DEPARTMENT OF AGRICULTURE
FINANCIAL AUDIT
FOR THE TWO YEARS ENDED JUNE 30, 1991

APRIL 1992

Financial Audit Division
Office of the Legislative Auditor
State of Minnesota

92-23

Centennial Office Building, Saint Paul, Minnesota 55155 ● 612/296-4708

SUMMARY

State of Minnesota
Office of the Legislative Auditor
Centennial Office Building • St. Paul, MN 55155
612/296-4708

DEPARTMENT OF AGRICULTURE

FINANCIAL AUDIT
FOR THE TWO YEARS ENDED JUNE 30, 1991

Public Release Date: April 9, 1992 No. 92-23

OBJECTIVES:

- EVALUATE INTERNAL CONTROL STRUCTURE: Family Farm Security Loan Program, administrative expenditures, payroll, Minneapolis Warehouse Division and central office license fees, and grain inspection fees.
- TEST COMPLIANCE WITH CERTAIN FINANCE-RELATED LEGAL PROVISIONS.

CONCLUSIONS:

We found six areas where the internal control structure needed improvement:

- Supervisors in two divisions did not adequately review employee timesheets.
- The department did not annually determine whether intermittent employees were eligible to accrue vacation and sick leave.
- Controls over federal grant accounting needed improvement.
- Controls over discounts on purchases need to be strengthened.
- Internal controls over gasoline credit cards need strengthening.
- The department provides special benefits to a nonprofit organization.

We found three areas where the department had not complied with finance-related legal provisions:

- Some intermittent employees accrued leave without meeting requirements outlined in the employee bargaining agreement.
- The department did not pay some vendors within the vendor's early payment discount period, as required by Minnesota Statutes.
- The department did not have statutory authority to establish a nonprofit organization to solicit funds for department programs.

Contact the Financial Audit Division for additional information.
(612) 296-1730

FINANCIAL AUDIT DIVISION

STATE OF MINNESOTA
OFFICE OF THE LEGISLATIVE AUDITOR
CENTENNIAL BUILDING, ST. PAUL, MN 55155 • 612/296-4708
JAMES R. NOBLES, LEGISLATIVE AUDITOR

Representative Ann Rest, Chair
Legislative Audit Commission

Members of the Legislative Audit Commission

Mr. Elton R. Redalen, Commissioner
Department of Agriculture

Audit Scope

We have conducted a financial related audit of the Department of Agriculture as of and for the two years ended June 30, 1991. Our audit was limited to only that portion of the State of Minnesota financial activities attributable to the transactions of the Department of Agriculture as discussed in the Introduction. We have also made a study and evaluation of the internal control structure of the Department of Agriculture in effect at June 30, 1991. In addition, we reviewed the internal control structure for the Family Farm Security Program at November 13, 1991.

We conducted our audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial activities attributable to the transactions of the Department of Agriculture are free of material misstatements.

As part of our study and evaluation of the internal control structure, we performed tests of the Department of Agriculture's compliance with certain provisions of laws, regulations, contracts, and grants. However, our objective was not to provide an opinion on overall compliance with such provisions.

Management Responsibilities

The management of the Department of Agriculture is responsible for establishing and maintaining an internal control structure. This responsibility includes compliance with applicable laws, regulations, contracts, and grants. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures.

The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that:

- assets are safeguarded against loss from unauthorized use or disposition;

- transactions are executed in accordance with applicable legal and regulatory provisions, as well as management's authorization; and

- transactions are recorded properly on the statewide accounting system in accordance with Department of Finance policies and procedures.

Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

Internal Control Structure

For purposes of this report, we have classified the significant internal control structure policies and procedures in the following categories:

- Family Farm Security Loan Program transactions,
- administrative expenditures,
- Minneapolis Warehouse Division and central office license fees,
- grain inspection fees, and
- payroll.

For all of the internal control structure categories listed above, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk.

Conclusions

Our study and evaluation disclosed the conditions discussed in findings 1 through 6 involving the internal control structure of the Department of Agriculture. We consider these conditions to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in financial statements.

A material weakness is a reportable condition in which the design or operation of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We believe none of the reportable conditions described above is a material weakness.

We also noted other matters involving the internal control structure and its operation that we reported to the management of the Department of Agriculture at the exit conference held on January 9, 1992.

