

STATE OF CONNECTICUT



*AUDITORS' REPORT
DEPARTMENT OF AGRICULTURE
FOR THE FISCAL YEARS ENDED JUNE 30, 2012 AND 2013*

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

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State Capitol
210 Capitol Avenue
Hartford, Connecticut 06106-1559

JOHN C. GERAGOSIAN

ROBERT M. WARD

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AUDITORS' REPORT DEPARTMENT OF AGRICULTURE FOR THE FISCAL YEARS ENDED JUNE 30, 2012 AND 2013

We have audited certain operations of the Department of Agriculture (DAG) in fulfillment of our duties under Section 2-90 of the Connecticut General Statutes. The scope of our audit included, but was not necessarily limited to, the years ended June 30, 2012 and 2013. The objectives of our audit were to:

1. Evaluate the department's internal controls over significant management and financial functions;
2. Evaluate the department's compliance with policies and procedures internal to the department or promulgated by other state agencies, as well as certain legal provisions; and
3. Evaluate the economy and efficiency of certain management practices and operations, including certain financial transactions.

Our methodology included reviewing written policies and procedures, financial records, minutes of meetings, and other pertinent documents; interviewing various personnel of the department, as well as certain external parties; and testing selected transactions. We obtained an understanding of internal controls that we deemed significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We tested certain of those controls to obtain evidence regarding the effectiveness of their design and operation. We also obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contracts, grant agreements, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying *Résumé of Operations* is presented for informational purposes. This information was obtained from the department's management and was not subjected to the procedures applied in our audit of the department.

For the areas audited, we identified (1) deficiencies in internal controls; (2) apparent noncompliance with legal provisions; and (3) the need for improvement in management practices and procedures that we deemed to be reportable.

The State Auditors' Findings and Recommendations in the accompanying report presents any findings arising from our audit of the Department of Agriculture.

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, its 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 the DAS Finance and Budget Unit during the same year. Steven K. Reviczky was appointed commissioner in January 2011 and continues to serve.

Significant Legislation

Notable legislative changes are presented below:

- Public Act 11-48, made permanent the agricultural sustainability account established in 2009 which supports a grant program for dairy farmers. This act also made permanent a \$10 increase (from \$30 to \$40) in the Community Investment Act in the fee residents pay when filing certain documents with town clerks and credits \$10 of each fee to the agricultural sustainability account.
- Public Act 11-194, effective October 1, 2011, required state, regional, and municipal animal control officers and Department of Children and Families (DCF) employees to report to the Commissioner of Agriculture when they reasonably suspect that an animal is being treated cruelly, harmed or neglected. The Commissioner of Agriculture must forward the information received from the animal control officers to the DCF commissioner in a monthly report.
- Public Act 12-108, required new animal control officers (ACO) starting on or after July 1, 2012, to complete at least 80 hours of initial ACO training. It also requires all ACO to complete at least six hours of continuing education training annually. The Agriculture commissioner must prescribe the initial ACO training curriculum, which must include specified topics; reimburse costs for people participating in the initial ACO training; and adopt regulations concerning the continuing education requirement.
- Public Act 12-127, required the Agriculture commissioner, by September 1, 2013, to adopt regulations, in consultation and agreement with the Department of Energy and Environmental Protection (DEEP) commissioner, to allow in-state captive herds of cervids (deer), including reindeer. The act required the Agriculture commissioner, by November 1, 2012, to implement a pilot program under which the commissioner issues two permits that allow up to two Connecticut businesses to have up to five reindeer each.
- Public Act 12-176, effective October 1, 2012, required the Agriculture commissioner to license and inspect aquaculture producers. It allows the commissioner to prescribe the license term, fee, and application; and adopt implementing regulations in consultation with the Consumer Protection commissioner.
- Public Act 13-90, effective June 6, 2013, established a procedure to preserve and manages state-owned property known as the Farm at the Southbury Training School. It required the Department of Developmental Services commissioner to transfer the care, custody, and control of the property to the Department of Agriculture commissioner, who must grant a permanent conservation easement on it to a nonprofit organization. The act specified that the easement must provide for conservation of the farm for agricultural use and allow the Department of Agriculture commissioner to lease, permit, or license the property for such use. The proposed easement and any proposed DAG lease, permit, or license is subject to State Properties Review Board review and approval. The act exempted the leased, permitted, or licensed property from local property taxes and adds its value to the assessed value of state-owned land and buildings for calculating payments

in lieu of taxes. The law requires the state to reimburse towns for 45% of their loss revenue from state-owned property.

- Public Act 13-99, effective July 1, 2013, increased, from 10% to 20%, the amount of certain animal population control program funds, which may be used for sterilizing and vaccinating dogs and cats owned by low-income people. The funds are from a surcharge on dog licenses, certain animal adoption fees for pounds' unspayed and unneutered cats and dogs, and proceeds from commemorative Caring for Pets license plates. By law, the Agriculture commissioner operates the animal population control program.

RÉSUMÉ OF OPERATIONS

General Fund Receipts

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

Receipt Description	Fiscal Year Ended June 30,		
	2011	2012	2013
Refunds of Expenditures	\$ 715,015	0	\$ 665,699
Analysis of Feeds and Fertilizers	1,188,003	1,111,733	1,169,483
Oyster Ground Rents	915,107	719,522	740,917
Licenses	546,484	1,870,035	508,189
Miscellaneous Receipts	100,296	154,030	73,426
Total General Fund Receipts	\$3,464,905	\$3,855,320	\$3,157,714

Refunds of Expenditures decreased by \$715,015 and increased by \$665,699 during the fiscal years ended June 30, 2012 and 2013, respectively. In our prior audit, a recommendation was made that transfers to the General Fund to cover expenditures of the Animal Control Unit be made in the same fiscal year as expenses are incurred. Although the Department of Administrative Services processed a transfer to the General Fund for \$1,370,203, it was made to the Dog Licenses account instead of the Refunds of Expenditures account. This caused the Refunds of Expenditures to be understated and Licenses overstated by \$1,370,203.

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 \$709,987, \$716,680 and \$686,002 for the fiscal years ended June 30, 2011, 2012 and 2013, respectively.

Oyster Ground Rents decreased \$195,585 during the fiscal year ended June 30, 2012. The decrease was mainly attributable to past due lease payments collected in fiscal year 2010-2011.

Licenses increased by \$1,323,551 and decreased by \$1,361,846 during the fiscal years ended June 30, 2012 and 2013, respectively. This was due to the transfer of dog fund pending receipts totaling \$1,370,203 during the fiscal year ended June 30, 2012. Although, this transfer was made in accordance with Section 22-328 of the General Statutes, it was coded to the Dog License account instead of Refunds of Expenditure account.

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.

