

# STATE OF CONNECTICUT



*AUDITORS' REPORT  
DEPARTMENT OF AGRICULTURE  
FOR THE FISCAL YEARS ENDED JUNE 30, 2008 AND 2009*

**AUDITORS OF PUBLIC ACCOUNTS**  
JOHN C. GERAGOSIAN ❖ ROBERT M. WARD

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# STATE OF CONNECTICUT



## AUDITORS OF PUBLIC ACCOUNTS

State Capitol  
210 Capitol Avenue  
Hartford, Connecticut 06106-1559

JOHN C. GERAGOSIAN

ROBERT M. WARD

October 4, 2011

### **AUDITORS' REPORT DEPARTMENT OF AGRICULTURE FOR THE FISCAL YEARS ENDED JUNE 30, 2008 AND 2009**

We have examined the financial records of the Department of Agriculture (Department) for the fiscal years ended June 30, 2008 and 2009. This report on 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, 427b, 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 diversity of the Connecticut agriculture, cultural heritage and its contribution 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 Department also leases submerged land to the aquaculture industry for shellfish culture.

The Department's personnel, payroll and affirmative action functions were transferred to the Department of Administrative Services (DAS) Small Agency Resource Team during the fiscal year ended June 30, 2006. The Department's business office functions were transferred to DAS' Finance and Budget Unit during the same year. F. Philip Prelli served as Commissioner during the period under review. Commissioner Prelli was succeeded by Steven K. Reviczky in January of 2011.

**SIGNIFICANT LEGISLATION:**

Public Act 07-105 expanded the state's Animal Population Control Program, requiring the agriculture commissioner to establish programs to sterilize and vaccinate the pets of low-income people and assist registered nonprofit rescue groups with feral cat sterilization and vaccination.

Public Act 07-131 directed the agriculture commissioner to administer a program that provides eligible municipalities with loans to purchase agricultural land.

Public Act 07-1 of the June Special Session carried over \$4,000,000 from the fiscal year 2007 surplus for dairy farmers in fiscal year 2008. Public Act 07-05 of the June Special Session provided the funding to offset low milk prices paid to farmers for the calendar year 2006.

Public Act 07-07 of the June Special Session authorized bond funds for the following programs: Farm Reinvestment (\$1,000,000), Matching Grants for Environmental Compliance (\$4,000,000), Biofuel Crops (\$3,500,000) and Farmland Preservation (\$10,000,000).

Public Act 09-111 authorized the transfer of \$2,037,015 from the Department to the General Fund in order to reduce a projected General Fund deficit for the fiscal year ending June 30, 2009.

Public Act 09-229 created a grant program for milk producers.

Public Act 09-03 of the June Special Session transferred \$500,000 from the Animal Population Control account to the General Fund. The same act essentially doubled all Department fees.

Public Act 09-02 of the September Special Session authorized bond funds for the Farm Reinvestment Program (\$500,000) and the Farmland Preservation Program (\$12,500,000).

Public Act 09-07 of the September Special Session authorized using \$10,000,000 appropriated to the Department for dairy farmers under PA 09-03 of the June Special Session to pay for grants to milk producers.

**RÉSUMÉ OF OPERATIONS:**

**General Fund Receipts:**

General Fund receipts for the two fiscal years examined and the prior fiscal year are summarized below:

	<u>Fiscal Year Ended June 30,</u>		
	<u>2007</u>	<u>2008</u>	<u>2009</u>
Refunds of Expenditures	\$ 4,527	\$ 6,809	\$1,892,027
Analysis of feeds and fertilizers	480,132	551,073	580,993
Oyster grounds rents	906,859	792,632	650,622
Licenses	277,918	289,007	337,251
Miscellaneous receipts	<u>66,450</u>	<u>45,053</u>	<u>100,938</u>
Total General Fund Receipts	<b><u>\$1,735,886</u></b>	<b><u>\$1,684,574</u></b>	<b><u>\$3,561,831</u></b>

The primary reason for the increase in General Fund receipts in the 2008-2009 fiscal year compared to the earlier years was due to the transfer of funds from the Funds Awaiting Distribution Fund to the General Fund. Section 22-347 of the General Statutes requires town treasurers or other fiscal officers to remit a portion of dog license fees collected by the municipalities to the Department. Dog license fees received by the Department are deposited into the Funds Awaiting Distribution Fund. Receipts received by the Department and credited to the Funds Awaiting Distribution Fund were \$618,628, \$714,890 and \$669,667 for the fiscal years ended June 30, 2007, 2008 and 2009, respectively.

Section 22-328 of the General Statutes directs the Commissioner of Agriculture to use the fees deposited into the Funds Awaiting Distribution Fund to reimburse the General Fund for annual expenses incurred by the Department's Animal Control Unit. Refunds of expenditures reimbursed in the 2008-2009 fiscal year were for expenditures incurred in the 2004-2005, 2005-2006 and 2006-2007 fiscal years. Public Act 09-111 authorized the transfer of \$1,414,874 from the Funds Awaiting Distribution Fund to the General Fund.

Oyster ground rents decreased \$256,237 during the audited period. The decrease was mainly attributable to the termination of a large lease (\$90,183) and rent deferrals authorized for one lessee (\$105,150).

**General Fund Expenditures:**

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

	<u>Fiscal Year Ended June 30,</u>		
	<u>2007</u>	<u>2008</u>	<u>2009</u>
Personal services	\$3,569,277	\$3,696,925	\$3,864,025
Contractual charges	858,562	683,381	726,727
Commodities	185,245	166,781	146,745
Grants	<u>229,864</u>	<u>4,359,805</u>	<u>464,431</u>
Total General Fund Expenditures	<b><u>\$4,842,948</u></b>	<b><u>\$8,906,892</u></b>	<b><u>\$5,201,928</u></b>

Expenditures increased \$4,063,944 in the fiscal year ended June 30, 2008 compared to the earlier year. The increase was primarily attributable to grants made to dairy farmers during the

year. Public Act 07-05 of the June Special Session authorized the Commissioner of Agriculture to make payments to state dairy farmers to offset low milk prices paid to such farmers during calendar year 2006. Grant payments totaling \$3,955,656 were made to dairy farmers during the year.

**Special Revenue Funds:**

Department operations were administered through five special revenue funds during the audited period. A summary of receipts and expenditures follows.

