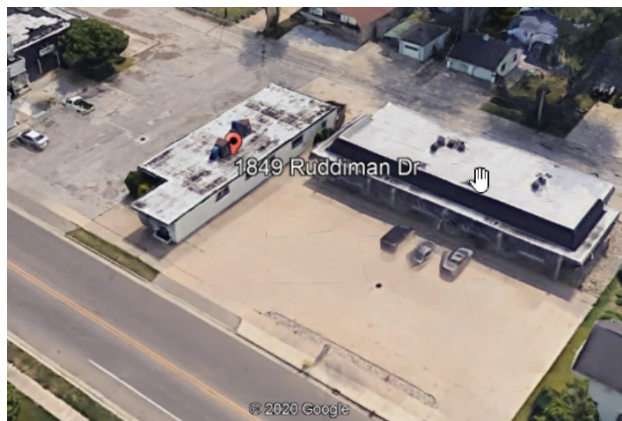
1849 Ruddiman Drive
North Muskegon, Muskegon County

EGLE funding helped address contamination associated with a former dry-cleaning operation. Vapor inhalation risks at neighboring properties were mitigated and contaminated soils were removed from the site and disposed of at a hazardous disposal facility.

A dry-cleaning business operated on this property from 1956 until 2005, when the owner passed away. When the property transferred ownership in 2005, an environmental assessment identified that the soil and groundwater were contaminated with chlorinated solvents associated with the former dry-cleaning operation.

The property functioned as a drop-off/pick up laundry facility from 2005 through 2014, when the property went into foreclosure. No dry-cleaning operations took place during this time. The property was purchased out of foreclosure in 2016, the building was demolished in 2018, and the site is currently being utilized as parking for an adjacent business. Following demolition of the structure in 2018, EGLE used \$325,000 of State funding to remove hazardous concrete and grossly contaminated soils from the site.

As part of an environmental assessment performed in 2014, sub-slab soil gas samples collected from beneath the structure found high levels of chlorinated solvents, posing a risk to indoor air. Neighboring



Outcomes

- Approximately 81 tons of hazardous concrete material was removed and disposed of
- Approximately 1,100 tons of hazardous soil was removed and disposed of
- Two vapor mitigation systems installed on neighboring properties

properties were evaluated by EGLE to determine the extent of soil gas contamination. The evaluation was conducted inside 5 residential homes, an office/garage, and a restaurant, and outside of 9 residential and one commercial unit. Results showed the need for installation of vapor mitigation systems in 2 units of a 4-unit strip mall located 8 feet west of the former dry cleaner. EGLE continues to monitor the locations subject to its investigation to ensure that contaminants remain below acceptable levels.

This exhibit continued on the next page.

**MICHIGAN
ENVIRONMENTAL
REMEDiation
PROGRAM**

Schrader and Sons
4091 Bonisteel Road
Fort Gratiot, Saint Clair County

As of July 2020, EGLE spent over \$415,000 investigating the site, installing vapor mitigation systems, removing contaminated soils, and performing site restoration. An estimated \$90,000 in additional funding is needed to continue the operation and maintenance of the vapor mitigation systems and for continued sampling to ensure volatilizations of contaminants to the indoor air does not occur.

Funding from EGLE helped identify contamination at a former junk yard and scrap metal recycling facility. Soils over the entire nearly 2-acre property are heavily contaminated with lead and will be removed with the help of additional EGLE funding in 2020.



Outcomes

- Estimated 2,400 yards of contaminated soils to be removed
- Deed restriction to limit groundwater use to be filed

The residential property operated as a salvage yard and scrap metal recycling facility for over 50 years. While investigating a complaint, EGLE staff observed releases of petroleum throughout the scrap yard. In 2011, law enforcement officials notified EGLE of an investigation at the property regarding copper wire/cable stolen from the local utility company. The law officers reported concerns about potential environmental issues. EGLE investigated and sampled under the authority of their warrant. Various petroleum compounds and heavy metals were detected in soil samples.

