

# County of Allegheny

## Office of the Controller

INDEPENDENT AUDITOR'S REPORT ON  
INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH  
*GOVERNMENT AUDITING STANDARDS*

ALLEGHENY COUNTY HEALTH DEPARTMENT  
TITLE V AIR QUALITY FUND  
FOR THE YEAR ENDED DECEMBER 31, 2022

ISSUED: AUGUST 30, 2023

**Corey O'Connor**  
Controller

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# County of Allegheny Office of the Controller

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August 30, 2023

Mr. Patrick Dowd  
Director  
Allegheny County Health Department  
542 4<sup>th</sup> Avenue  
Pittsburgh, PA 15219

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED  
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH GOVERNMENT AUDITING STANDARDS**

Dear Mr. Dowd:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Title V Air Quality Fund of the Allegheny County Health Department ("ACHD") as of and for the year ended December 31, 2022 and have issued our report thereon dated August 30, 2023.

### **Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered ACHD's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of ACHD's internal control. Accordingly, we do not express an opinion on the effectiveness of ACHD's internal control.

Mr. Patrick Dowd  
August 30, 2023

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a deficiency in internal control, described in the accompanying schedule of findings and responses as item 22-02 that we consider to be a material weakness.

### **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether ACHD's Title V Air Quality Fund financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 22-01 and 22-03.

### **Allegheny County Health Department's Response to Findings**

*Government Auditing Standards* requires the auditor to perform limited procedures on the ACHD's response to the findings identified in our audit and described in the accompanying schedule of findings and responses. The ACHD's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Mr. Patrick Dowd  
August 30, 2023

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Kind regards,



Corey O'Connor  
Controller



Lori A. Churilla  
Assistant Deputy Controller, Auditing

cc: Honorable Patrick Catena, President, County Council  
Honorable John F. Palmiere, Vice-President, County Council  
Honorable Rich Fitzgerald, County Executive, Allegheny County  
Ms. Jennifer M. Liptak, County Manager and Chief of Staff  
Mr. Adam Lentz, Deputy Director, Budget and Finance  
Mr. Tim Cox, Deputy Director, Budget and Finance  
Mr. Kenneth J. Varhola, Chief of Staff, County Council  
Ms. Sarah Roka, Budget Manager, County Council  
Ms. Kim Joyce, Deputy Director Administration, ACHD

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**ALLEGHENY COUNTY HEALTH DEPARTMENT**  
**TITLE V AIR QUALITY FUND**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

**FINDING 22-01      FAILURE TO ISSUE OR DENY TITLE V OPERATING PERMITS WITHIN 18 MONTHS**

Criteria: Title V Section 503(c) of the Clean Air Act indicates that permitting authorities “shall approve or disapprove a completed [Title V operating permit] application, and shall issue or deny the permit, within 18 months after the date of receipt thereof.”

Condition: As of December 31, 2022, ACHD had not issued or denied Title V operating permits for three of the 31 Title V sources in Allegheny County (10%) within 18 months from the date that complete permit applications were received. (Most Title V sources are major sources. A major source is generally a stationary source of air pollutants that directly emits or has the potential to emit 100 tons per year of any air pollutant, 50 tons per year of volatile organic compounds, 10 tons per year of any hazardous air pollutant, or 25 tons per year of a combination of hazardous air pollutants. Some sources that are not major sources may be required to comply with Title V permitting requirements.) The three Title V sources were:

- Neville Chemical Company (renewal application received 4/29/20),
- the U.S. Steel Irvin Plant (renewal application received 6/4/21), and
- the U.S. Steel Edgar Thompson Plant (renewal application received 10/13/20)

The failure to issue or deny Title V operating permits within 18 months is a repeat finding, first reported in our report on the year ended December 31, 2014.

