

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

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NEWS RELEASE

FOR RELEASE

October 10, 2016

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, 2015.

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) Review policies and procedures covering internal control over receipts and capital assets at field offices.
- (3) Implement internal controls over cost analysis related to park reservations and licensing.
- (4) Establish policies and procedures related to write – offs and the collectability of receivables.
- (5) Comply with certain statutory requirements concerning its operations.

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

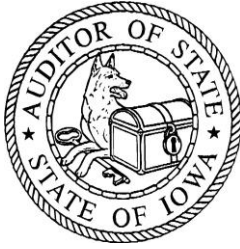
A copy of the report is available for review in the Iowa Department of Natural Resources, in the Office of Auditor of State and on the Auditor of State's website at <https://auditor.iowa.gov/reports/1660-5420-BR00>.

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

JUNE 30, 2015

Iowa Department of Natural Resources



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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October 3, 2016

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, 2015.

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 the recommendation 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. 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 10 and they are available to discuss these matters with you.

Mary Mosiman
MARY MOSIMAN, CPA
Auditor of State

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

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Findings Reported in the State's Single Audit Report:

No matters were noted.

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

Payroll – Departments process and record payroll and personnel information in 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, four of ten timesheets tested were approved by a supervisor on or after the payroll warrant date and two of ten timesheets tested were not approved by a supervisor.

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 to 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.

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 and the preliminary report should be kept with the final payroll report.

In addition, the Department should develop procedures to ensure all timesheets are approved timely.

Response – The Department makes every effort to ensure accurate time reporting. Beginning in fiscal year 2016, the Department requested a P-1 report quarterly from the Department of Administrative Services. This report is formatted upon receipt to determine which P-1's are initiated and approved by the same individual. These P-1's are then reviewed for reasonableness and necessity by the Human Resource Supervisor or his designee. The Department will also periodically perform an independent review of final payroll journals to approved timesheets.

In addition, the Department plans to eliminate the use of paper timesheets by April 2016. The shift from bubble sheets (paper timesheets) to the Time and Activity reporting system – TARS, will increase the accuracy of time reporting, and allow timely supervisor approval.

Conclusion – Response accepted.

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Other Findings Related to Internal Control:

- (1) Field Offices – Twenty-one sites were selected for on-site review, including two State Parks, two Environmental Offices, one Law Enforcement Office, four Wildlife Units, five Management Offices, three Fish Hatchery/Rearing Stations, two Research Stations, one Regional Office and one Air and Water Quality Office. During the on-site visits, internal controls were reviewed and certain receipts and capital assets were tested. The following were noted:

Capital Assets

Five sites had capital assets which were not properly tagged.

Internal Control

- (a) Fourteen sites lacked segregation of duties related to responsibilities for the collection, deposit and reconciliation of receipts.
- (b) Two sites did not prepare an initial listing of receipts.
- (c) Access to cash receipts was not restricted to a limited number of people at two sites.
- (d) Receipts were not counted by an independent person in a secure location at two sites.
- (e) Evidence of the reconciliation of receipts to the initial listing does not exist at two sites.
- (f) Deposits were not made in a timely manner at five sites.

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

Response – The Department has policies and procedures in place for receipt collection, segregations of duties and the reconciliation of receipts to the initial listing. The Department is also working towards establishing a site visit program to ensure all policies and procedures are adequately communicated to field staff and internal controls are operating effectively.

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 also 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, tag legibility and tag placement visibility.

Conclusion – Response accepted.

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- (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 evaluate the fees charged to individuals for reservations and administration to determine whether they are comparable and competitive with other alternatives and are adequate to cover costs.

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 <https://auditor.iowa.gov/reports/0960-5420-B0P2>.

Fiscal Year 2015 Status – Our review of these areas during the fiscal year 2015 financial audit found the issues have not been resolved. Accordingly, the recommendation is repeated.

Response – The Department has implemented a comparison of park fees to surrounding states and performed a comparison of revenue to expenditures for the fiscal year.

