

STATE OF CONNECTICUT



*AUDITORS' REPORT
CONNECTICUT AGRICULTURAL EXPERIMENT STATION
FOR THE FISCAL YEARS ENDED
JUNE 30, 2016 AND 2017*

AUDITORS OF PUBLIC ACCOUNTS
JOHN C. GERAGOSIAN ❖ ROBERT J. KANE

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June 5, 2019

EXECUTIVE SUMMARY

In accordance with the provisions of Section 2-90 of the Connecticut General Statutes we have audited certain operations of the Connecticut Agricultural Experiment Station. The objectives of this review were to evaluate the station's internal controls, compliance with policies and procedures, as well as certain legal provisions, and management practices and operations for the fiscal years ended June 30, 2016 and 2017.

The key finding is presented below:

Finding 1
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The Connecticut Agricultural Experiment Station did not conduct an annual physical inventory of its software library or maintain a complete and accurate software inventory listing. The experiment station should improve its internal controls over the recording and reporting of software inventory and comply with the State Property Control Manual.

STATE OF CONNECTICUT



AUDITORS OF PUBLIC ACCOUNTS

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June 5, 2019

INTRODUCTION

AUDITORS' REPORT CONNECTICUT AGRICULTURAL EXPERIMENT STATION FOR THE FISCAL YEARS ENDED JUNE 30, 2016 AND 2017

We have audited certain operations of the Connecticut Agricultural Experiment Station 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, 2016 and 2017. The objectives of our audit were to:

1. Evaluate the station's internal controls over significant management and financial functions;
2. Evaluate the station's compliance with policies and procedures internal to the station or promulgated by other state agencies, as well as certain legal provisions; and
3. Evaluate the effectiveness, 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 station, 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 various available sources including, but not limited to, the station's management and the state's information systems, and was not subjected to the procedures applied in our audit of the station. For the areas audited, we identified:

1. Deficiencies in internal controls;
2. Apparent noncompliance with policies and procedures or legal provisions; and
3. No 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 Connecticut Agricultural Experiment Station.

COMMENTS

FOREWORD

The Connecticut Agricultural Experiment Station, established in 1875, is the oldest agricultural experiment station in the United States. The principal function of the station is basic and developmental research in plant science directed toward the agricultural problems of the state. The station also performs analyses relating to milk, feed and fertilizer, foods, and cosmetics. It has charge of controlling insects and diseases that are capable of damaging plants of economic importance and has responsibilities in controlling contagious diseases among honeybees. Research is conducted at 4 Connecticut locations: the main campus in New Haven, Valley Laboratory in Windsor, Lockwood Farm in Hamden, and Griswold Research Center in Griswold.

The station operates primarily under the provisions of Title 22, Chapters 426, 427a and 428a, of the General Statutes, and has authority and responsibilities under Title 21a, Chapter 418; Title 22, Chapter 430; Title 22a, Chapter 441; and Title 23, Chapter 451. In accordance with Section 22-79 of the General Statutes, the Connecticut Agricultural Experiment Station is within the Department of Agriculture for administrative purposes only.

Dr. Theodore G. Andreadis has been the director since October 2013 and served throughout the audited period.

Members of the Board of Control

In accordance with Section 22-79 of the General Statutes, the experiment station management is vested in an 8 member Board of Control. Members of the board as of June 30, 2017, were as follows:

Steven K. Reviczky, Commissioner of Agriculture
Dr. Erol Fikrig
Terry Jones
Paul C. Larson
Joan Nichols
Dr. Dana Royer
Governor Dannel P. Malloy, ex officio (Designee Patti J. Maroney)
Dr. Theodore G. Andreadis, ex officio

Dr. Stephen L. Dellaporta also served on the board during the audited period.

RÉSUMÉ OF OPERATIONS

General Fund

General Fund receipts totaled \$10,639 and \$11,273 for the fiscal years ended June 30, 2016 and 2017, respectively, compared to \$16,598 for the fiscal year ended June 30, 2015. The receipts consisted primarily of rent from an employee-occupied apartment at the main campus.

Net General Fund expenditures totaled \$7,350,753 and \$6,815,675 for the fiscal years ended June 30, 2016 and 2017, respectively, compared to \$7,572,425 for the fiscal year ended June 30, 2015. A summary of these expenditures is presented below:

	<u>Fiscal Years Ended June 30,</u>		
	<u>2015</u>	<u>2016</u>	<u>2017</u>
Personal Services	\$6,409,061	\$6,280,953	\$5,971,752
Contractual Services and Other Expenses	1,163,364	1,069,800	843,923
Total Expenditures	<u>\$7,572,425</u>	<u>\$7,350,753</u>	<u>\$6,815,675</u>

Personal services decreased by 2% in the 2015-2016 fiscal year, and 4.9% in the 2016-2017 fiscal year. The decrease in personal services was partly due to the retirement of 8 employees in the 2015-2016 fiscal year, and 6 employees in the 2016-2017 fiscal year. In addition, the experiment station hired entry level staff. Contractual services and other expenses decreased \$319,441 from the 2014-2015 fiscal year through the 2016-2017 fiscal year due to budgetary restrictions and energy efficiency improvements.

