

A PRELIMINARY REVIEW
OF THE
FARM MANAGEMENT COMMISSION

PE 94-01-01

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The Farm Management Commission

The West Virginia Farm Management Commission (the Commission) was abolished in the 1994 Regular Session of the Legislature. The Governor called for the abolishment of the West Virginia Farm Management Commission in his State of the State address on January 12, 1994. The Governor's Legal Counsel said that the intention was to stop the operations of the Commission, sell the farms and let the institutions purchase on the open market. The Governor hoped that this would make state government more cost effective.

The Commissioner of Agriculture sad the abolishment of the Commission as a chance to change the lines of management t and funding for the farms. He felt that the farms should be in the Department of Agriculture with the rest of the Department's land management activities. The Commission of Agriculture was granted all the powers, duties and responsibilities previously vested in the Commission.

Everything held by the Commission and everyone by the Commission were transferred to the Department of Agriculture. The Commission was the caretaker of the state's farms previously operated by the Department of Health and the Department of Corrections. The Commission had a mandate for the stewardship of the farms, for farm produce production for the state institutions and to provide an environment for therapeutic work incentive program.

Areas of Concern

1. The Commission was selling timber, a long term asset, to pay current expenses (see pages 6 and 7).
2. The farms were not generating enough revenues to cover expenses and the Commissioners believed the farms would never be able to do so (see pages 6 and 7).
3. There is not a management plan for the future of the eight farms which were abandoned by the Farm Management Commission (see pages 4 and 5).
4. The 1991 postaudit findings of the lack of adequate inventory control and reconciliation needs to be addressed and corrected by the Department of Agriculture (see page 7).

Recommendations

1. The Legislature should give the Commissioner of Agriculture two years to address the four major areas of concern and should require a preliminary review of the Department of Agriculture's activities related to the former Farm Management Commission operations to be completed by October 1996.
2. The Department of Agriculture should submit a progress report of the five year plan required by §19-12A-a, on the operations of the former Farm management Commission, to the Legislature at the beginning of each legislative session.

THE FARM MANAGEMENT COMMISSION

History of the Farm Management Commission

The Farm Management Commission was created by Chapter 4, Acts of the Legislature, Regular Session 1976 WV Code §19-12A-1a. The Commission consisted of three ex officio members: the Commissioner of Agriculture, who served as the Chairman, the Commissioner of Finance and Administration (Secretary of Administration) and the Dean of West Virginia University School of Agriculture and Forestry. The purpose of the Act was to centralize the operations of farms formerly owned and operated by the Department of Mental Health and the Commissioner of Public Institutions (Commissioner of Corrections), to supply State Health, Mental Health, and Correctional Institutions with foodstuffs at no cost and to provide a therapeutic work environment for patients and/or inmates. The Commission appointed a Farm Management Director who was responsible for carrying out the responsibilities of the Commission.

Effective July 1, 1976, all institutional farms, farm equipment, farm facilities, inventories, agriculture products, mineral rights and appurtenances were transferred to the Commission.

Six farms were transferred from the Department of Mental Health:

- . Colin Anderson Institutional Farm - 650 acres in St. Marys, Pleasants County.
- . Huntington State Hospital Institutional Farm - 697 acres in Barboursville, Cabell County.
- . Lakin State Hospital Institutional Farm - 950 acres in Lakin, Mason County.
- . Spencer State Hospital Institutional Farm - 190 acres located in Spencer, Roane County. This farm was deeded by the Commission to the Town of Spencer in March of 1990.
- . Weston State Hospital Institutional Farm - 580 acres located in Weston, Lewis County.
- . Roney's Point Branch Hospital Institutional Farm - 130 acres located in Triadelphia, Ohio County. (This farm was deeded by the Commission to the Ohio County Commission in February of 1981.)

Ten farms were transferred from the Commissioner of Public Institutions (Commissioner of Corrections):

- . Denmark State Hospital Institutional Farm - 112 acres located in Beard, Pocahontas County. (This farm was deeded by the Commission to the Public Land Corporation in 1991.)
- . Huttonsville Correctional Center Institutional Farm - 3,200 acres located in Huttonsville, Randolph County including all of the tract of land commonly known as Becky's Creek Farm.
- . Hopemont State Hospital Institutional Farm - 750 acres located in Terra Alta,

Preston County.

