



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

FOR RELEASE

July 19, 2010

Contact: Andy Nielsen  
515/281-5834

Auditor of State David A. Vaudt today released a report on the Iowa Department of Natural Resources for the year ended June 30, 2009.

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 recommended the Department review policies and procedures covering internal control over receipts at field offices and capital assets. The Department should develop written procedures for the reconciliation of receipts for the online reservation system. In addition, the Department should ensure a detailed, up-to-date capital asset listing is maintained by Central Office to accurately report information required for financial statement presentation. Vaudt also reported the Department had not complied with certain statutory requirements concerning its operations during the year ended June 30, 2009. The Department's responses are included in the report.

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/index.html>.

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

**JUNE 30, 2009**

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



**David A. Vaudt, CPA**  
**Auditor of State**





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July 14, 2010

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, 2009.

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 not 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 14 and they are available to discuss these matters with you.

A handwritten signature in black ink, reading "David A. Vaudt".

DAVID A. VAUDT, CPA  
Auditor of State

A handwritten signature in black ink, reading "Warren G. Jenkins".

WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

cc: Honorable Chester J. Culver, Governor  
Richard C. Oshlo, Jr., Director, Department of Management  
Glen P. Dickinson, Director, Legislative Services Agency

Report of Recommendations to the Iowa Department of Natural Resources

June 30, 2009

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

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

**Agency Number: C519000107**

**Federal Award Year: 2009**

**CFDA Number: 66.468 – Capitalization Grants for Drinking Water State Revolving Funds**

**Agency Number: F599759307**

**Federal Award Year: 2009**

**State of Iowa Single Audit Report Comment: 09-III-EPA-542-1**

Federal Financial Reports – Per Title VI Section 606 of the Clean Water & Safe Water Drinking Acts, states are required to submit an annual report each fiscal year not later than 90 days after the end of the fiscal year. The Clean Water State Revolving Fund (CWSRF) and Drinking Water State Revolving Fund (DWSRF) report was submitted 12 days late.

Recommendation – The Department should develop procedures to ensure annual reports are submitted within 90 days after the end of the reporting period.

Response and Corrective Action Planned – Iowa Finance Authority provides the financial information to DNR for this report. This information was reconciled and ready on September 30, 2009 when the report was due, but that did not allow enough time to incorporate it and submit the report by the deadline. The report was submitted twelve days late which was a significant improvement over last year. A new staff person at IFA assisted with the financial reporting this year. Although IFA is aware of the submittal deadline, the new staff person now knows what it takes to provide information needed and plans to begin work on the annual reporting information sooner next year. We expect to file the 2010 annual report on time.

Conclusion – Response accepted.

Report of Recommendations to the Iowa Department of Natural Resources

June 30, 2009

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

- (1) Financial Reporting – The Department records receipts and disbursements on the Integrated Information for Iowa (I/3) system throughout the year, including the accrual period. Activity not recorded on the I/3 system is reported to the Iowa Department of Administrative Services – State Accounting Enterprise (DAS – SAE) on a GAAP package. The GAAP package is to be submitted to DAS – SAE by the first week of September each year. Findings were noted as follows:
- (a) The GAAP package was submitted October 2, 2009, which was not timely.
  - (b) Supporting documentation was not provided to determine whether the amounts reported in the GAAP package as unearned revenues for donations received were proper.

Recommendation – The Department should ensure the GAAP package is submitted timely and information reported is accurate and supported.

Response –

- (a) The GAAP package is due before all financial activity is final for the fiscal year. DNR has material financial transactions each fiscal year that take place in the time between the GAAP package due date and the fiscal year end accrual period cutoff date (mid-September). If we were to submit the GAAP package according to the due date set by DAS-SAE (first week of September), it would not be materially correct. DAS-SAE's current policy is that they will only accept GAAP packages with all pages completed and the package must be materially correct. DNR has offered to submit all pages on time except for the pages which have material activity after the due date (such as the capital assets, deferred revenue and receivables pages). Since this is not an option, the first week of September due date is not attainable. We will continue to work diligently to submit a materially correct GAAP package as soon as possible after the fiscal year end.
- (b) The Department's funding shares spreadsheet, which is audited annually, is the basis for determining the amount of unearned revenue at year end. It is included as backup support for the unearned revenue GAAP package page. The items noted in testing included donations for specific programs and federal and non-federal grants which had work that was not complete at fiscal year end, therefore the amounts were properly shown as unearned revenues and were rolled forward upon approval by the Department of Management. Grant and other supporting documentation for these unearned revenues does exist, but was not included with the GAAP package documentation.

