

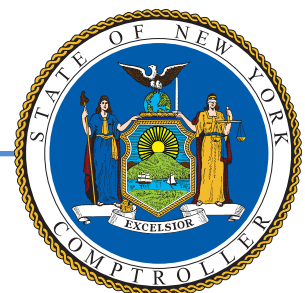
Department of Agriculture and Markets

Oversight of the Farm-to-School Program

Report 2020-S-9 | January 2021

OFFICE OF THE NEW YORK STATE COMPTROLLER
Thomas P. DiNapoli, State Comptroller

Division of State Government Accountability



Audit Highlights

Objective

To determine if the Department of Agriculture and Markets is adequately overseeing the Farm-to-School Program to ensure funds are used as intended and program goals are achieved. The audit covers the period January 1, 2016 through October 20, 2020.

About the Program

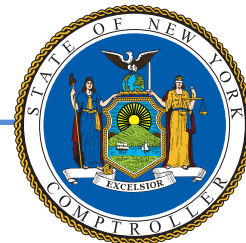
The mission of the Department of Agriculture and Markets (Department) is to promote the State's agriculture and its high-quality and diverse products; foster agricultural environmental stewardship; and safeguard the State's food supply, land, and livestock. New York's Farm-to-School Program (Program) was established to increase school districts' and individual schools' purchase of local specialty crops by developing existing strengths while building additional relationships between schools. The Program is intended to connect schools with local farms and food producers, strengthen local agriculture, improve student health, and promote regional food system awareness. By providing financial assistance to develop programs, schools should be better positioned to purchase food from State farms. From January 2016 to February 2020, the Department entered into 45 Program contracts totaling \$4.2 million with 34 different entities. During this period, the Department reimbursed recipients over \$2.6 million for Program expenses such as salary for Program coordinators, consulting services for safety or food service, and a variety of equipment for food preparation (e.g., fruit and vegetable slicers) and storage (e.g., commercial refrigerators).

Key Findings

We found the Department needs to improve monitoring of both Program expenditures and recipient performance to ensure recipients use funds as intended and achieve Program goals. We generally attribute these findings to a breakdown in monitoring functions as well as a lack of policies and procedures to guide staff on Program monitoring. We reviewed 21 (of 45) Program contracts totaling approximately \$2.27 million, of which \$1.71 million had been expended as of February 2020. We found about \$1.17 million (68 percent) in expenses for 17 contracts either lacked sufficient documentation to support expenses paid or were not authorized under the contract. Further, 19 of the 21 contracts we reviewed had missing, late, and/or incomplete quarterly progress reports. These reports are designed to track the recipient's progress and are a critical tool in determining whether contractors are performing as they should. Therefore, the Department's ability to monitor and ensure contractors are performing as required, including meeting terms of the contracts and goals of the Program, is reduced.

Key Recommendations

- Develop policies and procedures to provide guidance on what documentation should be maintained for contract reimbursement and monitoring of contract terms and conditions.
- Take appropriate action to investigate and recover, where applicable, the \$1,169,243 in unsupported, insufficiently supported, and unauthorized Program reimbursements.



**Office of the New York State Comptroller
Division of State Government Accountability**

Mr. Richard Ball
Commissioner
Department of Agriculture and Markets
10B Airline Drive
Albany, NY 12235

Dear Commissioner Ball:

The Office of the State Comptroller is committed to helping State agencies, public authorities, and local government agencies manage their resources efficiently and effectively. By so doing, it provides accountability for the tax dollars spent to support government operations. The Comptroller oversees the fiscal affairs of State agencies, public authorities, and local government agencies, as well as their compliance with relevant statutes and their observance of good business practices. This fiscal oversight is accomplished, in part, through our audits, which identify opportunities for improving operations. Audits can also identify strategies for reducing costs and strengthening controls that are intended to safeguard assets.

Following is a report of our audit entitled *Oversight of the Farm-to-School Program*. This audit was performed pursuant to the State Comptroller's authority under Article V, Section 1 of the State Constitution and Article II, Section 8 of the State Finance Law.