**Federal and Other Restricted Accounts Fund - Receipts:**

Federal and Other Restricted Accounts Fund receipts for the two fiscal years examined and the prior fiscal year are summarized below:

	<u>Fiscal Year Ended June 30,</u>		
	<u>2007</u>	<u>2008</u>	<u>2009</u>
Farmland Preservation	\$4,216,375	\$3,321,134	\$2,599,943
Agriculture Viability	500,000	500,000	500,000
Farm Transition	500,000	500,000	500,000
Connecticut Grown	100,000	100,000	100,000
Farm Link	75,000	75,000	75,000
Animal Population Control	752,640	729,783	750,113
All Other Receipts	<u>158,633</u>	<u>305,022</u>	<u>137,007</u>
Total – Non-Federal	6,302,648	5,530,939	4,662,063
Federal Programs	<u>1,249,022</u>	<u>1,011,767</u>	<u>1,055,449</u>
Total Receipts	<b><u>\$7,551,670</u></b>	<b><u>\$6,542,706</u></b>	<b><u>\$5,717,512</u></b>

Receipts decreased \$1,834,158 during the audited period. The primary reason for the decrease was attributable to reductions in funding for the Farmland Preservation Program as provided for in Public Act 05-228. The act provided increased funding to several state agencies for open space, farmland preservation, historic preservation and affordable housing. Relative to the Department, the act established new farm viability grant programs and enhanced the existing Farmland Preservation Program. The act established a General Fund nonlapsing account to account for receipts received by the state to finance the programs. Fees collected by town clerks for the recording of land records are remitted to the State Treasurer for deposit into the account. Monies from the account are periodically distributed to the various state agencies.

The act designates the percentage of funds to be distributed to each state agency. The act also specifies annual dollar amounts to be provided to the newly created farm viability programs with the remainder of available funds to be provided to the Farmland Preservation Program.

**Federal and Other Restricted Accounts Fund - Expenditures:**

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

	<u>Fiscal Year Ended June 30,</u>		
	<u>2007</u>	<u>2008</u>	<u>2009</u>
Farmland Preservation	\$649,218	\$574,457	\$2,101,138
Agriculture Viability	228,397	461,279	513,043
Farm Transition	418,849	645,002	475,524
Connecticut Grown	67,624	139,463	68,476
Farm Link	11,721	36,099	13,835
Animal Population Control	553,881	538,551	601,612
All Other Expenditures	<u>78,156</u>	<u>287,288</u>	<u>54,448</u>
Total – Non-Federal	2,007,846	2,682,139	3,828,076
Federal Programs	<u>894,929</u>	<u>1,164,330</u>	<u>1,316,917</u>
Total Expenditures	<u><b>\$2,902,775</b></u>	<u><b>\$3,846,469</b></u>	<u><b>\$5,144,993</b></u>

Expenditures increased \$2,242,218 during the audited period. The increase was primarily attributable to the purchase of developmental rights of productive farmland for several farms under the Farmland Preservation Program. Expenditures reported for this program in the fiscal years ended June 30, 2008 and 2009 were net of reimbursements received from a federal cost-share program that provides matching funds to help fund the purchase of the rights. Expenditures were understated by \$685,683 and \$1,191,752 in the fiscal years ended June 30, 2008 and 2009, respectively. This matter is discussed in greater detail in the Condition of Records section of this report.

Federal grant expenditures increased \$421,988 during the audited period. The increase in federal expenditures was primarily attributable to increased outlays made under the federal Plant and Animal Disease, Pest Control and Animal Care Program. The objective of the program is to protect agriculture from economically injurious plant and animal diseases and pests, ensure the safety and potency of veterinary biologics and ensure the humane treatment of animals.

**Regional Market Operation Fund:**

The Regional Market Operation Fund 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.

Fund receipts totaled \$1,025,122 and \$951,626 during the fiscal years ended June 30, 2008 and 2009, respectively, compared to \$1,017,828 in the fiscal year ended June 30, 2007. Receipts

consisted primarily of payments received for rent or use of buildings and properties of the Connecticut Marketing Authority. The decrease in receipts of \$66,202 in the fiscal year ended June 30, 2009 compared to receipts in the fiscal year ended June 30, 2007 was attributable to intermittent vacancies throughout the audited period.

Fund expenditures totaled \$870,347 and \$1,020,256 for the fiscal years ended June 30, 2008 and 2009, respectively, compared to \$760,411 in the fiscal year ended June 30, 2007. The increase in expenditures of \$259,845 during the audited period was due to increased expenditures for property maintenance and capital improvements made to buildings.

**Grants to Local Governments and Others Fund:**

Expenditures made by the Department from this fund totaled \$633,292 and \$759,139 during the fiscal years ended June 30, 2008 and 2009, respectively, and were mainly for grants from the Department's Farm Reinvestment and the Farmers' Environmental Assistance programs.

**Capital Equipment Purchase Fund:**

Expenditures made by the Department from this fund totaled \$31,964 and \$15,373 during the fiscal years ended June 30, 2008 and 2009, respectively. Expenditures were made for the purchase of equipment.

**Grants – Tax Exempt Proceeds Fund:**

Expenditures made by the Department from this fund totaled \$40,856 during the fiscal year ended June 30, 2009. Expenditures consisted of transfers of remaining monies in the fund to the funds that originally provided the funds. The Department did not make any expenditures from this fund in the fiscal year ended June 30, 2008.

**Capital Projects Fund:**

**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 Department under the provisions of Title 22, Chapter 422a, of the General Statutes.

Fund expenditures represented payments for the purchase of development rights under the Department's Farmland Preservation Program. Expenditures reported for the fund totaled \$150,407 and \$2,352,467 for the fiscal years ended June 30, 2008 and 2009, respectively, compared to \$1,847,341 reported in the fiscal year ended June 30, 2007. Expenditures reported for the fund for the fiscal years ended June 30, 2008 and 2009 were net of reimbursements received from the same federal program discussed earlier in this report under the Federal and Other Restricted Accounts Fund. Expenditures were understated \$1,353,067 and \$707,362,

respectively, in the fiscal years ended June 30, 2008 and 2009. This matter is discussed in greater detail in the Condition of Records section of this report.

## CONDITION OF RECORDS

Our audit identified the following reportable matters:

### **Control Environment - Service Provider Agreements:**

*Background:* The Department's personnel, payroll and affirmative action functions are administered by the Department of Administrative Services (DAS) Small Agency Resource Team. Business office functions are administered by DAS' Finance and Budget Unit.

*Criteria:* Written agreements establish a clear understanding of how an arrangement will practically function and each agency's role and responsibilities.

*Condition:* The Department did not have written agreements in place with DAS to administer its human resources and business functions.

*Effect:* There is an increased probability of misunderstandings between parties of each other's roles and responsibilities.

*Cause:* We were informed by DAS' Small Agency Resource Team and Finance and Business Unit that memorandums of understanding identifying the responsibilities of each agency were provided to the Commissioner of Agriculture for his review and signature but that he declined to sign the agreements.

*Recommendation:* The Department should enter into written agreements with DAS that clearly define each agency's roles and responsibilities. (See Recommendation 1.)

*Agency Response:* "The Department of Agriculture agrees with the finding and will seek to enter into a written agreement with the Department of Administrative Services that clearly define each agency's roles and responsibilities."

### **Control Environment – Ethics Training:**

*Criteria:* In accordance with Governor's Rell's Executive Order No. 1, the Special Counsel for Ethics Compliance adopted measures that each agency of the Executive Branch must adopt in order to foster compliance with state ethics laws. Measure Number Four made state agencies responsible for coordinating appropriate ethics training programs for their employees.

