



Environmental Protection Agency Payroll Disbursement Testing Audit

Audit Period: April through June 2013

Results Summary:

Objective	Conclusion
Administration of Payroll	Well-Controlled with Improvement Needed

Report number: 2014-EPA-02

Issuance date: December 9, 2013



Executive Summary

Background

The Ohio Environmental Protection Agency's (OEPA) goal is to protect the environment and public health by ensuring compliance with environmental laws. OEPA establishes and enforces standards for air, water, waste management and cleanup of sites contaminated with hazardous substances, and also oversees the daily administrative activities of its employees, including payroll.

Payroll hours for all employees are recorded on OEPA's Time Accounting System (TAS), before interfacing and posting to OAKS' Human Capital Management (HCM) system. OEPA Payroll personnel are responsible for processing OEPA payroll, including adjusting employees' hours and/or leave taken, when appropriate. Employee payrates, leave balances, and some leave approvals (i.e., disability, child birth leave, etc.) are handled by OEPA's Employee Services department.

During the audit, OIA identified opportunities for OEPA to strengthen internal controls and improve business operations. OIA conforms to the *International Standards for the Professional Practice of Internal Auditing*. OIA would like to thank Environmental Protection Agency staff and management for their cooperation and time in support of this audit.

This report is solely intended for the information and use of agency management and the State Audit Committee. It is not intended for anyone other than these specified parties.

Scope and Objectives

OIA staff was engaged to perform assurance work related to payroll disbursements at the Ohio Environmental Protection Agency. This work was completed between July through November 2013. The scope of this review included key processes related to OEPA's administration of payroll for select employees, specifically those with the ability to modify employee payroll data and employees with atypical leave requests, for the period April through July 2013. OIA did not review the TAS or HCM systems controls. The audit objective identified was as follows:

- Evaluate the design and effectiveness of controls over the agency's administration of the payroll cycle.

Observations and Recommendations

The Observations and Recommendations include only those risks which were deemed high or moderate. There were no high or moderate observations identified as a result of this audit. Low risk observations were discussed with individual agency management and are not part of this report. However, the low risk observations were considered as part of the audit objective conclusion.



Appendix A – Classification of Conclusions and Observations

Classification of Audit Objective Conclusions

Conclusion	Description of Factors
Well-Controlled	The processes are appropriately designed and/or are operating effectively to manage risks. Control issues may exist, but are minor.
Well-Controlled with Improvement Needed	The processes have design or operating effectiveness deficiencies but do not compromise achievement of important control objectives.
Improvement Needed	Weaknesses are present that compromise achievement of one or more control objectives but do not prevent the process from achieving its overall purpose. While important weaknesses exist, their impact is not widespread.
Major Improvement Needed	Weaknesses are present that could potentially compromise achievement of its overall purpose. The impact of weaknesses on management of risks is widespread due to the number or nature of the weaknesses.

Classification of Audit Observations

Rating	Description of Factors	Reporting Level
Low	Observation poses relatively minor exposure to an agency under review. Represents a process improvement opportunity.	Agency Management; State Audit Committee (Not reported)
Moderate	Observation has moderate impact to the agency. Exposure may be significant to unit within an agency, but not to the agency as a whole. Compensating controls may exist but are not operating as designed. Requires near-term agency attention.	Agency Management and State Audit Committee
High	Observation has broad (state or agency wide) impact and possible or existing material exposure requiring immediate agency attention and remediation.	Agency Management and State Audit Committee