This audit's results and recommendations are resources for you to use in effectively managing your operations and in meeting the expectations of taxpayers. If you have any questions about this report, please feel free to contact us.

Respectfully submitted,

Division of State Government Accountability

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Glossary of Terms

Term	Description	Identifier
Department	Department of Agriculture and Markets	<i>Auditee</i>
Guide	New York State Guide to Financial Operations	<i>Guidance</i>
Program	New York's Farm-to-School Program	<i>Key Term</i>
Progress Reports	Quarterly narrative reports	<i>Key Term</i>

Background

The mission of the Department of Agriculture and Markets (Department) is to promote the State's agriculture and its high-quality and diverse products; foster agricultural environmental stewardship; and safeguard the State's food supply, land, and livestock. New York's Farm-to-School Program (Program) was established to increase school districts' and individual schools' purchase of local specialty crops by developing existing strengths while building additional relationships between schools. The Program is intended to connect schools with local farms and food producers, strengthen local agriculture, improve student health, and promote regional food system awareness. By providing financial assistance to develop programs, schools should be better positioned to purchase food from State farms.

The Department, through its Food and Nutrition Unit, oversees the Program. In cooperation with the State Education Department, the Department facilitates and provides financial assistance to promote the purchase of State farm products by schools, universities, and other educational institutions (e.g., K-12 school authorities, charter schools, not-for-profit organizations, and tribal organizations). The Department competitively awards grant funding to schools for projects based on several factors including reasonableness of cost, project benefits, and plans of work. Each project is divided into objectives and tasks, each of which must be accompanied by one or more performance measures. The Department uses the performance measures to determine the success of each project. For example, recipients may use funds to hire farm-to-school coordinators whose responsibilities may include connecting local farms to their school. In such cases, the performance measure would be whether a coordinator was hired and their responsibilities were clearly established. The types of projects vary under the Program, but may be used by schools for Program coordinator salaries, consulting services for safety or food service, and a variety of equipment for food preparation (e.g., fruit and vegetable slicers) and storage (e.g., commercial refrigerators).

In addition to awarding competitive grants, the Department's budget dedicated separate funding directly to a single not-for-profit organization to develop Program initiatives that will help schools purchase more food from local farmers. The funding, which ended in 2019, was meant to cover the not-for-profit's Program personal and non-personal services and included reimbursement to covered school districts for school meals ranging from \$0.05 to \$0.25 (per meal) based on the use of local ingredients.

Each grant recipient enters into a contract with the Department for eligible projects, which align to the goals of the Program. The contract defines the terms, conditions, and recipient responsibilities. The Department approves a work plan and budget for the project, which the recipient must follow. The Department may authorize changes to the contract (e.g., to the budget), but the modifications must be mutually agreed upon and documented in writing.

Recipients submit reimbursement requests for expenses and narrative reports (progress reports) on a quarterly basis. Recipients should submit these reports regardless of whether they have a quarterly reimbursement request or not. These reports summarize the services rendered during the quarter and should detail how

the recipient has progressed toward attaining the goals listed in the contract's work plan. All goals and objectives of the project, discussion of problems encountered, and steps taken to resolve them should also be addressed in these reports.

Reimbursement requests should include complete and accurate billing invoices with all supporting documentation. The New York State Guide to Financial Operations (Guide), which outlines the statewide accounting policies, procedures, and related mandates, states that agencies should obtain enough information to provide assurance that contractors (recipients) delivered goods and/or services as expected. Further, the Guide states every agency should have a process to monitor and evaluate contractor performance to determine whether they deliver goods and services in accordance with the contract terms and other requirements. Managers should identify and understand all contractor requirements. Effective contract monitoring helps ensure agencies get what they need, provides a basis for payment, supports programmatic objectives, and helps reduce the risk of fraud and waste.

Lastly, recipients are required to submit a final report after the end of the contract. The recipient must submit the final report no later than 60 days after the end of the contract and prior to receiving final payment. The report should address all aspects of the Program and detail how recipients used funds to achieve the goals set forth in the contract's work plan.