- . Pinecrest State Hospital Institutional Farm - 220 acres located in Beckley, Raleigh County.
- . Andrew S. Rowan Memorial Home Institutional Farm - 650 acres located in Sweet Springs, Monroe County.
- . Children's Home Institutional Farm - 150 acres located in Elkins, Randolph County.
- . Industrial Home for Girls Institutional Farm - 20 acres located in Industrial, Harrison County.
- . Industrial Home for Boys Institutional Farm - 1,587 acres located in Pruntytown, Taylor County.
- . Penitentiary Institutional Farm - 147 acres located in Moundsville, Marshall County.
- . Prison for Women Institutional Farm - 180 acres located in Pence Springs, Summers County. (This farm was deeded by the Commission to the Public Land Corporation in July of 1987.)

The West Virginia Farm Management Commission was created to centralize the management of the farm lands operated by state institutions, provide therapeutic activity for inmates, and maintain the institutional farms. Each institution managed a total program consisting of milking, beef, hogs, and gardening. The farms were a haven for employees used elsewhere; there were in excess of 500 farm employees. The farms were also unsightly and not well kept. After a state farms study was made, a commission with the mandate to improve the appearance and the utilization of these farms was recommended. The study also concluded that a centralized total management program would provide more efficient farm production.

The problems with the farms' appearance, building repairs, fence repairs and consolidating the different programs were solved in the first five to seven years. As long as the Commission had a legislative appropriation it appeared to function adequately, but the loss of that appropriation in 1990 had reduced the success of the Commission. The Commission had stopped using many of the farms and according to Commissioner Douglass the land had begun to over grow.

The Commission's financial goals were never met due to variables which the Legislative Auditor's Office was unable to ascertain. The farm resources could not be as fully utilized as private farms because of restraints placed upon the Commission by law. The Commission is probably as effective as a government operated farm could be, although not as effective as a profit oriented operation and through reducing employees they were becoming more efficient while providing the farm produce service; but, they were not maintaining the stewardship role for all the lands given to their care. Managing these lands and providing services continued to be an expense that the Commission could not manage without the sale of timber. The projects and operations of the Commission were not as effective or efficient as they might have been because legislatively mandated consumers were allowed to purchase beef elsewhere which made planning understanding difficult. The Commission managed an operation that did not appear to have much future as a going

concern.

By the end of fiscal year 1993, the Farm Management Commission was only operating the four farming operations located at Pinecrest, Hopemont, Pruntytown, and Huttonsville. The Commission was using two other farms, at Weston and Sweet Springs, as summer grazing lands. The other farms have basically been abandoned. According to the Commissioner of Agriculture, these eight former farms (Colin Anderson, Huntington State, Lakin, Weston, Andrew S. Rowan, Children's Home, the Industrial Home, and the Penitentiary farm) are overgrowing. These former farm lands, according to the 1990 Management Plan for the Commission, were to have been transferred to the Public Land Commission. However, it is unclear whether the title to the eight abandoned farms lies with the Department of Agriculture or the Public Land Corporation (a part of the Division of Natural Resources), since neither the Department of Agriculture nor the Public Land Corporation could confirm that title to the farms had been transferred.

Stewardship of state properties, as with any property, requires a continuous effort. There is a need for coordinated supervision of these lands, a program and a plan, as required in the new law §19-12A-1a(b), for the farms utilization in the future whether agricultural, industrial, educational or disposal. A report of the progress of the plan should be given at the beginning of each year.

Recommendations

- 3) By October 1, 1994, the Department of Agriculture should determine which farms will be a part of the "optimum use" report the Department will be presenting to the Legislature on January 1, 1995. Any farms which are not a part of the "optimum use" report should be deeded to the Public Land Corporation.
- 4) By December 1, 1994, the Public Land Corporation should determine and report to the Joint Committee on Government Operation: (a) the market value of the eight abandoned farms; and (b) recommend possible future uses of the eight properties.

Organizational Structure

The Commission's main office was located in Sistersville and employed 12 persons stationed at the different farms. There were three commissioners, a director, and three farm managers.

