



**OFFICE OF AUDITOR OF STATE**  
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**NEWS RELEASE**

FOR RELEASE \_\_\_\_\_ July 11, 2003 \_\_\_\_\_

Contact: Andy Nielsen  
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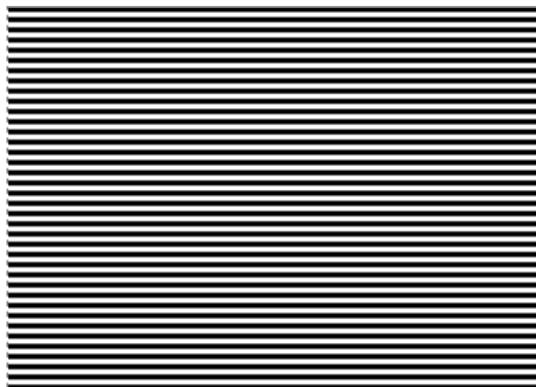
Auditor of State David A. Vaudt today released a report on the Iowa Department of Agriculture and Land Stewardship for the year ended June 30, 2002.

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

This report contained recommendations to the Department. For example, the Department should implement procedures to improve controls over receipts and comply with certain provisions of the Code of Iowa. The Department's responses are included in this report.

A copy of the report is available for review in the Office of Auditor of State and the Iowa Department of Agriculture and Land Stewardship.

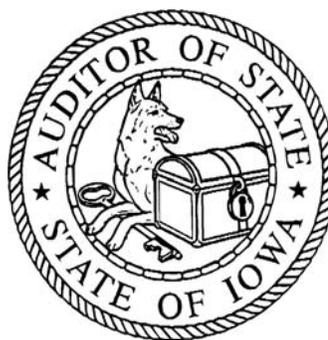
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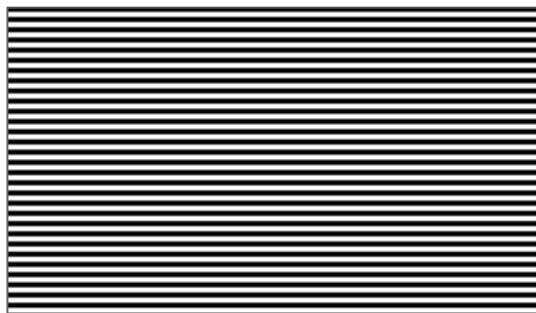
**REPORT OF RECOMMENDATIONS TO THE  
IOWA DEPARTMENT OF AGRICULTURE AND LAND  
STEWARDSHIP**

**JUNE 30, 2002**

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



**David A. Vaudt, CPA**  
Auditor of State









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June 30, 2003

To the Honorable Patty Judge, 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, 2002.

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. The recommendations pertain to the Department's internal control, compliance with statutory requirements and other matters which we believe you should be aware of. These recommendations have been discussed with Department personnel, and their responses to these recommendations are included in this report.

This report, a public record by law, is intended solely for the information and use of the officials and employees of the Department, 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 any 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 9 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 Thomas J. Vilsack, Governor  
Cynthia P. Eisenhauer, Director, Department of Management  
Dennis C. Prouty, Director, Legislative Services Agency

June 30, 2002

**Finding Reported in the State's Single Audit Report:**

No matters were reported.

**Findings Related to Internal Control:**

- (A) Fees and Other Miscellaneous Receipts – The various bureaus within the Department receive collections for fees and other miscellaneous receipts. These receipts are summarized by type on each bureau's cash receipt form and taken to the Administrative Division to be compiled and deposited.

Within the Administrative Division, the same person receives the bureau receipts, prepares the deposit, and also records the deposit into the accounting system. A reconciliation is performed to verify that the deposit agrees with the amount recorded. However, no independent reconciliation is performed to ensure that the amount deposited agrees with amounts originally received by the bureaus.

Recommendation – The Department should implement procedures that provide for an independent review and reconciliation of the bureaus' cash receipt forms to the deposit to ensure that all collections received are deposited intact.

