



**OFFICE OF AUDITOR OF STATE**  
**STATE OF IOWA**

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**NEWS RELEASE**

FOR RELEASE July 2, 2008

Contact: Andy Nielsen  
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Auditor of State David A. Vaudt today released a report on the Iowa Department of Natural Resources for the year ended June 30, 2007.

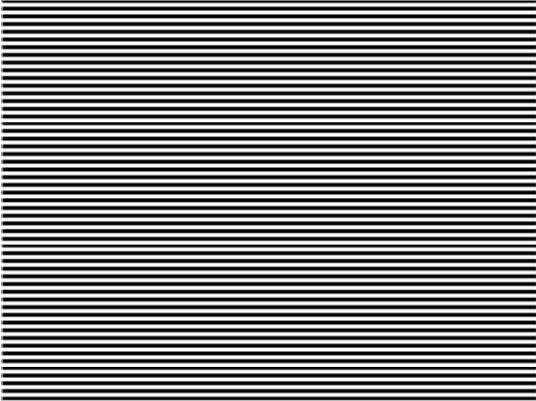
The Department has the primary responsibility for state parks and forests, protecting the environment and managing energy, fish, wildlife, land and water resources in the state.

Vaudt recommended the Department review policies and procedures covering internal controls at field offices over receipts, disbursements and capital assets. In addition, the Department should ensure a detailed, up-to-date capital asset listing is maintained by Central Office to accurately report information required for financial statement presentation. Vaudt also reported the Department had not complied with certain statutory requirements concerning its operations during the year ended June 30, 2007. The Department's responses are included in the report.

A copy of the report is available for review in the Iowa Department of Natural Resources, in the Office of Auditor of State and on the Auditor of State's website <http://auditor.iowa.gov/reports/reports.htm>.

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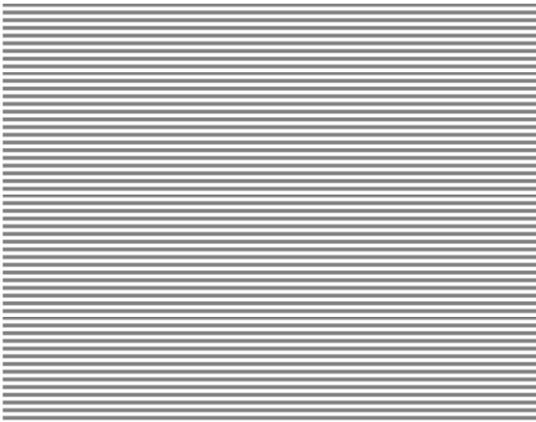
**REPORT OF RECOMMENDATIONS TO THE  
IOWA DEPARTMENT OF NATURAL RESOURCES**

**JUNE 30, 2007**

Office of  
**AUDITOR  
OF STATE**  
State Capitol Building • Des Moines, Iowa



**David A. Vaudt, CPA**  
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June 30, 2008

To the Members of the Iowa Environmental Protection  
and Natural Resource Commissions:

The Iowa Department of Natural Resources is a part of the State of Iowa and, as such, has been included in our audits of the State's Comprehensive Annual Financial Report (CAFR) and the State's Single Audit Report for the year ended June 30, 2007.

In conducting our audits, we became aware of certain aspects concerning the Department's operations for which we believe corrective action is necessary. As a result, we have developed these recommendations which are reported on the following pages. We believe you should be aware of these recommendation which include those reported in the State's Report on Internal Control, as well as other recommendations pertaining to the Department's internal control, compliance with statutory requirements and other matters. These recommendations have been discussed with Department personnel and their responses to these recommendations are included in this report.

This report, a public record by law, is intended solely for the information and use of the officials and employees of the Iowa Department of Natural Resources, citizens of the State of Iowa and other parties to whom the Iowa Department of Natural Resources may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the Department during the course of our audits. Should you have questions concerning the above matter, we shall be pleased to discuss it with you at your convenience. Individuals who participated in our audits of the Department are listed on page 12 and they are available to discuss this matter with you.

