

STATE OF CONNECTICUT

**AUDITORS' REPORT
DEPARTMENT OF AGRICULTURE
FOR THE FISCAL YEARS ENDED
JUNE 30, 1997, 1998 AND 1999**

**AUDITORS OF PUBLIC ACCOUNTS
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January 5, 2001

**AUDITORS' REPORT
DEPARTMENT OF AGRICULTURE
FOR THE FISCAL YEARS ENDED JUNE 30, 1997, 1998 AND 1999**

We have examined the financial records of the Department of Agriculture for the fiscal years ended June 30, 1997, 1998 and 1999. This report of that examination consists of the Comments, Recommendations and Certification that follow.

This audit examination of the Department of Agriculture has been limited to assessing compliance with certain provisions of financial related laws, regulations, contracts and grants, and evaluating internal control structure policies and procedures established to ensure such compliance. Financial statement presentation and auditing are being done on a Statewide Single Audit basis to include all State agencies.

COMMENTS

FOREWORD:

The Department of Agriculture operates under the provisions of Title 22, Chapters 422 through 425, 427a, 428a through 437, and 438a through 438d, and Title 26, Chapters 491 through 492 of the General Statutes. The mission of the Department is to foster a healthy economic, environmental and social climate for agriculture by developing, promoting and regulating agricultural businesses; protecting agricultural and aquacultural resources; enforcing laws pertaining to domestic animals; and promoting an understanding of agriculture to the State's economy. In accordance with Section 26-192a of the General Statutes, the Department of Agriculture administers the Shellfish Sanitation program to ensure safe shellfish areas for commercial and recreational harvesting. The Agency also leases submerged land to the aquaculture industry for shellfish culture. Shirley Ferris was appointed Commissioner on February 3, 1995, and was the Commissioner during the audited period.

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During the current audited period legislation was enacted to create two new councils within the Department of Agriculture. The new councils were the Connecticut Seafood Advisory Council and the Connecticut Food Policy Council. The Connecticut Seafood Advisory Council was established under P.A. 97-145 effective June 13, 1997, and codified under Section 22-455 of the General Assembly. The Council was established to assist in the promotion of Connecticut seafood products and to examine market opportunities. The Connecticut Food Policy Council was established by P.A. 97-11 of the 1997 Special Session of the General Statutes effective July 1, 1997, and codified under Section 22-456 of the General Statutes. The council was established to develop, coordinate and implement a food system policy linking local economic development, environmental protection and preservation with farming and urban issues.

RÉSUMÉ OF OPERATIONS:

General Fund:

Receipts:

General Fund receipts of the Department of Agriculture consisted primarily of licenses, fees, renting of oyster grounds, grants, and refunds of expenditures. Receipts for the three fiscal years examined and the prior fiscal year are summarized below:

	<u>Fiscal Year Ended June 30,</u>			
	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>
Revenue and Other Receipts:				
Refunds of Expenditures:				
Current Year	\$ 5,285	\$ 15,672	\$ 56,445	\$ 66,922
Prior year	577,275	653,171	678,165	736,008
Analysis of feeds and fertilizers	273,030	331,984	396,470	370,824
Oyster grounds	176,426	339,330	580,982	660,129
Licenses	256,441	178,629	346,716	275,891
Miscellaneous receipts	<u>68,250</u>	<u>60,929</u>	<u>65,756</u>	<u>54,446</u>
Total Revenue and Other Receipts	<u>1,353,707</u>	<u>1,579,715</u>	<u>2,124,534</u>	<u>2,164,220</u>
Restricted Contributions:				
Federal Grants	308,833	290,007	268,061	376,783
Grants other than Federal	<u>508,811</u>	<u>318,448</u>	<u>436,489</u>	<u>629,819</u>
Total Restricted Contributions	<u>817,644</u>	<u>608,455</u>	<u>704,550</u>	<u>1,006,602</u>
 Total General Fund Receipts	<u>\$2,174,351</u>	<u>\$2,188,170</u>	<u>\$2,829,084</u>	<u>\$3,170,822</u>

The increase in receipts was caused primarily by an increase in oyster grounds revenue. This was caused by an increase in the competition of potential farmers willing to lease oyster grounds. Since oyster grounds are initially leased to the highest bidder, this increase in competition led to an increase in the dollar amount of the bids offered by the potential farmers.

