

STATE OF CONNECTICUT



*AUDITORS' REPORT
CONNECTICUT AGRICULTURAL EXPERIMENT STATION
FISCAL YEARS ENDED JUNE 30, 2018 AND 2019*

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

Table of Contents

EXECUTIVE SUMMARY	i
AUDITORS' REPORT.....	1
COMMENTS.....	2
FOREWORD	2
Members of the Board of Control	2
RÉSUMÉ OF OPERATIONS	3
General Fund	3
Special Revenue Fund - Federal and Other Restricted Accounts.....	3
Capital Equipment Purchase Fund	4
Fiduciary Funds	5
Experiment Station Associates, Inc.	5
Connecticut Agricultural Experiment Station Research Foundation, Inc.	5
STATE AUDITORS' FINDINGS AND RECOMMENDATIONS.....	7
Inadequate Controls over Software Inventory.....	7
RECOMMENDATIONS	9
Status of Prior Audit Recommendations:	9
Current Audit Recommendations:.....	10
ACKNOWLEDGEMENTS	11
CONCLUSION.....	12

June 11, 2020

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 department'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, 2018 and 2019.

The key findings and recommendations are presented below:

Page 7

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 agricultural experiment station should improve its internal controls and comply with the State Property Control Manual. (Recommendation #1)

STATE OF CONNECTICUT



AUDITORS OF PUBLIC ACCOUNTS

JOHN C. GERAGOSIAN

State Capitol
210 Capitol Avenue
Hartford, Connecticut 06106-1559

ROBERT J. KANE

June 11, 2020

AUDITORS' REPORT

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, 2018 and 2019. The objectives of our audit were to:

1. Evaluate the agricultural experiment station's internal controls over significant management and financial functions;
2. Evaluate the agricultural experiment 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 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, 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 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 identified:

1. Deficiencies in internal controls;
2. Apparent noncompliance with policies and procedures or 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 agricultural experiment station's principal function is basic and developmental plant science research directed toward the agricultural problems of the state. The station also analyzes milk, feed and fertilizer, foods, and cosmetics. It is responsible for the control of insects and diseases that are capable of damaging plants of economic importance and contagious diseases among honeybees. The agricultural experiment station conducts its research in 4 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 served as director from October 2013 and throughout the audited period until his retirement on April 1, 2020, when Dr. Jason C. White was appointed as director.

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, 2019, were as follows:

Bryan P. Hurlburt, Commissioner of Agriculture
Dr. Erol Fikrig

Terry Jones
Paul C. Larson
Joan Nichols
Dr. Dana Royer
Governor Ned Lamont, ex officio (Designee Patti J. Maroney)
Dr. Theodore G. Andreadis, ex officio

Former Governor Dannel P. Malloy, and former Commissioner of Agriculture, Steven K. Reviczky, also served on the board during the audited period.

RÉSUMÉ OF OPERATIONS

General Fund

General Fund receipts totaled \$10,478 and \$10,767 for the fiscal years ended June 30, 2018 and 2019, respectively, compared to \$11,273 for the fiscal year ended June 30, 2017. The receipts were primarily due to rental income from an employee-occupied apartment at the main campus.

Net General Fund expenditures totaled \$6,669,043 and \$7,107,797 for the fiscal years ended June 30, 2018 and 2019, respectively, compared to \$6,815,675 for the fiscal year ended June 30, 2017. A summary of these expenditures is presented below:

	<u>Fiscal Years Ended June 30,</u>		
	<u>2017</u>	<u>2018</u>	<u>2019</u>
Personal Services	\$5,971,752	\$5,692,355	\$6,038,347
Contractual Services and Other Expenses	843,923	976,688	1,069,450
Total Expenditures	<u>\$6,815,675</u>	<u>\$6,669,043</u>	<u>\$7,107,797</u>

Personal services decreased by approximately 5% in the 2017-2018 fiscal year, and increased approximately 6% in the 2018-2019 fiscal year. The decrease in personal services during the 2017-2018 fiscal year was partly due to the separation of 5 employees, and the deferral of a longevity payment to the next year. The increase in personal services during the 2018-2019 fiscal year was due to the hiring of staff, the deferred longevity payment, and union contracted merit bonuses and lump-sum payments. Contractual services and other expenses grew from \$843,923 to \$1,069,450 from the 2016-2017 fiscal year to the 2018-2019 fiscal year due to increases in equipment service agreements, maintenance repairs, and electrical rates.

Special Revenue Fund - Federal and Other Restricted Accounts

Federal and Other Restricted Accounts receipts totaled \$4,135,318 and \$5,087,346 for the fiscal years ended June 30, 2018 and 2019, respectively, compared to \$4,139,392 for the fiscal year ended June 30, 2017. The receipts consisted primarily of restricted federal grants for new and existing research projects conducted by the station's scientists.

