



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

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**NEWS RELEASE**

FOR RELEASE \_\_\_\_\_

August 4, 2011

Contact: Andy Nielsen  
515/281-5834

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, 2010.

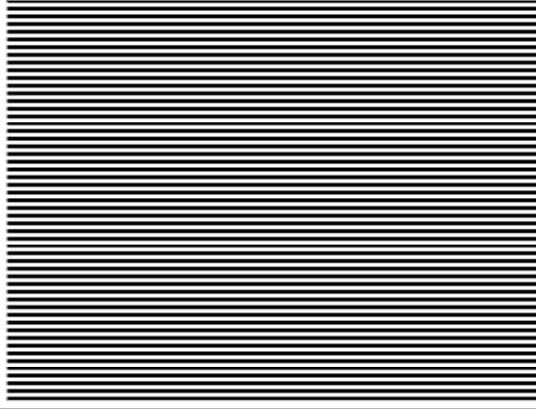
The Department has the primary responsibility to encourage, promote and advance agriculture in this State.

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/1160-0090-BR00.pdf>.

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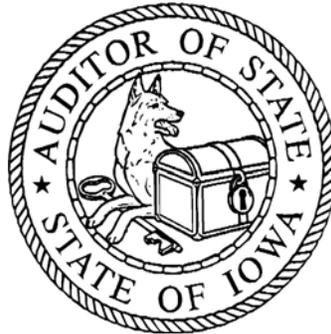




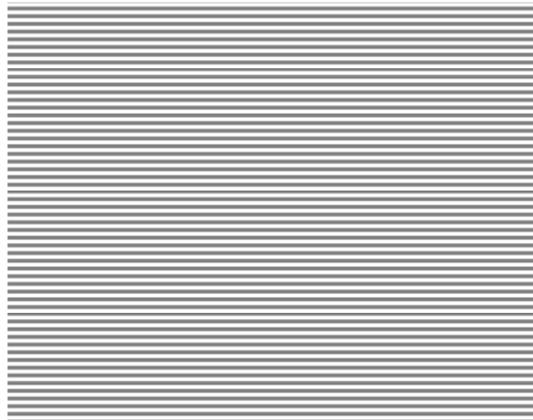
**REPORT OF RECOMMENDATIONS TO THE  
IOWA DEPARTMENT OF AGRICULTURE AND LAND  
STEWARDSHIP**

**JUNE 30, 2010**

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



**David A. Vaudt, CPA**  
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July 27, 2011

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, 2010.

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 and 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. 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 8 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 Terry E. Branstad, Governor  
David Roederer, Director, Department of Management  
Glen P. Dickinson, Director, Legislative Services Agency

Report of Recommendations to the  
Iowa Department of Agriculture and Land Stewardship  
June 30, 2010

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

No matters were noted.

**Findings Related to the State's Report on Internal Control:**

No matters were noted.

**Other Findings Related to Internal Control:**

- (1) 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, the Pesticide 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 implementing 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.

In addition, in fiscal year 2012, the Department will implement a new desktop deposit system. This new deposit system will allow for deposits to be done on an overnight process rather than a weekly deposit of fees. This deposit system will close the loop between the program staff and accounting staff. When fee batches are sent to accounting a copy of the cash receipt will be returned to the individual Bureaus with a copy of the batch spreadsheet. This will allow for better reconciliation between the Bureaus and accounting. Additionally, there will be training provided to assist Bureaus in analyzing their deposit summary information to ensure proper amounts are being collected.

Conclusion – Response accepted.

Report of Recommendations to the

Iowa Department of Agriculture and Land Stewardship

June 30, 2010

- (2) Soil Expense – The Soil Conservation Bureau maintains a separate account for various meetings which is to be a “clearing” account. The account is handled by the Administrative Assistant and the Division Director. At the end of fiscal year 2010, this account had a balance of \$2,099, which was reported as part of the Department’s GAAP package. However, the account is not reported as State funds, the beginning balance was not adjusted from the previous year and is overstated by \$1,047.60 and additions and deletions were immaterially overstated.

The Soil Conservation Bureau does not receive images of the cancelled checks or deposit slips for the account. One expenditure for \$2,588 was incorrectly coded to fiscal year 2010 rather than fiscal year 2011. Another expenditure for \$84 did not contain a receipt or any supporting documentation for the reimbursement. In addition, there is a lack of segregation of duties. The same person handles receipts, disbursements and reconciles the account. However, no independent reconciliation is performed.

