



Department of Legislative Services
Office of Legislative Audits

Maryland Department of the Environment

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Presentation to
Maryland General Assembly
Senate Budget and Taxation Committee
Public Safety, Transportation, and Environment
Subcommittee

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Audit Overview

- MDE is responsible for protecting and restoring the quality of the State's land, air and water resources, and for safeguarding the public from health risks associated with pollution.
- MDE operating and capital expenditures totaled \$281 million during fiscal year 2007:
 - \$163 million special funds
 - \$64 million federal funds
 - \$50 million general funds
 - \$4 million reimbursable funds
- Four of twelve prior report findings were repeated.



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Key Audit Issues

- Significant Enterprise Environmental Management System (EEMS) project implementation issues were not fully disclosed to the budget committees as required.
- Funding was provided for a private foundation to purchase land without obtaining two property appraisals. The foundation was not required to immediately record a conservation easement.
- Certain Special Fund programs were not properly monitored to ensure compliance with State laws and regulations.
- Security standards for hazardous material facilities and a strategic plan to enhance protection of the State's drinking water systems had not been established timely.



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Enterprise Environmental Management System

- MDE contracted with a vendor in January 2004 to provide EEMS. The total value of the contract is \$6.4 million. EEMS is intended to provide a centralized database to enhance environmental permitting, reporting, compliance and enforcement activities.
- The lack of a centralized reporting mechanism for permits, inspections and penalties was commented on in our three preceding audits.
- As of March 2007, MDE had paid the vendor \$3.2 million under the EEMS contract.



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EEMS (continued)

- Project status reports required by the General Assembly **did not disclose** EEMS development and implementation issues (Finding 1):
 - Reductions to the project scope totaling \$912,000 to cover cost overruns.
 - Operational deficiencies resulting in limited functionality.
 - Detail results of an independent assessment of EEMS implementation.
 - The existence of three additional contracts totaling \$398,000 necessary for EEMS implementation and related cost overruns (Finding 2).

- Required Board of Public Works approval was not obtained for the project scope reductions.



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Land Purchase

- Funds totaling \$1.8 million were provided by MDE (\$1.4 million loan) and the Maryland Environmental Trust (\$400,000 grant) so that a bank could loan the funds to a private foundation for the purchase of land (Finding 4).
- MDE did not obtain two independent property appraisals prior to funding the land purchase.
- The loan agreement did not require the foundation to immediately record a conservation easement on the property. As of July 2007, no easement had been recorded.
- The owner of the foundation serves in an advisory capacity to the Maryland Environmental Trust Board of Directors.



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Special Funds

- MDE lacked procedures to periodically reevaluate exemptions granted under State law to 415 wastewater facilities from paying into the Bay Restoration Fund. Fund revenues totaled \$113 million during the period from July 2004 to December 2006 (Finding 5).
 - MDE did not ensure that lead paint properties were registered annually and that related fees were paid by property owners to the Lead Poisoning and Prevention Fund, as required by State law. Fees collected during FY 2006 totaled \$1.9 million (Finding 6).
 - Documentation supporting Underground Oil Storage Tank Reimbursement Program payments was not always maintained and certain payments included costs ineligible for reimbursement under State regulations. Reimbursements totaled \$1.5 million in FY 2006.
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Facility Security

- Security standards for hazardous material facilities were not established timely by MDE, delaying the completion of security analyses and security audits (Finding 7).
- Of the 99 potentially qualifying facilities, MDE lacked documentation that it had verified the exempt status claimed by 23 facilities from related provisions of State law.
- MDE had made no attempt to determine why 21 other facilities had not submitted a required security analysis, and analyses for 17 facilities had not been reviewed 6 to 10 months after they were submitted.
- A strategic plan to enhance protection of the State's drinking water systems had not been developed as of July 2007 (Finding 8).



Conclusions

- MDE should fully disclose the status of EEMS implementation to the General Assembly, and obtain required Board of Public Works approval for scope modifications.
- Funds provided for land purchases should be supported by two property appraisals, and related loan agreements should require that conservation easements be immediately recorded.
- MDE should monitor Special Fund programs to ensure compliance with applicable State laws and regulations.
- MDE should take timely action to monitor hazardous material facility security and conduct required security audits, and to enhance protection of the State's drinking water systems.