Audit Highlights

Highlights of Legislative Auditor report on the State Department of Agriculture, issued on February 28, 2006. Report # LA06-12.

Background

The State Department of Agriculture's mission is to benefit the welfare of all persons residing in the State by encouraging, advancing, and protecting Nevada's agriculture and related industries, such as livestock. To accomplish its mission, the Department is organized into six divisions with offices throughout the State. The Nevada Legislature created the Department in 1961. An 11-member State Board of Agriculture advises the Governor, Legislature, and Department Director concerning agricultural issues relating to Nevada and establishes the Department's agricultural policies. For fiscal year 2004, the Department had approximately 100 full-time equivalent positions and approximately $10.8 million in expenditures.

Purpose of Audit

The purpose of this audit was to evaluate the Department's financial and administrative practices, including whether activities were carried out in accordance with applicable state laws, regulations, and policies. Our audit included a review of the Department's financial and administrative activities for fiscal year 2004, and activities through April 2005 for certain audit issues.

Audit Recommendations

This audit report contains 14 recommendations to improve the State Department of Agriculture's financial and administrative practices. This includes six recommendations for improving the Department's billing and collection process. In addition, we made three recommendations addressing year-end accounting adjustments. We also made five recommendations to improve the controls and efficiency of accounting practices for revenue, expenditures, and equipment.

The Department accepted all fourteen recommendations.

Status of Recommendations

The Department's 60-day plan for corrective action is due on May 23, 2006. In addition, the six-month report on the status of the audit recommendations is due November 27, 2006.

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State Department of Agriculture

Results in Brief

The Department of Agriculture needs to improve its financial and administrative practices in several areas. For example, we estimate the Department did not collect more than $200,000 in fiscal year 2004 because of billing and collection weaknesses. In addition, staff made significant accounting adjustments after the end of the fiscal year, including an adjustment that prevented money from reverting to the state's General Fund. The Department also lacks cost information on its programs which is essential for ensuring fees are set at the appropriate level. Furthermore, controls are not in place to adequately safeguard money collected and the equipment inventory. The Department also has several opportunities to improve efficiency by reviewing and revising its accounting practices.

Principal Findings

Six of 10 programs we reviewed had significant billing and collection problems. For example, the Department did not collect the annual tax on livestock from many livestock owners. State law requires livestock owners to pay a tax on each head of specific classes of livestock. However, the Department has not implemented the provisions in NRS 575 intended to maximize the collection of head tax. If these provisions were implemented, we estimate the Department could have collected an additional $50,000 in head tax during fiscal year 2004.

The Department did not charge and collect all fees during the brand renewal period. The fees not always charged were for rerecording and transferring brands. If all brand fees were charged as required, an additional $32,200 would have been collected in fiscal year 2004. This collection problem occurred because staff improperly waived the fees during the brand renewal period.

Many landscape businesses have not obtained a nursery license from the Department and paid the required annual fee. As part of the Department's program to protect Nevada from harmful pests, state law requires all landscape businesses to obtain a license if they provide and install items such as plants, shrubs, sod, and trees. Although 300 landscape related businesses were licensed by the Department during fiscal year 2004, we identified about 800 more businesses that were likely to meet the requirements for this license. If the Department can increase compliance by 400 licensees, about $50,000 in additional license fees would be available to support this program.

The Department did not actively pursue payment from two companies with significant past due accounts receivable balances. As of December 2004, these companies owed the Department about $113,000 for inspections of potatoes and garlic. In addition, staff continued to provide services to these companies even though some receivables were close to 1 year past due. During our audit, in February 2005, one company proposed a payment schedule for paying the past due amounts. According to the Department, this company's past due amounts have now been paid. However, the other company still owed about $23,000 to the Department.

The Department made numerous accounting adjustments after the end of fiscal year 2004. Between July and September 2004, accounting staff prepared 266 journal vouchers totaling more than $750,000, or about 40% of the Department's accounting adjustments for the year. Because of the amount of work involved to make adjustments, staff time is taken away from other responsibilities. In addition, one adjustment prevented $48,833 from being reverted to the state's General Fund. The Department kept this money by transferring it from its Administration Account to an account that is not required to revert money. The number and amount of accounting adjustments indicates that better controls over accounting activities are needed.

The Department has not established adequate controls over payments received. Control weaknesses include: 1) inadequate safeguarding of payments, 2) poor separation of accounting duties, 3) collections not compared to deposits, and 4) payments deposited untimely. Controls in this area are important because the Department collected and deposited more than $3.8 million during fiscal year 2004. Without proper safeguards in place, loss could occur and go undetected.

The Department has not adequately safeguarded its equipment inventory that totaled more than $5 million in fiscal year 2004. Inventory records were inaccurate for 36 of 85 items we tested. This includes 13 missing items that cost over $30,000 when purchased. Although state laws and regulations require agencies to maintain accurate inventory records, staff have not ensured an annual inventory is conducted and records are updated each year.