In 2016, EGLE conducted more detailed sampling. The bulk scrap metal was removed, allowing for greater access for sampling. Petroleum and heavy metals were again detected in the soil, not only on this property but also on a northern adjacent property (4103 Bonisteel Road) where scrap yard operations were also conducted.

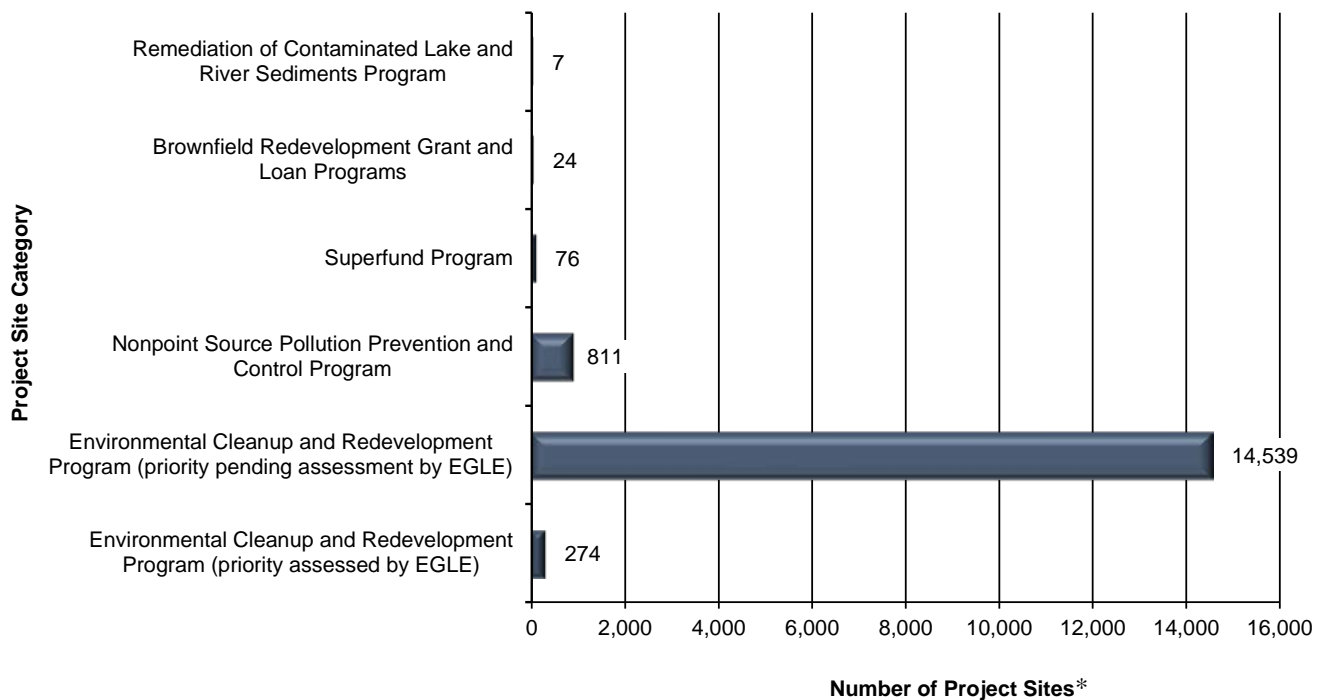
Further investigation by EGLE detected lead in soil approximately 0 to 12 inches deep across most of 4091 Bonisteel Road and a small portion of 4103 Bonisteel Road. The proposed best cleanup option and greatest risk reduction was to excavate one foot of soil and backfill with clean soil. More than \$162,000 of State funding was used to investigate and characterize the environmental condition of the property.

Remediation of the site is planned to take place in 2020. An estimated \$500,000 in State funding will be used to excavate and dispose of the lead contaminated soils. Investigation and monitoring of the groundwater is ongoing. There are no residents with drinking water wells in the immediate area. A deed restriction will be filed to prohibit the use of groundwater on the affected properties.

