



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

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NEWS RELEASE

FOR RELEASE August 18, 2006

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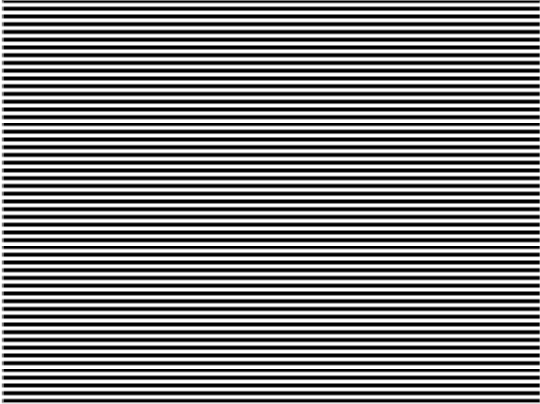
Auditor of State David A. Vaudt today released a report on the Iowa Department of Natural Resources for the year ended June 30, 2005.

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 reported the Department had not complied with certain statutory requirements concerning its operations during the year ended June 30, 2005. The Department responded it is working to comply with the statutory requirements.

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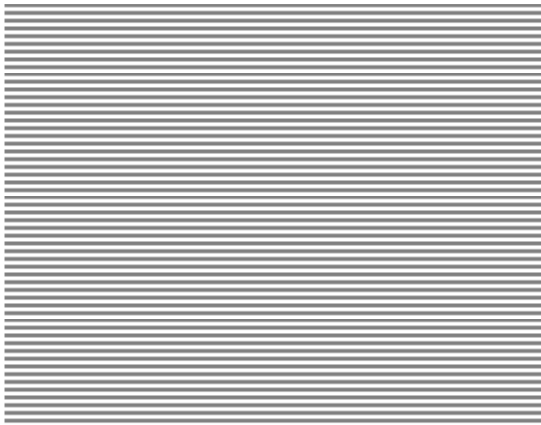
**REPORT OF RECOMMENDATIONS TO THE
IOWA DEPARTMENT OF NATURAL RESOURCES**

JUNE 30, 2005

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



David A. Vaudt, CPA
Auditor of State





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August 15, 2006

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, 2005.

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, 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.

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

DAVID A. VAUDT, CPA
Auditor of State

WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

cc: Honorable Thomas J. Vilsack, Governor
Michael L. Tramontina, Director, Department of Management
Dennis C. Prouty, Director, Legislative Services Agency

June 30, 2005

Findings Reported in the State's Single Audit Report:

CFDA Number: 66.458 – Capitalization Grants for Clean Water State Revolving Funds

Agency Number: CS1900103

Federal Award Year: 2003

State of Iowa Single Audit Report Comment 05-III-EPA-542-1

Subrecipient monitoring – OMB Circular A-133 requires a pass-through entity to monitor the activities of the subrecipients, as necessary, to ensure federal awards are used for authorized purposes in compliance with laws, regulations and provisions of the contract or grant. As part of this system, OMB Circular A-133 Compliance Supplement requires Departments to review subrecipient audit reports within six months after receipt of the audit report to ensure appropriate corrective action is taken.

The Department monitors subrecipients through audits performed at the subrecipient level for the Clean Water State Revolving Fund (CWSRF) program. The Department requires subrecipients to submit an audit report if expenditures or disbursements exceed \$500,000 during the fiscal year. The Department notifies the recipients of the audit requirement at the time the recipient receives the funds and again when Department records indicate the recipient has drawn down close to \$500,000 in a fiscal year.

Three of twenty-three subrecipient audit reports for the CWSRF program were not reviewed within six months of the Department receiving the report.

Recommendation – The Department should implement procedures to ensure subrecipient audit reports are reviewed in a timely manner.

Response and Corrective Action Planned – The Department currently has a good system of procedures in place to monitor subrecipients, ensure they submit the required audit reports and review them after receipt. Due to our limited resources, we do not plan to change our current procedures for collecting and reviewing these audit reports.

We will continue to make every effort to review these audit reports within the designated time frame as we have in the past. However, to ensure every report is reviewed within this time frame, it would require additional resources be directed toward this effort. We do not feel the additional costs related to this would be a beneficial use of funding, as late review of subrecipient audit reports has no real impact on these programs.

All three of the subrecipient audit reports noted in the audit finding have now been reviewed.

Conclusion – Response acknowledged. The Department should comply with OMB-Circular A-133.

Report of Recommendations to the Iowa Department of Natural Resources

June 30, 2005

Findings Related to Internal Control:

Subrecipient monitoring – OMB Circular A-133 requires a pass-through entity to monitor the activities of the subrecipients, as necessary, to ensure federal awards are used for authorized purposes in compliance with laws, regulations and provisions of the contract or grant. As part of this system, OMB Circular A-133 Compliance Supplement requires Departments to review subrecipient audit reports within six months after receipt of the audit report to ensure appropriate corrective action is taken.

The Department monitors subrecipients through audits performed at the subrecipient level for the Drinking Water State Revolving Fund (DWSRF) program. The Department requires subrecipients to submit an audit report if expenditures or disbursements exceed \$500,000 during the fiscal year. The Department notifies the recipients of the audit requirement at the time the recipient receives the funds and again when Department records indicate the recipient has drawn down close to \$500,000 in a fiscal year.

