

STATE OF CONNECTICUT



*AUDITORS' REPORT
DEPARTMENT OF AGRICULTURE
FISCAL YEARS ENDED JUNE 30, 2016, 2017 AND 2018*

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

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March 30, 2021

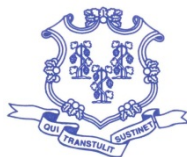
EXECUTIVE SUMMARY

In accordance with the provisions of Section 2-90 of the Connecticut General Statutes, we have audited certain operations of the Department of Agriculture for the fiscal years ended June 30, 2016, 2017 and 2018. Our audit identified an internal control deficiency; an instance of noncompliance with laws, regulations, and policies; and the need for a change in management practices that warrant the attention of management. The significant finding and recommendation is presented below:

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The department drafted new regulations pertaining to aquaculture, produce safety, animal shelters, honey and maple syrup. Subsequent to our fieldwork in December 2020, the Legislative Regulation Review Committee approved the aquaculture regulations and they were submitted to the Office of the Secretary of the State. They were posted to the Connecticut eRegulations System on February 4, 2021. The remaining drafted new regulations, which include updated fees, are in various stages of review. The Department of Agriculture should update its regulations to be consistent with enacted legislative changes, fees and other requirements established by the commissioner. (Recommendation 1.)

STATE OF CONNECTICUT



AUDITORS OF PUBLIC ACCOUNTS

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JOHN C. GERAGOSIAN

ROBERT J. KANE

March 30, 2021

AUDITORS' REPORT DEPARTMENT OF AGRICULTURE FISCAL YEARS ENDED JUNE 30, 2016, 2017 AND 2018

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, 2016, 2017, and 2018. The Department of Administrative Services (DAS) provided accounting, payroll, and personnel services for DAG during the audited period. The scope of our audit did not extend to the evaluation of the relevant controls at that agency. 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 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 department; and testing selected transactions. Our testing is not designed to project to a population unless specifically stated. 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 this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the 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 a reasonable basis for our findings and conclusions based on our audit objectives.

The accompanying *Résumé of Operations* is presented for informational purposes. This information was obtained from various available sources including, but not limited to, the department's management and the state's information systems, and was not subjected to the procedures applied in our audit of the department. For the areas audited, we:

1. Identified a deficiency in internal controls;
2. Identified apparent non-compliance with laws, regulations, policies, and procedures; and
3. Identified a need for improvements in management practices and procedures that we deemed to be reportable.

The State Auditors' Findings and Recommendations section of this report presents the finding 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 aquaculture resources;
- Enforcing laws pertaining to domestic animals; and
- Promoting an understanding of the diversity of the Connecticut agricultural industry, 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 (SmART) 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 served in that capacity throughout the audited period. Governor Ned Lamont appointed Bryan P. Hurlburt commissioner in March of 2019 and he continues to serve in that capacity.

Significant Legislation

Notable legislative changes, which took effect during the audited period, are presented below:

- **Public Act 15-5 (June Special Session)**, effective October 1, 2015, amended Section 22-6c of the General Statutes, to expand the definition of farmer by including a lessee or franchise holder of a state or town shellfish bed.
- **Public Act 15-22**, effective October 1, 2015, amended Section 22-6c of the General Statutes to add “farmland restoration plan” to farmers’ expenses reimbursable by the Department of Agriculture.
- **Public Act 16-102 (Section 6)**, effective October 1, 2016, amended Section 22-236 of the General Statutes to change the issuance and renewal period for commercial feed licenses from annual to biannual and doubled the cost of the related license fees.
- **Public Act 17-167**, effective October 1, 2017, amended Section 22-344 of the General Statutes to add animal shelters to the listing of regulated and licensed facilities under the jurisdiction of the Department of Agriculture.

RÉSUMÉ OF OPERATIONS

General Fund Receipts

A summary of General Fund receipts for the fiscal years examined is presented below:

Receipt Description	Fiscal Year Ended June 30,		
	2016	2017	2018
Refunds of Expenditures	\$1,978,873	\$ 18,187	\$ 572,267
Fees - Feed and Fertilizers	1,360,817	1,728,487	1,552,119
Oyster Ground Rents	536,595	634,312	575,739
Licenses	475,238	833,123	203,829
Miscellaneous Receipts	112,665	90,068	101,880
Total General Fund Receipts	\$4,464,188	\$3,304,177	\$3,005,834

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. The department deposits the dog license fees into the Funds Awaiting Distribution Fund. The Funds Awaiting Distribution Fund received \$769,102, \$640,258 and \$618,655 from dog license fees, for the fiscal years ended June 30, 2016, 2017 and 2018, respectively.

