



## Department of Agriculture Livestock Permitting Audit

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**Audit Period: January through December 2017**

### Results Summary:

| Objective   | Conclusion                              |
|---|---|
| Issuing permits to install (PTI)                                | Well-Controlled with Improvement Needed |
| Issuing and renewing permits to operate (PTO)                   | Improvement Needed                      |
| Issuing and renewing certified livestock manager (CLM) licenses | Well-Controlled with Improvement Needed |

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



## **Executive Summary**

### **Background**

The Department of Agriculture (AGR) Division of Livestock Environmental Permitting (DLEP) is responsible for regulating how Ohio's largest poultry farms handle manure and waste water, as well as manage flies, rodents, and other pests. There are three primary licenses that exist under the Livestock Environmental Permitting Program. These are the (1) Permit to Install (PTI), (2) Permit to Operate (PTO), and (3) Certified Livestock Manager. The PTI is a one-time fee of \$2,250 that is paid prior to construction of a livestock facility. The PTO fee is \$1,000 and must be renewed every five years. The Certified Livestock Manager fee is \$50, and must be renewed every three years. As of March 2018, DLEP reported they oversee 253 active or proposed PTOs and 302 certified livestock managers.

During the audit, OIA identified opportunities for AGR to strengthen internal controls and improve business operations. OIA conforms with the *International Standards for the Professional Practice of Internal Auditing*. OIA would like to thank AGR 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 livestock environmental permitting process for the period of January through December 2017. This work was completed April through June 2018.

The following summarizes the objectives of the review:

- Evaluate the design and effectiveness of controls for issuing and implementing permits to install (PTI).
- Evaluate the design and effectiveness of controls for issuing/renewing and implementing permits to operate (PTO).
- Evaluate the design and effectiveness of controls for issuing and renewing certified livestock manager (CLM) licenses.

### **Detailed Observations and Recommendations**

The Observations and Recommendations include only those risks which were deemed high or moderate. 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.



## Observation 1 – Inadequate Inspection Tracking

Ohio Revised Code § 903.12 (A) states the director of agriculture or the director's authorized representative at reasonable times may enter on any public or private property, real or personal, to make investigations and inspections for the administration and enforcement of concentrated animal feeding facilities (CAFF). The Division of Livestock Environmental Permitting (DLEP) plans one to three inspections per year for every CAFF. During the inspection process, an inspector may inspect CAFF records that must be maintained under the terms and conditions of a Permit to Operate (PTO). Inspections include the equipment, the manure storage and treatment facility, the practices or operations required or regulated under the PTO, and sampling or monitoring of the facilities to assure compliance of PTOs. Any violations of the PTO that may endanger health or the environment requires an action plan from the CAFF to reduce, eliminate and prevent a recurrence of noncompliance. DLEP must track noncompliance issues and must validate required actions to ensure timely correction.

The DLEP's inspectors, program administrator, and engineers track inspections using "inspection docket" spreadsheets for each of the four inspectors, listing the date of each inspection for each facility by "round" (i.e., one, two, or three, as facilities are inspected between one and three times annually) to monitor the completion and timeliness of inspections. However, OIA was unable to confirm that all active CAFFs were listed on the inspection dockets and the inspection dockets did not provide sufficient details to ensure all inspections were conducted timely.

From a sample of 20 inspections conducted in 2017, six (30%) inspection reports outlined required actions for the CAFFs. Examples of required actions noted in the inspection reports tested included ensuring all residual manure is cleaned-up, completing an updated soil analysis of the land application areas, taking a water sample, and removing chicken litter and egg wash from the facility. However, the follow-up and required action items are not tracked on the inspection dockets to ensure CAFFs timely perform required actions and inspectors perform procedures to validate the CAFFs completed the required actions. Instead, the DLEP relies on each inspector to determine reasonable timeframes for the CAFFs to complete the required actions and for the inspectors to complete the follow-up procedures. OIA could not confirm the required actions were completed or followed-up on by the inspectors. Overall, the DLEP does not have a policy to outline inspection procedures and timeframes to ensure CAFFs adequately and timely perform required actions.

Inadequate tracking of all inspections for active CAFFs may result in delayed or incomplete inspections to timely detect operating or non-compliance issues. Lack of policy and centralized tracking and oversight of the required follow-up actions increases the likelihood that CAFFs are operating without the proper permits or that issues are not timely corrected.



### Recommendation

DLEP has converted to a new system, Beehive, to retain inspection documentation and should work with Beehive to create and implement procedures and reporting functionality to assign CAFFs to inspectors, facilitate an inspection schedule, track completed inspections, and to provide oversight to ensure inspections are completed timely to replace the inspection docket.

Develop and implement a policy to outline procedures to track required actions from inspections, necessary follow-up procedures based on the type of required action, timeframes to validate that CAFFs successfully completed required actions and documentation, tracking, and oversight requirements. Assign target implementation dates to CAFFs to complete required actions and document on inspection reports and in Beehive. Utilize Beehive to track all necessary follow-up inspection procedures for required actions.

In the short-term, continue to use the inspection docket to track the inspections. Add additional columns for follow-up dates, anticipated follow-up completion dates, and additional notes for visibility into the status of scheduled inspections and required action items to DLEP management and staff members. Ensure all active facilities are included on inspection docket and assigned to inspectors.

