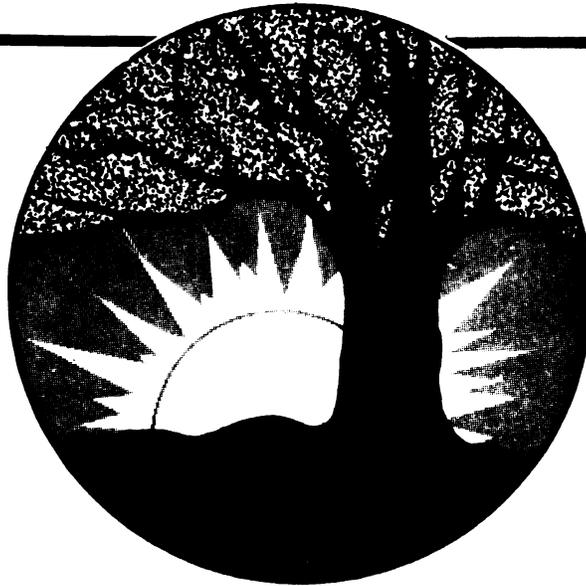


PERFORMANCE AUDIT

Department of Agriculture
October 2013



Justin P. Wilson
Comptroller of the Treasury



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October 8, 2013

The Honorable Ron Ramsey
Speaker of the Senate
The Honorable Beth Harwell
Speaker of the House of Representatives
The Honorable Mike Bell, Chair
Senate Committee on Government Operations
The Honorable Judd Matheny, Chair
House Committee on Government Operations
and
Members of the General Assembly
State Capitol
Nashville, Tennessee 37243

Ladies and Gentlemen:

Transmitted herewith is the performance audit of the Department of Agriculture. This audit was conducted pursuant to the requirements of Section 4-29-111, *Tennessee Code Annotated*, the Tennessee Governmental Entity Review Law.

This report is intended to aid the Joint Government Operations Committee in its review to determine whether the Department of Agriculture should be continued, restructured, or terminated.

Sincerely,

Deborah V. Loveless, CPA
Director

DVL/dlj
12-110

State of Tennessee

Audit Highlights

Comptroller of the Treasury

Division of State Audit

Performance Audit
Department of Agriculture
October 2013

AUDIT OBJECTIVES

The objectives of the audit were to examine the soil conservation contract process to determine how contracts are selected and monitored; to examine the Weights and Measures section's inspection process to determine whether inspections are conducted annually as required; to examine the Food and Dairy section's inspection process to determine whether the department is conducting inspections within the time frame established; to examine the Pesticide section's inspection process to determine whether inspections are being conducted annually as required by department policies, and whether complaints are investigated within 90 days as required by the department's performance measures; to examine the impact of the Weights and Measures laboratory being conditionally certified by the National Institute of Standards and Technology and to determine what steps the department has taken to address this issue; to examine the Tennessee Agricultural Enhancement Program application process to determine how the program is marketed, how applicants are selected, and how the contracts are monitored, and to determine when the online system for applications will be available for use; to examine the Division of Forestry's process for issuing burn permits, to determine how the new online system receives and processes applications, and to determine controls to ensure reliable data; to review the department's process for identifying, tracking, and developing action plans to deal with threats to the state's plant and animal resources; and to review the Human Resources handbook, policies, and procedures to determine if any are being revised and changed.

FINDINGS

Weaknesses in oversight of the activities of the soil conservation districts allowed fraud, incomplete support of expenses, and conflict of interest

The state's 95 soil conservation districts (SCDs) are each governed by a board of supervisors and are under the oversight of the State Soil Conservation Committee. Pursuant to Section 43-14-218, *Tennessee Code Annotated*, SCDs have the power to conduct surveys, investigations, and research relating to soil erosion and to carry out the preventive and control measures needed within the district. To further this mission, the SCDs receive money from the Agricultural Resources Conservation Fund (ARCF) and the Tennessee Agricultural Enhancement Program (TAEP), administered by the Department of Agriculture. However, we found weaknesses in the oversight provided by the department, the State Soil Conservation Committee, and some SCD boards regarding the use of funds, documentation of reimbursements, and other activities of the SCDs (page 10).

Grants awarded by the department to the Tennessee State Fair Association were paid prematurely, without sufficient documentation, and involved a conflict of interest between department management and the association

The department supports 63 fairs held throughout the state, including the Tennessee State Fair. The Tennessee State Fair Association produced the agricultural components of the Tennessee State Fair in 2010, and has managed the entire fair since then. We reviewed funding provided to the association by the Department of Agriculture and found a lack of sufficient documentation for two fiscal year 2011 reimbursement grants and a conflict-of-interest issue related to those grants. We also found evidence of the questionable use of two other grants, one awarded in fiscal year 2012 and another in fiscal year 2013 (page 15).

The Weights and Measures section needs to improve inspection timeliness to help minimize risk to consumers

Among other duties, the Weights and Measures section inspects retail stores to ensure that devices used to weigh items for commercial purposes are accurate and that merchandise price and weight labeling is also accurate. We randomly selected entities inspected by the Weights and Measures section and first compared original inspection data to information in the section's computer system to determine the accuracy of the information maintained in the computer system. Once we determined the data in the computer system was accurate, we analyzed that data to determine the department's compliance with the requirement to inspect each entity at least once each fiscal year. We found that 15% of the sampled entities were not inspected within the required time frame (page 18).

Inspections of retail food stores and food manufacturers were not always conducted timely

To help minimize the risk to human health and safety, the Division of Regulatory Services' Food and Dairy section regulates a variety of businesses from the food and dairy industry, including retail food stores; food manufacturers; dairy farms and producers; and milk transport trucks. As part of regulatory efforts, inspectors of the Food and Dairy section inspect these entities and investigate complaints. We reviewed retail food store and food manufacturer inspections and found a number of cases where the inspector did not conduct the required number of inspections, potentially increasing the risk of contaminated food products bought and consumed by the public. We found that 18% of the food manufacturer inspections were noncompliant while 3% of retail food inspections were noncompliant. Because of the potential risk to human health and safety, it is vital that the Food and Dairy section staff take steps to ensure that required inspections are conducted (page 20).

Pest-control company inspections and complaint investigations are not always completed in a timely manner

The Division of Regulatory Services' Pesticides section regulates businesses that perform routine pest control activities, as well as restricted-use pesticide applicators that use more toxic chemicals and have more stringent training and certification requirements. As part of regulatory efforts, management of the section established the goal to inspect each pest-control company yearly. We conducted a file review of a sample of pesticide companies and found that in 28% of the files reviewed, inspectors did not always inspect pesticide companies annually as required. Additionally, a review of complaints found that staff of the section often did not meet the goal of completing investigations of complaints within 90 days (page 22).

OBSERVATIONS AND COMMENTS

The audit also discusses the following issues: replacement of the outdated weights and measures laboratory, the Tennessee Agriculture Enhancement Program, dairy inspections, the Division of Forestry's burn permit process, department activities to address threats to plant and animal resources, and human resources issues (page 24).

ISSUE FOR LEGISLATIVE CONSIDERATION

The General Assembly may wish to consider whether it is necessary and appropriate to expand the required duties of the State Soil Conservation Committee (detailed in Section 43-14-206, *Tennessee Code Annotated*) and the SCD boards (detailed in Section 43-14-218, *Tennessee Code Annotated*) to more specifically address supervision and monitoring of activities of the districts (page 34).

Performance Audit Department of Agriculture

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Performance Audit Department of Agriculture

INTRODUCTION

PURPOSE AND AUTHORITY FOR THE AUDIT

This performance audit of the Department of Agriculture was conducted pursuant to the Tennessee Governmental Entity Review Law, *Tennessee Code Annotated*, Title 4, Chapter 29. Under Section 4-29-235, the department is scheduled to terminate June 30, 2014. The Comptroller of the Treasury is authorized under Section 4-29-111 to conduct a limited program review audit of the agency and to report to the Joint Government Operations Committee of the General Assembly. The audit is intended to aid the committee in determining whether the Department of Agriculture should be continued, restructured, or terminated.

OBJECTIVES OF THE AUDIT

The objectives of the audit were

- a. to examine the soil conservation contract process to determine how contracts are selected and monitored and what procedures and practices are in place to ensure that the contract provisions are being followed;
- b. to examine the Weights and Measures section's inspection process to determine whether inspections are conducted annually as required by department policies;
- c. to examine the Food and Dairy section's inspection process to determine whether the department is conducting inspections within the time frame established;
- d. to examine the Pesticide section's inspection process to determine whether inspections are being conducted annually as required by department policies, and whether complaints are investigated within 90 days as required by the department's performance measures;
- e. to examine the impact of the Weights and Measures laboratory being conditionally certified by the National Institute of Standards and Technology and to determine what steps the department has taken to address this issue;
- f. to examine the Tennessee Agricultural Enhancement Program application process to determine how the program is marketed, how applicants are selected, and how the

contracts are monitored, and to determine when the online system for applications will be available for use;

- g. to examine the Division of Forestry's process for issuing burn permits, to determine how the new online system receives and processes applications, and to determine controls to ensure reliable data;
- h. to review the department's process for identifying, tracking, and developing action plans to deal with threats to the state's plant and animal resources; and
- i. to review the Human Resources handbook, policies, and procedures to determine if any are being revised and changed.

SCOPE AND METHODOLOGY OF THE AUDIT

The activities of the Department of Agriculture were reviewed for fiscal years 2008 through 2013. 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. Methods used included

- 1. review of applicable legislation and policies and procedures;
- 2. examination of the department's records, reports, and information summaries; and
- 3. interviews with department staff as well as with staff of other state and federal agencies that interact with the department.

HISTORY AND STATUTORY RESPONSIBILITIES

The Department of Agriculture was established in 1854 with the original purpose of promoting agriculture through fairs and livestock expositions. This tradition continues today as the department helps expand markets for farm and forest products through promotions and industry development activities.

The mission of the Department of Agriculture is to serve the people of Tennessee by promoting wise uses of agricultural and forest resources, developing economic opportunities, and ensuring safe and dependable food and fiber. The department provides an array of consumer services from food safety and product quality assurance to pesticide regulation and environmental monitoring. Forestry services include landowner assistance, wildfire suppression, and state forest management. Water quality programs encourage and promote wise stewardship of natural resources.

See page 6 for an organizational chart of the department and Appendix 1 for a breakdown of department staff by job title, gender, and ethnicity. The Policy and Legislation section and the Public Affairs section report directly to the Commissioner, and four major divisions (Administration and Grants, Market Development, Forestry, and Regulatory Services), report to the Deputy Commissioner, as does the General Counsel, Human Resources, and Special Projects. The four major divisions are described below.

Division of Administration and Grants

The Division of Administration and Grants provides fiscal and information systems support to help department staff achieve programs' goals and objectives in an efficient and cost-effective manner. In addition, the division oversees the following major programs:

- *Commodity Distribution* – The division administers the U.S. Department of Agriculture's food distribution program for the National School Lunch Program, which supports American agriculture while providing nutritious food to schoolchildren. The division also administers the Emergency Food Assistance Program to supplement the diets of people with low incomes.
- *Water Resources* – The Agricultural Resources Conservation Fund provides grants to help landowners install conservation practices to improve water quality. The division also administers the federally funded 319 Nonpoint Source Program, with the goal to remove rivers and streams from the state's list of impaired waters. Additionally, the division reviews nutrient management plans associated with the federal permitting program for concentrated animal feed operations, which is administered by the Tennessee Department of Environment and Conservation.

Division of Market Development

Market Development's services range from working with traditional producer programs to industry development and international trade missions, with the aim of increasing farm income and expanding markets for Tennessee's agricultural products. Market Development focuses on expanding markets for organics; biofuels; processed foods; aquaculture; equine; wineries; horticulture; livestock; hay; fruits and vegetables; and direct farm marketing, popularly referred to as agritourism. The department coordinates its efforts with the state's Department of Economic and Community Development.