The results of our tests indicate that, except for the issues discussed in findings 2, 4, and 6, with respect to the items tested, the Department of Agriculture complied, in all material respects, with the provisions referred to in the audit scope paragraphs. With respect to items not tested, nothing came to our attention that caused us to believe that the Department of Agriculture had not complied, in all material respects, with those provisions.

This report is intended for the information of the Legislative Audit Commission and management of the Department of Agriculture. This restriction is not intended to limit the distribution of this report, which was released as a public document on April 9, 1992.

We would like to thank the Department of Agriculture staff for their cooperation during this audit.

James R. Nobles
Legislative Auditor

John Asmussen, CPA
Deputy Legislative Auditor

End of Fieldwork: December 16, 1991

Report Signed On: April 1, 1992

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Audit Participation

The following members of the Office of the Legislative Auditor prepared this report:

John Asmussen, CPA	Deputy Legislative Auditor
Warren Bartz, CPA	Audit Manager
Jean Mellett, CPA	Auditor-in-Charge
Karen Klein	Auditor

Exit Conference

The findings and recommendations in this report were discussed with the following staff of the Department of Agriculture on January 9, 1991:

Elton R. Redalen	Commissioner
R. Newell Searle	Deputy Commissioner
William Oemichen	Legal Counsel
Joseph Komro	Accounting Manager
Alan Dupay	Assistant Director for Audits
Arthur H. Mason	Director, Plant Industry Division
Wayne Marzolf	Assistant Director, Rural Finance Authority
Pat Yutrzenka	Farm Security Analyst
David Ball	Supervisor, Agriculture Development Unit
William Coleman	Director, Dairy and Livestock Division
Karen Nelson	Director, Information Services
Judy Wickham	Assistant Director, Grain Inspection Division
Claudia Furlong	Office Manager
Alan Withers	Coordinator, Agriculture in the Classroom
William Arnold	Intermediate Accounting Officer

Introduction

The Department of Agriculture is primarily a regulatory agency. The department operates under Minn. Stat. Chapters 17-34 and 40-42, and administers programs which promote agriculture, the family farm, and conservation practices. It encourages the development of agricultural industries through market development, both nationally and internationally. The department currently is headed by Elton R. Redalen, a commissioner appointed by the Governor.

Activities of the department are financed mainly by appropriations from the General Fund and departmental receipts consisting primarily of license, registration, and service fees.

The financial activity of the family Farm Security Loan Program is controlled by Minn. Stat. Chapter 41. Under Minn. Stat. Section 41.52 and 41.56, the state is contingently liable for 90 percent of the balance of outstanding loans and 100 percent of some restructured loans. As of June 30, 1991, the amount of outstanding loans was $19,796,000. On June 30, 1991, the state owned 2,536 acres of repossessed farmland, held for resale. Loan payments receivable at June 30, 1991, were $11,274,814.

The central office and the Minneapolis Warehouse Division process most of the license, registration, and service fees. Fiscal year 1991 license fees were $4,359,867 and grain inspection fees were $4,165,102 of $17,939,912 total department receipts.

The following financial summary shows department expenditures for fiscal years 1990 and 1991.

	Year Ended June 30	
	1990	1991
Payroll	$16,019,656	$17,720,164
Administrative expenditures	6,026,003	6,225,082
Other expenditures	6,168,152	3,724,040
Total	$28,213,811	$27,669,286

Source: Statewide Accounting System: Estimated/Actual Receipts Report as of August 31, 1991, and Manager's Financial Report as of September 3, 1991.

Current Findings and Recommendations

1. **Some Dairy Division and Minneapolis Grain Inspection Division supervisors did not adequately review employee timesheets.**

Supervisory review of employee timesheets was not always adequate to ensure correct payment of salary. As a result, the department has incorrectly paid some salary expenses.

We found that supervisory controls over Minneapolis Grain Division employee time reporting were inadequate. Specifically:

- Supervisors sometimes did not sign timesheets, leave slips and overtime requests.
- Employees sometimes did not sign timesheets, leave slips and overtime requests.
- Employees sometimes did not complete timesheets. One employee submitted hours worked on a scrap of paper.
- Some timesheet hours did not agree with leave slip hours.
- Payroll staff sometimes completed presigned leave slips to document hours taken when leave slips were missing.