Former Staff

Gus R. Douglass
Chuck Polan
Barton S. Baker
William T. Carson
Ann Estep
Truman Wolfe

Mark Pritt
Roger Fisher

Commission Chairman
Commissioner
Commissioner
Acting Director
Secretary
Livestock Specialist &
Pruntytown Farm Manager
Huttonsville Farm Manager
Pinecrest Farm Manager

Funding

Until FY 1990-91, the Farm Management Commission was largely funded through appropriations by the Legislature. The Commission was then required to provide all public institutions, operated by the Division of Health and Human Resources and the Division of Corrections, farm produce free of charge. In 1991 state law was changed with the Farm Commission required to become self-supporting. Appropriations ended, and the Commission began operating from special revenue accounts generated through the operation of the farms and timber sales. However, the public institutions operated by the Division of Health and Human Resources and the Division of Corrections were required to purchase their food stuffs from the Farm Management Commission. Thus, the Commission, while required to be self-supporting, was given a captive customer base.

Farm Management Commission Funding For FY 88-93

	FY 93	FY 92	FY 91	FY 90	FY 89	FY 88
Appropriations	0	0	0	1,707,155	1,488,288	1,600,000
Sales	937,869	1,390,784	1,442,328	24,787	132,107	70,261
Other	120,495	195,223	50,209	16,056	19,336	22,094
Total	1,058,366	1,583,009	1,492,539	1,747,959	1,640,272	1,692,356

In fiscal year 1993, total revenues for the Commission decreased more than 33%. The greatest part of that decrease in revenues came from the sale of commodities to public institutions which decreased more than \$450,000. This decrease occurred largely because Huttonsville Correctional Center was allowed to purchase beef elsewhere. The years of belt tightening (the special revenue year) had begun to show up in the Commission's expenses. For example, the Commission reduced expenses more than \$170,000, since FY 1991, by reducing employees. The reduction in the number of farms had brought farm expenses down almost \$200,000. The purchase of livestock had steadily decreased, 54%, through the special revenue years and the Acting Director said the Commission would not need to purchase beef in fiscal year 1994 to provide 100% of the institutions' requests. However, the Commission would be purchasing pigs, because pigs are no longer bred on the farms. In addition, farm equipment repairs and alterations had more than doubled to \$112,000, which is to be expected because of the lack of replacing equipment or vehicles.

As previously noted, the Commission quit receiving general appropriations beginning in FY 1990-91. The Commission however, was unable to be a financially self-supporting agency based

solely upon its farm products. In fact, the Commission lost money on its farming operation in the three fiscal years since the Legislature removed its appropriations. The only way the Farm Management Commission has been able to financially sustain itself is through timber sales.

Without the sale of over \$1 million worth of timber, the Commission would have operated at a loss in FY 1990-91, FY 1991-92, and FY 1992-93. In FY 1991-92, the Commission lost \$308,000 on its farm operations, but showed a \$117,000 profit because it sold \$425,000 worth of timber. In FY 1992-93, the Commission's farm operations lost \$301,000, but revenues still exceeded expenditures by \$46,000, because \$347,000, worth of timber was sold. Using timber sales to pay the Commission's operating expenses raises two concerns:

- . The Commission was selling long term assets, trees, to pay current expenses, which is usually not considered a sound business procedures.
- . What would be the funding source upon depletion of the mature timber supply, which was projected by the Acting Director to occur in four years.

1991 Post Audit Findings

There were a number of findings in the 1991 postaudit that if not corrected would bring into question whether the Commission was operated in a sound fiscal manner. These findings include:

- 1) The Commission did not properly maintain or utilize inventory control procedures and records for commodities to effectively control commodity usage and to demonstrate that commodities were utilized for Commission purposes only. This condition could result in errors, irregularities or illegal acts to occur and go undetected.
- 2) The Commission did not always exercise effective control over employees time sheet authorizations and employee compensation time. Such conditions could result in improper compensation of employees.
- 3) The acting director of the Commission did not meet the qualifications established by Chapter Nineteen, Article Twelve (A), Section Three of the West Virginia Code.
- 4) Cash collections at the Commission's institutional farms were not deposited with the State Treasury within twenty-four hours of receipt.
- 5) The Commission did not submit an annual inventory report during the period under audit.
- 6) The Commission did not retain all employee time sheets or purchasing documentation supporting Commission transactions during the period under audit.
- 7) Testing of payroll expenditures revealed one instance where Federal and State income taxes withheld from an employee's compensation did not agree with the employee's payroll tax withholding authorizations.
- 8) The Commission did not maintain an adequate separation of duties in the handling of cash receipts and disbursement transactions which could allow for errors, irregularities or illegal acts to occur and not be detected in a timely manner.

