



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

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NEWS RELEASE

FOR RELEASE _____

July 12, 2006

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, 2005.

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 and requirements regarding reporting capital assets and monitoring surety bonds. 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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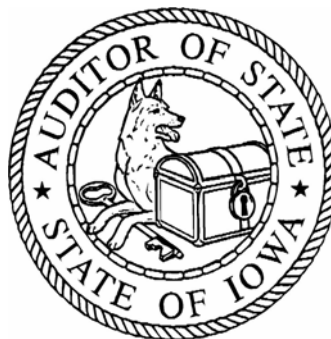
**REPORT OF RECOMMENDATIONS TO THE
IOWA DEPARTMENT OF AGRICULTURE AND LAND
STEWARDSHIP**

JUNE 30, 2005

Office of

**AUDITOR
OF STATE**

State Capitol Building • Des Moines, Iowa



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July 7, 2006

To the Honorable Patty Judge,
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, 2005.

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 Department, 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 Thomas J. Vilsack, Governor
Michael L. Tramontina, Director, Department of Management
Dennis C. Prouty, Director, Legislative Services Agency

June 30, 2005

Findings Reported in the State's Single Audit Report:

No matters were noted.

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, 2005:

- (a) Report on ICN Savings – Chapter 8D.10 requires a state agency which is part of the Iowa Communication Network to annually provide a report to the General Assembly regarding the savings associated with the agency's use of the network.

The Department did not make the required report.

- (b) Office of Renewable Fuels and Co-Products – Chapter 15E.111(8) requires the Department of Economic Development (IDED) and the Office of Renewable Fuels and Co-Products 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 key legislative positions.

The Department did not make the required report.

- (c) 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.

- (d) State Apiarist – Chapter 160.1 requires the Secretary of Agriculture to appoint a State Apiarist. The apiarist is to give lectures and demonstrations on the production of honey, the care of the apiary, the marketing of honey and other kindred subjects relative to the care of bees and the marketing of honey.

The position of State Apiarist was eliminated in December 2001. Therefore, the duties described in Chapter 160.2 have not been performed.

- (e) Soil Conservation Loans – Chapter 161A.71 allows the Department to make no-interest loans to land owners for the purpose of establishing permanent soil and water conservation practices. Chapter 161A.71 states "the interest rate upon loans for which payment is delinquent shall accelerate immediately to the current legal usury limit."

The Department does not charge interest on loans which are in a delinquent status.

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

June 30, 2005

- (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) Board of Veterinary Medicine Report – Chapter 169.5(7) requires the president and secretary of the Board of Veterinary Medicine to submit to the Governor a report of transactions of the board at the end of each fiscal year.

A report has not been submitted to the Governor.

- (h) 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.

- (i) 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.

Thirty-four of the 211 licensed grain dealers and 25 of 221 warehouses were not inspected as required during fiscal year 2005.

- (j) Department Tests – Chapter 214A.6 states the Department shall test samples of motor vehicle fuel or oxygenate octane enhancer for a fee of two dollars.

The Department does not test samples of motor vehicle fuel or oxygenate octane enhancer.

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

Response –

- (a) The Department did not make the required report.
- (b) The Department did not receive an appropriation nor pass-through funds from IDED. There is nothing to report as programs and activities cannot be continued. Hopefully, the Legislature will appropriate funds in the future. The Department continues to make that request.
- (c) The Secretary of Agriculture's designee attended as his schedule allowed.

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- (d) The Legislature did appropriate \$40,000 in FY05 to enable part time inspectors to examine and regulate the provision of 160.2(2) and (3) regarding equipment, disease and the movement of bees across state borders. This work supports beekeepers and producers of agricultural and horticultural crops by ensuring that colonies of bees are managed in a manner that prevents the spread of bee diseases that could impact honey production and the pollination of crops.
- (e) Beginning in FY2005, IDALS established a procedure for restructuring loans as a remedy for delinquencies.
- (f) Rules have not been adopted and penalties have not been levied. Preliminary work towards the drafting of rules has been undertaken.
- (g) This requirement was removed from the Code of Iowa during the 2006 legislative session.
- (h) We do not have the physical capability of sampling the material. The collection would present a potential health risk to our inspection staff.
- (i) Due to the continued consolidation of facilities, examinations continue to be more complicated and lengthy. This will be an ongoing problem.
- (j) This section of the Code of Iowa was repealed by the 2005 Acts, chapter 159, Section 2. There have been no requests for octane testing either before or after the repeal.

Conclusion – Response acknowledged. The Department should comply with the Code of Iowa or seek to repeal certain Code sections. The status and/or progress will be reviewed at the time of the next audit.

- (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. The following findings were noted:

- (a) Per state policy, at a minimum, depreciation should be calculated and allocated from the month in which the asset was acquired.

A full year of depreciation was calculated on assets acquired in the current year regardless of the month in which the asset was acquired.

- (b) One asset which was fully depreciated in the prior year had depreciation expense recorded in fiscal year 2005.
- (c) Three assets tested for existence were disposed of during fiscal year 2004 but were not deleted from the listing. Two of the asset disposals were not supported by approved surplus forms.
- (d) Per state policy, only assets with a value equal to or greater than \$5,000 should be reported in the Iowa Department of Administrative Services, State Accounting Enterprise GAAP package for statewide reporting purposes.

The Department reported three vehicles in the GAAP package which did not meet the \$5,000 threshold established by the state.

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Recommendation – The Department should develop procedures to ensure an accurate inventory of all real and personal property belonging to the state is maintained. In addition, the Department should ensure procedures are in accordance with state policies.

Response – The primary responsibility and procedures for capital assets were in transition during the year. Despite efforts to document the moving of lab equipment to the new Ankeny location along with additions/deletions directed by the Department of Administrative Services (DAS), some procedural steps were missed. The Accounting Bureau is in the process of transferring recordkeeping to the Integrated Information for Iowa System (I3).

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 – Comment accepted.

Conclusion – Response acknowledged. The data base should be maintained on a current basis to ensure the required bond coverage has not lapsed or decreased in amount.

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

June 30, 2005

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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Cheryl R. Moya, CPA, Staff Auditor
Heather L. Templeton, Staff Auditor
Michael J. Hackett, Assistant Auditor
Melissa J. Knoll, Assistant Auditor
Bradley A. Meisterling, Assistant Auditor
Michael P. Piehl, Assistant Auditor