General Fund Expenditures

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

Expenditure Description	Fiscal Year Ended June 30,		
	2011	2012	2013
Personal Services	\$3,543,547	\$3,554,644	\$3,207,597
Employee	20,259	16,211	17,879
Contractual Charges	491,043	885,988	986,672
Commodities	195,116	194,889	152,902
Grants and Client Subsidies	433,218	26,343	108,862
Total General Fund	\$4,683,183	\$4,678,075	\$4,473,912

Total expenditures decreased \$204,163 in the fiscal year ended June 30, 2013 compared to the earlier year. The decrease was mainly due to the decrease of \$347,047 in personal services and increase of \$100,316 in contractual charges. Personal services decreased due to the loss of three positions and contractual charges increased due to the loss of positions.

Special Revenue Funds

Department operations were administered through four 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:

Receipts Description	Fiscal Year Ended June 30,		
	2011	2012	2013
Agriculture Sustainability - Dairy	\$5,011,354	\$5,803,662	\$6,102,017
Farmland Preservation	0	2,414,857	2,669,198
Agriculture Viability	500,000	500,000	500,000
Farm Transition	500,000	500,000	500,000
Animal Population Control	765,163	783,564	746,563
All Other Receipts	476,794	466,001	813,372
Total Non-Federal	\$7,253,311	\$10,468,084	\$11,331,150
Federal Programs	1,022,199	4,096,266	1,882,765
Total Receipts-Federal and Other	\$8,275,510	\$14,564,350	\$13,213,915

Receipts increased by \$6,288,840 during the fiscal year ended June 30, 2012. The increase was mainly due to an increase in the Farmland Preservation Account grants by \$2,414,857 and federal programs by \$3,074,067. The federal programs include reimbursement to the Farmland Preservation Account totaling \$2,856,153. The increase in the Farmland Preservation Account funds is due to the suspension of PA 05-228 funding for this account during SFY11. The differential in federally reimbursed funding is a result of changing processes and procedures at the United States Department of Agriculture (USDA) that impacted federal reimbursements to states for the purchase of development rights under what was then known as the Farm and Ranchland Protection Program.

Federal and Other Restricted Accounts Fund - Expenditures

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

Expenditure Description	Fiscal Year Ended June 30,		
	2011	2012	2013
Agricultural Sustainability - Dairy	\$4,907,561	\$6,208,422	\$6,057,330
Farmland Preservation	336,112	628,569	3,479,112
Agriculture Viability	456,532	313,405	407,670
Farm Transition	651,119	317,379	432,091
Animal Population Control	679,000	733,199	769,286
All Other Expenditures	389,624	144,349	449,939
Total – Non-Federal	7,419,948	\$8,345,323	\$11,595,428
Federal Programs	1,028,086	1,191,631	1,120,666
Total Federal and Other	\$8,448,034	\$9,536,954	\$12,716,094

Expenditures increased by \$1,087,920 and \$3,179,140 during the fiscal year ended June 30, 2012 and 2013, respectively. This increase appears most notably between the Agricultural Sustainability – Dairy Account and Farmland Preservation. Section 13 (d) of Public Act 10-179 swept \$5,000,000 from the Community Investment Account, which resulted in no Dairy

Sustainability payments being made to milk producers in the 4th quarter of fiscal year 2010-2011. That sweep was restored at the beginning of fiscal year 2011-2012. The reduction of Farmland Preservation Program funds in fiscal years 2010-2011 and 2011-2012 was a result of the same sweep initiated by Public Act 10-179. The agency explained that this decrease was also due to problems with federal reimbursement for the acquisition of farmland. In 2013, the department stated that the state began to move forward with the purchase of development rights using state funds while continuing to work to correct problems with the management and policy direction of the USDA program.

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 \$888,368 and \$797,342 during the fiscal years ended June 30, 2012 and 2013, respectively, compared to \$940,841 in the fiscal year ended June 30, 2011. Receipts consisted primarily of payments received for rent or use of buildings and properties of the Connecticut Marketing Authority. Rental income at the regional market fluctuates according to vacancies in stall space. An increase in vacancies led to a decrease in receipts.

Fund expenditures totaled \$851,066 and \$936,438 for the fiscal years ended June 30, 2010 and 2011, respectively, compared to \$887,189 in the fiscal year ended June 30, 2011. The increase in expenditures was mainly due to increases in building maintenance and repair costs.

Grants to Local Governments and Others Fund

Expenditures made by the department from this fund totaled \$664,153 and \$386,770 during the fiscal years ended June 30, 2012 and 2013, respectively, and were mainly for grants from the department's Farmland Reinvestment and the Farmers' Environmental Assistance programs.

Capital Equipment Purchase Fund

Expenditures made by the department from this fund totaled \$8,101 and \$17,468 during the fiscal years ended June 30, 2012 and 2013, respectively. Expenditures were made for the purchase of equipment.

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 represent payments for the purchase of development rights under the department's Farmland Preservation Program. Expenditures reported for the fund totaled \$5,414,578 and \$1,996,293 for the fiscal years ended June 30, 2012 and 2013, respectively. Purchase of development rights were completed for seven and two farms during fiscal years 2011-2012 and 2012-2013, respectively.

STATE AUDITORS' FINDINGS AND RECOMMENDATIONS

Our examination of the records of the Department of Agriculture disclosed certain matters of concern requiring disclosure and agency attention:

Compensatory Time and Timesheets

Criteria: The Department of Administrative Services (DAS) Management Personnel Policy 06-02 states that managers must receive written authorization in advance to work extra time by the agency head or designee in order to record the extra hours as compensatory time. The written authorization must outline the reason(s) for compensatory time and proof of advance authorization must be retained in the employee's personnel file for audit purposes. The amount of extra time worked must be significant, which does not include the extra hour or two a manager might work to complete normal work assignments in a normally scheduled workday. Compensatory time earned during the twelve months of the calendar year must be used by the end of the succeeding calendar year and cannot be carried forward.

Sound business practice advocates that timesheets be signed by the employee to confirm the hours worked and approved by the supervisor to attest to the hours worked.

Condition: Our review of the annual attendance records of five employees disclosed that two managers who earned compensatory time did not receive prior written authorization to accrue compensatory time in nine instances, totaling 37.5 hours. The two managers had 21 instances of earning compensatory time in increments that were not considered significant extra time, totaling 27.5 hours. One manager requested and was approved for blanket compensatory time of 150 hours and 200 hours for 2012 and 2013, respectively. In addition, another manager's expired compensatory time of 48 hours was carried forward beyond the succeeding calendar year.

Our review of 41 timesheets revealed that seven were not signed by the employee. Furthermore, for the seven timesheets, four included overtime worked or compensatory time earned.

Effect: Management is receiving compensatory time accruals for insignificant amounts of time. Management is receiving compensatory time approval without a specific reason or date in which compensatory was proven to be necessary. Management may be receiving compensatory time benefits for compensatory time that has expired. The department has less assurance that the services it has compensated its employees for have actually been received.

Cause: The department did not have adequate procedures in place to ensure that the compensatory time policies were followed and that timesheets were complete and approved.

