



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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NEWS RELEASE

FOR RELEASE _____

August 3, 2009

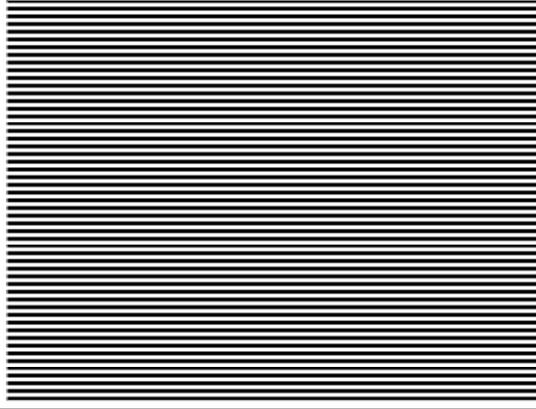
Contact: Andy Nielsen
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Auditor of State David A. Vaudt today released a report on the Iowa Department of Agriculture and Land Stewardship for the year ended June 30, 2008.

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

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>.

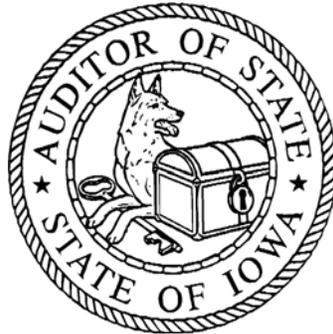
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**REPORT OF RECOMMENDATIONS TO THE
IOWA DEPARTMENT OF AGRICULTURE AND LAND
STEWARDSHIP**

JUNE 30, 2008

Office of
**AUDITOR
OF STATE**
State Capitol Building • Des Moines, Iowa



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July 29, 2009

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, 2008.

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.

The Department of Agriculture and Land Stewardship's responses to the findings identified in our audits 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 8 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
Director, Department of Management
Glen Dickinson, Director, Legislative Services Agency

June 30, 2008

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:

- (1) Financial Reporting – The first deposit in fiscal year 2009 included \$256,651 which should have been recorded in fiscal year 2008.

Recommendation – The Department should exercise extra care in the review of receipts during the hold-open period to ensure receipts are properly recorded.

Response – Extra care will be taken during the hold-open period to ensure items are coded to the correct fiscal year. Accounting staff have been reminded of the importance of proper coding of accounting transactions.

Conclusion – Response accepted.

- (2) 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. Also, an initial listing of receipts should be prepared by the mail opener and compared to the deposit by an independent person. In addition, receipts should be reviewed for accuracy to ensure the proper amount was remitted.

In the Dairy Bureau and the Commercial Feed and Fertilizer Bureau, one person is responsible for opening mail, recording receipts to the bureau database, preparing the deposit and taking the deposit to accounting. Neither Bureau prepares an initial listing of receipts. In addition, the Dairy Bureau does not verify the correct fees are remitted.

Recommendation – The Department should review procedures in the various Bureaus to ensure duties are segregated to the extent possible. An initial listing of receipts should be prepared and compared to the deposit by an independent person. In addition, the Dairy Bureau should consider adding a procedure to ensure the correct fee is remitted.

Response – The Department will review segregation of duties within the various bureaus as it pertains to fee collection and handling. The Department may consider cross-training among bureaus to allow for a second person to be involved in the fee collection, handling and deposit process.

Conclusion – Response accepted.

June 30, 2008

Findings Related to Statutory Requirements and Other Matters:

- (1) Questionable Expenditures – Certain expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 and Department of Administrative Services – State Accounting Enterprise (DAS-SAE) Procedure #230.800 since the public benefits to be derived have not been clearly documented were noted. These expenditures are as follows:

<u>Paid to</u>	<u>Purpose</u>	<u>Amount</u>
Branders.com Inc	415 Holiday ornaments – pewter hands	\$ 2,460
Monroe Mirror	425 Holiday postcards	386
Central Iowa Floral	50 Poinsettias for tree	340
Iowa State Fair	Rental of Walnut Center for Holiday party	<u>900</u>
Total		<u>\$ 4,086</u>

Recommendation – The Department should review expenditures to ensure purchases meet the requirements of DAS-SAE Procedure #230.800 and document the public purpose for these types of expenditures.

