



**OFFICE OF AUDITOR OF STATE**  
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**NEWS RELEASE**

FOR RELEASE

October 9, 2014

Contact: Andy Nielsen  
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Auditor of State Mary Mosiman today released a report on the Iowa Department of Natural Resources for the year ended June 30, 2013.

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.

The report contains recommendations for the Department to:

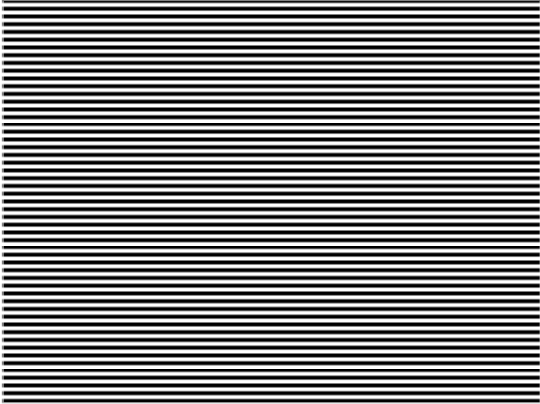
- (1) Comply with established guidelines related to payroll distribution.
- (2) Ensure all procurement card purchases are properly supported, timely reconciled and in compliance with established requirements.
- (3) Review policies and procedures covering internal control over receipts and capital assets at field offices.
- (4) Implement internal controls over the billing, cost analysis and writing fees related to park reservations and licensing.
- (5) Develop and implement internal controls over clothing allowances.
- (6) Establish policies and procedures related to write-offs and the collectability of receivables.
- (7) Comply with certain statutory requirements concerning its operations.

The report also includes the Department's responses to the recommendations.

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 at <http://auditor.iowa.gov/reports/1460-5420-BR00.pdf>.

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

**JUNE 30, 2013**

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







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Mary Mosiman, CPA  
Auditor of State

October 6, 2014


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, 2013.

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 recommendations which are reported on the following pages. We believe you should be aware of these recommendations, which include those reported in the State's Single Audit Report and the State's Report on Internal Control, as well as other recommendations pertaining to the Department's internal control and 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. While we have expressed our conclusions on the Department's responses, we did not audit the Iowa Department of Natural Resources' responses and, accordingly, we express no opinion on them.

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 matters, we shall be pleased to discuss them with you at your convenience. Individuals who participated in our audits of the Department are listed on page 13 and they are available to discuss these matters with you.

  
MARY MOSIMAN, CPA  
Auditor of State

  
WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

cc: Honorable Terry E. Branstad, Governor  
David Roederer, Director, Department of Management  
Glen P. Dickinson, Director, Legislative Services Agency

June 30, 2013

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

**CFDA Number: 15.605 – Sport Fish Restoration Program**

**Agency Number: F10AF00056, F12AF00385, F12AF00581, F12AF00576, F12AF00378,  
F12AF00379, F12AF00712**

**Federal Award Year: 2009, 2010, 2011, 2012**

**CFDA Number: 15.611 – Wildlife Restoration and Basic Hunter Education**

**Agency Number: F10AF00056, F12AF00385, F12AF00581, F12AF00576,  
F12AF00378, F12AF00379, F12AF00712**

**Federal Award Year: 2009, 2010, 2011, 2012**

**State of Iowa Single Audit Report Comment: 13-III-DOI-542-1**

Reporting – Quarterly Financial Status Reports are completed and submitted to the U.S. Fish and Wildlife Service. These reports were not reviewed and approved by an independent person for propriety prior to submission.

Recommendation – The Department should establish procedures to ensure the quarterly reports are reviewed and approved by an independent person who is knowledgeable of the common requirements of the programs. This independent review should be evidenced by the reviewer's signature or initials and the date of review.

Response and Corrective Action Planned – The Department will work towards ensuring a knowledgeable independent person reviews the quarterly reports prior to submittal. Upon completion, the independent reviewer will initial and date as evidence of the review.

Conclusion – Response accepted.

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

Payroll – The Department processes and records 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.