The department helps fund agriculture fairs, livestock shows, agricultural youth organizations, and other programs promoting agriculture or providing agricultural education. The Tennessee Agricultural Museum is part of the department's outreach program to educate schoolchildren and adults regarding agriculture's important past and current contributions to the state's economy and culture.

Division of Forestry

The Division of Forestry promotes the wise use of forest resources through the following activities:

- advising private, non-industrial landowners on sustainable forestry practices;
- fighting wildfires;
- preventing wildfires by training volunteer fire departments, issuing burning permits, enforcing fire laws, and teaching the public fire safety;
- growing millions of pine and hardwood seedlings at division nurseries for timber production, wildlife habitat, and erosion control;
- monitoring insect pests;
- providing information to the public and taking action to control or slow the spread of certain forest pests;
- administering federal grants and providing technical assistance for urban forestry;
- managing state forests for multiple benefits including recreation, wildlife, timber, and water quality;
- providing an annual update on the condition of Tennessee's forests;
- monitoring the demand for roundwood and the total volume of timber harvested on private lands; and
- working with the Tennessee Department of Environment and Conservation to monitor compliance with state water quality regulations and to train loggers in the use of best management practices.

Division of Regulatory Services

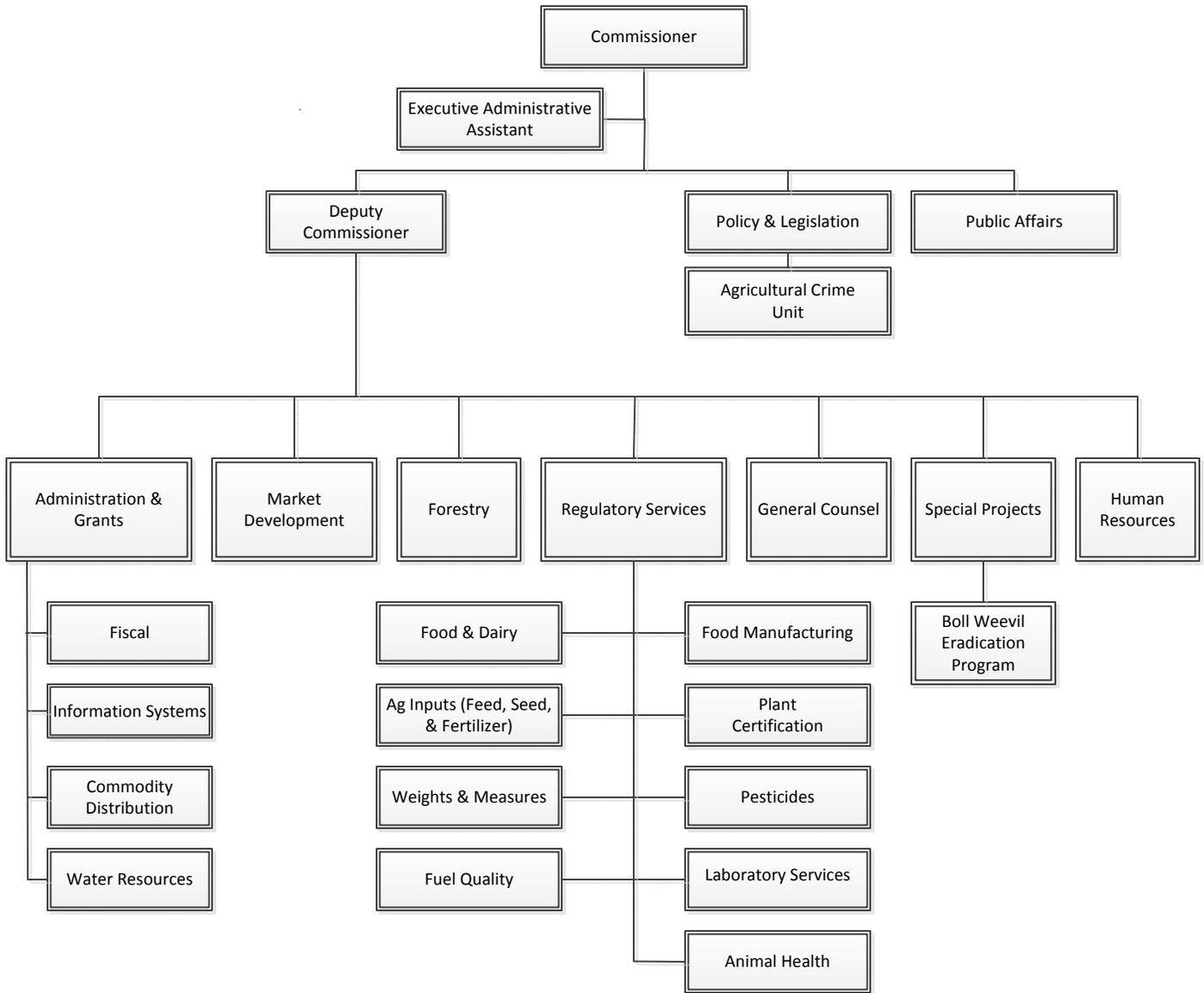
The Division of Regulatory Services monitors agricultural materials, products, and services to assure quality, consumer protection, public safety, and a fair marketplace. The division consists of the following sections: Animal Health; Plant Certification; Pesticides; Ag Inputs (Feed, Seed, and Fertilizer); Food and Dairy (includes Food Manufacturing); Fuel Quality; Weights and Measures; and Laboratory Services.

The division seeks to accomplish its goals by

- working to control animal diseases;

- certifying nurseries, greenhouses, and plant dealers to ensure healthy, pest-free plant material in interstate and international trade;
- registering pesticides, certifying applicators, monitoring groundwater quality, and inspecting pest control businesses;
- inspecting dairy farms, plants, milk transport trucks, dairy and trade product distributors and milk samplers, and by registering dairy products;
- ensuring the quality of feeds, seeds, and fertilizers;
- inspecting retail food stores, food manufacturers, warehouses, and distributors;
- enforcing bottled water regulations;
- performing custom slaughterhouse inspections, and inspecting and labeling hazardous substances;
- enforcing state laws prohibiting the sale of tobacco products to minors;
- testing devices such as fuel pumps, scales, and liquid propane gas meters for accuracy;
- inspecting net quantity on packaged products and accuracy of price verification systems;
- ensuring the accuracy of mass and volume standards; and
- providing laboratory support through animal diagnostics, food microbiology, toxicology, food residue, environmental monitoring, and quality assurance for agricultural inputs such as feed, seed, and fertilizer.

Tennessee Department of Agriculture Organizational Chart July 2013



TENNESSEE STATE FAIR AND EXPOSITION COMMISSION

In May 2012, the Tennessee State Fair and Exposition Act (codified as Title 4, Chapter 57, *Tennessee Code Annotated*) went into effect, creating the State Fair and Exposition Commission. The stated intent is that the commission would be “the sole body in Tennessee charged with administering a state fair and exposition.” According to Section 4-57-104, *Tennessee Code Annotated*, the commission is administratively attached to the Department of Agriculture and is composed of the following members: the Commissioners of Agriculture, Tourist Development, and Economic and Community Development, or their designees, who are ex-officio members with voting rights; the Dean of the University of Tennessee Extension; the President of the Tennessee Farm Bureau; one member nominated by the mayor of the host county of the fair or exposition and appointed by the Governor; and such other members as the Governor may appoint. As of March 2013, there were nine members.

The commission is authorized by Section 4-57-105, *Tennessee Code Annotated*, to

- contract with a Tennessee nonprofit corporation to operate, manage, and conduct at least one fair or exposition annually, under the supervision of the commission;
- enter into any contracts and agreements necessary and perform acts necessary to carry out the purposes of the chapter;
- maintain and manage property held by the state for the purpose of conducting fairs, expositions, and exhibits;
- accept gifts, contributions, and bequests of unrestricted funds for the purpose of furthering the objectives of the commission’s programs;
- accept, on behalf of the state, conveyances of property for the purposes of conducting fairs, expositions, and exhibits;
- sell or convey property, land, or buildings under its management, subject to the approval of the State Building Commission;
- grant leases on the property, land, or buildings under the management of the commission when they appear to be in the best interest of the state;
- recommend to the Commissioner of Agriculture rules and regulations that should be promulgated in accordance with the Uniform Administrative Procedures Act; and
- form advisory panels of qualified persons within the state, as needed, to obtain their advice on matters pertaining to the state fair.

The commission met on August 23, 2012; October 22, 2012; and November, 28, 2012. At the August meeting, the commission approved a non-competitive contract with the nonprofit Tennessee State Fair Association for the 2012 state fair. At the November meeting, the

commission approved another non-competitive contract with the Tennessee State Fair Association for the 2013 fair. At the same meeting, the commission also approved a motion to set up “a competitive bid operation in line with state rules and regulations beginning in 2014.” As of July 2013, the commission had not met in 2013.

As required by Section 4-57-107, *Tennessee Code Annotated*, auditors included a review of the commission as part of this performance audit of the Department of Agriculture. The results of our review of the commission and its activities are detailed in a separate October 8, 2013, memo to the General Assembly. Issues identified during our review that directly affect the Department of Agriculture are discussed on page 15 of this audit report.

REVENUES AND EXPENDITURES

Department of Agriculture Revenues by Source For the Fiscal Year Ending June 30, 2012

Source	Amount	Percent of Total
State	\$59,657,300	65%
Federal	17,265,900	19%
Other	14,661,500	16%
Total Revenue	\$91,584,700	100%

Source: *The Budget 2013-2014*.

Department of Agriculture Expenditures by Program/Division For the Fiscal Year Ending June 30, 2012

Program/Division	Payroll	Operational	Total
Administration and Grants	\$5,052,400	\$5,150,100	\$10,202,500
Agricultural Resources Conservation Fund	0	4,381,600	4,381,600
Grain Indemnity Fund	0	95,800	95,800
Certified Cotton Growers' Organization Fund	0	218,200	218,200
Market Development	1,936,100	20,020,500	21,956,600
Regulatory Services	12,537,400	5,994,700	18,532,100
Agricultural Regulatory Fund	0	3,069,300	3,069,300
Forestry Operations	17,060,900	15,939,400	33,000,300
Forestry Maintenance	0	128,300	128,300
Total	\$36,586,800	\$54,997,900	\$91,584,700

Source: *The Budget 2013-2014*.

**Department of Agriculture
Budget and Estimated Revenues
For the Fiscal Year Ending June 30, 2013**

Source	Amount	Percent of Total
State	\$68,584,000	76%
Federal	11,601,400	13%
Other	10,255,100	11%
Total Revenue	\$90,440,500	100%

Source: *The Budget 2013-2014*.

FINDINGS AND RECOMMENDATIONS

1. Weaknesses in oversight of the activities of the soil conservation districts allowed fraud, incomplete support of expenses, and conflict of interest

Finding

The state's 95 soil conservation districts (SCDs) are each governed by a board of supervisors and are under the oversight of the State Soil Conservation Committee. Pursuant to Section 43-14-218, *Tennessee Code Annotated*, SCDs have the power to conduct surveys, investigations, and research relating to soil erosion and to carry out the preventive and control measures needed within the district. To further this mission, the SCDs receive money from the Agricultural Resources Conservation Fund (ARCF) and the Tennessee Agricultural Enhancement Program (TAEP), administered by the Department of Agriculture. However, we found weaknesses in the oversight provided by the department, the State Soil Conservation Committee, and some SCD boards regarding the use of funds, documentation of reimbursements, and other activities of the SCDs. The Office of the Comptroller of the Treasury recently released two reports of investigations of misappropriation of funds, one in Chester County (2013) and one in Morgan County (2012). In May 2013, officials of a third county sought assistance from the Office of the Comptroller to clarify conflict-of-interest questions regarding the SCD board in that county.

