



Department of Natural Resources

Salt Revenue Assurance Audit

Audit Period: July 2016 through June 2017

Results Summary:

Objective	Conclusion
Coastal Salt Revenue	Well-Controlled with Improvement Needed

Refer to Appendix A for classification of audit objective conclusions.



Executive Summary

Background

Underground salt mining began in the 1950s. The modern salt industry is primarily for ice control, but also as an additive in animal feed, cattle blocks, and as a commercial and residential water-softening agent. According to Ohio Revised Code Section 1505.07, a permit or lease is required to remove salt from under the bed of Lake Erie.

DNR's Division of Geological Survey has two lease agreements with companies to mine salt from under the bed of Lake Erie. The lease agreements are with Cargill Salt and Morton Salt. The two companies pay royalties to the State of Ohio by the weight (Cargill) or by volume (Morton) of salt they extract from under the lake bed in addition to semi-annual lease payments. During state fiscal year 2017, DNR collected approximately \$1.5 million in lease and royalty revenue.

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 coastal salt revenue process. This work was completed July through September 2017. The scope of this audit included the following areas: salt revenue processes within the Office of Coastal Management. The audit period was July 2016 through June 2017.

The following summarizes the objective of the review:

- Evaluate the design and effectiveness of controls over coastal salt revenue.

Detailed Observations and Recommendations

The Observations and Recommendations include only those risks which were deemed high or moderate. Low risk observations identified during the engagement were discussed with individual agency management and are not part of this report. However, the low risk observations were considered part of the audit objective conclusions.

* Please 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