



# Environmental Protection Agency Air Pollution: Title V Renewal Permit Process Audit

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**Audit Period: January 2015 through September 2015**

## Results Summary:

<b>Objective</b>	<b>Conclusion *</b>
<b>Renewal Permit Application Process</b>	<b>Well-Controlled</b>
<b>Renewal Permit Issuance Process</b>	<b>Well-Controlled</b>

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

**Report number: 2016-EPA-02**

**Issuance date: December 17, 2015**

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## Executive Summary

### Background

Title V of the federal Clean Air Act reauthorization (1990) requires each state to develop a Permit-to-Operate system and emission fee program for major sources of air pollution. Ohio's rules for this program became effective in April 1994 and are enforceable by Ohio EPA and U.S. EPA. A Title V permit includes emission limits and standards, as well as monitoring, record-keeping and reporting requirements. Records of required monitoring must be submitted periodically based on the reporting deadline(s) established in the issued final permit. All Title V permit holders must certify annually that they have complied with the terms of their Title V permit, and are required to renew their permit every five years. There are approximately 700 facilities in Ohio required to obtain Title V permits. However, due to federal requirements on states, priority is placed on processing initial Permits to Install and modifications, resulting in a backlog of Title V renewal permits. Per federal allowances, entities submitting timely renewal applications for a Title V permit are allowed to continue operating accordingly under the existing permit until Ohio EPA has processed the renewal application. Ohio EPA closed fiscal year 2015 with a \$7.1 million cash balance within the Clean Air Title V Permit fund. This funding is collected from facilities which are required to pay Title V permit fees based on actual annual emissions.

During the audit, OIA identified opportunities for Ohio EPA to strengthen internal controls and improve business operations. This audit conforms to the *International Standards for the Professional Practice of Internal Auditing*. OIA would like to thank Ohio EPA 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 the Title V Renewal Permit Process. This work was completed between October 01, 2015 and December 17, 2015. The following detailed audit objectives included:

- Evaluate the design and effectiveness of controls over the renewal permit application review and approval process.
- Evaluate the design and effectiveness of controls over the renewal permit issuance 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 during the assurance portion of the engagement. Low risk observations and consulting recommendations 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.

Based on the review, OIA also identified opportunities for Ohio EPA to enhance their tracking of the Title V renewal permit awaiting review. Detailed recommendations have been provided to management in a separate communication entitled 'Other Matters for Management's Attention'.

Due to the limited nature of our audit, we have not fully assessed the cost-benefit relationship of implementing the observations and recommendations suggested above. However, these recommendations reflect our continuing desire to assist your department in achieving improvements in internal controls, compliance, and operational efficiencies.



## 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