Conclusion – Response accepted.

Report of Recommendations to the Iowa Department of Natural Resources

June 30, 2009

- (2) 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 following were noted:
- (a) The Department performs a monthly reconciliation of capital asset additions to I/3 expenditures. However, the following were noted:
    - (1) The written procedures for the monthly reconciliation process are outdated. In addition written procedures have not been developed for procedures that annually reconcile the monthly reconciliations to annual financial reporting.
    - (2) The reconciliation is not reviewed by someone independent of the reconciliation process.
    - (3) Reconciliations were not always performed timely.
    - (4) The Department utilizes an access database and a mainframe land system to track capital asset activity. Although the access database system has the ability to generate a listing of additions and deletions, the mainframe system for land cannot generate these listings for financial statement reporting. Information for land from the mainframe system is downloaded and additions and deletions are determined for financial reporting independently. A reconciliation is not performed between the tracking systems and information reported in the GAAP package for financial reporting. A land addition of \$95,764 was not included on the GAAP package by the Department.
  - (b) The Iowa Department of Transportation (DOT) pays for road projects within DNR parks and properties. This amount is compiled by DNR throughout the year but the Department relied on DOT records for amounts reported on the GAAP package as additions to infrastructure prior to fiscal year 2009. During fiscal year 2009, the Department updated its system which allowed the Department to report amounts based on their records. The amount reported by the DNR system did not reconcile to the amount previously reported by the Department based on DOT amounts. There were no written procedures prior to fiscal year 2009 for a reconciliation process between additions reported in the GAAP package and the amount paid by DOT. A prior period adjustment was made to correct the financial statements.
  - (c) The Honey Creek Premier Destination Park (Honey Creek) construction in progress is reconciled between additions reported in the GAAP package and expenditures reported in the I/3 system. There are no written procedures on the reconciliation process for Honey Creek construction in progress.

Recommendation – The Department should update current written procedures and develop other written procedures to ensure a detailed, up-to-date capital asset listing is maintained and properly reported for financial statement purposes. Procedures should include, but not be limited to, a review of the reconciliation performed by accounting staff and a reconciliation between the Department's tracking system and amounts utilized on the GAAP package for financial reporting. These reconciliations should be performed timely and be reviewed by an independent person.



## Report of Recommendations to the Iowa Department of Natural Resources

June 30, 2009

Response – During fiscal year 2009, the Department conducted a continuous process improvement event to address capital assets findings identified in the previous fiscal year's state audit report. As a result, we were successful in implementing a number of improvements to our capital assets systems during fiscal year 2009 including more accurate reporting of land improvements and infrastructures (such as roads). We are still working diligently in an effort to address the remaining issues mentioned. As a part of revising our systems, we plan to update our existing procedures to ensure all of our capital assets are accurately tracked and reported and applicable reviews and reconciliations are performed.

Conclusion – Response accepted.

- (3) Payroll – The Department processes and records payroll and personnel information on the Human Resources Information System (HRIS). The Human Resources Associates utilize an online P-1 document to initiate and approve payroll actions, such as adding new employees and recording pay raises. Individuals at the above entities have the ability to initiate and approve timesheets.

Recommendation – To strengthen controls, the Department should develop and implement procedures to segregate the duties of the Human Resources Associates from the duties of payroll.

Response – The Department employs two Human Resource Associates in our payroll and personnel section. Because both of these employees must process and record payroll and personnel information and serve as each others' backup, it is not possible to completely segregate the duties of initiating and approving payroll actions on the HRIS system. In an attempt to strengthen controls, we maintain a listing of all full time employees by cost center which is compared to the TO on a quarterly basis to ensure employees have not been added without proper approval. Additionally, a quarterly time report is posted to the intranet for supervisors to review to ensure all of the employees being charged have been properly authorized.

