

DEPARTMENT OF AGRICULTURE  
CORN UTILIZATION COUNCIL

The following was issued under a separate audit of the Corn Utilization Council by Eide Bailly.

**PRIOR AUDIT FINDINGS**

Financial Statement Audit Findings:

**Finding No. 03460200801:**

Restated as Finding No. 03460200901.

**Finding No. 03460200802:**

Restated as Finding No. 03460200902.

**Finding No. 03460200803:**

Restated as Finding No. 03460200903.

**CURRENT AUDIT FINDINGS AND RECOMMENDATIONS**

Financial Statement Audit Findings:

**Finding No. 03460200901:**

There is a lack of segregation of duties within the cash receipts/revenue and expenditure functions. The same individual, who reconciles revenue received to the remittance forms, prepares vouchers to request funds, opens the mail, prepares the deposit, records amounts to the general ledger and reconciles the bank statement. The individual also prepares checks, records disbursements to the general ledger and mails checks.

**Analysis:**

In order to achieve a high level of internal control, the functions of executing transactions, recording transactions and maintaining accountability for assets should be performed by different employees or be maintained under dual control.

Proper segregation of duties helps to minimize the chance of undetected errors or defalcations, since the work of one person serves as a "check" on the work of another.

**RECOMMENDATION:**

1. Due to the small size of the office, the Council is limited in the options available to them. Under this situation, the most effective control is

DEPARTMENT OF AGRICULTURE  
CORN UTILIZATION COUNCIL  
(Continued)

management and the board's oversight and knowledge of matters relating to the operations of the Council.

Auditee's Corrective Action Plan:

We have evaluated the segregation of duties over the revenue function and over the expenditure function. We believe that the risk related to the lack of segregation of duties is mitigated to a low level by the oversight of our board of directors.

**Finding No. 03460200902:**

Proper controls over financial reporting include the ability to prepare financial statements and accompanying notes to the financial statements that are materially correct.

Analysis:

The Council does not have an internal control system designed to provide for the preparation of the financial statements being audited. As auditors, we were requested to draft the financial statements and accompanying notes to the financial statements. This circumstance is not unusual for an organization of this size. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Inadequate controls over financial reporting of the Council could result in the likelihood that the Council would not be able to draft the financial statements and accompanying notes to the financial statements that are materially correct without the assistance of the auditors.

**RECOMMENDATION:**

2. While we recognize that this condition is not unusual for an organization of your size, it is important that you be aware of this condition for financial reporting purposes. Management and the Board should continually be aware of the financial reporting of the Council and changes in reporting requirements.

Auditee's Corrective Action Plan:

Management and the board of directors will review for propriety the draft financial statements and footnotes prepared by the auditor. Due to the Council's size, we will accept the risk associated with this condition based on cost and other considerations. The cost of any further controls would outweigh the related benefits.

DEPARTMENT OF AGRICULTURE  
CORN UTILIZATION COUNCIL  
(Continued)

**Finding No. 03460200903:**

During the course of our engagement, we identified two significant audit adjustments. The first adjustment was made to accurately reflect accounts payable, which was understated by \$84,000. The second significant audit adjustment was to adjust the investment account by \$103,000 to market value.

Analysis:

Proper controls over financial reporting include the regular reconciliation of accounts and preparation and review of journal entries to the general ledger.

Inadequate controls over financial reporting of the organization could result in the likelihood that the organization would not be able to identify necessary journal entries and post them to the general ledger in a timely fashion.

**RECOMMENDATION:**

3. We recommend the Council review its policies and procedures related to period end entries to ensure that all adjustments have been made to the trial balance at year end. We suggest for management to continually be aware of the financial reporting of the Council and the internal controls that impact financial reporting. We also strongly recommend that part of the review procedures by management includes the initials of the reviewer on the reconciliation to provide better documentation of the approval process.

Auditee's Corrective Action Plan:

Management understands the importance of regular reconciliation of general ledger accounts and of the review of these reconciliations to ensure accuracy and completeness. Management will review its financial reporting procedures and take the necessary steps to modify procedures to include the formal signoff at the review stage of the reconciliation process.