General Fund Expenditures

A summary of General Fund expenditures for the fiscal years examined is presented below:

Expenditure Description	Fiscal Year Ended June 30,		
	2016	2017	2018
Personal Services	\$3,682,019	\$3,538,502	\$3,295,554
Employee Expenses	19,549	55,166	24,059
Contractual	994,521	761,278	620,188
Commodities	180,996	175,993	105,697
Grants and Client Subsidies	78,196	25,530	225,190
Total General Fund Expenditures	\$4,955,281	\$4,556,469	\$4,270,688

Expenditures remained fairly consistent during the audited period.

Special Revenue Funds

The department administered its operations through four special revenue funds during the audited period. A summary of receipts and expenditures follows.

Federal and Other Restricted Accounts Fund – Receipts

A summary of Federal and Other Restricted Accounts Fund receipts for the fiscal years examined is presented below:

Receipts Description	Fiscal Year Ended June 30,		
	2016	2017	2018
Agriculture Sustainability - Dairy	\$ 3,963,643	\$2,325,743	\$ 4,976,599
Farmland Preservation	906,345	765,933	795,806
Agriculture Viability	150,000	300,000	600,000
Farm Transition	500,000	300,000	600,000
Animal Population Control	744,145	694,103	665,221
CT Milk Promotion Board	402,043	392,321	338,028
All Other Receipts	1,358,254	383,558	519,364
Total Non-Federal	\$ 8,024,430	\$5,161,658	\$ 8,495,018
Federal Programs	3,601,104	2,477,569	3,244,057
Total Federal and Other Restricted Receipts	\$11,625,534	\$7,639,227	\$11,739,075

Receipts decreased in the 2016-2017 fiscal year primarily due to reductions in state program (Community Investment and Agriculture Sustainability-Dairy) and federal funding.

Federal and Other Restricted Accounts Fund – Expenditures

A summary of Federal and Other Restricted Accounts Fund expenditures for the fiscal years examined is presented below:

Expenditure Description	Fiscal Year Ended June 30,		
	2016	2017	2018
Agricultural Sustainability	\$ 4,591,496	\$2,392,240	\$4,261,210
Farmland Preservation	4,253,652	618,056	482,709
Agriculture Viability	340,969	325,309	389,836
Farm Transition	214,718	341,498	477,239
Animal Population Control	780,771	741,902	578,502
CT Milk Promotion Board	250,549	250,455	324,408
All Other Expenditures	275,215	158,291	373,051
Total Non-Federal	\$10,707,370	\$4,827,751	\$6,886,955
Federal Programs	1,328,168	1,875,305	1,881,460
Total Federal and Other Restricted Expenditures	\$12,035,538	\$6,703,056	\$8,768,415

Expenditures for Non-Federal restricted funds decreased in the 2016-2017 fiscal year mainly due to reductions in expenditures for Farmland Preservation and Agriculture Sustainability-Dairy.

Regional Market Operation Fund

The Connecticut Marketing Authority operates under the provisions of Sections 22-62 through 22-78a of the General Statutes. The authority develops and maintains marketing facilities to provide an economical distribution of Connecticut’s agriculture. 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.

Fund receipts totaled \$863,425, \$856,999, and \$857,671 for the fiscal years ended June 30, 2016, 2017, and 2018, respectively. Receipts consisted primarily of payments for rent or use of buildings and properties of the Connecticut Marketing Authority.

Fund expenditures totaled \$1,042,974, \$932,519, and \$1,009,051 for the fiscal years ended June 30, 2016, 2017, and 2018, respectively.

Grants to Local Governments and Others Fund

Expenditures totaled \$203,363, \$651,106, and \$478,065 for the fiscal years ended June 30, 2016, 2017, and 2018, respectively, and were mainly for grants from the Farmland Reinvestment and Farmers' Environmental Assistance programs.