From January 2016 to February 2020, the Department entered into 45 Program contracts totaling \$4.2 million with 34 different entities. During this period, the Department reimbursed recipients over \$2.6 million for Program expenses.

Audit Findings and Recommendations

We found the Department needs to improve monitoring of both Program expenditures and recipient performance to ensure recipients use funds as intended and achieve Program goals to connect schools with local farms and food producers, strengthen local agriculture, improve student health, and promote regional food system awareness. We generally attribute our findings to a breakdown in monitoring functions, staff turnover, and a lack of policies and procedures to guide staff on Program monitoring.

Program Spending

We found the Department needs to improve controls for monitoring Program expenditures to ensure they are appropriate and that recipients are meeting contract expectations as described in the work plans. Since the Department does not adequately ensure expenses meet contract requirements, the ability to monitor the Program's success is limited because contract terms, including spending requirements, are directly tied to the goals of the Program. We reviewed 21 (of 45) Program contracts totaling approximately \$2.27 million, of which \$1.71 million had been expended as of February 2020. We found about \$1.17 million (68 percent) in expenses for 17 contracts either lacked sufficient documentation to support expenses paid or were not authorized under the contract. For a majority (52 percent, or \$609,000) of the \$1.17 million, the Department had no documentation for the expenses – further, most of these unsupported expenses (87 percent, or \$528,000) had been paid to a single recipient. The remaining expenditures (32 percent or \$543,000) of the \$1.71 million were appropriate and sufficiently supported. The following diagram illustrates these findings in detail:

Program Expenditures With Exceptions

\$1,169,243 (68%)

Unsupported
\$609,024 (52%)

Department did not receive any supporting documentation (e.g., invoices, receipts, checks, bank statements, and pay stubs) for expenses paid.

Most of the expenditures were reimbursements to a single recipient for \$528,643. The recipient stated the majority of these reimbursements (\$380,259) were for contractual services.

Insufficiently Supported
\$470,530 (40%)

Department received insufficient evidence (e.g., invoices, receipts, checks, bank statements, and pay stubs) for expenses paid.

More than half of the expenditures (\$237,755) were salary reimbursements for 12 contracts. The recipients did not provide support that the expenses were paid to employees.

Unauthorized
\$89,689 (8%)

Department approved payments for expenditures that exceeded allotted budgeted amounts or were not agreed upon in the contract.

A significant amount of this total (37 percent, or \$33,123) was inappropriately reimbursed to a single recipient for unauthorized salary and travel expenses.

We generally attribute these findings to a breakdown in monitoring functions necessary to safeguard State assets from fraud, waste, and abuse as well as to ensure that recipients use funds to achieve Program goals. Additionally, there are no written policies and procedures (aside from the Guide) to inform staff as to what constitutes appropriate support for contract payments. Three staff are assigned to monitor the Program; however, there has been turnover with those positions during the scope of our audit (January 2016 through October 2020). This turnover, coupled with a lack of written policies and procedures, may have contributed to a lack of monitoring efforts.

Performance Reporting

The breakdown in monitoring functions similarly caused weaknesses in oversight of the recipient contract performance. Progress reports are designed to track recipient

progress and are a critical tool in determining whether recipients are performing as they should, including meeting terms of the contracts and goals of the Program.

Of the 21 contracts we reviewed, 19 had missing, late, and/or incomplete quarterly progress reports. For example, one contractor submitted two reports, each covering a one-year period, instead of the required eight quarterly reports. While the reports covered the same two-year period as the required quarterly reports, the delay in submission limits the Department's ability to monitor and ensure the contractor is performing as required throughout the contract's life. Additionally, 12 of the 21 contracts we reviewed had ended and required the recipient to submit a final report. However, 8 of the 12 final reports were late or incomplete.

We found evidence that Department officials communicated reporting requirements when contracts began, but did not always follow up or document follow-up when recipients failed to meet reporting requirements. For 17 of the 19 contracts with missing, late, and/or incomplete reports, we did not find evidence that Department officials followed up with recipients. Department officials explained that it is common for them to verbally follow up with recipients, which they do not always document. They stated they plan to document these verbal follow-ups in the future.