Develop and implement monitoring procedures to ensure inspections are completed timely. For instance, query Beehive to identify any CAFFs that are not assigned to inspectors, to ensure that inspections are scheduled and performed, and to ensure inspectors are timely validating that CAFFs perform required actions.

### Management Response

ODA-DLEP identified three primary recommendations: incorporate beehive database into daily processes, develop a policy to outline procedures to track required actions, and develop and implement monitoring procedures to ensure inspections are completed in a timely manner.

Incorporating Beehive – ODA-DLEP will optimize the new Beehive database to address many of OBM-OIA's findings. Some items can be implemented into Beehive immediately, while other items will require a coordinated effort with Beehive's designers and engineers to ensure functionality with the database.

#### 1) Assigning CAFFs to Inspectors

- This process has been implemented in Beehive.
- Using Beehive's query function, ODA-DLEP can organize CAFF information by sorting or grouping by Inspector.

#### 2) Facilitate an Inspection Schedule



- Scheduling inspections is a key function of Beehive. Inspectors can provide ‘planned’ and ‘actual’ dates for each inspection. For instance, if an inspection is planned for April 12th, but actually occurs on April 14th, Beehive can account for this.
- However, ODA-DLEP is working with Beehive to develop a method of scheduling multiple events at once, in this case inspections. For instance, if ODA-DLEP assigns two inspections to “FACILITY X” per year, ODA-DLEP would like to have the ability to schedule those two separate events with one process instead of creating each inspection event individually. Also, ODA-DLEP can assign two inspection events to multiple facilities at once. This process is called “Recurring Events” in the Beehive interface.

### 3) Track Completed Inspections

- There are multiple ways to track completed inspections on Beehive. Completed inspections can be tracked directly from a CAFF’s main summary page as an event. Again, ODA-DLEP can see when a CAFF inspection is planned to take place and when it occurs. Each inspection event is given a status; the status options are On Hold, In Progress, or Complete.
- Completed inspections can also be tracked through the query function. The inspections can be sorted in a multitude of ways, but primarily can be sorted out by CAFF name, date, inspector, or status.
- ODA-DLEP can cross-reference the inspection information from Beehive’s query function with the ‘Inspection Docket’ spreadsheet to ensure that inspections are getting completed and inspection reports are generated in a timely manner. However, ODA-DLEP is in the process of implementing (and updating) the functionality of the ‘Inspection Docket’ spreadsheet into Beehive to utilize the query function.

### 4) Track All Necessary Follow-Up Procedures for Required Actions

- ODA-DLEP and Beehive are currently developing a process to track corrective actions (the term ‘Correction Action’ was chosen because it can represent those required actions from inspection reports, but also actions that need to be taken as a result of enforcement). To do this, Beehive created a new event category titled “Corrective Action”. A Corrective Action can be nested as a subevent under other events, such as an Inspection or Notice of Deficiency. With these Corrective Action events, ODA-DLEP can track when the Corrective Action was issued, the details of the Corrective Action, and the deadline (due date) to implement or complete the corrective action. ODA-DLEP also has the ability to add documents associated with the corrective action, if necessary.
- As previously mentioned, Corrective Actions can be listed and tracked on the Inspection Docket now located in the Beehive query function. Additionally, as with any event on Beehive, Corrective Actions can be tracked by facility, inspector, due date, etc., through Beehive’s query function.
- Though not an option currently, ODA-DLEP is working with Beehive to develop a reminder system. Meaning, if a deadline is approaching for a Corrective Action, ODA-



DLEP can set an alarm for a predetermined amount of days or weeks prior to the deadline. The reminders would be received via email.

Develop a Policy to Outline Procedures to Track Required Actions – First and foremost, a policy will be developed to address this concern. In order to do so, ODA-DLEP must identify which corrective actions are those that need tracked. Identifying those that need tracked will require a thorough review of the varying corrective actions that have historically been issued to facilities. Once this is completed, ODA-DLEP will implement methods for determining deadlines and the procedures inspectors will have to follow to ensure those deadlines are met.

Tracking of corrective actions has been described in this response. However, ODA-DLEP will need to develop a standard operating procedure detailing how Beehive will be used to conduct tracking.

Develop and Implement Monitoring Procedures to Ensure Inspections are Completed in a Timely Manner – Tracking and monitoring of Inspections has been described throughout this response. Similar to tracking of corrective actions, ODA-DLEP will need to develop a standard operating procedure detailing how Beehive will be used to conduct this tracking and monitoring.

ODA-DLEP will also assess the current procedures followed to review inspection reports. In 2017, the inspection report review process involved the inspector, the lead engineer, and the chief. In 2018, instead of the lead engineer reviewing all draft inspection reports, two engineers are now involved in the review process (essentially 50% of the inspection reports are sent to each engineer). This reduces the overall workload the reviewing engineer takes on and provides quicker turnarounds on reviews. This change also allows for the reviewing engineer to spend more time on an inspection report if necessary. The chief will continue to complete a second revision before the inspection reports are submitted back to the inspector.

|          |                | Estimated Completion Date |
|----------|----------------|---------------------------|
| Moderate | ODLEP Engineer | September 30, 2018        |

\* Refer to Appendix A for classification of audit observations.

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 observations 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;<br>State Audit Committee<br>(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<br>and State Audit<br>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<br>and State Audit<br>Committee             |