

Department of Agriculture

**For the Years Ended
June 30, 1996, and June 30, 1995**

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April 9, 1997

The Honorable Don Sundquist, Governor
and
Members of the General Assembly
State Capitol
Nashville, Tennessee 37243
and

The Honorable Dan Wheeler, Commissioner
Department of Agriculture
Ellington Agricultural Center
Nashville, Tennessee 37204

Ladies and Gentlemen:

We have conducted a financial and compliance audit of selected programs and activities of the Department of Agriculture for the years ended June 30, 1996, and June 30, 1995.

We conducted our audit in accordance with generally accepted government auditing standards. These standards require that we obtain an understanding of management controls relevant to the audit and that we design the audit to provide reasonable assurance of the Department of Agriculture's compliance with the provisions of laws, regulations, contracts, and grants significant to the audit. Management of the Department of Agriculture is responsible for establishing and maintaining the internal control structure and for complying with applicable laws and regulations.

Our audit resulted in no audit findings. However, we have reported other less significant matters involving the department's internal controls and/or instances of noncompliance to the Department of Agriculture's management in a separate letter.

Very truly yours,

W. R. Snodgrass
Comptroller of the Treasury

WRS/cr
97/064

State of Tennessee

Audit Highlights

Comptroller of the Treasury

Division of State Audit

Financial and Compliance Audit
Department of Agriculture
For the Years Ended June 30, 1996, and June 30, 1995

AUDIT SCOPE

We have audited the Department of Agriculture for the period July 1, 1994, through June 30, 1996. Our audit scope included a review of management's controls and compliance with policies, procedures, laws, and regulations in the areas of internal control, revenue, indirect costs, and utilization of the STARS grant module. The audit was conducted in accordance with generally accepted government auditing standards.

AUDIT FINDINGS

The audit report contains no findings

PAST FINDING NOT ACTED UPON BY MANAGEMENT

Prior audits of the Division of Forestry have contained a finding about providing maintenance benefits without apparent authority to do so. This finding has resulted from the Department of Finance and Administration's failure to formulate a statewide maintenance policy as required by statute. Management has concurred with this finding and stated that it will comply with a maintenance policy when such a policy is issued.

"Audit Highlights" is a summary of the audit report. To obtain the complete audit report which contains all findings, recommendations, and management comments, please contact

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Audit Report
Department of Agriculture
For the Years Ended June 30, 1996, and June 30, 1995

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Department of Agriculture

For the Years Ended June 30, 1996, and June 30, 1995

INTRODUCTION

POST-AUDIT AUTHORITY

This is the report on the financial and compliance audit of the Department of Agriculture. The audit was conducted pursuant to Section 4-3-304, *Tennessee Code Annotated*, which authorizes the Department of Audit to “perform currently a post-audit of all accounts and other financial records of the state government, and of any department, institution, office, or agency thereof in accordance with generally accepted auditing standards and in accordance with such procedures as may be established by the comptroller.”

Section 8-4-109, *Tennessee Code Annotated*, authorizes the Comptroller of the Treasury to audit any books and records of any governmental entity that handles public funds when the Comptroller considers an audit to be necessary or appropriate.

BACKGROUND

The mission of the Department of Agriculture is to improve the livelihood of farmers, forestland owners, consumers, and the state’s agri-industries through: sustaining our natural resources, enforcing clear and effective regulations, and maximizing economic opportunities. The department has the following powers and responsibilities:

1. To encourage and promote the interests of agriculture, including horticulture, the livestock industry, dairying, poultry raising, beekeeping, wool production, and other allied industries.
2. To promote and improve methods of conducting agricultural industries to increase the production of and facilitate the distribution of products at minimum costs.
3. To collect, publish, and distribute statistics relating to crop production and marketing and to the production and marketing of beef, pork, poultry, and other agricultural products.
4. To inquire into the cause of contagious, infectious, and communicable disease among domestic animals and to seek prevention and cure of disease.

