



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

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NEWS RELEASE

FOR RELEASE August 2, 2005

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, 2004.

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

Vaudt recommended the Department implement procedures to strengthen controls over miscellaneous receipts, comply with certain provisions of the Code of Iowa and comply with state administrative policies for service contracts. 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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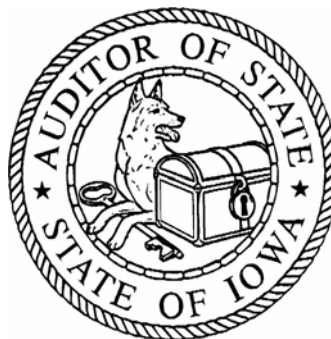
**REPORT OF RECOMMENDATIONS TO THE
IOWA DEPARTMENT OF AGRICULTURE AND LAND
STEWARDSHIP**

JUNE 30, 2004

Office of

**AUDITOR
OF STATE**

State Capitol Building • Des Moines, Iowa



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July 29, 2005

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, 2004.

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.

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 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
Michael L. Tramontina, Director, Department of Management
Dennis C. Prouty, Director, Legislative Services Agency

June 30, 2004

Finding Reported in the State's Single Audit Report:

No matters were noted.

Findings Related to Internal Control:

- (A) Miscellaneous Receipts – The various bureaus within the Department receive collections for miscellaneous receipts. These receipts are summarized by type on each bureau's cash receipt form (known as the Report of Funds Received) and taken to the Administrative Division to be deposited.

Within the Administrative Division, the same person receives the bureau receipts, prepares the deposit and records the deposit into the accounting system. A reconciliation is performed to ensure the deposit agrees with the amount recorded. However, an independent reconciliation is not performed to ensure the amount deposited agrees with the amount originally received by the bureaus.

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

Response – During FY 2005, new procedures were established related to fees and validation. New codes were added to the validation process which eliminated the need to use the miscellaneous deposit category for many items. For the remaining items designated as true miscellaneous deposits, a procedure has been established whereby the cash receipt document and supporting material will be reviewed and approved by the Accounting Bureau Chief.

Conclusion – Response accepted.

June 30, 2004

Findings Related to Statutory Requirements and Other Matters:

- (1) Iowa Code Compliance – The Department was not in compliance with the following Chapters of the Code of Iowa during the year ended June 30, 2004:

- (a) State Apiarist – Chapter 160.1 requires the Secretary of Agriculture to appoint a State Apiarist. In addition, Chapters 7A.4 and 160.13 require the State Apiarist to complete annual reports to the Governor and Secretary of Agriculture, respectively.

The position of State Apiarist was eliminated in December 2001. Therefore, the duties and reporting requirements described in Chapters 7A.4 and 160 have not been met.

- (b) Soil Conservation Loans – Chapter 161A.71 allows the Department to make no-interest loans to land owners for the purpose of establishing permanent soil and water conservation practices. Chapter 161A.71 states “the interest rate upon loans for which payment is delinquent shall accelerate immediately to the current legal usury limit.”

The Department does not charge interest on loans which are in a delinquent status.

- (c) 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.

- (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) 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.

Twenty-six of the 238 licensed grain dealers and 51 of 243 warehouses were not inspected as required during fiscal year 2004.

- (f) Department Tests – Chapter 214A.6 states 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.

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

June 30, 2004

- (g) Iowa Economic Development Board – Board Member Attendance – The Iowa Economic Development Board consists of eleven voting members. The Secretary of Agriculture is the only member not appointed by the Governor.

The Secretary of Agriculture did not attend any of the monthly board meetings held during fiscal year 2004 and was represented by a non-voting designee at only three of twelve meetings.

