



DEPARTMENT OF AGRICULTURE & FOOD

Statewide Review of Disbursements for Vendor/Employee Match
For the Period July 2005 through June 2006

Report No. 06-MAO-A6

*Keeping Utah
Financially Strong*

AUSTON G. JOHNSON, CPA
UTAH STATE AUDITOR



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REPORT NO. 06-MAO-A6

June 28, 2007

Leonard Blackham, Commissioner
Dept. of Agriculture & Food
350 North Redwood Road
SLC, Utah 84116-0000

Dear Mr. Blackham:

We have performed a statewide review of disbursements for propriety and compliance with certain State laws and purchasing policies. Disbursements from the Department of Agriculture & Food (Agriculture) were included in the sample selected for this review for the period July 2005 through June 2006. The procedures performed included a review of disbursements identified as having a match between employee and vendor addresses and/or identification numbers.

Our procedures were more limited than would be necessary to express an audit opinion on compliance or on the effectiveness 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 Agriculture's internal control, other matters might have come to our attention that would have been reported to you.

Our finding resulting from the above procedures is included with this report. We feel that the finding is a significant weakness to Agriculture's disbursements. If this weakness is left uncorrected, an unacceptable amount of errors or misappropriations could occur without detection.

This report is intended solely for the information and use of Agriculture and is not intended to be and should not be used by anyone other than this specified party. However, the report is a matter of public record and its distribution is not limited.

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 Agriculture during the course of the

engagement, and we look forward to a continuing professional relationship. If you have any questions, please call Debbie Empey, Audit Director, at 538-1342.

Sincerely,

Auston G. Johnson, CPA
Utah State Auditor

cc: Renee Matsuura, Director of Admin. Services, Dept. of Agriculture & Food
Douglas G. Richins, Director, State Division of Purchasing and General Services

DEPARTMENT OF AGRICULTURE & FOOD

FINDING AND RECOMMENDATION FOR THE PERIOD JULY 2005 THROUGH JUNE 2006

NONDISCLOSURE OF CONFLICT OF INTEREST (Significant Weakness)

Based on a statewide sample of expenditures, we noted that certain entities transacted with businesses in which State employees had substantial interests without any disclosure of conflicts of interest from those employees as follows:

- a. We tested two expenditures from the Department of Agriculture & Food that were incurred with two of their employees. The disclosure was not made even though contracts, which specifically referenced the required disclosure, existed for these employees. Upon further review, we noted that Department of Agriculture & Food incurred a total of five transactions, totaling \$12,314, with these employees between July 2005 and May 2006.
- b. We tested four expenditures from the Department of Natural Resources that were incurred with three of their employees and one business owned by an employee. We tested another expenditure which the Department of Natural Resources incurred with an employee of the Department of Agriculture & Food. Upon further review, we noted that the Department of Natural Resources incurred a total of 17 transactions, totaling \$7,337, with these employees between July 2005 and May 2006.

Utah Code 67-16-8 requires that public employees, both full and part-time, disclose potential conflicts of interest that arise when transactions occur between the State and a business that an employee owns a substantial interest in or is employed by. The disclosure must be made in a sworn statement filed with the state attorney general, the head of the agency with which the employee is affiliated, and the immediate supervisor of the employee as required in *Utah Code 67-16-7*. Failure to disclose potential conflicts of interest could result in favoritism and/or improper expenditures. “Knowingly and intentionally” violating this law could result in “dismissal from employment” as set in *Utah Code 67-16-12*.

Recommendation:

We recommend that the Department of Agriculture & Food require all employees to disclose potential conflicts of interest as required by State law.

Department's Response:

We are reviewing our files to insure the appropriate conflict of interest forms are on file with our agency. Employees at the time of hire and during orientation are asked about any conflict of interest and are asked to disclose that to our agency. Each employee will now be asked to sign a conflict of interest document at time of hire. A conflict of interest document will also be sent out with contracts and grants.