5. To assist, encourage, and promote the organization of farmers' institutes and horticultural and agricultural societies and the holding of fairs, stock shows, or other exhibits of agricultural products.
6. To cooperate with producers and consumers in devising and maintaining economical and efficient systems of marketing and distributing agricultural products.
7. To cooperate with the University of Tennessee Agriculture Extension Service and the United States Department of Agriculture.
8. To inspect any place where fruits are grown or stored, to inspect any plant life for pests or diseases, and to strive toward eradication of these pests or diseases.
9. To assist the Soil Conservation Districts and the State Soil Conservation Committee in discharging duties described in the Soil Conservation District Act of 1939.
10. To preserve and develop the forestland of Tennessee for public benefit through programs of forest protection, forest management, and reforestation.

An organization chart of the department is on the following page.

AUDIT SCOPE

We have audited the Department of Agriculture for the period July 1, 1994, through June 30, 1996. Our audit scope included a review of management's controls and compliance with policies, procedures, laws, and regulations in the areas of internal control, revenue, indirect costs, utilization of the STARS grant module and Policy 20. The audit was conducted in accordance with generally accepted government auditing standards.

OBJECTIVES, METHODOLOGIES, AND CONCLUSIONS

INTERNAL CONTROL

Our objectives in reviewing internal controls and procedures focused on determining whether

- the department properly restricted access to the State of Tennessee Accounting and Reporting System (STARS);
- the department properly restricted access to the State Employee Information System (SEIS); and
- the organizational structure exhibited an appropriate assignment of authority and responsibility within the department.

We interviewed key department personnel and reviewed supporting documentation to gain an understanding of the department's procedures and controls related to the above areas. We noted no significant deficiencies.

REVENUE

Our review of revenue consisted of a follow-up of a prior audit finding to determine whether it had been resolved. The objectives of this review were to determine whether

- duties over cash receipts were adequately segregated;
- cash receipts were properly documented and recorded;
- the department ensured that revenue was safeguarded until deposited; and
- the department ensured that deposits were made in a timely manner.

We interviewed key department personnel to gain an understanding of the department's procedures and controls over receiving, receipting, recording, safeguarding, and depositing funds. We also reviewed supporting documentation. We noted no significant deficiencies.

INDIRECT COSTS

Our review of indirect costs consisted of a follow-up of a prior audit finding to determine whether it had been resolved. The objectives of this review were to determine whether

- the department negotiated an appropriate indirect cost recovery plan;
- the indirect cost recovery plan included both statewide cost allocations and departmental indirect cost reallocations; and

- indirect costs were calculated properly, included in drawdowns, and recovered timely.

We interviewed key department personnel and reviewed the indirect cost recovery plans. We also tested a nonstatistical sample of federal grants. No significant deficiencies were noted.

**DEPARTMENT OF FINANCE AND ADMINISTRATION POLICY 20,
“RECORDING OF FEDERAL GRANT EXPENDITURES AND REVENUES”**

Department of Finance and Administration Policy 20 requires that state departments whose financial records are maintained on the State of Tennessee Accounting and Reporting System (STARS) fully utilize the STARS grant module to record the receipt and expenditure of all federal funds. Our testwork focused on whether

- the department had controls in place to ensure that appropriate grant information was entered into the STARS Grant Control Table upon notification of the grant award, and related revenue transactions were coded with the proper grant codes;
- the department had controls in place to ensure that appropriate payroll costs were reallocated to federal programs within 30 days of each month-end using an authorized redistribution method;
- the department made drawdowns at least weekly using the applicable STARS reports; and
- the department utilized the appropriate STARS reports as bases for preparing the Schedule of Federal Financial Assistance and reports submitted to the federal government.

We interviewed key personnel to gain an understanding of the department’s procedures and controls concerning Policy 20. We reviewed supporting documentation and tested nonstatistical samples of grant awards, revenue transactions, and reports submitted to the federal government. We also reviewed payroll cost reallocations, drawdowns, and the Schedule of Federal Financial Assistance. We noted no significant deficiencies.

PRIOR AUDIT FINDINGS

Section 8-4-109, *Tennessee Code Annotated*, requires that each state department, agency, or institution report to the Comptroller of the Treasury the action taken to implement the recommendations in the prior audit report. The Department of Agriculture filed its report with the

Department of Audit on December 28, 1995. A follow-up of all prior audit findings was conducted as part of the current audit.