Recommendation: The Department of Agriculture should strengthen internal controls over the proper documentation of compensatory time and completion of timesheets. The Department of Agriculture should comply with the DAS Management Personnel Policy 06-02. (See Recommendation 1.)

Agency Response: “The Agency agrees with the recommendation. Since the conclusion of the audit period, the agency has implemented an electronic timesheet submission system that requires agency staff to submit their time using a unique employee identification number. Timesheets are submitted by the employee and approved by the appropriate manager/supervisor. The electronic system does not allow employees not eligible for overtime/compensatory time to submit for it, or to be credited for it.”

Property Inventory and Reporting

Criteria: Section 4-36 of the General Statutes provides that an inventory of property shall be kept in the form prescribed by the Comptroller. The agency is required to transmit annually to the Comptroller a detailed inventory of all property, real or personal, owned by the state and in custody of such agency. The State Property Control Manual requires agencies 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

The State Property Control Manual specifies requirements and standards that state agency property control systems must comply with, including tagging, recording and maintaining capital assets and controllable property on the Core-CT Asset Management Module.

Condition: Our review of the department’s CO-59 Fixed Assets/Property Inventory Report for the fiscal years ended June 30, 2012 and 2013 that was prepared by the Department of Administrative Services disclosed the following:

- Equipment reported on the CO-59 did not agree with values reported in Core-CT for both fiscal years. In addition, the Department of Administrative Services was unable to provide supporting documentation for the equipment values listed in Core-CT and the CO-59 reports.
- Easement values reported on the CO-59 did not agree with the values reported in Core-CT for both fiscal years. We noted that the easement

values in Core-CT were overstated by \$84,643,402 and \$79,029,127 for fiscal years ended June 30, 2012 and 2013, respectively. Although the department is aware that these values are overstated, they have not adjusted the easement values in Core-CT.

Our review of the department's inventory records disclosed the following:

- Our review of ten assets by random inspection of the department's premises revealed two assets were not recorded in the Core-CT Asset Management Module. One asset in use at the Department of Agriculture was tagged as belonging to another agency. Also, three computer monitors were found to have \$1.00 values assigned in Core-CT.
- Our review of assets traced from the asset management module to the general ledger in Core-CT revealed discrepancies in the acquisition price for three assets.

Effect: Deficiencies in the control over equipment inventory provide a decreased ability to properly safeguard state assets and accurately report the department's inventory.

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 2.)

Agency's Response: "The Department of Agriculture agrees that internal controls should be improved regarding asset accountability and reporting, but disagrees that there is an issue within the process used by this department. Inventory maintenance is a function of the DAS/SmART unit, not the Department of Agriculture. Additionally, the Department of Agriculture has no access to Core-CT. Any issues associated with Core-CT are under the purview of the Department of Administrative Services."

DAS Response: "DAS agrees with the finding and notes that the conditions identified above have all been corrected."

Reports Required by Statute

Criteria: Section 22-38a of the General Statutes requires the department to submit annually a report on the Connecticut Grown Program to the joint standing committee of the General Assembly having cognizance of matters relating to the environment.

Section 22-3 of the General Statutes requires that the Department of Agriculture shall obtain an inventory of all agricultural land in the state and shall formulate criteria for the designation of lands for which development rights may, in the future, be acquired by the state and shall at least quarterly report such findings made to the joint committee of the General Assembly having cognizance of matters relating to agriculture.

Condition: Our review disclosed the following deficiencies:

- While reports were prepared in accordance with Section 22-38a of the General Statutes, there is no documentation to support that the reports were submitted to the General Assembly
- Reports were not prepared in accordance with Section 22-3 of the General Statutes.

Effect: There is non-compliance with the General Statutes.

Cause: It appears that reports on the Connecticut Grown Program were not submitted due to an oversight. We were informed that an inventory of agricultural lands has never been created.

Recommendation: The Department of Agriculture should institute procedures to ensure that all reports required by statute are submitted as required. (See Recommendation 3.)

Agency's Response: "The agency agrees that, although the reports were completed, they were not submitted in a timely fashion. The condition has been corrected for the current year.

Section 22-3(c) states that "the commissioner shall (1) obtain an inventory of all land in the state which, without substantial removal of structures on such land provided in subsection (b) of this section... deserving of preservation of agricultural purposes." The department is unable to comply with this because no such inventory of all state lands appears to exist. The statute states that the department shall obtain an inventory, but does not require that an inventory be created by the department. In fact, it would be unwise to compile such a list, as it would work counter to the intention of 22-3 and 22-26cc. Additionally, statutory language exempts information pertaining to potential land transactions from disclosure under the Connecticut Freedom of Information Act."

Auditors' Concluding

Comments: As noted, Section 22-3(c) of the General Statutes, requires that the Department of Agriculture shall obtain an inventory of all agricultural land in the state and shall formulate criteria for the designation of lands for which development rights may, in the future, be acquired by the state and

shall at least quarterly report such findings made to the joint committee of the General Assembly having cognizance of matters relating to agriculture.

In addition, we do not believe a compilation of a list would work counter to the intention of Sections 22-3 nor 22-26cc. In fact, a listing would be beneficial in achieving compliance of Section 22-26cc.

GAAP Reporting

Background: The state is required to make certain disclosures in its Comprehensive Annual Financial Report regarding lease transactions when the state is a lessor. The State Comptroller provides detailed instructions for completion of these forms and collects this information from state agencies on GAAP reporting forms each year.

Criteria: Instructions for completing the GAAP Reporting Form – State as Lessor for State Leases instructs state agencies to report future minimum lease revenues greater than or equal to \$300,000 that are to be collected under non-cancelable operating leases.

Condition: Our review of the GAAP Closing Packages for fiscal years ended June 30, 2012 and 2013 revealed the following deficiencies:

- The department included future minimum lease revenue in both the fiscal year ended June 30, 2012 and 2013 GAAP Reporting Form- State as Lessor, even though non-cancellable operating leases were not in place. The department's executed leases expired May 31, 2011 and the condition remains as of April 2015.

The department incorrectly included revenue items totaling \$345,725 as leases in the fiscal year ended June 30, 2013 GAAP Form No. 6.

Effect: The GAAP reporting forms have overstated future minimum revenue from leases.

Cause: New lease agreements were not executed when the prior lease contracts expired.

A lack of attention and/or disregard to the GAAP reporting form instructions apparently caused the condition.

Recommendation: The Department of Agriculture should establish and implement proper procedures to ensure that all tenants have an executed lease agreement.

The department should ensure that GAAP reporting form instructions are followed when completing the GAAP forms. (See Recommendation 4.)

Agency's Response: "There are no individual leases within the Bureau of Agricultural Development and Resource Preservation, including at the Hartford Regional Market with anticipated annual revenues of \$300,000 or more. The department began submitting GAAP reports at the urging of the Department of Administrative Services. DoAg will review reporting requirements more carefully in the future before submitting them. The department is working closely with the Office of the Attorney General to review fully executed lease agreements and to develop manageable procedures moving forward."