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**TITLE V AIR QUALITY FUND**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

**FINDING 22-01      FAILURE TO ISSUE OR DENY TITLE V OPERATING PERMITS WITHIN 18 MONTHS (CONTINUED)**

We observed that the Title V operating permit for the U.S. Steel Edgar Thompson Plant was ultimately issued by the ACHD on August 1, 2022. We also observed that the Title V operating permit for the U.S. Steel Irvin Plant has been drafted, and ACHD management has advised us that it is expected to be released for public comment in the near term. While we observed that the Title V operating permit for Neville Chemical Company was also drafted, we were advised by ACHD management that modifications are necessary to ensure that all applicable reasonably available control technology (RACT) requirements are incorporated into the permit.

Synthomer (formerly Eastman Chemicals and Resins), Harsco Metals, and ATI Flat Rolled Products operated in Allegheny County during 2022 without a Title V operating permit. However, these Title V sources have not been unregulated. Each was required to comply with the provisions of installation permits that have been issued to them by the ACHD. Synthomer has also been required to comply with the provisions of a federal consent decree. ATI Flat Rolled Products is not included in the description of the condition on the previous page because circumstances have prevented it from submitting an administratively complete Title V operating permit application to the ACHD. It is the submission of an administratively complete Title V operating permit application that triggers the requirement for the ACHD to issue or deny the Title V operating permit within 18 months. Synthomer and Harsco Metals are not included in the description of the condition on the previous page because those Title V sources submitted administratively complete Title V operating permit applications to the ACHD on February 4, 2022 and March 10, 2022, respectively. Those applications were in the permit processing queue but not part of the Title V operating permit processing backlog at December 31, 2022.

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**ALLEGHENY COUNTY HEALTH DEPARTMENT**  
**TITLE V AIR QUALITY FUND**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

**FINDING 22-01      FAILURE TO ISSUE OR DENY TITLE V OPERATING PERMITS WITHIN 18 MONTHS (CONTINUED)**

Cause:                      The initial backlog in the processing of Title V operating permit applications is believed to have been attributable to a variety of factors, including understaffing of the permitting function and lack of an integrated data gathering and tracking system. We have observed improvement in these areas over the years, which has likely led to a reduction in the Title V operating permit processing backlog over time.

While the ACHD's permitting function was operating at the recommended staffing level at the end of 2021, it lost one permit engineer trainee during 2022, and that full-time equivalent position (FTE) has not yet been replaced. The ACHD is in the processing of implementing its new software system. While the system is anticipated to provide a broad range of capabilities, the data gathering and permit tracking functionality of the new software system are not yet being fully realized. However, the Air Quality Manager that oversees permitting has instituted improvements in permit tracking.

Effect:                      While it appears that progress is being made, the ACHD is still not fully compliant with Section 503(c) of the Clean Air Act.

Recommendations:      We recommend that ACHD management continue to take measures to bring ACHD into compliance with the Clean Air Act. This should include:

- Exerting efforts to ensure Title V operating permits are issued (or denied) within the 18-month time parameter established by the Clean Air Act, which involves continuing to address and resolve the backlog of Title V operating permits (currently 3),
- Continuing to put forth efforts to ensure that adequate personnel resources are allocated to permit processing, and

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**ALLEGHENY COUNTY HEALTH DEPARTMENT**  
**TITLE V AIR QUALITY FUND**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

**FINDING 22-01      FAILURE TO ISSUE OR DENY TITLE V OPERATING PERMITS WITHIN 18 MONTHS (CONTINUED)**

- Proceeding with the installation of the air quality software system and taking steps to ensure that its implementation results in the effective tracking of all permits, including ensuring that formal requests for additional information from sources are made timely and that the submission of the information is effectively tracked.

Management's  
Response:

Management's response begins on page 11.

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**ALLEGHENY COUNTY HEALTH DEPARTMENT**  
**TITLE V AIR QUALITY FUND**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

**FINDING 22-02      YEAR-END INTERNAL CONTROL REVIEW PROCEDURES SHOULD BE PERFORMED**

Criteria:                      Management's ability to fulfill its financial reporting responsibilities depends in part on the design and effectiveness of the processes and internal controls it has in place over accounting and financial reporting. Year-end review procedures are an important component of internal control and should be performed prior to the closing of the Fund's books each year to help reduce the risk that any accounting errors will not be detected and corrected.

