



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

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NEWS RELEASE

FOR RELEASE

September 5, 2017

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, 2016.

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) Establish policies and procedures related to write-offs and the collectability of receivables.
- (2) 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/1760-5420-BR00>.

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

JUNE 30, 2016

Iowa Department of Natural Resources



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August 15, 2017


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, 2016.

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 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 8 and they are available to discuss these matters with you.


MARY MOSIMAN, CPA
Auditor of State

cc: Honorable Kim Reynolds, Governor
David Roederer, Director, Department of Management
Glen P. Dickinson, Director, Legislative Services Agency

Report of Recommendations to the
Iowa Department of Natural Resources
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Findings Reported in the State's Single Audit Report:

No matters were noted.

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

No matters were noted.

Other Finding Related to Internal Control:

Uncollectable Accounts – For the year ended June 30, 2016, the Department reported an accounts receivable balance of approximately \$374,000 for administrative penalties and approximately \$979,000 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 will work to evaluate the likelihood of the collectability of administrative penalties and liquidated damages. The Department plans to implement an allowance for doubtful accounts for the fiscal year 2017 report.

Conclusion – Response accepted.

Findings Related to Statutory Requirements and Other Matters:

(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, 2016:

- (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.

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- (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.

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. The panel has never been fully appointed. As of today, one recent appointment was made by the House of Representatives Majority Party due to the Department's efforts. In June 2017, the Department corresponded with the House of Representatives Minority party as well as both Senate parties requesting appointments be conducted. 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.

The Department will work to amend this code section in the upcoming legislative session.

- (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.

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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 that farmers prefer assistance with alternative drainage more than wetland restoration. To date, IDALS has found little landowner interest in the alternative to restore wetlands.

The Department will again work to amend this code section 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 will again work to amend this code section in the upcoming legislative session.

Conclusions – Responses accepted.

- (2) Targeted Small Business Procurement Goal – Chapter 73.16 of the Code of Iowa requires the Director of each state agency or department of state government (state agency) having purchasing authority, in cooperation with the Targeted Small Business (TSB) Marketing and Compliance Manager of the Iowa Economic Development Authority (IEDA), to establish a procurement goal for certified targeted small businesses each fiscal year. The procurement goal shall include the procurement of goods and services, including construction, but excluding utility services. The goal shall be stated in terms of a dollar amount and at a level exceeding the procurement levels from certified targeted small businesses during the previous fiscal year.

The TSB procurement goal for the Department for fiscal year 2016 was not set at a level exceeding the fiscal year 2015 actual TSB spending, or seek legislation to change this statutory requirement.

Recommendation – The Department should set the TSB procurement goal at a level greater than the previous year’s actual TSB spending or seek to have this provision changed or repealed.

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Response – The Department was unaware of the requirement for the agency’s goal to exceed prior year spending. The Department established our goal after consideration of our reduced spending plan and the improvements made by the I/3 team removing duplicates in the data warehouse TSB report. It is also worth mentioning that while fiscal year 2015 TSB spending exceeded a million dollars, in fiscal year 2016 the Department did not meet its reduced goal of \$950,000, not even reaching \$600,000 in TSB sales. The Department will ensure our goals exceed prior year spending in the future.

Conclusion – Response accepted.

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Staff:

Questions or requests for further assistance should be directed to:

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