

# STATE OF CONNECTICUT

**AUDITORS' REPORT  
DEPARTMENT OF AGRICULTURE  
FOR THE FISCAL YEARS ENDED JUNE 30, 2000 AND 2001**

**AUDITORS OF PUBLIC ACCOUNTS  
KEVIN P. JOHNSTON ♦ ROBERT G. JAEKLE**

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July 22, 2002

**AUDITORS' REPORT  
DEPARTMENT OF AGRICULTURE  
FOR THE FISCAL YEARS ENDED JUNE 30, 2000 AND 2001**

We have examined the financial records of the Department of Agriculture for the fiscal years ended June 30, 2000 and 2001. 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 the importance 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.

**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 two fiscal years examined and the prior fiscal year are summarized below:

	<b><u>Fiscal Year Ended June 30,</u></b>		
	<b><u>1999</u></b>	<b><u>2000</u></b>	<b><u>2001</u></b>
Revenue and Other Receipts:			
Refunds of Expenditures:			
Current Year	\$ 66,922	\$ 42,381	\$ 14,630
Prior year	736,008	789,995	4,164
Other	0	8,281	376
Analysis of feeds and fertilizers	370,824	453,065	406,780
Oyster grounds	660,129	773,723	728,385
Licenses	275,891	237,383	273,348
Miscellaneous receipts	<u>54,446</u>	<u>65,136</u>	<u>64,606</u>
Total Revenue and Other Receipts	<u>2,164,220</u>	<u>2,369,964</u>	<u>1,492,289</u>
Restricted Contributions:			
Federal Grants	376,783	420,723	454,865
Grants other than Federal	629,819	666,874	298,639
Miscellaneous contributions	<u>0</u>	<u>1,265</u>	<u>2,188</u>
Total Restricted Contributions	<u>1,006,602</u>	<u>1,088,862</u>	<u>755,692</u>
 Total General Fund Receipts	 <b><u>\$3,170,822</u></b>	 <b><u>\$3,458,826</u></b>	 <b><u>\$2,247,981</u></b>

The increase in receipts during the 1999-2000 fiscal year was caused primarily 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.

The decrease in receipts during the 2000-2001 fiscal year was caused primarily by a decrease in refunds of prior year expenditures of \$785,831 and a decrease in Grants Other than Federal of \$368,235. The decrease in prior year refunds occurred because the reimbursement of General Fund expenditures by the Dog Fund for the 2000-2001 fiscal year was not transferred to the General Fund until the 2001-2002 fiscal year. The Grants Other than Federal decreased because the activity of the Animal Population Control Program, which is the major source of receipts for this account, was suspended during the 2000-2001 fiscal year.

**Expenditures:**

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

	<u>Fiscal Year Ended June 30,</u>		
	<u>1999</u>	<u>2000</u>	<u>2001</u>
Budgeted Accounts:			
Personal services	\$3,109,086	\$3,479,724	\$3,698,164
Contractual services	696,154	676,247	691,720
Commodities	82,412	113,134	222,308
Sundry charges	214	5,321	287
State aid grants	163,466	142,817	157,408
All other	<u>0</u>	<u>20,342</u>	<u>9,774</u>
Total Budgeted Accounts	<u>4,051,332</u>	<u>4,437,585</u>	<u>4,779,661</u>
Restricted Accounts:			
Other than Federal	754,099	749,122	210,451
Federal	<u>393,181</u>	<u>409,302</u>	<u>431,932</u>
Total Restricted Accounts	<u>1,147,280</u>	<u>1,158,424</u>	<u>642,383</u>
 Total Expenditures	 <u>\$5,198,612</u>	 <u>\$5,596,009</u>	 <u>\$5,422,044</u>

Personal services represent the majority of expenditures during the audited period. Those expenditures increased primarily because of collective bargaining increases affecting salary and wages for full time employees. Commodities expenditures increased significantly during the 2000-2001 fiscal year due to the purchase of oyster shells for planting on State owned natural oyster beds at a cost of \$100,000.

The significant decrease in expenditures during the 2000-2001 fiscal year for Other than Federal Restricted Accounts was caused by a reduction in expenditures for the Animal Population Control Program, which decreased approximately \$550,000. Activity of the Animal Population Control Program was suspended during the 2000-2001 fiscal year.

**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

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1998-1999 fiscal year totaled \$871,364. Receipts for the 1999-2000 and 2000-2001 fiscal years totaled \$889,794 and \$879,797, respectively.

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

	<b><u>Fiscal Year Ended June 30,</u></b>		
	<b><u>1999</u></b>	<b><u>2000</u></b>	<b><u>2001</u></b>
Personal services	\$301,596	\$342,373	\$338,777
Contractual services	100,221	127,014	123,615
Commodities	12,208	18,909	18,989
Sundry charges	108,623	142,295	135,330
Equipment	<u>0</u>	<u>7,813</u>	<u>1,000</u>
Total	<b><u>\$522,648</u></b>	<b><u>\$638,404</u></b>	<b><u>\$617,711</u></b>

In addition to the above expenditures, the State Treasurer paid debt service on bonds from this Fund totaling \$186,044 for the 1998-1999 fiscal year and \$161,710 and \$169,632 for the 1999-2000 and 2000-2001 fiscal years, respectively.

Personal services represent the majority of expenditures during the audited period. Those expenditures increased primarily because of collective bargaining increases affecting salary and wages for full time employees. The collective bargaining increases were offset by a reduction in staff during the 2000-2001 fiscal year.

**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 1998-1999 fiscal year totaled \$767,090. Expenditures for the 1999-2000 and 2000-2001 fiscal years totaled \$94,485 and \$155,016, respectively. 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 1998-1999, 1999-2000 and 2000-2001 fiscal years was \$831,926, \$777,849 and \$740,213, 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.

