

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

Rob Sand  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 281-6518

**NEWS RELEASE**

FOR RELEASE

October 17, 2019

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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, 2018.

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

Sand 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 responded corrective action is being implemented.

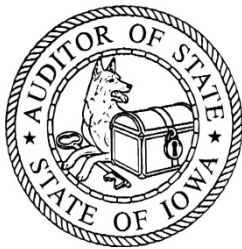
A copy of the report is available for review on the Auditor of State's web site at <https://auditor.iowa.gov/reports/audit-reports/>.

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

**JUNE 30, 2018**

**Iowa Department of Agriculture and Land Stewardship**



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October 7, 2019

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, 2018. The report includes findings pertaining to the Department's internal control and compliance which resulted from the fiscal year 2018 audit.

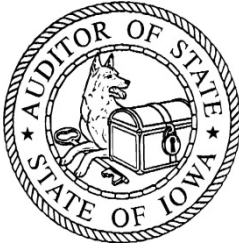
I appreciate the cooperation and courtesy extended by the officials and employees of the Iowa Department of Agriculture and Land Stewardship throughout the audit. If I or this office can be of any further assistance, please contact me or my staff at 515-281-5834.

Sincerely,

A handwritten signature in black ink that reads "Rob Sand". The signature is stylized and written in a cursive-like font.

Rob Sand  
Auditor of State

**Iowa Department of Agriculture and Land Stewardship**



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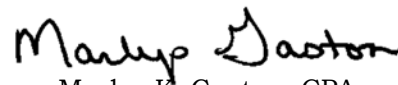
To the Honorable Michael Naig,  
Secretary of Agriculture:

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, 2018.

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 6 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, 2018

**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 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.

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

June 30, 2018

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 – 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 being opened by the Department receptionist for many of the Bureaus. In addition, the Department has implemented a desktop deposit system for most Bureaus within the Department and has hopes of transitioning all remaining Bureaus to desktop deposit at some point in the near future. This 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 deposit confirmation is returned to the individual Bureaus with a copy of its batch spreadsheet. The information returned to the Bureau is then used to verify deposits were made for the correct amounts. This allows for better reconciliation between the Bureaus and accounting.

Also, the Department is pursuing e-payment options that will be tested in the Pesticide Bureau with the hope of eventually implementing an e-payment process throughout the Department. This will reduce the number of checks received by the Department and free up time to allow for proper segregation of duties.

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

Conclusion – Response accepted.



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Iowa Department of Agriculture and Land Stewardship

June 30, 2018

**Findings Related to Statutory Requirements and Other Matters:**

Iowa Code Compliance – The Department was not in compliance with the following provisions of the Code of Iowa during the year ended June 30, 2018:

- (a) 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.

- (b) Committee Member Attendance – Chapter 69.15 of the Code of Iowa provides a person appointed by the Governor to a board is deemed to have submitted a resignation 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.

Three members of the State Soil Conservation and Water Quality Committee (SSCWQC) did not comply with the attendance requirements of Chapter 69.15 of the Code of Iowa.

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. Additionally, the SSCWQC should work with the Office of the Governor and the Code of Iowa designated members to encourage attendance at future meetings.

Responses –

- (a) 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 services, which would cause increased costs. In communicating with other states to determine how they administer tests, Iowa is now considering options to have an outside vendor administer the exam.
- (b) During the audited time period, one SSCWQC member was experiencing significant health issues and treatments. That member stayed in contact with the Iowa Department of Agriculture and Land Stewardship staff but was unable to attend all required meetings. Several other board members expressed concerns on personal/professional conflicts that prohibited regular attendance. One of those members ended up stepping down from the committee and one member has now retired from the committee. We will review Chapter 69.15 with current committee members to increase awareness of Code requirements.

Conclusion – Responses accepted.

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

June 30, 2018

**Staff:**

Questions or requests for further assistance should be directed to:

Marlys K. Gaston, CPA, Deputy  
Suzanne R. Dahlstrom, CPA, Manager  
Sarah J. Swisher, Senior Auditor II

Other individuals who participated in the audits include:

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Adjoa S. Adanledji, Staff Auditor  
Chris M. Anderson, Staff Auditor  
Jacob N. Bennett, Staff Auditor  
Andy J. Salwolke, Staff Auditor  
Micaela A. Tintjer, Staff Auditor  
April R. Davenport, Assistant Auditor  
Mark W. Hart, Assistant Auditor  
Molly N. Kalkwarf, Assistant Auditor  
Jason J. Miller, Assistant Auditor  
Ethan M. Snedigar, Assistant Auditor