Background

The State Soil Conservation Committee, administratively attached to the Department of Agriculture, provides oversight and assistance to SCD programs directed towards soil erosion control and water quality improvement on farmland. The department, through the ARCF, provides cost-share assistance in the form of five-year grants to landowners to install best management practices that reduce agricultural water pollution. In addition, through the TAEP water resources program, the department provides funding to assist SCDs with lessening soil erosion and improving water quality. (See page 25 for additional information regarding TAEP.)

According to the department's environmental program manager, the grant application process starts in May when the ARCF committee notifies the 95 SCDs. The committee takes four to five weeks to review the applications. Following approval of an application, SCD staff notify the landowners to begin soil conservation work. Unspent money awarded to a district remains in the district to be used the next year.

The watershed coordinator reviews completed projects. If approved, the coordinator sends the signed reimbursement form to the central office for reimbursement. A department program monitor visits the SCD offices, monitors one-third of the SCD contracts each year, and reports the results. During a visit, the monitor reviews project files to complete a checklist that

includes steps to verify the reliability of internal controls, to verify program objectives are met, and to verify costs and services are allowable.

File Review

Auditors reviewed randomly selected department files for 49 of the 95 SCDs for fiscal years 2008 to 2013. The files contained reimbursement forms, original contracts, and amendments to the contracts. They did not contain supporting evidence for the reimbursements or documentation of any reviews conducted by the department's program monitor because the monitor's reports are maintained separately by the environmental program manager.

We found that the contract and expenditure totals in all 49 files reviewed did not match the totals that the department reported in Edison. According to the environmental program manager, the differences are due to a lack of supporting documentation for some types of reimbursements. First, the \$30 per diem amounts paid to the SCD board members for attending board meetings, as well as money used for operational office expenses at the districts, are usually received up-front and do not require reimbursement forms. In response to auditors' questions, the program manager stated that in the future he will require districts to submit reimbursement forms for those expenses.

Second, supporting documentation for expenditures resulting when districts subcontract work to other districts was not in the files. Over the five years of a grant, an SCD can request amendments to the contract (subject to the program manager's review of yearly funding usage) if it needs more money. Alternatively, the contracts allow the SCDs to subcontract with each other for additional funds needed to complete planned soil conservation projects. For example, if one SCD has \$10,000 remaining in its contract and another SCD has \$0 remaining but has three unfinished projects, the first SCD (with \$10,000) can subcontract to the second SCD. However, these subcontracting transactions were not properly documented in both SCDs' files. The first SCD files the reimbursement form, receives and retains support documentation, and receives the grant check. The second SCD completed the project but has no documentation to support payment received or expenses paid. The detailed support is only documented in the file of the SCD that paid for the services. To ensure that funds are spent properly and to help the program management monitor each district's expenditures, the department should require each SCD's program files to contain complete information and support for projects.

Audit and Investigative Reports

The SCDs' contracts with the department state that they are subject to audit by the Comptroller of the Treasury. As mentioned earlier, a special investigations report was released on the Morgan County soil conservation district in May 2012, and an investigative audit report was released on the Chester County soil conservation district in April 2013.

The Comptroller of the Treasury's special report on the Morgan County SCD had three findings: 1) the board of directors did not assume oversight responsibility; 2) the soil conservation district had a cash shortage of at least \$53,412.78; and 3) deficiencies were noted in

the administration of the soil conservation district. The report recommended that the board of directors

- should meet regularly to approve and review the district's financial operations, purchases or acquisitions, and personnel policies;
- should examine all bank statements, reconcile checks issued with checks negotiated, and reconcile bank statements with financial reports;
- should take immediate steps to collect the remaining cash shortage;
- should ensure funds are adequately safeguarded, receipted, and deposited into the office bank account as required by state statute; and
- should investigate and correct variances in daily deposits compared with collections.

In addition, the chairman of the board should sign employees' timesheets as evidence of review and approval. The district concurred with the findings and recommendations.

The Comptroller of the Treasury's investigative audit of the Chester County SCD (CCSCD), released in April 2013, contained two investigative findings:

- the former secretary misappropriated at least \$47,460 from CCSCD by transacting and retaining for her personal benefit unauthorized district checks written to herself or to "cash"; and
- the former secretary created false bank statements and forged a district official's name to conceal fraudulent checks.

The audit also had four internal control and compliance deficiencies findings:

- CCSCD supervisors failed to segregate financial duties or provide adequate oversight of financial operations;
- supporting documentation was not available for most disbursements;
- district checks did not require multiple authorizing signatures; and
- sufficient accounting records were not prepared and maintained.

To correct the findings, the audit recommended that the board supervisors should

- require an adequate system of internal controls so that no employee has control over a complete transaction, and provide increased supervision and review of financial transactions;

- ensure that the secretary obtains and files adequate supporting documentation for every disbursement and that documentation is reviewed and approved by at least one designated board member;
- require two approved signatures on all district checks; and
- require the district secretary or other designee to prepare and maintain accounting records.

The members of the board of supervisors concurred with the findings and the recommendations in the report.

At the July 2012 State Soil Conservation Committee meeting, department staff mentioned the Comptroller's reports (one released and one in process) and stressed the importance of district supervisor oversight of the financial functions of each district, as well as the need for SCD training and the department's intention to develop a SCD supervisor's handbook. The department's environmental program manager would like the SCD board members to take a more active role with the SCDs, such as ensuring that internal controls are in place and reviewing the reconciliations of expenditures at each meeting. The environmental program manager also stated that the SCD supervisor's handbook and scheduling of SCD supervisor training should be completed by the end of 2013.

Conflict-of-Interest Issue

A county official who works with the SCD in that county expressed concern to staff of the Office of the Comptroller about possible conflicts of interest in the SCD. According to the official, some of the contracts and projects approved by the SCD board were performed by companies owned by board members. The state's general conflict-of-interest statute, Section 12-4-101 (a)(1), *Tennessee Code Annotated*, states that it is unlawful for a person "whose duty it is to vote for, let out, overlook, or in any manner to superintend any work or any contract" in which a governmental entity may be interested, to be directly interested in such contract. In addition, the grant contract between the Department of Agriculture and the SCD has a conflict-of-interest provision in which the district "warrants that no part of the total grant amount shall be paid directly or indirectly to an employee or official of the State of Tennessee as wages, compensation, or gifts in exchange for acting as an officer, agent, employee, subcontractor, or consultant to the grantee in connection with any work contemplated or performed relative to this grant contract." Department program management was not aware of any conflicts of interest at the SCDs, but the State Soil Conservation Committee is statutorily responsible for establishing rules and ensuring the rules are enforced by the SCD boards. While no conflicts of interest came to our attention, the actual conflict-of-interest documents, if they are filed, would be at the district level and outside the scope of our audit.

Recommendation

To ensure that program funds are spent properly and to help program management monitor each district's expenditures, department management should require that each district submits, and program files contain, complete information and support for district expenditures funded through the department. To help prevent fraud or problems such as conflicts of interest, the department should continue to work with the State Soil Conservation Committee and the SCD boards to provide technical assistance and training to help boards effectively monitor the districts' activities. In addition, the department should work with the State Soil Conservation Committee to ensure SCD board members understand the statutory and contract provisions related to conflicts of interest, and that conflicts of interest are properly disclosed by SCD board members.

The General Assembly may wish to consider whether it is necessary and appropriate to expand the required duties of the State Soil Conservation Committee (detailed in Section 43-14-206, *Tennessee Code Annotated*) and the SCD boards (detailed in Section 43-14-218, *Tennessee Code Annotated*) to more specifically address supervision and monitoring of activities of the districts.

Management's Comment

We concur. The issue of fraud is currently being addressed with the development of a Soil Conservation District (SCD) Supervisor's Handbook that is expected to be completed during fiscal year 2014. This handbook will be distributed to all SCD boards. In addition, we concur with the issue of incomplete support of expenses. In the past, each SCD board was given \$2,100 for support expenses related to the grant. However, this payment was not detailed in the grantee's file. Furthermore, per diem paid to board members attending board meetings was not well tracked. Beginning in fiscal year 2014, we will include supporting documentation for each payment that is made related to the grants including the support expenses payment and the per diem payments. In addition, we have created a reimbursement request form for per diem expenses that each board member must sign at the board meeting to verify their attendance and prove the per diem rate is owed. We concur with the conflict of interest finding related to SCDs. Contracts and projects that are approved by the board are granted to landowners. The SCD boards leave the decision as to who completes the work related to the project up to the landowner. Who the landowner contracts with to complete the project on their land is between the landowner and the contracted company. However, we understand there could be a perceived conflict of interest and will provide guidance on addressing conflicts of interest in the SCD Supervisor's Handbook by suggesting conflicts of interest be disclosed by SCD board members.

2. Grants awarded by the department to the Tennessee State Fair Association were paid prematurely, without sufficient documentation, and involved a conflict of interest between department management and the association

Finding

The department was created in 1854 to promote agriculture through fairs and livestock expositions, and it continues that mission by supporting 63 fairs held throughout the state, including the Tennessee State Fair. In recent years, the department's interaction with the Tennessee State Fair has changed. In 2009, the Mayor of Metropolitan Nashville and Davidson County (Metro) publicly advocated redeveloping the fairgrounds into a mixed residential and business complex because of recurring financial losses in the operation of the fairgrounds. In 2010, the Metro Board of Fair Commissioners chose to stop managing the state fair and contracted with the North American Midway Entertainment Company to operate the fair. During this time, various governmental and private industry leaders organized the Tennessee State Fair Association (TSFA), a nonprofit, public-private partnership to "keep the state fair in existence." In 2010, TSFA subcontracted with North American Midway Entertainment Company to produce the agricultural components of the fair, and in 2011 TSFA managed the entire fair.

In 2012, the General Assembly passed and the Governor signed Chapter 1047 of the 2012 Public Acts, creating the Tennessee State Fair and Exposition Commission, which would be the "sole body in Tennessee charged with administering the state fair." The commission is administratively attached to the Department of Agriculture. The public chapter also requires the Division of State Audit to "include as part of its scheduled audit of the Department of Agriculture a review of the Tennessee State Fair and Exposition Commission including, but not limited to, the commission's authority and function." The details of this review have been submitted to the General Assembly in a separate memo. However, issues directly connected to, and the responsibility of, the Department of Agriculture are reported herein.

We reviewed funding provided to TSFA by the Department of Agriculture and found a lack of sufficient documentation for two fiscal year 2011 reimbursement grants and a conflict-of-interest issue related to those grants. We also found evidence of the questionable use of two other grants, one awarded in fiscal year 2012 and another in fiscal year 2013. These issues are discussed below.

Lack of Documentation Prior to Payment of Two Fiscal Year 2011 Grants and a Related Conflict of Interest

The department awarded four state-funded grants to TSFA over three fiscal years. In fiscal year 2011, the department awarded two grants through the Tennessee Agriculture Enhancement Program (TAEP), one for \$50,000 and one for \$10,000. In fiscal year 2012, the department awarded one grant through the Ag Tag Program (revenue from the purchase of agricultural specialty license plates) for \$125,000. In fiscal year 2013, the department awarded one grant of \$75,000 through the TAEP. These payments are summarized in the table below.

**Summary of Grant Payments from the Department to the TSFA
Fiscal Years 2011-2013**

<u>FY</u>	<u>Grant Amount</u>	<u>Program</u>	<u>Date Paid</u>
11	\$10,000	TAEP	8/6/2010
11	\$50,000	TAEP	8/16/2010
12	\$125,000	Ag Tag	8/16/2011
13	<u>\$75,000</u>	TAEP	9/10/2012
Total	\$260,000		

Source: Department grant files and grantee register.

