

EXECUTIVE DIGEST

ENVIRONMENTAL STEWARDSHIP, MARKETING AND COMMUNICATIONS, AND PESTICIDE AND PLANT PEST MANAGEMENT DIVISIONS AND THE OFFICE OF AGRICULTURE DEVELOPMENT

INTRODUCTION

This report, issued in September 2000, contains the results of our performance audit* of the Environmental Stewardship Division (ESD), Marketing and Communications Division (MCD), and Pesticide and Plant Pest Management Division (PPMD) and the Office of Agriculture Development (OAD), Department of Agriculture.

AUDIT PURPOSE

This performance audit was conducted as part of the constitutional responsibility of the Office of the Auditor General. Performance audits are conducted on a priority basis related to the potential for improving effectiveness* and efficiency*.

BACKGROUND

The Department of Agriculture's mission* is to promote and protect the agricultural interests of the people of the State of Michigan. A bipartisan five-member Commission of Agriculture is responsible for the general administration of the Department, including the appointment of the director. The Governor appoints the members of the

Commission, with the advice and consent of the Senate, to four-year terms.

ESD provides assistance to local soil and water conservation districts, drain commissioners, and land users in the conservation and development of soil and water resources.

MCD serves as a catalyst, coordinator, and resource to provide promotional, marketing, and public information opportunities for the State's food and agriculture industry.

PPPMD implements programs and enforces laws dealing with agricultural products and pesticide and plant pest management.

OAD serves as a catalyst for improving the economic and environmental sustainability and viability of the State's food and agriculture industry by strengthening and enhancing food and agriculture support businesses and production agriculture opportunities, encouraging the use of alternative technologies and practices, and promoting local community-based development.

For the fiscal year ended September 30, 1999, the Legislature appropriated approximately \$25.3 million for the combined operations of these three divisions and one office. As of September 30, 1999, a total of 209 employees worked in ESD, MCD, PPPMD, and OAD.

**AUDIT OBJECTIVES,
CONCLUSIONS, AND
NOTEWORTHY
ACCOMPLISHMENTS**

Audit Objective: To assess the effectiveness of ESD's, MCD's, PPPMD's, and OAD's implementation of their continuous quality improvement (CQI) initiatives.

Conclusion: Our assessment disclosed that ESD, MCD, PPPMD, and OAD were moderately effective in implementing CQI initiatives. However, our review disclosed a reportable condition* related to the implementation of CQI processes (Finding 1).

Audit Objective: To assess the effectiveness of ESD's operations in providing leadership and promoting environmental stewardship for the management of agricultural and other natural resources.

Conclusion: Our assessment disclosed that ESD's operations were generally effective in providing leadership and promoting environmental stewardship for the management of agricultural and other natural resources. However, we noted reportable conditions related to migrant labor housing license applications, the Migrant Labor Housing Advisory Board, and Groundwater Stewardship Program reports (Findings 2 through 4).

Noteworthy Accomplishments: During fiscal years 1996-97 through 1998-99, ESD's Spill Response Program assisted producers and agribusinesses in recovering 30.7 million pounds of material with a product cost of approximately \$3.3 million through the rapid response and land application of the pesticides, fertilizers, and manure materials to appropriate sites at agronomic rates* .

In 1998, ESD awarded migrant labor housing construction grants of \$300,000 for financial assistance to 54 farmers for migrant housing projects that totaled \$1.5 million. This constitutes a 5-to-1 return on investment for State dollars spent.

Audit Objective: To assess the effectiveness and efficiency of the Department's Right to Farm Environmental Complaint Response Program.

Conclusion: Our assessment disclosed that the Department's Right to Farm Environmental Complaint Response Program was generally effective and efficient. However, our review disclosed reportable conditions related to the timeliness of inspections and inspection documentation (Findings 5 and 6).

Audit Objective: To assess the effectiveness of MCD's operations related to public relations and food and agricultural marketing.

