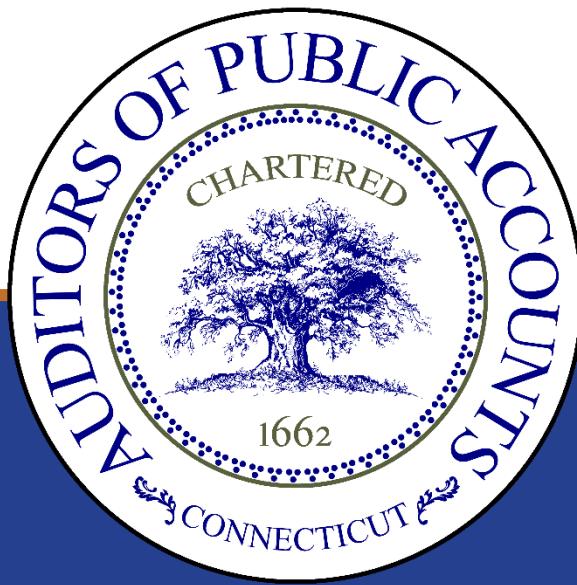


AUDITORS' REPORT

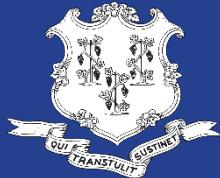
Department of Agriculture

FISCAL YEARS ENDED JUNE 30, 2019 AND 2020



STATE OF CONNECTICUT
Auditors of Public Accounts

JOHN C. GERAGOSIAN
State Auditor



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State Auditor

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STATE OF CONNECTICUT



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August 10, 2023

INTRODUCTION

We are pleased to submit this audit of the Department of Agriculture for the fiscal years ended June 30, 2019 and 2020 in accordance with the provisions of Section 2-90 of the Connecticut General Statutes. Our audit identified internal control deficiencies; instances of noncompliance with laws, regulations, or policies; and a need for improvement in practices and procedures that warrant the attention of management.

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:

Marcin Baran
Jacob Rocco
Tatsiana Sidarau
Patrick Tierney

A handwritten signature in black ink that reads "Patrick Tierney".

Patrick Tierney
Auditor 2

Approved:

A handwritten signature in black ink that reads "John C. Geragosian".

John C. Geragosian
State Auditor

A handwritten signature in black ink that reads "Clark J. Chapin".

Clark J. Chapin
State Auditor

STATE AUDITORS' FINDINGS AND RECOMMENDATIONS

Our examination of the records of the Department of Agriculture disclosed the following two recommendations, of which none have been repeated from the previous audit:

Finding 1

Revenues - Accountability Reports over Shellfish Grounds Leases

Background

The Bureau of Aquaculture leases grounds in certified shellfish growing areas of Long Island Sound to plant, cultivate, and harvest shellfish. The bureau grants three to ten-year leases with a renewal option. Shellfish grounds are competitively leased, with a minimum bid of \$4.00 per acre pursuant to Section 26-194 of the General Statutes.

Criteria

The State Accounting Manual receipts section 2.2 requires agencies to periodically prepare, when feasible, accountability reports. For shellfish ground leases, the report should compare lease payments due with receipts.

Condition

The department did not prepare accountability reports for aquaculture leases. It maintained separate paper spreadsheets for aquaculture leases due, paid, and deposited. However, the spreadsheets lacked unique identifiers to ensure that the department received and deposited all funds due from leases.

Context

The department's aquaculture program receipts were \$619,626 and \$571,259 for the fiscal years ended June 30, 2019, and 2020, respectively, to lease approximately 60,000 acres of shellfish grounds. Presently, there are 321 active leases with approximately 66 leasing entities.

Effect

The lack of accountability reports increases the risk of inaccurate accounting of shellfish ground lease revenue.

Cause

The Department of Agriculture has not established sufficient controls over the receipts from shellfish ground leases.

Prior Audit Finding

This finding has not been previously reported.

Recommendation

The Department of Agriculture should prepare periodic accountability reports for the aquaculture leases. The reports should compare lease payments due with receipts.

Agency Response

"The Department of Agriculture (DOAG) supports the recommendation of the auditors to prepare periodic accountability reports for the aquaculture leases, and will establish procedures to do so."

Finding 2**Boards, Councils, Working Groups****Background**

The Department of Agriculture oversees 12 boards, councils, or working groups.

Criteria

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

Condition

Our review of the Department of Agriculture's boards, councils, and working groups disclosed the following conditions:

Of the 80 meetings listed on the Secretary of the State's public meeting calendar, the department did not list 45 on its website.

