



OFFICE OF AUDITOR OF STATE
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NEWS RELEASE

FOR RELEASE _____ September 14, 2017

Contact: Andy Nielsen
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Auditor of State Mary Mosiman today released a report on the Iowa Department of Agriculture and Land Stewardship for the year ended June 30, 2016.

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.

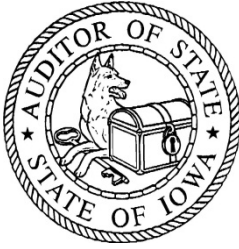
A copy of the report is available for review in the Iowa Department of Agriculture and Land Stewardship, in the Office of Auditor of State and on the Auditor of State's web site at <https://auditor.iowa.gov/reports/1760-0090-BR00>.

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

JUNE 30, 2016

Iowa Department of Agriculture and Land Stewardship



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August 31, 2017

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, 2016.

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
MARY MOSIMAN, CPA
Auditor of State

cc: Honorable Kim Reynolds, Governor
David Roederer, Director, Department of Management
Glen P. Dickinson, Director, Legislative Services Agency

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Iowa Department of Agriculture and Land Stewardship
June 30, 2016

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, Commercial Feed and Fertilizer and Animal Industry Bureaus 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 Dairy Bureau, fees received are not re-calculated for accuracy, at least on a test basis.

In the Weights and Measures Bureau, one person is responsible for opening mail, recording receipts in the Bureau's database, preparing the deposit and taking the deposit to Accounting. The Bureau performs a reconciliation of collections to deposits, but there is no evidence the reconciliation is reviewed by an independent person. 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 there is no evidence the reconciliation is 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.

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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 reconcile 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 Dairy Bureau should re-calculate fees remitted for accuracy, at least on a test basis. The Pesticide Bureau should consider verifying gross retail sales information, at least on a test basis, for dealer license renewals and product registration renewals.

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 being opened by the Department receptionist for many of the bureaus. In addition, the Department has implemented a desktop deposit system for most bureaus within the Department and has hopes of transitioning all remaining bureaus to desktop deposit at some point in the near future. This 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. The information returned to the bureau is then used to verify deposits were made for the correct amounts. 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:

Iowa Code Compliance – The Department was not in compliance with the following provisions of the Code of Iowa during the year ended June 30, 2016:

- (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.

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- (c) 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.

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 vender administer the exam.
- (c) 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.

Conclusion – (a) and (b) – Responses accepted.

- (c) Response acknowledged. The Bureau should ensure the administrative rules are in compliance with the Code of Iowa or seek to revise the Code of Iowa, if appropriate.

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

June 30, 2016

Staff:

Questions or requests for further assistance should be directed to:

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Preston R. Grygiel, Assistant Auditor
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