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) Funding for the Apiary program was eliminated by the Legislature. IDALS is not seeking a code change in hopes of securing funding in the future that will support the position of Apiarist to serve the Iowa industry. The report requirement to the Governor, per Chapter 7A.4, has been eliminated. The report to the Secretary of Agriculture, per Chapter 160.13, will commence with the funding of the Apiarist position.
- (b) Beginning in FY 2005, IDALS established a procedure for restructuring loans as a remedy for delinquencies.
- (c) This report requirement was eliminated in the 2005 Legislative Session.
- (d) During FY 2005, IDALS relocated and updated its laboratory facility. The new equipment located in the upgraded facility will accommodate this code requirement. IDALS intends to commence this testing when adequate levels of funding and staffing are available.
- (e) Current funding does not allow for adequate numbers of examiners to conduct inspections at the frequency mandated by the code. Inspections are increasing in size and complexity.
- (f) Due to a lack of proper equipment, the Department is unable to perform this testing. In response to a complaint, samples are sent to an outside entity for testing. This procedure would be cost prohibitive on a routine basis. The budget for the new laboratory facility did not allow for the purchase of this equipment.
- (g) The Secretary of Agriculture's designee attended meetings as his schedule allowed.

Conclusion – Response acknowledged. The Department should comply with the Code of Iowa or seek to repeal certain Code sections. The status and/or progress will be reviewed at the time of the next audit.

June 30, 2004

- (2) Grain Indemnity Fund Expenditures – Certain expenditures were noted that may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 since the public benefits to be derived have not been clearly documented. Three clocks, totaling \$172, were purchased for retirees using Grain Indemnity Fund resources. The purchase was not approved by the Grain Indemnity Board as required by Chapter 203D.3(6) of the Code of Iowa and the public purpose was not documented in the board minutes.

According to the opinion, it is possible for certain expenditures to meet the test of serving a public purpose under certain circumstances, although such items will be subject to a deserved close scrutiny. The line to be drawn between a proper and improper purpose is very thin.

Recommendation – The Grain Indemnity Board should determine and document the public purpose served by these expenditures before authorizing any further payments. If this practice is continued, written policies and procedures should be in place, including documentation of Board approval in the minutes.

Response – This recognition was planned and executed as a surprise for retired board members who had served on behalf of the public for 10 years or more. The expenditure was informally approved by existing board members to maintain the element of surprise.

Although service can be its own reward, it is considered appropriate to acknowledge such service as a message to future board candidates that volunteer time is appreciated and volunteer expertise is honored.

Conclusion – Response acknowledged. At a minimum, the public purpose served by expenditures of this nature should be documented in the minutes along with Board approval.

- (3) Monitoring of Surety Bonds – Chapters 207 and 208 of the Code of Iowa require operators who file an application to mine coal or other minerals within the state to file a bond equal to the estimated cost of reclamation of the site if performed by the Department. The Department maintains a database of the surety bonds to track the name and address of each operator and the corporate surety, the bond identification number and the amount of the bond.

The database of surety bonds was not updated to reflect the current, most recent activity/bonds.

Recommendation – The Department should maintain the database of surety bonds on a current basis to ensure bond coverage has not lapsed or decreased in amount.

Response – Comment accepted.

Conclusion – Response acknowledged. The database should be maintained on a current basis to ensure the required bond coverage has not lapsed or decreased in amount.

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

June 30, 2004

- (4) Service Contracts – Iowa Department of Administrative Services (DAS) Policy 240.102 and Chapter 106 of the Iowa Administrative Code provide general guidelines to be used by departments when entering into service contracts and outline the required elements for service contracts.

Testing of ten service contracts identified the following:

- (a) One contract did not contain the required termination clause.
- (b) Six contracts did not contain a clause requiring the service provider to comply with all applicable laws.
- (c) Five contracts did not contain an independent contractor clause.

Recommendation – The Department should implement procedures to ensure service contracts include the required elements identified in DAS Policy 240.102 and Chapter 106 of the Iowa Administrative Code.

Response – It appears that most, if not all, contracts reviewed had a start date prior to March of 2004 when IDALS held a training session for managers and staff members who participate in all aspects of the contracting process. In addition to this educational component, IDALS implemented an internal procedure to assure compliance with all applicable requirements. This new procedure includes a contract review by trained accounting personnel and the completion and inclusion of check off lists prior to the acceptance and signing of contracts by a single point of contact for the department. Management is pleased with the results of this new procedure and believes that those contracts which are initiated after the March 2004 training will be in compliance.

Conclusion – Response accepted.

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

June 30, 2004

Staff:

Questions or requests for further assistance should be directed to:

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Andrew E. Nielsen, CPA, Deputy Auditor of State

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