Eight boards, committees, and working groups listed 95 meetings on the Department of Agriculture's website. Of these 95 meetings, 74 did not appear on the Secretary of the State's public meeting calendar.

The Secretary of the State's public meeting calendar contained no meetings for the 12 boards, committees, and working groups from December 13, 2019, through January 1, 2023.

Five of the 12 boards, committees, and working groups did not meet or did not keep and post meeting minutes on the Department of Agriculture's website. According to the website, the last meeting held by each group was as follows:

- CT Seafood Development Council - January 19, 2017
- Governor's Council for Agriculture - January 23, 2018
- Domestic Animal Control Working Group - June 27, 2019

- The Animal Population Control Program Working Group - August 15, 2019
- The Milk Regulation Board - July 15, 2020

Context

We reviewed the publicly available meeting minutes and notices for all 12 boards, councils, and working groups from July 1, 2018, through April 1, 2023.

Effect

The boards, committees, and working groups did not meet and did not comply with freedom of information requirements. As a result, the public was not able to review their activities, including meeting minutes.

Cause

A lack of administrative oversight contributed to this condition.

Prior Audit Finding

This finding has not been previously reported.

Recommendation

The Department of Agriculture should work with its boards, councils, and working groups to ensure compliance with the Freedom of Information Act. If the department determines that related statutes are impractical or outdated, it should request legislative changes.

Agency Response

"DOAG supports the recommendation of the auditors to ensure compliance with Freedom of Information Act requirements and the General Statutes relating to the boards. DOAG will take steps to ensure we have the administrative capabilities to meet these requirements."

STATUS OF PRIOR AUDIT RECOMMENDATIONS

Our [prior audit report](#) on the Department of Agriculture contained one recommendation which has been implemented or otherwise resolved.

Prior Recommendation	Current Status
The Department of Agriculture should update its regulations to be consistent with enacted legislative changes, fees, and other requirements established by the commissioner.	RESOLVED

OBJECTIVES, SCOPE, AND METHODOLOGY

We have audited certain operations of the Department of Agriculture 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 fiscal years ended June 30, 2019 and 2020. The objectives of our audit were to evaluate the:

1. Department's internal controls over significant management and financial functions;
2. 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. 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 was 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 Financial Information section 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 laws, regulations, contracts and grant agreements, policies, or procedures; and
3. A need for improvement in management practices and procedures that we deemed to be reportable.

The State Auditors' Findings and Recommendations section of this report presents findings arising from our audit of the Department of Agriculture.

ABOUT THE AGENCY

Overview

[The Department of Agriculture](#) operates under the provisions of Title 22, Chapters 422 through 424, 427a, 427b, 428 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 and cultural heritage of Connecticut's agricultural industry, 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.

During the audited period, the Connecticut Marketing Authority operated under the provisions of Chapter 425 Sections 22-62 through 22-78a of the General Statutes. Public Act 21-155 (Section 13) repealed Sections 22-62 through 22-78a of the General Statutes effective July 12, 2021. The authority was originally tasked with developing and maintaining marketing facilities to economically distribute Connecticut agricultural products. These functions primarily relate to the Regional Market in Hartford, which was transferred to the Capital Region Development Authority in January 2019. After the transfer of ownership, the authority no longer needed to perform this function.

The department's personnel, payroll, and affirmative action functions 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 transferred to the DAS Finance and Budget Unit during the same year.

Governor Dannel P. Malloy appointed Steven K. Reviczky as commissioner on January 20, 2015, and he served in that capacity through January 31, 2019. Governor Ned Lamont appointed Bryan P. Hurlburt as commissioner on March 28, 2019, and he continues to serve in that capacity.

Significant Legislation

Noteworthy legislation that took effect during the period under review is presented below:

- **Public Act 18-154 (Section 10)**, effective June 13, 2018, conveyed the Hartford Regional Market to the Capital Region Development Authority (CRDA) and required CRDA and the Department of Agriculture to enter into an agreement governing the market's continued operation.

- **Public Act 19-3**, effective May 14, 2019, created a pilot program for hemp production in Connecticut.
- **Public Act 19-18**, effective October 1, 2019, transferred authority over maple syrup and honey production from the Department of Consumer Protection to the Department of Agriculture.