We reviewed the two fiscal year 2011 TAEP grant files and initially found insufficient receipts and invoices to justify the payment of funds. The payment terms and conditions listed in the grant contracts state that the “grantee shall be compensated for actual, reasonable, and necessary costs,” and that the grantee will provide invoices to the state contracting agency that include “reimbursement requests for actual, reasonable, and necessary expenditures required in the delivery of service described.” The reimbursement requests are to include an itemization of costs and sufficient detail in the form of attached receipts. Funds are not to be paid until proper support is received and deemed reasonable by the department. The contracts also state that the grant recipient is “not to include any reimbursement requests for future expenditures.” The grantee is required to provide a final grant disbursement reconciliation report to the state within 30 days of the grant contract end date. Failure to provide the final grant disbursement reconciliation report “shall result in the grantee being deemed ineligible for reimbursement” and “the grantee shall be required to refund any and all payments by the state pursuant to this grant contract.”

After we made repeated requests during this audit, TSFA’s accountant provided supporting documentation to justify reimbursement of these grants. However, this documentation had not been provided to the department prior to payment of the grant. Disbursement reconciliation reports, required within 30 days of the grant contract end date, were not found in the contract files and had not been submitted to the department.

We also found that a now former assistant commissioner for the department was, at the time the grants were awarded, also a member of a technical committee for the grant recipient (TSFA). This assistant commissioner approved the payment of these grants before appropriate documentation was received, which violated contract procedures and was a clear conflict of interest. Department management should have identified this action as inappropriate and should not have allowed the payments to be approved by this individual. The former assistant commissioner retired from state service in February 2013.

Undetermined Use of a Fiscal Year 2012 and 2013 Grant

We further reviewed the use of the fiscal year 2012 Ag Tag grant for \$125,000 and the fiscal year 2013 TAEP grant for \$75,000. We found documentation and receipts in the department’s grant monitoring files indicating that the grant funds had been spent and reimbursed. However, TSFA meeting minutes and financial reports showed TSFA’s intention to

set aside grant money “for future use or a rainy day fund.” The 2011 financial statements for the association show in the asset section the “designated” amount of \$90,000. In the 2012 financial statements, in the asset section, the amount of \$200,000 is shown as “cash-designated.” According to TSFA’s accountant, the TSFA board voted to set aside \$90,000 from the \$125,000 reimbursement grant for a rainy day fund and later voted to designate the remaining \$35,000 of the \$125,000 grant, as well as the \$75,000 grant, for future use. TSFA’s financial statements are audited annually by KraftCPAs, PLLC.

A February 25, 2013, letter from the Commissioner of Agriculture granted TSFA permission to use the grant funds from fiscal years 2012 and 2013 for future purposes. The letter states that the grants were awarded with the “intent” that “the fair would be able to pay its bills if expenses exceeded revenue due to unbudgeted and unpredictable shortfalls,” and that if revenues exceeded expenses “these funds would be placed in reserve to create a rainy day fund.” This statement is in direct conflict with section C.5.b(2) of each contract, which states “an invoice under this Grant Contract shall not include any reimbursement request for future expenditures,” and C.5.b(3), which states “an invoice under this Grant Contract shall initiate the timeframe for reimbursement only when the State is in receipt of the invoice, and the invoice meets the minimum requirements of this section C.5,” meaning actual, reasonable, and necessary expenditures. The memo was written more than five months after the TAEP grant was paid, and eighteen months after the Ag Tag grant was paid.

During a June 18, 2013, meeting between TSFA and the Metro Board of Fair Commissioners, the TSFA chairman stated that, as fair operator, TSFA had received money from the department in the form of grants in 2011 and 2012 (for fiscal years 2012 and 2013), and it was his understanding that any profits TSFA earned from this money would be restricted to “growing” the association and the fair. He explained that TSFA spent the original grant money, but based on a letter from the Commissioner of Agriculture, the association was to hold in reserve any surplus money from the grant funds provided.

Because of conflicting and incomplete information, TSFA could not convince us, and we could not be certain, of the final disposition of the fiscal year 2012 and 2013 grants. Available documentation illustrates inadequate supervision and review of grant awards and reimbursements, and noncompliance with grant contract terms in the past. The department must ensure that contracts are administered in accordance with program requirements, that parties awarded grants use funds appropriately, that documentation of expenditures is obtained prior to reimbursement, and that final project reports are received.

Recommendation

The Commissioner of Agriculture should correct grant awarding and monitoring practices in the following areas:

- ensure that documentation is received from grantees before awarding reimbursement grant funds;

- ensure no conflict of interest exists between those approving payment of a grant and the grant recipient; and
- ensure that department staff follow grant contract terms and comply with program requirements regarding appropriate use of funds.

Management's Comment

We concur that conflicts of interest should be minimized and that department staff who are involved with approving and distributing grant funds will not be part of the grantee organization. Furthermore, we concur that department staff should follow grant contract terms and ensure that all parties involved with the grant abide by the appropriate uses of these funds. We will immediately inform our staff as well as the grantee that funds may not be used for future purchases beyond the grant contract end date, nor may the funds be accounted for as available future funding. We only reimburse expenditures that are consistent with the program and contract terms. Department staff will be reminded that proper invoices and expense documentation must be received from the grantee before distribution of reimbursement grant funds is made.

3. The Weights and Measures section needs to improve inspection timeliness to help minimize risk to consumers

Finding

Among other duties, the Weights and Measures section inspects retail stores to ensure that devices used to weigh items for commercial purposes are accurate and that merchandise price and weight labeling is also accurate. We randomly selected entities inspected by the Weights and Measures section and first compared original inspection data to information in the section's computer system to determine the accuracy of the information maintained in the computer system. Once we determined the data in the computer system was accurate, we analyzed that data to determine the department's compliance with the requirement to inspect each entity at least once each fiscal year. We found that 15% of the sampled entities were not inspected within the required time frame.

Analysis of Data Accuracy

Department inspectors use paper forms to record inspection results and give the original paper inspection forms to Weights and Measures section staff to scan into the FileNet optical scanning system. These staff also manually enter data from the paper inspection form into the Garrison system, an inspection database utilized in several departmental areas for inspection results and reports. The department contracts with Digital Health Department, Inc. of Charlotte, North Carolina, for the database. According to section management, information entered into Garrison is organized into management reports for department officials.

To assess the accuracy of the data maintained in Garrison, we selected a sample of entities to compare data in Garrison from the last two inspections with information from the same inspection forms scanned into FileNet. Of the 144 entities originally selected, we excluded 8 because they did not have 2 years of inspections. We assessed the remaining 136 entities' files for a two-year period, for a total of 272 inspection files. For the two-year period, 265 of 272 files (97%) had no discrepancy between the two systems, well above our established threshold for accuracy (95%). We concluded that we could rely on the Weights and Measures inspection data maintained in Garrison.

Analysis of Inspection Timeliness

After determining that data maintained in Garrison was accurate, we used the original sample of 144 entities to determine whether inspections were conducted annually. We found that 22 of the 144 entities (15%) did not have an inspection conducted at least once each fiscal year. While inspections for 12 of 22 entities (55%) were less than 6 months late, inspections for 10 of 22 entities (45%) were over a year late. Without sufficient inspections, the department does not provide expected assurance to consumers.

Recommendation

To help ensure that consumers are adequately protected, management of the Weights and Measures section should complete required inspections of retail stores for proper weight labeling.

Management's Comment

We concur that weights and measures inspection timeliness should be improved in order to help minimize risk to consumers. Currently, there are two weights and measures inspector positions waiting to be filled, one of which is in the Metro Nashville area. This position has been vacant for a year due to the new human resources requirements. Since Metro Nashville has numerous establishments to inspect, the vacant position has put a strain on surrounding area inspectors. In addition to their normal inspections, the surrounding area inspectors have to help with the Metro Nashville inspections. The other vacancy is fairly new due to a retirement and has not yet resulted in additional strains on surrounding area inspectors. Once the vacancies are filled, we anticipate improved compliance with annual inspection goals.

4. Inspections of retail food stores and food manufacturers were not always conducted timely

Finding

To help minimize the risk to human health and safety, the Division of Regulatory Services' Food and Dairy section regulates a variety of businesses from the food and dairy industry, including retail food stores; food manufacturers; dairy farms and producers; and milk transport trucks. As part of regulatory efforts, inspectors of the Food and Dairy section inspect these entities and investigate complaints. We reviewed retail food store and food manufacturer inspections and found a number of cases where the inspector did not conduct the required number of inspections, potentially increasing the risk of contaminated food products bought and consumed by the public. (For information regarding our review of dairy inspections, see page 28.) The number of noncompliant inspections for both food manufacturers and retail food establishments is relatively low when compared to the number of these establishments regulated. However, because of the potential risk to human health and safety, it is vital that the Food and Dairy section staff take steps to ensure that required inspections are conducted.

Analysis of Data Reliability

The Food and Dairy section enters and maintains inspection results in two separate systems. The FileNet optical system contains scanned hard-copy inspection forms, and the Garrison computer system contains data manually keyed by staff. According to staff, management of the section uses operational reports generated by Garrison.

To determine reliability of the data in the Garrison system, we compared the hard-copy inspection forms in FileNet to the information entered in Garrison. We found that for retail food inspections, 295 of 296 inspection files (99%) matched completely between the two systems. For food manufacturer inspections, 262 of 278 inspection files (94%) matched completely between the two systems. We concluded that the data in Garrison was sufficiently accurate to determine if inspections were performed within their required time frame and if inspections performed as a result of a complaint were conducted in a timely manner.

Assessment of Inspection Timeliness

Staff of this section are required to inspect 9,256 retail food establishments at least twice a year. We examined the last four inspections and found that 277 of 9,256 retail food establishments (3%) did not have the required number of inspections conducted during the period reviewed.

Unlike retail food establishments, the 1,212 food manufacturers do not all have the same required inspection frequency. Management of the section uses Food and Drug Administration (FDA) criteria to determine how frequently food manufacturers are to be inspected, based on each establishment's risk to consumer health and safety. The higher the risk, the more frequently inspections are required. Establishments determined to be the highest risk are to be inspected four times a year, establishments considered to be a medium risk are inspected twice a year, and

establishments considered to be low risk are only required to be inspected once a year. Unfortunately, the Garrison database did not include risk level information. According to section management, this information is kept at the regional level.

Because risk information (and required inspection frequency) was not readily available to auditors or to central office management, and because of the difficulty of accurately identifying an establishment's risk level, we tested the facilities against the medium-risk criteria. We excluded 18 custom meat processors and deer processors because these entities were easy to identify, are seasonal, and are only required to be inspected once a year. We reviewed the dates of the last four inspections and found that 221 of the 1,212 food manufacturing establishments (18%) were not inspected twice a year over the two-year period.

When questioned regarding the results of our review, department officials were unable to provide specific evidence demonstrating that entities had been inspected the proper number of times, but they did offer several possible reasons for the inspections not being completed:

- a company may have been out of business for a period of time;
- an inspection was conducted and imaged into FileNet, but the form did not get scanned into Garrison;
- some food manufacturers are only supposed to be inspected once per year; and
- there are a few instances when an inspection was not conducted because of staff shortages.

Assessment of Complaint Responsiveness

We reviewed complaints received by the Food and Dairy section in September 2012 to assess the section's responsiveness. We intended to review complaints received in additional months if we identified problems with those of September. We found that of the 45 complaints received, the average time from receiving the complaint until completing the investigation was 4 days. This average easily meets the section's goal of completing complaint investigations within 10 days of receipt. Within the group of 45 complaints received in September 2012, 4 required more than 10 days, but 3 of those 4 took only 11 days. Officials of the section stated that cases periodically need additional time for further investigation or involve another regulatory agency, either of which can delay the closure of the complaint.