**Animal Population Control Program:**

The Animal Population Control Program (APCP) operates under the provisions of Sections 22-380e through 22-380l of the General Statutes. The APCP was designed to increase adoption rates and reduce the number of unwanted animals by encouraging vaccinations and sterilizations. The Program is administered by the Agency as a restricted account within the General Fund. This APCP account operates with revenue it receives from surcharges for dog licenses issued, municipal pound adoption fees and revenue from the sale of "Caring for Pets" license plates. In accordance with Section 22-380g(d) of the General Statutes the Commissioner may suspend the program when available account funds are less than \$400,000. Because of this limitation the program was suspended during the 2000-2001 fiscal year. Subsequently, Public Act 01-87 Section 3, subsection (d), effective October 1, 2001, allows the Commissioner to suspend the program when available account funds are less than \$300,000.

**Bureau of Aquaculture:**

The Bureau of Aquaculture is responsible for providing information, advisory service and direct assistance to both recreational and commercial shellfish farmers. The Bureau manages and regulates shellfish farming activities within the State. The Department of Agriculture, through its Bureau of Aquaculture, is responsible for collecting taxes and lease rental payments from State and local shellfish grounds. The shellfish grounds are under the jurisdiction of the State except for the jurisdiction of the local shellfish grounds of the municipalities of Milford, New Haven, West Haven and Westport as provided by the provisions of Section 26-257 of the General Statutes. Receipts from shellfish grounds under the jurisdiction of the municipalities are distributed to those municipalities after the close of each fiscal year. The Bureau also establishes the fees charged for shellfish farming licenses and provides the procedures for determining the assessment on shellfish franchise taxes in the State.

## CONDITION OF RECORDS

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

### **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:* The Agency could not always verify the accuracy of the annual fees as reported per the Town Dog Fund Report or reconcile those fees reported to the license payments received by the Agency. The Agency is in the process of implementing a revised Town Dog Fund Report, which should provide the necessary information in future reports submitted by the towns.

*Effect:* Agency controls 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 Agency should continue its efforts to revise the annual Town Dog Fund Report 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 1.)

*Agency Response:* “The agency’s initial effort of obtaining substantiating information from the town clerks has established an awareness and comprehension of the need for supporting documentation. The additional reports received this coming year should result in an appropriate reconciliation of license fees submitted.”

### **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. The State Treasurer provided the Agency a two days waiver on the 24 hour deposit requirement until July 15, 2001.

*Condition:* Our sample of 49 transactions for the 1999-2000 and 2000-2001 fiscal years revealed nine deposits that were not made in compliance with Section 4-32 of the General Statutes or in accordance with the waiver provided by the State Treasurer. The deposits ranged from one to five days late and totaled \$37,546.

*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.

*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. 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 in accordance with waivers as provided by the State Treasurer. (See Recommendation 2.)

*Agency Response:* “An additional factor was the inability to utilize the multi-accessing feature of the previous automated licensing system, which was failing. This would have allowed more than one person to enter data as necessary for the deposit process during high-volume periods. The agency will continue to make every effort for timely deposits as well as work with the Treasurer in the request and issuance of waivers when necessary.”

**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 for the 1998-1999 fiscal year.

*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 Agency could not retrieve information from its computerized system to submit a report for the 1999-2000 fiscal year. Since the animal population program suspended operations during the 2000-2001 fiscal year the Agency did not believe that a report was required.

*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 3)

*Agency Response:* “The Agency’s Animal Population Control Program is currently working with a computer programmer in an effort to retrieve program data from the 1999-2000 fiscal year. Once the information is attained, a report will be filed with the General Assembly. The Agency will make every effort to comply.”

## RECOMMENDATIONS

### *Status of Prior Audit Recommendations:*

- Loan agreements should be approved by the Attorney General. The Agency has complied with this 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 and lessees should not be allowed to sublet at a profit. The current tenants are in compliance with Section 22-64 of the General Statutes. The Agency has complied with this recommendation.
- The Marketing Authority should establish and implement proper procedures to ensure that all tenants have an appropriate lease agreement and written record for granting the lease. The Agency has complied with this recommendation.
- Receipts should be deposited in accordance with Section 4-32 of the General Statutes. This recommendation is repeated. (See Recommendation 2.)
- The annual Town Dog Fund Report should be revised so that the Agency can reconcile to the license fees submitted. This recommendation is repeated. (See Recommendation 1.)
- The animal population control program report should be submitted in accordance with Section 22-380k of the General Statutes. This recommendation is repeated. (See Recommendation 3.)
- 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 and needs of the Dog Fund program. The Agency has complied with this recommendation.
- The Agency should determine the appropriate distribution of the Dog Fund balance to the municipalities. The Agency has complied with this recommendation.

### *Current Audit Recommendations:*

- 1. The Agency should continue its efforts to revise the annual Town Dog Fund Report 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 always verify the accuracy of the annual fees as reported per the Town Dog Fund Report or reconcile those fees reported to the license payments received by the Agency.

- 2. The Agency should deposit revenue in accordance with Section 4-32 of the General Statutes or in accordance with waivers as provided by the State Treasurer.**

Comment:

Our review of 49 sampled transactions for the 2000 and 2001 fiscal years revealed 9 deposits that were not made in compliance with Section 4-32 of the General Statutes or in accordance with the waiver provided by the State Treasurer. The deposits ranged from one to six days late and totaled \$37,546.

- 3. 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 last annual report that was prepared and submitted to the General Assembly was for the 1998-1999 fiscal year.

## 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, 2000 and 2001. 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, 2000 and 2001 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, 2000 and 2001, 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: untimely deposits of receipts and the Town Dog Fund Report being insufficient for proper reporting.

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 neither 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