Recommendations

1. Develop written policies and procedures to provide guidance on what documentation should be maintained for contract reimbursement and monitoring of contract terms and conditions.
2. Take appropriate action to investigate and recover, where applicable, the \$1,169,243 in unsupported, insufficiently supported, and unauthorized Program reimbursements.

Audit Objective, Scope, and Methodology

The objective of our audit was to determine if the Department was adequately overseeing the Farm-to-School Program to ensure funds were used as intended and program goals were achieved. The audit covers the period January 1, 2016 through October 20, 2020.

To accomplish our objective, we first identified the population of Farm-to-School Program contracts effective between January 1, 2016 and February 4, 2020. We used data from the Statewide Financial System and the Department to corroborate and ultimately identify the population of 45 Program contracts with 34 different entities totaling \$4,224,015, of which \$2,644,896 was expended by February 4, 2020

We judgmentally sampled 21 contracts awarded to 18 different entities, totaling \$2,275,448, of which \$1,712,601 was expended. While we selected the 21 contracts primarily based on those with the most expenditures, we also considered the amount awarded, the year the contract started or ended, and the recipient. We requested and reviewed the files of the 21 sampled recipients. These files included the physical contracts, quarterly progress reports, final reports, expenditure reports, and other supporting documentation. We also reviewed correspondence between the recipients and the Department. We examined the Department's internal controls and assessed their adequacy as they related to our objective. We reviewed applicable policies, procedures, laws, and regulations, and interviewed Department staff responsible for managing the Program. The results from our sample cannot be used to project our conclusions across the population as whole.

Due to the emerging COVID-19 pandemic in March 2020, our ability to travel and conduct in-person audit work at recipient locations was limited. Therefore, we were unable to physically visit any of the recipients to further determine if the reimbursements were appropriate, instead relying largely on supporting documentation received by the Department from recipients and other corroborating evidence, where possible, to support our audit findings.

Statutory Requirements

Authority

This audit was performed pursuant to the State Comptroller's authority under Article V, Section 1 of the State Constitution and Article II, Section 8 of the State Finance Law.

We conducted our 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 objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

In addition to being the State Auditor, the Comptroller performs certain other constitutionally and statutorily mandated duties as the chief fiscal officer of New York State. These include operating the State's accounting system; preparing the State's financial statements; and approving State contracts, refunds, and other payments. These duties may be considered management functions for purposes of evaluating organizational independence under generally accepted government auditing standards. In our opinion, these functions do not affect our ability to conduct independent audits of program performance.

Reporting Requirements

A draft copy of the report was provided to Department officials for their review and comment. Their comments were considered in preparing this final report and are attached in their entirety to the end of it, along with our own State Comptroller's Comments addressing certain Department statements where they disagreed with certain statements in the report. In general, Department officials agreed with our recommendations and indicated actions they would take to implement them.

Within 180 days after final release of this report, as required by Section 170 of the Executive Law, the Commissioner of the Department of Agriculture and Markets shall report to the Governor, the State Comptroller, and the leaders of the Legislature and fiscal committees, advising what steps were taken to implement the recommendations contained herein, and where recommendations were not implemented, the reasons why.

Agency Comments



**Agriculture
and Markets**

ANDREW M. CUOMO
Governor

RICHARD A. BALL
Commissioner

December 24, 2020

Mr. Brian Reilly, Audit Director
Office of the State Comptroller
Division of State Government Accountability
110 State Street 11th Floor
Albany, New York 12236-0001

**New York State Department of Agriculture and Markets
Response to Draft Audit Report 2020-S-9– Oversight of the Farm-to-School Program.**

Dear Mr. Reilly,

The New York State Department of Agriculture and Markets (Department) has reviewed the Office of the New York State Comptroller's (OSC) findings titled "Oversight of the Farm-to-School Program" dated December 2020 and, by this letter, responds to OSC's findings and recommendations.

Department responses to the State Comptroller's recommendations can be found below.

Recommendations:

1) Develop policies and procedures to provide guidance on what documentation should be maintained for contract reimbursement and monitoring of contract terms and conditions.