Source: EGLE prepared this exhibit.

CLEAN MICHIGAN INITIATIVE ENVIRONMENTAL PROTECTION PROGRAMS
Department of Environment, Great Lakes, and Energy (EGLE)

Number of Identified Underfunded CMI-Eligible Project Sites
As of July 14, 2020

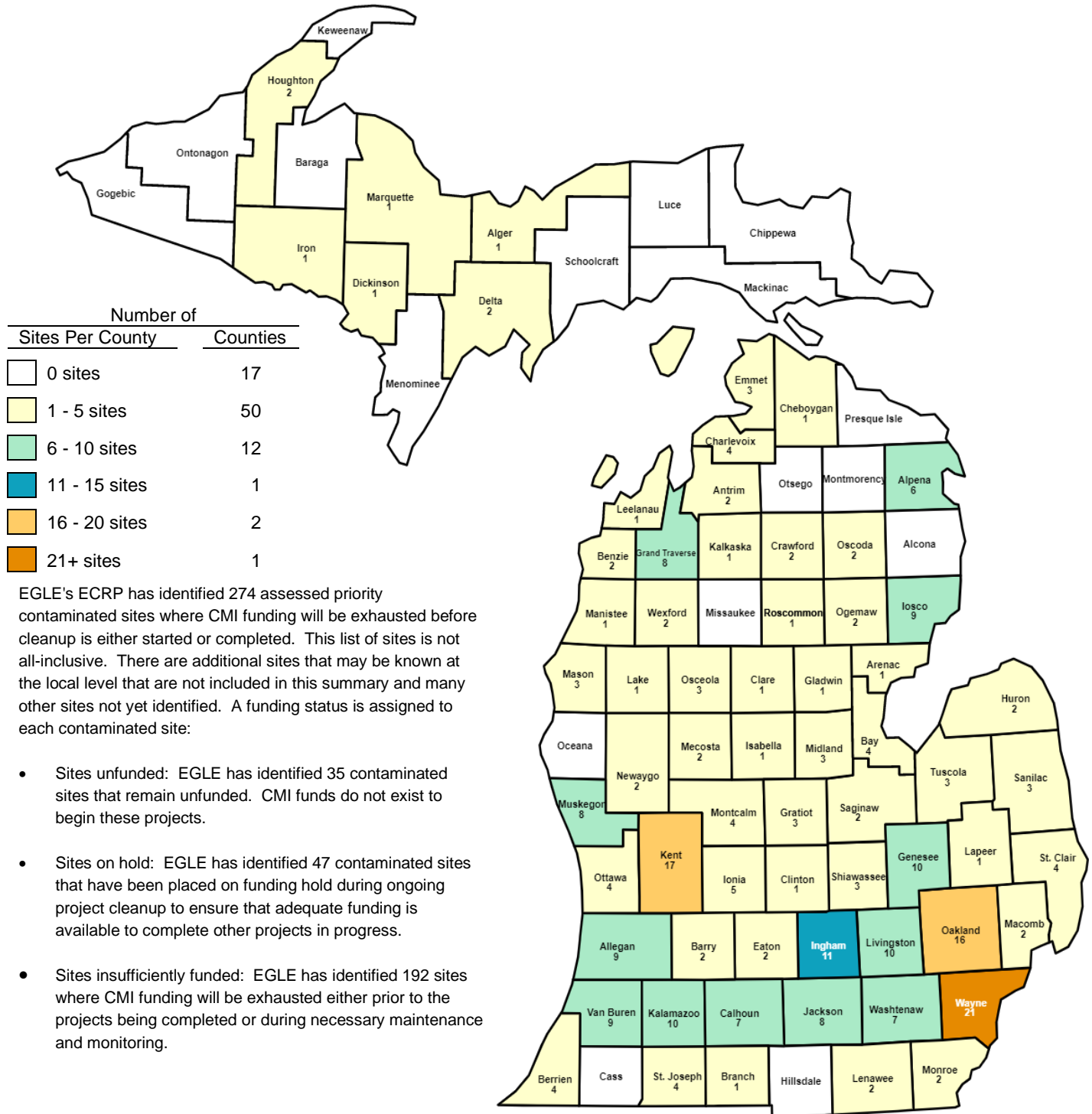


* The number of identified underfunded project sites is not all-inclusive.