*Condition:* We were informed by the Department's Ethics Liaison Officer that employees do not take part in any sort of on-going ethics training programs.

*Effect:* The failure to provide and monitor on-going ethics training to employees increases the risk of possible violations to state ethics laws.

*Cause:* The Ethics Liaison Officer stated that the DAS Smart Team does not schedule any continuing ethics training programs for Department employees.

*Recommendation:* The Department should coordinate appropriate on-going ethics training programs for its employees and establish procedures that ensure employee participation in the programs. (See Recommendation 2.)

*Agency Response:* “The Department of Agriculture agrees with the finding and will seek to coordinate appropriate on-going ethics training programs for its employees and will seek to establish procedures that ensure the Department’s employees’ participation in the programs.”

**Risk Assessment – Evaluation of Internal Controls:**

*Criteria:* The State Comptroller’s Internal Control Guide identifies the following action steps for state agencies to take to evaluate their internal controls:

- Perform an initial review of the accounting systems in place.
- Prepare descriptions of these systems.
- Analyze the state agency’s control environment using the internal control questionnaire.
- Identify the systems’ control procedures.
- Document key internal control procedures.

*Condition:* Our review of the Department’s annual internal control self-evaluation for the fiscal year ended June 30, 2009 noted that several of the action steps in the guide were not performed and/or documented. DAS completed the internal control questionnaire on behalf of the Department but did not prepare and/or document descriptions of the Department’s accounting systems and their related internal controls.

*Effect:* Management’s ability to evaluate internal control systems and identify possible deficiencies within areas of responsibility is diminished.

*Cause:* We were informed by DAS staff that the questionnaire was completed based on DAS’ knowledge of the Department’s operations.

*Recommendation:* The Departments of Agriculture and Administrative Services should mutually perform the annual internal control self-evaluation and risk assessment in accordance with the Internal Control Guide issued by the State Comptroller. (See Recommendation 3.)

*Agency Response:* “The Department of Agriculture agrees with this finding and will work with the Department of Administrative Services to mutually perform the annual internal control self-evaluation and risk assessment in accordance with the Internal Control Guide issued by the State Comptroller.”

**Revenue/Receipts - Timely Depositing:**

*Criteria:* Section 4-32 of the General Statutes requires each state agency receiving any money or revenue for the state, shall, within twenty-four hours of its receipt, account for and, if the total of the sums received amounts to five hundred dollars or more, deposit the same in the name of the state in depositories designated by the State Treasurer. Total daily receipts of less than five hundred dollars may be held until the total receipts to date amount to five hundred dollars, but not for a period of more than seven calendar days. The State Treasurer is authorized to make exceptions to the limitations herein prescribed upon written application from the head of the state agency stating that compliance would be impracticable and giving the reasons therefore.

The Department did seek and receive from the State Treasurer separate four-business-day waivers pertaining to each of the audited years. The waivers were granted to the Department’s Bureau of Regulation and Inspection.

*Condition:* We tested a total of 73 receipts (\$232,683) processed by the Department’s Bureau of Regulation and Inspection (30, \$4,125), Connecticut Marketing Authority (30, \$83,175) and Bureau of Aquaculture (13, \$145,383) for timely deposit. We noted that 27 receipts (\$26,770) were deposited late and we could not determine the timeliness of deposit for 18 other receipts (\$41,715) due to insufficient documentation and/or information. Our test results are summarized below:

Bureau of Regulation and Inspection

Number of Business Days Until Deposited	Number of Receipts	Amount
2	2	\$ 480
3	1	120
4	1	100
5	2	60
6	5	150

7	4	120
8	5	1,280
9	4	1,370

Connecticut Marketing Authority

Number of Business Days Until Deposited	Number of Receipts	Amount
Could not determine	16	\$ 40,834

Bureau of Aquaculture

Number of Business Days Until Deposited	Number of Receipts	Amount
2	2	\$ 2,144
4	1	20,946
Could not determine	2	881

The Connecticut Marketing Authority did not provide us with pre-numbered receipt forms used to record receipts due to misplaced receipt books where the receipts were recorded. The two receipts at the Bureau of Aquaculture were not recorded when received.

We applied the twenty-four hour depositing requirement in the statute to receipts received by the Bureau of Aquaculture, since the waiver pertained only to the Bureau of Regulation and Inspection.

The Bureau of Regulation and Inspection’s table identifies late deposits deposited within four business days. The four-business day waivers for prompt depositing approved by the State Treasurer were limited to the fiscal year end processing of milk licenses. The table includes late deposits occurring outside the authorized waiver period, and as such, was subject to the twenty-four hour depositing requirement.

*Effect:* Untimely recording and depositing of receipts increases the risk of loss or theft.

*Cause:* Internal control over the accounting for and depositing of receipts was inadequate.

*Recommendation:* The Department should establish and implement internal controls that ensure receipts are accounted for and deposited in accordance with Section 4-32 of the General Statutes. In addition, requests for waivers to the State Treasurer seeking exceptions to the depositing limitations should be based upon the actual time needed to process the deposits. (See Recommendation 4.)

*Agency Response:* “(Bureau of Regulation and Inspection) The Department of Agriculture agrees that it appears that on nine occasions funds were deposited outside of the prescribed window. Without knowing the detail of the cited transactions, it is difficult to respond to why the deposits were not made within the appropriate time frame. It is the policy of the Department to make all deposits within the designated time frame.

(CT Marketing Authority) Without knowing the detail of the cited transactions, it is difficult to respond to why the deposits were not made within the appropriate time frame. It is the policy of the Department to make all deposits within the designated time frame.

(Bureau of Aquaculture) The Bureau of Aquaculture agrees to continue to adhere to the established control procedures with regard to timely deposits but acknowledges that throughout the year within a two person administrative unit that five occurrences may happen because of absences, vacations, holidays, and other workload requirements. Additionally, the Bureau collects revenue for shellfish leases which on occasion the revenue is logged into the journal when received but not deposited until a signed lease renewal is also received by the Bureau. If the signed lease is not submitted immediately the deed is refunded and lease terminated therefore the Bureau maintains effective control over the term of the lease. Consideration should be given to the establishment of an escrow account for revenues associated with leases to insure that checks are deposited within the prescribed time frame, and could be returned in a timely fashion if the lease is not fully executed.”

*Auditor’s Concluding*

*Comment:* The three late deposits noted for the Bureau of Aquaculture were not caused by late receipt of signed lease renewals.

**Revenue/Receipts – Receipts Journal:**

*Criteria:* The State Comptroller’s Accounting Manual requires that a receipts journal be maintained by all agencies receiving money.

*Condition:* Our review of receipt processing at the Bureau of Aquaculture, Bureau of Regulation and Inspection and the Connecticut Marketing Authority noted that none of the units maintained a receipts journal.