Expenditures:

Expenditures for the three fiscal years examined and the prior fiscal year are summarized below:

	Fiscal Year Ended June 30,			
	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>
Budgeted Accounts:				
Personal services	\$2,464,063	\$2,562,578	\$2,844,974	\$3,109,086
Contractual services	519,827	502,892	486,013	696,154
Commodities	87,565	103,348	93,143	82,412
Sundry charges	101,139	96,543	28,538	214
State aid grants	7,600	600	70,137	163,466
All other	<u>0</u>	<u>33</u>	<u>0</u>	<u>0</u>
Total Budgeted Accounts	<u>3,180,194</u>	<u>3,265,994</u>	<u>3,522,805</u>	<u>4,051,332</u>
Restricted Accounts:				
Other than Federal	571,539	218,284	434,764	754,099
Federal	<u>309,134</u>	<u>296,201</u>	<u>271,825</u>	<u>393,181</u>
Total Restricted Accounts	<u>880,673</u>	<u>514,485</u>	<u>706,589</u>	<u>1,147,280</u>
 Total Expenditures	 <u>\$4,060,867</u>	 <u>\$3,780,479</u>	 <u>\$4,229,394</u>	 <u>\$5,198,612</u>

Personal services represent the majority of expenditures during the audited period. Those expenditures increased primarily because of collective bargaining increases and the gradual change of the workweek from 35 hours to 40 hours. The costs associated with the newly established Connecticut Seafood Advisory Council and the Connecticut Food Policy Council were responsible for the increase in contractual services and other than Federal expenditures during the 1998 and 1999 fiscal years. Adjustments to the coding of expenditures caused the changes in sundry charges and State aid grants during the 1998 and 1999 fiscal years.

Regional Market Operation Fund:

The Regional Market Operation Fund is a special revenue fund that operates under the provisions of Section 22-75 of the General Statutes. This fund maintains the operating revenues and expenditures of the Connecticut Marketing Authority. The Connecticut Marketing Authority operates under the provisions of Sections 22-62 through 22-78a of the General Statutes. The Marketing Authority develops and maintains marketing facilities to provide an economical distribution of Connecticut's agriculture.

The operating revenue of this fund consisted primarily of rental payments received on buildings and properties of the Connecticut Marketing Authority. Receipts for the 1995-1996 fiscal year totaled \$857,414. Receipts for the 1996-1997, 1997-1998 and 1998-1999 fiscal years totaled \$850,638, \$847,368 and \$871,364, respectively.

A summary of operating expenditures for this fund during the audited period and those of the previous fiscal year follow:

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	<u>Fiscal Year Ended June 30,</u>			
	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>
Personal services	\$382,701	\$407,683	\$363,813	\$301,596
Contractual services	86,289	84,704	89,427	100,221
Commodities	11,058	12,759	11,760	12,208
Sundry charges	153,118	137,628	109,233	108,623
Equipment	<u>0</u>	<u>2,100</u>	<u>1,493</u>	<u>0</u>
Total	<u>\$633,166</u>	<u>\$644,874</u>	<u>\$575,726</u>	<u>\$522,648</u>

In addition to the above expenditures, the Treasurer paid debt service on bonds from this Fund totaling \$214,076 for the 1995-1996 fiscal year and \$208,242, \$201,879 and \$186,044 for the 1996-1997, 1997-1998 and 1998-1999 fiscal years, respectively.

The total expenditures decreased primarily because the number of filled full time employee positions decreased from 10 to eight during the audited period.

Agricultural Land Preservation Fund:

The Agricultural Land Preservation Fund is a capital projects fund from which expenditures are made in conjunction with the State's program for the preservation of agricultural land. This program is administered by the Agency under the provisions of Title 22, Chapter 422a, of the General Statutes.

