



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

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NEWS RELEASE

FOR RELEASE July 13, 2003

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, 2003.

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. The Department's responses are included in this report.

A copy of the report is available for review in the Office of Auditor of State and the Iowa Department of Agriculture and Land Stewardship.

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

JUNE 30, 2003

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



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January 29, 2004

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, 2003.

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
Cynthia P. Eisenhauer, Director, Department of Management
Dennis C. Prouty, Director, Legislative Services Agency

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

June 30, 2003

Finding Reported in the State's Single Audit Report:

No matters were noted.

Findings Related to Internal Control:

No matters were noted.

June 30, 2003

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, 2003:

- (a) State Apiarist – Chapter 160.1 requires the Secretary of Agriculture to appoint a State Apiarist. In addition, Chapters 7A.4 and 160.13 require the State Apiarist to complete annual reports to the Governor and Secretary of Agriculture, respectively.

The position of State Apiarist was eliminated in December 2001. Therefore, the duties and reporting requirements described in Chapters 7A.4 and 160 have not been met.

- (b) Agricultural Energy Management Fund – Chapter 161B establishes an Agricultural Energy Management Fund to be used to finance education and demonstration projects which result in management practices which reduce energy inputs in agriculture and reduce the potential for groundwater contamination. The Chapter also requires the Department to report annually to the standing committees on energy and environmental protection of the House and Senate on the projects conducted with the Agricultural Energy Management Fund.

The Agricultural Energy Management Fund is inactive and the Department does not report annually to the standing committees.

- (c) 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.

- (d) 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.

Twenty-nine of the 245 licensed grain dealers and 42 of 259 warehouses were not inspected as required during fiscal year 2003.

- (e) 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.

- (f) Iowa Economic Development Board – Board Member Attendance – The Iowa Economic Development Board consists of eleven voting members. The Secretary of Agriculture is the only member not appointed by the Governor.

The Secretary of Agriculture did not attend any of the monthly board meetings held during fiscal year 2003, but was represented by a non-voting designee at four of the twelve meetings. Sending a non-voting designee takes away the potential tie-breaking vote on the board.

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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) Funding for the Apiary program was eliminated by the Legislature. IDALS is not seeking a code change in hopes of securing funding in the future that will support the position of Apiarist to serve the Iowa industry. The annual report requirement was eliminated in the 2004 Legislative Session.
- (b) This code section was eliminated in the 2004 Legislative Session.
- (c) IDALS will seek to eliminate this requirement via a code change during the 2005 session of the Legislature.
- (d) Current funding does not allow for adequate numbers of personnel to conduct inspections at the frequency mandated by the code. In recent years, the number of insolvencies has increased and the resolution of these insolvencies must be a priority. One incident of insolvency during 2004 required a time commitment of two months for 4 examiners. IDALS will continue to seek a level of funding that would adequately support all of the functions related to this program.
- (e) The Department only does this on a complaint basis. It may be possible for IDALS to do this in the new lab facility if we receive enough funding to buy the equipment.
- (f) The Code was changed during the 2004 Legislative Session to read that a vote would include the Secretary or her designee.

Conclusion – Response accepted.

- (2) Grain Indemnity Fund – Under a written agreement, the Grain Indemnity Fund reimburses the Grain Warehouse Bureau a fixed amount on a monthly basis. The monthly reimbursement is intended to recover some of the expenses incurred by the Grain Warehouse Bureau. The current agreement states the reimbursement is subject to an annual evaluation.

The last evaluation completed covered the period July 1, 1999 through June 30, 2000.

Recommendation – The annual evaluation of actual expenditures should be completed on a timely basis in compliance with contractual requirements.

Response – The reports for the periods ending June 30, 2001, June 30, 2002 and June 30, 2003 were presented to the Grain Indemnity Fund Board on May 20, 2004.

Conclusion – Response accepted.

- (3) Service Contracts – Iowa Department of Revenue and Finance (IDRF) Policy 240.102 and Chapter 13 of the Iowa Administrative Code for the Department of General Services provide general guidelines to be used by departments when entering into service contracts (for contracts entered into after October 1, 2002). The required procedures specify a determination must be made as to whether the contractor has an employer/employee relationship with the State. To make this determination, the department must review the Pre-Contract Questionnaire Table (PCQT) on IFAS, submit a pre-contract questionnaire and, if applicable, an Internal Revenue Service (IRS) form SS-8

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to the Accounting Bureau at IDRf prior to signing the contract. In addition, Policy 240.102 and Chapter 13 of the Iowa Administrative Code outline the required elements for service contracts.

Testing of ten service contracts identified the following:

- (a) Two contractors were not on the PCQT and the required pre-contract questionnaires and SS-8 forms were not completed and submitted to the Department of Revenue and Finance.
- (b) Six contracts did not contain the required monitoring and review clauses.
- (c) Two contracts did not contain a clause requiring the service provider to comply with all applicable laws.
- (d) Four contracts did not contain an independent contractor clause.

Recommendation – The Department should follow the steps outlined in the IDRf Policy 240.102 prior to signing a service contract. In addition, service contracts should include the required elements identified in Policy 240.102 and Chapter 13 of the Iowa Administrative Code.

Response – In March 2004, the Iowa Department of Agriculture and Land Stewardship held a training session covering contract regulations and requirements for the bureau chiefs and other staff who participate in the contracting process. Covered topics included: general contracting rules, formal and informal competitive process, employer/employee relationship, SS-8 process, PCQT process, required code requirements relating to contract clauses and sole source contracting. Additionally, IDALS has implemented an internal procedure whereby contracts are reviewed for compliance with all applicable requirements prior to signature by a single point of contact to ensure that contracts follow the proper procedures and contain the requirements set by Iowa Administrative Code. Lastly, during the 2004 General Assembly Session, SF 2208 was passed which excludes the Iowa Department of Agriculture and Land Stewardship from the additional contract requirements contained in the Accountable Government Act.

These new processes as well as the additional awareness of program staff participating in the contract process will ensure stricter compliance with applicable contracting rules.

Conclusion – Response accepted.

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June 30, 2003

Staff:

Questions or requests for further assistance should be directed to:

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Andrew E. Nielsen, CPA, Deputy Auditor of State

Other individuals who participated on the audits include:

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