Response – A procedure has been implemented in which a second person within the Accounting Bureau prepares the deposit. Also, it is the Department's practice that all validated fee documents and cash receipt forms be returned to the bureau for their completion of the fee transactions. At this time each bureau has the opportunity to compare the receipt forms to the total of their data input with regard to fees and licenses. This procedure has been recommended to the applicable bureaus. Any discrepancies noted during validation are documented on the cash receipt form.

Conclusion – Response accepted.

- (B) Restrictive Endorsement of Checks Received – An important aspect of internal control is the establishment of policies and procedures which provide for the accountability of assets which are susceptible to loss from errors or irregularities.

Six of 64 checks collected by various bureaus on one occasion were not restrictively endorsed by the bureau upon receipt.

Recommendation – The Department should implement procedures to ensure that checks are restrictively endorsed by each bureau upon receipt.

Response – All checks are reviewed for this endorsement during the validation process. All checks received without the restrictive endorsement are either endorsed in the Accounting Bureau or returned to the bureau of original receipt. Any discrepancies are communicated to the bureaus with a reminder of the importance of this internal control procedure.

Conclusion – Response accepted.

June 30, 2002

**Findings Related to Statutory Requirements and Other Matters:**

- (1) Iowa Code Compliance – The Department was not in compliance with the following sections of the Code of Iowa during fiscal year 2002:

- (a) State Apiarist – Chapter 160.1 requires the Secretary of Agriculture to appoint a State Apiarist and Chapter 160.2 requires the State Apiarist to give lectures and demonstrations on the production of honey and to examine and regulate bees, combs and equipment. The position of State Apiarist was eliminated in December, 2001.

Chapter 7A.4 requires the State Apiarist to file an annual report ending December 31 of each year with the Governor. The State Apiarist does not file an annual report with the Governor.

- (b) Sheep Promotion – Chapter 159.5(12) requires the Department to establish and maintain a sheep promotion division which shall promote the consumption of lamb, mutton, and the use of wool, and aid in the orderly marketing of sheep and wool.

The Department has not established a sheep promotion division.

- (c) Inspection and Regulation Program – Chapter 159.5(15) requires the Department to establish an inspection and regulation program regarding water sold in sealed containers for human consumption.

The Department has not established the above required program.

- (d) Agricultural Statistics – Chapter 159.11 requires the Department to collect agricultural statistics each year and to establish subscription fees for access to the information by parties other than vocational agricultural schools, state agricultural extension service and libraries.

The Department has not established subscription fees for access to the information collected.

- (e) Soil and Water Conservation Districts – Chapter 161A.11 requires the Department to submit to the Governor, no later than January 1 next preceding each biennial legislative session, a report which shall state the number and acreage of districts in existence or in process of organization, together with an estimate of the number and probable acreage of the districts which may be organized during the ensuing biennial fiscal period, and a statement of the balances of funds, if any, available to the Department for its administrative and other expenses arising and for allocation among the several districts during the ensuing biennial fiscal period.

The Department did not submit the report to the Governor.

- (f) Agricultural Energy Management Fund – Chapter 161B establishes an agricultural energy management fund and advisory council to consist of the Secretary of Agriculture and various other officials. The Chapter also requires the Department to report annually to the standing committees on energy and environmental protection of the house and senate on the projects conducted with the agricultural energy management fund.

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

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The agricultural energy management fund is inactive, the advisory council no longer exists and the Department does not report annually to the standing committees.

- (g) Board of Veterinary Medicine Report – Chapter 169.5(7) requires the president and secretary of the Board of Veterinary Medicine to submit to the Governor a report of transactions of the board at the end of each fiscal year.

A report has not been submitted to the Governor.

- (h) Licensed Grain Dealer and Warehouse Inspections – Chapter 203.9 requires the Department to inspect the business premises and books, accounts, records, and papers of every grain dealer at least once each eighteen month period. Chapter 203C.2 requires the Department to inspect every licensed warehouse and its contents once every twelve month period.

Five of the 248 licensed grain dealers and 5 of the 277 warehouses were not inspected as required during fiscal year 2002.

