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David A. Vaudt, CPA
Auditor of State

NEWS RELEASE

FOR RELEASE

August 22, 2012

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, 2011.

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.

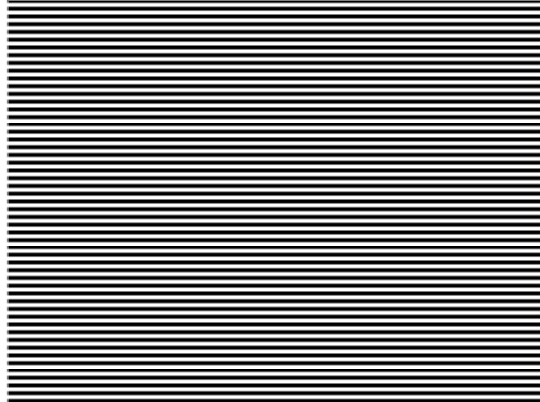
The report contains recommendations for the Department to:

- (1) Comply with established guidelines related to payroll distribution.
- (2) Ensure a detailed, up-to-date capital asset listing is maintained to accurately report information required for financial statement presentation.
- (3) Ensure all procurement card purchases are properly supported, timely reconciled and in compliance with established requirements.
- (4) Review policies and procedures covering internal control over receipts and capital assets at field offices.
- (5) Implement internal controls over the billing, cost analysis and writing fees related to park reservations and licensing.
- (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/1260-5420-BR00.pdf>.

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

JUNE 30, 2011

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



David A. Vaudt, CPA
Auditor of State





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August 20, 2012

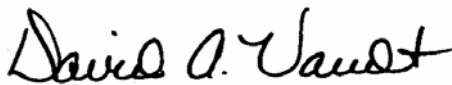
To the Members of the Iowa Environmental Protection
and Natural Resource Commissions:

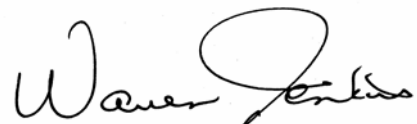
The Iowa Department of Natural Resources is a part of the State of Iowa and, as such, has been included in our audits of the State's Comprehensive Annual Financial Report (CAFR) and the State's Single Audit Report for the year ended June 30, 2011.

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 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 16 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 Terry E. Branstad, Governor
David Roederer, Director, Department of Management
Glen P. Dickinson, Director, Legislative Services Agency

June 30, 2011

Finding Reported in the State's Single Audit Report:

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

Agency Number: CS19000111, 2W97706201

Federal Award Year: 2011

CFDA Number: 66.468 – Capitalization Grants for Drinking Water State Revolving Funds and ARRA - Capitalization Grants for Drinking Water State Revolving Funds

Agency Number: FS99759311, 2F97706101

Federal Award Year: 2011

State of Iowa Single Audit Report Comment: 11-III-EPA-542-1

Payroll Distribution – OMB Circular A-87 states employees who work on multiple programs will distribute their time based on actual activity. Budget estimates or other distribution percentages determined before the services are performed do not qualify as support. Several employees of the Iowa Finance Authority (Authority) who administer the above programs work on both federal programs. Their actual hours worked on each of the above programs are charged in total to the State Revolving Fund on their timesheet. An allocation between the two funds shown above is subsequently performed based on the percentage of total assets in each program as of the year ended June 30, 2010.

For seven employees, the payroll allocation between the two state revolving funds was based on the predetermined rate rather than the actual hours.

Recommendation – The Department should work with the Authority to ensure employees record actual hours worked on each federal program rather than the predetermined rate.

Response and Corrective Action Planned – The Authority will ensure employees record actual hours worked on each federal program rather than the predetermined rate as used previously. This change will be made effective with the payroll period ending March 15, 2012.

Conclusion – Response accepted.

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

- (1) 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) Segregation of duties does not exist between the recording and reconciliation functions for capital assets.
 - (b) 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 reconciliation process are outdated. In addition, written procedures have not been developed to annually reconcile the monthly reconciliations for annual financial reporting.

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- (2) Because documentation of monthly reconciliations was not available for the infrastructure, buildings and land improvement inventory, timeliness of the reconciliations could not be determined or it could not be determined whether reconciliations were reviewed by an independent person.
- (3) 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 listing for financial statement reporting. Information for land from the mainframe system is downloaded and additions and deletions are independently determined for financial reporting. A reconciliation is not performed between the tracking systems and information reported in the GAAP package for financial reporting.
- (c) The Honey Creek Premier Destination Park (Honey Creek) construction in progress additions reported in the GAAP package were reconciled with expenditures reported in the I/3 system. However, there are no written procedures for the reconciliation and reporting process.
- (d) Of fifteen parcels of land selected for testing, multiple parcels were found to have variances between Department records and the County Recorder's records, resulting in an overstatement of 100.44 acres.