This preliminary performance review was not sufficient in scope to determine if corrective actions have been taken to fix the problems noted in the 1991 postaudit. However, the Commission accepted and explained the findings in what the Legislative Auditor's Office believes was a sound manner. In addition, the Legislative Auditor's Office believes that the transfer of the Farm Commission to the Department of Agriculture should assist in better management and allow for the

immediate separation of duties for the handling of case receipts and disbursement transactions.

Recommendation

- 5) The Department of Agriculture should ensure that the findings identified in the 1991 post audit have been corrected, and report its corrective actions to the Joint Committee on Government Organization by January 1, 1995.

User Survey

When the users of the farm products were surveyed the majority were generally satisfied with the beef and pork operation, both in quality and quantity. The users were unsatisfied with vegetables because they received too much at one time and it was not cost effective to transport the vegetables. The users seemed to be more interested in correcting the storage, delivery, and canning problems than going to the open market for produce. The users expressed an interest in expanding the Commission's services rather than abolishing it, stating that they felt their costs would go up and the quality of their meals would suffer if the Commission were abolished. The users expressed an interest in dairy, poultry, canning and slaughtering being added to the Commission's services. Huttonsville Correctional Center was the only user that responded completely negatively about the Commission; they thought the Commission should be abolished.

APPENDIX A

PURPOSE AND AUTHORITY FOR THE PRELIMINARY REVIEW

This review of the Commission was conducted in accordance with the West Virginia Sunset Law, Chapter 4, Article 10, Section 11 of the West Virginia Code, as amended. This preliminary performance review is intended to assist the Joint Committee on Government Operations in making one of five recommendations according to Chapter 4, Article 10, Section 12 of the West Virginia Code, as amended. These recommendations include:

- (1) The department, agency or board be terminated as scheduled;
- (2) The department, agency, or board be continued and reestablished;
- (3) The department, agency or board be continued and reestablished, but the statutes governing it be amended in specific ways to correct ineffective or discriminatory practices and procedures, burdensome rules and regulations, lack of protection of the public interest, overlapping of jurisdiction with other governmental entities, unwarranted exercise of authority either in law or any other deficiencies;
- (4) A performance audit be performed on a department, agency or board on which a preliminary review has been completed;; or
- (5) The department, agency or board be continued for a period of time not to exceed one year for the purpose of completing a performance audit.

APPENDIX B

SCOPE AND METHODOLOGY

A preliminary performance review is defined in Chapter 4, Article 10, Section 3 of the West Virginia Code, as amended, as follows:

To determine the goals and objectives of a department, agency, or board; and to determine the extent to which plan of a department, agency, or board has met or is meeting those goals and objectives.

The criteria for a preliminary performance review are set forth in Chapter 4, Article 10, Section 11 of the West Virginia Code, as amended, as follows:

- (1) If the board or agency was created to solve a problem or provide a service.
- (2) If the problem has been solved or the services has been provided.
- (3) The extent to which past board or agency activities and accomplishments, current projects and operations, and planned activities and goals for the future are or have been effective.
- (4) The extent to which there would be significant and discernible adverse effects on the public health, safety, or welfare if the board or agency were abolished.
- (5) Whether or not the board or agency operates in a sound fiscal manner.

The preliminary performance review of the Commission covers the period July 1, 1987 through June 30, 1993; however, the review concentrated on the special revenue fiscal years of 1991 through 1993. This preliminary performance review of the Commission follows Generally Accepted Government Auditing Standards (GAGAS, 1988 Revision), which apply to government organizations, programs, activities, and functions.

The preliminary performance review of the Commission began with purpose, resources, and organizational structure of the Commission, with emphasis on performance matters. The following procedures were followed to review the performance of the Commission:

- (1) Determine if the Commission is in compliance with Chapter 19, Article 12A, of the West Virginia Code, as amended, concerning the creation, composition, and organization of the Commission.
- (2) Determine the activities of the Commission by reviewing the minutes of their meetings.
- (3) Determine how the Commission is funded and the expenditures paid from these funds.
- (4) Determine the mission or missions of the Commission.
- (5) Determine the problem or problems solved and/or the services provided by the

Commission.

- (6) Determine any problem areas in the operations of the Commission.