One of twelve subrecipient audit reports for the DWSRF program was not reviewed within six months of the Department receiving the report.

Recommendation – The Department should implement procedures to ensure subrecipient audit reports are reviewed in a timely manner.

Response and Corrective Action Planned – The Department currently has a good system of procedures in place to monitor subrecipients, ensure they submit the required audit reports and review them after receipt. Due to our limited resources, we do not plan to change our current procedures for collecting and reviewing these audit reports.

We will continue to make every effort to review these audit reports within the designated time frame as we have in the past. However, to ensure every report is reviewed within this time frame, it would require additional resources be directed toward this effort. We do not feel the additional costs related to this would be a beneficial use of funding, as late review of subrecipient audit reports has no real impact on these programs.

The subrecipient audit report noted in the audit finding has now been reviewed.

Conclusion – Response acknowledged. The Department should comply with OMB-Circular A-133.

Findings Related to Statutory Requirements:

- (1) Iowa Code Compliance – The Department was not in compliance with the following Chapters of the Code of Iowa during the year ended June 30, 2005:
 - (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.

Report of Recommendations to the Iowa Department of Natural Resources

June 30, 2005

- (b) Infectious Waste Treatment and Disposal Facilities - Permits Required - Rules - 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.

- (c) Collection and Transportation of Infectious Medical Waste-Permits Required - Rules - 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 prior to initial operation.

The Commission has not adopted rules.

- (d) 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.

- (e) Registry of Hazardous Waste or Hazardous Substance Disposal Sites - Chapter 455B.426 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 substance disposal sites to determine whether the site should be included in the registry.

- (f) 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.

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

- (g) Annual Report - Chapter 456.7 states the State Geologist shall, annually, at the time provided by law, make to the Governor a full report 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.

- (h) Duties of the Department - Chapter 455B.517(2) states the Department shall develop and implement a toxics pollution prevention program.

The Department has not developed and implemented a toxics pollution prevention program.

Report of Recommendations to the Iowa Department of Natural Resources

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- (i) Duties of the Department - Chapter 455B.517(9) states the Department shall provide a forum for public discussion and deliberation regarding toxic substances and toxic pollution prevention.

The Department does not provide a forum for public discussion and deliberation.

Response -

- (a) Compliance Advisory Panel - Staff from the Senate Democratic Leader's Office contacted the Department earlier this year to obtain Department recommendations of small business owners who could be considered for appointment. At this time, however, no appointments have been made by this caucus or the other legislative caucuses. The Department will continue to work with legislative representatives to create this panel.
- (b) Infectious Waste Treatment and Disposal Facilities-Permits Required-Rules - These rules are on the rule making schedule for fiscal year (FY) 2007 but have not been created yet.
- (c) Collection and Transportation of Infectious Medical Waste-Permits Required - Rules - These rules are on the rule making schedule for FY 2007 but have not been created yet.
- (d) Inspections - Inspection is limited to reviewing quarterly reports submitted by participating cities to spot check to see the local permitting meets the criteria in rule 567 IAC 9. Historically 12 cities have received delegation for drinking water construction permits and 7 cities for wastewater construction permits. At the present time six cities are taking advantage of the delegated authority for drinking water permitting and two cities in the wastewater permitting program and submitting the required reporting. Due to the level of activity, no on-site reviews have been done. The rule needs to be reviewed for appropriate updating. The Department also has plans to promote and encourage more local participation in this permitting authority, but the rule and procedures should get attention first.
- (e) Registry of Hazardous Waste or Hazardous Substance Disposal Sites - 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.
- (f) Toxic Pollution Prevention Plans - 455B.518 Toxic Pollution Prevention Plans describes a set of requirements that are very similar to the requirements of an ISO 14001 Environmental Management System (EMS). US EPA recognizes

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this tool as one method for companies to manage and/or reduce their emissions of specified environmental toxics. The Department is interested in ISO 14001 and has been investigating ways of encouraging businesses to adopt this management tool to encourage environmental improvement, report their successes to the Department and be recognized for their efforts. In 2001 the Department contracted for the development of an EMS Implementation Guide, that make use of the Toxic Pollution Prevention Plan requirements, to assist Iowa business with implementation of such. Although not currently developed, efforts are moving forward.

- (g) Annual Report - Annual report information is available at any time from the State Geologist, but has not specifically been provided to the Governor. Many books, pamphlets and publications detailing the annual work of the state geologist are available in addition to the materials and information which can be found on the Geological Survey web site.
- (h) Duties of the Department - 455B.518 Toxic Pollution Prevention Plans describes a set of requirements that are very similar to the requirements of an ISO 14001 Environmental Management System (EMS). US EPA recognizes this tool as one method for companies to manage and/or reduce their emissions of specified environmental toxics. The Department is interested in ISO 14001 and has been investigating ways of encouraging businesses to adopt this management tool to encourage environmental improvement, report their successes to the Department and be recognized for their efforts. In 2001 the Department contracted for the development of an EMS Implementation Guide, that make use of the Toxic Pollution Prevention Plan requirements, to assist Iowa business with implementation of such. Although not currently developed, efforts are moving forward.
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Conclusion – Response accepted.

Report of Recommendations to the Iowa Department of Natural Resources

June 30, 2005

Staff:

Questions or requests for further assistance should be directed to:

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