Fund expenditures for the 1995-1996 fiscal year totaled \$2,390,505. Expenditures for the 1996-1997, 1997-1998 and 1998-1999 fiscal years totaled \$870,725, \$447,090 and \$767,748. The expenditures consisted primarily of payments for the purchase of development rights to farmland in Connecticut.

Pending Receipts Fund:

This fund is primarily used by the Agency for the collection of dog license fees and shellfish taxes and rents, which are subsequently distributed to the State and appropriate municipalities. The total receipts of this fund for the 1995-1996, 1996-1997, 1997-1998 and 1998-1999 fiscal years was \$769,235, \$862,784, \$1,071,464 and \$831,926, respectively.

Dog License Fees:

Under the provisions of Section 22-347 of the General Statutes, town treasurers or other fiscal officers are required to remit a portion of dog license fees to the State. Since the Department of Agriculture oversees the regulatory and enforcement activities for canine control the Agency has been designated to collect and account for these fees before distribution is made to the State Treasurer.

Shellfish Taxes and Rents:

Under the provisions of Section 26-257 of the General Statutes, the Department of Agriculture, through its Aquaculture Division, is responsible for collecting taxes and lease rental payments from local shellfish grounds. These grounds are owned by the State or by the respective municipalities. These grounds are located in the municipalities of Milford, New Haven, West Haven and Westport. Receipts from grounds owned by the municipalities are distributed to the municipalities after the close of each fiscal year.

PROGRAM EVALUATION:

In accordance with Section 2-90 of the General Statutes the Auditors of Public Accounts are authorized to review an area of the Agency's operations for performance and efficiency.

The Department of Agriculture collects various taxes, licenses, fees and rents. This revenue varies from the collection of taxes for oyster grounds, licenses for milk dealers and dogs, and fees for the analysis of fertilizer and feed, to the rental of space at the regional market and oyster grounds. The Dog Fund was selected for our review. The scope of our review was to develop an understanding of the related General Statutes and regulations that govern the various rates charged, the purpose for the fees and licenses, how long the specific rates have been in effect, if the agency has reviewed these rates for propriety and effectiveness, and whether the rates and fees appear to be sufficient to meet their intended purpose.

We determined that the Agency had not reviewed and updated the various fees and licenses associated with the Dog Fund.

Background:

The Dog Fund is an account within an agency fund in the custody of the State Treasurer administered for the State Treasurer by the Department of Agriculture. Municipalities are required to have a similar account as part of their respective records. Funds received for licenses and fees under Chapter 435 of the General Statutes by the municipalities are to be deposited in their respective dog fund accounts. Annually the municipalities are to distribute 50 or 40 percent of their collections from their dog fund accounts to the Department of Agriculture. The amount received by the Department from the municipalities is applied to related administrative costs. Receipts in excess of those administrative costs are returned to the municipalities on a pro rata basis for redeposit into the respective municipalities' dog fund account. In accordance with Section 22-347 of the General Statutes, all funds in the municipalities' Dog Fund accounts, except funds to be sent to the State, are to be used for costs associated with the licensing, care and control of dogs unless otherwise authorized by the Department of Agriculture.

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- Criteria:* In accordance with Section 22-4c of the General Statutes the Commissioner of Agriculture may require the payment of a fee sufficient to cover the reasonable cost of acting upon an application for and monitoring compliance with the terms and conditions of any State or federal permit, license, registration, order and certificate.
- Condition:* Our review observed that most of the licenses and fees associated with the Dog Fund under Chapter 435 of the General Statutes had not been updated in many years. Some of these are: the fine of \$50 for obstructing an animal control officer from preventing cruelty upon a dog has been in effect since 1949, municipalities have been charged five cents per dog tag ordered through the State since 1949, municipal animal control officer's fee of five dollars for a dog returned to an owner has been the same since 1963, 50 cents collected by municipalities for issuance of a new license in a new town has been the same since 1963 and the licensing of dogs has remained at five dollars for sterilized dogs and nine dollars for un-neutered or un-spayed dogs since 1989.
- Effect:* The annual expenditures associated with the dog fund administered by the Department of Agriculture exceeded the annual receipts from the municipalities by approximately \$25,400 and \$178,000 during the 1998 and 1999 fiscal years, respectively. When fees or licenses are not updated they may not be sufficient to offset current program costs to administer and ensure compliance with laws and regulations.
- Cause:* Dog fund licenses and fees have not been updated by the Agency in many years.
- Recommendation:* The Agency should review all the fees and licenses of Chapter 435 of the General Statutes to determine if they are sufficient for the administration of the program and meet the intent of the Statutes. (See Recommendation 8.)
- Agency Response:* "The only fees collected and /or paid by the municipalities, which could be increased to offset the rise in expenses of the program would be the license fees and the cost of dog tags. The agency will, however, review all the related fees in Chapter 435 and the expenditures charged to the Dog Fund as recommended."