The weakness in supervisory review is demonstrated by the case of a former employee. During fiscal year 1991, the department paid over $2,000 in backpay to a retired dairy inspector who claimed that he had incorrectly reported workers' compensation and regular hours. The employee had been injured on the job and was on full workers' compensation for a period of time. The employee returned to work, at first working only four hours a day. The employee gradually increased his time to six hours a day. From January 4, 1988, through September 12, 1989, the employee reported 60 regular hours and 20 workers' compensation hours on his biweekly time sheets. However, shortly before the employee retired, he claimed that he actually had worked 80 hours during this time period. The employee's supervisor verified that the employee had worked full-time from January 4, 1988, through September 12, 1989. The employee's division director reported:

> We reviewed our office records of (the employee's) monthly activities and they indicated that he was performing eight hours of work during the above-stated time period.

Payroll is a major expenditure for the Department of Agriculture. During fiscal year 1991, payroll expenditures totalled approximately $17,720,164, representing 64 percent of department expenditures. Of the department's total payroll, $1,670,919 was for the Dairy Division and $4,188,151 was for the Grain Inspection Division. The department needs to emphasize the importance of accurate time reporting.

Recommendation

- *Supervisors should carefully review timesheets, leave slips, and expense reports, and not certify inaccurate reports.*

2. Some intermittent employees accrued leave without meeting requirements.

Personnel division staff did not annually determine whether intermittent employees are eligible to accrue vacation and sick leave. As a result, some intermittent employees receive leave even though they have not met eligibility requirements. Two of five intermittent employees we tested were not eligible to accrue leave. The department continues to credit the two employees with approximately 3.5 hours of leave per pay period, despite their lack of eligibility.

Intermittent employees may accrue leave if they work at least 67 days a year. Employees must qualify annually. Personnel division staff do not annually review days worked to determine whether intermittent employees remain eligible to accrue leave. Rather, staff permit intermittent employees to continue to accrue leave once they have met eligibility requirements. AFSCME bargaining agreement, Article 8 states:

> Intermittent employees shall accrue vacation leave after completion of sixty-seven (67) working days in any twelve (12) month period.

Recommendation

- *Personnel division staff should annually determine whether intermittent employees are eligible to accrue leave. Intermittent employees not eligible for leave should be asked to repay any ineligible leave taken.*

3. Controls over federal grant accounting need improvement.

Controls over federal grant expenditures are inadequate. Specifically:

- The department reported inaccurate expenditures to obtain federal funds.

- The department has not reimbursed the appropriate accounts in the state General or Special Revenue Funds for federal grant expenditures or returned excess funds to the federal government.

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The department matched federal grasshopper grant funds with nonqualifying expenditures under the Plant and Animal Disease and Pest Control and Animal Care Program (CFDA #10.025). The department match included expenditures from other programs and expenditures that did not fall within the grant period. The Accounting Division prepared the federal reports without consulting with the program staff.

In 1990, the department received a cost-share grasshopper control grant from the United States Department of Agriculture. The federal/state cooperative agreement required the department to pay two thirds of grasshopper control expenses. The department claimed net program outlays totalling $120,809.84 and received $40,269.95 from the United States Department of Agriculture. The grant period was from July 2, 1990 through September 30, 1990.

The department's summary of grasshopper grant expenditures includes salary and printing expenses incurred by other programs. For example, the department summary reported that one employee spent 264 hours working on the grasshopper program. Records kept by the section secretary show, however, that the employee worked only 53 hours on the program during the grant period. The department summary reported a $6,993.88 printing cost as a grasshopper grant expenditure. The invoice associated with the cost states that the charge was for printing a tree manual.

The department summary also reported travel costs which were outside the grant period. Travel identified as a grasshopper control expenditure included a March 1991 trip to an entomological society meeting and October 1990 travel for the European corn borer survey.

Department staff stated that specific invoices identified on the grant summary may represent approximations of cost rather than an itemization of actual expenditures. The department needs to identify actual grant expenditures to verify the accuracy of the federal share.

Finally, the department did not have documentation to support expenditures charged to two small federal grants under the Plant and Animal Disease and Pest Control and Animal Care Program (CFDA #10.025). In fiscal year 1989, the department received federal funds of $8,000 for Varroa mite detection and $1,681 for gypsy moth eradication. In reports to the U.S. Department of Agriculture, the department claimed it had incurred sufficient costs and was eligible to be reimbursed with the federal funds. However, now it cannot locate supporting documentation for the federal reports.