Class Specification – Incorrect Position

Criteria: Good business practices dictate that the correct job position is in place based upon required job duties.

Condition: A Secretary 1 is performing accounting functions that are beyond the scope of responsibilities for this position, which has led to inaccuracies in account balances.

Effect: There is an increased risk for errors when an employee is performing unfamiliar duties. Inaccurate account balances result in unreliable financial information.

Cause: The position assigned to this area was inadequate for the job tasks required.

Recommendation: The Department of Agriculture should ensure that the correct position is in place to effectively perform required job duties. (See Recommendation 5.)

Agency's Response: "The agency agrees that a Fiscal Administrative Assistant is needed in addition to the Secretary 1. A Fiscal Administrative Assistant is more appropriately suited for the accounting duties at the Hartford Regional Market. The correction of this condition is contingent upon adequate appropriations being provided by the General Assembly. The department will work diligently in conjunction with DAS to fill a position once the necessary appropriation and approvals have been secured."

Untimely Depositing and Insufficient Accounting for Revenues

Background: The Department of Agriculture collects various types of receipts throughout its bureaus. Receipts collected at the department's main location are picked up by the Department of Administrative Services for deposit. Receipts are also collected at the Bureau of Aquaculture and the CT Marketing Authority, where they are deposited by Department of Agriculture staff. The Department of Administrative Services has been posting deposits to Core-CT for the Department of Agriculture since the consolidation of the department's business office functions in 2006.

Criteria: The State Accounting Manual requires agencies to keep a receipts journal that indicates the date of the receipt.

Section 4-32 of the General Statutes requires that an agency shall account for receipts within 24 hours, and if the total receipts are five hundred dollars or more, deposit the same within twenty-four hours of receipt. Total daily receipts of less than \$500 may be held until the receipts total \$500, but not for a period of more than seven calendar days. The State Treasurer is authorized to make exceptions to these limitations 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 deposits of funds received during seasonal high volume periods. The waivers were granted to the department's Bureau of Regulation and Inspection.

The Office of the State Treasurer's January 6, 2006 Memorandum on Deposit Reporting Timeframes requires that agencies should complete the confirmation of bank data and journalizing steps by the end of the day that the deposit information is received by the agencies through the Core-CT accounting system. The Department of Administrative Services was granted a six-calendar-day waiver for the reporting of funds deposited by individual agencies for both the fiscal years ended June 20, 2012 and 2013.

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

Condition: We tested 69 receipts, totaling \$1,071,138, for timely deposit. Our review disclosed the following:

- During the audited period, the Bureau of Regulation and Inspection discontinued maintaining a receipts journal. Based upon the receipt date, we noted that four receipts totaling \$1,780 were deposited between one and seven business days late.
- The Farmland Preservation Unit does not maintain a receipts journal and we were unable to determine whether the department deposited two receipts totaling \$532,975 timely.
- One transaction, totaling \$30,440, consisting of multiple deposits received directly by the Department of Administrative Services was not date stamped. We were unable to determine whether they were deposited timely.

- Five receipts totaling \$23,792, received at the Bureau of Aquaculture, were not found in the receipts journal and we were not able to determine the receipt dates. Six receipts, totaling \$50,006, were found to be deposited between one and six business days late. Three receipts, totaling \$95,838, were posted to Core-CT between two and four days late.
- The Connecticut Marketing Authority did not maintain deposit records prior to January 2012. Therefore, it was not possible to determine if four receipts totaling \$36,749 were deposited timely. Two transactions, totaling \$20,843, were posted to Core-CT between four and five days late.
- A discrepancy was found between Core-CT and the Bureau of Regulation and Inspections E-Licensing records. The discrepancies were noted as \$2,361,003 and \$42,090 for fiscal years ended June 30, 2012 and 2013, respectively. The department was unable to provide a reason or supporting documentation as to what caused the discrepancy and does not perform any type of reconciliation between the two. However, we were able to determine that \$32,960 of the fiscal year ended June 30, 2013 difference was due to a coding discrepancy.

Effect: Untimely deposits deprive the state of revenue and increase the risk of loss or theft. Without a receipts journal, it is unknown whether agency receipts were deposited in a timely manner as required by Section 4-32 of the General Statutes and incomplete receipts records are in violation of State Comptroller requirements.

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

Recommendation: The Departments of Agriculture and Administrative Services should strengthen internal controls to ensure that a receipts journal is maintained and receipts are deposited and accounted for in a timely manner. (See Recommendation 6.)

Agency's Response: "The Farmland Preservation unit began maintaining a receipt journal in 2013. Neither the unit nor the agency would have any means of knowing a discrepancy exists between DoAg and DAS, because DoAg does not have access to Core-CT. Based on the information that the department has from the Auditors of Public Accounts, we are unable to determine to what the condition refers.

As already noted in these audit findings, the Connecticut Marketing Authority has been maintaining deposit records since January 2012. Procedures were implemented in late 2014 under the Hartford Regional

Market's new executive director to ensure market deposits are made promptly by other staff within the agency's Bureau of Agricultural Development and Resource Preservation when market staff are absent for an extended period.

The Department of Agriculture has sought and continues to acquire an official waiver from the Office of the State Treasurer extending the deposit deadline to four days. In some cases, however, even the four day extension is not sufficient time to complete deposits. Some extenuating circumstances include:

Limited staffing within the agency dating back to the transfer of DAG Business Office staff, and not all business office functions, to the Department of Administrative Services;

In some cases, review conducted by field staff to verify accuracy of information. These limiting factors have been raised by the Department of Agriculture in previous audits.

Within the constraints imposed upon the Department of Agriculture due to limited staffing resources, the department will continue to make every effort to comply with existing state procedures and best practices without exposing the agency to the potential for error.

The Bureau of Aquaculture has had a receipts journal in place for several years, but on occasion a walk in customer may not be included in the journal because the system is predicated upon a mail-in process. Since the previous audit period, the Bureau of Aquaculture has taken additional steps to correct the issue and believes that it has been resolved.

The five instances listed most likely occurred before implementation of these new procedures.

The Bureau of Aquaculture has received an additional two day waiver from the Office of the State Treasurer effective January 11, 2013 after the prior audit was released. The eight receipts represent a very small percentage of the total transactions for the audit period.

DAS Response: "DAS agrees with this finding and will continue its efforts to work with DAG to process DAG's transactions within the allowable timeframe."

Revenue and Receipts – Missing Supporting Documentation

Criteria: Section 11-8b of the Connecticut General Statutes states that public records shall not be removed, destroyed, mutilated, transferred or otherwise damaged or disposed of, in whole or in part, except as provided by law or

under the rules and regulations adopted by the State Library Board. Such public records shall be delivered by outgoing officials and employees to their successors and shall not be otherwise removed, transferred, or destroyed unlawfully.

Sound business practices dictate that adequate supporting documentation remains on file for audit purposes and in compliance with record retention policies and are provided upon request.