Conclusion – Response accepted.

## Report of Recommendations to the Iowa Department of Natural Resources

June 30, 2009

### **Other Findings Related to Internal Control:**

- (1) Field Offices – Seventeen sites were selected for on-site review, including ten state parks, one Wildlife Unit, one Management Office, one Forestry Office, one Fish Hatchery, one Environmental Office, one Law Enforcement Office and one Research Station. During the on-site visits, internal controls were reviewed and certain receipts and capital assets were tested. The following were noted:

#### Capital Assets

- (a) One site had equipment on site which was not included on the year end equipment listing.
- (b) One site had equipment on the listing which had been transferred, traded or disposed of prior to June 30, 2009.

#### Internal Control

- (a) Nine sites lacked segregation of duties related to responsibilities for the collection, deposit and reconciliation of receipts. In addition, two sites did not maintain bank deposit slips.
- (b) Four sites did not prepare an initial receipts listing. Also, two sites had no evidence of a reconciliation of recorded/deposited receipts to the initial listing.
- (c) Three sites had more coupon books than Central Office had listed or Central Office had more coupon books listed than the auditor was able to verify through observation.
- (d) One site was not restrictively endorsing incoming checks upon receipt.
- (e) Two sites did not prepare guest occupancy listings or log sheets. Also, one site did not retain guest occupancy listings or log sheets.
- (f) Two sites do not count receipts by an independent person in a secure location.
- (g) One site had personal checks cashed from the camping receipts.

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 does have specific written policies and procedures in place regarding controls over capital assets and receipts and does regularly communicate the established policies and procedures to the outlying DNR field offices. Due to the widespread and large number of outlying locations and ongoing turnover in personnel, however, it is difficult to ensure field personnel are following all established internal control procedures 100 percent of the time. It should also be noted that in field locations where there is only one full-time employee, segregation of duties is simply not practicable.

The capital asset listings are updated on an on-going basis as often as practicable throughout the year, but there will always be timing issues between when capital asset items are purchased, disposed of or transferred out in the outlying DNR locations versus when the capital assets listing is updated.

## Report of Recommendations to the Iowa Department of Natural Resources

June 30, 2009

The Department does plan to review these issues with our field staff to underscore the importance of following our established policies and procedures. We are also in the process of reviewing our existing procedures in an effort to strengthen controls where necessary.

Conclusion – Response accepted.

- (2) Online Reservation Receipts – Online reservations are taken for campsites, cabins and lodges at State Park locations throughout Iowa. Payments for these reservations can either be made by credit card or mailed to a post office box. Iowa Interactive Development is under contract with the Department to collect the mail payments, deposit them and transfer the funds to the Department. The Department does not prepare a monthly reconciliation between the online Sales and Commission report and I/3.

Recommendation – The Department should develop written procedures and prepare a reconciliation between the online Sales and Commission report and I/3 monthly.

Response – The Department has recently developed business rules to address many of the issues with the current system and has been working with the Department of Administrative Services - Information Technology Enterprise in an attempt to resolve the ongoing issues relating to the State Parks Online Reservation System and Iowa Interactive Development.

The Department is currently in the process of issuing an RFP for new Online Reservations System which should address the ongoing reconciliation issues with the current system.

Conclusion – Response accepted.

- (3) Reimbursements to Central Group – The Department entered into a contract with Central Group, LLC which is a management company which handles the day to day operations of Honey Creek Destination Park. The Department reimburses Central Group, LLC for various expenditures per contract provisions. The following were noted:
- a) For three of six transactions tested, sales tax was paid.
  - b) Three of six transactions tested and four additional items scanned did not contain sufficient documentation or a description to determine if the reimbursement appeared reasonable per the contract provisions. No documentation was provided to demonstrate how the Department monitors reimbursements under the contract to ensure reimbursements are reasonable and within contract guidelines.