Conclusions: Our assessment disclosed that MCD's operations related to public relations and food and agricultural marketing were generally effective. However, our review disclosed reportable conditions related to the Agricultural Marketing and Bargaining Board and Michigan Grape and Wine Industry Council meeting minutes, the Michigan Grape and Wine Industry Council promotional activities, and the commodity marketing programs' referendum vote procedures (Findings 7 through 9).

Audit Objective: To assess the effectiveness of PPPMD's operations in protecting human health and the environment.

Conclusion: Our assessment disclosed that PPPMD's operations were generally effective in protecting human health and the environment. However, our review disclosed reportable conditions related to commercial pesticide applicators, nursery dealer license applications, Gypsy Moth Suppression Program county documentation, fruit and vegetable inspection certificates and fee

reconciliation, analysis of livestock remedies*, nursery inspection fees, and seed inspection fees (Findings 10 through 16).

Audit Objective: To assess the effectiveness of OAD's operations in improving the economic and environmental sustainability and viability of Michigan's food and agriculture industry.

Conclusion: Our assessment disclosed that OAD's operations were generally effective in improving the economic and environmental sustainability and viability of Michigan's food and agriculture industry. However, our review disclosed reportable conditions related to the commodity marketing programs' compliance with the Open Meetings Act and the Economic Development Program (Findings 17 and 18).

Noteworthy Accomplishments: In 1998, OAD provided a \$10,000 grant of in-kind resources to study the feasibility of horticultural production at the White Pine Mine in the Upper Peninsula. The grant and other resources will fund an economic feasibility study and business plan to examine engineering parameters of proposed agricultural production and processing facilities, as well as a market analysis of producing flowers, herbs, shittake mushrooms, and other greenhouse products in the former copper mine. The project is unique in Michigan and the United States because of high-intensity lighting and other underground growth chamber technology. The moderate year-round temperatures and disease- and pest-free conditions in mine shafts make them economically viable venues for growing plants. Based on the feasibility study results,

Prairie Plant Systems, Inc., is now planning to develop a pilot project in the mine during 2000.

Also in 1998, OAD facilitated meetings between Packerland Packing Company, Inc., representatives, the Michigan Jobs Commission, and local development authorities to secure successful continuation of operations at Murco, Inc., a Plainwell-based beef slaughter and processing operation. Packerland Packing Company, Inc., selected the Michigan location over offers from other states, such as Ohio and Wisconsin, and planned to expand the operation in 1999. OAD employees provided the company with environmental, food safety management, and permit-related counsel during the ownership transition. In May 1999, Packerland Packing Company, Inc., received a \$5.6 million tax credit from the Michigan Economic Growth Authority through an agreement worked out with the Michigan Economic Development Corporation and the Department. The Plainwell-based operation employs approximately 850 people and purchases about 60% of its livestock in Michigan.

**AUDIT SCOPE AND
METHODOLOGY**

Our audit scope was to examine the program and other records of the Environmental Stewardship Division, Right to Farm Environmental Complaint Response Program, Marketing and Communications Division, Pesticide and Plant Pest Management Division, and the Office of Agriculture Development. Our audit was conducted in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States and, accordingly, included such tests of the records and such other auditing procedures as we considered necessary in the circumstances.

Our audit procedures included examination of records primarily covering the period October 1996 through August 1999. Our audit methodology included a preliminary review of each division's and OAD's operations. This included discussions with various staff regarding their functions and responsibilities and review of program records and Department policies and procedures. To gain an understanding of each division's and OAD's activities and to form a basis for selecting certain operations for audit, we reviewed each division's and OAD's goals* and objectives* , program reports, and annual reports. In addition, we reviewed goals and objectives, activities, and documentation from several programs in each division and OAD.

**AGENCY RESPONSES
AND PRIOR AUDIT
FOLLOW-UP**

Our report includes 18 findings and 19 recommendations. The agency preliminary response indicated that the Department agreed with the 19 recommendations and has implemented or will implement all of them.

The Department had partially complied with 1 of the 5 prior audit recommendations. The portion of that recommendation that was not complied with and the other 4 prior audit recommendations are repeated in this report.