



## Department of Natural Resources

### Soil and Water Subsidies

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**Audit Period: January through June 2013**

### Results Summary:

Objective	Conclusion
Awarding Process	Well-Controlled with Improvement Needed
Payments and Close-out	Well-Controlled with Improvement Needed
Monitoring	Well-Controlled with Improvement Needed

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## **Executive Summary**

### **Background**

The Department of Natural Resources (DNR) Division of Soil and Water Resources strives to provide leadership and services that enable Ohioans to conserve, protect, and enhance soil, water, and land resources. The division accomplishes this mission, in part, through providing financial assistance to Ohio's 88 Soil and Water Conservation Districts (SWCD), helping fund local development of watershed management and protection action plans. The appropriations for the state match program totaled \$10,335,231 for state fiscal year (SFY) 2013 and \$10,208,466 for 2014. The Soil and Water Conservation Commission (SWCC) is a seven member appointed Board who serves as the governing body over the distribution of the division of soil and water's grant funds.

The Division also funds the watershed coordinator grant program which provides salary and fringes to local governments and non-profits to support a watershed coordinator that would assist landowners with adopting practices that help improve water quality across the state. Funds are disbursed to a sponsor who then administers the funds to the appropriate watershed. The appropriation for the watershed coordinator program totaled \$214,034 for SFY 2013 and 2014.

During the audit, OIA identified opportunities for Department of Natural Resources to strengthen internal controls and improve business operations. This audit conforms to the *International Standards for the Professional Practice of Internal Auditing*. OIA would like to thank Department of Natural Resources staff and management for their cooperation and time in support of this audit.

This report is solely intended for the information and use of agency management and the State Audit Committee. It is not intended for anyone other than these specified parties.

### **Scope and Objectives**

OIA performed assurance work related to ODNR's Soil and Water Subsidy for Program Assistance and Watershed Coordinator Grants. This work was completed between July and September 2013. The audit scope included grant administration from January through June 2013. Due to anticipated declines in future funding, OIA did not review the awarding process for Watershed Coordinator Grants. The audit objectives were as follows:

- Evaluate design and effectiveness of controls for the state match awarding process.
- Evaluate design and effectiveness of controls for payments and close-out process.
- Evaluate design of controls for monitoring.



## Detailed Observations and Recommendations

The Observations and Recommendations include only those risks which were deemed high or moderate. There were no high or moderate observations identified as a result of this audit. Low risk observations were discussed with individual agency management and are not part of this report. However, the low risk observations were considered as part of the audit objective conclusions.



## Appendix A – Classification of Conclusions and Observations

### Classification of Audit Objective Conclusions

Conclusion	Description of Factors
<b>Well-Controlled</b>	The processes are appropriately designed and/or are operating effectively to manage risks. Control issues may exist, but are minor.
<b>Well-Controlled with Improvement Needed</b>	The processes have design or operating effectiveness deficiencies but do not compromise achievement of important control objectives.
<b>Improvement Needed</b>	Weaknesses are present that compromise achievement of one or more control objectives but do not prevent the process from achieving its overall purpose. While important weaknesses exist, their impact is not widespread.
<b>Major Improvement Needed</b>	Weaknesses are present that could potentially compromise achievement of its overall purpose. The impact of weaknesses on management of risks is widespread due to the number or nature of the weaknesses.

### Classification of Audit Observations

Rating	Description of Factors	Reporting Level
<b>Low</b>	Observation poses relatively minor exposure to an agency under review. Represents a process improvement opportunity.	Agency Management; State Audit Committee (Not reported)
<b>Moderate</b>	Observation has moderate impact to the agency. Exposure may be significant to unit within an agency, but not to the agency as a whole. Compensating controls may exist but are not operating as designed. Requires near-term agency attention.	Agency Management and State Audit Committee
<b>High</b>	Observation has broad (state or agency wide) impact and possible or existing material exposure requiring immediate agency attention and remediation.	Agency Management and State Audit Committee