Recommendation – The Department should update current written procedures, develop additional written procedures and follow established 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 the reconciliation between the Department's tracking system and amounts on the GAAP package for financial reporting. These reconciliations should be performed timely and should be reviewed by an independent person. In addition, the Department should implement controls to ensure proper segregation of duties exists between the recording and reconciliation functions for capital assets.

Response – Monthly reconciliations were completed for the infrastructure, buildings and land improvement inventory, but had not been placed into monthly reconciliation packets prior to our capital asset staff person's resignation in August 2011. However, the reconciliation for this was completed and documented on the "control" spreadsheet for the infrastructure, buildings and improvement inventory and this was provided to and reviewed by the auditors for fiscal year 2011.

The Department is currently working on updating written procedures and taking steps to ensure the capital assets listings are up-to-date, reconciled and properly reported for financial statement purposes. Progress on this has been slower than anticipated due to some unexpected turnover during the last few years in the capital assets staff position. The Department is also currently looking into converting to a new capital assets tracking system which would be more user-friendly and provide more timely and accurate financial reporting.

Conclusion – Response accepted.

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- (2) Payroll – The Department processes and records payroll and personnel information on 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. The following findings were noted for which there were no compensating controls.

Two individuals have the ability to apply multiple levels of approval to timesheets. These two 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, during testing of manual timesheets for timely supervisor approval, fifteen of thirty timesheets were either approved by a supervisor after the warrant date of their payroll or did not have the approval date documented.

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 for 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 from 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 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 other's backup, it is not possible to completely segregate the duties of initiating and approving payroll actions on the HRIS system. To strengthen controls, we maintain a listing of all full time employees by cost center which is compared to the Table of Organization (TO) on a quarterly basis by an independent, third person 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 the employees being charged have been properly authorized.

The Department will work with supervisors to ensure timesheets are approved timely and will look at ways to further strengthen controls over payroll.

Conclusion – Response accepted.

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- (3) Procurement Cards – The Department issues procurement cards to designated employees for use in purchasing office supplies, facility maintenance supplies, uniforms and other supplies, as necessary. As of June 30, 2011, 514 procurement cards were issued and in use. The dollar amount of procurement card activity for the period July 2010 through June 2011 was approximately \$1.8 million.

The rules governing the use of these cards are outlined in the Iowa Department of Administrative Services–State Accounting Enterprise (DAS-SAE) Purchasing Card Program Procedures Manual. Section 4.6 of the Purchasing Card Program Procedures Manual states each and every purchase must be supported by the vendor’s original receipt. In addition, section 4.8 requires the cardholder to send all supporting documentation to their agency accountant on a timely basis to ensure costs can be properly reconciled and processed on a timely basis to avoid late fees. The DNR has placed further restrictions on procurement card use based on these guidelines. These guidelines state the cardholders are required to print their procurement card statement monthly and send it to a designated central office employee with all supporting documents by the 10th of the following month. This is to allow for proper review and approval prior to being paid.

Of the 514 cardholders, 106 cardholders, or 20%, had not submitted supporting documentation to the central office by the 10th of the following month for the period September 2010 to December 2011. The number of delinquent months ranged from one to fourteen months.

Recommendation – The Department should ensure all purchases made with procurement cards are properly supported and supporting documentation is provided and used to reconcile card activity as outlined above. In addition, the Department should provide adequate training to employees to ensure cardholders are aware of requirements and should establish procedures to revoke cards if not in compliance.

Response – The Department is currently taking steps to ensure procurement card documentation is received by the 10th of the following month as defined in our policy. Additionally, the procurement card manual has been updated and distributed to all card holders and education is ongoing concerning the appropriate use of the procurement cards.

Conclusion – Response acknowledged. The Department should continue to reconcile the remaining past due cardholder accounts as soon as possible. After getting caught up, the Department should strictly enforce the timelines and revoke card privileges for noncompliant employees.

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Other Findings Related to Internal Control:

- (1) Field Offices – Twenty sites were selected for on-site review, including seventeen state parks, one Management Office, one Environmental Office and one Law Enforcement Office. During the on-site visits, internal controls were reviewed and certain receipts and capital assets were tested. The following were noted:

Capital Assets

- (a) Three sites had disposed of equipment and/or buildings which were not removed from the capital asset listing.
- (b) Four sites had capital assets which were not properly tagged.

Internal Control

- (a) Thirteen sites lacked segregation of duties related to responsibilities for the collection, deposit and reconciliation of receipts.
- (b) Four sites did not prepare an initial listing of receipts. Also, two sites had no evidence of a reconciliation of recorded/deposited receipts to the initial listing.
- (c) One site allowed unauthorized individuals access to the facilities.
- (d) One site had no physical controls over campground use.
- (e) One site did not restrict access to cash to a limited number of people.
- (f) One site lacked effective safeguards over camping receipts and petty cash and did not maintain guest occupancy lists.