CONDITION OF RECORDS

Our review of the records of the Department of Agriculture revealed the following areas that warrant comment.

Connecticut Marketing Authority-Loan Agreement:

Criteria: It is a sound business practice to obtain legal counsel when entering into a contract or loan agreement to ensure that the document is legal and binding. A contract is also needed to document the rights and obligations of all the parties and protect their interests.

Condition: The Connecticut Marketing Authority (CMA) acquired equipment, which it provided to a private company based on an inappropriate loan agreement. Even though CMA received Bond Commission approval for the use of bond funds and the CMA Board approved the loan agreement, sound business procedures were not followed to ensure that the State's interests were protected.

During the 1993 fiscal year the CMA initiated a "Cluster Farm Project". This project was to provide a means for small farmers included in the project to deliver their produce to retailers, specifically produce requiring refrigeration. The CMA purchased five refrigerated tractor trailers at a cost of \$68,825. Funds totaling \$75,000 for this purchase were appropriated from a State bond fund, which was approved by the State Bond Commission in June 1993. Subsequently CMA entered into an agreement with a private contractor to use and maintain the tractor trailers to provide the service needed by the farmers to deliver their produce to market. The cost of the trailers was to be reimbursed to the State by the contractor through a loan agreement of \$75,000 to be paid over ten years. According to the agreement the total amount of the loan if paid over the ten-year period would equal \$103,875 of principle and interest.

Effect: Currently the contractor has stopped making payments on the loan. The last payment was received in December 1997. The total payments received were \$35,304 leaving a balance of \$68,571 on the \$103,875. In addition, because the loan agreement does not appear to be an appropriate document, the State's recourse may be limited. The State has title to the trailers, but they are currently in the possession of the contractor. This represents an unsafe handling of State funds and property, which was reported to the Governor and other State Officials by the State Auditors on June 13, 2000, in accordance with Section 2-90 of the General Statutes.

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Cause: It appears that the Agency did not use sound judgment to establish a loan agreement with a private contractor.

Recommendation: The Agency should not enter into loan agreements without consultation with and approval of the Attorney General to ensure that the agreement is appropriate, legal and binding. (See Recommendation 1.)

Agency Response: “The Agency will seek to write off debt. Appropriate action will be taken to remove the trailers out of the State’s ownership. The Attorney General’s approval will be obtained prior to entering into any similar contract.”

Connecticut Marketing Authority-Sublease:

Criteria: In accordance with Section 22-64 of the General Statutes, the Connecticut Marketing Authority may lease market facilities and land in portions (1) to an agricultural cooperative organized under the laws of this State and (2) to wholesalers of farm produce or farm supplies and (3) to dealers in other commodities, if the authority determines that the sale of such other commodities is of general benefit to the market, and (4) to persons rendering services connected therewith essential to the market. The authority shall collect rental for the expense of operating and maintaining its property. In accordance with Section 22-62 of the General Statutes, marketing facilities are to be operated on a nonprofit basis.

Condition: The Authority rented five stalls of the regional market to a private contractor. The contractor does not operate directly at the regional market and the contractor has sublet the five stalls to another entity at a profit. The contractor does not appear to meet the conditions for having a lease in accordance with Section 22-64 of the General Statutes. The contractor is paying a monthly rental of \$3,580 and is receiving a monthly payment of \$5,000 for allowing another contractor to use the stalls.