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 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 \$2,025,958, \$4,761,261, and \$5,786,566 for the fiscal years ended June 30, 2016, 2017, and 2018, respectively.

STATE AUDITORS' FINDINGS AND RECOMMENDATIONS

Our examination of the records of the Department of Agriculture disclosed the following recommendation, which has been repeated from the previous audit:

Department Regulations Not Current

Background: Regulations are rules adopted by Connecticut state agencies. The Connecticut eRegulations System maintained by the Secretary of the State, serves as the official version of the Regulations of Connecticut State Agencies and the electronic repository for state agency regulations.

Criteria: Sections 22-26k, 22-26cc, 22-26gg, 22-118q, 22-128a and 22-136 of the General Statutes require the Department of Agriculture to adopt regulations. The department may establish fees within such regulations to defray administrative costs.

Section 4-170 of the General Statutes provides that each agency shall submit a copy of the regulations approved by the Attorney General and legislative Regulation Review Committee to the Office of the Secretary of the State.

Condition: The department drafted new regulations pertaining to aquaculture, produce safety, animal shelters, honey and maple syrup. Subsequent to our fieldwork in December 2020, the Legislative Regulation Review Committee approved the aquaculture regulations and they were submitted to the Office of the Secretary of the State. They were posted to the Connecticut eRegulation System on February 4, 2021. The remaining drafted regulations, which include updated fees, are in various stages of review.

Effect: Confusion may arise and mistakes can occur when there are inconsistencies among authoritative documents. Without formal regulations in place, there could be a lack of consistency in the implementation, quality, oversight, and effectiveness of programs.

Cause: The agency lacked professional legal staff prior to 2018. The process to update and adopt regulations is lengthy and complex.

Prior Audit Finding: This finding has been reported in the last 3 audit reports covering the fiscal years ended June 30, 2010 through 2015.

Recommendation: The Department of Agriculture should update its regulations to be consistent with enacted legislative changes, fees, and other requirements established by the commissioner. (See Recommendation 1.)

Agency's Response: “The Department of Agriculture understands the obligation to update its regulations for legislative consistency. Over the past year, the Department has drafted updates to numerous regulations to meet this obligation, and many are in the process of review. New regulations pertaining to honey and maple syrup regulation, shellfish bed leasing, animal feed, pet shops, commercial kennels, grooming facilities, animal training facilities, animal importers, animal shelters, and produce safety have been drafted. The shellfish bed leasing regulations were approved by the Legislative Regulation Review Committee on January 26, 2021. The balance of these regulations are at various stages of approval in the regulation review process. We have also started the process of drafting regulation amendments to address fee changes for various licenses.”

RECOMMENDATIONS

Status of Prior Audit Recommendations:

Our prior audit report on the Department of Agriculture contained 3 recommendations. Two have been implemented or otherwise resolved and 1 has been restated with modifications during the current audit.

- The Department of Agriculture should strengthen internal controls to ensure that a receipts journal is maintained and receipts are deposited and accounted for in a timely manner. Management functions must be expanded to include financial review and assessment of revenues. **Our review determined that the department strengthened its controls over receipts and revenues. This recommendation has been resolved.**
- The Department of Agriculture should update its regulations to be consistent with enacted legislative changes and fees established by the commissioner. **The department is currently in the process of updating its regulations. This recommendation is repeated. (See Recommendation 1.)**
- The Department of Agriculture should develop and implement a disaster plan to protect original legal documents and assets located at the Bureau of Aquaculture and Laboratory Services. **The department developed and implemented a disaster plan. This recommendation has been resolved.**

Current Audit Recommendation:

- 1. The Department of Agriculture should update its regulations to be consistent with enacted legislative changes, fees, and other requirements established by the commissioner.**

Comment:

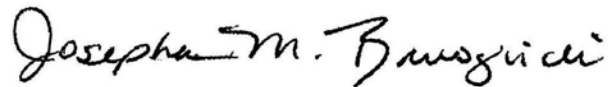
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ACKNOWLEDGMENTS

The Auditors of Public Accounts wish to express our appreciation for the courtesies and cooperation extended to our representatives by the personnel of the Department of Agriculture during the course of our examination.

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

Josepha M. Brusznicki
Patrick Tierney



Josepha M. Brusznicki
Principal Auditor

Approved:



John C. Geragosian
State Auditor