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

CLEAN MICHIGAN INITIATIVE ENVIRONMENTAL PROTECTION PROGRAMS
Department of Environment, Great Lakes, and Energy

Funding Status of Assessed Priority ECRP Projects by County
As of August 2020



Source: The OAG prepared this exhibit based on data obtained from EGLE.

PROGRAM DESCRIPTION

Clean Michigan Initiative (CMI)

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

	Authorized Amount (in millions)
<u>Environmental Protection Programs</u>	
Response activities at facilities	\$335.0
Waterfront improvements	50.0
Remediation of contaminated lake and river sediments	25.0
Nonpoint source pollution prevention and control projects or wellhead protection projects	50.0
Water quality monitoring, water resource protection, and pollution control activities	90.0
Pollution prevention programs	20.0
<u>Natural Resources Protection Programs</u>	
State park infrastructure improvements	50.0
Local recreation projects	50.0
<u>Health Protection Program</u>	
Abatement of lead hazards	5.0
Total	<u><u>\$675.0</u></u>

EGLE's environmental protection programs account for \$570 million (84%) of the total \$675 million in CMI bonds. As of September 30, 2019, the State of Michigan had issued \$532.4 million in CMI bonds for the environmental protection programs administered by EGLE.

EGLE's CMI Programs

EGLE, through its various divisions, administers the following CMI programs:

1. Response Activities at Facilities (up to \$335 million)
These activities are provided through four programs:
 - Environmental Cleanup and Redevelopment Program (\$241 million)
This Program provides State-funded cleanup at contaminated facilities that pose an imminent or substantial endangerment to public health, safety, or welfare or to the environment. It also provides cleanup and/or demolition at sites to promote

commercial redevelopment, create jobs, and revitalize neighborhoods.

- **Brownfield Redevelopment Grant and Loan Programs (up to \$75 million)**
These two programs provide grants (\$50 million) and loans (\$25 million) to local units of government for response activities at known or suspected contaminated properties with redevelopment potential.
- **Municipal Landfill Cost-Share Grant Program (\$8 million)**
This Program provides grants to local units of government that undertake cleanup actions at municipal solid waste landfills on, or nominated for, the federal Superfund National Priorities List of contaminated sites.

2. **Waterfront Redevelopment Program (up to \$50 million)**

This Program provides grants to local communities for innovative waterfront improvements that contribute significantly to the local community's economy; to the redevelopment or revitalization of neighborhoods; and to increase public access to the Great Lakes, their connecting waterways, a river, or a lake. Eligible activities include environmental response activities, acquisition of waterfront property, relocation and/or demolition of buildings and facilities, and infrastructure and public facility improvements.

3. **Remediation of Contaminated Lake and River Sediments Program (up to \$25 million)**

This Program expands efforts already underway to remove sediments from lakes and rivers contaminated by toxins, such as polychlorinated biphenyls (PCBs), mercury, and dichlorodiphenyltrichloroethane (DDT).

4. **Nonpoint Source Pollution Prevention and Control Program (up to \$50 million)**

This Program provides grants to nonprofit entities or local units of government to implement physical improvements as identified in an approved EGLE watershed management plan to control the runoff of pollutants such as sediments, nutrients, and pesticides into rivers, lakes, and streams. Physical improvements are defined as vegetative and structural practices and include vegetative buffers, conservation easements, storm water basins, fencing to prevent livestock access to streams, and other practices that control nonpoint source pollution.