Effect: The Connecticut Marketing Authority has a rental lease with a private entity that is contrary to the provisions of Section 22-64 of the General Statutes. The Connecticut Market Authority was organized to operate on a nonprofit basis, and to provide an economical means to distribute agricultural products. Allowing a contractor to make a profit on the rental of stalls does not appear to be in agreement with the objectives of the Connecticut Marketing Authority.

Cause: The Agency and the CMA Board approved the original lease and the right of the lessee to sublet the stalls.

Recommendation: Market facilities should only be rented to those entities that are in compliance with the requirements of Section 22-64 of the General Statutes. The Agency should ensure that the respective lessees do not sublet market facilities at a profit. (See Recommendation 2.)

Agency Response: “The new leases, effective July 1, 2000, will have the appropriate language to prevent this occurrence.”

Connecticut Marketing Authority-Leases:

Criteria: In accordance with Section 22-64 of the General Statutes, the Marketing Authority may lease market facilities under the control of the Authority, subject to the provisions of Section 4b-3 of the General Statutes. Section 22-64 also requires the Authority to maintain a written record of the reasons why a prospective tenant has been granted or denied a lease. Sound business practice dictates that there should be an appropriate lease agreement between the Authority and the tenants to define the duties and rights of both parties under the existing lease agreement.

Condition: Our review of lease agreements between the Authority and the tenants of the Marketing Authority revealed that three of the tenants currently operating a business at the regional market did not have a signed tenant lease agreement. Also, the Authority has no record of the reasons why the tenants were granted the lease.

Effect: The Authority rented stalls to some tenants contrary to the provisions of Section 22-64 of the General Statutes. In addition, since some of the tenants have no lease agreement, the rights and obligations of these tenants and the Authority are not defined.

Cause: The Authority entered into a five-year lease agreement with each tenant. All the existing lease agreements coincide in duration and end on the same date. Since the leases are similar, this allows the Agency to process them through the State system at one time, thus saving duplicate effort. The existing leases are scheduled to end as of June 2000 and the Agency elected to wait until that time to enter into lease agreements with the three new tenants.

Recommendation: The Marketing Authority should establish and implement proper procedures to ensure that all tenants have an appropriate lease agreement and a written record of the reasons the tenants have been granted a lease. (See Recommendation 3.)

Agency Response: “This occurred during a transition period when there was speculation of privatization and/or sale of the market. There was no ability to enter into lease agreements. Effective July 1, 2000

each tenant will have a lease and written records of reasons tenants are or are not granted leases will be on file.”

Revenue:

Criteria: In accordance with Section 4-32 of the General Statutes, an agency receiving \$500 or more of State funds shall within 24 hours of its receipt deposit the funds in a designated depository.

Condition: Our sample of 70 transactions for the 1997, 1998 and 1999 fiscal years revealed 38 deposits that were not made in compliance with Section 4-32 of the General Statutes. The deposits ranged from one to fifteen days late and totaled \$27,423.

Effect: In these instances the Agency was not in compliance with the provisions of Section 4-32 of the General Statutes. This deprives the State of the timely receipt and use of revenue. Our findings were reported to the Governor and other State Officials by the Auditors of Public Accounts on June 29, 2000, in accordance with Section 2-90 of the General Statutes.

Cause: The receipts in question are primarily for the issuance of milk licenses. There appears to be two reasons for the late deposits. The Agency verifies the accuracy of the payment, issues the license and then makes the deposit. This process can take more than the allotted time provided by the Statute. In addition the volume of licenses to be processed can be extensive during certain times of the year since all licenses are due at the same time. For example the payments received for licenses can exceed two thousand transactions during the busiest month.

Recommendation: The Agency should deposit revenue in accordance with Section 4-32 of the General Statutes or obtain a waiver from the Treasurer to extend the 24 hours time limit. (See Recommendation 4.)

