



DEPARTMENT OF AGRICULTURE & FOOD
Livestock Inspection Bureau

Limited Review of the Internal Control
For the Period July 2007 through March 2008

Report No. 08-MAO-B1

*Keeping Utah
Financially Strong*

AUSTON G. JOHNSON, CPA
UTAH STATE AUDITOR



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REPORT NO. 08-MAO-B1

May 19, 2008

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

Dear Mr. Blackham:

We have performed the procedures described below to certain aspects of the internal control of the Department of Agriculture & Food's Livestock Inspection Bureau for the period July 2007 through March 2008. The purpose of these procedures is to assist the Department in evaluating its internal control. The procedures performed were as follows:

1. We reviewed the cash receipting, cash disbursing, recording, and reconciliation duties for adequacy of separation of duties for internal control purposes for the Bureau.
2. We reviewed the internal control over cash receipting procedures, including accounts receivable as applicable, at the Bureau.
3. We reviewed the Bureau's compliance with certain laws and policies and procedures regarding personnel and payroll issues, such as nepotism and annual evaluations.

Our procedures were more limited than would be necessary to express an audit opinion on compliance or on the effectiveness of the Bureau'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 Bureau'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 in this report. We feel that the finding is a significant weakness to cash receipting at the Bureau. 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 the Department of Agriculture & Food 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 the Bureau 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 (801) 538-1342.

Sincerely,

A handwritten signature in black ink, appearing to read "Auston G. Johnson". The signature is fluid and cursive, with a large initial "A" and "J".

Auston G. Johnson, CPA
Utah State Auditor

cc: Terry Menlove, Director, Livestock Inspection Bureau

DEPARTMENT OF AGRICULTURE & FOOD
Livestock Inspection Bureau

FINDING AND RECOMMENDATION
FOR THE PERIOD JULY 2007 THROUGH MARCH 2008

CASH RECEIPTING WEAKNESSES FOR BRAND INSPECTION RECEIPTS
(Significant Weakness)

We noted the following weaknesses in the cash receipting system used by the Department of Agriculture & Food's Livestock Inspection Bureau:

- a. The Administrative Services Account Tech who processes Brand Inspections has access to cash/checks and certificates received, prepares and sends collections, and records transactions in the accounting system (Brand Inspection Certificate Application—BIC). Inadequate separation of duties occurs when the same individual has custody of or access to assets, access to the accounting records, and/or reconciling responsibilities. The lack of separation of duties could allow employees to misappropriate funds without detection.
- b. The numeric sequence of all pre-numbered brand inspection certificates are not independently accounted for. Therefore, there is no control to ensure that all funds received are deposited. A person who does not handle cash/checks received should account for the numeric sequence of the certificates and compare them to the corresponding receipt records to ensure that all receipts are accounted for. The risk of error or misappropriation is increased due to the separation of duties weaknesses noted in a. above.

Recommendation:

We recommend that Bureau:

- a. **Adequately separate the recording and reconciling duties from the ability to access cash receipts or ensure that there are adequate independent reviews over areas where duties cannot be separated.**
- b. **Have a person who does not handle cash/checks received account for the numeric sequence of pre-numbered brand inspection certificates and compare them to the receipt records to ensure all receipts are accounted for.**

Department's Response:

- a. *Before cash is delivered by mailroom personnel to the Administrative Services' Financial Analyst who processes Brand Inspections, it will be added and a cash received amount will be prepared by a separate individual. The cash will then be delivered to the Administrative Services' Financial Analyst who will process the Brand Inspections as they have been in the past. When the completed Brand Inspections are ready for entry into the FINET system the cash total will be compared with the initial cash total independently calculated earlier. These two independent calculations of cash receipts received will assure the cash is properly accounted for.*

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- b. *Brand Inspection certificates are issued to brand inspectors in books that are logged into a tracking system in the Animal Industry Division. These logs identify the individual brand inspectors who have been issued the books. After brand inspection fees are collected, a copy of the issued certificate is sent to the Administrative Services' Financial Analyst. Occasionally, the certificates are not accounted for in numeric sequence. When this occurs a skipped certificate number report will be generated by the Administrative Services' Financial Analyst. This report will be sent to the Director of the Animal Industry Division. The Director will contact the brand inspector involved and determine the reason for the missing certificate. If the certificate was not used, the brand inspector will be instructed to utilize the certificate in the future. If the certificate was voided, the voided certificate and all associated copies will be returned to the Director of Animal Industry by the brand inspector.*