



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

Mary Mosiman, CPA  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

NEWS RELEASE

FOR RELEASE August 26, 2015

Contact: Andy Nielsen  
515/281-5834

Auditor of State Mary Mosiman today released a report on the Iowa Department of Agriculture and Land Stewardship for the year ended June 30, 2014.

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

Mosiman 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 to the recommendations 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/1560-0090-BR00.pdf>.

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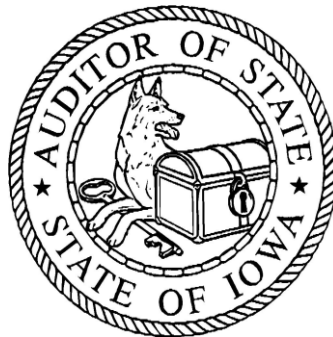
**REPORT OF RECOMMENDATIONS TO THE  
IOWA DEPARTMENT OF AGRICULTURE AND LAND  
STEWARDSHIP**

**JUNE 30, 2014**

==== Office of ====

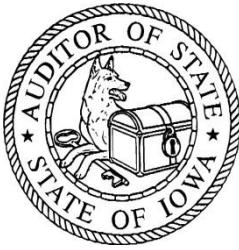
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August 20, 2015

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, 2014.

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 7 and they are available to discuss these matters with you.

  
MARY MOSIMAN, 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, 2014

**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 Finding Related to Internal Control:**

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. Although an initial listing of receipts is prepared by most bureaus, it is not compared to the deposit by an independent person. In addition, a reconciliation of receipts deposited to bureau records is not performed to determine the appropriate fees were received and deposited. Additionally, several Bureaus utilize databases to record and track receipts. However, database access for certain Bureaus is not controlled.

In the Dairy Bureau, the Weights and Measures Bureau and the Animal Industry Bureau, one person is responsible for opening mail, recording receipts in the Bureau's database, preparing the deposit and taking the deposit to Accounting. These Bureaus do not perform an independent reconciliation of collections to deposits. Additionally, they do not prepare a reconciliation of Bureau records to determine whether the appropriate fees were received and deposited.

In the Weights and Measures Bureau, the person who collects the fees is also responsible for mailing renewal notices for licenses, updating the outstanding license listing and mailing past due notices. The Bureau does not perform a reconciliation of licenses issued to fees collected.

In the Pesticide Bureau, the mail opener does not prepare an initial listing of receipts. The individual who collects fees for licenses, certifications and product registrations is responsible for mailing licenses, certifications and product registrations and is responsible for mailing renewal forms. The Bureau reconciles licenses, certifications and product registrations issued to fees collected, but the reconciliation is not reviewed by an independent person. Additionally, for dealer license renewals and product registration renewals based on gross retail sales, the Bureau does not verify annual gross retail sales, at least on a test basis.

Databases should have controls to ensure proper collection and mitigate the risk of human error. The Weights and Measures Bureau and the Dairy Bureau maintain a database without adequate controls to ensure accuracy.

Recommendation – The Department should review procedures in the Bureaus to ensure duties are segregated to the extent possible. The initial listing of receipts should be compared to the deposits by an independent person. In addition, the Bureaus should consider reconciling collections per the Accounting Bureau to licenses issued to determine whether the appropriate fees were received and deposited. Access to the Bureaus' databases should be limited to the individuals who need access to perform their duties. Also, data entered in the databases should be reviewed to ensure accuracy. The Pesticide Bureau should consider verifying gross retail sales information, at least on a test basis, for dealer license renewals and product registration renewals.

