



Auston G. Johnson, CPA
UTAH STATE AUDITOR

STATE OF UTAH
Office of the State Auditor

211 STATE CAPITOL
SALT LAKE CITY, UTAH 84114
(801) 538-1025
FAX (801) 538-1383

DEPUTY STATE AUDITOR:
Joe Christensen, CPA

FINANCIAL AUDIT DIRECTORS:
H. Dean Eborn, CPA
Deborah A. Empey, CPA
Stan Godfrey, CPA
Jon T. Johnson, CPA

REPORT NO. 02-620-b

August 12, 2002

Cary Peterson, Commissioner
Department of Agriculture
350 North Redwood Road
Salt lake City, Utah 84116-0000

Dear Mr. Peterson:

We have performed the procedures described below to certain aspects of the internal control of the Department of Agriculture for the period July 1, 2001 through March 15, 2002 at the Ogden Grain Lab, the Ogden Office, and the Farmington Office, and for the Brand Inspector in Clearfield and the Brand Inspector in Morgan. The purpose of these procedures is to assist the Department of Agriculture in evaluating its internal control. The procedures performed were as follows:

1. We reviewed the internal control over cash receipting, including adequate separation of duties.
2. We tested the completeness and accuracy of the fixed asset listings through a sample of fixed assets (Ogden Grain Lab only).
3. We reviewed the internal control over the approval of timesheets and overtime (all offices/locations).
4. We reviewed compliance with certain laws and policies and procedures regarding personnel and payroll issues, such as nepotism and annual evaluations.

Our finding resulting from the above procedures is as follows:

UNTIMELY DEPOSIT OF CASH RECEIPTS

It is a common practice for the Ogden Grain Lab to send in their cash receipts to the Department of Agriculture Salt Lake Office for deposit on a monthly basis. *Utah Code* 51-4-1 requires receipts to be deposited within three business days after receipt. Untimely deposits result in lost interest revenues to the State and increase the risk for loss or misappropriation of funds.

Recommendation:

We recommend that the Ogden Grain Lab send their cash receipts to the Department of Agriculture Salt Lake Office on a more timely basis.

Department's Response:

The Department agrees with your recommendation to have Ogden Grain Exchange send their cash receipts on a more timely basis.

Our procedures were more limited than would be necessary to express an opinion on any of the items referred to above or to express an opinion on the effectiveness of the Department of Agriculture's internal control or any part thereof. Accordingly, we do not express such opinions. Alternatively, we have identified the procedures we performed and the finding resulting from those procedures. Had we performed additional procedures or had we made an audit of the effectiveness of the Department of Agriculture's internal control, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Department of Agriculture and is not intended to be and should not be used by anyone other than this specified party.

By its nature, this report focuses on exceptions, weaknesses, and problems. This focus should not be understood to mean there are not also various strengths and accomplishments. We appreciate the courtesy and assistance extended to us by the personnel of the Department of Agriculture during the course of the engagement, and we look forward to a continuing professional relationship. If you have any questions, please call Dean Eborn, Audit Director, at 538-1352.

Sincerely,

Auston G. Johnson, CPA
Utah State Auditor

cc: Renee Matsuura, Director of Administrative Services

DEPARTMENT OF AGRICULTURE
FOR THE PERIOD JULY 1, 2001 THROUGH MARCH 15, 2002

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DEPARTMENT OF AGRICULTURE

FINDINGS AND RECOMMENDATIONS FOR THE PERIOD JULY 1, 2001 THROUGH MARCH 15, 2002

1. INADEQUATE FIXED ASSET INVENTORY LISTING

We physically located three fixed asset items at the Department of Agriculture's Ogden Grain Lab that were not listed on the State's fixed asset system. One of these items did not have an inventory tag. State accounting policies (FIACCT 09) state that all fixed assets over the \$5,000 capitalization limit must be properly tagged upon acquisition and recorded on FINET when acquired and retired. The failure to follow these policies could result in the potential misappropriation of assets and a misstatement of fixed assets on the State's financial statements.

Recommendation:

We recommend that the Ogden Grain Lab properly tag and record all fixed assets on FINET when acquired to ensure that the State's fixed asset listing is complete and accurate.

2. UNTIMELY DEPOSIT OF CASH RECEIPTS

It is a common practice for the Ogden Grain Lab to send in their cash receipts to the Department of Agriculture Salt Lake Office for deposit on a monthly basis. *Utah Code 51-4-1* requires receipts to be deposited within three business days after receipt. Untimely deposits result in lost interest revenues to the State and increase the risk for loss or misappropriation of funds.

Recommendation:

We recommend that the Ogden Grain Lab send their cash receipts to the Department of Agriculture Salt Lake Office on a more timely basis.