The Bureau of Aquaculture opens the mail and logs all receipts in a steno notebook. Receipts received in person or in cash at the bureau are not recorded in the notebook. Daily totals are not summarized and compared to the bureau’s cash book ledger and deposit totals.

The Connecticut Marketing Authority prepares a pre-numbered receipt form for every payment received. The date recorded on the receipt for payments received in the mail represent the date the mail is opened by the secretary, which we were informed may not be the date the mail is actually received by the authority.

Receipts received in the mail by the Bureau of Regulation and Inspection are distributed to responsible staff within the bureau for processing. The bureau issues licenses and performs fertilizer and feed analysis. License and fertilizer/feed applications and related fees are processed by various units within the bureau. The amount received and date received is recorded on the application when the mail is opened or when processed by staff.

*Effect:* The risk of loss or theft is increased.

*Cause:* Internal controls over receipts processing were inadequate.

*Recommendation:* The Department should establish and maintain receipts journals at locations receiving money. (See Recommendation 5.)

*Agency Response:* “The Department of Agriculture agrees with the finding that appropriate receipts journals should be established and maintained at locations receiving money. The Department will work with DAS to effect that change.”

**Revenue/Receipts – Revenue Coding:**

*Criteria:* Coding assigned to receipt transactions should be consistently applied and reflect coding that most accurately identifies the type of receipt received.

*Condition:* Our review of receipt processing at the Connecticut Marketing Authority noted that transaction coding was not consistently applied during the audited period. For example, we noted that monthly tenant rent payments were coded to one of two revenue accounts. We also noted that payments received for recoveries of utility costs were coded to one of three accounts and fees collected for parking were coded to a miscellaneous rent account.

We also noted two transactions in which assigned revenue account codes were incompatible with the appropriation that the revenue was credited to. For one transaction, a federal revenue account code was assigned to the transaction that was credited to a non-federal appropriation. For the other transaction, a non-federal revenue account code was assigned to the transaction that was credited to a federal appropriation.

*Effect:* Management’s ability to obtain and report accurate and meaningful information is diminished.

*Cause:* Internal control over the coding of receipt transactions was inadequate.

*Recommendation:* The Department should establish and implement internal controls that ensure receipt transactions are accurately and consistently coded. (See Recommendation 6.)

*Agency Response:* “The Department of Agriculture agrees with the finding that internal controls should be established and implemented to ensure that receipt transactions are accurately and consistently coded.”

**Revenue/Receipts – Missing Documentation:**

*Criteria:* Sound records retention procedures ensure that financial records are adequately secured and safeguarded against loss.

*Condition:* Our review of receipt transactions at the Connecticut Marketing Authority disclosed the following:

- Pre-numbered receipt forms for 16 transactions were not provided for our review.
- Billings for eight receipts were not adequately documented.

We selected 30 transactions totaling \$83,175 to test from an audit universe of \$1,976,748 deposited by the authority during the audited period.

*Effect:* Accountability over receipts is weakened.

*Cause:* We were informed by authority staff that supporting documentation was either lost or could not be located.

*Recommendation:* The Connecticut Marketing Authority should establish and implement formalized records retention procedures that ensure records are adequately inventoried and secured. (See Recommendation 7.)

*Agency Response:* “The Department of Agriculture agrees that the Connecticut Marketing Authority should implement formalized records retention procedures that ensure that records are adequately inventoried and secured.”

**Grant Expenditures - Dairy Farmers – Grant Calculations:**

*Criteria:* Public Act 07-05 of the June Special Session authorized the Commissioner of Agriculture to make payments to dairy farmers operating in the state to

offset low milk prices paid to such farmers in the 2006 calendar year. The act directed the commissioner to calculate payments to dairy farmers on the basis of the amount of milk produced by the farmer during the calendar year.

*Condition:* Our review of grant payments made to dairy farmers disclosed that two calculations were used to calculate and distribute payments to farmers. One hundred one (101) milk producers were paid \$2,766,827 using the following calculation: \$1.17 x (July–December milk production/100 lbs.) + \$.56 x (January-December milk production/100 lbs.)

Forty seven (47) milk producers were paid \$1,188,828 using the following calculation: \$1.12 x (July–December milk production/100 lbs.) + \$.54 x (January-December milk production/100 lbs.)

*Effect:* Grant payments were not equitably paid. Using the average milk produced in the state by a producer in calendar year 2006 (2,442,384 pounds) and assuming equal production in the first and second halves of the year (1,221,192 pounds), farmers producing the same amount of milk would have been paid as follows under the two calculations:

<u>\$1.17 &amp; \$.56</u>	<u>\$1.12 &amp; \$.54</u>
\$27,965	\$26,866

*Cause:* Grant payments were distributed in October, November and December of 2007. The timing of the payments was predicated on the Department receiving certain documentation from the milk producers as a condition of payment. Subsequent to making the first series of payments in October, the Department discovered that not all producers had been accounted for in its original calculation. Because the initial grant payments had already been made and the Department determined that it was not feasible to recover the payments, it decided to allocate the rest of the grants using a second calculation to distribute the remaining grant funds.

*Recommendation:* The Department should ensure that accurate and complete information is obtained prior to calculating and distributing grant funds. (See Recommendation 8.)

*Agency Response:* “The Department of Agriculture agrees with the finding that accurate and complete information should be obtained prior to calculating and distributing grant funds. The Department has put a system in place that ensures all eligible grant applicants are accounted for before sending the information to the Department of Administrative Services.”

**Grant Expenditures – Dairy Farmers - Use of Appropriations:**

- Criteria:* Section 4-97 of the General Statutes provides that no appropriation or part thereof shall be used for any other purpose than that for which it was made unless transferred or revised as provided in Section 4-87 of the General Statutes. Section 4-87 provides that whenever any specific appropriation of a budgeted agency proves insufficient to pay the expenditures required for the statutory purposes for which such appropriation was made, the Governor may, at the request of the budgeted agency, transfer from any other specific appropriation of such budgeted agency such amount as the Governor deems necessary to meet such expenditures.
- Condition:* Our review of expenditures charged to the dairy farmers' appropriation identified one payment (\$5,000) made to an organization for membership dues. The appropriation was established to make payments to dairy farmers operating in the state to offset low milk prices paid to such farmers in the 2006 calendar year.
- Effect:* The Department did not comply with the provisions of Sections 4-87 and 4-97 of the General Statutes.
- Cause:* A balance remained in the dairy farmers' appropriation after payments to farmers. A decision was made by the Department to pay its dues to this organization whose main function is working on ways to improve federal payments to farmers.
- Recommendation:* The Department should adhere to state fiscal statutes on the use and transfer of appropriations. (See Recommendation 9.)
- Agency Response:* "The Department of Agriculture agrees with the finding that it should adhere to State fiscal statutes on the use and transfer of appropriations."