Report of Recommendations to the

Iowa Department of Agriculture and Land Stewardship

June 30, 2014

Response – Funding limitations constrict full segregation of duties; however the Department has made changes to some of the departmental processes which will help further segregate some of the duties discussed in this comment. The incoming mail is now being opened by the Department receptionist for many of the bureaus. In addition, the Department has implemented a new desktop deposit system for several bureaus and has nearly fully implemented this system in State fiscal year 2015. This new deposit system allows for deposits to be completed in an overnight process rather than a weekly deposit of fees. This deposit system helps to close the loop between the program staff and accounting staff. When fee batches are sent to Accounting, a copy of the I/3 cash receipt is returned to the individual bureaus with a copy of its batch spreadsheet. This allows for better reconciliation between the bureaus and accounting.

Segregation of duties is continually reviewed to determine if any further segregation can be accomplished for the duties discussed.

Conclusion – Response accepted.

**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, 2014:

(a) Targeted Small Businesses – Chapter 73.16 requires departments with purchasing authority to issue electronic bid notices for distribution to the targeted small business website for solicitation of bids for procurement of equipment, supplies and services.

Some Bureaus submit bid notices to the targeted small business website on a regular basis, but others do not. Compliance is not consistent for the Department as a whole.

(b) 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.

(c) Moisture Meter Inspections – Chapter 215A.2 requires all moisture meters be inspected annually.

The Department subcontracts the inspections to a third party, but does not verify the subcontractor has completed the inspections.

(d) Pesticide Bureau – As noted in our report issued March 19, 2012, the costs of operating the Bureau exceeded the fees remaining after the required transfers and the fees have not been changed since 1989 or before. The Bureau allows private applicators to use continuing instruction earned after their certification has expired as part of the 6 hours of required continuing instruction. This appears to conflict with Chapter 206.5 of the Code of Iowa. Additionally, although required by Iowa Administrative Code 21-Chapter 45.101, the Commercial Pesticide Applicator Peer Review Panel did not meet during fiscal year 2014.

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

Responses –

- a) The vast majority of the Department's procurements are from competitively bid State contracts, exempt from this procedure. However, the Department will continue to work to address the issues raised in this comment and better document our use of the TSB posting website.
- b) 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 National Institute of Standards and Technology (NIST) has created a national exam. However, the Department feels it would require re-exams for services, which would cause increased costs. In communicating with other states to determine how they administer tests, Iowa is now considering options to have an outside vendor administer the exam.
- c) The Department verifies the subcontractor has completed inspections by doing a review of the performance report provided by the subcontractor at the end of the performance period and comparing it to the number of licensed meters in the State of Iowa to verify reasonableness. In addition, the Department is in regular contact with the licensees and would be notified if inspections were not being completed.
- d) Changes to the Administrative Rules for Private applicator certification would affect a large number of people (23,000+), existing provider programs, the State Plan for Certification, and take longer than a year to go into effect. The Pesticide and Fertilizer Advisory Committee listing was updated and the committee met in FY2013 and FY2014. The Commercial Pesticide Applicator PEER Review Panel did not meet in fiscal year 2012-2013 due to hiring a new bureau chief and staff medical leave. Efforts were made in FY2014 to update the Commercial Pesticide Applicator PEER Review Panel and a meeting was held after the 2014 crop year (crop year runs 10/1-9/30), due to the seasonal nature of panel members' work and schedule availability.

Conclusion – Responses accepted.



Report of Recommendations to the  
Iowa Department of Agriculture and Land Stewardship  
June 30, 2014

**Staff:**

Questions or requests for further assistance should be directed to:

Deborah J. Moser, CPA, Manager  
Jenny M. Podrebarac, Senior Auditor II  
Andrew E. Nielsen, CPA, Deputy Auditor of State

Other individuals who participated in the audits include:

Benjamin P. James, CPA, Staff Auditor  
Daniel J. Mikels, Staff Auditor  
Miranda A. Shipman, Staff Auditor  
Janell R. Wieland, CPA, Staff Auditor  
Daniel S. Nilsen, Assistant Auditor  
Jenna M. Paysen, Assistant Auditor  
Ryan P. Swanson, Assistant Auditor  
Kristin R. Volkens, Assistant Auditor  
Stormi S. Peterson, Audit Intern