Record retention schedule S3 regarding fiscal records, dictates a minimum retention of 3 years or until audited, whichever is later.

Condition: We were unable to support certain receipt and deposit transactions due to the lack of supporting documentation and records provided. The missing documents involved the following transactions:

- Five transactions, totaling \$5,081, including four receipts processed at the Bureau of Regulation and Inspection and one receipt processed at the Department of Administrative Services.
- Three journal entries, totaling \$943,922, which were posted by the Department of Administrative Services.
- All deposit records prior to January 2012 for the Connecticut Marketing Authority.
- Deposit slips for thirteen receipts, totaling \$2,461, for the Bureau of Regulation and Inspection.

Effect: Supporting documentation for multiple accounting transactions was missing. Account balances are unsupported.

Cause: The Departments of Agriculture and Administrative Services were unable or unwilling to provide these records.

Recommendation: The Departments of Agriculture and Administrative Services should ensure that records are maintained for the required period of time for audit purposes and in accordance with its approved retention schedule and should provide these records upon request. (See Recommendation 7.)

Agency's Response: "As already noted in these audit findings, the Connecticut Marketing Authority has enhanced record keeping and supporting documentation procedures for deposit transactions beginning in January, 2012.

All "drawdowns" requested by the Connecticut Marketing Authority and the Department of Agriculture are made in writing and approvals by the Office of Policy and Management are received in writing.

The Bureau of Regulation and inspection maintains that it complied with requests submitted on behalf of the auditor as fully and as timely as possible. At no time was the Department of Agriculture unwilling or unable to provide documents to the auditor that are available within this agency. Some information requested of the bureau no longer resides there, and hasn't since 2006 when the Department of Agriculture's business office function were consolidated into the Department of Administrative Services started performing business office functions on behalf of the agency."

DAS Response: "DAS provided to the Auditors of Public Auditors all of the records in DAS possession that they requested. All financial records in the custody of the DAS Business office have been maintained in accordance with the records retention schedules."

Auditor's Concluding

Comment: During our review, numerous requests were made to both the Department of Agriculture and Administrative Services for documentation required to support certain receipt and deposit transactions. We were not provided with the support as noted in the Condition section above. Therefore, we can only conclude that the records were not provided because they no longer exist or the department would not provide them to us.

Revenue and Receipts – Farmland Leases

Criteria: Section 22-6e of the General Statutes provides for a program for the use of vacant public land owned by the state for gardening or agricultural purposes. The Department of Agriculture may enter into agreements for the use of such land. Any payments pursuant to an agreement for the use of state land for agricultural purposes shall be credited in equal shares to the General Fund account of the agency whose land is being used for such purposes and to the DAG for the purpose of administering the program.

During the audited period, the Department of Agriculture and the Department of Correction had such agreements in place.

Sound business practices dictate that lease receipts should be properly monitored.

Condition: For fiscal years ended June 30, 2012 and 2013, our review of four leases revealed that the department did not have procedures in place to monitor the receipt of lease payments from lessees and the distribution of lease revenue to other state agencies. We noted that the department was unable to provide lease agreements for two leases for land owned by other state agencies for which the department collected payments and did not credit 50 percent of

the lease revenue to the agency that owns the land. We also noted that some lease receipts appeared to be improperly coded.

Effect: Lease revenue was not distributed to respective state agencies and state assets were not properly safeguarded.

Cause: The department does not have procedures in place to monitor lease agreements, receipts or distributions.

Recommendation: The Department of Agriculture should establish and implement procedures to ensure compliance with statutes and lease agreements and enforce the state's rights in the event of default. (See Recommendation 8.)

Agency's Response: "The agency's Farmland Preservation unit implemented procedures to monitor the receipt of lease payments from lessees and the distribution of lease revenue to other state agencies in 2013 following the release of the last audit report. The agency has worked with DAS to implement procedures to monitor receipt of lease payments and will work to ensure compliance with statutory lease agreements. The agency has implemented procedures since the last audit period to monitor lease agreements, receipts and distributions. As always, the Department of Agriculture will work with the Office of the Attorney General in any cases of tenant default."

Auditors' Concluding

Comments: As noted in the above Condition section, and as of July 27, 2015, we have not been provided with procedures that would resolve the conditions noted.

Administration of Farm Transition Grants

Criteria: Section 22-26k subsection (b) of the General Statutes requires the Commissioner of Agriculture to adopt regulations for the administration of the farm transition grant. Such regulations shall require the development of a business plan by an applicant as part of the application process.

Article 2.2 of the farm transition grant agreement entered into by and between the Department of Agriculture and a grantee requires that the project period end one year from the agreement execution date. Article 3.4 of the agreement requires a formal written amendment to the agreement for project extension periods. The agreement stipulates that a grantee provide 50 percent cash matching funds.

Attachment A of the Farm Transition Grant Program application describes eligible and ineligible project expenses whereby any expense incurred prior to the agreement execution and approval is an ineligible expense. Attachment A also requires that a grantee submit a simple audit with an

itemized spreadsheet detailing actual project costs with corresponding copies of invoices.

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.

The State Agencies' Records Retention/Disposal Schedule issued by the Connecticut State Library Office of the Public Records Administrator requires state agencies, at a minimum, to retain grant administrative records for three years after renewal, termination, or final report, or until audited, whichever is later, and to destroy grant administrative records after receipt of a signed Form RC-108 Records Disposition Authorization.

Condition: Our review of five farm transition grants for fiscal years ended June 30, 2012 and 2013, disclosed the following:

- The department did not adopt regulations for the administration of the Farm Transition Grant Program.
- In reviewing the supporting documentation for one grant awarded in the amount of \$46,055, we noted three instances of expenditures that were incurred prior to the grant agreement execution date. These exceptions resulted in the reimbursement of expenditures of \$234 that were not in compliance with the grant agreements. Also, two expenditures, totaling \$105, were not dated and the auditor was unable to determine if the expenditures were allowable.
- Although we were informed that evaluations were made on each grant proposal, the program files lacked any evidence of these evaluations.

Effect: Management has less assurance that grant funds and administrative procedures are being applied in accordance with program objectives. Grant expenditures were paid that were not in compliance with the terms of the grant agreements.

Cause: The department does not have adequate internal controls in place.

Recommendation: The Department of Agriculture should strengthen internal controls over the administration of the Farm Transition Grant Program and should adopt regulations in accordance with Section 22-26k subsection (b) of the General Statutes. (See Recommendation 9.)

Agency's Response: "The Bureau of Agricultural Development and Resource Preservation is undergoing a comprehensive evaluation and reorganization of programmatic responsibilities under its new director. Farm Transition

Grant administration has been reassigned to another staff person within the bureau, who is working with management to update all aspects of the program including strengthening internal controls.”

Department Regulations Not Current and Inconsistent with Fee Schedules

Criteria: Various statutory references, including Sections 22-118q, 22-136, and 22-128 of the General Statutes, require that the department adopt regulations specifying various application fees.

