COREY O'CONNOR
Allegheny County 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, 2023

ISSUED: SEPTEMBER 12, 2024

104 County Courthouse, 436 Grant Street Pittsburgh, PA 15219 - 412.350.4660

COUNTY OF ALLEGHENY
OFFICE OF THE CONTROLLER
104 COURTHOUSE • 436 GRANT STREET
PITTSBURGH, PA 15219-2498
PHONE (412) 350-4660 • (412) 350-3006

September 12, 2024

Dr. Iulia Vann
Director
Allegheny County Health Department
542 4th 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 Dr. Vann:

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, 2023 and have issued our report thereon dated September 12, 2024.

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.

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 23-02 that we consider to be a material weakness.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 23-01 and 23-03.

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.

Dr. Iulia Vann
September 12, 2024

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 Sara Innamorato, County Executive, Allegheny County
Mr. John Fournier, County Manager
Mr. Grant Gittlen, Chief of Staff, Allegheny County
Mr. Tim Cox, 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, 2023

FINDING 23-01 **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, 2023, ACHD had not issued or denied Title V operating permits for five of the 30 Title V sources in Allegheny County (17%) 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 five Title V sources were:

- Neville Chemical Company (renewal application received 4/29/20),
- U.S. Steel Irvin Plant (renewal application received 6/4/21),
- Springdale Energy (formerly Allegheny Energy Supply, renewal application received 1/13/22),
- Synthomer (formerly Eastman Chemicals and Resins, initial administratively complete application received 2/4/22), and
- Universal Stainless and Alloy Products (renewal application received 5/20/22)

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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FINDING 23-01 FAILURE TO ISSUE OR DENY TITLE V OPERATING PERMITS WITHIN 18 MONTHS (CONTINUED)

We observed that the Title V operating permit for Neville Chemical Company was issued by the ACHD on April 19, 2024. ACHD management has advised us that the Synthomer (formerly Eastman Chemicals and Resins) and U.S. Steel Irvin Plant draft Title V operating permits are currently in the 45-day EPA review period, and that the Springdale Energy draft Title V operating permit has already been released for public comment. ACHD management has also advised us that the Universal Stainless and Alloy Products draft Title V operating permit is currently being strengthened due to previous permit violations.

Synthomer and ATI Flat Rolled Products operated in Allegheny County during 2023 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. 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.

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 in recent years.

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SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2023

FINDING 23-01 **FAILURE TO ISSUE OR DENY TITLE V OPERATING PERMITS WITHIN 18 MONTHS (CONTINUED)**

The ACHD's permitting function was one FTE short of the recommended staffing level at the end of 2022. It lost one permit engineer but has since added one part-time engineer and a part-time administrative assistant. ACHD management advised us that it perceives the permitting function to still be one FTE short and intends to initiate efforts to bring on at least one additional permitting engineer in September of 2024.

The ACHD's new software system has been launched but the permit tracking functionality of the system is not yet being fully realized. New data is being entered into the system to facilitate permit tracking for new permits, but the permit tracking process that was in place prior to the launch of the new system is still being utilized to track permits already in process.

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:

- Continuing to exert 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,

- Continuing to put forth efforts to ensure that adequate personnel resources are allocated to permit processing, and

- Continuing to enter new data into the new software system to facilitate data gathering and more effective tracking of permits.

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SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2023

FINDING 23-01 FAILURE TO ISSUE OR DENY TITLE V OPERATING PERMITS WITHIN 18 MONTHS (CONTINUED)

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, 2023

FINDING 23-02 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: Adequate year-end review procedures to detect misstatements in the Title V Fund general ledger for the year ended December 31, 2023 were not performed. As a result, several large accounting errors that occurred were not detected and corrected by the ACHD. Specifically:

- prior period audit adjustments were not posted as required, and as a result, amounts due from other funds were understated by $105,905, amounts due to other funds were understated by $5,349, deferred income (and therefore revenue earned in 2023) was understated by $172,000, and fund balance was overstated by $71,444,

- a payroll cross-charge entry for one pay period was not developed and posted, and as a result, $99,123 in payroll costs that were unrelated to the Title V Fund were charged to the Title V Fund instead of being allocated to the funds to which they related, and

- payroll cross-charge entries developed for six pay periods were improperly posted, such that the payroll costs allocable to the Title V Fund were understated by $22,347.