**Grant Expenditures – Farm Transition Program – Internal Controls:**

- Background:* Section 22-26k of the General Statutes established the Farm Transition Grant Program. Competitive matching grants are made to farmers and agricultural cooperatives for diversification of existing farm operations, transitioning to value-added agricultural production and sales, and developing farmers' markets and other venues in which a majority of products are grown in the state. The statute requires the Commissioner of Agriculture to adopt regulations to administer the program.
- Criteria:* 1. Grant administrative procedures should include formalized and measurable evaluation criteria that grantor agencies use to evaluate and select grant proposals requested by the grantor agency.

2. Terms and conditions for grantees applying for and receiving grants under the Farm Transition Program are identified in program applications and contracts executed by grantees. These terms and conditions included the following:

- Grantees shall carry sufficient general liability insurance during the term of the contract holding the state harmless from claims or suits caused by the grantee or their contractors. Certificates of insurance shall be filed with the Department prior to the grantee's performance of the contracted service.
- Expenses incurred prior to contract execution and approval are ineligible.
- Proposed budgets show specific details regarding cash or in-kind match.
- Grantees must obtain written approval from the Department for contract extensions.
- Payments will not be rendered until the project is complete and a simple audit is received from an independent accountant or CPA signing off on project expenses.

*Condition:*

Our review of program internal controls and five grants made during the audited period noted the following:

- The Department has not adopted regulations.
- A committee of people with agriculture backgrounds reviews each application and collectively selects the ones they believe to be the best projects. The committee does not use formalized evaluation criteria to rank and measure the selected proposals.
- Current certificates of insurance were not obtained by the Department from two grantees whose certificates expired prior to the end of the grant period.
- One grantee was reimbursed \$930 for expenses incurred prior to the Attorney General's office signing the grant agreement. The same grantee was reimbursed \$8,187 in expenses not included in their budget.

- One grantee did not obtain written approval to extend their contract period. The project was completed two months beyond the contract ending date.
- One grantee was overpaid \$1,407. The grantee requested reimbursement for actual expenses incurred that were less than their grant budget; however, they were reimbursed their budgeted amount. The same grantee received all of their grant funds (\$21,500) prior to completing their project.
- Two grantees submitted audits signed off by their own bookkeepers. One grantee did not submit an audit.

*Effect:* Management has lessened assurance that grant administrative procedures are being applied in accordance with its objectives.

*Cause:* Certain grant administrative internal controls were not placed in operation.

*Recommendation:* The Department should review its policies and procedures to administer the Farm Transition Program to determine whether established internal controls have been implemented in accordance with management's objectives and adopt regulations in accordance with Section 22-26k(b) of the General Statutes. (See Recommendation 10.)

*Agency Response:* "The Department of Agriculture agrees with the finding that policies and procedures to administer the Farm Transition Program be reviewed in order to implement internal controls in accordance with management's objectives. The Department will initiate the adoption of regulations in accordance with Section 22-26k(b) of the General Statutes."

**Farmland Preservation Program – Incorrect Accounting:**

*Background:* The National Resources Conservation Service (NRCS) administers the federal Farm and Ranch Lands Protection Program (FRPP). FRPP is a federal cost-share program that helps fund the purchase of development rights on productive farmland. NRCS periodically awards program funds to the Department through cooperative agreements.

*Criteria:* In order to ensure accurate reporting of federal grant expenditures by the State Comptroller, and to facilitate compliance with the Federal Single Audit Act, separate appropriation accounts must be maintained for each federal grant or federal program. (State Accounting Manual)

*Condition:* We noted that the Department did not maintain a separate appropriation account for federal funds received and expended under the federal Farm and Ranch Lands Protection Program during the audited period. Federal

reimbursements received by the Department were accounted for in two state appropriation accounts as credits to expenditures expended under the state's Farmland Preservation Program.

*Effect:* Grant receipts and expenditures were understated \$2,038,750 and \$1,899,114 on the state's financial statements for the fiscal years ended June 30, 2008 and 2009, respectively. The state's Schedule of Expenditures of Federal Awards for the fiscal years ended June 30, 2008 and 2009 were understated by the same amounts.

*Cause:* The cause was not determined.

*Recommendation:* The Department should establish a separate appropriation account to administer the federal Farm and Ranch Lands Protection Program. (See Recommendation 11.)

*Agency Response:* "The Department agrees with this finding. The Department is working with DAS to establish a Federal Farm and Ranch Lands Protection Program reimbursement account."

**Lease Administration - Connecticut Marketing Authority - Monitoring:**

*Criteria:* An entity's lease contract monitoring system should ensure that contract files contain all required lease information.

*Condition:* Our follow-up of 13 of 18 lease files identified in our prior audit as missing one or more lease requirements (fully executed contract, certificate of bond, certificate of insurance, and non-discrimination certifications) disclosed that nine of the 13 lease files were still missing one or more lease requirements.

*Effect:* The lack of fully-executed contracts increases the risk of contract disputes and/or misunderstandings.

Missing insurance documentation could result in the lessee not having sufficient insurance in place, increasing the state's risk of monetary loss in the event of default or the occurrence of an accident.

Failure to obtain the non-discrimination certifications could result in the authority leasing to entities that discriminate.

*Cause:* Administrative controls were not in place to monitor lease requirements.

*Recommendation:* The Connecticut Marketing Authority should establish and implement administrative controls to ensure that required lease documents are obtained. (See Recommendation 12.)

*Agency's Response:* "The Department of Agriculture agrees that the Connecticut Marketing Authority should establish and implement administrative controls to ensure that required lease documents are obtained."

**Lease Administration - Bureau of Aquaculture - Monitoring:**

*Criteria:* The Bureau of Aquaculture's standard oyster grounds lease stipulates that annual lease payments be paid in advance on the effective date of the lease each and every year.

*Condition:* Our test of 14 annual lease payments (\$226,220) received by the bureau noted that four payments (\$171,661) were received between 16 and 55 days after the effective date of the lease. In addition, analytical procedures performed by us identified two other payments (\$210,300) that were received eight and 22 months after the effective date of the lease.

*Effect:* Lessees have no incentive to make payments on time.

*Cause:* Leases do not include provisions for assessing and collecting late payment penalties and fees.

*Recommendation:* The Bureau of Aquaculture should consider including late payment penalty and/or fee provisions in new leases and leases up for renewal. (See Recommendation 13.)

*Agency's Response:* "The Department of Agriculture agrees with this finding and will consult with the Office of the Attorney General on whether to include late payment penalties on new and/or renewed leases."

**Payroll/Personnel – Compensatory Time:**

*Criteria:* The Department of Administrative Services Manager's Guide states that compensatory time may be granted to managers if the agency head or their designee has given prior written authorization for the extra work and that the extra work is significant in terms of total hours and duration.

*Condition:* Our review of compensatory time earned by three managers from February 1, 2009 through June 30, 2009 disclosed that 12 out of 25 compensatory time earned cases were in durations of two hours or less. None of the 25 cases received prior written authorization from the commissioner for the extra work performed.

*Effect:* Employees earned some compensatory time to which they were not entitled.

*Cause:* Administrative controls over compensatory time were not in place.