  
DAVID A. VAUDT, CPA  
Auditor of State

  
WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

cc: Honorable Chester J. Culver, Governor  
Charles J. Krogmeier, Director, Department of Management  
Dennis C. Prouty, Director, Legislative Services Agency

June 30, 2007

**Findings Reported in the State's Single Audit Report:**

No matters were noted.

**Findings Reported in the State's Report on Internal Control:**

- (1) Capital Assets – Chapter 7A.30 of the Code of Iowa requires each department of the state to maintain a written, detailed and up-to-date inventory of property under its charge and control. The following were noted:
  - (a) The Department performs a monthly reconciliation of capital asset additions to I/3 expenditures. However, the reconciliation is not reviewed by someone independent of the reconciliation process.
  - (b) The Department utilizes an Access database and the MEGA System to track capital asset activity. These systems cannot generate a listing of additions and deletions for financial statement reporting. Information is downloaded and additions and deletions are determined for financial reporting independently. A reconciliation is not performed between the tracking systems and information reported in the GAAP package for financial reporting. The following variances were noted:
    - (1) One land addition was reported as an addition on the GAAP package twice for \$275,427.
    - (2) Three land additions were not reported as additions on the GAAP package for \$521,724.
    - (3) Two buildings deleted during the fiscal year were not reported as deletions on the GAAP package for \$505,384.

Recommendation – The Department should ensure a detailed, up-to-date capital asset listing is maintained and an independent review of the reconciliation is performed by accounting staff and a reconciliation between the Department's tracking system and amounts utilized on the GAAP package for financial reporting should be performed.

Response – The Department does maintain a detailed, up-to-date capital asset listing for all assets. All of the Department's capital assets (except for equipment) are currently tracked on a mainframe computer system, however this system does not allow us to quickly and easily pull out and report the detailed information required for the GAAP package (depreciation calculations and listings of assets meeting the reporting thresholds). Equipment capital assets are tracked on an MS Access database, but this database is currently not set up to track depreciation. This has made it difficult for us to report accurate and complete information while attempting to meet the GAAP package reporting deadline (prior to the actual close of the fiscal year). We are in the process of developing a new capital assets tracking system which will track depreciation and enable us to develop custom reports to more quickly and accurately produce the information required for the GAAP package. As a part of revising our system, we will rewrite our existing procedures to ensure that applicable reviews and reconciliations are performed.

Conclusion – Response accepted.

## Report of Recommendations to the Iowa Department of Natural Resources

June 30, 2007

- (2) Payroll - Departments process and record payroll and personnel information on the Human Resource Information System (HRIS). The Human Resource Associates utilize an online P-1 document to initiate and approve payroll actions, such as adding new employees and recording pay raises. Individuals at the above entities have the ability to initiate and approve timesheets.

Recommendation - To strengthen controls, the Departments should develop and implement procedures to segregate the duties of the Human Resource Associates from the duties of payroll.

Response - The Department employs two Human Resource Associates in our payroll and personnel section. Because both of these employees must process and record payroll and personnel information and serve as each others' backup, it is not possible to completely segregate the duties of initiating and approving payroll actions on the HRIS system. We do plan to work with the Auditor of State's office to develop and implement alternative methods of strengthening controls in this area.

Conclusion - Response accepted.

### **Other Findings Related to Internal Control:**

- (1) Field Offices - Thirty-six sites were selected for on-site review, including eighteen state parks, three Wildlife Units, three Management Offices, two Environmental Offices, two Law Enforcement Offices, two Forestry Offices, two Fish Hatcheries, two Education Centers, one Regional District Office and one Research Station. During the on-site visits, internal controls were reviewed and certain receipts and capital assets were tested. The following were noted:

#### Capital Assets

- (a) Nine sites had equipment with missing or damaged state identification tags.
- (b) Seven sites had equipment on the listing which had been transferred, traded or disposed of prior to June 30, 2007.
- (c) Twelve sites had equipment which was not included on the Department's capital asset listing.