Recommendation – The Department should exclude sales tax for expenditures reimbursed to Central Group, LLC or seek reimbursement from original vendors for the amount of the sales tax charged. Also, the Department should ensure proper documentation is maintained to support reimbursement made to Central Group, LLC are reasonable and within contract guidelines.

Response – All of these transactions took place as part of the pre-opening work that Central Group was doing to furnish and ready the Resort for opening. Our current contract with them includes a fixed management fee to ensure these issues will not reoccur.

Conclusion – Response accepted.

June 30, 2009

**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, 2009:

- (a) Toll Free Reporting Number – Chapter 455B.116 states the Department shall create a toll-free number to allow citizens to report instances resulting in the pollution of the environment or damage to natural resources.

The Department has not established the required toll free number.

- (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) 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 applicable requirements.

The Director has not conducted random inspections of work done by city and county public works departments.

- (d) Water Well Construction – Chapter 455B.187 states contractors are to provide required information to the Department and the Iowa Geological Survey within thirty days after construction or reconstruction of a well.

The Department has not monitored whether the required information is being submitted timely.

- (e) Hazardous Waste Water Treatment – Chapter 455B.412(3) states the Department shall adopt rules for certifying supervisory personnel and operators of hazardous waste treatment, storage or disposal facilities.

The Department has not adopted the required rules.

- (f) Research Proposals – Chapter 455B.484(10) states the Department shall solicit proposals from public and private agencies to conduct hazardous waste research and to develop and implement storage, treatment and other hazardous waste management practices.

The Department has not solicited the required proposals.

- (g) Infectious Waste Treatment – 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.

- (h) Infectious Medical Waste Collection and Transport – 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 before initial operation of the facility.

The Commission has not adopted the required rules.

Report of Recommendations to the Iowa Department of Natural Resources

June 30, 2009

- (i) Toxic Pollution Prevention Program – Chapter 455B.517(2) states the Department shall develop and implement a toxic pollution prevention program.

The Department has not developed the required program.

- (j) Toxic Pollution Forums – Chapter 455B.517(9) states the Department shall provide a forum for public discussion and deliberation of toxic substances and toxic pollution prevention.

The Department has not provided the required public forum.

- (k) 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 toxics users.

- (l) Duties of the Commission – Chapter 455D.7(4) states the Commission shall annually recommend to the General Assembly the imposition of waste abatement fees, rebates, and deposits.

The Department has not reported to the General Assembly the imposition of waste abatement fees, rebates, and deposits.

- (m) Waste Volume Reduction – Chapter 455D.15(3)(f) allows the Department to use up to 10% of the waste volume reduction and recycle fund to administer the provisions of Chapter 455D.15.

The Department did not provide supporting documentation to demonstrate no more than 10% of the waste volume reduction and recycling fund was used to administer the provisions of Chapter 455D.15.

- (n) Mercury Thermostat Recycling – Chapter 455D.16 states the Department shall submit a status report on the implementation of the Thermostat Recycling Program by January 1<sup>st</sup>.

The Department submitted the report twenty-one days late.

- (o) Ground Water Protection – Chapter 455E.8(10) states the Department, in conjunction with the Department of Education and the Department of Environmental Education at the University of Northern Iowa, shall develop a program regarding water quality.

The Department has not consulted directly with the University of Northern Iowa.