5. Clean Water Fund (up to \$90 million)

This Fund, which includes the Water Quality Monitoring Program, provides funds to implement a comprehensive water quality monitoring plan to determine water quality trends, evaluate water protection programs, and detect emerging problems. Funding also supports implementation of a variety of other water quality programs, including implementing recommendations in watershed management plans in high quality waters and Great Lakes areas of concern; implementing voluntary municipal storm water permits; identifying and eliminating illicit connections to storm sewer systems; locating and plugging abandoned wells; identifying and fixing failing septic systems that threaten or impair State waters; and establishing technical and decision support tools for the Water Withdrawal Assessment Program. In addition, CMI funding provides State matching funds required to obtain federal funding for the Conservation Reserve Enhancement Program.

6. Pollution Prevention Program (up to \$20 million)

This Program consists of three subprograms:

- Retired Engineers Technical Assistance Program Fund (\$10 million)
This subprogram creates an endowment to provide funding for pollution prevention assessments by retired engineers and scientists for businesses, municipalities, and public institutions.
- Small Business Pollution Prevention Assistance – Revolving Loan Funds (\$5 million)
This subprogram provides funds to establish a revolving loan fund for small businesses to implement pollution prevention improvements.
- Pollution Prevention Activities (\$5 million)
This subprogram will further pollution prevention activities throughout the State, including start-up funding for local governments to operate household hazardous waste collections; grants to public and private organizations to implement regional pollution prevention projects; the establishment of the Green Chemistry Support Program to advance research, development, and implementation of green chemistry technologies and practices; and the development of an environmental education curriculum for middle schools.

As of September 30, 2019, EGLE had expended \$538.1 million in CMI funds on environmental protection projects since fiscal year 1999.

AUDIT SCOPE, METHODOLOGY, AND OTHER INFORMATION

AUDIT SCOPE

To examine the programs and other records of the CMI Environmental Protection Programs. 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.

Because the programs were closed prior to the start of our audit period, we did not include the following programs or subprograms within the scope of this audit:

- Response activities at facilities - Municipal Landfill Cost-Share Grant Program
- Waterfront improvements - Waterfront Redevelopment Grants Program
- Clean Water Fund:
 - Abandoned Well Management Grants Program
 - Drinking Water Program
 - Voluntary Stormwater Permits Grants
 - Failing On-Site Septic Systems
 - Village of Chesaning Water Pollution Control Grant
 - Protecting High Quality Waters
 - Illicit Storm Sewer Connection Grants Program
 - Remedial Action Plan and Lakewide Management Plan
 - Conservation Reserve Enhancement Program
- Pollution Prevention Program subprograms

Accordingly, we do not express any conclusions related to these programs and subprograms.

As part of the audit, we considered the five components of internal control (control environment, risk assessment, control activities, information and communication, and monitoring activities) relative to the audit objectives and determined that all components were significant.

PERIOD

Our audit procedures, which included a preliminary survey, audit fieldwork, report preparation, analysis of agency responses, and quality assurance, generally covered October 1, 2017 through September 30, 2019.

* See glossary at end of report for definition.

METHODOLOGY

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

- Obtained an understanding of CMI programs and projects and the use of CMI funding.
- Reviewed applicable laws, regulations, policies, and procedures.
- Interviewed EGLE staff to further our understanding of various programs.

OBJECTIVE #1

To assess the effectiveness of EGLE's efforts to ensure that the use of CMI funds complies with laws, regulations, and contract requirements.