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.

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.

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- (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 improve internal controls over the following:
- Billing - the Department should implement procedures to ensure billings from the contractors are supported and can be reconciled to underlying records, such as the number of reservations made and the number of licenses sold.
 - Cost Analysis – the Department should evaluate the fees charged to individuals for reservations and administration to determine whether they are comparable and competitive with other alternatives and adequate to cover costs.
 - Writing Fees – the Department should ensure the writing fee is added to the cost of each license in compliance with the Code of Iowa.
 - Revenue Collections - the Department should ensure a monthly reconciliation is performed between revenue collected versus revenue recorded in the State's accounting system.

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>.

Response – Department response not requested.

- (3) Honey Creek – The Office of Auditor of State conducted a special investigation related to the Honey Creek for the period October 1, 2010 through October 20, 2011. The special investigation was requested by the Department as a result of concerns regarding improper transactions processed by Kathy Ewing, the former Group Sales Assistant at Honey Creek. As the Group Sales Assistant, Ms. Ewing was responsible for preparing bills for group events, such as weddings or conferences, for adjusting the group bills, as appropriate, and for receiving payments for group bills. The special investigation resulted in a report dated January 15, 2012 which identified 10 improper refund transactions totaling \$2,770.16 processed by Ms. Ewing between August 23, 2011 and October 17, 2011. Of this amount, \$1,976.08 was deposited to Ms. Ewing's personal bank account and \$794.08 was used to make payments on her mother's credit card account which she was authorized to use. The report recommended the Department implement procedures to improve internal controls as follows:
- Segregation of Duties – Individuals authorized to collect and refund payments to the bills should not be allowed to prepare the bills. In addition, refunds applied to a bill should be reviewed and approved by the Supervisor of the event and the Business Manager.
 - Group Sales – When making a group reservation, a person or company may use a credit card for the required deposit. However, different debit or credit cards may be used for other payments subsequently made for the event. Individuals who

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pay for their rooms as part of the group may also use a different debit or credit card to pay for their rooms. Because it was not unusual for more than 1 debit or credit card to be used for a group event, Ms. Ewing was able to conceal the refunds processed using her personal bank debit card or the credit card she was authorized to use. The Resort should require any refunds be applied to the debit or credit card originally used to pay for the event. Alternatively, the Resort may consider issuing a refund check to the group or individual.

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/1260-5420-BE00.pdf>.

Response – Department response not requested.

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, 2011:

(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) 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.

(c) Permits for Diversion, Storage and Withdrawal – Chapter 455B.265(1) states the Department shall approve or deny an application for a permit within ninety days from the date the application is received. Also, a renewal permit shall be approved or denied by the Department within thirty days from the date the application is received.

The Department has not met the time requirements for new permits and renewals.

(d) Annual Report Requirement – Chapter 455B.484(9) states the Department shall include information outlining the activities of the Department in carrying out programs and responsibilities and identify the trends and developments in the management of waste in the annual report submitted to the Governor and General Assembly as required by Chapter 455A.4.

The Department has not complied with this Code section.

(e) 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.

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- (f) Powers and Duties of the Environmental Protection Commission – Chapter 455B.485(3) states the Commission shall approve the budget request for administration of the Waste Management Assistance Act prior to submission to the Department of Management. The Commission may increase, decrease or strike any proposed expenditure within the budget request before granting approval.

The Department has not provided supporting documentation of compliance with this Code section.

- (g) Toxic Pollution Prevention Program – Chapter 455B.517(1) states the Department shall establish the criteria for the development of the toxic pollution prevention program.

The Department has not established the required criteria.

- (h) 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.

- (i) 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.

- (j) Duties of the Department – Chapter 455B.517(11) states the Department shall coordinate state and federal efforts of clearinghouses established to provide access to toxics reduction and management data for the use of toxics users.

The Department has not provided supporting documentation of compliance with this Code section.

- (k) Criteria for Toxic Pollution Prevention Plans – Chapter 455B.518(2) states the Department shall adopt criteria for the information required in a multimedia toxic pollution prevention plan. Also, the economic analysis shall include an evaluation of the impact upon the toxic user's existing labor force by the Division or Department and the projected impact upon future expansion of the toxic user's labor force, a clear statement listing specific reduction objectives and a method for employees of a toxic user to provide input and be involved in the development of the plans.

The Department has not complied with this Code section.

- (l) Toxic Pollution Prevention Plans – Chapter 455B.518(5) states a toxic 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 Toxic Pollution Prevention Plan for toxic users.

- (m) Duties of the Environmental Protection 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 recommended the imposition of waste abatement fees, rebates and deposits to the General Assembly.