Agency Response: “This occurrence was primarily during peak renewal periods. The automated system was designed to allow for more multiple persons to enter at one time. However, in one year we experienced several ‘crashes’ with the system and were unable to use the system at all, finally establishing a manual system to coincide with eventual data entry. The fix only allowed for one person to access the system which created a back up of deposits. The rewrite of a new Y2K compliant and more reliable data base software has been installed and new processes for license approvals should prevent future occurrences. The Agency will also request extensions from the Treasurer’s Office, if necessary.”

Reporting of Dog License and Animal Population Control Fees:

Criteria: Section 22-328 of the General Statutes authorizes the Commissioner to enforce the provisions of Chapters 435, 436 and 436a of the General Statutes. Sections 22-347 and 22-3801 of the General Statutes establishes the amount of fees to be paid to the State by the various municipalities for dog license fees and animal population control fees.

Condition: Annual fee receipts per the Town Dog Fund Report submitted by some towns increased or decreased dramatically from one year to the next year during the 1997, 1998 and 1999 fiscal years. For example an increase of 202 percent and a decrease of 59 percent were noted during those fiscal years. The Agency could not verify the accuracy of the fees reported or reconcile those fees reported to the license payments received by the Agency.

Effect: The fees collected from the towns could be incorrect. The Agency cannot determine if the unusual fluctuations in license receipts of some reports were caused by poor record keeping or an actual change in licenses issued. Controls by the Agency to ensure that the towns are collecting, reporting and submitting their fair share of license collections to the Dog Fund are weakened.

Cause: The annual reports submitted by the towns do not contain sufficient information to allow the Agency to reconcile those reports to the amount of license fees submitted to the Agency.

Recommendation: The annual Town Dog Fund Report should be revised to include sufficient information so that the Agency can make a reasonable determination that the reports are accurate and can be reconciled to the license fees submitted to the Dog Fund. (See Recommendation 5.)

Agency Response: "A review of the information requested and presented on the issuance of dog tags and dog licenses is underway to determine what information is needed and how it can be collected."

Animal Population Control Report:

Criteria: Section 22-380k of the General Statutes requires the Commissioner to submit an annual report to the joint standing committee of the General Assembly having cognizance of matters relating to the environment. The report should evaluate the effectiveness of and recommend appropriate statutory or regulatory changes for the animal population control program.

Condition: The last report submitted by the Agency was in 1996.

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Effect: The Agency is not in compliance with the Statute and the General Assembly is not informed about the status of the animal population control program.

Cause: The cause could not be determined.

Recommendation: The Agency should prepare and submit the animal population control program report to the General Assembly as required by Section 22-380k of the General Statutes. (See Recommendation 6.)

Agency Response: "The Agency will prepare and file the animal population control program report as required."

Dog Fund:

Criteria: Section 22-328(b) of the General Statutes specifies that expenses incurred in the administration of Chapter 435 of the General Statutes shall be paid from dog funds in the custody of the Treasurer, which have been received from the several municipalities for the same fiscal year as the expenses are incurred. Section 22-348 of the General Statutes requires that the balance of dog license fees remaining unexpended on August first following shall be returned, pro rata, to the towns.

Condition: The dog fund is an account within an agency fund in the custody of the Treasurer. The available cash balance of that account as of June 30, 1999, was \$549,540. This represents an accumulation over many years of receipts from municipalities that could have been distributed back to the municipalities. However, this balance of \$549,540 is apparently understated by \$25,392. The \$25,392 represents an excess amount that was transferred to the General Fund on September 30, 1998, for the Agency's prior year expenses. The \$25,392 should not have been transferred because the receipts collected for the 1997-1998 fiscal year fell short of the expenses by that amount.

Effect: Funds available for distribution to the various municipalities of the State had not been distributed. This deprived those municipalities of funds that are used for the administration of their respective dog funds.

Cause: Public Act 98-12 effective July 1, 1998, which was codified under Section 22-328(b) clarified the application of expenditures to the receipts. Until this Act was passed the Agency was unsure how to apply expenditures.

Recommendation: The Agency should seek the assistance of the Comptroller to determine the proper amount of the balance of the Dog Fund and the proper distribution to the various municipalities. (See Recommendation 8.)

Agency Response: “The Agency is in contact with the Comptroller’s Office for their assistance in determining the proper amount and appropriate distribution of any accumulation to the municipalities.”

