

Agency Name	Department of Agriculture Markets, and Food
Audit Name	Financial Audit Report
Audit Period	July 2016 ended March 31, 2017 (Nine Months)
Status Report Date	June 14, 2023

Summary of Audit Observations/Findings					
Number	Observation Title	Status [place X in status column]			
		Unresolved	Partially Resolved	Substantially Resolved	Fully Resolved
1.	<i>EXAMPLE: No Formal Risk Assessment over XYZ program</i>			X	
1.	Centralize Business Functions				x
2.	Establish Policies And Procedures For The Reconciliation Of Financial Activity			x	
3.	Encourage Manufacturers To Improve Compliance With Product Registration Requirements			x	
4.	Review The Apparent Causes For A Decrease In Licensing Revenues			x	
5.	Strengthen Controls Over The Animal Population Control Program			x	
6.	Review Responsibility For The Collection Of Animal Population Control And Veterinary Diagnostic Lab Fee				x
7.	Establish Policies And Procedures For Preparing And Supporting Draws Of Federal Grant Funds			X	
8.	Secure Documentation Containing Personally Identifiable Information			x	
9.	Conduct Annual Job Performance Evaluations For All Full-Time Classified Employees				x
10.	Review The Plans And Expectations For The Operation Of The Milk Producers Emergency Relief Fund Program	x			

11.	Establish Policies And Procedures For The Operation Of The State's Building At The Big E		x		
12.	Monitor And Remind Board Members Of Statement Of Financial Interests Filing Requirements				x
13.	Prepare And Submit A Current IT Plan				x
14.	Adopt Statutorily Required Rule		x		
15.	Comply With Statutory Reporting Requirements			x	
16.	Comply With SCBG Program Requirements				x

EXAMPLE Observation 1: No Formal Risk Assessment over XYZ program

Summary of Finding: *Agency has not performed a formal risk assessment. An effective assessment is the foundation for developing and implementing effective internal controls to eliminate, mitigate or otherwise manage identified risks.*

Current Status: *Substantially Resolved. Agency in connections with DAS, utilized the Internal Control Toolkit and performed a formal risk assessment. The next step is to implement new processes and controls to minimize the identified risks. Completion Date estimated: August 2019*

Observation 1: Centralize Business Functions

Summary of Finding: The revenue collection process for several divisions within the Department does not minimize the handling of receipts, increasing the risk that revenue items may become lost, misplaced, misdirected, or otherwise not deposited timely or intact.

Current Status: Procedures are in place that all payments are processed the same day received, restrictively endorsed, and separated for deposit.

Substantially Resolved. Additional personnel in the Division have been trained to process checks in NHFirst, as well as trained on the timeline for receipt and processing of checks. When checks are received in the Division, one of two trained people is able to process license applications and process checks concurrently. There is no passing of checks between personnel. Checks are delivered to the Main Office on the same day as the information is entered into NHFirst. This should also reduce the time between receipt and deposit of checks.

Observation 2: Establish Policies And Procedures For The Reconciliation Of Financial Activity

Summary of Finding: The Department does not have policies and procedures or a process in place for the regular reconciliation of business activity recorded in its business information technology (IT) systems to revenues collected from that activity as recorded in the State's accounting system, NHFirst. Reconciliations of business activity are important controls to help ensure that financial activity is accurately recorded.

Current Status: The Department continues to work on improving the IT system to allow for reconciliation.

Business Office staff is now fully staffed and full-time employees. Continue to develop a process.

Observation 3: Encourage Manufacturers To Improve Compliance With Product Registration Requirements

Summary of Finding: The Department's process for monitoring and enforcing product registrations is inefficient and ineffective.

Current Status: Substantially Resolved. Product observation activity reviewed. Marketplace inspections activity reviewed. Important to note that "new" manufacturers can offer products ignorant or willfully non-compliant of regulation and will always pose a challenge to product registration, therefore, it is unlikely this concern can be fully resolved.

Solutions toward improving registration compliance have progressed through many steps. Each step is driven by limitations in reasonable requests for financial increases to the Department of Regulatory Services budget, training, full review of program processes, staff turnover, creation of an additional staff position, and limitations implicit in working within two-year budget cycles.

Observation 4: Review The Apparent Causes For A Decrease In Licensing Revenues

Summary of Finding: The Department should also review its internal policies and procedures and processes to determine whether revisions are required to increase compliance with licensing statutes. The Department should review the continued effectiveness of its information system and the system's capacity to identify and notify noncompliant device owners/operators of devices.

Current Status: The revenue received for the licensing of commercial devices has increased since the audit was conducted. Having all staff positions filled has benefitted us significantly.

Prior to 2015, we were able to use the database to email past due notices to non-compliant businesses, but we are no longer able to do that. Our licensing database was produced for us in 2005 by prisoners from the state prison. In 2015 there was a breach at the prison and all IT support was eliminated and none of our forms could be changed since the state's IT department does not support FoxPro.

