

# STATE OF CONNECTICUT



*AUDITORS' REPORT  
CONNECTICUT AGRICULTURAL EXPERIMENT STATION  
JUNE 30, 2014 AND 2015*

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

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# STATE OF CONNECTICUT



## AUDITORS OF PUBLIC ACCOUNTS

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Hartford, Connecticut 06106-1559

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March 28, 2017

### **AUDITORS' REPORT CONNECTICUT AGRICULTURAL EXPERIMENT STATION FOR THE FISCAL YEARS ENDED JUNE 30, 2014 AND 2015**

We have audited certain operations of the Connecticut Agricultural Experiment Station (CAES) 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, 2014 and 2015. 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 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 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 the station'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) 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 four locations in Connecticut: 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 it also 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. Louis A. Magnarelli served as the director until July 11, 2013. Dr. Theodore G. Andreadis served as the director from October 4, 2013 through the remainder of the audited period.

## Members of the Board of Control

In accordance with Section 22-79 of the General Statutes, the management of the CAES is vested in an eight-member Board of Control. Members of the board as of June 30, 2015, were as follows:

Steven K. Reviczky, Commissioner of Agriculture  
Dr. Stephen L. Dellaporta  
Terry Jones  
Paul C. Larson  
Joan Nichols  
Dr. Dana Royer  
Governor Dannel P. Malloy, ex officio  
Dr. Theodore G. Andreadis, ex officio

## RÉSUMÉ OF OPERATIONS

### General Fund

General Fund receipts totaled \$10,987 and \$16,598 for the fiscal years ended June 30, 2014 and 2015, respectively, compared to \$13,092 for the fiscal year ended June 30, 2013. The receipts consisted primarily of rent received from an employee-occupied apartment at the main campus.

Net General Fund expenditures totaled \$7,099,882 and \$7,547,087 for the fiscal years ended June 30, 2014 and 2015, respectively, compared to \$6,775,556 for the fiscal year ended June 30, 2013. A summary of these expenditures is presented below:

	<b><u>Fiscal Years Ended June 30,</u></b>		
	<b><u>2013</u></b>	<b><u>2014</u></b>	<b><u>2015</u></b>
Personal Services	\$5,812,867	\$6,064,071	\$6,409,060
Contractual Services and Other Expenses	<u>962,689</u>	<u>1,035,811</u>	<u>1,138,027</u>
Total Expenditures	<b><u>\$6,775,556</u></b>	<b><u>\$7,099,882</u></b>	<b><u>\$7,547,087</u></b>

Personal services increased \$251,204 (4.3 percent) and \$344,989 (5.7 percent) in the fiscal years ended June 30, 2014 and 2015, respectively. The increase in personal service expenditures during both fiscal years was due to scheduled employee salary increases in accordance with collective bargaining agreements and for accumulated leave payouts for one retirement in fiscal year 2014 and five retirements in fiscal year 2015. Contractual services and other expenses increased \$175,338 during the audited period due to equipment repairs.

### Special Revenue Fund - Federal and Other Restricted Accounts

Federal and Other Restricted Accounts receipts totaled \$4,209,119 and \$4,619,257 for the fiscal years ended June 30, 2014 and 2015, respectively, compared to \$4,394,868 for the fiscal

year ended June 30, 2013. The receipts consisted mainly of restricted federal grants awarded for various new and ongoing research projects conducted by the station's scientists. During the audited period, funding reductions for research studies concerning the food safety and aquatic weed management programs were offset by increases in funding received to purchase equipment for the newly-renovated Jenkins-Waggoner Laboratory and for research studies concerning the Integrated Tick Management, Boxwood Blight Mitigation, and the Control of Lyme Borrelia programs.

Net Federal and Other Restricted Accounts expenditures totaled \$3,923,335 and \$4,295,334 for the fiscal years ended June 30, 2014 and 2015, respectively, compared to \$4,401,230 for the fiscal year ended June 30, 2013. A summary of these expenditures is presented below:

	<b><u>Fiscal Years Ended June 30,</u></b>		
	<b><u>2013</u></b>	<b><u>2014</u></b>	<b><u>2015</u></b>
Personal Services	\$2,653,179	\$2,784,042	\$2,899,226
Contractual Services and Other Expenses	688,206	578,606	666,502
Other Charges	364,961	235,511	254,132
Grant Transfers	275,233	254,257	337,432
Capital Outlays	<u>419,651</u>	<u>70,919</u>	<u>138,042</u>
Total Expenditures	<b><u>\$4,401,230</u></b>	<b><u>\$3,923,335</u></b>	<b><u>\$4,295,334</u></b>

An increase in the federal grant funding allowed for the hiring of additional seasonal workers to assist the scientists, which increased the cost of personal services during the 2014-2015 fiscal year. The decrease in capital outlays during the audited period is due mainly to the purchase of equipment for the analytical chemistry department and the construction of a laboratory building at the Griswold Research Center during the 2012-2013 fiscal year.