RECOMMENDATIONS

Status of Prior Audit Recommendations:

- Licensing procedures and record keeping for milk dealer licenses should be improved. This recommendation has been resolved.
- Appropriation balances for inactive grant programs should be reviewed and closed if appropriate. This recommendation has been resolved.
- Advances made by the General Fund should be reimbursed in a timely manner. This recommendation has been resolved.
- The Agency should resolve the deficit in the Dog License Fund. This recommendation has been resolved.
- The Agency should ensure that Dog Fund reports are received in compliance with Section 22-347 of the General Statutes. This recommendation has been resolved.
- Reports from towns, which show significant increases or decreases in dog license fees should be reviewed for accuracy. This recommendation is revised and repeated. (See Recommendation 6.)
- Required documentation for Federal grant salaries should be provided. This recommendation has been resolved.
- The Agency should seek repeal of the provisions of Sections 22-26e and 22-26h of the General Statutes. This recommendation has been resolved.

Current Audit Recommendations:

- 1. The Agency should not enter into loan agreements without consultation with and approval of the Attorney General to ensure that the agreement is appropriate, legal and binding.**

Comment:

The Connecticut Marketing Authority (CMA) entered into a loan agreement for \$75,000 with a private company in June 1993. That agreement was reviewed by the Attorney General's Office in July 1997 and deemed an inappropriate document. The last payments made on the loan were received in December 1997 and it appears the State's ability to collect the balance of the loan is limited if any.

- 2. Market facilities should only be rented to those entities that are in compliance with the requirements of Section 22-64 of the General Statutes. The Agency should ensure that the respective lessees do not sublet market facilities at a profit.**

Comment:

The Marketing Authority rented five stalls to a contractor who does not meet the criteria of a lessee in accordance with Section 22-64 of the General Statutes. In addition that contractor was authorized by the Marketing Authority to sublet those stalls. The contractor sublet the stalls for \$1,420 more per month than his rental lease with the Marketing Authority.

- 3. The Marketing Authority should establish and implement proper procedures to ensure that all tenants have an appropriate lease agreement and a written record of the reasons the tenants have been granted a lease.**

Comment:

Three of the tenants currently operating a business at the regional market did not have a signed tenant lease agreement. Also, the Authority had no record of the reasons why the tenants were granted the lease.

- 4. The Agency should deposit revenue in accordance with Section 432 of the General Statutes or obtain a waiver from the Treasurer to extend the 24 hour time limit.**

Comment:

Our review of 70 sampled transactions for the 1997, 1998 and 1999 fiscal years revealed 38 deposits that were not made in compliance with Section 4-32 of the General Statutes. The deposits ranged from one to fifteen days late and totaled \$27,423.

- 5. The annual Town Dog Fund Report should be revised to include sufficient information so that the Agency can make a reasonable determination that the reports are accurate and can be reconciled to the license fees submitted to the Dog Fund.**

Comment:

The Agency could not verify the accuracy of the fees reported or reconcile those fees reported to the license payments received by the Agency. Thus a control to ensure that the towns are collecting, reporting and submitting their fair share of license collections to the Dog Fund is weakened.

- 6. The Agency should prepare and submit the animal population control program report to the General Assembly as required by Section 22-380k of the General Statutes.**

Comment:

The annual report has not been prepared or submitted to the General Assembly since 1996.

- 7. The Agency should review all the fees and licenses of Chapter 435 of the General Statutes to determine if they are sufficient for the administration of the Dog Fund program and meet the intent of the Statutes.**

Comment:

The licenses and fees associated with the Dog Fund under Chapter 435 of the General Statutes have not been updated in many years. Some of the fees have been in effect since 1949 and the most recent fee increase for the licensing of dogs occurred in 1989.

- 8. The Agency should seek the assistance of the Comptroller to determine the proper amount of the balance of the Dog Fund and the proper distribution to the various municipalities.**

Comment:

The available cash balance of the Dog Fund as of June 30, 1999, was \$549,540, which could be distributed to the appropriate municipalities.