The Division of Weights and Measures understands the need to collect the required funds for all the commercially used weighing and measuring devices. Our staff is exceptional at utilizing available reports to follow-up on any non-compliance. We are still in need of a robust information system that has the capability to identify and notify non-compliant businesses.

Observation 5: Strengthen Controls Over The Animal Population Control Program

Summary of Finding: Weaknesses in in the Department's Animal Population Control Program (Program) processes increase the risk that the Program will not operate as intended by the Department.

Current Status:

- APCP segregation of duties is still an issue but may be close to resolution. The department is not able to commit division staff time (or to use GF funds to pay a non-APCP employee) to work on APCP tasks when department tasks still go undone. After years of requests, the APCP recently received approval to create a P/T position which should help segregate some of the reviews. The new hire will begin in mid-June.
- Timely access to documentation still could be an issue. Annually, APCP receives ~5000 applications, with multiple attached documents to each. These are typically all delivered (and stored) in hard copy with pertinent details entered into an Access database for quick reference. Staff time does not exist to create some 'more efficient' system as contemplated by the auditor. An electronic system is the solution, but it is very expensive to convert to electronic system so requires new monies. That is a legislative issue that has finally been solved after many years. Once all department divisions are using electronic record management, it would be wise to move APCP in that direction, too.

Observation 6: Review Responsibility For The Collection Of Animal Population Control And Veterinary Diagnostic Lab Fees

Summary of Finding: The Department has not established policies and procedures intended to prompt local governments to make timely and accurate payment of animal control fees to the Department. The lack of policy guidance has likely contributed to inconsistent and untimely payment of animal control fees to the Department.

Current Status:

- Re. collection of fees. "The Department should ensure its administrative rules clearly implement the statutory direction, including establishing dates that the animal population control fee and veterinary diagnostic lab fee are due to be paid to the Department. The Department should establish policies and procedures for a process to accurately monitor the timeliness and accuracy of the amounts paid by the cities and towns, and to respond when payments appear inaccurate or delinquent."
 - Statute and rule are adequate to achieve DAMF "responsibilities for the collection of animal population control and veterinary diagnostic lab fee". The auditor implies certain obligations that he conceived rather than anything established by the Legislature when it created this program.
 - It remains impossible to put a mandatory date on submission of fees or any verification that amounts submitted. Even municipalities have no realistic means of knowing whether every dog in town is currently licensed and extending that unrealistic expectation to the APCP is absurd. Hypothetically, if no dogs are licensed by a municipality, no payment would be due. As such, payment deadlines or verification of amounts, as suggested by the auditor, are still an unrealistic idea. Rather, since dog licensing occurs in April and May, APCP reminders are sent to municipalities from which no payment has been received by August 1, allowing the municipality to self-validate.

Observation 7: Establish Policies And Procedures For Preparing And Supporting Draws Of Federal Grant Fund

Summary of Finding: The Department has not established policies and procedures for preparing and supporting draws of federal grant funds. During the nine months ended March 31, 2017, the Department reported that draws on federal grants were performed at the discretion of division directors with guidance from the Department's business office. Untimely draws were identified.

Current Status: It is the best practice of the department to request draws on Federal Grants once a month.

Partially resolved. USDA has implemented a new grant monitoring program, ezFedGrants, that facilitates better submission and tracking of grant claims. USDA allows claims to be submitted for a period following the close of the agreement in order to ensure that all allowed expenses are billed to the correct Cooperative Agreement and because there are expenses that are delayed in showing up on the DTRs provided by the state. The Division faces challenges in billing to federal grant programs. The primary challenge is that one FTE is paid from several different federal grants drawing from different state AUs. Determining the percentage of salary and benefits that should be charged to each AU is not a straightforward process. NHFirst does not do this successfully. Nor does it allow us to charge the hours that are itemized for different activities to different AUs. Benefit and post-retirement benefit rates change periodically without notification to our level. It is challenging to ensure accurate billing of salary and benefits to the appropriate federal grant. We believe we do this successfully, but not easily. Delays in timeliness are due to efforts to achieve accuracy. The other challenge is that many activities are seasonal such that no draws are made on accounts for periods of time, and then draws come in concurrent with the biological life cycle of the target pests for that year. It makes quarterly claims challenging because, with the notable exception of CAPS Infrastructure dollars, expenses do not accrue on a quarterly basis.

Process reviewed and improvements made, including more frequent reminders to request reimbursement. The challenge is limited staffing to prepare and to request reimbursement. Initially, that is, following the finding, the concern was substantially resolved, but given the loss of staff, the replacement of staff with "new" staff, and the demands on existing staff, the resolution is closer to partially resolved than substantially resolved at this point. However, the effort is on-going toward full resolution.

