



Department of Natural Resources

Division of Geological Survey Audit

Audit Period: January through December 2016

Results Summary:

Objective	Conclusion
Revenue Processing and Inventory Management	Well-Controlled with Improvement Needed

* Refer to Appendix A for classification of audit objective conclusions.

Report number: 2017-DNR-01

Issuance date: April 13, 2017



Executive Summary

Background

The Division of Geological Survey prepares maps, reports, and analysis of Ohio's geological formations, mineral deposits, and other subsurface features for use by Ohio's mineral industries, the general public, and the Department of Natural Resources' (DNR) other divisions. The Division maps bedrock, coal and mineral deposits, coastal erosion areas, and other geological formations; provides geological and technical assistance to the mining and drilling industries; operates the H.R. Collins Laboratory and core sample depository near Alum Creek State Park in Delaware County; and produces reports on Ohio's geological features.

The Geological Mapping Fund receives 100% of salt severance tax revenues; 4.76% of coal severance tax revenues; 7.5% of limestone, dolomite, sand, and gravel severance tax revenues; and 10% of oil and natural gas severance tax revenues. The fund also collects receipts from the Division's sale of geological maps, data, and other such products and services. During the period January through December 2016, the Geological Mapping Fund received approximately \$54,000 from the Division's geology store and H.R. Collins lab sales.

During the audit, OIA identified opportunities for DNR to strengthen internal controls and improve business operations. OIA conforms with the *International Standards for the Professional Practice of Internal Auditing*. OIA would like to thank DNR 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 staff was engaged to perform an assurance audit related to the controls over the agency's revenue and inventory processes. This work was completed December 2016 through February 2017. The scope of this audit included the following areas:

Revenue and Inventory processes for the following operations:

1. Ohio geology Store at Fountain Square
2. H.R. Collins Lab at Alum Creek State Park

The following summarizes the objective of the review:

- Evaluate the design and effectiveness of the controls within the Ohio Geology Store and H.R. Collins Lab operations (revenue processing and inventory management).



Detailed Observations and Recommendations

The Observations and Recommendations include only those risks which were deemed high or moderate; however, there are no high or moderate risk observations for this review. 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.

Due to the limited nature of our audit, we have not fully assessed the cost-benefit relationship of implementing the observations and recommendations suggested above. However, these observations reflect our continuing desire to assist your department in achieving improvements in internal controls, compliance, and operational efficiencies.

* Refer to Appendix A for classification of audit observations.



Appendix A – Classification of Conclusions and Observations

Classification of Audit Objective Conclusions

Conclusion	Description of Factors
Well-Controlled	The processes are appropriately designed and/or are operating effectively to manage risks. Control issues may exist, but are minor.
Well-Controlled with Improvement Needed	The processes have design or operating effectiveness deficiencies but do not compromise achievement of important control objectives.
Improvement Needed	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.
Major Improvement Needed	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
Low	Observation poses relatively minor exposure to an agency under review. Represents a process improvement opportunity.	Agency Management; State Audit Committee (Not reported)
Moderate	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
High	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