Condition:                      The Manager that serves as the accountant for the Title V Air Quality Fund did not perform adequate year-end review procedures to detect misstatements in the Fund financial statements for the year ended December 31, 2022. As a result, several accounting errors occurred and were not detected and corrected by the ACHD. Specifically, prior period audit adjustments were not properly posted, and as a result, amounts due from other funds were understated by \$121,551, fund balance was understated by \$27,399, and expenses were overstated by \$94,152. In addition, permit maintenance fee revenues were improperly recorded, such that permit maintenance fee revenues were overstated by \$202,000, unearned permit fee revenues were understated by \$172,000, and amounts due from other funds were overstated by \$30,000. This finding was also reported in our audit report for the year ended December 31, 2021.

Cause:                              The ACHD did not implement the corrective action that it advised us it would implement in connection with our 2021 audit.

Effect:                              The accounting errors we identified were material to the Fund financial statements as of and for the year ended December 31, 2022. Material misstatements could also occur in future years without being detected and corrected by ACHD if the condition is not remedied.

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**TITLE V AIR QUALITY FUND**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

**FINDING 22-02      YEAR-END INTERNAL CONTROL REVIEW PROCEDURES SHOULD BE PERFORMED**

Recommendation:      ACHD management should take steps to ensure that appropriate year-end review procedures are routinely performed to help reduce the risk that any errors in the Title V Fund's accounting records will not be detected and corrected. At a minimum, these procedures should involve:

- Scanning of the general ledger to identify potential accounting errors for further review, and
- Analysis of all payables accounts at year-end for posting of all accruals and completeness and accuracy in general.

Management's  
Response:      Management's response begins on page 11.

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**SCHEDULE OF FINDINGS AND RESPONSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

**FINDING 22-03      IMPROPER USE OF TITLE V FUND RESOURCES**

Criteria:                      Section 502 of the Clean Air Act governs the administration of major source permitting programs. Section 502(b)(3)(C)(iii) of the Act stipulates that “any fee required to be collected by a State, local, or interstate agency under this subsection shall be utilized solely to cover all reasonable (direct and indirect) costs required to support the permit program”.

Condition:                    At December 31, 2022 the Title V Air Quality Fund had balances of \$481,269 due from the General Fund, \$132,402 due from the Air Pollution Control Fund, and \$29,591 due from the 2019/2022 PM 2.5 Fund that were attributable to unreimbursed payroll cross-charges. Specifically, County payroll expenditures unrelated to the administration of the permitting program were paid with Title V Air Quality Fund cash without the Fund being reimbursed timely. This finding was also reported in our audit report for the year ended December 31, 2021.

Cause:                         The ACHD did not implement the corrective action that it advised us it would implement in connection with our 2021 audit.

Effect:                         The Allegheny County Health Department has not complied with section 502(b)(3)(C)(iii) of the Clean Air Act in that it has used Title V Air Quality Fund resources to finance County expenditures that were unrelated to the permitting program.

Recommendation:         We recommend that ACHD management reimburse the Title V Air Quality Fund for the balance of the County expenditures charged to the Fund that do not relate to the permitting program. Going forward, any such amounts due to the Title V Air Quality Fund should be repaid timely to ensure compliance with the Clean Air Act.

Management’s  
Response:                    Management’s response begins on page 11.

COUNTY OF



ALLEGHENY

RICH FITZGERALD  
COUNTY EXECUTIVE

August 30, 2023

Corey O'Connor  
Controller  
County of Allegheny  
436 Grant Street  
Pittsburgh, PA 15219

Dear Mr. O'Connor,

Please find attached the Allegheny County Health Department's responses to the findings identified in your recent Audit of the Title V Air Quality Fund. If you have any questions or need additional information, please let me know.