*Recommendation:* The Department should establish and implement administrative controls that ensure compensatory time granted is formally pre-approved and awarded for extra work considered to be significant. (See Recommendation 14.)

*Agency's Response:* "The Department of Agriculture agrees with this finding and will establish and implement administrative controls that ensure that compensatory time granted to managers is formally pre-approved and awarded for extra work deemed significant."

**Payroll/Personnel – Performance Appraisals:**

*Criteria:* Employee performance appraisals are a method by which an employee's job performance is evaluated. Generally, the aims of a performance appraisal are to:

- Give feedback on performance to employees.
- Identify training needs.
- Form a basis for personnel decisions.
- Provide an opportunity for organizational diagnosis and development.
- Facilitate communication between employee and management.

*Condition:* We reviewed 10 employee personnel files for evidence that performance appraisals were completed. Our review noted that performance appraisals were not up to date for five of the 10 employees in our sample.

*Effect:* Management's ability to measure employee performance and training needs are significantly diminished in the absence of written performance evaluations.

*Cause:* Administrative controls for ensuring that performance evaluations were performed were inadequate.

*Recommendation:* The Department should ensure that periodic performance appraisals are performed on all of its employees. (See Recommendation 15.)

*Agency's Response:* "The Department of Agriculture agrees with this finding and will ensure that periodic performance appraisals are performed on all its employees."

**Property Control – Asset Accountability and Reporting:**

*Background:* The Asset Management/Inventory Report/GAAP Reporting Form, CO-59 is used to report all property owned by each state agency. The Office of the State Comptroller requires all Executive Branch agencies to generate such information from the state's accounting system (Core-CT) for assets that are capitalized and depreciated and include the information on the CO-59. Agencies are instructed to use asset management queries to complete the CO-59 form. If the values recorded on the CO-59 do not reconcile with Core-CT, the agency must provide a written explanation of the discrepancy in an attachment.

*Criteria:* State agencies are required to submit an annual report of all capitalized real and personal property owned by the state and in the custody of such agency to the State Comptroller. The report must reflect the sum total of the physical inventory as of June 30. Equipment that is deemed "lost, missing or unaccountable" when taking a physical inventory must be removed from the inventory when identified. A separate perpetual inventory should be maintained of all stores and supplies per the State Comptroller Property Control Manual.

*Condition:* Our testing of the Departments of Agriculture and Administrative Services internal controls over asset accountability and reporting disclosed the following:

- Physical inspection of 23 assets selected from the Department's inventory listing disclosed that one item could not be located (\$4,790) and one item was listed twice (\$1,097).
- Two assets that we identified by random inspection of the Department's premises were not listed on the Department's inventory listing (\$7,088).
- Asset values reported for buildings on the 2008 CO-59 and equipment on the 2009 CO-59 did not agree with values reported in Core-CT by \$84,191 and \$51,688, respectively. The Department of Administrative Services did not provide a written explanation of the discrepancy in an attachment to the CO-59.
- The Department expended \$166,087 on a new sewer main for one of its buildings at the Regional Market. The cost of the sewer main was not reported on the CO-59 as a site improvement.

- The Department of Agriculture does not maintain a perpetual inventory of stores and supplies. The Department of Administrative Services used a “plugged” number to report supply deletions on the CO-59 for both years during the audited period.
- Items not found as the result of annual physical inspections performed by the Department of Administrative Services are not removed from the inventory listing until the following annual inspection if the item is again noted as missing. The missing items are reported on the CO-59 until they are removed from the inventory listing.

*Effect:* Property amounts reported on the state’s financial statements relative to the Department of Agriculture were not accurate.

*Cause:* Internal control over asset accountability and reporting was inadequate.

*Recommendation:* The Departments of Agriculture and Administrative Services should improve their internal control over asset accountability and reporting. (See Recommendation 16.)

*DAG’s Response:* “The Department of Agriculture agrees with the finding that the Departments of Agriculture and Administrative Services should improve their internal controls over asset accountability and reporting.”

*DAS’s Response:* “We agree that DAG does not keep a perpetual inventory of supplies. We checked with the Comptrollers and the agency does not need to keep a perpetual inventory and report it on the CO-59 unless they have items for resale. The item was removed from future CO-59’s. We agree that items not found were not removed until the following annual physical inventory. We have revised our procedure to remove the items when they are not found during the annual physical inventory or an additional check prior to the final reconciliation prior to the submission of the CO-59.”

*Auditor’s Concluding*

*Comment:* We inquired with the State Comptroller’s office on whether state agencies are required to maintain a perpetual inventory of supplies not for resale. We were informed that agencies are required to maintain a perpetual inventory if the value of its inventory is greater than \$1,000.

**GAAP Reporting**

*Background:* The state is required to make certain disclosures in its annual report regarding lease transactions when the state is a lessor. The State Comptroller collects this information from state agencies on GAAP reporting forms that are made available to state agencies each year.

- Criteria:* Instructions for completing the GAAP form for state leases instructed state agencies to report minimum lease revenues to be collected in the next five years and any additional revenues beyond those years.
- Condition:* Our review of GAAP forms prepared by the Department of Agriculture for lease revenues reported for the fiscal years ended June 30, 2008 and 2009 disclosed that future lease revenues were incorrectly reported.
- Effect:* Future lease revenues reported on the state's financial statements relative to the Department of Agriculture were overstated by \$65,972 and \$105,392 in the fiscal years ended June 30, 2008 and 2009, respectively.
- Cause:* Supervisory review of reported amounts was not performed.
- Recommendation:* The Departments of Agriculture and Administrative Services should ensure that lease revenue reported on GAAP forms is accurate. (See Recommendation 17.)
- Agency's Response:* "The Department of Agriculture agrees with the finding and will work with DAS to ensure that lease revenue reported on GAAP forms is accurate."

**Dog License Fees – Timely Transfers:**

- Criteria:* Section 22-347 of the General Statutes requires town treasurers or other fiscal officers to pay the Commissioner of Agriculture a percentage of all monies received from the sale of dog licenses each year. Monies received by the commissioner are deposited into the Funds Awaiting Distribution Fund administered by the State Treasurer.
- Section 22-328(b) of the General Statutes provides that dog license fees in the custody of the State Treasurer be used to pay for expenses incurred by the Department's Animal Control Unit for the same fiscal year as expenses are incurred.
- Condition:* Reimbursements to the General Fund for expenses of the Animal Control Unit were not made in a timely manner. Expenditures incurred in the fiscal year ended June 30, 2007 were not reimbursed to the General Fund until September 19, 2008.
- Effect:* The General Fund is charged with expenses that should be charged to the Funds Awaiting Distribution Fund.
- Cause:* The cause was not determined.

*Recommendation:* The Department should process reimbursements to the General Fund for expenses of the Animal Control Unit in a timely manner. (See Recommendation 18.)

*Agency's Response:* "The Department of Agriculture agrees with the finding and will work with DAS to transfer the funds at least once a year prior to the close of the fiscal year."