Three individuals have the ability to apply multiple levels of approval to timesheets. These three individuals also have the ability to initiate and approve P-1 documents.

Also, one individual receives the preliminary payroll report, makes changes and reviews the final report. However, the preliminary payroll report is not maintained and there is no independent review to ensure the final adjusted payroll report is correct.

In addition, nine of seventy timesheets were either not approved by a supervisor, were approved by a supervisor after the payroll warrant date or the timesheets did not have the approval date documented. For two timesheets, the same individual performed the employee and supervisor approval. One timesheet of the seventy could not be located.

Recommendation – To strengthen controls, the Department should develop and implement procedures to further segregate duties so individuals do not have the ability to apply multiple levels of approval for timesheets. The Department should obtain a listing from the Department of Administrative Services to verify Department approvals of P-1 documents are being applied appropriately. This report should be independently reviewed by the Bureau Chief or designee.

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Also, the individual certifying the final payroll reports should periodically choose individual items from the payroll reports to review for accuracy and documentation of changes from the preliminary report should be kept with the final payroll report.

In addition, the Department should develop procedures to ensure timely approval of timesheets.

Response – The Department maintains a listing of all full time employees by cost center which is compared to the Table of Organization (TO) by an independent third person quarterly to ensure employees have not been added without proper approval. Additionally, a quarterly Cost Center Summary Report is posted to the intranet for supervisors to review to ensure all the employees being charged have been properly authorized.

Utilizing the two Human Resource Associates and the Human Resource Supervisor, the Department makes every effort to segregate timesheet approval levels and segregate P-1 initiation from P-1 approval.

In addition, the Department strengthened payroll internal controls during fiscal year 2013. The Department initiated a new procedure in which an individual periodically selects a random selection of employees from the final payroll report to review for accuracy. The Department also implemented TARS 10, a new version of the Time and Activity Reporting System, which allows for more accurate conservation officer time reporting and documentation of supervisor review.

Furthermore, the Department will continue to work with supervisors to ensure timesheets are properly approved in a timely manner and timesheet approval levels are segregated.

Conclusion – Response accepted.

**Other Findings Related to Internal Control:**

- (1) Field Offices – Nineteen sites were selected for on-site review, including fourteen state parks, two Environmental Offices, two Fish Hatchery/Rearing Stations and one Wildlife Unit. During the on-site visits, internal controls were reviewed and certain receipts and capital assets were tested. The following were noted:

Capital Assets

- (a) Two sites had capital assets which were not properly tagged.
- (b) Two sites had an asset listing which was not properly updated.

Internal Control

- (a) Fifteen sites lacked segregation of duties related to responsibilities for the collection, deposit and reconciliation of receipts.
- (b) For four sites, deposits were not made timely.
- (c) For twelve sites, receipts were not counted by an independent person in a secure location.
- (d) For four sites, the miscellaneous receipt books were not returned to Central Office at the end of the year.
- (e) For two sites, the camping coupon books on hand did not agree with Central Office's inventory.

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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 has established policies and procedures in place for receipt collection at the field locations which include timely deposit, segregation of duties and the timely return of miscellaneous receipt books. Due to the wide-spread and large number of locations, however, it is challenging to ensure adequate coverage of field personnel to follow established policies and procedures in every respect.

Capital asset listings are updated on an on-going basis throughout the fiscal year. Timing issues will always be a factor in the recording of the Department's additions, transfers and deletions due to central office notification from field personnel. Also, there is a delay in asset tag application, as asset tags are sent from the Central Office to field staff via mail.

The Department performs an annual confirmation of capital assets with field personnel to ensure any additions/deletions are properly recorded. This annual process also includes verification of capital asset location and tag placement visibility. Furthermore, the Department posts the current equipment asset listing to the Department intranet for additional field staff and supervisory review monthly.

Conclusion – Response accepted.