INDEPENDENT AUDITORS' CERTIFICATION

As required by Section 2-90 of the General Statutes we have audited the books and accounts of the Department of Agriculture for the fiscal years ended June 30, 1997, 1998 and 1999. This audit was primarily limited to performing tests of the Agency's compliance with certain provisions of laws, regulations, contracts and grants, and to understanding and evaluating the effectiveness of the Agency's internal control policies and procedures for ensuring that (1) the provisions of certain laws, regulations, contracts and grants applicable to the Agency are complied with, (2) the financial transactions of the Agency are properly recorded, processed, summarized and reported on consistent with management's authorization, and (3) the assets of the Agency are safeguarded against loss or unauthorized use. The financial statement audits of the Department Agriculture for the fiscal years ended June 30, 1997, 1998 and 1999 are included as a part of our Statewide Single Audits of the State of Connecticut for those fiscal years.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial-related audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Department of Agriculture complied in all material or significant respects with the provisions of certain laws, regulations, contracts and grants and to obtain a sufficient understanding of the internal control to plan the audit and determine the nature, timing and extent of tests to be performed during the conduct of the audit.

Compliance:

Compliance with the requirements of laws, regulations, contracts and grants applicable to the Department of Agriculture is the responsibility of the Department of Agriculture's management.

As part of obtaining reasonable assurance about whether the Agency complied with laws, regulations, contracts, and grants, noncompliance with which could result in significant unauthorized, illegal, irregular or unsafe transactions or could have a direct and material effect on the results of the Agency's financial operations for the fiscal years ended June 30, 1997, 1998 and 1999, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants. However, providing an opinion on compliance with these provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial or less than significant instances of noncompliance, which are described in the accompanying "Condition of Records" and "Recommendations" sections of this report.

Internal Control over Financial Operations, Safeguarding of Assets and Compliance:

The management of the Department of Agriculture is responsible for establishing and maintaining effective internal control over its financial operations, safeguarding of assets, and compliance with the requirements of laws, regulations, contracts and grants applicable to the Agency. In planning and performing our audit, we considered the Agency's internal control over its financial operations, safeguarding of assets, and compliance with requirements that could have a material or significant effect on the Agency's financial operations in order to determine our auditing procedures for the purpose of evaluating the Department of Agriculture's financial operations, safeguarding of assets, and compliance with certain provisions of laws, regulations, contracts and grants, and not to provide assurance on the internal control over those control objectives.

However, we noted certain matters involving the internal control over the Agency's financial operations, safeguarding of assets and/or compliance that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of internal control over the Agency's financial operations, safeguarding of assets, and/or compliance that, in our judgment, could adversely affect the Agency's ability to properly record, process, summarize and report financial data consistent with management's authorization, safeguard assets, and/or comply with certain provisions of laws, regulations, contracts, and grants. We believe the following findings represent reportable conditions: a lack of proper lease agreements by the Connecticut Marketing Authority (CMA); inappropriate rental of the market facility by the CMA; untimely deposits of receipts; and the Town Dog Fund Report is insufficient for proper monitoring.

A material or significant weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with certain provisions of laws, regulations, contracts, and grants or the requirements to safeguard assets that would be material in relation to the Agency's financial operations or noncompliance which could result in significant unauthorized, illegal, irregular or unsafe transactions to the Agency being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over the Agency's financial operations and over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material or significant weaknesses. However, we believe that none of the reportable conditions described above is a material or significant weakness.

We also noted other matters involving internal control over the Agency's financial operations and over compliance, which are described in the accompanying "Condition of Records" and "Recommendations" sections of this report.

This report is intended for the information of the Governor, the State Comptroller, the Appropriations Committee of the General Assembly and the Legislative Committee

on Program Review and Investigations. However, this report is a matter of public record and its distribution is not limited.

CONCLUSION

We wish to express our appreciation for the cooperation and courtesies extended to our representatives by the personnel of the Department of Agriculture during this examination.

Richard Labbe
Principal Auditor

Approved:

Kevin P. Johnston
Auditor of Public Accounts

Robert G. Jaekle
Auditor of Public Accounts