



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, 2019

ISSUED: AUGUST 28, 2020

Chelsa Wagner
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August 28, 2020

Dr. Debra L. Bogen
Director
Allegheny County Health Department
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**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 Dr. Bogen:

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, 2019, and have issued our report thereon dated August 28, 2020.

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) to determine the 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.

Dr. Debra L. Bogen
August 28, 2020

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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 determination of financial statement amounts. 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 an instance of noncompliance that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item 19-01.

Allegheny County Health Department's Response to Findings

The ACHD's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The ACHD's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Dr. Debra L. Bogen
August 28, 2020

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,



Chelsa Wagner
Controller



Lori A. Churilla
Assistant Deputy Controller, Auditing

cc: Honorable Patrick Catena, President, County Council
 Honorable Robert J. Macey, Vice-President, County Council
 Honorable Rich Fitzgerald, County Executive, Allegheny County
 Mr. William D. McKain, County Manager, Allegheny County
 Ms. Jennifer M. Liptak, Chief of Staff, County Executive
 Ms. Mary C. Soroka, Director, Budget and Finance
 Mr. Kenneth J. Varhola, Chief of Staff, County Council
 Ms. Sarah Roka, Budget Manager, County Council

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ALLEGHENY COUNTY HEALTH DEPARTMENT
TITLE V AIR QUALITY FUND
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2019

FINDING 19-01 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, 2019, AHCD had not issued or denied Title V operating permits for seven of the 31 major sources in Allegheny County (23%) within 18 months from the date that complete permit applications were received. (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.) The seven major sources were:

- the University of Pittsburgh (application received 6/19/18),
- the Bellefield Boiler Plant (application received 6/15/18),
- the US Steel Clairton Plant (application received 9/26/16),
- the Sun Oil Pittsburgh Terminal (application received 12/30/15),
- Harsco Metals (application received 1/16/18),
- the Allegheny County Sanitary Authority, ALCOSAN (application received 6/19/14), and
- ATI Flat Rolled Products, formerly Allegheny Ludlum (application received 5/11/17)

The Harsco Metals, ALCOSAN, and ATI Flat Rolled Products applications were initial permit applications while the other four applications were renewal applications (Title V operating permits had been issued but have expired). The failure to issue or deny Title V operating permits within 18 months is a repeat finding, first reported in

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SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2019

FINDING 19-01 FAILURE TO ISSUE OR DENY TITLE V OPERATING PERMITS WITHIN 18 MONTHS (CONTINUED)

our report on the year ended December 31, 2014.

While Eastman Chemicals and Resins has also been operating without a Title V operating permit for many years, it has not been included in the description of the condition above because it has not submitted a Title V operating permit application. It is the submission of an administratively complete Title V operating permit application that triggers the requirement for ACHD to issue or deny the Title V operating permit within 18 months. Although Eastman Chemicals and Resins has been operating without a Title V operating permit for many years, it was still obligated to comply with the requirements of a federal consent decree during that time. Because any requirements to be established by the U.S. Environmental Protection Agency will be required to be incorporated into Eastman Chemicals and Resins' Title V operating permit, Eastman Chemicals and Resins cannot yet prepare and submit a Title V operating permit application.

We noted that progress has been made in the processing of Title V operating permits since December 31, 2019. We observed that the public comment period for the University of Pittsburgh's draft permit ended August 17, 2020, and ACHD management has indicated that the final permit may be issued shortly. The Bellefield Boiler draft permit has been reviewed by the ACHD and is currently in pre-public-comment review by the company. In addition, the Sun Oil Pittsburgh Terminal draft permit has been completed and is currently being reviewed internally by the ACHD. ACHD management has advised us that draft permits for the other major sources that comprise the Title V operating permit processing backlog are also in various stages of completion.

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SCHEDULE OF FINDINGS AND RESPONSES
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FINDING 19-01 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 the application of inadequate personnel resources to the permitting function, the lack of an integrated data gathering and tracking system, and the failure to implement workflow improvements to increase efficiency. While measures were being taken by the ACHD prior to 2018 to address the Title V operating permit processing backlog, the ACHD developed a formal corrective action plan to eliminate the backlog at the request of the U.S. Environmental Protection Agency (EPA) in June of 2018. The corrective action plan submitted by the ACHD sought the elimination of the backlog within three years.

