



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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NEWS RELEASE

FOR RELEASE

August 14, 2013

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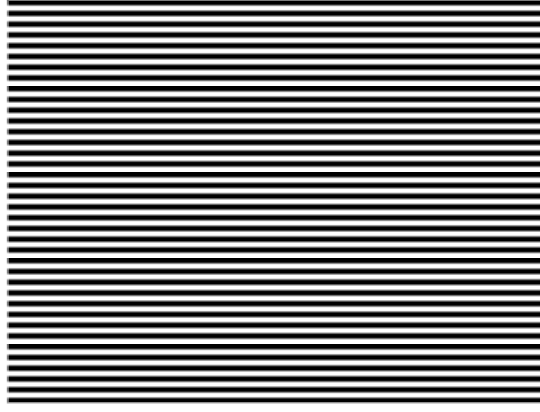
Auditor of State Mary Mosiman today released a report on the Iowa Department of Agriculture and Land Stewardship for the year ended June 30, 2012.

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 <http://auditor.iowa.gov/reports/1360-0090-BR00.pdf>.

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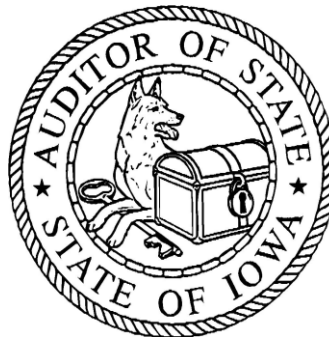
**REPORT OF RECOMMENDATIONS TO THE
IOWA DEPARTMENT OF AGRICULTURE AND LAND
STEWARDSHIP**

JUNE 30, 2012

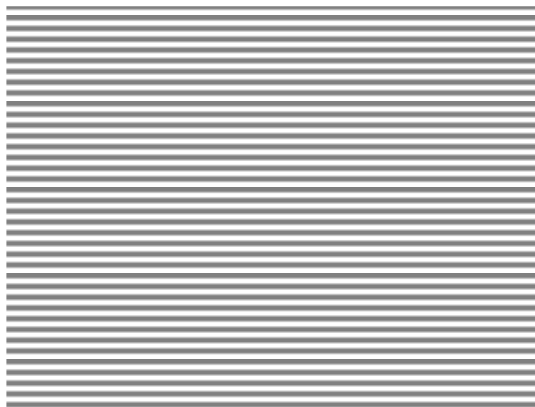
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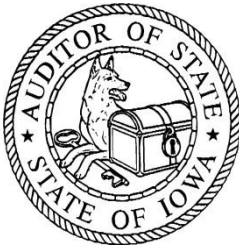
**AUDITOR
OF STATE**

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**Mary Mosiman, CPA
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August 9, 2013


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, 2012.

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 9 and they are available to discuss these matters with you.


MARY MOSIMAN, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

cc: Honorable Terry E. Branstad, 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, 2012

Findings Reported in the State's Single Audit Report:

No matters were noted.

Findings Related to the State's Report on Internal Control:

No matters were noted.

Other Findings Related to Internal Control:

- (1) 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. For example, segregation of duties is achieved when an initial listing of receipts is prepared by the mail opener and compared to the deposit by an independent person. Segregation of duties is also achieved when a reconciliation of receipts deposited to bureau records is performed to determine the appropriate fees were received and deposited. While several Bureaus utilize databases to record and track receipts, database access for certain Bureaus is not controlled and the duties of recording, depositing and reviewing deposits are not segregated.

In the Dairy Bureau, the Weights and Measures Bureau, the Commercial Feed and Fertilizer Bureau and 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. In addition, these Bureaus do not prepare an initial listing of receipts and do not perform a reconciliation to determine if the appropriate fees were remitted and deposited.

In the Weights and Measures Bureau, the same 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 does not reconcile licenses, certifications and product registrations issued to fees collected.

Databases should have controls to ensure proper collection and mitigate the risk of human error. The Dairy Bureau maintains a database without adequate controls to ensure accuracy.

Recommendation – The Department should review procedures in the 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 Bureaus should consider reconciling collections to licenses issued as well as implementing a procedure to ensure the fees collected are remitted and deposited. Access to the Bureaus' databases should be limited to certain individuals and there should be a review of data input to the databases to ensure accuracy.

Report of Recommendations to the

Iowa Department of Agriculture and Land Stewardship

June 30, 2012

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 now being opened by the Department receptionist for many of the bureaus. In addition, the Department has implemented a new desktop deposit system for several bureaus and hopes to fully implement this system by the end of SFY14. This new 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. This allows for better reconciliation between the bureaus and accounting.

Segregation of duties will continue to be reviewed to determine if any further segregation can be accomplished for the duties discussed.

The Department has several outdated licensing databases and has been exploring new licensing software, but has found it cost prohibitive, with an estimated cost in excess of \$2 million, and has been unable to identify a funding source to implement a new system. The Department will review the security functions of current databases to determine if it is cost effective to add additional security features. The Department will also continue to explore new database systems.

The Department has begun using an inspection software called WinWam, which was specifically designed for Weights & Measures and is used nationwide in more than half of all states. IDALS utilizes this software in several of the bureaus which have inspection staff.

Conclusion – Response accepted.

- (2) Timely Deposit of Receipts – Proper internal control procedures require receipts be deposited in a timely manner. Checks should not be held longer than ten business days.

