



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

November 23, 2021

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, 2020.

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

AUDIT FINDING:

Sand reported one finding related to the Department. The finding is on pages 3 through 5 of this report. Sand recommended the Department strengthen internal controls over receipts in certain Bureaus.

The finding discussed above is repeated from the prior year. Management of the Iowa Department of Agriculture has a fiduciary responsibility to provide oversight of the Department's operations and financial transactions. Oversight is typically defined as the "watchful and responsible care" management exercises in its fiduciary capacity.

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/>.

###

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

JUNE 30, 2020

Iowa Department of Agriculture and Land Stewardship



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

November 8, 2021

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, 2020. The report includes a finding pertaining to the Department's internal control which resulted from the fiscal year 2020 audit.

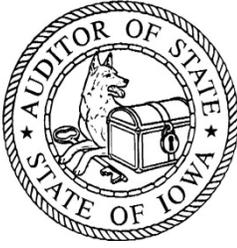
I appreciate the cooperation and courtesy extended by the officials and employees of the Iowa Department of Agriculture and Land Stewardship throughout the audit. If I or this office can be of any further assistance, please contact me or my staff at 515-281-5834.

Sincerely,

A handwritten signature in black ink, appearing to read "Rob Sand".

Rob Sand
Auditor of State

Iowa Department of Agriculture and Land Stewardship



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

November 8, 2021

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, 2020.

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 a recommendation which is reported on the following pages. We believe you should be aware of this recommendation, which pertains to the Department's internal control. This recommendation has been discussed with Department personnel and their response to this recommendation is included in this report. While we have expressed our conclusion on the Department's response, we did not audit the Iowa Department of Agriculture and Land Stewardship's response and, accordingly, we express no opinion on it.

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
Kraig Paulsen, Interim Director, Department of Management
Tim McDermott, Interim Director, Legislative Services Agency

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

June 30, 2020

Findings Reported in the State's Single Audit Report:

No matters were reported.

Findings Reported in the State's Report on Internal Control:

No matters were reported.

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 – In 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. The Commercial Feed and Fertilizer Bureau does not prepare a reconciliation of Bureau records to determine whether the appropriate fees were received and deposited.

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 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. 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.

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.

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

June 30, 2020

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. Also, data entered in the databases should be reviewed to ensure accuracy. 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 – The Department continues to make significant investments to better segregate duties. Within the past year, the Department developed and implemented an e-payment option in the Entomology Bureau for Hemp fee collection. This is in addition e-payment systems that have been implemented in the two bureaus that have the highest volume of incoming checks, the Pesticide Bureau and Feed and Fertilizer Bureau. This will help reduce the number of checks received by those Bureaus and free up staff time to allow for additional segregation of duties. This has paid significant dividends in the Pesticide Bureau, where the majority of checks received are now processed through our desktop deposit process with an initial listing of receipts being prepared. This is a more efficient method and allows for better controls than the previous process. We plan to implement an e-payment option for our Animal Industry Bureau and continue to evaluate other Bureaus that may be able to transition to an e-payment option.

In addition, procedures have been added to several Bureaus as mitigating controls to address the concerns detailed. The initial listing/batch summary reports prepared by Bureau staff in the Commercial Feed and Fertilizer and Animal Industry Bureaus are reviewed by an independent person and compared to deposit confirmations provided by Accounting. The information returned to the Bureau is used to verify deposits were made for the correct amounts. This allows for better reconciliation between the Bureaus and Accounting.

Due to staff availability in the Weights and Measures Bureau, it is difficult to fully segregate duties. However, as a mitigating control, the Bureau performs a reconciliation of collections to deposits and this reconciliation is reviewed and signed by the Bureau Chief. The Bureau will regularly perform a reconciliation of licenses issued to fees collected. This reconciliation will be reviewed by an independent person.

The incoming mail continues to be opened by the Department receptionist for many of the Bureaus to provide additional segregation and mitigating controls. Beginning in April 2020, checks for the Pesticide Bureau are entered on an initial listing of receipts by the receptionist and provided to the Bureau daily. This initial listing of receipts is initialed and dated by the receptionist.

While funding and staffing can be limiting factors, procedures are continually reviewed to determine if any further segregation can be accomplished for the duties discussed.

Conclusion – Response accepted.

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

June 30, 2020

Findings Related to Statutory Requirements and Other Matters:

No matters were noted.

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

June 30, 2020

Staff:

Questions or requests for further assistance should be directed to:

Marlys K. Gaston, CPA, Deputy
Katherine L. Rupp, CPA, Manager
Cole L. Hocker, CPA, Senior Auditor II

Other individuals who participated in the audits include:

Silvester K. Rutto, Staff Auditor
Ethan M. Snedigar, Staff Auditor
Matthew R. Baumhover, Assistant Auditor
Allison L. Carlon, Assistant Auditor
Emina Ceric-Omar, Assistant Auditor
Matthew K. Nnanna, Assistant Auditor
Sarah B. Roemer, Assistant Auditor
Cara N. Roush, Assistant Auditor
Priscilla Ruiz Torres, Assistant Auditor
Zachary T. Shaw, Assistant Auditor
Joe G. Timmons, Assistant Auditor
Benjamin M. Weiland, Assistant Auditor
Brett A. Logsdon, Auditor Intern