



Michigan
Office of the Auditor General
REPORT SUMMARY

Financial Audit

Including the Provisions of the Single Audit Act

Department of Environmental Quality

October 1, 2009 through September 30, 2011

Report Number:
761-0100-12

Released:
June 2012

A single audit is designed to meet the needs of all financial report users, including an entity's federal grantor agencies. The audit determines if the financial schedules and/or financial statements are fairly presented; considers internal control over financial reporting and internal control over federal program compliance; determines compliance with requirements material to the financial schedules and/or financial statements; and assesses compliance with direct and material requirements of the major federal programs.

**Financial Statements and Financial Schedules:
Auditor's Reports Issued**

We issued unqualified opinions on the Department of Environmental Quality's (DEQ's) financial statements and financial schedules.

~ ~ ~ ~ ~

Internal Control Over Financial Reporting

We did not report any findings related to internal control over financial reporting.

~ ~ ~ ~ ~

**Noncompliance and Other Matters
Material to the Financial Statements
and/or Financial Schedules**

We identified an instance of noncompliance or other matters applicable to the financial statements and/or financial schedules that is required to be reported under *Government Auditing Standards* (Finding 1).

~ ~ ~ ~ ~

Federal Awards:

Auditor's Reports Issued on Compliance

We audited 12 programs (including 4 ARRA related programs) as major programs and identified known questioned costs of \$18,987. DEQ expended a total of \$397.5 million in federal awards, including \$215.8 million of ARRA funding, during the two-year period ended September 30, 2011. We issued 11 unqualified opinions and 1 qualified opinion. The opinions issued by major program are identified on the back of this summary.

~ ~ ~ ~ ~

Internal Control Over Major Programs

We identified a material weakness in internal control over federal program compliance (Finding 3). We also identified significant deficiencies in internal control over federal program compliance (Findings 2 and 4 through 10). In addition, we identified five recommendations repeated from our prior report for the two-year period ended September 30, 2009 (Findings 2, 3, and 6 through 8).

~ ~ ~ ~ ~

Required Reporting of Noncompliance

We identified instances of noncompliance that are required to be reported in accordance with U.S. Office of Management and Budget (OMB) Circular A-133 (Findings 2 through 10).

~ ~ ~ ~ ~

Internal Accounting and Administrative Control System:

Section 18.1489 of the *Michigan Compiled Laws* requires the Auditor General to evaluate the implementation of Sections 18.1483 - 18.1488 of the *Michigan Compiled Laws* and report to the Legislature in the financial audit of each department. As a result of Executive Reorganization Order No. 2007-31 (Consolidating Internal Audit Functions), in which responsibility for most of the sections was moved to the Office of Internal Audit Services, State Budget Office, we have evaluated the implementation of only Section 18.1485 in this financial audit.

Section 18.1485 requires each department director to establish an internal accounting and administrative control system, defines the elements of that system, defines the duties of the department director, and provides for certain reports. We determined that DEQ was in substantial compliance with Section 18.1485 of the *Michigan Compiled Laws*.

The remaining sections (Sections 18.1483, 18.1484, and 18.1486 - 18.1488 of the *Michigan Compiled Laws*) will be evaluated and reported on in the performance audit of the Office of Internal Audit Services, State Budget Office.

~ ~ ~ ~ ~

We audited the following programs as major programs:

<u>CFDA Number</u>	<u>Program Title</u>	<u>Compliance Opinion</u>
11.419	Coastal Zone Management Administration Awards	Unqualified
66.001	Air Pollution Control Program Support	Qualified
66.040	<u>State Clean Diesel Grant Program</u> <ul style="list-style-type: none"> • State Clean Diesel Grant Program • ARRA - State Clean Diesel Grant Program 	Unqualified
66.432	State Public Water System Supervision	Unqualified
66.458	<u>Capitalization Grants for Clean Water State Revolving Funds</u> <ul style="list-style-type: none"> • Capitalization Grants for Clean Water State Revolving Funds • ARRA - Capitalization Grants for Clean Water State Revolving Funds 	Unqualified
66.460	Nonpoint Source Implementation Grants	Unqualified
66.468	<u>Capitalization Grants for Drinking Water State Revolving Funds</u> <ul style="list-style-type: none"> • Capitalization Grants for Drinking Water State Revolving Funds • ARRA - Capitalization Grants for Drinking Water State Revolving Funds 	Unqualified
66.469	Great Lakes Program	Unqualified
66.605	Performance Partnership Grants	Unqualified
66.802	Superfund State, Political Subdivision, and Indian Tribe Site-Specific Cooperative Agreements	Unqualified
66.805	<u>Leaking Underground Storage Tank Trust Fund Corrective Action Program</u> <ul style="list-style-type: none"> • Leaking Underground Storage Tank Trust Fund Corrective Action Program • ARRA - Leaking Underground Storage Tank Trust Fund Corrective Action Program 	Unqualified
97.091	Homeland Security Biowatch Program	Unqualified

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



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

Thomas H. McTavish, C.P.A.
Auditor General

Scott M. Strong, C.P.A., C.I.A.
Deputy Auditor General