Staffing

The ACHD created two new full-time Engineer Trainee positions in 2018 that were intended to be filled in order to bring the ACHD's Permitting Engineer staffing level up to the level that had been recommended by an external consulting firm to help reduce the permit processing backlog. However, ACHD management advised us that it experienced difficulty in filling those positions due to labor market conditions. One of the ACHD's Permitting Engineers also elected to leave the ACHD's employ during 2018, which resulted in the ACHD being three full-time equivalents (FTEs) short of the recommended staffing level at the beginning of 2019. The ACHD did add two part-time contractors as Permitting Engineers during 2019, one in March and one in November. However, with those additions the ACHD was still short of the recommended staffing level by two FTEs at the end of 2019. Had the ACHD been operating at the recommended staffing levels for Permitting Engineers during 2019, it would likely have made more progress in eliminating the Title V operating permit processing backlog. We noted that the ACHD did fill the two Engineer Trainee

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ALLEGHENY COUNTY HEALTH DEPARTMENT
TITLE V AIR QUALITY FUND
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2019

**FINDING 19-01 FAILURE TO ISSUE OR DENY TITLE V OPERATING
PERMITS WITHIN 18 MONTHS (CONTINUED)**

positions in 2020, one in January and one in March. ACHD management believes this was attributable to favorable changes in labor market conditions. The ACHD lost one Permitting Engineer FTE in March of 2020 as one of its Permitting Engineers transitioned to a leadership role in another functional area of the ACHD's Air Quality Program (making the ACHD still one FTE short of the recommended Permitting Engineer staffing level), but ACHD management has indicated that it is attempting to fill the position.

Data Gathering and Tracking System

The ACHD issued a Request For Proposals (RFP) for Air Quality Permitting and Enforcement Software in May of 2020, and we have been advised by ACHD management that it is currently attempting to negotiate a contract with the selected proposer. While the software had not been purchased and was not being utilized during 2019, we did note that during 2018 some improvements in the tracking of the permitting process had been made, which appear to have contributed to the reduction in the permit processing backlog that we noted during that year.

Process Improvements

Regarding process improvements, in addition to the tracking improvements that we noted, we also noted that the ACHD reallocated emissions sources among its permitting engineers to facilitate timelier issuance of Title V operating permits during 2018. We have observed that since then, the permitting function has developed a template with sample language to simplify the addition of permit conditions for common processes and equipment, developed a new short form permit amendment application for simple changes in source ownership and/or responsible officials, and developed a short form permit application to

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FINDING 19-01 FAILURE TO ISSUE OR DENY TITLE V OPERATING PERMITS WITHIN 18 MONTHS (CONTINUED)

facilitate timely permit issuance for certain types of minor source facilities (schools, nursing homes, hospitals, etc.) that only contain boilers, heaters, emergency generators, and/or small diesel storage tanks. These process improvements should reduce permit processing times and result in the Permitting Engineers having more time available to process Title V operating permits.

Circumstances Preventing Permit Issuance

In addition to the circumstances currently preventing the ACHD from issuing a Title V operating permit to Eastman Chemicals and Resins, we noted that circumstances beyond the ACHD's control have impacted its ability to issue Title V operating permits to two other major sources, Harsco Metals and ATI Flat Rolled Products.

We observed that a Consent Order and Agreement entered into on January 7, 2020 between the ACHD and Harsco Metals requires Harsco Metals to take corrective action, which involves constructing a new building to house its slag processing which had formerly been conducted outdoors, and to change its slag processing methods. In the meantime, the Consent Order and Agreement requires Harsco Metals to comply with a compliance plan previously submitted to the ACHD and provides for penalties in the event of noncompliance. However, the ACHD cannot issue a Title V operating permit to Harsco Metals until the building is constructed, the slag processing is moved indoors, and Harsco Metals submits a Title V operating permit application to the ACHD based on its new process.

With respect to ATI Flat Rolled Products, the ACHD's current inability to issue a Title V operating permit relates primarily to the measurement of emissions from electric arc furnaces. The EPA requested ATI Flat Rolled Products conduct testing via letter dated

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FINDING 19-01 FAILURE TO ISSUE OR DENY TITLE V OPERATING PERMITS WITHIN 18 MONTHS (CONTINUED)

March 8, 2019, and ATI Flat Rolled Products completed the testing and issued a report to the EPA on August 6, 2019 that included some requests for variances to the testing methods. We observed that the EPA responded to these requests via letter dated March 25, 2020 by requesting additional information from ATI Flat Rolled Products. ACHD management indicated that it is not aware of any subsequent communications pertaining to the emissions from the electric arc furnaces and advised us that the Title V Operating Permit has been drafted in its entirety except for matters pertaining to the emissions from the electric arc furnaces.

RACT

ACHD management has also advised us that reevaluation of reasonably available control technology (RACT) has resulted in longer permit processing times for 12 of the major sources operating in Allegheny County which are deemed to be major nitrous oxides (NOx) emitting facilities and/or major volatile organic compound (VOC) emitting facilities.