#### Internal Controls

- (a) Five sites lacked segregation of duties related to responsibilities for the collection, deposit and reconciliation of receipts.
- (b) Eight sites were not preparing an initial receipts listing.
- (c) Current policy requires the original receipt for procurement card purchases to be sent into Central Office and copies maintained at the field office. Six sites were not maintaining the required copies.
- (d) Six sites were not restrictively endorsing incoming checks upon receipt.

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Recommendation – The Department should review policies and procedures to ensure adequate controls are in place and policies and procedures are communicated to field office personnel.

Response – The Department does have specific written policies and procedures in place regarding controls over capital assets and receipts and does regularly communicate the established policies and procedures to the outlying DNR field offices. Due to the widespread and large number of outlying locations and ongoing turnover in personnel, however, it is difficult to ensure field personnel are following all established internal control procedures 100 percent of the time. It should be also be noted that in field locations where there is only one full-time employee, segregation of duties is simply not practicable.

The inventory listings are updated on an on-going basis as often as practicable throughout the year, but there will always be timing issues between when inventory items are purchased, disposed of or transferred out in the outlying DNR locations versus when the inventory listing is updated. We believe that one of the primary reasons for these findings is the timing between the auditors' field visits versus the timing of the DNR's annual inventory confirmation and related update of the inventory listing. The results of the confirmation are typically not completely entered into the inventory system until a month or so after the inventory confirmation is conducted due to the workload of the inventory personnel. At the time the auditors chose to conduct their annual field visits, not all updated information from our annual confirmation had been entered. This would obviously increase the number of possible variances.

The Department does plan to review these issues with our field staff to underscore the importance of following our established policies and procedures. We are also in the process of reviewing our existing procedures in an effort to strengthen controls where necessary.

Conclusion – Response accepted.

- (2) Online Reservation Receipts – Online reservations are taken for campsites, cabins and lodges at State Park locations throughout Iowa. Payments for these reservations can either be made by credit card or mailed to a post office box. Iowa Interactive Development is under contract by the Department to collect the mail payments, deposit them and transfer the funds to the Department. The following were noted:
- (a) Responsibilities for receipt collection, deposit preparation and deposit function are not segregated from those of recording and accounting for receipts.
  - (b) The Department is not preparing a monthly reconciliation between the online Sales and Commission report and I/3.

Recommendation – The Department should review the online reservation receipting process and develop policies and procedures to ensure proper segregation of duties. A reconciliation between the online Sales and Commission report and I/3 should be developed to ensure all online sales are receipted and accounted.

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Response – The Department is currently working with Iowa Interactive Development to develop reports to assist in reconciling the online reservation system to I/3. We are also in the process of reviewing our existing procedures regarding the segregation of duties and plan to implement a process to resolve this issue.

Conclusion – Response accepted.

**Findings Related to Statutory Requirements:**

(1) Iowa Code Compliance – The Department was not in compliance with the following provisions of the Code of Iowa during the year ended June 30, 2007:

(a) Toll Free Reporting Number – Chapter 455B.116 states the Department shall create a toll-free number to allow citizens to report instances resulting in the pollution of the environment or damage to natural resources.

The Department has not established the required toll free number.

(b) Compliance Advisory Panel – Chapter 455B.150 states the Department shall create a compliance advisory panel pursuant to Title V, section 507(e) of the federal Clean Air Act Amendments of 1990 to review and report on the effectiveness of the small business technical assistance program.

A compliance advisory panel has not been created.

(c) Inspections – Chapter 455B.174(5) states the Director shall conduct random inspections of work done by city and county public works departments to ensure such public works departments are complying with this part of this division.

The Director has not conducted random inspections of work done by city and county public works departments.

(d) Water Well Construction – Chapter 455B.187 states contractors are to provide required information to the Department and the Iowa Geological Survey within thirty days after construction or reconstruction of a well.

The Department has not monitored whether the required information is being submitted.

(e) Flood Plain Mapping – Chapter 455B.262(1) states the Department shall submit a progress report and proposed implementation schedule for flood plain mapping to the General Assembly biennially.

The Department has not submitted a progress report and proposed implementation schedule to the General Assembly.

(f) Sanitary Disposal Projects – Chapter 455B.305(1) states the Department or the Local Board of Health shall inspect sanitary disposal projects annually.