Recommendation

To minimize the risk to health and human safety, management of the Food and Dairy section should ensure that inspections are conducted as required for all retail food stores and food manufacturers. To facilitate management's ability to monitor staff compliance with inspection requirements, the risk level of each establishment should be easily accessible.

Management's Comment

We concur management should ensure that inspections are conducted as required for all entities regulated and that the risk level of each food manufacturing establishment should be easily accessible to management. The in-house computer program that manages establishment information produces a six month report that shows which establishments have not yet been inspected. The food and dairy section inspects 9,256 retail food establishments twice yearly and is currently at 97% compliance; however, we will continue to strive for improvement. In regard to the risk of food manufacturing establishments, the risk is solely determined by the type of establishment not on an individualized basis. We have cross references between the type of establishment and the risk level of that establishment type, but we will update the files so the risk level is easily accessible.

5. Pest-control company inspections and complaint investigations are not always completed in a timely manner

Finding

The Division of Regulatory Services' Pesticides section regulates businesses that perform routine pest-control activities, as well as restricted-use pesticide applicators that use more toxic chemicals and have more stringent training and certification requirements. As part of regulatory efforts, management of the section established the goal to inspect each pest-control company yearly. We conducted a file review of a sample of pesticide companies and found that inspectors did not always inspect pesticide companies annually as required. Additionally, a review of complaints found that staff of the section often did not meet the goal of completing investigations of complaints within 90 days.

Analysis of Inspection Timeliness

The Pesticides section renews pesticide company charters every two years, with approximately half of the 1,376 pesticide companies that it regulates being renewed each year. Due to the renewal cycle, the section could only provide information for the 661 pest control companies having their charters renewed in fiscal year 2013. Staff of the section perform inspections using paper forms. The inspection data from the original hard-copy forms is manually entered into the computer database, Tennessee Complaints Activity Tracking System (TCATS).

We attempted to compare original hard-copy forms from the two most recent inspections of the sampled entities to the data in TCATS. We intended to verify the accuracy of TCATS, then review all inspection data in TCATS to determine the timeliness of inspections. However, a number of data-related issues limited our ability to verify the accuracy of the data in TCATS. These issues included a significant number of establishments that lacked two years of inspection data either in TCATS or on hard copy, establishments located out of state and therefore not

inspected by Tennessee inspectors, and data from TCATS that did not completely match data from hard-copy forms.

Because of the data issues, we decided to analyze only those entities where 2 hard-copy inspection forms were available. Of the original 122 pest-control companies selected, 78 companies had 2 inspection forms. We found that 22 of the 78 entities (28%) had not received a yearly inspection. Management of the section stated that reasons for inspections not being performed as required include

- complex inspections that result in criminal investigations can take months to resolve;
- lab equipment periodically breaks down and delays test results;
- a supervisor may send a case back to the inspector for revisions and/or additional information to support violations; and
- central office management may have questions about an inspection.

Inspections are not considered completed until all issues are resolved.

Analysis of Complaints

We analyzed the responsiveness of the Pesticide section's complaint process. We reviewed the 89 complaints received between July 2009 and June 2011 to determine how quickly complaints were assigned to inspectors for investigation and how long it took to complete the investigations. The section's goal is to complete investigations within 90 days of receipt of a complaint.

We found that almost all the complaints in the sample were assigned to inspectors on the same day they were received. However, of the 89 complaints, 33 (37%) exceeded the 90-day goal, with 12 of the 33 taking longer than 150 days to complete. As with pesticide inspections, management stated that factors such as a complaint that results in a criminal investigation or section management sending the case back to the inspector for additional information may cause an investigation to take longer than 90 days to complete. Upon closer examination, the majority of these lengthy investigations were attributed to delays with obtaining test results from the department's laboratory. According to department management, the laboratory is responsible for testing and analyzing samples for the entire department, with priority going to the Food and Dairy section because of potential health and safety issues. Further, as noted above, the laboratory's equipment periodically breaks down, delaying test results. However, management stated that this delay in receiving test results was not a significant concern as most pesticide complaints concern the one-time drifting of pesticides after spraying and are not an ongoing threat to the public. Pesticide complaints that have health and safety implications receive priority access for laboratory testing and, therefore, according to management, the section's ability to regulate pesticide businesses is not significantly impaired.

Recommendation

Management of the Pesticides section should take steps to meet inspection and complaint investigation timeliness goals. For issues beyond management's control, management may consider alternative actions to minimize any threat to public safety.

Management's Comment

We concur management should take steps to meet inspection and complaint investigation timeliness goals. Most of the inspection and complaint delays are due to laboratory issues. Our lab is currently operating with two chemists less than it historically has. The equipment is known to periodically break down, and we have discussed a plan of action for future health related cases and issues. Should a health issue arise, we intend to send samples to an outside laboratory to compare timeliness to our in-house laboratory testing.

OBSERVATIONS AND COMMENTS

The topics discussed below did not warrant a finding but are included in this report because of their effect on the operations of the Department of Agriculture and on the citizens of Tennessee.

Replacement of Outdated Weights and Measures Laboratory

As part of its regulatory responsibilities, the Weights and Measures section of the Division of Regulatory Services maintains a metrology laboratory to test the accuracy of weighing and measuring devices in the state, such as fuel pumps, scales, and liquid propane meters. However, state and federal officials reported that the laboratory, which is 40 years old, is outdated, substandard, and in need of significant improvement.

Because it is outdated and in poor condition, the Weights and Measures laboratory was downgraded several years ago to a conditional certification by the U.S. Department of Commerce's National Institute of Standards and Technology (NIST), the national certifying body for weighing and measuring devices. As a result of this downgrade, neither Alabama nor Mississippi accepts work performed by the laboratory, and Tennessee businesses that use scales calibrated by Weights and Measures are unable to do business in those states. According to Division of Regulatory Services management, businesses either must forgo doing work in those states or have their equipment calibrated in another state, which can be time-consuming and costly. Further, a NIST official stated that if the Weights and Measures section does not remedy the problems associated with its laboratory, it is likely that the laboratory could be further downgraded. If this were to occur, additional states would likely refuse to accept calibration

work performed by Tennessee, and Weights and Measures employees would have to travel to another state to have the section's equipment calibrated.

In an effort to remedy this problem, as part of its 2013-2014 budget package, the Department of Agriculture requested funds to construct a new metrology laboratory that will meet NIST's measuring and testing standards. The General Assembly appropriated \$4.98 million in the fiscal year 2013-2014 budget to construct a new laboratory for the Weights and Measures section. Therefore, it appears the department is working to resolve this issue.

Tennessee Agriculture Enhancement Program

The Tennessee Agriculture Enhancement Program (TAEP) provides cost-share funds for long-term investments in livestock and farming operations, and its goals are to allow participating producers to maximize farm profits, adapt to changing market conditions, improve operation safety, increase farm efficiency, and make a positive economic impact in their communities. TAEP is funded by the tobacco tax, through an appropriation in the state's budget. The program received \$21 million in funding for each of the last two fiscal years, 2012 and 2013. The funding distribution for fiscal year 2012 is shown in the table below.

TAEP Funding Distribution for Fiscal Year 2012

Areas of TAEP Funding	Percent of Funding
Producer Programs	74%
Regulatory Services Programs	7%
TAEP Administration	6%
Agricultural Crime Unit	4%
Association Grants and Agribusiness Development	3%
Forest Industry Programs	2%
4-H and FFA	2%
Training and Educational Contracts	1%
Water Resources Programs	1%
Market Development Programs	less than 0.3%
Total	100%

Source: Department staff.

In fiscal year 2013, TAEP's budget for producer programs was \$15,500,000. As of June 28, 2013, TAEP had approved \$16,052,735 in producer programs and reimbursed \$14,046,866 (and an additional \$2,119,564 remaining from FY 2012). According to the TAEP administrator, the program routinely over-allocates funds in anticipation of individuals who apply and are approved, but do not follow through to receive reimbursement. TAEP approved 3,862 producer program projects, reimbursed 3,462 producer program projects for FY 2013 and 440 remaining from FY 2012, and declined 65 producer program projects.

For fiscal year 2012, TAEP's budget for producer programs was \$14,998,325. TAEP approved \$20,242,828 in producer programs and reimbursed \$17,117,889 (and an additional \$2,332,177 remaining from FY 2011). TAEP approved 5,362 producer program projects, reimbursed 4,749 producer program projects for FY 2012 and 410 remaining from FY 2011, and declined 143 producer program projects. The table below contains a summary of the activities of the program for fiscal years 2012 and 2013.

**Tennessee Agricultural Enhancement Program
Summary of Activity
Fiscal Years 2012 and 2013**

	Fiscal Year <u>2012</u>	Fiscal Year <u>2013</u>
Budgeted Amount	\$14,998,325	\$15,500,000
Number of Approved Projects	5,362	3,862
Total Approved Amount	\$20,242,828	\$16,052,735
Number of Projects Reimbursed		
<i>Current Year Projects</i>	4,749	3,462
<i>Projects From Previous Year</i>	410	440
Amount Reimbursed		
<i>Current Year Projects</i>	\$17,117,889	\$14,046,866
<i>Projects From Previous Year</i>	\$2,332,177	\$2,119,564
Number of Projects Declined	143	65

Source: Department staff.

The producer programs are divided into six categories: Cattle Genetics, Livestock Equipment, Hay Storage, Livestock Feed Storage, Grain Storage, and Producer Diversification. TAEP is not for start-up farmers; applicants must have existing farms or livestock to apply. The following table details the maximum awards and average reimbursements for fiscal years 2012 and 2013.

**TAEP Producer Programs
Maximum Amounts and Average Reimbursements
Fiscal Years 2012 and 2013**

Program	<u>Cattle Genetics</u>	<u>Livestock Equipment</u>	<u>Hay Storage</u>	<u>Livestock Feed Storage</u>	<u>Grain Storage</u>	<u>Producer Diversification</u>
<i>Maximum Amount</i>	\$1,200	\$3,500	\$7,500	\$10,000	\$15,000	\$10,000
<i>Average Reimbursed Amount</i>						
<i>Fiscal Year 2012</i>	\$1,075	\$2,345	\$6,258	\$9,208	\$9,535	\$4,916
<i>Fiscal Year 2013</i>	\$1,095	\$2,407	\$6,154	\$9,608	\$10,837	\$5,310

Online System, Application Process, and Reimbursements

TAEP applications are due during the time period June 1 through June 7, and applicants are notified in August if their application has been approved. The application process has changed in recent years. The old process was on a first-come, first-served basis, and the applicants could apply for all six producer programs. According to the TAEP administrator, the program started running out of money; therefore, under the new process, applicants have to prioritize the programs they are requesting by the order of importance, instead of selecting all six programs.

In June 2013, TAEP started using online applications to make the application process easier. Prior to that time, all the applications had to be submitted in hard copy. According to the TAEP administrator, the initial rollout of the online applications on June 1, 2013, was successful, and a total of 1,567 applications were submitted online. In addition to the online applications, in October 2012, the department started TAEP Online, which allows current and past TAEP recipients to log into the system to view their account history, status, and reimbursements.

The deadlines for the reimbursements are staggered to make the reviewing of documentation easier for the TAEP staff. Some of the projects—Cattle Genetics, Hay Storage, Grain Storage, and Producer Diversification—have a May deadline; the other programs—Livestock Equipment and Livestock Feed Storage—have a December deadline. Some of the projects require participants to build infrastructures. The applicant can start buying equipment and supplies for the projects as early as June 1; however, most applicants will not know if they have been approved until August. Extensions are given to infrastructure projects depending on the circumstances, but an extension would not be given beyond June 1 of the following year.

