

Audit Report

Maryland Agricultural Land Preservation Fund

Fiscal Year Ended June 30, 2015



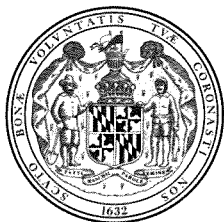
OFFICE OF LEGISLATIVE AUDITS
DEPARTMENT OF LEGISLATIVE SERVICES
MARYLAND GENERAL ASSEMBLY

For further information concerning this report contact:

Department of Legislative Services
Office of Legislative Audits
301 West Preston Street, Room 1202
Baltimore, Maryland 21201
Phone: 410-946-5900 · 301-970-5900
Toll Free in Maryland: 1-877-486-9964
Maryland Relay: 711
TTY: 410-946-5401 · 301-970-5401
E-mail: OLASWebmaster@ola.state.md.us
Website: www.ola.state.md.us

The Office of Legislative Audits operates a Fraud Hotline to report fraud, waste, or abuse involving State of Maryland government resources. Reports of fraud, waste, or abuse may be communicated anonymously by a toll-free call to 1-877-FRAUD-11, by mail to the Fraud Hotline, c/o Office of Legislative Audits, or through the Office's website.

The Department of Legislative Services does not discriminate on the basis of age, ancestry, color, creed, marital status, national origin, race, religion, gender, gender identity, sexual orientation, or disability in the admission or access to its programs, services, or activities. The Department's Information Officer has been designated to coordinate compliance with the nondiscrimination requirements contained in Section 35.107 of the Department of Justice Regulations. Requests for assistance should be directed to the Information Officer at 410-946-5400 or 410-970-5400.



DEPARTMENT OF LEGISLATIVE SERVICES
OFFICE OF LEGISLATIVE AUDITS
MARYLAND GENERAL ASSEMBLY

Warren G. Deschenaux
Executive Director

Thomas J. Barnickel III, CPA
Legislative Auditor

April 18, 2016

Senator Guy J. Guzzone, Co-Chair, Joint Audit Committee
Delegate C. William Frick, Co-Chair, Joint Audit Committee
Members of Joint Audit Committee
Annapolis, Maryland

Ladies and Gentlemen:

We have conducted a fiscal compliance audit of the Maryland Agricultural Land Preservation Fund (Fund) for the period beginning July 1, 2014 and ending June 30, 2015. The Fund was established to preserve productive agricultural land and is primarily funded by State General Obligation Bond funds, State and agricultural transfer taxes, and local subdivision matching funds. The Fund is administered by the Maryland Agricultural Land Preservation Foundation (MALPF).

Our audit did not disclose any findings.

We wish to acknowledge the cooperation extended to us by MALPF during the course of this audit.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "TJ Barnickel III".

Thomas J. Barnickel III, CPA
Legislative Auditor

Background Information

Agency Responsibilities

The Maryland Agricultural Land Preservation Foundation (MALPF) was established to preserve productive agricultural land and woodland in Maryland. MALPF, which is governed by a Board of Trustees consisting of 13 members, purchases land easements with Maryland Agricultural Land Preservation Fund (Fund) revenue and places certain restrictions on the use of the land. (For example, the land may be restricted from subdivision for residential or commercial purposes.) The Fund, which is administered by MALPF, generally derives revenues from State transfer taxes, agricultural transfer taxes, and local subdivision matching funds. In addition, MALPF uses proceeds of General Obligation Bonds to fund easement purchases. According to its records, since inception through June 30, 2015, MALPF had purchased 2,187 easements on 296,682 acres of land for a total cost of approximately \$662 million.

Financial Information

According to State accounting records, MALPF acquired easements costing approximately \$19.6 million during fiscal year 2015. As of June 30, 2015, the total resources available to finance future MALPF expenditures, including easement acquisitions, were \$33.8 million, consisting of funds held in a Special Revenue Fund (\$1.3 million) and General Obligation Bond funds (\$32.5 million). Available resources increased by \$1.6 million compared to resources available at June 30, 2014.

The Special Revenue Fund balance is reserved for easement acquisitions that were approved by MALPF's Board of Trustees, but were not yet presented to the landowners, as well as offers accepted by the landowners that were awaiting Board of Public Works approval or settlement at year-end. General Obligation Bonds have also been issued to finance future expenditures.

In addition to funds available to fund future expenditures, MALPF holds other funds committed for the payment of easements purchased by MALPF on an installment basis which, according to State accounting records, totaled \$8.0 million as of June 30, 2015.

Status of Finding From Preceding Audit Report

Our audit included a review to determine the status of the finding contained in our preceding audit report dated April 27, 2015. We determined that MALPF satisfactorily addressed this finding.

Findings and Recommendations

Our audit did not disclose any significant deficiencies in the design or operation of MALPF's internal control. Our audit also did not disclose any significant instances of noncompliance with applicable laws, rules, or regulations.

A draft copy of this report was provided to MALPF. Since there are no recommendations in this report, a written response was not necessary.

Audit Scope, Objectives, and Methodology

We have conducted a fiscal compliance audit of the Maryland Agricultural Land Preservation Fund (Fund) for the period beginning July 1, 2014 and ending June 30, 2015. The Fund is administered by the Maryland Agricultural Land Preservation Foundation (MALPF). The audit was conducted 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 objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

As prescribed by the State Government Article, Section 2-1221 of the Annotated Code of Maryland, the objectives of this audit were to examine the Fund's financial transactions, records, and internal control, and to evaluate its compliance with applicable State laws, rules, and regulations. The Fund is audited annually as required by the Agriculture Article, Section 2-505 of the Code.

In planning and conducting our audit, we focused on the major financial-related areas of operations based on assessments of significance and risk. The areas addressed by the audit included disbursements for the purchase of easements, as well as receipt of agricultural land transfer taxes, and compliance with easement terms. We also determined the status of the finding contained in our preceding audit report.

Our audit did not include a review of certain support services provided to MALPF by the Department of Agriculture. These support services (such as purchasing, data processing, maintenance of accounting records, and related fiscal functions) are included within the scope of our audit of the Department.

To accomplish our audit objectives, our audit procedures included inquiries of appropriate personnel, inspections of documents and records, observations of MALPF's operations, and tests of transactions. Generally, transactions were selected for testing based on auditor judgment, which primarily considers risk. Unless otherwise specifically indicated, neither statistical nor non-statistical audit sampling was used to select the transactions tested. Therefore, the results of the tests cannot be used to project those results to the entire population from which the test items were selected. We also performed other auditing procedures that we considered necessary to achieve our objectives. The reliability of data used in this report for background or informational purposes was not assessed.

MALPF management is responsible for establishing and maintaining effective internal control. Internal control is a process designed to provide reasonable assurance that objectives pertaining to the reliability of financial records, effectiveness and efficiency of operations, including safeguarding of assets, and compliance with applicable laws, rules, and regulations are achieved.

Because of inherent limitations in internal control, errors or fraud may nevertheless occur and not be detected. Also, projections of any evaluation of internal control to future periods are subject to the risk that conditions may change or compliance with policies and procedures may deteriorate.

Our reports are designed to assist the Maryland General Assembly in exercising its legislative oversight function and to provide constructive recommendations for improving State operations. As a result, our reports generally do not address activities we reviewed that are functioning properly.

AUDIT TEAM

Bekana Edossa, CPA, CFE
Audit Manager

Lisa M. DeCarlo
Senior Auditor