Public Act 09-3, of the 2009 June Special Session, increased the application fees for the registration of agricultural and vegetable seed. It also required that each fee in effect pursuant to agency regulations adopted pursuant to any section of the General Statutes that was less than one hundred fifty dollars be doubled, effective October 1, 2009.

Public Act 09-229 revised the fee for the application for registration of brands and grades of fertilizers. Effective January 1, 2010, the fee was established by the Commissioner of Agriculture by agency regulations.

Section 22-26gg of the General Statutes requires that the commissioner, in consultation with the Farmland Preservation Advisory Board, adopt regulations necessary to carry out the purposes of the Farmland Preservation Program. The Department of Agriculture’s regulations shall provide that individual landowners applying for the Farmland Preservation Program shall be eligible to receive not more than \$20,000 per acre for development rights and that the schedule of the state's contribution for joint ownership projects initiated by municipalities be increased accordingly.

Section 22-26gg-5 of the Department of Agriculture’s regulations requires that independent appraisals be obtained, reviewed and approved by the Department of Energy and Environmental Protection.

Condition: Although the Department of Agriculture increased its fees, the department’s regulations were not updated to reflect the increase in fees as follows:

- Regulations Section 22-57-1 requiring a fee for the application for registration of agricultural and vegetable seed.
- Regulations Section 22-111c-1 requiring the fees for fertilizer registration.
- Regulations Section 22-118q-2 requiring a fee for the application for registration of commercial feed.
- Regulations Section 22-128a-1 requiring a fee for the application for an examiner’s license.

Although the department's purchases of development rights were below the \$20,000 per acre maximum, the department has not incorporated such limits into its regulations. In addition, although the department obtains appraisals on property selected for the purchase of development rights, regulations section 22-26gg-5 has not been updated to reflect that this is the responsibility of the Department of Agriculture, rather than the Department of Energy and Environmental Protection.

Effect: Confusion may arise and mistakes can occur when there are inconsistencies among authoritative documents. The failure to change fees set by regulation when modifying fee schedules places into question the legal authority of those fees.

Cause: The department did not update its regulations when legislative changes occurred.

Recommendation: The Department of Agriculture should establish and implement procedures to ensure that its regulations are current and its fees are legally authorized. (See Recommendation 10.)

Agency's Response: "As a whole, the department will continue to review all department regulations, update and make corrections and begin the process of adoption by the legislature. However, the agency continues to be limited in its ability to satisfy the terms of this finding because no in-house counsel is available within the Department of Agriculture.

The agency's Bureau of Agricultural Development and Resource Preservation, which includes the Farmland Preservation unit and its Purchase of Development Rights program, is under new directorship and undergoing an analysis of bureau programs and activities. Agency staff will work within limited available resources to update relevant program regulations. In the absence of legal counsel on staff, however, this will be a challenge.

The department understood the approval and adoption of legislation increasing fees and limits superseded regulations. As such, the department applied the increased fees and limits as the statute required. Furthermore, the department has no legal staff."

Bureau of Aquaculture – Lease Administration and Monitoring

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

Condition: Our test of 30 annual lease payments totaling \$453,445 received by the bureau disclosed that timely payments were not received as follows:

- Seven payments, totaling \$216,717, were received between one and ten weeks late.
- Two payments, totaling \$9,348, were received more than 100 days late.

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 11.)

Agency's Response "The Department of Agriculture agrees that leaseholders should pay their lease obligations on time. Staff have emphasized the need for prompt payment and have enhanced the process for notification to leaseholders. The department continues to be severely criticized for enforcing the terms and conditions of shellfish ground leases, including its attempts to collect payment."

Review of Boards, Commissions, and Councils

Background: The Connecticut General Statutes relating to the Department of Agriculture provide for several boards, councils, and authorities which will be collectively referred to as boards and include the Connecticut Wine Development Council, the Connecticut Food Policy Council, the Connecticut Marketing Authority, the Connecticut Milk Promotion Board, the Connecticut Milk Regulation Board, the Connecticut Seafood Advisory Council, the Farmland Preservation Advisory Board, and the Governor's Council for Agricultural Development.

Criteria: Section 1-225 of the General Statutes requires public agencies to perform the following: (1) post meeting minutes to the public agency's website not later than seven days after such meeting; (2) file not later than January 31st of each year with the Secretary of the State a schedule of regular meetings for the ensuing year and to post such schedule on the public agency's website; and (3) file not less than 24 hours before a meeting the agenda of such meeting with the Secretary of the State and to post such agenda on the public agency's website.

Sections 22-26e, 22-26ll and 22-26c of the General Statutes identify the board member composition requirements and appointing authorities for the Governor's Council for Agricultural Development, the Farmland Preservation Advisory Board and the Connecticut Farm Wine Development Council, respectively.

Section 22-456(b) of the General Statutes requires that the Connecticut Food Policy Council shall consist of 14 members, and any person absent from three consecutive meetings of the council, or fifty per cent of such meetings during any calendar year, shall be deemed to have resigned from the council, effective immediately.

Section 22-26e(c) of the General Statutes requires that the Governor's Council for Agricultural Development shall meet at least once each calendar quarter. The members shall serve without compensation or reimbursement for expenses. Any member absent from more than two meetings in a calendar year shall be deemed to have resigned.

Section 22-137a(b) of the General Statutes requires that the Connecticut Milk Promotion Board shall consist of nine members, and any person absent from three consecutive meetings of the commission or fifty per cent of such meetings during any calendar year shall be deemed to have resigned from the board, effective immediately.

Section 22-63 of the General Statutes identifies the composition requirements of the Connecticut Marketing Authority and requires that any member absent from three consecutive meetings shall be deemed to have resigned.

Condition:

Our review of the boards for fiscal years ended June 30, 2012 and 2013 revealed the following:

- Five of the eight boards reviewed did not file a schedule of regular meetings with the Secretary of the State for calendar year 2013 and all eight did not file for calendar year 2012. All eight of the boards did not file agendas with the Secretary of the State for calendar years 2012 and 2013. We also noted that for three boards, numerous meetings did not take place on the date or quarter listed on the department's schedule.
- For four boards, we noted instances in which the agenda or meeting minutes were not posted to the department's website.
- The department could not provide us with the appointment letters for three members who served on the Connecticut Farm Wine Development Council. We also noted that three members of the Farmland Preservation Advisory Board are serving with expired terms.

- One member of the Connecticut Milk Promotion Board missed 50 percent of the meetings during calendar year 2013. Two board members of the Connecticut Marketing Authority were absent from three consecutive meetings during calendar years 2012 and 2013. Four of the six appointed voting members of the Connecticut Food Policy Board missed three consecutive meetings or 50 percent of meetings in both calendar years 2012 and 2013.

