

OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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Mary Mosiman, CPA
Auditor of State

NEWS RELEASE

FOR RELEASE _____ September 25, 2015

Contact: Andy Nielsen
515/281-5834

Auditor of State Mary Mosiman today released a report on the Iowa Department of Natural Resources for the year ended June 30, 2014.

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.

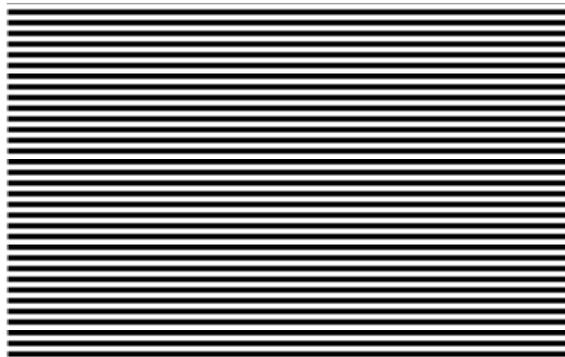
The report contains recommendations for the Department to:

- (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) Develop and implement internal controls over clothing allowances.
- (5) Establish policies and procedures related to write - offs and the collectability of receivables.
- (6) 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/1560-5420-BR00.pdf>.

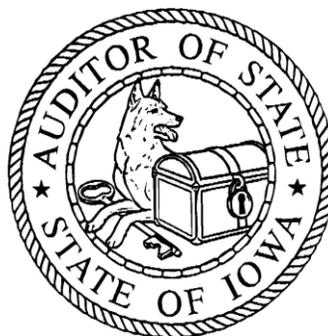
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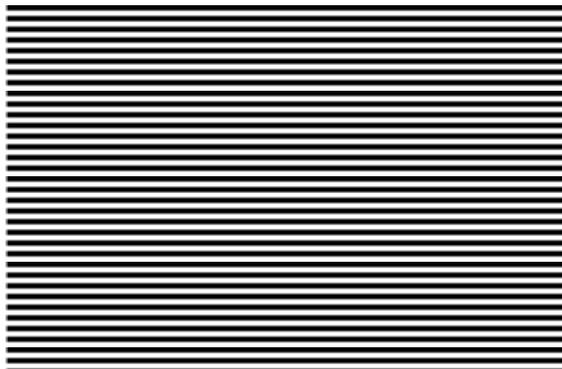
**REPORT OF RECOMMENDATIONS TO THE
IOWA DEPARTMENT OF NATURAL RESOURCES**

JUNE 30, 2014

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



Mary Mosiman, CPA
Auditor of State





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September 18, 2015

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, 2014.

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

Mary Mosiman
MARY MOSIMAN, CPA
Auditor of State

Warren Jenkins
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

Report of Recommendations to the
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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 five timesheets tested were approved by a supervisor on or after the payroll warrant date.

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 timely approval of timesheets.

Response – The Department will develop and implement new procedures to segregate P-1 initiation from P-1 approval utilizing the two Human Resource Associates. Timesheet approval levels will also be segregated. The Human Resource Supervisor will function as a back-up for both timesheet and P-1 approval ensuring segregation of duties. The Department will also request a P-1 listing from the Department of Administrative Services periodically to verify P-1's are being applied appropriately.

Furthermore, the Department will periodically perform an independent review of final payroll journals to approved timesheets.

In addition, the Department will continue to work with supervisors to ensure timesheets are properly approved in a timely manner.

Conclusion – Response accepted.

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Other Findings Related to Internal Control:

- (1) Field Offices – Twenty-five sites were selected for on-site review, including twelve state parks, three Forestry Offices, three Wildlife Units, four Fish Hatchery/Rearing Stations and three Regional Offices. During the on-site visits, internal controls were reviewed and certain receipts and capital assets were tested. The following were noted:

Capital Assets

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

Internal Control

- (a) Eight sites lacked segregation of duties related to responsibilities for the collection, deposit and reconciliation of receipts.
- (b) One site did not prepare an initial listing of receipts.
- (c) One site did not have evidence of a reconciliation between the initial listing of receipts and the deposit.
- (d) One site did not maintain the petty cash fund in a secure location.
- (e) Receipts were not counted by an independent person in a secure location at eight sites.
- (f) Two sites did not restrictively endorse checks upon receipt.
- (g) The camping coupon books on hand at three sites did not agree with Central Office's inventory.

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 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. The Department is in the process of implementing a site visit program to ensure all policies and procedures are 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.

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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 and tag placement visibility.

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 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 <http://auditor.iowa.gov/specials/0960-5420-B0P2.pdf>.

Fiscal Year 2014 Status – Our review of these areas during the fiscal year 2014 financial audit found the issues have not been resolved. Accordingly, the recommendation is repeated.

Response – 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 through Administrative Code change. The Department does recommend rule changes as new facilities come online or are renovated.

Conclusion – Response acknowledged. It is within the Natural Resource Commission's authority to set the fees to be charged for park reservations and administration of ELSI. 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) Uncollectable Accounts – For the year ended June 30, 2014, the Department reported an accounts receivable balance of approximately \$401,000 for administrative penalties and approximately \$961,000 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.

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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.

- (4) Annual Clothing Allowances – Annual clothing allowances are provided for certain employees of the Department as a condition of employment. Clothing purchases are made with individual employee issued procurement cards as well as through travel payment claims submitted to the Department by the employee. During fiscal year 2014, a total of \$170,475 of procurement card purchases were coded as “clothing, shoes and personal supplies”. An additional \$12,698 coded as “clothing, shoes and personal supplies” was paid through individual 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 agreements stipulate the amount of clothing allowance 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 the amount specified in the employee contract serves as a guideline or target amount, but 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 requires clothing purchases made on procurement cards to be clearly marked as “clothing allowance”. However, for four 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 exceeded. In addition, to ensure better monitoring of clothing allowances, monthly procurement card statements should contain documentation identifying clothing purchases.

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Response – A work group has been organized by the Department to develop and implement a uniform policy. The policy will address clothing allowance limits by job classification, safety equipment, and a strategy for future oversight of the policy. The Department intends to have the uniform policy fully implemented in fiscal year 2016.

Conclusion – Response accepted.

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, 2014:

- (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) Water well construction – Chapter 455B.187 states a contractor shall provide well information required by rule to the Department and the Iowa geological survey within thirty days after construction or reconstruction of a well.

The Department does not track this information.

- (d) 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.

- (e) 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.

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- (f) 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.

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 ensure 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) Iowa Code chapter 455B.187 requires well contractors to provide the Department and the Iowa Geological Survey (IGS) well information required by rule. The Department adopted the rule found in 567 Iowa Administrative Code (IAC) 82.12(455B) titled “Certified well contractor obligations.” Subrule 82.12(1) requires submission of drilling records and drill cut samples when required or as otherwise directed by the Department with the information established under 82.12(2) and (3). The Department is receiving the required information for many of the wells for which it is required, but not necessarily within the time frames established by law. The Department will review whether a statutory change is appropriate to extend this time period.
- (d) The Department has recommended this subsection be rescinded during previous legislative sessions. The Department will evaluate the likelihood of a rescindment in future legislative sessions.

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(e & f) 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 evaluate the likelihood of subsection amendments in future legislative sessions.

Conclusions – Response accepted for (a) and (c) through (f). 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

June 30, 2014

Staff:

Questions or requests for further assistance should be directed to:

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