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

Recommendation – 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, 2009

### Response –

- (a) The Department has established a spill hotline. Though it is not toll-free, it is a 24 hour/365 service that covers the entire state. Also, citizens can use the DNR website to voice complaints and concerns and at least one person from each of the Environmental Services six field offices is always on call.
- (b) The Compliance Advisory Panel remains unfilled. The Department, with the Iowa Department of Economic Development, continues to request the leadership at the Legislature to make the appropriate appointments. The Department continues to work with the representatives of the Iowa Waste Reduction Center, the Department's Pollution Prevention Services, the Iowa Department of Economic Development, and representatives of small business to address the needs of small businesses until the Compliance Advisory Panel is fully appointed.
- (c) This is a low priority for the Department and resources are currently unavailable to conduct the inspections. The large water utilities, which are the only systems to which this authority has been delegated, conduct their own inspections.
- (d) The Department does maintain a well construction permit program. Permits are issued either by the department or by the county sanitarian if the county has entered into a 28E agreement to issue the construction permit. The construction permit is issued to the landowner or their agent. Current rules do not require that a permit be obtained to reconstruct a well. The construction permit specifically lists some requirements and includes others by reference by citing Chapter 49 Part 567 IAC and Chapter 82.2 Part 567 IAC. Construction permits can be viewed on the internet at <http://128.255.252.37/pwts/>. At the current time, we do not visit well sites to verify that the well driller is certified. In addition, we do not verify that the necessary information has been submitted to the Iowa Geological Survey.
- (e) This rulemaking is part of the RCRA C Hazardous Waste program that the Department turned back to US EPA in the mid-1980's. The Department will recommend this be rescinded from the Code during the 2011 legislative session.
- (f) The Department does not solicit proposals from public and private agencies. We will make the recommendation to rescind this code section during the 2011 legislative session.
- (g) Due to higher rulemaking priorities, these rules have not been developed. It is anticipated that rulemaking for this code section will be undertaken in 2011.
- (h) Due to higher rulemaking priorities, these rules have not been developed. It is anticipated that rulemaking for this code section will be undertaken in 2011.
- (i) There is no funding for this particular program. The department will recommend this be rescinded from the code during the 2011 legislative session.
- (j) There is no funding for this particular program. The department will recommend this be rescinded from the code during the 2011 legislative session.
- (k) There is no funding for this particular program. The department will recommend this be rescinded from the code during the 2011 legislative session.

## Report of Recommendations to the Iowa Department of Natural Resources

June 30, 2009

- (l) The Department would make recommendations to the General Assembly for the imposition of waste abatement fees, rebates and deposits via legislative proposals as deemed necessary.
- (m) This provision needs to be revised to reflect how the funding is actually now being used. The Department will recommend that the language be adjusted accordingly during the 2011 legislative session.
- (n) The Department will make every effort to ensure future reports are submitted in a timely manner.
- (o) The Department works closely with educators across the State to develop and provide materials and messages that addresses water quality. We distribute books, pamphlets, flyers, and other printed materials to schools. The Department is currently working on a project with the Grant Wood AEA to develop tools to help school districts meet the new Iowa Core Curriculum requirements for science. This project trains teachers to do basic water quality testing (IOWATER volunteer monitoring program) and provides college credit and Earth Science endorsement for the teachers enrolled in the project. The goal of the grant (No Child Left Behind, Title II grant) is to expand problem-based and inquiry in science teaching to all school districts through cooperation with the ten AEAs. Staff members also present information to students in the areas of geology and water quality. A groundwater basics book was created and distributed to all schools and public libraries.
- (p) Annual report information is available from the State Geologist but has not specifically been provided to the governor.

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

- (2) Electronic Licensing Service Organization – The Department contracts with an outside service organization for the processing of the Department's electronic licensing system. This contract was initially with Central Trust Bank and subsequently was assigned to The Active Network in February 2008. The Active Network assumed all responsibility on the contract which its assignor, Central Trust Bank, had on the contract. According to AU section 324, a SAS 70 audit should be conducted for service organizations.

A SAS 70 audit has not been conducted in accordance with AU Section 324.

Recommendation – The Department should comply with AU Section 324 and have a SAS 70 audit conducted on the Electronic Licensing Service Organization.

Response – The Department's current and future electronic licensing system contracts contain language which state a SAS 70 audit be conducted upon the Department's request. The Department has received some conflicting information in the past from the state auditor's office as to whether a SAS 70 audit was necessary for the electronic licensing system contractor due to the nature of the services provided in that the contractor works as a clearinghouse only. We will work with the auditor's office once the new ELSI system is in place to determine if a SAS 70 audit is indeed required.

Conclusion – Response accepted.

Report of Recommendations to the Iowa Department of Natural Resources

June 30, 2009

**Staff:**

Questions or requests for further assistance should be directed to:

Deborah J. Moser CPA, Manager  
Tracy L. Daugherty, CPA, Senior Auditor  
Andrew E. Nielsen, CPA, Deputy Auditor of State

Other individuals who participated on the audits include:

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