Recommendation – The nature of the cash held in the account should be determined. If the cash belongs to the State, the account should be closed and deposited to the General Fund. If it is determined the account belongs to a separate non-profit corporation, the Department must register the non-profit corporation with the Secretary of State.

If the account is continued, the Bureau should segregate duties to the extent possible and an independent reconciliation of the account should be performed. The Department should also request images of cancelled checks and deposit slips from the bank. The Department should establish procedures to ensure all expenditures are for an allowable purpose and are adequately supported. In addition, the Bureau should establish procedures to ensure activity is properly included on the GAAP package.

Response – This account was closed in June 2011.

Conclusion – Response accepted.

- (3) Personnel Policies – The Department’s current policy states employees may only work from home with the approval of the Deputy Secretary of Agriculture. However, one employee in the Horse and Dog Breeding Bureau is allowed to work from home without evidence of the Deputy Secretary’s approval.

Recommendation – The Department should implement procedures to ensure compliance with the Department’s policies.

Response – Department management routinely sends out procedural reminders to supervisors. Management will send a policy reminder out to supervisors reminding them of the need for proper approvals. Approvals by the Deputy Secretary to work at home will be better documented.

Conclusion – Response accepted.

Report of Recommendations to the  
Iowa Department of Agriculture and Land Stewardship  
June 30, 2010

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

(1) Iowa Code Compliance – The Department was not in compliance with the following provisions of the Code of Iowa during the year ended June 30, 2010:

(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 2010, the program has been not been operational.

(b) 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.

(c) 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.

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.

(d) 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.

(e) Swine Dealer Licensing – Chapter 163.30 requires all persons who act as an employee or agent of a licensed swine dealer to 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.

(f) Slaughterhouse Operations – Chapter 172A.2 requires a license for dealers and brokers involved with slaughterhouse operations. However, Chapter 172A.5 states a dealer or broker who is bonded under the Packers and Stockyards Act of 1921, as amended, shall be exempt from the licensing requirement if they have filed a certified copy of the bond with the Secretary of Agriculture.

The Department does not keep copies of the bonds on file.

Report of Recommendations to the

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June 30, 2010

- (g) 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.

- (h) Antifreeze Inspections – Chapter 208A.4 states antifreeze should be inspected before it is sold, exposed for sale or held with the intent to sell. The Department tests antifreeze samples when submitted with the appropriate fee. However, the Department does not have a method to ensure all antifreeze for sale in the State has been tested.

- (i) 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.

- (j) Moisture Meter Inspections – Chapter 215A requires all moisture meters to be inspected annually. The Department subcontracts the inspections to a third party but does not verify the subcontractor has completed the inspections.

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

Responses –

- (a) Comment accepted.
- (b) Repealed by House File 532.
- (c) Repealed by House File 532.
- (d) Repealed by House File 532.
- (e) The requirement to issue an identification card was amended in House File 532.
- (f) The Department will work to conform the language to more closely match existing Federal law.
- (g) Repealed by House File 532.
- (h) Work will be done to repeal language as deemed appropriate.
- (i) The annual fee is currently only \$5 for the commercial weighing and measuring servicer license which 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 that exam when it is complete.
- (j) The Department will implement procedures to document performance under this contract.

Conclusions – Responses accepted.

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

June 30, 2010

- (2) Fuel Inspection Program – On March 23, 2011, the Office of Auditor of State issued a report on the review of the Fuel Inspection Program, which is the responsibility of the Weights and Measures Bureau (Bureau) of the Department. The Bureau is responsible for licensing and inspecting fuel pumps in Iowa to ensure the fuel pumps measure fuel accurately, are safe and the fuel extracted from the fuel pump is correctly labeled. The report included findings and recommendations to the Bureau to ensure compliance with the requirements established by the *Code of Iowa* and improve controls over collection of fees, compiling of financial information and performance of fuel pump inspections.

**Staff:**

Questions or requests for further assistance should be directed to:

Jennifer Campbell, CPA, Manager  
Karen J. Kibbe, Senior Auditor  
Andrew E. Nielsen, CPA, Deputy Auditor of State

Other individuals who participated on the audits include:

Gabriel M. Stafford, CPA, Staff Auditor  
Dorothy O. Stover, Staff Auditor  
Chad W. Baker, Assistant Auditor  
Brandon J. Vogel, Assistant Auditor  
Ryan A. Yeager, CPA, Assistant Auditor