



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

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NEWS RELEASE

FOR RELEASE

December 7, 2020

Contact: Marlys Gaston
515/281-5834

Auditor of State Rob Sand today released a report on the Iowa Department of Agriculture and Land Stewardship for the year ended June 30, 2019.

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

AUDIT FINDINGS:

Sand reported two findings related to the Department. The findings are on pages 3 through 6 of this report. Sand recommended the Department strengthen internal controls over receipts in certain Bureaus and implement procedures to comply with a certain provision of the Code of Iowa.

Both findings discussed above are repeated from the prior year. Management of the Iowa Department of Agriculture has a fiduciary responsibility to provide oversight of the Department's operations and financial transactions. Oversight is typically defined as the "watchful and responsible care" management exercises in its fiduciary capacity.

A copy of the report is available for review on the Auditor of State's web site at <https://auditor.iowa.gov/reports/audit-reports/>.

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

JUNE 30, 2019

Iowa Department of Agriculture and Land Stewardship



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November 13, 2020

Iowa Department of Agriculture and Land Stewardship
Des Moines, Iowa

To the Honorable Mike Naig, Iowa Secretary of Agriculture:

I am pleased to submit to you the Report of Recommendations for the Iowa Department of Agriculture and Land Stewardship for the year ended June 30, 2019. The report includes findings pertaining to the Department's internal control and compliance with statutory requirements and other matters which resulted from the fiscal year 2019 audit.

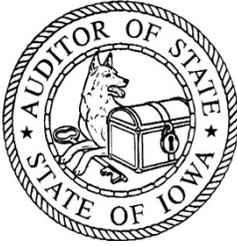
I appreciate the cooperation and courtesy extended by the officials and employees of the Iowa Department of Agriculture and Land Stewardship throughout the audit. If I or this office can be of any further assistance, please contact me or my staff at 515-281-5834.

Sincerely,

A handwritten signature in black ink, appearing to read "Rob Sand".

Rob Sand
Auditor of State

Iowa Department of Agriculture and Land Stewardship



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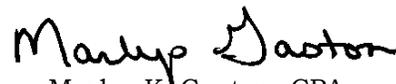
To the Honorable Michael Naig,
Secretary of Agriculture:

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, 2019.

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.


Marlys K. Gaston, CPA
Deputy Auditor of State

cc: Honorable Kim Reynolds, 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, 2019

Findings Reported in the State's Single Audit Report:

No matters were reported.

Findings Reported in the State's Report on Internal Control:

No matters were reported.

Other Finding Related to Internal Control:

Segregation of Duties – Receipts

Criteria – Management is responsible for establishing and maintaining internal control. A good system of internal control provides for adequate segregation of duties so the authorization, custody and recording of transactions are not under the control of the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty.

Condition - 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 Commercial Feed and Fertilizer Bureau, 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. They do not prepare a reconciliation of Bureau records to determine whether the appropriate fees were received and deposited. In the Dairy Bureau and Animal Industry Bureau, an independent reconciliation of collections to deposits is not performed. Also, in the Dairy Bureau, fees received are not recalculated 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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Cause – Procedures have not been designed to adequately segregate duties or provide compensating controls through additional oversight of transactions and processes.

Effect – Inadequate segregation of duties and the lack of performing reconciliations of receipts deposited to Bureau records could adversely affect the Department's ability to prevent or detect and correct misstatements, errors or misappropriation on a timely basis by employees in the normal course of performing their assigned duties.

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 – The Department has made significant investments to better segregate duties. Within the past year, the Department has developed and implemented an e-payment option in two of our Bureaus that have the highest volume of incoming checks, the Pesticide Bureau and Feed and Fertilizer Bureau. This will reduce the number of checks received by those Bureaus and free up staff time to allow for proper segregation of duties. This has already paid dividends in the Pesticide Bureau, where they recently transitioned to a desktop deposit process for the checks still being received, which is a more efficient method and allows for better controls than the previous process being used. We are also continuing to evaluate other Bureaus that may be able to transition to an e-payment option.

In addition, procedures have been added to several Bureaus as mitigating controls to address the concerns detailed. The initial listing/batch summary reports prepared by Bureau staff in the Dairy, Commercial Feed and Fertilizer, and Animal Industry Bureaus are reviewed by an independent person and compared to deposit confirmations provided by Accounting. The information returned to the Bureau is used to verify deposits were made for the correct amounts. This allows for better reconciliation between the Bureaus and Accounting. Also, the Dairy Bureau recalculates fees remitted for accuracy upon submittal of payment as well as on a summary basis every 6 months.

Due to staff availability in the Weights and Measures Bureau, it is difficult to fully segregate duties completely. However, as a mitigating control, the Bureau performs a reconciliation of collections to deposits and this reconciliation is reviewed and signed by the Bureau Chief. The Bureau will also begin to perform a reconciliation of licenses issued to fees collected to ensure fees collected appear reasonable. This reconciliation will be done on an annual basis and reviewed by an independent person.

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The Weights and Measures Bureau and the Dairy Bureau database access is limited to only bureau staff who need it. In the Weights and Measures Bureau, the Access Database used to account for fees is limited to one staff person's computer, which is password protected. The WinWam database can be accessed by all Bureau staff and handles the inspections. The two databases are reconciled on a regular basis for any additions or deletions to the number of licenses in each to verify accuracy. In the Dairy Bureau, only office staff (two) have access to the Access Database used to account for fee collection. Both computers the database is available on are password protected.

The incoming mail continues to be opened by the Department receptionist for many of the Bureaus to provide additional segregation and mitigating controls.

While funding and staffing can be limiting factors, procedures are continually reviewed to determine if any further segregation can be accomplished for the duties discussed.

Conclusion – Response accepted.

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Findings Related to Statutory Requirements and Other Matters:

Iowa Code Compliance – 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.

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

Response – 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 servicers, which would cause increased costs. Legislation progressed last session to remove this requirement. However, the delay in the legislative session due to COVID-19 resulted in this part of the legislation to be tabled until the 2021 legislative session, where the Department will pursue its adoption.

Conclusion – Response accepted.

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

June 30, 2019

Staff:

Questions or requests for further assistance should be directed to:

Marlys K. Gaston, CPA, Deputy
Suzanne R. Dahlstrom, CPA, Manager
Cole L. Hocker, CPA, Senior Auditor II

Other individuals who participated in the audits include:

Sarah J. Swisher, Senior Auditor II
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Coltin R. Collins, Staff Auditor
Ronica H. Drury, Staff Auditor
Ethan M. Snedigar, Staff Auditor
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Matthew K. Nnanna, Assistant Auditor
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Ryan A. Martin, Auditor Intern