Responses –

- Branders.com – This purchase was made in accordance with procedure 220.350. These items were employee recognition awards used to recognize the efforts of employees’ performance – and were “not intended for use in connection with holidays...” as indicated in 230.800.
- Monroe Mirror – This purchase was for a printed media to enhance employee morale in accordance with procedure 220.350.
- Central Iowa Floral, Inc. – The purchase of these poinsettias for use within the Wallace Building followed historical department practices in place through multiple administrations.
- Iowa State Fair – This was for the rental of the Walnut Center at the Iowa State Fair used for a department employee event. This was an employee-wide event to recognize employees’ performance and to share critical departmental information to all staff. Nearly half of the Department’s staff works in the field. This event was the first time many of the staff had the opportunity to meet with department management.

Conclusion – Response acknowledged. According to DAS-SAE Procedure No. 230.800, office decorations, greeting cards and newsletters purchased in connection with holidays are personal expenses and are not reimbursable with public funds. The Department should ensure all future expenditures meet the requirements of DAS-SAE Procedure No. 230.800 and the test of public purpose. The public purpose should be clearly documented.

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

June 30, 2008

(2) Iowa Code Compliance – The Department was not in compliance with the following Chapters of the Code of Iowa during the year ended June 30, 2008:

(a) 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 2008, the program has been not been operational.

(b) 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.

(c) 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.

(d) Civil Penalties – Chapter 165B.2 requires the Department 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 reported on money collected and how the funds were expended.

(e) 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.

(g) Agrichemical Remediation Board – Chapter 161.3 requires the Department to establish an Agrichemical Remediation Board composed of seven members, including the Secretary of Agriculture or the secretary's designee and the Director of the Department of Natural Resources or the director's designee.

No funding currently exists for agrichemical remediation.

(h) Report to General Assembly – Chapter 161.10 requires the Department, in cooperation with the Agrichemical Remediation Board, to submit a report to the General Assembly by January 10 of each odd-numbered year providing a summary and a detailed accounting of the fund's financial condition, including expected revenues and expenses during the following two years.

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

June 30, 2008

An initial report was sent to the General Assembly when the Board was first established. However, reports have not been submitted since the first year.

- (i) Swine Dealer Licensing – Chapter 163.30 requires all persons who act as an employee or agent of a licensed swine dealer obtain an identification card issued by the Department showing the person is employed by or represents a licensed dealer.

The Department does not issue identification cards.

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) Comment accepted.
- (b) 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 an upcoming committee meeting.
- (c) The Department did not receive an appropriation to fund this program. Work will be done to repeal language as deemed appropriate.
- (d) Required reports will be completed in future years.
- (e) 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.
- (f) The Department did not receive an appropriation to fund this program. Work will be done to repeal language as deemed appropriate.
- (g) The Department did not receive an appropriation to fund this program. Work will be done to repeal language as deemed appropriate.
- (h) The Department issues certificates instead of identification cards. The fees collected are not sufficient to cover the costs of identification cards.

Conclusion – Responses accepted

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

June 30, 2008

Staff:

Questions or requests for further assistance should be directed to:

Michelle B. Meyer, CPA, Manager
Andrew E. Nielsen, CPA, Deputy Auditor of State
Karen J. Kibbe, Senior Auditor

Other individuals who participated on the audits include:

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Keith C. Kistenmacher, Staff Auditor
Brian P. Schenkelberg, CPA, Staff Auditor
Paula J. Smothers, Staff Auditor
Casey L. Johnson, Assistant Auditor
Jeana R. Muhlbauer, Assistant Auditor
Reza Sepehri, Assistant Auditor
Stephanie A. Sissel, Assistant Auditor