



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

State Capitol Building
Des Moines, Iowa 50319-0004
Telephone (515) 281-5834 Facsimile (515) 281-6518

Rob Sand
Auditor of State

NEWS RELEASE

FOR RELEASE

October 16, 2019

Contact: Marlys Gaston
515/281-8314

Auditor of State Rob Sand today released a report on the Iowa Department of Natural Resources for the year ended June 30, 2018.

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) Review policies and procedures to ensure adequate controls over revenues and capital assets are in place at the field offices.
- (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 on the Auditor of State's website at <https://auditor.iowa.gov/reports/audit-reports/>.

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

JUNE 30, 2018

Iowa Department of Natural Resources



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Rob Sand
Auditor of State

October 2, 2019

Iowa Department of Natural Resources
Des Moines, Iowa

To the Members of the Iowa Department of Natural Resources:

I am pleased to submit to you the financial and compliance audit report for the Iowa Department of Natural Resources for the year ended June 30, 2018. The report includes audit findings pertaining to the Department's internal control and compliance with statutory requirements and other matters which resulted from the fiscal year 2018 audit.

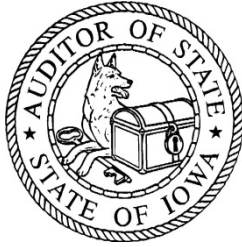
I appreciate the cooperation and courtesy extended by the officials and employees of Iowa Department of Natural Resources throughout the audit. If I or this office can be of any further assistance, please contact me or my staff at 515-281-5834.

Sincerely,

A handwritten signature in black ink, appearing to read "Rob Sand".

Rob Sand
Auditor of State

Iowa Department of Natural Resources



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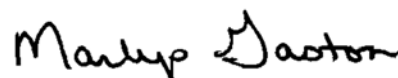
To the Members of the Iowa Environmental Protection and Natural Resource Commissions:

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, 2018.

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


Marlys K. Gaston, CPA
Deputy 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
June 30, 2018

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 Findings Related to Internal Control:

Field Offices – Twenty-one 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 revenues and capital assets were tested. The following were noted:

Capital Assets

- (a) Eight sites had capital assets which were not properly tagged.

Internal Control

- (a) Ten sites lacked segregation of duties over the collection, deposit and reconciliation of revenues.
- (b) The petty cash fund for one site was not established as the responsibility of one person.
- (c) Revenues were not counted by an independent person in a secure location at seven sites.
- (d) One site did not restrictively endorse checks upon receipt.
- (e) 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 policies and procedures in place for receipt collection, segregations of duties and the reconciliation of receipts to the initial listing. The Department also recently established a site visit program to ensure all policies and procedures are adequately communicated to field staff.

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 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.

Report of Recommendations to the
Iowa Department of Natural Resources
June 30, 2018

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, 2018:

- (a) 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.

- (b) 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) 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 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 work to amend this code section in upcoming legislative sessions.

Report of Recommendations to the
Iowa Department of Natural Resources
June 30, 2018

- (b) 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 work to amend this code section in upcoming legislative sessions.

Conclusion – Response accepted

Report of Recommendations to the
Iowa Department of Natural Resources
June 30, 2018

Staff:

Questions or requests for further assistance should be directed to:

Pamela J. Bormann CPA, Manager
Steven O. Fuqua, CPA, Senior Auditor II
Marlys K. Gaston, CPA, Deputy

Other individuals who participated in the audits include:

Taylor I. Cook, Senior Auditor
Premnarayan Gobin, Senior Auditor
Marcus B. Johnson, Senior Auditor
Christopher M. Anderson, Staff Auditor
Terry J. Erlbacher, Staff Auditor
Jon G. Hanson, Staff Auditor
Erin K. Howland, Staff Auditor
Molly N. Kalkwarf, Staff Auditor
Anthony J.T. Mallie, CPA, Staff Auditor
Matthew A. Miller, Staff Auditor
Andrew J. Salwolke, Staff Auditor
Amanda M. Anderson, Assistant Auditor
Bianca M. Cleary, Assistant Auditor
Maria R. Collins, Assistant Auditor
April R. Davenport, Assistant Auditor
Mark W. Hart, Assistant Auditor
Noelle M. Johnson, Assistant Auditor
Matthew K. Nnanna, Assistant Auditor
Heather M. Poula Assistant Auditor
Steven D. Rater, Assistant Auditor
Brandon G. Sommers, Assistant Auditor