In the Commercial Feed and Fertilizer Bureau, the Pesticide Bureau and the Weights and Measures Bureau, receipts are regularly held for more than ten business days before being sent to the Accounting Bureau for deposit.

Recommendation – The Department should advise the Bureaus to remit checks to accounting soon after receipt so checks can be deposited in a timely manner.

Response – As mentioned in Finding #1, the Department has implemented a new deposit system which shortens the amount of time a check is held within the Department before it is deposited. This system will soon be used for all of the bureaus mentioned in this finding. Annually all staff who deposit funds are reminded of the importance of these timely deposits. We will continue to stress the importance of this with staff who handle funds. Additionally, during heavier fee collection periods, the Department has begun utilizing temporary staffing to assist in the various bureaus to help with data entry and processing of license forms so full-time staff can ensure funds are being processed in a timely manner.

Conclusion – Response accepted.

Report of Recommendations to the

Iowa Department of Agriculture and Land Stewardship

June 30, 2012

- (3) Written Policies and Quality Control – The Bureau of Weights and Measures is responsible for its own receipts and billings. As noted in the review report issued March 23, 2011, the Bureau has no formal written procedures for the collection, posting and depositing of receipts. Additionally, there is no documentation for quality control reviews performed for inspections of weighing and measuring devices.

Recommendation – The Bureau should develop written policies and procedures to address the Department’s receipt process and document quality control reviews.

Response – The Bureau does have policies and procedures for how receipts are processed and does have quality control reviews in place. The Department will work to better document these procedures and processes in writing.

Conclusion – Response accepted.

- (4) GAAP Package – Departments record receipts and disbursements on the Integrated Information for Iowa (I/3) system throughout the year, including the accrual period. Activity not recorded on the I/3 system is reported to the Department of Administrative Services – State Accounting Enterprise (DAS-SAE) on a GAAP package. The GAAP package is to be submitted to DAS-SAE by the first week of September each year.

The Department overstated unearned revenue by \$102,557 for the year ended June 30, 2012.

Recommendation – The Department should ensure the GAAP package information reported is complete and accurate.

Response – The Department believed funds were being reported in accordance with the definitions provided in the instructions for the GAAP package. In consultation with the Office of Auditor of State, some of the amounts reported on the GAAP package as unearned revenues in section 2 were actually items which should have been reported on the revenue corrections page of the GAAP package. In the future, the Department will work closely with the Office of Auditor of State staff to ensure the Department reports revenues in the correct section of the GAAP package.

Conclusion – Response accepted.

Report of Recommendations to the
Iowa Department of Agriculture and Land Stewardship
June 30, 2012

Findings Related to Statutory Requirements and Other Matters:

(1) Iowa Code Compliance – The Department was not in compliance with the following provisions of the Code of Iowa during the year ended June 30, 2012:

(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) Office of Renewable Fuels and Coproducts – Chapter 159A.6 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 2012, the program has not been operational.

(c) Weights and Measures Annual Inspections and Inspection Fees – Chapters 214.3, 214.11 and 215.4 require the Department to collect a license inspection fee for all commercial weighing and measuring devices in the state and perform annual inspections of all licensed motor fuel pumps to determine the accuracy of the pumps' measuring mechanisms. The Department charges fees for inspections, but fees are not collected for all commercial weighing and measuring devices because the Department does not maintain an accurate inventory of devices in the state. Also, the \$9 recheck fee for multiple rechecks is not consistently collected. In addition, the Department performs inspections for permanent licensed motor fuel pumps, which are tracked in WinWam, but not all inspections are being performed annually as required by the Code of Iowa. The Department does not perform inspections of bulk fuel or LP trucks and motor fuel pumps located on trucks.

(d) 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.

(e) Moisture Meter Inspections – Chapter 215A.2 requires all moisture meters be inspected annually.

The Department subcontracts the inspections to a third party, but does not verify the subcontractor has completed the inspections.

Report of Recommendations to the

Iowa Department of Agriculture and Land Stewardship

June 30, 2012

- (f) Pesticide Bureau – As noted in our report issued March 19, 2012, the Bureau does not have policies and procedures to ensure applicants are complying with educational requirements, require all registrants to submit an ingredient statement including both active and inert ingredients or assess delinquent fees in accordance with Chapter 206. Additionally, the Commercial Pesticide Applicator Peer Review Panel did not meet during fiscal year 2012 pursuant to the Iowa Administrative Code 21-Chapter 45.101.

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) Comment accepted.
- (c) Each of these items were addressed in the performance audit report issued March 23, 2011. The Department is doing the best it can, given the resource constraints it presently operates under. The Department is doing extensive monitoring on the work being completed by each inspector in an effort to ensure all Code required inspections are being completed in the recommended timeframe and continues to make progress towards addressing the suggestions in the Weights and Measurers performance audit report.
- (d) 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 Department is currently working with the National Institute of Standards and Technology (NIST) to create a national exam. The Department will implement exam when it is complete.
- (e) The Department will implement procedures to document performance under this contract by asking for a report of all completed inspections.
- (f) Each of these items were addressed in the performance audit report issued March 19, 2012. The Department has hired a new Pesticide Bureau Chief, which will help the Department work to make improvements and to address suggestions made in the Pesticide Performance audit.

Conclusions – Responses accepted.

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

June 30, 2012

Staff:

Questions or requests for further assistance should be directed to:

Deborah J. Moser, CPA, Manager
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Other individuals who participated in the audits include:

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