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- (n) Waste Volume Reduction – Chapter 455D.15(3)(e) allows the Department to use up to 10% of the Waste Volume Reduction and Recycling 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.

- (o) Contamination of Groundwater – Chapter 455E.8(3) states the Director shall report any data of contamination of groundwater by a contaminant not regulated under the federal Safe Drinking Water Act to the United States Environmental Protection Agency along with a request to establish a maximum contaminant level and to conduct a risk assessment for the contaminant.

A request to conduct a risk assessment for the contaminant has not been submitted.

- (p) 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.

- (q) 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.

- (r) 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.

- (s) Child Support Licensing Sanctions – Chapter 252J.7(3) states a licensing authority shall initiate procedures for the revocation or suspension of an individual's license, or for the denial of the issuance or renewal of a license, using the licensing authority's procedures upon receipt of a certification of noncompliance from the Child Support Recovery Unit. Procedures shall include notification to the individual of the intent to suspend, revoke, deny issuance or deny renewal of a license, including the effective date of the action.

The Department has not complied with this Code section.

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

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Response –

- (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 has notified the leadership at the Legislature and Governor's Office regarding this matter. The Department continues 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 until the Panel is fully appointed. The Department will convene the Panel once fully appointed.
- (b) Iowa Code chapter 455B.187 requires well contractors to provide to the Department and the 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. While timely receipt helps to ensure that the information is submitted and is submitted accurately, the 30 day period is not necessary for any internal Departmental process. The Department will review whether a statutory change is appropriate to extend this time period.
- (c) The time periods reviewed by the Auditor are misleading in that they calculate the turnaround time based upon initial submission of an application. The Department does not view this time limitation to be triggered until a complete application is received. Historically, applications are often incomplete and annual reports have not been submitted which are necessary to the review of the application. Regardless, the Department is taking steps to speed the review and approval process. An online application process has been developed and will soon be operational. This online process, coupled with online annual reporting, should reduce the approval time. The Department also believes that the elimination of a fee for renewal will speed the process since delays have occurred due to failure to submit the fee.

In state fiscal year 2011, 79% of new/modified permits met the 90 day requirement, and 67% of renewals met the 30 day requirement. The changes in procedure should increase these percentages.

- (d) through (o) - These Code Sections were included for repeal in 2012 in Senate File 2338 Division XI. While the Governor supports the DNR code changes (Section XI) in SF 2338, the bill was vetoed in its entirety. The Department will propose the rescissions again in 2013.

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- (p) 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:
1. The Department has a strong interest in restoring wetlands. However, acquiring highly productive farmland, either by easement or fee simple, is very expensive. The Department has usually relied on federal funding for the acquisition of wetlands. The funding source identified in the Code of Iowa already has Code-designated purposes. The Department receives only 2% of the Agriculture Management Account for administration purposes and the balance is distributed to other entities. Additional sources of funding would be necessary for the successful implementation of any new program.
 2. 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 are far more interested in continuing to farm the land. Farmers prefer assistance with alternative drainage more than wetland restoration. To date, IDALS has found little landowner interest in the alternative to restore wetlands.

Nothing prevents the Department from working with landowners to convert land around an agricultural drainage well. This programmatic requirement, without sufficient funding, will not result in anything more than is currently available. The Department will recommend that this subsection be rescinded during the 2013 legislative session.

- (q) This program was never established because the current Federal regulations exceed the protection this Code requirement would offer. The inventory of wetlands and marshes was completed, but hearings were not conducted in each county by the Director. The Department does allow landowners to claim a property tax exemption on lands designated as protected wetlands. Current Federal regulations (Section 404 and State 401 Certification under the Clean Water Act) accomplish the same regulation or more than this Code section, as this section only regulates 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 recommend that this subsection be amended during the 2013 legislative session to include the most recent federal wetland classification system, to address all wetlands, and to identify the appropriate public outreach tool.
- (r) 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 only regulates 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

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meadows. It also exempts wetlands located in drainage or levee districts. See Iowa Code section 456B.1. The Department will recommend that this subsection be amended during the 2013 legislative session to include the most recent federal wetland classification system, to address all wetlands, and to identify the appropriate public outreach tool.

- (s) As of April 30, 2012, the Department's Legal Services Bureau has taken over these duties. The Department of Human Services sends the Department the Certificates of Noncompliance and the Department sends each noncompliant person a letter. After 30 days, if the Department of Human Services has not sent a withdrawal notice to the Department, the licenses for that noncompliant person will be revoked.

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

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Staff:

Questions or requests for further assistance should be directed to:

Suzanne R. Dahlstrom CPA, Manager
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Tracy L. Daugherty, CPA, Senior Auditor
Andrew E. Nielsen, CPA, Deputy Auditor of State

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