Projects are reimbursed when the documentation is complete. If the documentation is not complete, TAEP staff sends a notification to the recipient detailing what is missing. The reimbursement documentation should include proof that the work has been completed in the form of receipts, pictures, etc., and must be sent to the department before the deadline. The turnaround time for reimbursements can be as quick as 10 days if all the supporting documents are submitted before the deadline. The reimbursements go through the department office for approval and then into the state computer system for payment. If the supporting documents are submitted closer to the deadline, then the turnaround time can take a few months because the program does not have enough staff to handle all the reimbursement requests at once.

After reimbursements have been completed, the Division of Regulatory Services' animal health technicians conduct field inspections of the work performed by the award recipients. The goal is to verify about one-third of the projects for each program year. According to the TAEP administrator, if the inspectors find something suspicious, they report it to the TAEP office to follow up with the individuals. No follow-up work is conducted outside of the field verifications, unless the field verifications warrant a follow-up visit.

File Review

During the audit, we reviewed a random sample of 5% of the producer files (621) for fiscal years 2010 through 2013 to determine how department staff review applications and monitor projects. We found the following:

- 1,059 projects were approved (producers are often approved for multiple projects);
- 757 projects were reimbursed;
- 302 projects were declined or the applicant never followed through with the project;
- one file could not be located by TAEP staff; and
- livestock equipment was the most requested producer program type, followed by cattle genetics.

According to the TAEP administrator, individuals who apply and are approved, but do not follow through with the project, are placed at the bottom of the list and likely will not be approved the following year.

Except for the field verification form, the files we reviewed contained proper documentation for the reimbursements. Field inspection documentation is maintained by the animal health technicians, and only one file we reviewed had a field verification form. TAEP management should consider requesting copies of the field verification forms so program management has access to all monitoring information for a project.

Suspensions

As of April 2013, TAEP staff had suspended 50 producer program accounts for project fiscal years 2006 to 2013. In addition to the 50 suspended accounts, 12 accounts had been reinstated after a suspension. The length of the suspension varies depending on the offense. Types of offenses include: fabricating or altering documentation, misrepresenting the project, not using the project for its intended purposes, returning or selling equipment before the three-year commitment was met, and submitting reimbursement requests for a project that was never completed. According to the TAEP administrator, the program has implemented requirements, such as not allowing cash payments and only allowing funds to be used to purchase new (not used) equipment, in an attempt to minimize offenses identified during the review process. The department has improved TAEP over the life of the program and should continue to assess program spending, activities, and monitoring, and make changes when needed.

Dairy Inspections

To help ensure food safety, the Division of Regulatory Services' Food and Dairy section regulates a variety of businesses from the dairy industry. As of November 2012, these businesses included 34 dairy plants located within Tennessee. Staff of the section inspect these plants every three months to ensure compliance with federal standards.

Inspectors of the Food and Dairy section record inspections on a paper form. Section staff manually enters inspection information into a database, and then scans the hard-copy forms into the computer. We reviewed a randomly selected sample of 17 dairy plants located in Tennessee to determine if inspections were conducted as required. (Of the dairy plants identified in our sample, four are Bulk Tank Units (BTUs), which contain a grouping of individual dairy farms. We randomly selected one dairy farm for review from each selected BTU.) We reviewed the dates of the last three inspections (17 plants x 3 inspections = 51 inspections), and found 1 of 51 inspections (2%) were performed later than three months after the previous inspection.

RESULTS OF OTHER AUDIT WORK

The following topics are included in this report to provide additional information on the Department of Agriculture.

Division of Forestry Burn Permit Process

Permit Requirements

From October 15 through May 15, anyone starting an open-air fire within 500 feet of a forest, grassland, or woodland must obtain a burning permit from the Division of Forestry (Section 39-14-306, *Tennessee Code Annotated*). There is no fee to obtain a permit. In 2011, the division allowed citizens to apply online for permits for small-scale burns, which are defined by the division as piles of material no greater than 8 feet x 8 feet. Citizens are still required to call in for a permit for all burns greater than 8 feet x 8 feet in size, allowing division staff to talk with residents directly to better understand their specific situation, discuss any additional fire prevention issues that might apply, and inform them of weather conditions and other factors that might affect the burn. By law, only organic material such as leaves, brush, and untreated lumber can be burned, and permits are denied for the incineration of tires, household trash, plastics, buildings and building materials, chemicals, etc. Permits are denied and the online system is turned off if weather conditions are not conducive for burning. A permit is valid for one day, except on Friday, when it is valid for a burn over the weekend period. The division established an electronic data collection system for phone permits in October 2012.

Not all counties issue burn permits if local ordinances forbid them. Those counties and municipalities, rather than the Department of Agriculture, are responsible for prosecution if a burn is discovered. If Division of Forestry officials spot a fire, they check to see if the person responsible has a valid permit.

Online Permit Request Process

The online permit process is a SEQUEL-based program that was developed internally through the Department of Agriculture's Information Technology section and is connected to all the districts and the main office. To request a burn permit, the applicant must enter a phone number and zip code, select the type of permit and time of burn, and select the address of the burn. The system then generates a permit number for the burn. Multiple addresses must have a permit for each address, and the permits expire at midnight each night. All permits are wiped from the online system after the end of the permit season in May; however, each applicant's user information stays in the system. As of April 2013, for the October 2012 to May 2013 burn season, the online system documented 359,358 permits representing an estimated 89,572 acres, with 37,777 permits (11%) issued online for small-scale burns.

Department Activities to Address Threats to Plant and Animal Resources

The Regulatory Services Division's focus is on preserving the quality of agricultural inputs and outputs to protect consumers and maintain a fair marketplace. The division includes plant certification, apiary, and animal health sections. These sections monitor, conduct outreach, and develop plans to protect and/or mitigate threats to the state's plant and animal assets. Some of the current threats are discussed in the following sections.

Plant Certification

The Plant Certification section administers the nursery, greenhouse, and plant dealer certification programs. Section inspectors work with businesses to ensure healthy and pest-free plant material leaves the state, as well as to monitor the health of plant material coming into the state.

Some current infestations threaten trees in Tennessee. The thousand cankers disease (TCD) is a plant fungus that affects black walnut trees and is carried by the walnut twig beetle. Following guidelines established by the U.S. Department of Agriculture Forest Service and the state Thousand Cankers Disease Technical Working Group, the Division of Regulatory Services created the Thousand Cankers Disease Action Plan to slow the spread of the disease and to mitigate the impact of the beetle. The plan focuses on general readiness, reduction of infestation risk, detection and monitoring, response to infestations, and mitigation of potential impacts. General readiness promotes procedures to prevent the spread, reduce the risk, minimize the impact, and respond effectively to TCD, as well as to utilize partnerships for maintaining state forests. Reduction of infestation risk identifies all major pathways of TCD introduction and ensures actions are taken to reduce infestations as soon as possible. Detection and monitoring focuses on detecting TCD at the first introduction and improving the probability of containment. Response to infestations is designed to contain and manage infestations and minimize the potential for new outbreaks. Mitigation of potential impacts develops processes and resources in the event of the start of TCD populations.

The counties currently being treated for TCD are Anderson, Blount, Jefferson, Knox, Loudon, Sevier, and Union. These counties are under quarantine, and walnut tree products and firewood cannot be moved out of those counties. Counties designated as “buffer-regulated areas” are Campbell, Claiborne, Cocke, Grainger, Hamblen, McMinn, Monroe, Morgan, Rhea, Roane, and Scott. Walnut tree products and firewood can be moved within these counties (or into a quarantine county), but not outside the quarantine or buffer area.

Another pest is the emerald ash borer (EAB), which attacks ash trees and spreads through the movement of firewood and wood chips. Typically, the emerald ash borer beetles can kill an ash tree within three years of the initial infestation. According to the plant certification administrator, there are flight periods and blackout periods during which logs cannot be moved. The Department of Agriculture promotes awareness of EABs on its website, urging area residents and visitors to help prevent the spread of EABs by not transporting firewood, even within Tennessee; by not buying or moving firewood from outside the state; and by watching for signs of infestation in ash trees.

Apiary

The Apiary section’s mission is to protect honeybees, which perform a pollination function essential to the propagation of many species of plants in Tennessee. The value of crops in Tennessee that benefitted from honeybee pollination was estimated to be in excess of \$300 million annually for 2008 through 2012.

The Apiary section has participated in a national honeybee survey for the past several years with the USDA Agricultural Research Service, taking bee samples and conducting inspections to ensure that bee colonies have not been infected with any diseases or invasive species. State inspectors examine colonies at the request of beekeepers to determine whether the queen has any diseases. The Apiary section has also set up a taskforce in conjunction with the University of Tennessee to conduct outreach and education on the Africanized honeybee and its appearance in Tennessee.

One condition affecting bees and beekeepers in the state and nationwide is colony collapse disorder (CCD), which causes worker bees or honeybees to disappear from a hive either in large numbers or entirely, leaving only a queen. CCD is thought to be similar to HIV, in that it reduces the bees’ defenses and makes them more susceptible to factors that would not normally cause mortality. A possible factor impacting the disorder is the use of pesticides by beekeepers to ward off varroa and tracheal mites. Varroa mites are parasites of worker and drone honeybees and feed on the fluid in the circulatory systems of adult bees and the developing brood. Tracheal mites infest the tracheal system of the adult honeybee, by puncturing the wall of the trachea and sucking the circulatory fluid of the bee and then living, breeding, and laying eggs in the tracheal system. The adult mites and eggs plug the tubes of the trachea, which impairs the bees’ oxygen exchange. The end result of unchecked mite populations, which bees then transport among colonies, is an eroding adult bee population and eventual colony death. Some researchers believe there may be a relationship between the pesticide residues in the colony combs and the pesticides and fungicides picked up by the bees during pollination.

Each year, beekeepers from across the state send in information reporting previous years' bee losses. The average yearly losses for Tennessee, compared to results from the USDA's national survey of over-the-winter loss in managed honeybee population, are in the table below.

**Annual Loss in Managed Honeybee Populations
Tennessee and National Average
2008 through 2012**

<i>Year</i>	<u>Annual Loss</u>	
	<i>Tennessee</i>	<i>National Average</i>
2008	35%	36%
2009	34%	29%
2010	31%	34%
2011	25%	30%
2012	30% (projected)	21.9%

Source: Department staff and USDA website.

According to Apiary staff, Tennessee has fewer losses than other states because most of its beekeepers are hobbyists and rarely move their bees, as opposed to commercial beekeepers that constantly move their hives, adding tremendous stress to the colonies.

Animal Health

All health-related issues pertaining to animals and animal products are under the auspices of the Animal Health director/state veterinarian. This includes quarantine, testing, import and export, disposal of dead animals, and regulation of livestock market dealers. The Animal Health section receives federal dollars for cooperative agreements, and staff work closely with the USDA on nationwide disease programs focusing on tuberculosis, brucellosis, chronic wasting disease, influenza, and other diseases. The office uses a Microsoft system developed with a grant from the Department of Homeland Security to maintain all testing and lab work.

Animal Health staff works with the staff of the state's Department of Health to monitor and conduct public outreach for diseases affecting both animals and humans, such as West Nile virus and the swine flu. The staff also participates in Tennessee One, a consortium of multiple state agencies that meets quarterly to discuss issues and trends on handling diseases like West Nile virus that have animal and public health implications. Staff of Animal Health also works with the Tennessee Wildlife Resources Agency on wildlife diseases and with the Tennessee Department of Environment and Conservation on water quality issues related to livestock.