Conclusion – Response accepted.

- (3) Uncollectable Accounts – For the year ended June 30, 2015, the Department reported an accounts receivable balance of approximately \$412,000 for administrative penalties and approximately \$962,000 for assessed damages. These receivable balances consist of amounts dating back to 1997. The Department has not established formal policies or procedures related to establishing allowances for doubtful accounts for these receivables or evaluating the likelihood of their collectability.

Recommendation – The Department should establish policies and procedures related to establishing allowances for doubtful accounts and the collectability for the receivables identified.

Response – The Department has implemented a written policy for the write-off of uncollectable administrative penalties. However, liquidated damages 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.

Conclusion – Response acknowledged. The Department should also establish policies and procedures related to establishing allowances for doubtful accounts and the collectability of assessed damages.

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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, 2015:

- (a) 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.

- (b) Public Works Inspections – Chapter 455B.174(5) states the Director’s duties shall include conducting random inspections of work done by city and county public works departments to ensure public works departments are complying with this division. (Division III - Water Quality) If a city or county public works department is not complying with section 455B.183 in reviewing plans and specifications or in granting permits or both, the Department shall perform these functions in that jurisdiction until the city or county public works is able to perform them.

The Department has not conducted any random inspections.

- (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.

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

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Responses –

- (a) 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 will convene the Panel once fully appointed. Until the Panel is fully appointed, the Department will continue 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.
- (b) The Departmental Water Quality Bureau has implemented review of city and county water supplies that have permitting authority for water main extensions and ensures the local permitting authorities have approved standard specs on file, have a professional engineer issuing the permits and the systems submit the permits to DNR along with quarterly reports. The Department reviews all of the permits and reports to make certain they fall into the permit authority delegation requirements. These ongoing reviews provide greater oversight than selective, random inspections.
- (c) The Department is always interested in working with willing landowners to restore wetlands. However, the Department has not developed a specific program for the acquisition of wetlands and conservation easements resulting from the closure of agricultural drainage wells. Two reasons have prevented the Department from developing a program:

The Department has a strong interest in restoring wetlands. However, acquiring highly productive farmland, either by easement or fee simple, is very expensive. Additional sources of funding would be necessary for the successful implementation of this program. The Department has relied on federal programs to accomplish this work.

The Department has worked closely with the Iowa Department of Agriculture and Land Stewardship (IDALS) in our mutual efforts to reduce the negative impacts of agricultural drainage wells. The IDALS agricultural drainage well closure program has had adequate funding and good landowner participation in its effort to close wells by cost-sharing alternative drainage systems. Although Iowa Code section 460.304 allows IDALS to use agricultural drainage well closure funding for alternatives such as restoration of wetlands, landowners have historically been interested in continuing to farm the land. History has shown farmers prefer assistance with alternative drainage more than wetland restoration. To date, IDALS has found little landowner interest in the alternative to restore wetlands.

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The Department recommended this section be rescinded during the 2013 legislative session. The Department will again work to rescind this subsection in the upcoming legislative session.

- (d) This program was never established because the current Federal regulations exceed the protection this Code requirement would offer. Current Federal regulations (Section 404 and State 401 Certification under the Clean Water Act) accomplish the same or more than this Code section, as this section regulates only pothole type wetlands classified as “Type 3, 4, or 5”. This wetland classification is outdated and fails to recognize other wetland types such as forested wetlands, fens and sedge meadows. It also exempts wetlands located in drainage or levee districts. See Iowa Code section 456B.1.

The Department recommended this section be amended during the 2013 legislative session. The Department will again work to amend in the upcoming legislative session.

Conclusions – Response accepted for (a), (c) and (d). Response acknowledged for (b). The Department should comply with the Code of Iowa or seek to have the provisions changed or repealed.

Report of Recommendations to the
Iowa Department of Natural Resources

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Staff:

Questions or requests for further assistance should be directed to:

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