Sincerely,

DocuSigned by:

*Patrick Dowd*

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Patrick Dowd  
Acting Director, Allegheny County Health Department



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Management Response Title V Audit  
Findings August 30, 2023

FINDING 22-01: FAILURE TO ISSUE OR DENY TITLE V PERMITS WITHIN 18 MONTHS

ACHD Response:

ACHD appreciates that this audit recognizes improvements made in the Title V operating permit program. Progress has been made to reduce the permit backlog and process improvement changes have been made to ensure all permits (installation and operating) are issued within regulatory and policy deadlines.

The following bullets address each of the recommendations included in the audit report.

- *Exerting efforts to ensure Title V operating permits are issued (or denied) within the 18-month time parameter established by the Clean Air Act, which involves continuing to address and resolve the backlog of (currently 3) Title V operating permits.* – ACHD concurs and is still on target to meet the corrective action plan. As noted in the draft audit the Title V permit for US Steel Edgar Thomson has been issued. The draft permits for LHT Terminals and Harsco are currently in public comment, and four more are currently under internal review before being sent to public comment. Additional details on the status of Title V operating permits currently in progress are provided in the table and figure below.
- *Continuing to put forth efforts to ensure that adequate personnel resources are allocated to permit processing.* – ACHD has filled all open positions. ACHD is also evaluating the need to supplement the Permitting staff with an administrative assistant to help with non- engineering program tasks.
- *Proceeding with the planned purchase and installation of the air quality permitting and enforcement software and taking steps to ensure that its implementation results in the effective tracking of all permits, including ensuring that formal requests for additional information from sources are made timely and that the submission of the information is effectively tracked.* – Data integration has begun for the new system, and the software is anticipated to be online in early 2023. Regular meetings continue between ACHD and the software developer. In the meantime, permitting staff continue to refine and use previously developed tracking tools.

Table 1: Title V Permit Overview

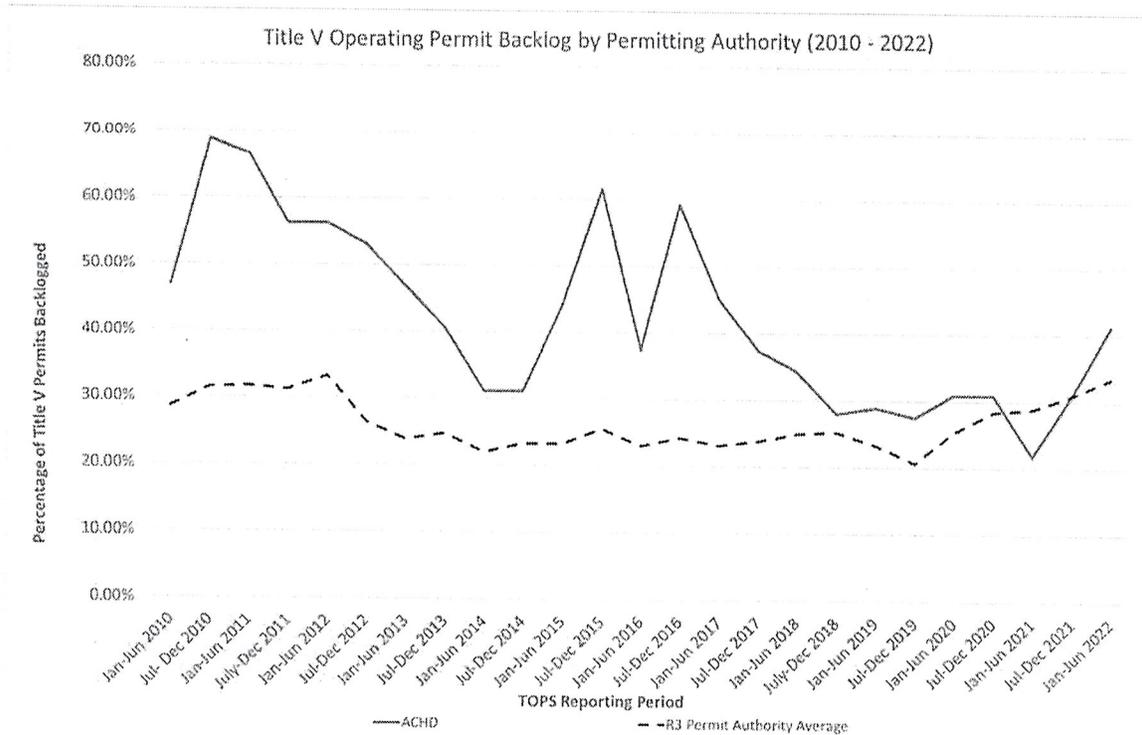
Facility/Permit	Anticipated Date of Final Agency Action	Comments
In Public Comment or Issued		
US Steel - Edgar Thomson Plant	Early 2023	Permit issued August 1, 2023