Although the permitting engineer staffing level did not reach the recommended level at any point during 2019 and the data gathering and tracking software that was intended to be adopted and utilized was not purchased and installed during 2019, ACHD management believes that based on the progress demonstrated to date, attributable in part to the process improvements made, the backlog, with the exception of Eastman Chemicals and Resins, Harsco Metals, and ATI Flat Rolled Products for which circumstances currently prevent the issuance of a Title V operating permit, can still be eliminated by the end of year three (June 2021). This appears possible given the progress that has already been made in reducing the backlog. However, if the ACHD had been able to implement more of the measures in 2019 that had

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FINDING 19-01 FAILURE TO ISSUE OR DENY TITLE V OPERATING PERMITS WITHIN 18 MONTHS (CONTINUED)

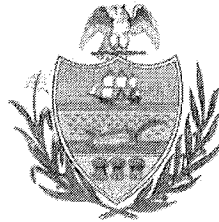
resolve the backlog of Title V operating permits as specified in the corrective action plan submitted to the EPA in 2018.

- Continuing to put forth efforts to ensure that adequate personnel resources are allocated to permit processing,
- 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,
- Maintaining awareness to identify conditions that may be hindering the permit processing workflow and taking advantage of opportunities to implement process improvements, and
- Adhering to a full-time work schedule for the permitting function during the remainder of the COVID-19 pandemic (which could involve work-from-home), to the extent that doing so can be done safely.

Management's
Response:

Management's response begins on page 12.

COUNTY OF



ALLEGHENY

RICH FITZGERALD
COUNTY EXECUTIVE

August 28, 2020

Chelsa Wagner
Controller
County of Allegheny
436 Grant St
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Dear Ms. Wagner,

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

Sincerely,

A handwritten signature in cursive script that reads "Debra L. Bogen".

Dr. Debra Bogen,
Director
Allegheny County Health Department



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ACHD Response Title V Audit Findings
August 28, 2020
FINDING 19-01: 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.

As noted in the audit, the Department is constrained through legal actions from issuing two of the seven backlogged permits. Of the remaining five permits, one permit from the backlog (University of Pittsburgh) has just been issued, one (Bellefield Boiler) is ready for public comment, and two (PACT and Sunoco) will soon be ready for public comment.

Although the audit speaks to the 31 sources requiring major source permits, six of those sources do not have the potential to emit as a major source. Four of the sources are defined as major sources solely due to their affiliation with other major sources under common control. The other two sources are minor sources required to have major source permits because they are subject to federal regulations which require them to have a Part 70 (Title V) permit.

It is also important to recognize that while four facilities have never been issued a Title V Operating Permit, they are not operating without a permit. These facilities must comply with installation permits, existing operating permits issued prior to the Title V program, and remain subject to all federal, state, and local regulations.

Page 4-5 of the report mentions that the 18-month lag is a repeat finding since 2014. It should be noted that all the permits in those findings except one have been issued: the remaining permits went into backlog in more recent years.

Page 9 of the report briefly address Reasonably Achievable Control Technology (RACT II) permits. An evaluation of RACT was required by the EPA for the State of Pennsylvania, including ACHD and AMS (Philadelphia). Pennsylvania was given a deadline of May 9, 2020 to evaluate all major sources of VOC and NOx, perform a full RACT analysis of all processes, and issue all necessary permits. As this became a priority over all other permits, elimination of the Title V operating permit backlog was delayed. The ACHD provided several documents from the Federal Register indicating where this was a requirement of the EPA. Once the appeals on a number of these permits are resolved the Department will be able to get back on its full schedule to eliminate the Title V permit backlog.

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 Title V operating permits as*

specified in the corrective action plan submitted to the EPA in 2018. –

ACHD concurs and is still on target to meet the corrective action plan.

- *Continuing to put forth efforts to ensure that adequate personnel resources are allocated to permit processing.*

ACHD is looking to fill the position recently vacated as soon as restrictions due to COVID are lifted.

- *Proceeding with the planned purchase and installation of the air quality permitting and enforcement software.*

Regular meetings have already begun on how best to implement the software, including meetings with Enforcement personnel to determine how best to integrate the system into existing workflows.

- *Maintaining awareness to identify conditions that may be hindering the permit processing workflow and taking advantage of opportunities to implement process improvements.*

The Permitting program is continuing to develop Quality Improvement projects, as well as attending available training opportunities.

- *Adhering to a full-time work schedule for the permitting function during the remainder of the COVID-19 pandemic (which could involve work-from-home), to the extent that doing so can be done safely.*

The Permitting program continues to fully function remotely, developing work practice standards such as certified digital signatures on documents, regular TEAMS meetings, and filing methodologies.