Effect: Public notice was not provided for board meetings, minutes and agendas. Without documentation of member appointments, there is less assurance that the boards are operating in compliance with the statutes with regard to appointments and full membership. Poor attendance by board members reduces the availability of the expertise intended by their appointment.

Cause: A lack of administrative oversight contributed to this condition. The department did not effectively work with the boards and appointing authorities to ensure compliance with relevant statutes.

Recommendation: The Department of Agriculture should work with the boards to ensure compliance with Freedom of Information requirements and the General Statutes relating to the boards. The department should maintain documentation of board appointments to ensure proper representation on each board. (See Recommendation 12.)

Agency's Response: "Attendance records for the Connecticut Marketing Authority meetings in 2012 and 2013 are incomplete. This is due to the absence of a quorum and, as a result, the agency questions the audit finding's conclusions related to this body for the above-referenced timeframe.

The agency filed all 2014 and 2015 regular meeting schedules with the Secretary of the State by the statutory deadline.

The Bureau of Agricultural Development and Resource Preservation, which oversees administration of the agency's website with its limited human resources, is undergoing a comprehensive evaluation and reorganization of programmatic responsibilities under its new director.

For administrative purposes only, there are a considerable number of boards and commissions located within the Department of Agriculture. To ensure meetings are properly noticed and accurate minutes are kept, a staff member was assigned additional responsibility for compliance with state law in January 2015."

Auditors' Concluding

Comments: Our review of board member attendance was reviewed based upon the board minutes and the board's attendance requirements. Based upon the

board minutes and the attendance requirements, the above, noted conditions on absenteeism stands. Our review period was fiscal years 2011-2012 and 2012-2013 and based upon those years, the findings regarding submitted schedules and agendas with the Secretary of the State were noted as deficient.

Internal Control Self-Evaluation

Criteria: The State Comptroller’s Internal Control Guide requires all state agencies to perform an internal control self-assessment to be completed by June 30th of each fiscal year.

Condition: Our review of the Department of Agriculture annual internal control self-evaluation for the fiscal year ended June 30, 2013, prepared by the Department of Administrative Services, disclosed that the employee compensation section was not completed when due. In addition, it appears that other sections were completed by both the Departments of Administrative Services and Agriculture for the different bureaus. However, we noted that some of these sections were not fully completed and in some cases, had conflicting answers to the same questions. Neither department could provide contacts for those who had completed these sections.

Effect: There is noncompliance with the State Comptroller’s Internal Control Guide, thereby increasing the risk that internal control weaknesses could go undetected.

Cause: The questionnaire was completed by the Department of Administrative Services based on their knowledge of Department of Agriculture operations. In addition, certain sections were also completed by Department of Agriculture personnel.

Recommendation: The Departments of Agriculture and Administrative Services should mutually perform one annual internal control self-evaluation and risk assessment in accordance with the Internal Control Guide issued by the State Comptroller. The departments should ensure that all sections are completed fully and accurately. (See Recommendation 13.)

Agency’s Response: “All business office personnel pertaining to the Department of Agriculture were removed from the agency in 2006. Since that time, the Department of Administrative Services has been responsible for budgeting, purchasing, procurement, accounts payable/receivable, human resources, contracting, payroll, etc. The Department of Agriculture is unable to comment on internal control evaluations conducted by the Department of Administrative Services.”

DAS Response: “DAS agrees with this finding and will work with the Department of Agriculture to complete the Internal Control Questionnaire. It should be noted that internal control evaluations are completed by the Office of the State Comptroller, not DAS.”

Regional Market Lease Agreements and Receipts

Background: The Connecticut Marketing Authority operates within the Department of Agriculture and is responsible for the regional market located in Hartford.

Criteria: Section 22-64 of the General Statutes states that the marketing authority may lease the land or markets under the control of the authority. Such leases shall be for periods determined by the authority, not to exceed ninety-nine years, and may be renewed for like periods. The marketing authority shall, for the purpose of providing for the payment of the expenses of the market and the construction, improvements, repairs, maintenance and operation of its properties, fix, charge and collect rentals and charges for stores, stalls, space, buildings, equipment and other appurtenances, privileges and services furnished or performed, in or in connection with the market. Sound business practice dictates that there should be an appropriate lease agreement between the authority and the tenants to define the duties and rights of both parties under the existing lease agreement.

Condition: Based upon our review, we determined that the agency did not have executed leases in place as of April 28, 2015. While tenants were occupying spaces, a month-to-month lease was essentially being used. Leases with the prior expiration date of May 31, 2011 lapsed and currently have not been updated, including items such as lease terms, rental amounts, and agreement signatures.

Effect: Unexecuted contracts leave the state vulnerable to unenforceable terms and potentially uncollectible revenue.

Cause: New lease agreements were not executed when the prior lease contracts expired.

Recommendation: The Department of Agriculture should establish and implement proper procedures to ensure that all tenants have an executed lease agreement. (See Recommendation 14.)

Agency’s Response: “The Connecticut Marketing Authority/Hartford Regional Market has no property agent and/or legal counsel on staff, creating significant challenges with respect to lease execution and administration.

In the meantime, the agency has sought technical assistance from DAS leasing staff to assist with the review and potential update of future lease language and the development of request for proposals to lease space currently vacant.”

RECOMMENDATIONS

Status of Prior Audit Recommendations:

- The department should enter into written agreements with DAS that clearly define each agency's roles and responsibilities. This recommendation has been resolved.
- The department should use milk producer grant funds for the designated purposes as required by state legislation. This recommendation has been resolved.
- The department should strengthen internal controls over the administration of the Farm Transition Grant Program and should comply with Section 22-26k subsection (b) of the General Statutes. This recommendation is repeated to reflect current conditions. (See Recommendation 9.)
- The Department of Agriculture should institute procedures to ensure that all reports required by statute are submitted as required. This recommendation is repeated to reflect current conditions. (See Recommendation 3.)
- The Departments of Agriculture and Administrative Services should ensure that applicable GAAP forms are prepared and submitted to the Office of the State Comptroller. This recommendation is repeated to reflect current conditions. (See Recommendation 4.)
- The department should strengthen internal controls over the proper documentation of compensatory time and completion of timesheets. The department should comply with the DAS Management Personnel Policy 06-02. This recommendation is repeated to reflect current conditions. (See Recommendation 1).
- The Department 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. This recommendation is repeated to reflect current conditions. (See Recommendation 13.)
- The department should work with the boards to ensure compliance with freedom of information requirements and the General Statutes relating to the boards. The department should maintain documentation of board appointments to ensure proper representation on each board. This recommendation is repeated to reflect current conditions. (See Recommendation 12.)
- The Department of Agriculture should establish and implement procedures to ensure that its regulations are current. This recommendation is repeated. (See Recommendation 10.)
- The Department of Agriculture and Administrative Services should strengthen internal controls to ensure that a receipts journal is maintained and receipts are deposited and accounted for in a timely manner. This recommendation is repeated to reflect current conditions. (See Recommendation 6.)
- The Connecticut Marketing Authority should establish and implement proper procedures

to ensure that all tenants have an appropriate lease agreement and should implement controls to ensure that all lease payments are properly monitored. This recommendation is repeated to reflect current conditions. (See Recommendation 14.)