Fortistar – Imperial Landfill	November 2022	Permit issued December 21, 2022
AKJ - US Steel Clairton	Early 2023	Permit issued December 21, 2022
Liberty Pultrusions	November 2022	Permit issued December 5, 2022
Magnus Products - US Steel ET	November 2022	Permit issued November 22, 2022
TMS International - US Steel ET Works	November 2022	Permit issued November 22, 2022
US Steel - Clairton Plant	December 2022	Permit issued November 21, 2022
ALCOSAN	October 2022	Permit issued September 21, 2022
LHT Terminals (formerly Neville Island Terminals & Gulf Oil)	October 2023	In public comment until September 26, 2023
Harsco Metals	October 2023	In public comment until September 26, 2023
Preparing to Send to Public Comment		
US Steel - Irvin Plant	November 2023	Awaiting issuance of installation permit to be incorporated into operating permit
Energy Center North Shore	November 2023	Under internal review
Universal Stainless	December 2023	Under internal review
INEOS	December 2023	Under internal review
Currently Being Drafted		
Springdale Energy	Mid 2024	Waiting for RACT III issuance
Neville Chemical Company	Early 2024	Waiting for RACT III issuance
PPG Springdale	Early 2024	
Pittsburgh Terminals Coraopolis	Mid 2024	
Kelly Run Sanitation Landfill	Early 2024	
USA Waste Monroeville	Early 2024	
Yet to be Drafted		
Synthomer (formerly Eastman)	Mid- to Late 2024	Part of an EPA consent decree that required facility wide testing and establishment of emission factors before the permit could be developed. Requirements have been met, application received February 2022 and is currently under draft
ATI Flat Rolled Products	Mid- to Late 2024	Facility finished EPA-mandated testing and is developing new emission factors. An application is expected by November 2023.
ATI Flat Rolled Products (formerly Allegheny Ludlum)	2024	Under EPA order to perform 4 quarterly tests before submitting application; first test scheduled for September 2022

Note: This table does not include Title V operating permits that were issued and are within term.

Figure 1 should not be used for comparison purposes to other states but rather as a graphic representation of the significant progress the ACHD Air Quality Permitting Program has made towards the Title V operating permit backlog.

Figure 1: ACHD Title V Operating Permit Backlog Trends



**FINDING 22-02: YEAR -END INTERNAL CONTROL REVIEW PROCEDURES SHOULD BE PERFORMED**

As indicated in the finding ACHD did not implement the corrective action in connection with the audit. Moving forward the Grants Manager will execute corrective actions as prescribed by auditor in the month following the issuance of the audit. Additionally, the Finance and Program teams are working more diligently to ensure the proper protocol in relation to the new software solution and invoicing cycle. There will be a new object created to defer revenue in the Title V fund until it is appropriate to recognize that revenue as well as ensuring designation of funds are properly recorded.

**FINDING 22-03: IMPROPER USE OF TITLE V FUND RESOURCES**

ACHD implemented the following agreed upon process for a similar finding last year.

- 1) Within 2 weeks of the pay period end date the department will receive the reconciled hours from the Air Program.
- 2) The Financial transactions for each pay period will be posted in the month following the pay period end date to ensure the cash is being replenished in the account in a timely manner.

For the November and December Transfers, the G/L entries were posted as of 12/31 in accordance with the process noted above, however the cash for the November Entry was not transferred until 5 days later. The Cash for the December payrolls will continue to need adjusted on an annual basis due to end of the year procedures.