In April 2013, the Department of Agriculture launched a voluntary chronic wasting disease herd certification program designed to prevent chronic wasting disease (a transmissible infection that causes weight loss and eventual death) in farmed deer, elk, and other cervidae in the state. (White-tailed deer are not included as it is illegal to keep them captive in Tennessee.) The state initiative is part of the USDA's Animal and Plant Health Inspection Service program that provides uniform herd certification standards and supports domestic and international marketability of American cervid herds. Facilities can be certified as disease-free after five years in the program with no evidence of disease. Captive cervid owners in the state interested in

participating are required to obtain a premises identification number from the Department of Agriculture, provide a complete herd inventory, and meet annual inspection requirements, as well as report any escaped animals and the death of any animal 12 months of age or older.

According to the state veterinarian, two challenges currently facing the Animal Health section are the need for poultry testing, which exceeds the department's existing resources, and managing animal welfare, because the department has no regulatory authority over abusive animal conditions.

Human Resources Issues

In an initial interview with department Human Resources management, staff issues related to returning to work after extended leave and conflicts of interest were noted. As a result, auditors followed up briefly to determine what changes in policy or other actions were taken to address these and other human resource issues and to prevent similar problems in the future.

In 2011, the department issued a Return to Work Policy, which established directives on when it is appropriate to reassign an employee who has been on extended leave to allow them to return to work. The policy states that temporary alternative job duty assignments may be made when "a temporary alternative assignment is meaningful work with productive tasks that are available due to position vacancies, job demands, special projects, or other reasonable work demands." According to Human Resources management, if there is no available position or work within the agency, they try to work with other agencies to find vacancies for which the employee can interview. If nothing is available, termination proceedings begin, using "for the good of the service" as the reason. The employee has appeal rights as outlined in statute and Department of Human Resources rules.

Human Resources management did not identify any other policy changes but stated that the department provided training during employee meetings. A review of Agriculture's intranet site under "Employee Meetings" found PowerPoint and YouTube presentations and documents from the 2013 employee meeting at Ellington Agricultural Center. The information included an employee ethics presentation from the department's Legal Counsel, a Human Resources update (including the department code of conduct) from the Human Resources director, the *Employee Code of Conduct* document, and Title VI training by the Title VI coordinator.

RECOMMENDATIONS

LEGISLATIVE

This performance audit identified an area in which the General Assembly may wish to consider statutory changes to improve the efficiency and effectiveness of the operations of the State Soil Conservation Committee, which is administratively attached to the Department of Agriculture, and the Soil Conservation District (SCD) boards, which receive funding through the department.

The General Assembly may wish to consider whether it is necessary and appropriate to expand the required duties of the State Soil Conservation Committee (detailed in Section 43-14-206, *Tennessee Code Annotated*) and the SCD boards (detailed in Section 43-14-218, *Tennessee Code Annotated*) to more specifically address supervision and monitoring of activities of the districts.

ADMINISTRATIVE

The Department of Agriculture should address the following areas to improve the efficiency and effectiveness of its operations.

1. To ensure that program funds are spent properly and to help program management monitor each district's expenditures, department management should require that each district submits, and program files contain, complete information and support for district expenditures funded through the department. To help prevent fraud or problems such as conflicts of interest, the department should continue to work with the State Soil Conservation Committee and the SCD boards to provide technical assistance and training to help boards effectively monitor the districts' activities. In addition, the department should work with the State Soil Conservation Committee to ensure SCD board members understand the statutory and contract provisions related to conflicts of interest, and that conflicts of interest are properly disclosed by SCD board members.
2. The Commissioner of Agriculture should correct grant awarding and monitoring practices in the following areas:
 - ensure that documentation is received from grantees before awarding reimbursement grant funds;
 - ensure no conflict of interest exists between those approving payment of a grant and the grant recipient; and

- ensure that department staff follow grant contract terms and comply with program requirements regarding appropriate use of funds.
3. To help ensure that consumers are adequately protected, management of the Weights and Measures section should complete required inspections of retail stores for proper weight labeling.
 4. To minimize the risk to health and human safety, management of the Food and Dairy section should ensure that inspections are conducted as required for all retail food stores and food manufacturers. To facilitate management's ability to monitor staff compliance with inspection requirements, the risk level of each establishment should be easily accessible.
 5. Management of the Pesticides section should take steps to meet inspection and complaint investigation timeliness goals. For issues beyond management's control, management may consider alternative actions to minimize any threat to public safety.

**Appendix 1
Title VI and Other Information**

The Tennessee Human Rights Commission (THRC) issues a report *Tennessee Title VI Compliance Program* (available on its website) that details agencies' federal dollars received, Title VI complaints received, whether each agency's Title VI implementation plan was filed in a timely manner, and any THRC findings taken on an agency. According to the THRC's fiscal year 2012 report (the most recent report available as of August 2013), the Department of Agriculture's Title VI implementation plan was received on October 10, 2011 instead of the October 1, 2011 due date. THRC's review of the Department of Agriculture's 2011 Title VI implementation plan had one noncompliance finding, that the department had not trained staff on Title VI during fiscal year 2011. The department responded that future training programs were expected to begin in November 2011. We found that Title VI training was provided at the department's 2013 employee meeting. THRC did not receive any Title VI complaints about the Department of Agriculture during fiscal year 2012.

The Department of Agriculture received \$17,265,900 in federal funding for fiscal year 2012 and an estimated \$11,601,400 in fiscal year 2013.

See below for a breakdown of Department of Agriculture staff by job title, gender, and ethnicity.

**Department of Agriculture
Staff by Job Title, Gender, and Ethnicity
As of June 30, 2013**

Job Title	Gender		Ethnicity					Total
	Male	Female	Asian	Black	Hispanic	Other	White	
Account Clerk	0	1	0	0	0	0	1	1
Accountant 2	2	1	0	0	0	0	3	3
Accounting Manager	1	0	0	0	0	0	1	1
Accounting Technician 1	0	2	0	0	0	0	2	2
Accounting Technician 2	0	1	0	0	0	0	1	1
Administrative Assistant 1	0	11	0	1	0	1	9	11
Administrative Secretary	1	12	0	2	0	0	11	13
Administrative Services Assistant 2	1	3	0	0	0	0	4	4
Administrative Services Assistant 3	1	3	0	0	0	0	4	4
Administrative Services Assistant 4	0	5	0	1	0	0	4	5
Agricultural Marketing Director	0	1	0	0	0	0	1	1
Agricultural Marketing Specialist 2	3	5	0	0	0	0	8	8
Agricultural Marketing Specialist 3	1	2	0	0	0	0	3	3
Agriculture Enforcement Officer	6	2	0	0	0	0	8	8
Agriculture Enforcement Officer Supervisor	1	0	0	0	0	0	1	1
Agriculture Laboratory Director	1	0	0	0	0	0	1	1

Job Title	Gender				Ethnicity			Total
	Male	Female	Asian	Black	Hispanic	Other	White	
Animal Health Technician	5	2	0	0	0	0	7	7
Apiary Inspector	1	0	0	0	0	0	1	1
Assistant Commissioner 1	3	1	0	0	0	0	4	4
Assistant Commissioner 2	1	0	0	0	0	0	1	1
Attorney 3	1	0	0	0	0	0	1	1
Auditor 2	3	0	0	1	0	0	2	3
Auditor 3	1	0	0	0	0	0	1	1
Auditor 4	0	1	0	0	0	0	1	1
Chemist 2	1	3	0	1	0	0	3	4
Chemist 3	2	1	2	1	0	0	0	3
Chemist 4	2	0	1	0	0	0	1	2
Clerk 2	0	3	0	0	0	0	3	3
Clerk 3	0	3	0	2	0	0	1	3
Commissioner 1	1	0	0	0	0	0	1	1
Commodity Administrator	0	1	0	0	0	0	1	1
Commodity Program Specialist	0	2	0	0	0	0	2	2
Computer Operations Manager 2	1	0	1	0	0	0	0	1
Data Processing Operator 1	0	1	0	0	1	0	0	1
Data Processing Operator 2	0	1	0	1	0	0	0	1
Deputy Commissioner 1	1	0	0	0	0	0	1	1
Entomologist	1	0	0	0	0	0	1	1
Environmental Assistance Program Manager 1	1	0	0	0	0	0	1	1
Environmental Program Manager 2	1	0	0	0	0	0	1	1
Environmental Specialist 3	7	1	0	0	0	0	8	8
Environmental Specialist 4	0	1	0	0	0	0	1	1
Equipment Mechanic 1	1	0	0	0	0	0	1	1
Executive Administrative Assistant 1	0	1	0	0	0	0	1	1
Executive Administrative Assistant 2	1	1	0	0	0	0	2	2
Executive Administrative Assistant 3	5	0	0	0	0	0	5	5
Executive Secretary 1	0	1	0	0	0	0	1	1
Facility Administrator 3	1	0	0	0	0	0	1	1
Feed, Seed, and Fertilizer Administrator	1	0	0	0	0	0	1	1
Fiscal Director	0	1	0	0	0	0	1	1
Food and Dairy Administrator	1	0	0	0	0	0	1	1
Food and Dairy Inspector 1	3	7	0	1	0	0	9	10
Food and Dairy Inspector 2	9	8	0	2	0	0	15	17
Food and Dairy Inspector 3	6	0	0	1	0	0	5	6
Food and Dairy Regional Supervisor	3	1	0	0	0	0	4	4
Food Manufacturing Administrator	2	0	0	0	0	0	2	2
Forester 2	9	0	0	0	0	0	9	9

Job Title	Gender				Ethnicity			Total
	Male	Female	Asian	Black	Hispanic	Other	White	
Forester 3	33	2	0	1	0	0	34	35
Forester-Assistant State	1	0	0	0	0	0	1	1
Forestry Aide 1	147	39	0	0	0	0	186	186
Forestry Aide 2	112	3	0	0	0	0	115	115
Forestry District Manager	4	0	0	0	0	0	4	4
Forestry Management Administrator	9	0	0	0	0	0	9	9
Forestry Program Specialist	11	2	0	1	0	0	12	13
Forestry Technician	59	0	0	1	0	0	58	59
General Counsel 1	0	1	0	0	0	0	1	1
GIS Analyst 2	1	0	0	0	0	0	1	1
Horticulturist	1	0	0	0	0	0	1	1
HR Analyst 3	0	1	0	0	0	0	1	1
HR Director 3	0	1	0	0	0	0	1	1
HR Manager 1	0	1	0	0	0	0	1	1
HR Technician 2	0	1	0	0	0	0	1	1
Information Resource Support Specialist 3	1	0	0	0	0	0	1	1
Information Resource Support Specialist 4	3	0	0	0	0	0	3	3
Information Systems Director	0	1	0	0	0	0	1	1
Laboratory Supervisor 1	1	0	0	0	0	0	1	1
Laboratory Technician 1	1	1	0	0	0	1	1	2
Laboratory Technician 2	2	1	0	1	0	0	2	3
Laborer	5	9	0	0	1	0	13	14
Livestock Market Specialist	1	0	0	0	0	0	1	1
Livestock Specialist	4	0	0	0	0	0	4	4
Mail Technician 1	1	0	0	1	0	0	0	1
Metrologist	1	0	0	0	0	0	1	1
Microbiologist 2	2	11	0	1	0	0	12	13
Microbiologist 3	2	1	0	0	0	0	3	3
Milk Rating Officer	1	0	0	0	0	0	1	1
Museum Curator	0	1	0	0	0	0	1	1
Museum Program Coordinator	0	2	0	0	0	0	2	2
Pesticides Administrator	0	1	0	1	0	0	0	1
Pesticides Inspector 2	20	3	0	1	0	0	22	23
Pesticides Inspector 3	7	1	0	1	0	0	7	8
Petroleum Products Administrator	1	0	0	0	0	0	1	1
Plant Administrator	1	0	0	0	0	0	1	1
Plant Inspector 1	1	0	0	0	0	0	1	1
Plant Inspector 2	8	3	1	0	0	0	10	11