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SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2023

FINDING 23-02 YEAR-END INTERNAL CONTROL REVIEW PROCEDURES SHOULD BE PERFORMED (CONTINUED)

The lack of adequate year-end review procedures was also reported as a finding in our audit reports for the years ended December 31, 2021 and December 31, 2022.

Cause: The ACHD did not implement the corrective action that it advised us it would implement in connection with our 2022 audit.

Effect: The accounting errors we identified were material to the Fund financial statements as of and for the year ended December 31, 2023. Material misstatements could also occur in future years without being detected and corrected by ACHD if the condition is not remedied.

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, including failure to post prior period audit adjustments, 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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FOR THE YEAR ENDED DECEMBER 31, 2023

FINDING 23-03 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, 2023 the Title V Air Quality Fund had balances of $550,103 due from the Air Pollution Control Fund and $34,082 due from the 2019/2022 PM 2.5 Fund that were attributable to unreimbursed payroll cross-charges and uncorrected prior year cross-charge errors. 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 reports for the years ended December 31, 2021 and December 31, 2022.

Cause: The ACHD did not implement the corrective action that it advised us it would implement in connection with our 2022 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 major source 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 major source 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.

September 12, 2024

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,

Iulia Vann, MD, MPH
Director, Allegheny County Health Department

FINDING 23-01: 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. It should be noted that a significant amount of staff time was diverted to completing the Regulated Entities Portal (REP) data management program during 2024, which took staff time away from working on permit renewals. This software development effort will help to allow the issuance of permits and permit renewals in a timelier manner moving forward. Please see Table 1. For an update of the Title V permits in question.

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

- *Continuing to exert 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.* 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 is in the process of filling all open positions. ACHD also is now utilizing an administrative position to supplement the permitting staff to address efficiency of non-engineering aspects of permit writing.

- Continuing to enter new data into the new software system to facilitate data gathering and more effective tracking of permits. ACHD is starting to populate the system already and is finalizing the process for full implementation by the end of the year. Please note that because of the five-year permit cycle, it will take up to five years to have the system fully populated with permit related information and data.

