



**OFFICE OF AUDITOR OF STATE
STATE OF IOWA**

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NEWS RELEASE

FOR RELEASE _____

July 22, 2010

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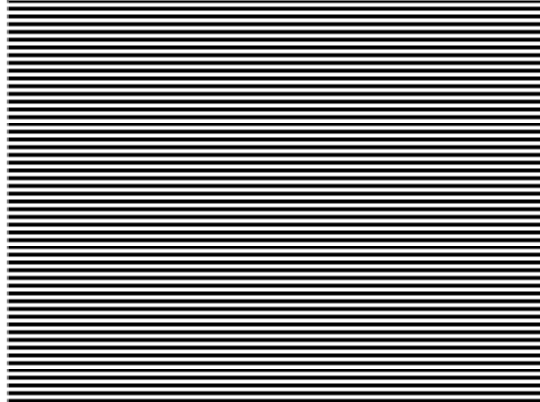
Auditor of State David A. Vaudt today released a report on the Iowa Department of Agriculture and Land Stewardship for the year ended June 30, 2009.

The Department has the primary responsibility to encourage, promote and advance agriculture in this State.

Vaudt recommended the Department strengthen internal controls over receipts in certain bureaus and implement procedures to comply with certain provisions of the Code of Iowa. The Department's responses are included in the report.

A copy of the report is available for review in the Iowa Department of Agriculture and Land Stewardship, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/1060-0090-BR00.pdf>.

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**REPORT OF RECOMMENDATIONS TO THE
IOWA DEPARTMENT OF AGRICULTURE AND LAND
STEWARDSHIP**

JUNE 30, 2009

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



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July 14, 2010

To the Honorable Bill Northey,
Secretary of Agriculture:

The Iowa Department of Agriculture and Land Stewardship 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, 2009.

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 pertain to the Department's internal control, 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.

The Iowa Department of Agriculture and Land Stewardship's responses to the findings identified in our audits are included in this report. While we have expressed our conclusions on the Department's responses, we did not audit the Iowa Department of Agriculture and Land Stewardship's 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 Agriculture and Land Stewardship, citizens of the State of Iowa and other parties to whom the Department 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 any of 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 7 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 Chester J. Culver, Governor
Richard C. Oshlo, Jr., Director, Department of Management
Glen P. Dickinson, Director, Legislative Services Agency

June 30, 2009

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:

- (1) Financial Reporting – The first deposit in fiscal year 2009 included \$256,651 which should have been recorded in fiscal year 2008. In addition, the Division did not record financial information for grain receiverships held by the Grain Warehouse Bureau.

Recommendation – The Department should exercise extra care in the review of receipts during the hold-open period to ensure receipts are properly recorded. Additionally, the Department should establish procedures to ensure all financial information is recorded in the financial statements.

Response – The miscoding of this receipt occurred last year, which caused a 2 year finding for this same receipt. As this is the 2nd year for this comment it should correct itself in next year's audit. Accounting staff have been reminded of the criticality of proper coding of accounting transactions and to be especially diligent during the hold-open period.

The Department will meet with the GAAP team to determine how to best provide receivership information so that it can be reported properly in the financial statements.

Conclusion – Response accepted.

- (2) Segregation of Duties – To safeguard assets, duties should be segregated to prevent an individual employee from handling duties which are incompatible. This segregation of duties helps to prevent losses from employee error or dishonesty. Also, an initial listing of receipts should be prepared by the mail opener and compared to the deposit by an independent person. In addition, a reconciliation of receipts to bureau records should be performed to determine the appropriate fees were received and deposited.

In the Dairy Bureau, the Weights and Measures Bureau and the Commercial Feed and Fertilizer Bureau, one person is responsible for opening mail, recording receipts to the bureau database, preparing the deposit and taking the deposit to accounting. In addition, the Bureaus do not prepare an initial listing of receipts. The Dairy Bureau and the Weights and Measures Bureau do not perform a reconciliation to determine if the appropriate fees were remitted.

Recommendation – The Department should review procedures in the bureaus to ensure duties are segregated to the extent possible. An initial listing of receipts should be prepared and compared to the deposit by an independent person. In addition, the Dairy Bureau and the Weights and Measures Bureau should consider adding a procedure to ensure the correct fee is remitted.

Response – The Department will review segregation of duties within the various bureaus as it pertains to fee collection and handling. The Department will review the processing of fees in several bureaus to determine if there may be more effective or efficient methods to process these fees. The Department may consider cross-training among bureaus to allow for a second person to be involved in the fee collection, handling and deposit process.