Special Revenue Fund - Federal and Other Restricted Accounts

Federal and Other Restricted Accounts receipts totaled \$4,626,954 and \$4,139,392 for the fiscal years ended June 30, 2016 and 2017, respectively, compared to \$4,619,257 for the fiscal year ended June 30, 2015. The receipts consisted primarily of restricted federal grants awarded for various new and ongoing research projects conducted by the station's scientists.

Net Federal and Other Restricted Accounts expenditures totaled \$4,487,475 and \$4,353,087 for the fiscal years ended June 30, 2016 and 2017, respectively, compared to \$4,295,335 for the fiscal year ended June 30, 2015. A summary of these expenditures is presented below:

	<u>Fiscal Years Ended June 30,</u>		
	<u>2015</u>	<u>2016</u>	<u>2017</u>
Personal Services	\$2,899,226	\$3,164,799	\$2,951,584
Contractual Services and Other Expenses	666,503	707,883	729,892
Other Charges	254,132	101,992	414,594
Grant Transfers	337,432	448,137	187,277
Capital Outlays	138,042	64,664	69,740
Total Expenditures	<u>\$4,295,335</u>	<u>\$4,487,475</u>	<u>\$4,353,087</u>

Personal service expenditures increased during the 2015-2016 fiscal year due to increased federal grant funding, which allowed the hiring of additional seasonal workers to assist station scientists. A reduction in grant funding during the 2016-2017 fiscal year led to a decrease in personal services, specifically seasonal staff and durational post-doctoral scientists. Other charges nearly tripled during the 2016-2017 fiscal year due to increased service contracts for equipment on loan with the United States Food and Drug Administration (FDA) and certification of laboratories eligible for federal FDA grants. Formal sub-award agreements awarded to the station designate pass-through amounts to be awarded to sub-recipients. Grant transfers to sub-recipients increased approximately 32% during the 2015-2016 fiscal year and decreased approximately 58% during the 2016-2017 fiscal year. Capital outlays decreased during the audited period due to reduced federal equipment funding awarded to the station.

Capital Equipment Purchase Fund

Capital Equipment Purchase Fund expenditures totaled \$50,923 and \$163,895 for the fiscal years ended June 30, 2016 and 2017, respectively, compared to \$535,459 for the fiscal year ended June 30, 2015. The \$484,536 decrease from the 2014-2015 fiscal year to the 2015-2016 fiscal year was primarily due to the agency requiring fewer capital equipment purchases. The increase of \$112,972 from the 2015-2016 to the 2016-2017 fiscal year primarily consisted of purchasing scientific equipment such as incubators and a tabletop microscope.

Capital Improvements and Other Fund

Capital Improvements and Other Fund expenditures totaled \$258,587 and \$10,972 for the fiscal years ended June 30, 2016 and 2017, respectively, compared to \$197,458 for the fiscal year ended June 30, 2015. The increase of \$61,129 from the 2014-2015 fiscal year to the 2015-2016 fiscal year was largely due to the replacement of windows and doors in the Slate Laboratory Building in New Haven. There were no new capital improvement projects during the 2016-2017 fiscal year.

Fiduciary Funds

Development and Research Support Funds

The Connecticut Agricultural Experiment Station Board of Control administers fiduciary funds that support the development and research activities of the station. The funds include both trustee and fiduciary research funds. The funds are subject to an annual audit in accordance with generally accepted accounting principles (GAAP) and auditing standards by an independent public accounting firm. We relied on the financial audit of the fiduciary funds' investment activity for the fiscal years ended June 30, 2016 and 2017, after having satisfied ourselves as to the firm's professional reputation, qualifications, and independence.

Trustee funds' total net assets were \$14,551,485 and \$16,124,330 for the fiscal years ended June 30, 2016 and 2017, respectively, compared to \$14,515,028 for the fiscal year ended June 30, 2015. Fiduciary Research funds' combined assets totaled \$2,134,066 and \$2,269,139 for the fiscal years ended June 30, 2016 and 2017, respectively, compared to \$2,099,033 for the fiscal year ended June 30, 2015.

Experiment Station Associates, Inc.

The Experiment Station Associates, Inc. was founded in 1990 and is a publicly supported non-profit foundation. Its purpose is to educate the public and communicate the availability of scientists and testing facilities at the Connecticut Agricultural Experiment Station. The Experiment Station Associates, Inc.'s participation and monetary support to the station is limited. The foundation pays for informational brochures and provides volunteers for the station's Plant Science Day and Spring Open House.