- (2) Parks Reservation System and the Electronic Licensing System for Iowa – The Office of Auditor of State conducted a review related to the Parks Reservation System (PRS) and the Electronic Licensing System for Iowa (ELSI) administered by the Department. The PRS allows customers to make reservations for campgrounds, cabins, lodges and shelters using the internet or by calling the reservation call center. The ELSI provides the Department with an automated licensing system to be used by individuals to purchase hunting and fishing licenses. The review, which covered the period July 1, 2006 through June 30, 2011, resulted in a report dated July 28, 2011. The report recommended the Department implement procedures to improve internal controls over the following:
- a) Billing - the Department should implement procedures to ensure billings from the contractors are supported and can be reconciled to underlying records, such as the number of reservations made and the number of licenses sold.
  - b) Cost Analysis – the Department should evaluate the fees charged to individuals for reservations and administration to determine whether they are comparable and competitive with other alternatives and adequate to cover costs.
  - c) Revenue Collections - the Department should ensure a monthly reconciliation is performed between revenue collected versus revenue recorded in the State's accounting system.

A copy of the report is available for review in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/specials/0960-5420-BOP2.pdf>.

Fiscal Year 2013 Status – Our review of these areas during the fiscal year 2013 financial audit found the above issues were not resolved. Accordingly, the above recommendations are repeated.



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Fiscal Year 2013 Response – a) and c) The Department implemented new procedures during fiscal year 2014. Reconciliations are now performed quarterly between revenue collected and revenue recorded in the State’s accounting system. In addition, staff also compare monthly billings to underlying support.

b) The fees charged to individuals for reservations and administration are set by administrative code. The Department strives to make all Department of Natural Resources parks and recreation areas available to all and as such, the Department has no plans to initiate a fee increase Code change.

Conclusion – a) and c) Responses accepted. b) Response acknowledged. It is within the Natural Resource Commission’s authority to set the fees to be charged for park reservations and administration of the Electronic Licensing System. However, the Department and Commission should periodically evaluate whether the established fees set by administrative code are adequate to cover administrative costs and document the public purpose for maintaining fees at the rates established.

- (3) 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 Department performs a monthly reconciliation of capital asset additions to I/3 expenditures. However, the monthly reconciliations for land were not performed timely. As of June 19, 2013, reconciliations were only completed through August 2012.

Recommendation – Monthly reconciliations for land should be performed timely.

Response – The Department made substantial progress in improving internal controls over capital assets during fiscal year 2013. All reconciliations were completed and independently reviewed for accuracy prior to required financial reporting timelines. Land reconciliations were performed later in the fiscal year as the capital asset coordinator was on extended sick leave.

Conclusion – Response accepted.

- (4) Uncollectable Accounts – For the year ended June 30, 2013, the Department reported an accounts receivable balance of approximately \$410,000 for administrative penalties and approximately \$950,000 for assessed damages. These receivable balances consist of amounts dating back to 1997. The Department has not established formal policies or procedures related to write-offs of these receivables or evaluating the likelihood of their collectability.

Recommendation – The Department should establish policies and procedures related to write-offs and the collectability of the receivables identified above.

Response – The Department will develop and implement a formal uncollectable administrative penalty policy. Although the Department has not yet developed a formal written policy, all penalties deemed uncollectable are turned over to the Iowa Department of Revenue for collection. The Iowa Department of Revenue has the authority to perform income offsets, deny vehicle registrations and withhold Iowa tax refunds for debt settlement.

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In regards to assessed damages, these penalties are assessed by court judgment for the unlawfully taking, catching, killing, injuring, destroying, or having in possession any fish, game or fur-bearing animal. As such, per Code of Iowa section 481A.131, any liquidated damages assessed are collected by the State's Clerks of Court and remitted to the Department.

Conclusion – Response acknowledged. The Department should also establish policies and procedures related to write-offs and the collectability of assessed damages.

- (5) Annual Clothing Allowances – Annual clothing allowances are provided for certain employees of the Department as a condition of their employment. Clothing purchases are processed on individual employee issued procurement cards as well as on travel payment claims submitted to the Department by the employee. During fiscal year 2013, a total of \$158,055 in procurement card purchases were coded as “clothing, shoes and personal supplies”. An additional \$18,030 coded as “clothing, shoes and personal supplies” was paid through travel payment claims.