Net Federal and Other Restricted Accounts expenditures totaled \$4,081,424 and \$5,337,429 for the fiscal years ended June 30, 2018 and 2019, respectively, compared to \$4,353,087 for the fiscal year ended June 30, 2017. A summary of these expenditures is presented below:

	<u>Fiscal Years Ended June 30,</u>		
	<u>2017</u>	<u>2018</u>	<u>2019</u>
Personal Services	\$2,951,584	\$3,058,695	\$3,466,676
Contractual Services and Other Expenses	729,892	776,897	931,995
Indirect Overhead - Federal and Other Projects	414,594	122,886	268,986
Grant Transfers	187,277	94,473	166,770
Capital Outlays	69,740	28,473	503,002
Total Expenditures	<u>\$4,353,087</u>	<u>\$4,081,424</u>	<u>\$5,337,429</u>

Net Federal and Other Restricted Account personal service expenditures increased approximately 4% during the 2017-2018 fiscal year, and 13% during the 2018-2019 fiscal year due to the hiring of post-doctoral research staff, and contracted merit bonuses and lump-sum payments during the 2018-2019 fiscal year. Contractual services and other expenses grew approximately 20% during the 2018-2019 fiscal year due to increases in equipment service agreements and maintenance repairs. Purchases of scientific licensed software and start-up materials for new scientific staff also contributed to the increase. Indirect overhead costs fluctuate as a result of when they are incurred and reimbursed. Costs decreased during the 2017-2018 fiscal year by approximately 70% and increased by approximately 119% during the 2018-2019 fiscal year. The increase in the 2018-2019 fiscal year is attributed to indirect costs earned for an additional federal grant. Formal sub-award agreements awarded to the station provide for pass-through amounts to be distributed to sub-recipients. Grant transfers to sub-recipients decreased approximately 50% during the 2017-2018 fiscal year and increased approximately 77% during the 2018-2019 fiscal year. Capital outlays decreased during the 2017-2018 fiscal year due to a reduction of federal equipment funding awarded, and increased during the 2018-2019 fiscal year due to additional funding for the purchase of a transmission electron microscope.

Capital Equipment Purchase Fund

Capital Equipment Purchase Fund expenditures totaled \$499,776 and \$666,093 for the fiscal years ended June 30, 2018 and 2019, respectively, compared to \$163,895 for the fiscal year ended June 30, 2017. The \$335,881 increase from the 2016-2017 fiscal year to the 2017-2018 fiscal year was primarily for the replacement of equipment during renovations at Slate Laboratory located on the New Haven campus. The increase of \$166,317 from the 2017-2018 to the 2018-2019 fiscal year was primarily due to the purchase of network switches for the station's new phone system, and a transmission electron microscope that was split funded through the Federal and Other Restricted Accounts Fund.

Fiduciary Funds

Development and Research Support Funds

The Connecticut Agricultural Experiment Station Board of Control administers fiduciary funds that support the station's research and development activities. The funds include trustee and fiduciary research funds. The funds are subject to an annual audit by an independent public accounting firm in accordance with generally accepted accounting principles (GAAP) and auditing standards. We relied on the financial audit of the fiduciary funds' investment activity for the fiscal years ended June 30, 2018 and 2019, after having satisfied ourselves as to the firm's professional reputation, qualifications, and independence.

Trustee funds' total net assets were \$17,184,599 and \$18,045,253 for the fiscal years ended June 30, 2018 and 2019, respectively, compared to \$16,124,330 for the fiscal year ended June 30, 2017. Fiduciary Research funds' combined assets totaled \$2,477,524 and \$2,532,696 for the fiscal years ended June 30, 2018 and 2019, respectively, compared to \$2,269,139 for the fiscal year ended June 30, 2017.

Experiment Station Associates, Inc.

The Experiment Station Associates, Inc. was founded in 1990 and is a publicly supported nonprofit 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 two hundred fifty thousand dollars in each consecutive fiscal year beginning October 1, 2018. Prior to October 1, 2018, an audit was required every three years when receipts and earnings totaled less than one hundred thousand dollars in each consecutive fiscal year. 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 years ended December 31, 2017, 2018, and 2019. Foundation total net assets were \$52,151 and \$49,547 as of December 31, 2018 and 2019, respectively, compared to \$40,976 as of 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 two hundred fifty thousand dollars in each consecutive fiscal year beginning October 1, 2018. Prior to October 1, 2018, an audit was required every three years when receipts and earnings totaled less than one hundred thousand dollars in each consecutive fiscal year. 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 years ended December 31, 2017, 2018, and 2019. Foundation total net assets were \$32,988 and \$39,238 as of December 31, 2018 and December 31, 2019, respectively, compared to \$25,488 as of December 31, 2017.

STATE AUDITORS' FINDINGS AND RECOMMENDATIONS

Our examination of the records of the Connecticut Agricultural Experiment Station disclosed the following finding and recommendation, which has been repeated from the previous audit:

Inadequate Controls over Software Inventory

Criteria: The State Property Control Manual requires agencies to establish a software library (or inventories) to track and control all of their software media, licenses or end user license agreements, applicable certificates of authenticity, documentation, and related items. The manual further requires agencies to produce an annual software inventory report, subject to an annual physical inventory. Agencies must retain this information and make it available for audit.

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: Deficiencies in the controls over software inventory could result in noncompliance with the State Property Control Manual, inaccurate recording and reporting of software inventory, 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 previously reported in the last 3 audit reports covering the fiscal years ended 2011 to 2017.

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's Response: "The Connecticut Agricultural Experiment Station continues to improve its agency-wide software inventory and will strengthen internal controls as required by the State Property Control Manual. We currently have a central software inventory and listing of software installed on computers at our New Haven Campus. The Experiment Station has successfully transitioned all staff to Microsoft Office 365 and will be moving all files to the Groton Data Center or to a state-approved SharePoint site. We

are also working with DAS/BEST to get on the EXEC domain, which will allow us to track software at all our locations. Specialized research software will be tracked by purchased licenses and accounted for at a central location.”

RECOMMENDATIONS

Status of Prior Audit Recommendations:

Our prior audit report on the Connecticut Agricultural Experiment Station contained 1 recommendation. The finding has been repeated during the current audit.

- 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. **The current audit disclosed that the department still does not maintain a software inventory, subject to an annual physical inventory. Therefore, the recommendation is being repeated. (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 agricultural 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

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