Sanitary disposal sites are not inspected annually.

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- (g) Hazardous Waste Water Treatment – Chapter 455B.412(3) states the Department shall adopt rules for certifying supervisory personnel and operators of hazardous waste treatment, storage or disposal facilities.

The Department has not adopted the required rules.

- (h) Registry Of Hazardous Waste Sites or Hazardous Substance Disposal Sites – Chapter 455B.426(2) states the Director shall investigate all known or suspected hazardous waste or hazardous substance disposal sites and determine whether each site should be included in the registry.

The Director does not investigate hazardous waste and hazardous substance disposal sites to determine whether the site should be included in the registry.

- (i) Research Proposals – Chapter 455B.484(10) states the Department shall solicit proposals from public and private agencies to conduct hazardous waste research and to develop and implement storage, treatment and other hazardous waste management practices.

The Department has not solicited proposals.

- (j) Infectious Waste Treatment – Chapter 455B.503 states the Commission shall adopt rules which require a person who owns or operates an infectious waste treatment or disposal facility to obtain an operating permit before initial operation of the facility.

The Commission has not adopted rules.

- (k) Infectious Medical Waste Collection and Transport - Chapter 455B.504 states the Commission shall adopt rules which require a person who owns or operates an infectious medical waste collection or transportation operation to obtain an operating permit before initial operation of the facility.

The Commission has not adopted rules.

- (l) Toxic Pollution Prevention Program – Chapter 455B.517(2) states the Department shall develop and implement a toxic pollution prevention program.

The Department has not developed the required program.

- (m) Toxic Pollution Forums – Chapter 455B.517(9) states the Department shall provide a forum for public discussion and deliberation of toxic substances and toxic pollution prevention.

The Department has not provided the required public forum.

- (n) Toxic Pollution Prevention Plans – Chapter 455B.518(5) states a toxics user shall maintain a copy of the plan on the premises and shall submit a summary of the plan to the Department.

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The Department does not receive a summary of the Toxics Pollution Prevention Plan for toxics users.

- (o) Contamination Sites – Chapter 455B.601(1) states the Commission shall adopt rules to establish criteria for the classification and prioritization of sites upon which contamination has been discovered.

The Department has not developed criteria for the classification and prioritization of sites.

- (p) Waste Volume Reduction – Chapter 455D.7 states the Environmental Protection Commission shall annually recommend to the General Assembly the imposition of waste abatement fees, rebates and deposits.

The Commission has not made annual recommendations as required.

- (q) Ground Water Protection – Chapter 455E.8(10) states the Department, in conjunction with the Department of Education and the Department of Environmental Education at the University of Northern Iowa, shall develop a program regarding water quality.

The Department has not implemented this program.

- (r) Annual Report – Chapter 456.7 states the State Geologist shall annually, at the time provided by law, make a full report to the Governor of the work in the preceding year, which report shall be accompanied by such other reports and papers as may be considered desirable for publication.

The State Geologist has not provided the Governor a full report of the work in the preceding year.

Recommendation – The Department should comply with the Code of Iowa or seek to have the provisions changed or repealed.

Response –

- (a) The Department receives a continually increasing number of citizens reporting incidents alleging pollution of the environment or damage to resources through many avenues. These avenues include our established telephone numbers throughout the state, such as at field offices as well as at the central office and via our 24 hour hazardous incident reporting telephone number. Not having a toll free line has not appeared to have diminished the access for citizens to report such incidents. The Department plans to attempt to have the legislation changed to eliminate this requirement. The department has established a spill hotline at 515/281-8694. Although it is not toll-free, it is a 24 hour/365 service that covers the entire state.
- (b) The statutory language has been changed to detail the federal requirements for membership on the panel. Through the process of gaining support for these changes the Department received substantial legislative support for having these

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positions filled. The DNR's legislative liaison is working with legislative leadership to secure recommendations for membership on the panel. The DNR hopes to have the panel fully appointed by the fall of 2008.