Guidelines for clothing allowances are documented in the American Federation of State, County and Municipal Employees (AFSCME) Master Contract and the State Police Officers Council (SPOC) agreement which apply to certain department employees. These guidelines stipulate the amount of clothing allowance which shall be allowed. However, no guidelines have been established by the Department which provide for a maximum allowance by employee classification, division or bureau or the type of clothing which qualifies for the allowance.

Clothing purchases are to be monitored by individual supervisors. Not all Department bureaus monitor clothing allowances for individual staff. Certain bureaus have indicated clothing allowances are monitored as they relate to the amount budgeted for clothing. In addition, a district supervisor indicated while the amount specified in the employee contract serves as a guideline or target amount, it is not necessarily the maximum amount an employee can spend on uniform related items. Also, certain clothing items, considered safety equipment, such as rain gear, steel toed boots and waders, are not to be considered part of the annual clothing allowance. Monitoring the clothing allowance on an individual basis is not required.

The Department's PCard Reference Purchasing Guidelines does require clothing purchases made on procurement cards to be clearly marked as “clothing allowance”. However, for thirteen of fifteen employees tested whose clothing purchases were made using a procurement card, no documentation was provided on the monthly statement to indicate whether the clothing purchase was to be included as part of their annual clothing allowance.

Recommendation - The Department should establish written policies and procedures to establish maximum clothing allowances by employee classification. The Department should also establish control procedures to monitor clothing allowances by employee to ensure maximum allowances are not being exceeded. In addition, to ensure better monitoring of clothing allowances, monthly procurement card statements should contain documentation identifying clothing purchases.

Response - The Department will develop and implement clothing allowance policies which comply with the State's collective bargaining agreements.

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Conclusion – Response acknowledged. Policies should also establish a maximum clothing allowances by employee classification. In addition, the Department should ensure monthly procurement card statements contain documentation identifying clothing purchases as required.

- (6) Procurement Cards – The Department issues procurement cards to designated employees for use in purchasing office supplies, facility maintenance supplies, uniforms and other supplies.

The rules governing the use of these cards are outlined in the Iowa Department of Administrative Services – State Accounting Enterprise (DAS–SAE) Purchasing Card Program Procedures Manual. Section 4.6 of the Purchasing Card Program Procedures Manual states each and every purchase must be supported by the vendor’s original receipt. Also, section 4.5 notes all purchases made with a procurement card are to be sales tax exempt. In addition, section 4.8 requires the cardholder to send all supporting documentation to their agency accountant on a timely basis to ensure costs can be properly reconciled and processed on a timely basis to avoid late fees.

During fiscal year 2013, 30 procurement card purchases were tested. The following were noted:

- (a) Two transactions included sales tax.
- (b) For two transactions, a reconciliation of the credit card statement to the supporting receipts was performed after the credit card payment was made.
- (c) One transaction was coded to an incorrect object code.
- (d) One transaction did not have supporting documentation.
- (e) Three employees did not sign and date their monthly procurement card statements.

Recommendation – The Department should ensure all purchases made with procurement cards are properly supported and supporting documentation is provided and used to reconcile card activity as outlined above. In addition, the Department should provide adequate training to employees to ensure all cardholders are aware of the requirements and should establish procedures to revoke cards if their use is not in compliance with the rules.

Response – During fiscal year 2014, the Department hired a new Procurement Card Coordinator. Reconciliations between statements and receipts are now reviewed on a monthly basis. If any issues are noted, statements are returned to the cardholder for resolution.

Conclusion – Response accepted.

June 30, 2013

**Findings Related to Statutory Requirements and Other Matters:**

Iowa Code Compliance – The Department was not in compliance with the following provisions of the Code of Iowa during the year ended June 30, 2013:

- (a) Civil Penalties – Chapter 455B.109 states the Commission shall establish, by rule, a schedule or range of civil penalties which may be administratively assessed. Subsection 4 states a penalty shall be paid within thirty days of the date the order assessing the penalty becomes final. A person who fails to timely pay a civil penalty assessed by a final order of the Department shall pay, in addition, interest at the rate of one and one-half percent of the unpaid balance of the assessed penalty for each month or part of a month the penalty remains unpaid.

