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STATE OF NEW YORK
OFFICE OF THE STATE COMPTROLLER

September 4, 2013

Mr. Anthony J. Annucci
Acting Commissioner
Department of Corrections and Community Supervision
1220 Washington Ave
Building 2
Albany, NY 12226-2050

Re: Disposition of Farm Assets
Report 2013-S-24

Dear Commissioner Annucci:

According to the State Comptroller's authority as set forth in Article V, Section 1 of the State Constitution and Article II, Section 8 of the State Finance Law, we audited the Department of Corrections and Community Supervision's disposition of the assets, livestock and land of the Department's closed farms for the period January 1, 2010 through June 30, 2013.

Background

The Department of Corrections and Community Supervision (Department) oversees the State's prison system and monitors the activities of persons under community supervision (parole). Prior to the 2009-2010 fiscal year, the Department operated farms at 12 correctional facilities located throughout the State: Beacon, Clinton, Eastern, Elmira, Green Haven, Greene, Groveland, Mid-State, Sullivan, Wallkill, Washington, and Wyoming. These farms produced dairy, beef, and vegetable products to reduce the amount of food purchased. The Department employed an average of about 250 inmates and 50 State employees to operate its farming operations. As part of the 2009-2010 State budget process, the Department was directed to close these farm operations to generate cost savings. At the time of closure, the Department was responsible for the disposition of all farm assets, including equipment, livestock and land. At the time of our audit, certain records pertaining to farm assets had already been disposed of consistent with the Department's record retention policy.

Results of Audit

We were unable to precisely determine the nature and extent of all the equipment and livestock on hand at the time of the farm closures in 2009 because the Department had already disposed of all associated records consistent with its approved three-year retention policy for

administrative records. We therefore used records available from other agencies to trace the disposition of assets and assess the reasonableness of reported transactions. We determined that a significant quantity of farm equipment was properly disposed of through public sale or transfer to other State agencies. These transactions generated almost \$570,000 of one-time revenues for the State. In addition, we found a significant portion of the former farmland is also now being leased and is currently raising almost \$125,000 of revenue annually.

For example, on behalf of the Department, the Office of General Services (OGS) disposed of assets such as tractors, implements, supplies, and livestock. OGS records show it transferred 2,890 assets to other State agencies, most of which (2,872 items) went to the State University of New York (SUNY) at Alfred, which operates an agricultural education program. The remainder went to the Departments of Agriculture and Markets (13 assets) and Environmental Conservation (3 assets), and to the Office of Parks, Recreation and Historic Preservation (2 assets).

Based on our review of Department of Agriculture and Markets records on farm animals, we estimate that the Department had approximately 900 dairy cows and 400 beef cows at the time of the closures. OGS records show that 887 dairy cows were transferred to SUNY. We also verified that 297 beef cows were auctioned with the proceeds of \$139,223 going to the State. Department officials told us the remainder of the beef cattle were either sold at auction or processed into food at the cook chill facility. However, no other records exist to verify these sales and transfers.

OGS records also show it sold 426 farm assets at public auction generating over \$430,000 in revenue. Some other farm assets were put up for sale but not sold, generally because they were in poor condition. During our visits to six of the former farms we observed some of this remaining equipment. For example, we saw several small old tractors at the Groveland Correctional farm that were in poor condition and appeared to have value only as parts or scrap. The Wallkill Correctional farm still has a bulk milk storage tank that was not sold because it was installed as part of the initial construction of the building that houses it. Officials told us anyone who purchased the tank would have to dismantle the building to remove it, and then reconstruct the building, which made a sale unattractive to prospective buyers.

We also reviewed the status of all 232 parcels of land associated with the closed farms. Of these 232 parcels, 128 have been leased out as a result of a public bidding process, 13 are currently operating under haying agreements and 17 are in the process of being transferred to SUNY. OGS bid out nine leases for the 128 parcels, which comprise 1,745 acres and earned the State over \$119,000 in fiscal year 2012-13. Haying agreements for the 13 parcels which comprise 266.5 acres generate \$4,250 per year. Ten other parcels are currently being used, or being considered for use, by the Department for other non-farm purposes. The Department has determined that use of the remaining 64 parcels by outside parties would pose an unacceptable security risk due to their proximity to the associated correctional facility. Accordingly, it has no plans to make these parcels available for public use.

Audit Scope, Objective and Methodology

We audited the disposition of Department farm assets for the period January 1,

2010 through June 30, 2013. The objective of our audit was to determine if the Department had appropriately disposed of the farm assets, including equipment, livestock, and land. We interviewed Department officials including the former farm director. We also interviewed officials from the Office of General Services who coordinated transfers and sales of farm assets and leasing of farm land, and provided us with records related to asset transfers, sales and leases. We also contacted the Department of Agriculture and Markets and obtained historical information on the livestock inventories at the Department's farms. Finally, we reviewed haying agreement records and visited the six closed farms located at the Eastern, Wallkill, Beacon, Green Haven, Wyoming, and Groveland Correctional Facilities.

We conducted our performance audit according to generally accepted government auditing standards. These standards require that we plan and perform our audits 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.

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. In addition, the Comptroller appoints members to certain boards, commissions and public authorities, some of whom have minority voting rights. 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.

Major contributors to this report include Raymond Barnes, Dylan Spring, Todd Seeberger, and Stephen Goss.

We provided a draft copy of this report to Department officials for their review and comment. Their comments were considered in preparing this report and are attached in their entirety at the end.

Please convey our thanks to your management and staff for the courtesies and cooperation they extended to our auditors during this audit.

Very truly yours,

John F. Buyce, CPA
Audit Director

cc: Peter Berezny, Department Liaison
Thomas Lukacs, Division of the Budget

Agency Comments



STATE OF NEW YORK

**DEPARTMENT OF CORRECTIONS
AND COMMUNITY SUPERVISION**

THE HARRIMAN STATE CAMPUS – BUILDING 2

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ANTHONY J. ANNUCCI
ACTING COMMISSIONER

DANIEL F. MARTUSCELLO III
DEPUTY COMMISSIONER
ADMINISTRATIVE SERVICES

August 19, 2013

Mr. John Buyce
Audit Director
Office of the State Comptroller
110 State Street - 11th Floor
Albany, New York 12236-0001

Re: 2013-S-24 Disposition of Farm Assets

Dear Mr. Buyce:

This is in response to your draft report concerning the *Disposition of Farm Assets, Report 2013-S-24*.

The Department of Corrections and Community Supervision concurs with OSC's determination that significant quantities of farm assets had been properly disposed of or were being leased to raise revenue in the best interest of the State. As noted during Fiscal Year 2009–2010, the Department closed the farm operations to generate cost savings and at the time of this audit, records of the farm assets had been disposed of consistent with the Department's record retention policy.

The Department would like to thank the OSC auditors for their professionalism and goal to improve the Department's operations.

Sincerely,

A handwritten signature in black ink, appearing to read "D. Martuscello III".

Daniel F. Martuscello III
Deputy Commissioner

cc: Peter Berezny, Director of Internal Controls
Jeffery Nesich, Director of Internal Audit