



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

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NEWS RELEASE

FOR RELEASE

July 14, 2008

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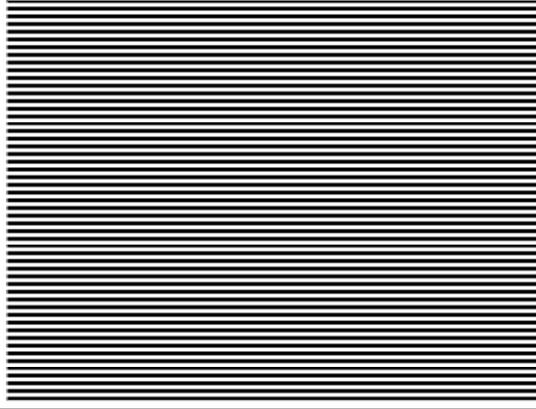
Auditor of State David A. Vaudt today released a report on the Iowa Department of Agriculture and Land Stewardship for the year ended June 30, 2007.

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

Vaudt recommended the Department 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/reports.htm>.

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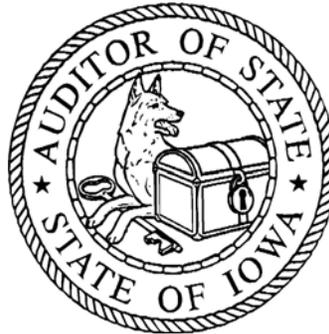


**REPORT OF RECOMMENDATIONS TO THE
IOWA DEPARTMENT OF AGRICULTURE AND LAND
STEWARDSHIP**

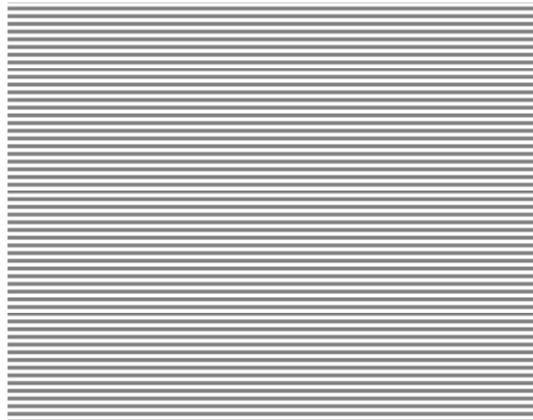
JUNE 30, 2007

Office of
**AUDITOR
OF STATE**

State Capitol Building • Des Moines, Iowa



David A. Vaudt, CPA
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July 10, 2008

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, 2007.

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 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 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.

DAVID A. VAUDT, CPA
Auditor of State

WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

cc: Honorable Chester J. Culver, Governor
Charles J. Krogmeier, Director, Department of Management
Timothy C. Faller, Interim Director, Legislative Services Agency

June 30, 2007

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 Findings Related to Internal Control:

No matters were noted.

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, 2007:

- (a) Agricultural Products Advisory Council – Chapter 15.203(1) requires both the Director of the Iowa Department of Economic Development and the Secretary of Agriculture to appoint five members each to the Council.

The Council currently has only eight members since two positions have not been filled by appointment of the Secretary of Agriculture.

- (b) 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 2007, the program has been not been operational.

- (c) Office of Renewable Fuels and Coproducts – Chapter 15E.111(8) requires the Office of Renewable Fuels and Coproducts and the Department of Economic Development (DED) to prepare a report each six months detailing the progress made in value-added agricultural products and processes. The report is to be made to various legislative committees and officials.

The Department did not complete the required report.

- (d) Board Member Attendance – Chapter 69.15 provides a person appointed to a board is deemed to have submitted a resignation from office if they do not attend three or more consecutive meetings or if they attend less than one-half of the regular meetings within twelve calendar months beginning on July 1.

The State Soil Conservation Committee had one member who did not comply with the attendance requirements of Chapter 69.15 of the Code of Iowa.

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

June 30, 2007

- (e) 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.

- (f) Civil Penalties – Chapter 165B.2 requires the Department to establish civil penalties relating to the control of pathogenic viruses in poultry and authorizes the Department to retain money from these penalties. The Department is to report to the chairpersons of the joint appropriations subcommittee on agriculture and natural resources by January 5 of each year on the amount of money collected and how it was expended.

The Department has not established the required civil penalties and, therefore, no report has been made on money collected and how the funds were expended.

- (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) 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.

Ten of the 225 licensed grain dealers and nine of 205 warehouses were not inspected as required during fiscal year 2007.

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

Responses –

- (a) These positions have since all been appointed.
- (b) Comment accepted.
- (c) The Department did not receive an appropriation nor pass through funds from DED. There is nothing to report as programs and activities cannot be continued without funding. The Department is hopeful the Legislature will appropriate funds in the future; the Department continues to make that request.
- (d) The members of the State Soil Conservation Committee are appointed by the Governor. The Department has no control over individual members' schedules. Committee members are encouraged to attend each committee meeting in accordance with the provisions of Chapter 69.15. A reminder of the attendance requirement will be reviewed at the next committee meeting.

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

June 30, 2007

- (e) The Department did not receive an appropriation to fund this program. Work will be done to repeal language as deemed appropriate.
- (f) Adequate civil penalties are established in Iowa Code Chapter 16.5B2, to define them in administrative rules would be duplicative. Required reports will be completed in future years.
- (g) Chapter 200A regulates bulk dry animal nutrient and includes the requirement a laboratory be maintained and analysis be conducted. The Department maintains a laboratory and has the capability of conducting analysis but does not have the capability of collecting bulk dry animal nutrient samples in the field. The Department requires an independent laboratory analysis of bulk dry animal nutrient be provided with each application for registration of the material. The requirement the Department conduct these analyses should be deleted from the code.
- (h) Due to the continued consolidation of facilities, examinations continue to be more complicated and lengthy. This will be an ongoing problem.

Conclusion – Responses accepted.

- (2) Capital Assets – Chapter 7A.30 of the Code of Iowa requires each Department of the state to keep a written, detailed, up-to-date inventory of all real and personal property belonging to the state. Ten of 28 capital asset deletions during fiscal year 2007 did not include proper approval.

Recommendation – The Department should ensure all capital asset deletions are properly approved.

Response – The Department is moving the management of capital assets into the State’s accounting system in fiscal year 2008. This will ensure all capital asset additions and deletions have appropriate and documented approvals.

Conclusion – Response accepted.

- (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. However, 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 – The surety bond listing was updated in fiscal year 2008 by the Mines and Minerals Bureau and the Accounting Bureau. It will be kept current in future years.

Conclusion – Response accepted.

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

June 30, 2007

Staff:

Questions or requests for further assistance should be directed to:

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Other individuals who participated on the audits include:

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Paula J. Smothers, Assistant Auditor
Brian E. Aronson, Auditor Intern
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