The department deposited proceeds from the two federal grants into federal fund accounts in the state treasury. These federal receipts remained in those accounts until being spent in fiscal year 1991. Because of the lack of supporting documentation, we could not determine whether the department was entitled to receive these federal funds. Furthermore, if it was entitled to these federal funds, then we believe the original state funding source (most likely the General Fund) should have been credited with the receipts. If the receipts had been deposited to the General Fund, the unspent balance would have cancelled at the end of fiscal year 1989 and not remained available for spending in later years.

Recommendations

- *The department should identify actual grasshopper control grant expenditures and report actual expenditures to the United States Department of Agriculture.*
- *The department should investigate the proper disposition of the two small federal grants received under CFDA #10.025 in fiscal year 1989.*

4. The Department of Agriculture needs to strengthen controls over discounts on purchases.

The department did not always take early payment discounts. Staff did not take discounts in 14 of 45 vendor payments tested. In most cases, the department had overlooked discounts offered by one contract vendor. The department did not take the discounts, even when staff paid invoices within the discount period. As a result, the department paid the vendor an additional $1,096 during fiscal years 1990 and 1991.

Minnesota Statute Section 16A.124, Subdivision 3, states, "state agencies must pay each valid vendor obligation so that the vendor receives payment within the vendor's early payment discount period." The Department of Agriculture is spending state money unwisely by not taking advantage of discounts offered.

Recommendation

- *Accounting staff should take early payment discounts whenever allowed.*

5. Internal controls over gasoline credit cards need strengthening.

Controls over gasoline credit cards are inadequate. The department owns eight cars - four in the Minneapolis Grain Inspection Division, two in the Duluth Grain Inspection Division, and two in the central office. The department uses credit cards to purchase gasoline, which totaled approximately $9,000 in fiscal year 1991. Specific problems are discussed below.

Accounting Division staff do not maintain an adequate gasoline credit card inventory. Some gasoline credit cards are missing. Records show that department staff have ordered 55 gasoline credit cards, as well as duplicate cards. Staff could not locate 18 of the 55 cards. Although staff keep a list of credit cards and their identification numbers, the list is not inclusive or properly updated.

The department also maintains duplicate cards. The department has 20 gasoline credit cards with the same identification number. Maintaining credit cards with the same identification number weakens accountability.

Department of Agriculture

The Accounting Division does not have a record of employees authorized to use the gasoline credit cards. As a result, accounting staff are unable to verify that employees who sign for gas purchases were authorized to use the cards. Unauthorized persons could use the gasoline credit cards without being detected.

Recommendations

- *Accounting Division staff should:*
  - *account for all gasoline credit cards ordered;*
  - *maintain a gasoline credit card inventory;*
  - *cancel the numbers of all missing gasoline credit cards; and*
  - *destroy all duplicate gasoline credit cards.*
- *Program division employees should notify the Accounting Division of employees who receive authorization to use gasoline credit cards.*

6. The department provides special benefits to a nonprofit organization.

The department provides special benefits to Minnesota Agriculture in the Classroom (M-AITC), a nonprofit corporation. Specifically, the department permits M-AITC to use its bulk mailing permit. M-AITC reimburses the department for actual postage costs. However, the nonprofit organization still is receiving the benefit of lower state postage costs.

M-AITC is a nonprofit agricultural education program. A department employee established M-AITC to supplement appropriations for agriculture education. The department provides space for the program and pays the employee's salary, as well as communications costs, in-state travel and some postage expense. Public donations pay *Minnesota Agriculture Magazine* publishing costs and finance other educational activities. M-AITC receives donations from 75 businesses and organizations. Private sector contributions totalled $76,550 in fiscal year 1991. The contributions currently are deposited in a private bank account controlled by the department employees. We believe these are state funds.

The department does not have statutory authority to establish a nonprofit organization to solicit funds for department programs. However, Minn. Stat. Section 7.09 permits state agencies to accept gifts. Minn. Stat. Section 7.10 requires that gifts "shall be administered and applied according to the terms of the...gift."

The department also does not have authority to provide special benefits to M-AITC. Minn. Stat. Section 43A.38 Subd. 5 (a) defines conflicts of interest as follows:

> *use or attempted use of the employee's official position to secure benefits, privileges, exemptions or advantages for the employee or the employee's immediate family or an organization with which the employee is associated which are different from those available to the general public.*

We believe the department must reconsider the need for its relationship with the nonprofit corporation. However, if the department elects to maintain its relationship with the nonprofit corporation, the department must enter into a formal agreement with the nonprofit corporation.