To accomplish this objective, we:

- Reviewed applicable CMI funding and reporting criteria in the *Michigan Compiled Laws* and *Michigan Administrative Code*.
- Obtained an understanding of EGLE's processes for awarding CMI funds.
- Randomly sampled 21 and judgmentally sampled 5 of the 203 active CMI-funded projects during the audit period to assess whether EGLE complied with laws and regulations when awarding the funds. Our random sample was selected to eliminate any bias and enable us to project the results to the entire population. The judgmentally selected portion of the sample cannot be projected to the entire population.
- Analyzed information and expenditures presented in the fiscal year 2019 State Environmental Cleanup Programs Report to assess whether the information presented in the report was accurate.
- Compiled and reported selected data for EGLE's programs eligible for CMI funding.
- Reviewed procedures related to the annual report compilation process.
- Assessed the accuracy of project details in the annual report for our 26 sampled projects.
- Reconciled the amount of CMI expenditures reported in the annual report with the State's accounting records.

OBJECTIVE #2

To compile and report data for programs eligible for CMI funding.

To accomplish this objective, we:

- Compiled and reported selected data for EGLE programs eligible for CMI funding.
- Compiled and reviewed interest and discount amounts related to CMI bond issuance.

CONCLUSIONS

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

AGENCY RESPONSES

Our audit report contains 1 finding and 1 corresponding recommendation. EGLE's preliminary response indicates that it agrees with the recommendation.

The agency preliminary response that follows the 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.

PRIOR AUDIT FOLLOW-UP

Following is the status of the reported findings from our December 2018 performance audit of the Clean Michigan Initiative Environmental Protection Programs, Department of Environmental Quality (761-0217-18):

Prior Audit Finding Number	Topic Area	Current Status	Current Finding Number
1	EGLE should strengthen its reporting process to ensure the accuracy of all CMI project activity presented in its annual report to the Legislature.	Rewritten*	1

SUPPLEMENTAL INFORMATION

Our audit report includes supplemental information presented as Exhibits #1 through #6. 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

annual report	State Environmental Cleanup Programs Report.
area of concern (AOC)	A geographic location that has experienced environmental degradation.
CMI	Clean Michigan Initiative.
DDA	Saginaw Downtown Development Authority.
ECRP	Environmental Cleanup and Redevelopment Program.
effectiveness	Success in achieving mission and goals.
EGLE	Department of Environment, Great Lakes, and Energy.
EPA	U.S. Environmental Protection Agency.
facility	Any area, place, or property where a hazardous substance in excess of the concentrations that satisfy the cleanup criteria for unrestricted residential use has been released, deposited, disposed of, or otherwise comes to be located. "Facility" does not include any area, place, or property provided for in Section 324.20101(s) of the <i>Michigan Compiled Laws</i> .
industrial partner	A local business that has voluntarily partnered with the EPA Great Lakes National Program Office to implement a contaminated sediment cleanup through the Great Lakes Legacy Act.
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. Our assessment of materiality is in relation to the respective audit objective.
Michigan Administrative Information Network	The State's automated administrative management system that supported accounting, purchasing, and other financial management activities through fiscal year 2017.

observation	A commentary that highlights certain details or events that may be of interest to users of the report. An observation may not include the attributes (condition, effect, criteria, cause, and recommendation) that are presented in an audit finding.
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.
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: a deficiency in internal control; noncompliance with provisions of laws, regulations, contracts, or grant agreements; opportunities to improve programs and operations; or fraud.
response activity	The evaluation, interim response activity, remedial action, demolition, or the taking of other actions necessary to protect the public health, safety, or welfare; the environment; or the State's natural resources.
rewritten	The recurrence of similar conditions reported in a prior audit in combination with current conditions that warrant the prior audit recommendation to be revised for the circumstances.
Statewide Integrated Governmental Management Applications (SIGMA)	The State's enterprise resource planning business process and software implementation that support budgeting, accounting, purchasing, human resource management, and other financial management activities.
underwriter discounting costs	The difference between the price paid to the issuer for a new bond issue and the prices at which the securities are initially offered to the investing public. It is the fee an underwriter charges when purchasing bonds for resale to the public.
WQM	Water Quality Monitoring.



Report Fraud/Waste/Abuse

Online: audgen.michigan.gov/report-fraud

Hotline: (517) 334-8070