## RECOMMENDATIONS

### *Status of Prior Audit Recommendations:*

- It is recommended that all receipts be deposited and accounted for in accordance with Section 4-32 of the General Statutes. Our current audit identified several late deposits or instances in which we could not determine the date the receipt was received. Thus, the recommendation is repeated, as modified. (See Recommendation 4.)
- It is recommended that, in order to accurately reflect the revenue account balances, all receipts should be posted in Core-CT as directed by the State Treasurer's Office. The Department of Administrative Services obtained a waiver from the State Treasurer in June of 2009 allowing them additional time to post deposits in Core-CT. Receipts tested in our current audit deposited in June and July of 2009 determined that receipts were posted in Core-CT within the time period approved by the State Treasurer. Thus, the recommendation has been resolved.
- The Connecticut Marketing Authority should have on hand fully executed lease agreements and all required documentation for tenants occupying space at the Regional Market and lessees of Regional Market billboards. Our follow-up of 13 of 18 lease files identified in our prior audit as missing one or more lease requirements (fully executed contract, certificate of bond, certificate of insurance, and non-discrimination certifications) disclosed that nine of the 13 lease files were still missing one or more lease requirements. Thus, this portion of the prior recommendation will be repeated, as amended. (See Recommendation 12.) The authority continued to administer its billboard lease under the terms and conditions of the expired lease. Governor Rell's Executive Order 18 directed that no new contracts or renewal options in existing contracts for the erection and/or maintenance of outdoor advertising structures, devices or displays on state-owned property be exercised. Thus, this portion of the prior recommendation has been resolved.
- The Connecticut Marketing Authority should comply with Section 3-7 of the General Statutes and obtain the proper approvals for cancellation of all uncollectible amounts. The Connecticut Marketing Authority did not cancel any uncollectible amounts during the audited period. Thus, this recommendation has been resolved.
- It is recommended that the Department of Agriculture and/or the Department of Administrative Services exercise greater control over dog license fees. Reimbursements to the State General Fund for expenses of the Animal Control Unit should be made in a timely manner. In addition, questions should be raised as to the variances in receipts from towns from one year to the next and reconciliations should be prepared between dog tags sold and receipts from the sale of dog licenses. Our testing of dog license reimbursements during the audited period determined that the Department did not reimburse the General Fund in a timely manner. Thus, this recommendation is repeated, as modified. (See Recommendation 18.)

- Employees should be paid for work performed and documented on a timesheet. All adjustments should be approved, documented and kept on file. Our current audit of payroll transactions did not identify any discrepancies between wages paid and timesheets. Thus, this recommendation has been resolved.
- The Department should only grant compensatory time when properly authorized and only for a significant number of hours. Our current audit noted that employees were granted compensatory time without prior written authorization and were granted time for insignificant periods of time. Thus, the recommendation is repeated, as modified. (See Recommendation 14.)
- The Department of Agriculture's inventory should be maintained and reconciled in accordance with the State of Connecticut's Property Control Manual. Controls over inventory records and physical location of property should be strengthened. Our current audit noted similar findings identified in our prior audit. Thus, the recommendation is repeated, as modified. (See Recommendation 16.)
- The Department of Administrative Services' Business Unit should include all pertinent information when preparing the CO-59 in accordance with the State Comptroller's directives and/or instructions. Our current audit noted that the Department failed to report \$166,000 in site improvements and did not submit attachments with the CO-59 explaining variances in property inventory values reported on the CO-59 to values carried on Core-CT. This current audit exception is reported with several other exceptions under Recommendation 16.
- The Department should maintain and provide documentation to support the completed GAAP reporting forms and greater care should be taken in completing the forms. Our review of GAAP forms in our current audit determined that the forms were not accurately completed and supported. Thus, the recommendation is repeated, as modified. (See Recommendation 17.)
- The Department should improve its recordkeeping and reporting system for the Divisions of Milk Safety and Animal Health of the Bureau of Regulation and Inspection. This audit recommendation was first presented in a performance audit performed by our office and reported upon on July 26, 2002. The finding has been repeated in modified versions since that time in our Departmental audits. Management staff informed us that its recordkeeping and reporting system, albeit manual, serves its purpose and is not going to change it to an automated system due to a lack of funding. Thus, this finding has been resolved.

*Current Audit Recommendations:*

- 1. The Department should enter into written agreements with DAS that clearly define each agency's roles and responsibilities.**

Comment:

The Department did not have written agreements in place with DAS to administer its human resources and business functions.

- 2. The Department should coordinate appropriate on-going ethics training programs for its employees and establish procedures that ensure employee participation in the programs.**

Comment:

We noted that the Department's employees do not take part in any ongoing ethics training programs.

- 3. The Departments of Agriculture and Administrative Services should mutually perform the annual internal control self-evaluation and risk assessment in accordance with the Internal Control Guide issued by the State Comptroller.**

Comment:

Our review of the Department's annual internal control self-evaluation for the fiscal year ended June 30, 2009 noted that several of the action steps in the guide were not performed and/or documented. DAS completed the internal control questionnaire on behalf of the Department but did not prepare and/or document descriptions of the Department's accounting systems and their related internal controls.

- 4. The Department should establish and implement internal controls that ensure receipts are deposited in accordance with Section 4-32 of the General Statutes. In addition, requests for waiver to the State Treasurer seeking exceptions to the depositing limitations should be based upon the actual time needed to process the deposits.**

Comment:

We noted 27 receipts totaling \$26,769 that were deposited late. We also could not determine the receipt date of 18 receipts totaling \$41,715 due to insufficient documentation and/or information. While the Bureau of Regulation and Inspection obtained two separate waivers to deposit receipts within four business days during the audited period, our current testing noted that several receipts were deposited beyond the four day waiver period.

- 5. The Department should establish and maintain receipts journals at locations receiving money.**

Comment:

We noted that the Department did not maintain receipt journals at several of its locations.

- 6. The Department should establish and implement internal controls that ensure receipt transactions are accurately and consistently coded.**

Comment:

Our review of receipt processing noted that transaction coding was not consistently applied and/or not always coded to the most appropriate receipt account.

- 7. The Connecticut Marketing Authority should establish and implement formalized records retention procedures that ensure records are adequately inventoried and secured.**

Comment:

Supporting documentation for several receipt transactions were not provided for our review.

- 8. The Department should ensure that accurate and complete information is obtained prior to calculating and distributing grant funds.**

Comment:

We noted that grant payments made to dairy farmers were calculated differently because incomplete information was used to calculate and issue initial payments.

- 9. The Department should adhere to state fiscal statutes on the use and transfer of appropriations.**

Comment:

We noted that the Department made an expenditure for membership dues from an appropriation established to make grant payments to state dairy farmers without obtaining prior approval to do so.