Recommendations

- *The department should eliminate the close relationship with Minnesota Agriculture in the Classroom, currently an autonomous nonprofit organization.*
- *The department should deposit contributions for agriculture education in the Gift Fund.*

Minnesota Department of Agriculture

March 30, 1992

Mr. James R. Nobles, Legislative Auditor
Office of the Legislative Auditor
Centennial Building
658 Cedar Street
Saint Paul, Minnesota 55155

Dear Mr. Nobles:

We have reviewed your recommendations and provide the following responses concerning your audit of the Department of Agriculture for the year ended June 30, 1991.

RECOMMENDATION

1. Supervisors should carefully review time sheets, leave slips, and expense reports, and not certify inaccurate reports.

AGENCY RESPONSE: The Grain Inspection Division now requires that all time reports, leave forms, and overtime requests be signed by both supervisor and employee. Staff were instructed in December, 1991, that all unsigned payroll documents received in this division had to be returned to the appropriate supervisor or employee for signature. This division is requiring that all payroll hours be reported on a bi-weekly time report, and will no longer accept hours reported on miscellaneous sheets of paper. All supervisory personnel were informed of this in December of 1991, as were both individuals responsible for processing payroll.

Staff were instructed in November, 1991, that a thorough comparison of leave/overtime forms and time reports is required. If these forms do not agree, they must contact appropriate supervisory personnel to check the accuracy of information being reported.

Payroll staff are no longer completing pre-signed leave forms. Approximately 98% of the missing forms were for the three working days prior to the payroll end date as bi-weekly time report information is mailed to the Minneapolis Grain Inspection Division office on the last Friday of the payroll period. A

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procedure is now in place to keep track of missing leave and overtime forms so that the appropriate supervisor can be notified in writing. All supervisors have been informed that it is their responsibility to forward this documentation to the Minneapolis Grain Inspection Division office prior to the end of the next payroll period. As leave forms are received, they are checked off the file copy of the written notification memorandum and attached to the appropriate bi-weekly time report. In order to assure that these requirements and procedures remain in place, the director or assistant director will perform a random review of payroll files once in every three month period. Mr. Dale Heimermann, the Director of the Grain Inspection Division, is responsible for implementing this recommendation.

The following actions were taken by the Dairy and Livestock Division:

- Supervisors will approve all overtime, vacation and sick leave by telephone for out-state employees and maintain a log to cross-check all leave forms before final approval and the date will reflect what is recorded in the log book prior to being granted. Leave forms will always travel with the employee time reports and be cross-checked in the office prior to submittal to the Financial Administration Division.

- Expense reports will be checked against travel logs to make sure all expenses claimed are properly allowable and accurate. More details will be recorded on expense forms, including starting times, distances, meal location, expense receipts, etc. A list is being prepared to indicate the amount due from those employees who submitted expense reports that were later found to be incorrect. Upon completion, each employee will be requested to make restitution. Mr. William Coleman, the Director of the Dairy and Livestock Division, is responsible for implementing this recommendation by June 30, 1992.

RECOMMENDATION

2. Personnel division staff should annually determine whether intermittent employees are eligible to accrue leave. Intermittent employees not eligible for leave should be asked to repay any ineligible leave taken.

AGENCY RESPONSE: On February 7, 1992, a memorandum was sent to each division director reiterating the 67 work day requirement to qualify for vacation/sick leave benefits. Since our Personnel Division does not receive any time reports from other divisions, they must rely upon the supervisory staff within each division to ensure these guidelines are met. The Personnel Division will, at the end of each year (fiscal and calendar), send out a listing to the appropriate division indicating that they must review the number of days worked by intermittent employees, and determine eligibility to accrue leave. Mr. Harold Frank, the Director of the Personnel and Office Management Division, is responsible for the implementation of this recommendation.

RECOMMENDATIONS

3. The department should identify actual grasshopper control grant expenditures and report actual expenditures to the United States Department of Agriculture.

   The department should investigate the proper disposition of the two small federal grants received under CFDA # 10.025 in fiscal year 1989.