The Department did not assess the interest of one and one-half percent on unpaid penalties.

- (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) Agricultural Easement Program – Chapter 456B.11 states the Department shall develop and implement a program for the acquisition of wetlands and conservation easements on and around wetlands which result from the closure or change in the use of agricultural drainage wells.

The Department has not implemented this program.

- (d) Inventory of Protected Wetlands – Chapter 456B.12 states the Department shall inventory the wetlands and marshes of each county and make preliminary designation as to which constitutes protected wetlands. Also, the Director shall issue an order designating the protected wetlands in the county within sixty days following the completion of the hearing or the issuance of a mediation release.

The Department has not complied with this provision.

- (e) Protection of Wetlands – Chapter 456B.13(2) states the Department shall refuse a permit to drain a protected wetland unless the protected wetland is replaced by the applicant with a wetland of equal or greater value as determined by the Department or the protected wetland does not meet the criteria for continued designation as a protected wetland.

The Department has not complied with this provision.

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

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Response –

- (a) The Iowa Department of Natural Resources utilizes a 28E agreement with the Iowa Department of Revenue for collection of debts including those of unpaid administrative penalties. The Iowa Department of Revenue has the authority to perform income offsets, deny vehicle registrations and withhold Iowa tax refunds for debt settlement.

After the Legal Services Bureau has determined the penalty is likely to remain unpaid, the administrative penalty amount and debtor information is submitted to the Iowa Department of Revenue for collection. Due to the debt collection process in place between the Iowa Department of Natural Resources (DNR) and the Iowa Department of Revenue, it is not practical from a cost benefit analysis for the DNR to monthly assess interest. Staff would have to monthly recalculate and report the accrued 1 ½ percent interest to the Department of Revenue for collection as a separate debt for each debtor and administrative penalty. The collection process requires debts to exceed \$50 for collection. Depending on the amount of the administrative penalty, it could take several months to reach the collection minimum.

Going forward, the Department of Natural Resources will evaluate the feasibility of having the Department of Revenue calculate and collect interest on behalf of the Department of Natural Resources for administrative penalties.

- (b) Iowa Code section 455B.150 creates the Compliance Advisory Panel and requires that the panel consist of 2 persons appointed by the Governor, 4 persons appointed by the leadership of the General Assembly and the Department's Director, or designee. As of today, these appointments remain unfilled. The Panel has never been fully appointed since the requirement was established in the 1990 federal Clean Air Act amendments. Appointments made by past administrations have expired and there are no current appointments. A timeline of previous appointments, primarily from the Governor, is available. The Department plans to notify the leadership at the Legislature and Governor's Office regarding this matter. The Department continues to work with the representatives of the Iowa Waste Reduction Center, the Department's Pollution Prevention Services, the Iowa Economic Development Authority and representatives of small business to address the needs of small businesses until the Compliance Advisory Panel is fully appointed. The Department will convene the Compliance Advisory Panel once fully appointed.
- (c) The Department has recommended this subsection be rescinded during previous legislative sessions. The Department will again work towards the rescindment of this subsection in the upcoming legislative session.
- (d) The Department has recommended this subsection be amended during previous legislative sessions to include the most recent federal wetland classification system to address all wetlands and to identify the appropriate public outreach tool. The Department will again work to amend this subsection in the upcoming legislative session.

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- (e) The Department has recommended this subsection be amended during previous legislative sessions to include the most recent federal wetland classification system to address all wetlands and to identify the appropriate public outreach tool. The Department will again work to amend this subsection in the upcoming legislative session.

Conclusion – Response accepted.

Report of Recommendations to the Iowa Department of Natural Resources

June 30, 2013

**Staff:**

Questions or requests for further assistance should be directed to:

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Other individuals who participated in the audits include:

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