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# Environmental Protection Agency

## Recycling Grants Audit

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**Audit Period: July 2013 through June 2014**

### Results Summary:

Objective	Conclusion
Application Review and Awarding Process	Well-Controlled with Improvement Needed
Grant Administration and Monitoring Process	Well-Controlled with Improvement Needed
Grant Closeout Process	Well-Controlled with Improvement Needed

\* Please refer to Appendix A for classification of audit objective conclusions.



## Executive Summary

### Background

The Ohio Environmental Protection Agency (OEPA) offers competitive grant opportunities for communities, local governments, businesses and nonprofit organizations to establish and implement recycling, recycling market development, litter prevention and scrap tire recycling programs. The grants provide financial assistance to communities based on need, the demonstration of positive economic and environment impacts regionally, and the potential for permanent service that does not need assistance from outside funding. Projects must generally be completed within 12 to 24 months of reward. Administration of these recycling grants was transferred to OEPA from the Ohio Department of Natural Resources at the beginning of fiscal year 2013. Following is a short summary of the recycling grants offered by OEPA:

- **Community Grant** - allows Ohio communities to support and expand community recycling and litter prevention efforts, providing funding for new equipment infrastructure for collection and materials processing. The grant requires fifty percent (50%) matching funds to be available and spent on the approved project.
- **Litter Management Grant** - allows Ohio communities and nonprofit organizations to support litter and tire amnesty collection projects. Grant proposals must include an actual cleanup activity to take place on public land or public waterways, and involve the use of volunteers. The community or nonprofit organization must commit to provide one hundred percent (100%) matching funds.
- **Market Development Grant** - are offered to Ohio businesses and nonprofit organizations that propose to create equipment infrastructure for successful markets of recyclable materials and related products. Applicants must be sponsored by an eligible governmental agency who will serve as the grant applicant and a pass-through agency for documenting and receiving funds. The business or nonprofit organization must commit to provide one hundred percent (100%) matching funds. The grant has a maximum duration of 24 months.
- **Scrap Tire Grant** - provides financial assistance to Ohio's local entities to convert manufacturing operations to accept scrap tire material, expand tire processing operations, or utilize scrap tire material in civil engineering projects or manufactured products. The applicant must be a municipality, township, county, solid waste management district or authority, board of education or joint vocational school, state college or university or park district. Businesses or non-profit organizations may also receive scrap tire market development funding, but must secure a local government sponsor to serve as the grant applicant. The sponsored business or nonprofit organization must commit to provide one hundred percent (100%) matching funds.



During the audit, OIA identified opportunities for OEPA to strengthen internal controls and improve business operations. A summary along with detailed observations, have been provided. This audit conforms to the *International Standards for the Professional Practices of Internal Auditing*. OIA would like to thank OEPA 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 an assurance audit related to the controls over the agency's recycling grant programs. This work was completed October through December 2014. The scope of this audit included key processes related to OEPA's recycling grant programs for the period July 2013 through June 2014.

The following summarizes the objectives of the review:

- Evaluate the design and effectiveness of controls over the application review/awarding process.
- Evaluate the design and effectiveness of controls over the grant administration and monitoring process.
- Evaluate the design and effectiveness of controls over the grant closeout process.

## **Detailed 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 conclusions.



## Appendix A – Classification of Conclusions and Observations

### Classification of Audit Objective Conclusions

Conclusion	Description of Factors
<b>Well-Controlled</b>	The processes are appropriately designed and/or are operating effectively to manage risks. Control issues may exist, but are minor.
<b>Well-Controlled with Improvement Needed</b>	The processes have design or operating effectiveness deficiencies but do not compromise achievement of important control objectives.
<b>Improvement Needed</b>	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.
<b>Major Improvement Needed</b>	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
<b>Low</b>	Observation poses relatively minor exposure to an agency under review. Represents a process improvement opportunity.	Agency Management; State Audit Committee (Not reported)
<b>Moderate</b>	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
<b>High</b>	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