Conclusion – Response accepted.

June 30, 2009

Findings Related to Statutory Requirements and Other Matters:

Iowa Code Compliance – The Department was not in compliance with the following Chapters of the Code of Iowa during the year ended June 30, 2009:

- (a) Office of Renewable Fuels and Coproducts – Chapter 159A.3 created the Office of Renewable Fuels and Coproducts within the Department. The Office's chief purpose is to further the production and consumption of ethanol fuel in the state.

Due to lack of funding through fiscal year 2009, the program has been not been operational.

- (b) Organic Nutrient Management – Chapters 161.C(5) and (6) establish an organic nutrient management program and fund which are to provide financial incentives to establish livestock manure management systems to facilitate the proper utilization of livestock manure as a nutrient source.

The Department has not established either an organic nutrient management program or fund.

- (c) Civil Penalties – Chapter 165B.2 requires the Department to report to the chairpersons of the joint appropriations subcommittee on agriculture and natural resources by January 5 of each year on the amount of money collected and how it was expended.

The Department has not reported on money collected and how the funds were expended.

- (d) Examinations – Chapter 200A.10 requires the Department to maintain a laboratory with the equipment and employees necessary to conduct examinations of bulk dry animal nutrient products distributed in the state.

The Department does not maintain a laboratory to conduct the required examinations.

- (e) Licensing Exam – Chapter 215.23 requires the Department to conduct a qualifying examination prior to issuing a commercial weighing and measuring servicer license.

The Department does not have or administer a qualifying examination.

- (f) Agrichemical Remediation Board – Chapter 161.3 requires the Department to establish an Agrichemical Remediation Board composed of seven members, including the Secretary of Agriculture or the secretary's designee and the Director of the Department of Natural Resources or the director's designee.

No funding currently exists for agrichemical remediation.

- (g) Report to General Assembly – Chapter 161.10 requires the Department, in cooperation with the Agrichemical Remediation Board, to submit a report to the General Assembly by January 10 of each odd-numbered year providing a summary and a detailed accounting of the fund's financial condition, including expected revenues and expenses during the following two years.

Report of Recommendations to the Iowa Department of Agriculture and Land Stewardship

June 30, 2009

An initial report was sent to the General Assembly when the Board was first established. However, reports have not been submitted since the first year.

- (h) Swine Dealer Licensing – Chapter 163.30 requires all persons who act as an employee or agent of a licensed swine dealer obtain an identification card issued by the Department showing the person is employed by or represents a licensed dealer.

The Department does not issue identification cards.

Recommendation – The Department should take the necessary steps to comply with the Code of Iowa or should seek repeal of outdated Code sections.

Responses –

- (a) Comment accepted.
- (b) The Department did not receive an appropriation to fund this program. Work will be done to repeal language as deemed appropriate.
- (c) The Department did not collect any civil penalties in accordance with Iowa Code Chapter 165B.2 and, therefore, did not believe a report was necessary. Required reports will be completed in future years.
- (d) Chapter 200A regulates bulk dry animal nutrient and includes the requirement a laboratory be maintained and analysis be conducted. The Department maintains a laboratory and has the capability of collecting bulk dry animal nutrient samples in the field. The Department requires an independent laboratory analysis of bulk dry animal nutrient to be provided with each application for registration of the material. The requirement the Department conduct these analysis should be deleted from the code.
- (e) The annual fee is currently only \$5 for the commercial weighing and measuring servicer license, and therefore, does not cover the cost to conduct an exam. The Department is currently working with the National Institute of Standards and Technology (NIST) to create a national exam. The Department will implement the exam when it is complete.
- (f) The Department did not receive an appropriation to fund this program. Work will be done to repeal language as deemed appropriate.
- (g) The Department did not receive an appropriation to fund this program. Work will be done to repeal language as deemed appropriate.
- (h) The Department issues certificates instead of identification cards. The fees collected are not sufficient to cover the costs of identification cards.

Conclusion – Responses accepted.

Report of Recommendations to the Iowa Department of Agriculture and Land Stewardship

June 30, 2009

Staff:

Questions or requests for further assistance should be directed to:

Joe T. Marturello, CIA, Manager
Andrew E. Nielsen, CPA, Deputy Auditor of State
Karen J. Kibbe, Senior Auditor

Other individuals who participated on the audits include:

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