- 10. The Department should review its policies and procedures to administer the Farm Transition Program to determine whether established internal controls have been implemented in accordance with management's objectives and adopt regulations in accordance with Section 22-26k(b) of the General Statutes.**

Comment:

We noted that the Department did not adhere to several terms and conditions contained in grant applications and agreements with grantees. Procedures for selecting grantees to fund did not include formalized and measurable criteria. The Department has yet to adopt regulations for the program.

**11. The Department should establish a separate appropriation account to administer the federal Farm and Ranch Lands Protection Program.**

Comment:

We noted that the Department did not maintain a separate appropriation account for federal funds received and expended under the federal Farm and Ranch Lands Protection Program. Federal reimbursements received by the Department were accounted for in two state appropriation accounts as credits to expenditures expended under the state's Farmland Preservation Program.

**12. The Connecticut Marketing Authority should establish and implement administrative controls to ensure that required lease documents are obtained.**

Comment:

Our follow-up of 13 of 18 lease files identified in our prior audit as missing one or more lease requirements (fully executed contract, certificate of bond, certificate of insurance, and non-discrimination certifications) disclosed that nine of the 13 lease files were still missing one or more lease requirements.

**13. The Bureau of Aquaculture should consider including late payment penalty and/or fee provisions in new leases and leases up for renewal.**

Comment:

We noted several lease payments that were received well after the due date of the lease payment. The bureau's standard oyster grounds lease agreement does not have provisions for assessing late payment fees or penalties.

**14. The Department should establish and implement administrative controls that ensure compensatory time granted is formally pre-approved and awarded for extra work considered to be significant.**

Comment:

Our review of compensatory time earned by three managers disclosed that 12 out of 25 compensatory time earned episodes were in durations of two hours or less. None of the 25

episodes received prior written authorization from the commissioner for the extra work performed.

**15. The Department should ensure that periodic performance appraisals are performed on all of its employees.**

Comment:

We reviewed 10 employee personnel files for evidence that performance appraisals were performed. Our review noted that performance appraisals were not up-to-date for five of the 10 employees reviewed.

**16 The Departments of Agriculture and Administrative Services should improve their internal control over asset accountability and reporting.**

Comment:

Our testing of the Departments of Agriculture and Administrative Services internal controls over asset accountability and reporting identified several assets that were not reported or incorrectly reported and annual inventory reports that did not reconcile to asset values reported in Core-CT.

**17. The Departments of Agriculture and Administrative Services should ensure that lease revenue reported on GAAP forms is accurate.**

Comment:

Our review of GAAP forms prepared by the Department of Agriculture for lease revenues reported for the fiscal years ended June 30, 2008 and 2009 disclosed that future lease revenues were overstated by \$65,972 and \$105,392, respectively.

**18. The Department should process reimbursements to the General Fund for expenses of the Animal Control Unit in a timely manner.**

Comment:

Reimbursements to the State General Fund for expenses of the Animal Control Unit were not made in a timely manner. Expenditures incurred in the fiscal year ended June 30, 2007 were not reimbursed to the General Fund until September 19, 2008.

## 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, 2008 and 2009. This audit was primarily limited to performing tests of the agency's compliance with certain provisions of laws, regulations, contracts and grant agreements 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 grant agreements applicable to the Agency are complied with, (2) the financial transactions of the agency are properly initiated, authorized, recorded, processed, and reported on consistent with management's direction, and (3) the assets of the agency are safeguarded against loss or unauthorized use. The financial statement audits of the Department of Agriculture for the fiscal years ended June 30, 2008 and 2009, 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 auditing standards generally accepted in the United States of America and the standards applicable to financial 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 grant agreements and to obtain a sufficient understanding of the internal controls to plan the audit and determine the nature, timing and extent of tests to be performed during the conduct of the audit.

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

In planning and performing our audit, we considered the Department of Agriculture's internal control over its financial operations, safeguarding of assets, and compliance with requirements as a basis for designing our auditing procedures for the purpose of evaluating the agency's financial operations, safeguarding of assets, and compliance with certain provisions of laws, regulations, contracts and grant agreements, but not for the purpose of providing assurance on the effectiveness of the agency's internal control over those control objectives.

Our consideration of internal control over financial operations, safeguarding of assets, and compliance requirements was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial operations, safeguarding of assets and compliance with requirements that might be significant deficiencies or material weaknesses. However as discussed below, we identified certain deficiencies in internal control over financial operations, safeguarding of assets, and compliance with requirements that we consider to be significant deficiencies.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect on a timely basis unauthorized, illegal, or irregular transactions or the breakdown in the safekeeping of any asset or resource. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the agency's ability to

properly initiate, authorize, record, process, or report financial data reliably, consistent with management's direction, safeguard assets, and/or comply with certain provisions of laws, regulations, contracts, and grant agreements such that there is more than a remote likelihood that a financial misstatement, unsafe treatment of assets, or noncompliance with laws, regulations, contracts and grant agreements that is more than inconsequential will not be prevented or detected by the Agency's internal control. We consider the following deficiencies, described in detail in the accompanying Condition of Records and Recommendations sections of this report, to be significant deficiencies in internal control over financial operations, safeguarding of assets and compliance with requirements: Recommendation numbers 1 - Control Environment – Service Providers, 3 – Risk Assessment – Evaluation of Internal Controls, 4 - Timely Depositing, 5 – Receipts Journal, 10 – Farm Transition Grant Program - Internal Controls, 11 – Farmland Preservation Program - Incorrect Accounting, 12 – Connecticut Marketing Authority - Lease Monitoring and 16 – Property Control – Asset Accountability and Reporting.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that noncompliance with certain provisions of laws, regulations, contracts, and grant agreements or the requirements to safeguard assets that would be material in relation to the agency's financial operations, noncompliance which could result in significant unauthorized, illegal, irregular or unsafe transactions, and/or material financial misstatements by the agency being audited will not be prevented or detected by the agency's internal control.

Our consideration of the internal control over the agency's financial operations, safeguarding of assets, and compliance with requirements, was for the limited purpose described in the first paragraph of this section and would not necessarily disclose all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

### **Compliance and Other Matters:**

As part of obtaining reasonable assurance about whether the Department of Agriculture complied with laws, regulations, contracts and grant agreements, 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, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements. However, providing an opinion on compliance with those 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 as the following items: Recommendation numbers 2 – Ethics Training, 6 – Revenue Coding, 7 - Missing Documentation, 8 – Dairy Farmer Grant Calculations, 9 – Use of Appropriations, 13 – Bureau of

Aquaculture - Lease Monitoring, 14 - Compensatory Time, 15 – Performance Appraisals, 17 – GAAP leases and 18 – Dog License Fees.

The Department of Agriculture’s responses to the findings identified in our audit are described in the accompanying Condition of Records section of this report. We did not audit the Department of Agriculture’s responses and, accordingly, we express no opinion on them.

This report is intended for the information and use of agency management, 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**

In 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 the course of our examination.



Joe Faenza  
Principal Auditor

Approved:



John C. Geragosian  
Auditor of Public Accounts



Robert M. Ward  
Auditor of Public Accounts