The Department has taken action to enhance documented policies and procedures and increase written guidance on how to monitor and approve contract reimbursement. Specifically;

- A team has been created within the Division Agriculture and Development (Ag Dev) specializing in the contract process and claims review procedures. This team is documenting Standard Operating Procedures (SOP) that will be utilized to assist Program Managers in processing claim reimbursement requests.
- Templates have been developed to standardize communication and requests with vendors to ensure accurate and adequate documentation is obtained prior to authorizing payment.
- A performance report tracking system across all Farm-to-School contracts has been implemented.

2) Take appropriate action to investigate and recover, where applicable the \$1,169,243 in unsupported, insufficiently supported and unauthorized Program reimbursements:

- Of the \$1,169,243, \$121,405.37 was supported with an invoice provided by the vendor. An invoice represents an obligation to pay, it has not been the Departments policy to

[Comment 1](#)

require a receipt in addition to the invoice, however per OSC position we will ensure additional supporting documentation is obtained in the future.

- Of the \$1,169,243 OSC classified \$89,689.37 as an “unauthorized” expense.
 - i. Of the \$89,689.37 classified as unauthorized, \$41,057.99 relates to contract #C00064GG. The Department disagrees with this classification as an unauthorized expense.

The contract allotted payment for a coordinator position and this specific contract included the coordinators name. The person who fulfilled this role became terminally ill and passed away. As a result, the vendor had two employees’ step in to fulfil the coordinator role. The Department provided verbal authorization and ensured the salaries were accurate documented, supported and aligned with the contract terms.

[Comment 2](#)

The Department acknowledges that we could have updated the contract to reflect the change in personnel due to extenuating circumstances, however, the classification of this as an unauthorized expense is misleading and inaccurate.

- ii. OSC indicated payments totaling \$33,122.75 of contract C00205GG was “unauthorized”. The Department disagrees with this classification.

[Comment 3](#)

As a result of illness, the initial vendor was unable to perform the agreed-upon services. As a result, a contractor was hired to fulfil the requirements of the contract. The contract was ultimately modified to reflect the use of a contractor rather than a salaried employee. While we admit the amendment was not completed timely; to insinuate the payment wasn’t authorized isn’t accurate. The services performed were in line with the objectives, tasks and performance measures of the contract.

- iii. All expenditures OSC noted as “unauthorized” do not need to be recovered, as they are legitimate expenses under the contracts. Going forward, we will ensure adequate documentation is maintained on site.

[Comment 4](#)

- Prior to authorizing payment, the Division of Agriculture and Development leadership team will examine claims for payment to ensure all required documentation is obtained prior to payment.
- A performance report tracking system across all Farm-to-School contracts is being implemented. Vendors will be reminded that payment will not be processed unless the report is received and accepted prior.

Conclusion

As a result of the audit findings, we have enhanced our documented polices and procedures and increased training. In addition, internal controls have been enhanced to ensure required documentation is obtained, examined and maintained in accordance with the NYS Guide to Financial Operations prior to authorizing payments.

Sincerely,

Stephen McGrattan
First Deputy Commissioner

State Comptroller's Comments

1. While an invoice might represent an obligation to pay at a point in time, it is not sufficient to support that a payment has been made and due reimbursement.
2. The Department did not provide us specifics of the situation with this contractor, and there was no documentation to support officials' statements in this response. However, we note that almost a third of the personal service expenses were for fringe benefits not allowed under the contract, regardless of who was performing the work. Also, only about half of the unauthorized expenses are related to the coordinator position; the other expenses are payments for equipment.
3. In addition to the untimely modification, before the contract was amended, the contractor – rather than paying a salaried employee to perform services – paid a sub-contractor almost 4 times as much to perform services totaling \$7,000 over the contracted amount. This was in addition to paying unauthorized travel expenses. Further, regardless of the change in contractors, the Department paid an additional \$20,000 in contracted services instead of equipment, plumbing, and electrical services that should have been covered.
4. In addition to the above unauthorized expenses, we found other items such as equipment purchased over budget with no documented approval and equipment purchased that differed from what was in the contract. The Department has not addressed these matters.

Contributors to Report

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