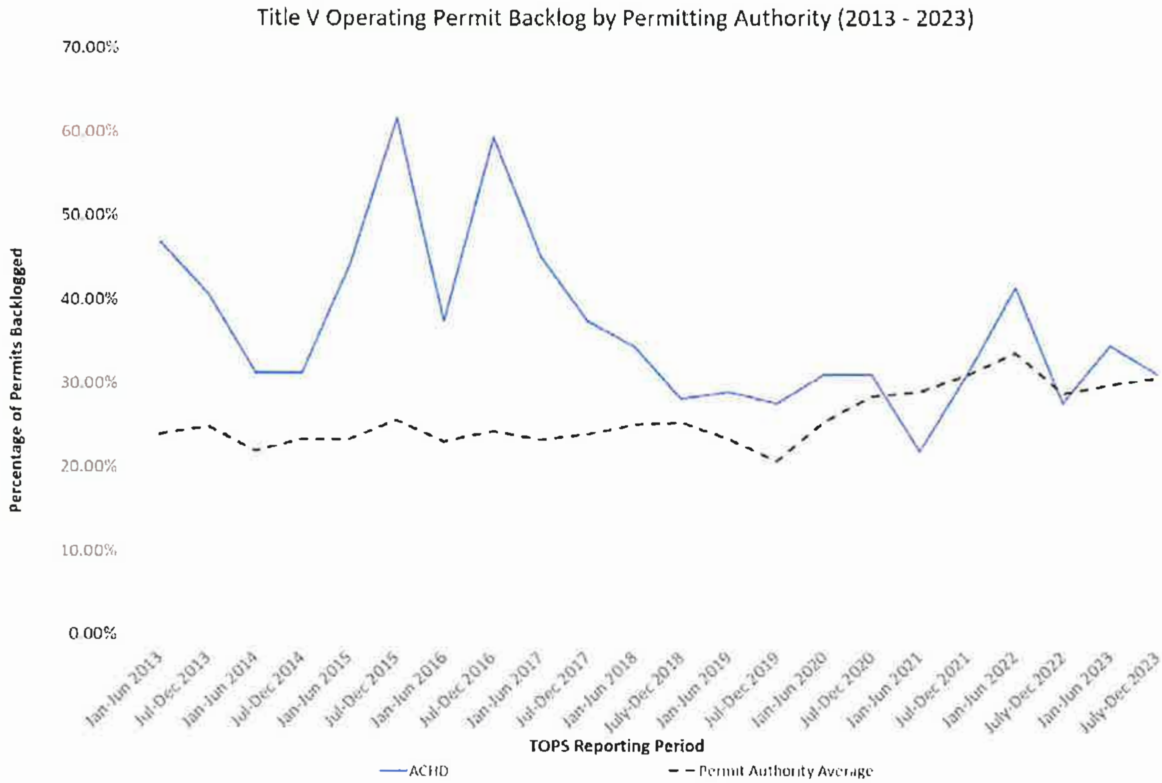
Table 1: Title V Permit Overview

Facility/Permit	Anticipated Date of Final Agency Action	Comments
In Public Comment or Issued		
ATI Flat Rolled Products	Early 2025	In public comment (until September 23, 2024)
Springdale Energy	December 2024	Through EPA 45-day review; awaiting EPA decision on RACT III issues.
USA Waste Monroeville	December 2024	In public comment (until September 23, 2024)
Kelly Run Sanitation Landfill	October 2024	Out of public comment; ready for EPA 45-day review
US Steel - Irvin Plant	September 2024	In EPA 45-day review
Synthomer (formerly Eastman Chemical		Permit issued September 17, 2024
Neville Chemical Company		Permit issued June 18, 2024
INEOS Composites		Permit issued November 30, 2023
Harsco Metals		Permit issued November 21, 2023
Energy Center North Shore		Permit issued November 20, 2023
LHT Terminals		Permit issued September 28, 2023
US Steel - Edgar Thomson Plant		Permit issued August 1, 2023
Preparing to Send to Public Comment		
PPG Springdale	Early 2025	Preparing for public comment in October 2024
Allied Waste Imperial Landfill	Early 2025	Preparing for public comment in October 2024
Currently Being Drafted		
Pittsburgh Terminals Coraopolis	Early 2025	
Universal Stainless	Early to Mid 2025	
GenOn Brunot Island	Mid 2025	
Yet to be Drafted		
Buckeye Pipeline Coraopolis	Mid 2025	

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. This graph has not been updated from 2023.

Figure 1: ACHD Title V Operating Permit Backlog Trends



FINDING 23-02: YEAR-END INTERNAL CONTROL REVIEW PROCEDURES SHOULD BE PERFORMED

ACHD Response:

ACHD agrees that year-end review procedures are imperative to ensuring that financial statement accuracy. Procedures currently exist however a few items can be improved.

Communication and procedures following audit findings need to be performed by the analyst, as well as confirmed by both the Grants Manager and Financial Manager.
Processing of all transactions need to be verified by both the program and the financial analyst with verifications performed by Grant and Finance Managers. This includes ensuring that not only each pay period is captured but also there are no formulaic issues in the spreadsheets that would allow for a material misstatement. Additionally, financial analyst will work with both grants manager and financial

planning supervisor to scan through the general ledger transactions to make sure that all revenue and expenses are captured in the appropriate year and recorded correctly.

FINDING 23-03: IMPROPER USE OF TITLE V FUND RESOURCES

ACHD Response:

The ACHD acknowledges that the Grants Manager did not ensure that prior year adjusting journal entries were completed by the Analyst. Moving forward the Finance Manager will be monitoring and ensuring that the Grants Manager is in compliance with current and future audit finding and needs.

ACHD Acknowledges that an entire pay period of cross charges was overlooked and the Grants Manager will review the dates more closely to ensure this doesn't happen again.

Lastly, as indicated by the prior year response, the department has held compliant to the implemented procedures as indicated below:

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.

All transactions referred to in this finding have been rectified and reimbursed to the fund.