RESOLVED AUDIT FINDINGS

The current audit disclosed that the Department of Agriculture has corrected previous audit findings concerning controls over cash receipts and the allocation and recovery of indirect costs.

PAST FINDING NOT ACTED UPON BY MANAGEMENT

Prior audits of the Division of Forestry, which was formerly part of the Department of Conservation, have contained a finding about providing maintenance benefits without apparent authority to do so. This finding has resulted from the Department of Finance and Administration's failure to formulate a statewide maintenance policy as required by statute. Similar findings have been noted in audits of mental health and mental retardation facilities, correctional facilities, special education institutes, and developmental centers.

Section 8-23-201 (b), *Tennessee Code Annotated*, states:

State officers and employees subject to appointment by the department of personnel shall be provided maintenance, including, but not limited to, housing and meals, only under policies prepared by the commissioner of finance and administration in consultation with the commissioner of personnel, the comptroller of the treasury, and the attorney general and reporter.

The General Assembly enacted this amendment to the code as Chapter 428 of the Public Acts of 1979, effective October 1, 1979. The statute's apparent purpose is to provide a uniform system of maintenance for state employees.

Some employees of the Division of Forestry reside on state property and are furnished utilities without cost. These maintenance provisions appear to violate *Tennessee Code Annotated* because the Department of Finance and Administration has not yet promulgated a statewide maintenance policy. Several departments in state government offer varying maintenance benefits to their employees, including free meals, housing, utilities, furniture, consumable supplies, and grounds maintenance. Establishing a uniform statewide maintenance policy would standardize fringe benefits throughout state government. However, until such a policy is established, there apparently is no authorization for the provision of maintenance.

Management has concurred with this finding and stated that it will comply with a maintenance policy when such a policy is issued.

OBSERVATIONS AND COMMENTS

TITLE VI OF THE CIVIL RIGHTS ACT OF 1964

Tennessee Code Annotated, Section 4-21-901, requires each state governmental entity subject to the requirements of Title VI of the Civil Rights Act of 1964 to submit an annual Title VI compliance report and implementation plan to the Department of Audit by June 30, 1994, and each June 30 thereafter. For the year ended June 30, 1996, the Department of Agriculture submitted a letter dated June 27, 1996, stating it was working on a revised plan. For the year ended June 30, 1995, the department submitted a letter dated June 30, 1995, stating the prior plan remained in effect.

Title VI of the Civil Rights Act of 1964 is a federal law. The act requires all state agencies receiving federal money to develop and implement plans to ensure that no person shall, on the grounds of race, color, or origin, be excluded from participation in, be denied the benefits of, or be subjected to discrimination under any program or activity receiving federal funds.

The State Planning Office in the Executive Department was assigned the responsibility of serving as the monitoring agency for Title VI compliance, and copies of the required reports were filed with the State Planning Office for evaluation and comment. However, the State Planning Office has been abolished. The Office of the Governor is currently evaluating which office in the Executive Branch will be the new monitoring agency.

A summary of the dates state agencies filed their annual Title VI compliance reports and implementation plans is presented in the special report, *Submission of Title VI Implementation Plans*, issued annually by the Comptroller of the Treasury.

APPENDIX

DIVISIONS AND ALLOTMENT CODES

Department of Agriculture divisions and allotment codes:

325.01	Division of Administration
325.02	Division of Animal Industries
325.03	Division of Plant Industries
325.05	Division of Quality and Standards
325.06	Division of Marketing

325.07	Division of Commodities Distribution
325.08	Agricultural Nonpoint Water Pollution Control Fund
325.09	Division of Agricultural Fairs and Promotional Activities
325.10	Division of Forestry
325.11	Forestry Facility Maintenance
325.12	Tennessee Commodity Indemnity Fund
325.13	Division of Agricultural Resources
325.14	Certified Cotton Growers' Organization
325.15	Division of Technical Services
325.16	Tennessee Agricultural Regulatory Fund