Section 4-37f(8) of the General Statutes requires an audit of a foundation be performed every three years when receipts and earnings total less than one hundred thousand dollars in each consecutive fiscal year beginning October 1, 1986. In accordance with Section 4-37f(8) of the General Statutes, an independent certified public accounting firm performed an audit of the foundation's books for the year ended December 31, 2016, and issued an unmodified opinion. In addition, the foundation submitted year-end financial statements for the year ended December 31, 2017.

Connecticut Agricultural Experiment Station Research Foundation, Inc.

The Connecticut Agricultural Experiment Station Research Foundation, Inc. was founded in June 2007 as a tax-exempt 501 (c) (3) nonprofit organization. Its main purpose is to support ongoing and new research of the Connecticut Agricultural Experiment Station scientists. The foundation provides individuals, industry associations, and philanthropic organizations the opportunity to contribute to the Connecticut Agricultural Experiment Station's research and public services.

Section 4-37f(8) of the General Statutes requires an audit of a foundation be performed every three years when receipts and earnings total less than one hundred thousand dollars in each consecutive fiscal year beginning October 1, 1986. In accordance with Section 4-37f(8) of the General Statutes, an independent certified public accounting firm performed an audit of the foundation's books for the year ended December 31, 2016, and issued an unmodified opinion. In addition, the foundation submitted year-end financial statements for the year ended December 31, 2017.

STATE AUDITORS' FINDINGS AND RECOMMENDATIONS

Inadequate Controls over Software Inventory

- Criteria:* The State Property Control Manual requires that agencies establish a software library (or inventories) to track and control all of their software media, licenses or end user license agreements, certificates of authenticity (where applicable), documentation and related items. The manual further states that agencies must produce an annual software inventory report, subject to an annual physical inventory, to be retained by the agency and available for the Auditors of Public Accounts.
- Condition:* Our review of the software inventory disclosed that the experiment station did not conduct an annual physical inventory of its software library, and did not maintain a complete and accurate listing of its software inventory in accordance with the State Property Control Manual.
- Effect:* Lack of compliance with the State Property Control Manual results in inaccurate recording and reporting of software inventory, misstatement of asset balances, and a decreased ability to properly safeguard assets.
- Cause:* The experiment station had inadequate internal controls over software recording and reporting, and did not adhere to requirements in the State Property Control Manual.
- Prior Audit Finding:* This finding has been reported in the last 2 audit reports covering fiscal years ending June 30, 2011 through 2015.
- Recommendation:* The Connecticut Agricultural Experiment Station should improve its internal controls over the recording and reporting of its software inventory and comply with the State Property Control Manual. (See Recommendation 1.)
- Agency Response:* “The Connecticut Agricultural Experiment Station will comply with the State Property Control Manual with regard to conducting a complete software inventory at all of our agency locations. The agency is in the process of joining the State of Connecticut’s statewide Enterprise System operated by the Department of Administrative Services, Bureau of Enterprise Systems and Technology. The new system will put all four agency locations on the same information technology platform which will provide a consistent and documented software library.”

RECOMMENDATIONS

Our prior audit report on the Connecticut Agricultural Experiment Station contained 2 recommendations. One has been implemented and 1 is being repeated with modifications during the current audit. The following is a summary of the action taken on the prior recommendations.

Status of Prior Audit Recommendations

- **The Connecticut Agricultural Experiment Station should report missing assets to the Auditors of Public Accounts and the State Comptroller on Form CO-853 in accordance with CGS 4-33a.** The agency is utilizing Form CO-853 in accordance with CGS 4-33a. This recommendation has been resolved.
- **The Connecticut Agricultural Experiment Station should improve its internal controls over the custody and reporting of its software inventory.** This recommendation has been modified to reflect current conditions. (See Recommendation 1.)

Current Audit Recommendations

1. **The Connecticut Agricultural Experiment Station should improve its internal controls over the recording and reporting of its software inventory and comply with the State Property Control Manual.**

Comment:

Our review of the software inventory disclosed that the experiment station did not conduct an annual physical inventory of its software library, and did not maintain a complete and accurate listing of its software inventory in accordance with the State Property Control Manual.

ACKNOWLEDGEMENTS

The Auditors of Public Accounts would like to recognize the auditors who contributed to this report:

Jessica Landino
David Tarallo
Matthew Wood

CONCLUSION

In conclusion, we wish to express our appreciation for the courtesies and cooperation extended to our representatives by the personnel of the Connecticut Agricultural Experiment Station during the course of our examination



Jessica Landino
Staff Auditor

Approved:



John C. Geragosian
State Auditor



Robert J. Kane
State Auditor