Financial Information

General Fund Receipts

General Fund receipts for the fiscal years under review and the preceding year are summarized below:

Receipt Description	Fiscal Year		
	2017 – 2018	2018 – 2019	2019 – 2020
Refunds of Expenditures	\$ 569,615	\$ 633,814	\$ 583,581
Fees – Feed and Fertilizers	1,552,119	1,528,301	1,570,002
Oyster Ground Rents	652,969	604,035	557,242
Licenses	203,829	638,942	247,266
Miscellaneous Receipts	27,302	14,772	14,745
Total General Fund Receipts	\$ 3,005,834	\$ 3,419,864	\$ 2,972,836

Public Act 19-3 established a pilot program for hemp production that began on May 19, 2019 and included 81 hemp growers and two hemp processors. These new hemp licenses and preestablished multiyear license receipts created a large increase in the license revenue in fiscal year 2019.

General Fund Expenditures

The Department of Agriculture General Fund expenditures for the fiscal years under review and the preceding year are summarized below:

Expenditure Description	Fiscal Year		
	2017 – 2018	2018 – 2019	2019 – 2020
Personal Services	\$ 3,295,554	\$ 3,283,976	\$ 3,385,812
Employee Expenses	24,059	33,604	22,898
Contractual	658,015	1,010,550	747,883
Commodities	67,870	66,448	91,127
Grants	225,190	1,047,500	1,045,242
Total General Fund Expenditures	\$ 4,270,688	\$ 5,442,078	\$ 5,292,962

Three areas of expenditures fluctuated during the audited period. The 2020 increase in commodities was due to the purchase of equipment. The increase in grants was due to additional state aid. Changes in client subsidies were the primary factors causing fluctuations in the contractual expenditures category.

Federal and Other Restricted Accounts Fund – Receipts

A comparison of Federal and Other Restricted Accounts receipts for the fiscal years under review and the preceding year follows:

Receipt Description	Fiscal Year		
	2017 – 2018	2018 – 2019	2019 – 2020
Agriculture Sustainability - Dairy	\$ 4,976,599	\$ 3,662,750	\$ 6,185,724
Farmland Preservation	795,806	938,102	1,375,721
Agriculture Viability	600,000	450,000	500,000
Farm Transition	600,000	450,000	500,000
Animal Population Control	665,221	629,808	606,321
CT Milk Promotion Board	338,028	519,494	432,819
All Other Receipts	521,322	412,116	428,542
Regional Market Operation Fund	857,671	875,390	400,288
Total Non-Federal	\$ 9,354,647	\$ 7,937,660	\$ 10,429,415
Federal Programs	3,242,098	3,604,785	1,903,336
Total Federal and Other Restricted Receipts	\$ 12,596,745	\$ 1,542,445	\$ 2,332,751

Receipts remained consistent during the audited period. Non-federal receipts consisted of restricted state allocations, donations, security deposits, sale of Connecticut Grown merchandise, and other miscellaneous sources. The largest changes in receipts occurred in the Dairy Sustainability Program which was funded by budget appropriations and fees collected by town clerks from real estate filings. During fiscal year 2020, there was an increase in land sales causing additional revenue in the program.

Receipts for the Regional Market Operation Fund consisted primarily of payments for rent or use of the Connecticut Marketing Authority's buildings and properties.

Federal Program receipts declined by \$1,691,566 from fiscal year 2019 to 2020 primarily due to a reduction in federal farmland preservation aid.

Federal and Other Restricted Accounts Fund – Expenditures

Federal and Other Restricted Accounts Fund expenditures for the fiscal years under review and the preceding year are summarized below:

Expenditure Description	Fiscal Year		
	2017 – 2018	2018 – 2019	2019 – 2020
Agricultural Sustainability	\$ 4,261,210	\$ 3,825,313	\$ 6,344,374
Farmland Preservation	482,709	437,676	415,286
Agriculture Viability	389,835	481,734	549,937
Farm Transition	477,239	448,238	394,670
Animal Population Control	578,502	542,635	490,729
CT Milk Promotion Board	324,408	400,558	318,955
Acquisition and Land Restoration	5,786,566	5,184,007	3,210,451
All Other Expenditures	1,860,166	1,802,670	1,566,046
Total Non-Federal	\$ 14,160,636	\$ 13,122,831	\$ 13,290,447
Federal Programs	1,881,460	2,400,061	2,660,212
Total Federal and Other Restricted Expenditures	\$ 6,042,097	\$ 15,522,893	\$ 15,950,659

Expenditures were relatively consistent with the exceptions of the Agricultural Sustainability Fund and the Acquisition and Land Restoration Fund. As noted in the revenue section, Agricultural Sustainability had a large increase in revenues in fiscal year 2020 which is reflected in the additional program expenditures.

The Agricultural Land Preservation Fund is a capital projects fund which makes expenditures in conjunction with the state's agriculture land preservation program. 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.