   AGENCY RESPONSE: All expenditures of state funds relating to the grasshopper outbreak and other federal dollars during FY 89, 90 and 91 have been accounted for. Cost-share funding was offered and negotiated by the federal government to reimburse individuals in the state for some of their expenses relating to grasshopper control. The representatives of the federal government were and are fully aware of the expenditures of time and money by the state and are fully satisfied with the work done. In fact, our mutually developed procedures have become a model for future grasshopper outbreaks.

   The State General Fund and/or Special Revenue Funds for federal grant expenditures have been reconciled following the auditor recommendations. There were no excess funds to return to the federal government.

   The Department is working with the federal government to extend the grasshopper reimbursement time period. The extension will cover those expenditures outside the term of the contract which were of concern to the auditors.

   The two small federal grants received under CFDA #10.025 in fiscal year 1989 were inappropriately carried over. Re-allocation of general fund expenditures should have been done. This has since been accomplished. Any and all reported missing documentation during the audit period has been located and accounted for.

Mr. Arthur Mason, the director of the Plant Industry Division, is responsible for implementing this recommendation.

RECOMMENDATION

4. Accounting staff should take early payment discounts whenever allowed.

DEPARTMENT RESPONSE: The agency has already implemented this recommendation, and the Financial Administration Accounts Payable Staff immediately initiated action and whenever allowed, took early payment discounts. In addition, new accounts payable staff will be appropriately trained in recognizing the various discounts offered on certain invoices. Mr. Orrin Bakke, Assistant Director of the Financial Administration Division, is responsible for implementing this recommendation.

RECOMMENDATIONS

5. Accounting Division staff should:

- account for all gasoline credit cards ordered;

- maintain a gasoline credit card inventory;

- cancel the numbers of all missing gasoline credit cards; and

- destroy all duplicate gasoline credit cards.

DEPARTMENT RESPONSE: The agency has already implemented these recommendations, and the Financial Administration staff have accounted for all gasoline credit cards that were ordered; a gasoline credit card inventory is being maintained; all missing gasoline credit cards have been cancelled; and all duplicate gasoline credit cards have been destroyed. Mr. Orrin Bakke, the Assistant Director of the Financial Administration Division, is responsible for implementing this recommendation.

Program division employees should notify the Accounting Division of employees who receive authorization to use gasoline credit cards.

DEPARTMENT RESPONSE: The agency has already implemented this recommendation, and the Financial Administration has been notified by the divisions concerned which employees have received authorization to use gasoline credit cards.

RECOMMENDATIONS

6. The department should eliminate the close relationship with Minnesota Agriculture in the Classroom, currently an autonomous nonprofit organization.

   The department should deposit contributions for agriculture education in the Gift Fund.

   DEPARTMENT RESPONSE: The Minnesota Department of Agriculture agrees with the findings of the Legislative Auditor that the relationship between Minnesota Ag in the Classroom ("MAITC") and the Minnesota Department of Agriculture requires clarification. The Department is taking steps to clarify this relationship so that it will conform to applicable statutes.

   In Minnesota Statutes Sections 17.03 and 17.1015, the Commissioner of Agriculture is empowered to carry out activities as he may see fit to promote agriculture. Minesota Statutes Section 17.1015 authorizes the Commissioner to enter into contracts with private organizations, where necessary, to carry out promotional activities. MAITC exists solely for the purpose of providing information about Agriculture to elementary and secondary school students through publications and other means. This general mission is consistent with the Department's mission under Sections 17.03 and 17.1015.

   The Department intends to enter into a formal contractual relationship with Ag in the Classroom. This contract will specify the shared goals and objectives of the Department and MAITC, define the respective roles of each organization, and allocate program costs between them.

   The Minnesota Department of Agriculture will formally apply to the MAITC for grants to defray some costs of promotional activities that fall within shared goals. These grant funds will be deposited in a gift account as provided by Minnesota Statutes Section 7.09.

   MAITC will be wholly responsible for raising private funds and determining the amount of money to be granted to the Department for conducting this program. No departmental employee will serve on the MAITC Board or as an employee of MAITC. The Minnesota Department of Agriculture will assign appropriate staff to serve as liaison with MAITC to provide essential coordination of joint activities.

Deputy Commissioner R. Newell Searle is responsible for implementing this recommendation by December 31, 1992. If possible, this will be completed earlier than that date.

Sincerely,

Elton R. Redalen

Elton R. Redalen
Commissioner