- (i) Linked Investment of Tomorrow Act – Chapter 177, section 8 of the Laws of the Seventy-Eighth General Assembly, 1999 Session, required the Department, along with the Iowa Department of Economic Development, to review the Linked Investment of Tomorrow Act. The Departments were to submit a combined report to the Department of Management on or before February 1, 2000.

No report was completed.

- (j) Department Tests – Chapter 214A.6 states that the Department shall test samples of motor vehicle fuel or oxygenate octane enhancer for a fee of two dollars.

The Department does not test samples of motor vehicle fuel or oxygenate octane enhancer.

In addition, the Department was not in compliance with Chapters 192.132 and 192.133 (Testing of Milk Fat) of the Code of Iowa during fiscal year 2002. However, these sections were repealed by Chapter 1119, section 110 and Chapter 1148, section 9 of the Laws of the Seventy-Ninth General Assembly, 2002 Regular Session.

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

Response –

- (a) State Apiarist – Due to the reduction of funding, the state apiarist was laid off prior to December 31, 2001. Therefore, a report was not compiled.
- (b) Sheep Promotion – We did not receive any dollars nor FTE's for this program and have not for years. We have been successful in having this removed from the Code.

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- (c) Inspection and Regulation Program – The Department has never received funding nor FTE's for this inspection program. The requirement has now been removed from the Code. The Department of Inspections and Appeals does carry forth this inspection activity.
- (d) Agricultural Statistics – The Department does not gather agricultural statistics. We have a cooperative agreement with USDA and they gather all information and release it. Therefore, we have no role in the collection of fees.
- (e) Soil and Water Conservation Districts – The Department has been successful in having this requirement removed from the Code.
- (f) Agricultural Energy Management Fund – The Agricultural Energy Management Fund is inactive, the funds were depleted several years ago, the advisory council no longer exists and, therefore, the Department does not submit a report to the standing committees.
- (g) Board of Veterinary Medicine Report – The Department and State Veterinarian were unaware of this requirement. Discussions will be convened with the Board of Veterinary Medicine to determine if they want to proceed in having the requirement removed from the Code.
- (h) Licensed Grain Dealer and Warehouse Inspections – Due to reduced staff, we are unable to meet this mandate.
- (i) Linked Investment of Tomorrow Act – The Linked Investment Act is vast in scope. The Department did contact IDED and did not receive a response on this report. A report was not submitted.
- (j) Department Tests – The Department does not have a motor fuel quality lab in this facility and is, therefore, unable to test for this. This has been true since 1978 when we were moved into the Wallace Building.

Conclusion – Responses acknowledged. The status and/or progress will be reviewed at the time of the next audit. For those items where the Code of Iowa is not being followed, the Department should take the necessary steps to comply with the Code of Iowa or should seek repeal of outdated code sections.

- (2) Grain Indemnity Fund – Under a written agreement, the Grain Indemnity Fund reimburses the Grain Warehouse Bureau a fixed amount on a monthly basis. The monthly reimbursement is intended to recover some of the expenses incurred by the Grain Warehouse Bureau. The current agreement states that the reimbursement is subject to an annual evaluation.

The last evaluation completed covered the period July 1, 1999 through June 30, 2000.

Recommendation – The annual evaluation of actual expenditures should be completed on a timely basis in compliance with contractual requirements.

Response – Due to a reduction in staff and an increase in the number of grain elevator failures, this evaluation has not been completed. Expenses associated with this effort are reviewed on a weekly basis via examiner reports documenting time spent and itinerary.

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This reimbursement is offset by a reduction in appropriation. The bureau believes that the current reimbursement fairly reflects the expenses incurred.

The Grain Warehouse Bureau is aware of this requirement and intends to reinstate the task as time and personnel allows.

Conclusion – Response acknowledged. The Department should ensure that an annual evaluation is completed in accordance with contractual requirements.

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

June 30, 2002

**Staff:**

Questions or requests for further assistance should be directed to:

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Scott P. Boisen, Assistant Auditor  
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