- (c) This is a low priority for the Department and resources are currently unavailable to conduct the inspections. The large water utilities, which are the only systems to which this authority has been delegated, conduct their own inspections.
- (d) The Department does maintain a water well contractor's certification program and does track well contractors to ensure they are properly certified. We do not always know who the specific well contractor is for public water supply wells so it is difficult for us to follow up on submittal of the required information. It is even more difficult for private wells. A list of all certified well contractors can be found viewed over the internet at: <http://programs.iowadnr.com/opcertweb>.
- (e) A progress report has not been submitted to the General Assembly. Due to funding cuts, backlog and prioritization, the Department works closely with the Federal Emergency Management Agency (FEMA) who has been funded for mapping. The Department helps to scope out what needs to be mapped and then meets with FEMA. The Department works with FEMA to finalize flood plain mapping plans.
- (f) Senate File (SF) 2276 was passed and signed into law during the 2008 legislative session. In part the legislation revised Chapter 455B.305(1)"b" to now read, "Each sanitary disposal project shall be inspected periodically by the department or a local board of health."
- (g) The program was turned over to U.S. EPA in the late 1980's. There continue to be discussions for the State to take back the program, therefore, this Code section has not been placed on the legislative agenda to be rescinded.
- (h) The management of hazardous wastes is administered at the Federal level through the Resource Conservation and Recovery Act (RCRA) part C program. The federal government has not delegated responsibility for RCRA to the State of Iowa. As a result, an annual report for the State on the management of hazardous waste is not being produced. It would take legislative action to reassign the hazardous waste responsibilities from the U.S. EPA to the Department. We investigate such sites as we become aware of them, often as a by-product of real estate transactions. However, we do not engage in any systematic attempt to search out such sites. Listing new sites on the registry has been a very low priority item for several years. Most contaminated sites are currently handled through other programs.
- (i) The management of hazardous wastes is administered in the State by U.S. EPA through the Resource Conservation and Recovery Act (RCRA) part C program. As a result the Department does not solicit proposals for hazardous waste research or to develop management practices. The Department will recommend that this subsection be rescinded during the 2009 legislative session.
- (j) Due to rulemaking priorities these rules have not been developed. It is anticipated that rulemaking will be undertaken during the 2010 fiscal year.

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- (k) Due to rulemaking priorities these rules have not been developed. It is anticipated that rulemaking will be undertaken during the 2010 fiscal year.
- (l) A toxic pollution prevention program for businesses and industries that use toxic materials and generate hazardous waste continues to be administered by the Department. Information on the toxic pollution prevention program can be viewed on the web at <http://www.iowadnr.com/waste/p2/ems.html>.
- (m) The Department utilizes the Business Assistance program to implement workshops for discussion and deliberation regarding toxic substances and toxic pollution prevention. Some of the workshops provided by the Business Assistance program include invited guests and are opened to the public and interested parties. The Department also provides electronic newsletters to its customers. The latest newsletter and archives can be found at <http://www.iowadnr.com/waste/p2/index.html>.
- (n) The Department does not require a Toxics Pollution Prevention Plan as described. The Department needs to implement a clean up bill to repeal this language.
- (o) Rules have not been developed since there is no funding dedicated to this program.
- (p) Each year the Department drafts solid waste related legislative proposals which include the imposition of fees, rebates and deposits. This past session a recommendation was made to place a fee on tires at the point of sale as a means to fund the waste tire management program. The Department has continued to make legislative recommendations on how to refine and improve the beverage container deposit law (Chapter 455C) which it administers. During this past session, the Department recommended expanding the types and number of containers addressed in the current law as well as increasing the amount of the deposit.
- (q) The Department works closely with educators across the State to develop and provide materials and messages that address the areas of water quality. We distribute books, pamphlets, flyers, and other printed materials to schools. We also provide staff to present information to students in the areas of geology and water quality. A groundwater basics book has been created and distributed to all schools and public libraries.
- (r) The report for FY 2008 will be sent to the Governors office by the end of July 2008. We will follow that schedule in future years as well.

Conclusion – Response acknowledged. The Department should comply with the Code of Iowa or seek to have the provisions changed or repeated.

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June 30, 2007

**Staff:**

Questions or requests for further assistance should be directed to:

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