### **Capital Equipment Purchase Fund**

Capital Equipment Purchase Fund expenditures totaled \$142,292 and \$535,458 for the fiscal years ended June 30, 2014 and 2015, respectively, compared to \$209,853 for the fiscal year ended June 30, 2013. The \$393,166 increase from the 2013-2014 fiscal year to the 2014-2015 fiscal year is primarily due to furnishing the newly renovated Jenkins-Waggoner laboratory.

### **Capital Improvements and Other Fund**

Capital Improvements and Other Fund expenditures totaled \$197,458 for the fiscal year ended June 30, 2015. The balance represents purchases of furniture for the newly renovated Jenkins-Waggoner laboratory.

### **Fiduciary Funds**

#### *Development and Research Support Funds*

The CAES 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 have relied on the financial audit of the fiduciary funds' investment activity for the fiscal years ended June 30, 2014 and 2015, after having satisfied ourselves as to the firm's professional reputation, qualifications, and independence.

Trustee funds' combined assets totaled \$14,215,662 and \$14,515,028 for the fiscal years ended June 30, 2014 and 2015, respectively, compared to \$12,374,720 for the fiscal year ended June 30, 2013. Fiduciary Research funds' combined assets totaled \$2,003,252 and \$2,099,033 for the fiscal years ended June 30, 2014 and 2015, respectively, compared to \$1,690,206 for the fiscal year ended June 30, 2013.

**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.

In accordance with Section 4-37f subsection (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, 2013, and issued an unmodified opinion. In addition, the foundation submitted year-end financial statements for the years ended December 31, 2014 and 2015.

**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. This foundation provides individuals, industry associations, and philanthropic organizations the opportunity to contribute to the Connecticut Agricultural Experiment Station's research and public services.

In accordance with Section 4-37f subsection (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, 2013, and issued an unmodified opinion. In addition, the foundation submitted year-end financial statements for the years ended December 31, 2014 and 2015.

## STATE AUDITORS' FINDINGS AND RECOMMENDATIONS

The following recommendations resulted from our current examination of the Connecticut Agricultural Experiment Station:

### Loss Reporting

*Criteria:* Section 4-33a of the General Statutes requires the reporting of all losses and/or damage to real and personal property.

The State Property Control Manual contains a Report of Loss or Damage to Real and Personal Property (CO-853), which should be completed for all assets not located during a physical inventory. This form is required to be submitted to the State Comptroller and the Auditors of Public Accounts.

*Condition:* The station deleted four assets from the inventory listing after the physical inventory failed to locate them. Those assets, totaling \$6,359, should have been reported on Form CO-853 and reported to the Auditors of Public Accounts and the State Comptroller as required under Section 4-33a of the General Statutes.

*Effect:* There was a lack of compliance with the state's guidelines to ensure the proper recording and safekeeping of state assets.

*Cause:* The station misunderstood the policy for reporting assets that are not located.

*Recommendation:* 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. (See Recommendation 1.)

*Agency Response:* "The agency will complete form CO-853 for any items that are not found in the annual physical inventory before removing them from the agency asset listing. The form will be submitted to the Auditors of Public Accounts and the State Comptroller as required by CGS 4-33a."

### Inadequate Controls Over Software Inventory

*Criteria:* Chapter 6 of the State Property Control Manual specifies requirements and standards that a state agency software control system must comply with, including maintaining a software inventory to track and control all agency software media, licenses



or end user license agreements, certificates of authenticity, purchase documentation, and related items.

*Condition:* During our testing, we noted that the software library was not subject to an annual inventory and the software inventory list did not meet the minimum detail requirements.

*Effect:* Deficiencies in the controls over software inventory provide a decreased ability to properly safeguard state assets and accurately report the station's inventory.

*Cause:* Internal controls over software inventory were inadequate and the station did not follow the requirements specified in the property control manual.

*Recommendation:* The Connecticut Agricultural Experiment Station should improve its internal controls over the custody and reporting of its software inventory. (See Recommendation 2.)

*Agency Response:* "The agency will conduct an annual physical inventory of software and reconcile it with the central software computer files. The software inventory will be done in accordance with the property control manual."

## RECOMMENDATIONS

Our prior audit report on the Connecticut Agricultural Experiment Station contained two recommendations. Of the recommendations, one has been implemented or otherwise resolved and one is being repeated in modified form. One new recommendation is being presented as a result of our current examination.

*Status of Prior Audit Recommendations:*

- **The Connecticut Agricultural Experiment Station should comply with the State Property Control Manual when disposing of inventory items, or purchasing, constructing, and tagging assets.** 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 2.)

*Current Audit Recommendations:*

1. **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.**

Comment:

Loss reports were not prepared for items that were not found during the annual physical inventory.

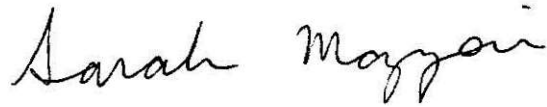
2. **The Connecticut Agricultural Experiment Station should improve its internal controls over the custody and reporting of its software inventory.**

Comment:

The software library and inventory listing are not in compliance with the State Property Control Manual.

**CONCLUSION**

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



Sarah Mazzoni  
Associate Auditor

Approved:



John C. Geragosian  
Auditor of Public Accounts



Robert J. Kane  
Auditor of Public Accounts