Job Title	Gender		Ethnicity					Total
	Male	Female	Asian	Black	Hispanic	Other	White	
Plant Inspector 3	2	0	0	0	0	0	2	2
Plant Pathologist	0	1	0	0	0	0	1	1
Programmer/Analyst 3	1	0	0	0	0	0	1	1
Programmer/Analyst 4	3	0	0	1	0	0	2	3
Publications Editor 2	0	1	0	0	0	0	1	1
Radio Communications Technician 3	2	0	0	0	0	0	2	2
Regulatory Services Administration Manager	1	0	0	0	0	0	1	1
Secretary	0	7	0	1	0	0	6	7
Seed Analyst	1	1	1	1	0	0	0	2
Storekeeper 1	0	1	0	0	0	0	1	1
Vehicle Operator	1	0	0	0	0	0	1	1
Veterinarian Diagnostic Laboratory Director	1	0	0	0	0	0	1	1
Veterinarian Diagnostician	1	4	0	0	1	1	3	5
Veterinarian Staff	2	3	0	0	0	0	5	5
Veterinarian-State	1	0	0	0	0	0	1	1
Website Developer 1	1	0	0	0	0	0	1	1
Weights and Measures Administrator	1	0	0	0	0	0	1	1
Weights and Measures Inspector	20	0	0	0	0	0	20	20
Weights and Measures Regional Supervisor	3	0	0	0	0	0	3	3
Totals	575	194	6	26	3	3	731	769

Appendix 2 Performance Measures Information

As stated in the Tennessee Governmental Accountability Act of 2002, “Accountability in program performance is vital to effective and efficient delivery of governmental services, and to maintain public confidence and trust in government.” In accordance with this act, all executive-branch agencies are required to submit annually to the Department of Finance and Administration a strategic plan and program performance measures. The department publishes the resulting information in two volumes of *Agency Strategic Plans: Volume 1 - Five-Year Strategic Plans* and *Volume 2 - Program Performance Measures*. Agencies were required to begin submitting performance-based budget requests according to a schedule developed by the department, beginning with three agencies in fiscal year 2005, with all executive-branch agencies included no later than fiscal year 2012. The Department of Agriculture began submitting performance-based budget requests effective for fiscal year 2006.

Detailed below are the Department of Agriculture’s performance standards and performance measures, as reported in the September 2012 *Volume 2 - Program Performance Measures* (with updates to the actual fiscal year 2012 data reported in the state’s *2013-2014 Budget*). Also reported below is a description of the agency’s processes for (1) identifying/developing the standards and measures; (2) collecting the data used in the measures; and (3) ensuring that the standards and measures reported are appropriate and that the data is accurate.

325.01 Administration and Grants

Performance Standard 1

Improve water quality in Tennessee with federal funds made available by the Environmental Protection Agency (EPA) and approved in the 319 Management Program Document.

Performance Measure 1

Percent of available funds received from the EPA encumbered into grant contracts to address nonpoint source pollution, consistent with approved program management plans.

Actual (FY 2011-2012)	Estimate (FY 2012-2013)	Target (FY 2013-2014)
100%	100%	100%

The program’s intent is to award all available funds each year. The program’s grant analyst collects and tracks data continuously in a Department of Agriculture database.

Performance Standard 2

Maximize use of commodities allocated from the USDA in the School Nutrition Program.

Performance Measure 2

Percent of USDA’s School Nutrition commodity allocation received and distributed.

Actual (FY 2011-2012)	Estimate (FY 2012-2013)	Target (FY 2013-2014)
100%	100%	100%

This measure is designed to assess the percent of the School Nutrition commodity allocation (actual trucks of food) received from USDA that is distributed to recipient agencies (RAs), such as school districts, district cooperatives, or residential child-care agencies, who participate in the National School Lunch Program. One-hundred percent allocation on a timely basis is necessary to give RAs sufficient time to order food from the warehouses, with the 60-day free storage time included in the delivery charge paid directly to the warehouses. The measure is calculated by keeping records of the warehouse notifications, such as bills of lading, to document the date of notification to the RAs that the cases of food are now in their name and are available for ordering. Commodity Distribution staff responsible for tracking receipting and allocations regularly review the entire list of shipments for the local school year to ensure all are properly receipted and allocated.

325.05 Regulatory Services**Performance Standard 1**

Decrease the number of retail food stores scoring below target on routine inspections.

Performance Measure 1

Percent of retail food stores receiving a passing sanitation inspection score on routine inspections.

Actual (FY 2011-2012)	Estimate (FY 2012-2013)	Target (FY 2013-2014)
98.6%	98.0%	98.0%

This measure is designed to determine how well the Food Safety program is educating store owners on food safety and the effectiveness of regulatory efforts. The measure is calculated by dividing the number of routine retail food inspections with a score of 70 or above by the total number of routine retail food store inspections. Measures are calculated and reviewed by the program administrator, and calculations are reviewed for accuracy by the manager.

Performance Standard 2

Increase pesticide complaint investigations completed on target.

Performance Measure 2

Percent of pesticide-related consumer complaint investigations completed within the established guideline of 90 days.

Actual (FY 2011-2012)	Estimate (FY 2012-2013)	Target (FY 2013-2014)
64%	85%	85%

This measure is intended to determine how effectively and efficiently staff respond to potentially harmful pesticide practices. The measure is calculated by dividing the number of cases opened and completed within 90 days by the total number of cases opened and completed. Measures are calculated and reviewed by the program administrator, and calculations are reviewed for accuracy by the manager.

325.06 Market Development

Performance Standard 1

Increase production improvement opportunities for Tennessee farmers.

Performance Measure 1

Number of projects approved for agricultural enhancement core programs.

Actual (FY 2011-2012)	Estimate (FY 2012-2013)	Target (FY 2013-2014)
5,327	5,200	5,200

These projects are based on strategic investment in agriculture to enhance the long-term viability of Tennessee farmers. By tracking investments, the Department of Agriculture gets a measure of rural development activity in the state. The measurement is based on actual approved applications and investment as compared to performance goals. Measures are calculated and reviewed by the coordinator and are reviewed for accuracy by the manager.

Performance Standard 2

Encourage investments in Tennessee’s agri-economy.

Performance Measure 2

Amount of agri-industry investments facilitated by division’s activities.

Actual (FY 2011-2012)	Estimate (FY 2012-2013)	Target (FY 2013-2014)
\$78,500,000	\$30,500,000	\$31,000,000

Agribusiness and forestry business are recruited to increase farm income and enhance rural development activity. Staff also work with existing projects to provide new investments and job opportunities. The measure is based on numbers provided by the businesses, and measures are calculated and reviewed by the administrator and submitted quarterly to the manager for review.

325.08 Agricultural Resources Conservation Fund

Performance Standard

Improve water quality in Tennessee through the installation of best management practices, with funding provided through grant contracts.

Performance Measure

Percent of appropriated funds encumbered into grant contracts pursuant to Section 67-4-409(1), *Tennessee Code Annotated*, to abate nonpoint source water pollution from agricultural operations, consistent with program guidelines.

Actual (FY 2011-2012)	Estimate (FY 2012-2013)	Target (FY 2013-2014)
100%	100%	100%

This measure identifies that all available funds for grant projects are put into contracts for water quality improvement projects. The result is calculated by dividing the funds contracted by the available funds multiplied by 100. Program staff collect and track data continuously in a Department of Agriculture data system. The program manager and the assistant commissioner for Budget verify that the measure and calculations are accurate.

325.10 Forestry Operations**Performance Standard 1**

Reduce annual losses of forest resources and other assets due to wildfire.

Performance Measure 1

Average size of fires, in acres.

Actual (FY 2011-2012)	Estimate (FY 2012-2013)	Target (FY 2013-2014)
11.8	10.0	10.0

The Division of Forestry is responsible for controlling wildfires in Tennessee. The division's focus is on trying to control the size of the fires. The faster the division responds to a fire once detected, the fewer the acres burned and the fewer losses. The measure is calculated by the total acreage burned divided by the total number of fires. The Policy, Planning and Budget unit leader, in consultation with program experts, tabulates the data and evaluates it for reasonableness based on historical data.

Performance Standard 2

Increase participation through non-regulatory best management practices used in forestry to minimize the environmental impact of forest management activities.

Performance Measure 2

Number of loggers, landowners, and foresters trained in the use of best management practices.

Actual (FY 2011-2012)	Estimate (FY 2012-2013)	Target (FY 2013-2014)
531	600	600

The Division of Forestry uses a set of voluntary best management practices to reduce the negative impacts to water quality. The measure is calculated by counting the total number of people trained in best management practices. Staff who contact and train people in best management practices send data to the water quality specialist, who collects the data monthly.

325.11 Forestry Maintenance

Performance Standard

Utilize available funds for needed maintenance.

Performance Measure

Percent of available funding used for facilities and communications maintenance.

Actual (FY 2011-2012)	Estimate (FY 2012-2013)	Target (FY 2013-2014)
85.3%	95%	95%

The Division of Forestry has scores of buildings that it maintains, many of which were built in the 1950s, and it is important to use maintenance money effectively and in a timely manner. The expenditure data is taken directly from Edison, and the measure is calculated by dividing maintenance expenditures by maintenance funds allocated multiplied by 100.

325.12 Grain Indemnity Fund

Performance Standard

Reimburse administrative costs.

Performance Measure

Percent of administrative costs recovered.

Actual (FY 2011-2012)	Estimate (FY 2012-2013)	Target (FY 2013-2014)
100%	100%	100%

This measure ensures that the administrative costs of overseeing the Grain Indemnity Program (including auditing and clerical functions) are supported 100% by the Grain Indemnity Fund. Expenditure reports are run in Edison quarterly, and eligible expenses are transferred to be paid by the Grain Indemnity Fund. The Regulatory Services auditor and the Assistant Commissioner for Regulatory Services review the data associated with the performance measure.

325.14 Certified Cotton Growers' Organization Fund

Performance Standard 1

Maintain boll-weevil-free status.

Performance Measure 1

Percent of Tennessee cotton fields that are boll-weevil-free.

Actual (FY 2011-2012)	Estimate (FY 2012-2013)	Target (FY 2013-2014)
100%	100%	100%

This measure gauges the effectiveness of the boll weevil eradication program in safeguarding the state against the migration of boll weevils back into Tennessee. Field personnel

with the Southeastern Boll Weevil Eradication Foundation collect the data, and the measure is calculated by dividing the number of weevil-free fields by the total number of cotton fields.

Performance Standard 2

Maintain collection of assessments.

Performance Measure 2

Percent of assessments collected.

Actual (FY 2011-2012)	Estimate (FY 2012-2013)	Target (FY 2013-2014)
97.4%	100%	100%

An assessment on cotton growers fully funds the program. The percent of assessments collected is calculated by dividing the assessments collected by the total assessments due. The Assistant Commissioner of Administration and Grants reviews the data, and a private firm audits the program as well.

325.16 Agricultural Regulatory Fund

Performance Standard

Maximize work-plan expenditures funded with Agricultural Regulatory Fund dollars.

Performance Measure

Percent of work-plan estimated expenditures transferred at year-end.

Actual (FY 2011-2012)	Estimate (FY 2012-2013)	Target (FY 2013-2014)
100%	100%	100%

This measure is designed to assess the maximum utilization of the funds that are available to improve the covered programs by identifying and/or increasing eligible expenses. The measure is calculated using the percent of eligible expenses that the Agricultural Regulatory Fund will support on an annual basis. Expenditure reports are run in Edison quarterly and eligible expenses are transferred to be paid from the Agricultural Regulatory Fund. The Regulatory Services auditor and Assistant Commissioner for Regulatory Services review the data and measure for accuracy.