- The Department of Agriculture should establish and implement procedures to ensure compliance with farmland lease statutes and agreements and enforce the state's rights in the event of default. This recommendation is repeated to reflect current conditions. (See Recommendation 8.)
- The Bureau of Aquaculture should consider including late payment penalty and/or fee provisions in new leases and leases up for renewal and ensure that all lease agreements are in writing. This recommendation is repeated to reflect current conditions. (See Recommendation 11.)
- The Departments of Agriculture and Administrative Services should improve their internal control over asset accountability and reporting. This recommendation is repeated to reflect current conditions. (See Recommendation 2.)
- The department should process transfers to the General Fund to cover expenditures of the Animal Control Unit in the same fiscal year as expenses are incurred. This recommendation has been resolved.
- The Departments of Agriculture and Administrative Services should work with the CT Farm Wine Development Council to comply with Sections 4-33 and 4-38f of the General Statutes with respect to the council's bank account. This recommendation has been resolved.

Current Audit Recommendations:

- 1. The Department of Agriculture should strengthen internal controls over the proper documentation of compensatory time and completion of timesheets. The Department of Agriculture should comply with the DAS Management Personnel Policy 06-02.**

Comment:

We noted instances in which two managers earned compensatory time without receiving written authorization and instances of earning compensatory time in increments that were not considered significant extra time. Our review of timesheets disclosed instances in which unsigned timesheets were approved and contained overtime worked or compensatory time earned.

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

Comment:

Our review disclosed discrepancies between the department's CO-59 Fixed Asset/Property Inventory Report and Core-CT amounts; and unsupported amounts for equipment. Our review of 10 assets revealed two were not recorded in Core-CT, one asset in use was tagged as belonging to another agency and three computer monitors were assigned inaccurate values. Three assets' acquisition prices were different between the asset management and general ledger modules in Core-CT.

- 3. The Department of Agriculture should institute procedures to ensure that all reports required by statute are submitted as required.**

Comment:

Our review disclosed that reports on the Connecticut Grown Program, and inventory of agricultural land were not prepared during the audited period.

- 4. The Department of Agriculture should establish and implement proper procedures to ensure that all tenants have an executed lease agreement.**

The department should ensure that GAAP reporting form instructions are followed when completing the GAAP forms.

Comment:

The department included future minimum lease revenue in both the fiscal year ended June 30, 2012 and 2013 GAAP Reporting Form – State as Lessor, even though non-cancellable operating leases were not in place. The department's executed leases expired May 31, 2011 and the condition remains as of April 2015.

- 5. The Department of Agriculture should ensure that the correct position is in place to effectively perform the required job duties.**

Comment:

A Secretary 1 is performing accounting functions that are beyond the scope of responsibilities for this position, which has led to inaccuracies in account balances.

- 6. The Departments of Agriculture and Administrative Services should strengthen internal controls to ensure that a receipts journal is maintained and receipts are deposited and accounted for in a timely manner.**

Comment:

We noted instances of late deposits and a lack of receipts journals throughout the department's bureaus. We also noted instances of late accounting by DAS. Discrepancies were noted between Core-CT and the Regulation and Inspections' E-Licensing records. Deposit records were not maintained at the Connecticut Marketing Authority prior to January 2012.

- 7. The Departments of Agriculture and Administrative Services should ensure that records are maintained for the required period of time for audit purposes and in accordance with its approved retention schedule and should provide these records upon request.**

Comment:

Missing documentation was noted for several transactions within the Bureau of Regulation and Inspection, Department of Administrative Services, and the Connecticut Marketing Authority.

- 8. The Department of Agriculture should establish and implement procedures to ensure compliance with statutes and lease agreements and enforce the state's rights in the event of default.**

Comment:

Our review of four leases revealed that the department did not have procedures in place to monitor the receipt of lease payments and the distribution of lease revenue to other state agencies. In addition, the department was unable to provide lease agreements for two leases for land owned by other state agencies and we were unable to determine if the department credited 50 percent of the lease revenue to the agency that owns the land. Lease receipts were not properly coded in all instances.

Our review disclosed that the boards did not consistently file with the Secretary of the State and post on the department's website meeting schedules, agendas, minutes and notices of meetings. We also noted issues with member absenteeism, vacancies and term appointments.

- 9. The Department of Agriculture should strengthen internal controls over the administration of the Farm Transition Grant Program and should adopt regulations in accordance with Section 22-26k subsection (b) of the General Statutes.**

Comment:

The department did not adopt regulations for the administration of the Farm Transition Grant Program. For one grant, we noted three expenditures that were incurred prior to the grant agreement execution date, resulting in reimbursement of unallowable costs. In addition, for two expenditures, we could not determine if the expenditures were allowable due to the lack of dates on the supporting documentation.

- 10. The Department of Agriculture should establish and implement procedures to ensure that its regulations are current and its fees are legally authorized.**

Comment:

We noted that several instances in which the department's regulations were not updated to reflect changes required by state legislation.

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

Comment:

Our review of 30 annual lease payments disclosed that payments were not received timely, varying between one week to 100 days late.

- 12. The Department of Agriculture should work with the boards to ensure compliance with Freedom of Information requirements and the General Statutes relating to the boards. The department should maintain documentation of board appointments to ensure proper representation on each board.**

Comment:

Our review disclosed that the boards did not consistently file with the Secretary of the State and post on the department's website meeting schedules, agendas, minutes and notices of meetings. We also noted issues with member attendance, lack of appointment letters and expired terms.

- 13. The Departments of Agriculture and Administrative Services should mutually perform one annual internal control self-evaluation and risk assessment in accordance with the Internal Control Guide issued by the State Comptroller. The departments should ensure that all sections are completed fully and accurately.**

Comment:

Our review of the department's annual internal control self-evaluation for the fiscal year ended June 30, 2013, prepared by the Department of Administrative Services, disclosed

that the employee compensation section was not completed when due. In addition, it appears that other sections were completed by both the Department of Administrative Services and Agriculture for the different bureaus. However, we noted that some of these sections were not fully completed and in some cases, had conflicting answers to the same questions. Neither department could provide contacts for those who had completed these sections.

14. The Department of Agriculture should establish and implement proper procedures to ensure that all tenants have an executed lease agreement.

Comment:

Based upon our review, we determined that the agency does not have any executed leases in place as of July 17, 2015. While tenants are currently occupying spaces, month-to-month leases are essentially being used. Leases with an expiration date of May 31, 2011 have lapsed and have not been updated with items such as lease and rental terms and signatures.

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 and the Department of Administrative Services during the course of our examination.



Christine J. Delaney
Principal Auditor

Approved:



John C. Geragosian
Auditor of Public Accounts



Robert M. Ward
Auditor of Public Accounts