Observation 8: Secure Documentation Containing Personally Identifiable Information

Summary of Finding: Individuals applying for program benefits regularly submit copies of drivers' licenses, food stamp cards, bank statements, and other information to document their eligibility for program benefits. This information regularly includes social security numbers, birthdates, and other applicant PII. The Department has not established policies and procedure to ensure that PII collected by the Department is appropriately safeguarded against disclosure.

Current Status: Documents are secured in locked filing cabinets and employees participate in monthly training to protect Personal identifiable Information.

Observation 9: Conduct Annual Job Performance Evaluations For All Full-Time Classified Employees

Summary of Finding: The Department did not consistently comply with RSA 21-I:42, III and N.H. Admin. Rules, Per 801.06 (a), which require each full-time classified State employee to be provided an annual performance evaluation. Annual performance evaluations are generally completed prior to an employee's anniversary date, in order for the evaluation to be considered in any pay increase (increment) decisions.

Current Status: The Department has entered into an MOU with the Division of Personnel who oversees the majority of the HR functions which includes notification of annual performance evaluations due.

Observation 10: Review The Plans And Expectations For The Operation Of The Milk Producers Emergency Relief Fund Program

Summary of Finding: The Department has not fully addressed its responsibilities described in RSA 184:107 related to the Milk Producers Emergency Relief Fund (Fund).

Current Status: Unresolved

Observation 11: Establish Policies And Procedures For The Operation Of The State's Building At The Big E

Summary of Finding: The Department has not established an effective review and approval control over its operation of the State's Eastern States Exposition (Big E) building in Springfield, Massachusetts. One Department employee has broad authority for the operation of the building, without any policies and procedures having been established to provide controls to that operation.

Current Status: Partially Resolved. The Division of Agricultural Development is in the process of compiling its various written policies, some of which currently exist on the Department website, referenced in the audit recommendations and creating new documents for those policies and procedures that need attention. Combining existing policies from many documents into one set of policies and procedures will address the findings of this audit observation.

Observation 12: Monitor And Remind Board Members Of Statement Of Financial Interests Filing Requirements

Summary of Finding: Not all members of boards associated with the Department filed timely Statements of Financial Interests (Statement). According to the Department, it does not have a process to monitor whether required Statements are filed with the Secretary of State.

Current Status: Board Administrators are responsible for disbursing the required forms and following up on the New Hampshire Secretary of State's website for board members compliance.

The reminder process was enhanced by increasing the frequency of reminders including identifying the need to file on the Board's end of year agenda. Since the finding there are, at a minimum, three reminder events.

Observation 13: Prepare And Submit A Current IT Plan

Summary of Finding: The Department did not have a current, complete, and approved information technology (IT) plan in place at March 31, 2017

Current Status: Department of Agriculture has an updated IT Plan.

Observation 14: Adopt Statutorily Required Rule

Summary of Finding: The Department is not in compliance with certain statutes requiring the adoption of administrative rules. The Department has allowed certain rules to expire, and other rules have not been maintained to ensure they remain in compliance with changes in statutes.

Current Status: New Part-Time Hearings Officer position has established. Part of the responsibilities of this position is to assist Department Directors with bringing Administrative Rules into compliance. This position is new as of Fiscal Year 2023 and position was filled March 31, 2023.

Observation 15: Comply With Statutory Reporting Requirements

Summary of Finding: The Department is not in compliance with numerous statutory-based reporting requirements. Certain statutes require the Department to issue reports. The Department, during the audit period, was not current

Current Status: Fully resolved. The Division of Plant Industry compiles an annual report on the activities of all functions of the Division each year. It is completed before the first week of April and provided to the Commissioner of Agriculture and placed on the Division's website. This report includes the Apiary Inspection report.

Partially Resolved: Division of Pesticides Control The training program was established without addition of staff to run the training concurrent with an increase of overall activity including number of licensees and environmental permitting requirements. As a result, training activity is reported through other reports, including federal reporting and annual Board activity reporting.

The Agricultural Nutrient Management Program (ANM), the latest round of funding for which was \$132,667 in 2019, was in large part funded via a federal grant through the USDA NRCS (USDA-NRCS No. 68-1428-17-010). Final grant blocks were released in 2022. The ANM Program is currently on hold pending additional funding provisions via legislation and/or grant monies.

Observation 16: Comply With SCBG Program Requirements

Summary of Finding: It is not clear that the Department is in compliance with certain federal administrative requirements for the Department's operation of the Federal Specialty Crop Block Grants (SCBG) program. In administering Federal grant awards, the Department must follow the general terms and conditions for the grants as well as any additional requirements.

Current Status: Fully Resolved. To address the observations found in the audit, Division of Agricultural Development developed and implemented an Action Plan. This plan used a risk-based systematic approach to monitor projects and ensure that funds provided to subrecipients are being used as intended and in accordance with the terms and conditions of the grant agreements, and in accordance with 2 CFR § 200.