



Department of Legislative Services
Office of Legislative Audits

Maryland Agricultural Land Preservation Fund

Report dated September 4, 2008



Department of Legislative Services Office of Legislative Audits

Audit Overview

- The Maryland Agricultural Land Preservation Foundation (MALPF) was established to preserve productive agricultural land and woodland in Maryland.
 - MALPF purchases land easements with Maryland Agricultural Land Preservation Fund (the “Fund”) revenue and places certain restrictions on the use of the land.
 - The Fund, which is administered by the MALPF, generally derives revenues from State transfer taxes, agricultural transfer taxes, local subdivision matching funds, and federal grants.
 - According to MALPF records, since inception through June 30, 2007, MALPF had purchased 1,941 easements on 266,000 acres of land for a total cost of \$490 million.
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Overview of Key Audit Issues

- MALPF did not maintain a comprehensive listing of easements purchased and could not support amounts reported to the General Assembly.
 - MALPF lacked adequate procedures for ensuring counties were invoiced for their share of easement acquisition costs and properly reported their collection and use of agricultural land transfer taxes.
 - MALPF lacked procedures for ensuring that counties performed inspections to determine landowners were complying with easement agreements.
 - The Fund's 2007 fiscal year end balance was \$34 million and outstanding easement offers totaled \$91 million.
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Easement Record Keeping

- MALPF did not maintain a comprehensive listing of all easements purchased, with such detailed information as the purchase price and the number of acres covered by the easement. (Finding 1)
 - The easement value reported to the General Assembly in MALPF's Annual Report submitted in February 2008 (\$490 million) exceeded the amount recorded on the State's accounting records (\$337 million) by \$153 million.
 - \$91 million of this difference could be explained as current offers that had not been recorded on the State's records.
 - Remaining \$62 million difference could not be readily explained by MALPF management.
 - MALPF management advised us that a new database was in the process of being manually updated with the detailed easement information from the inception of the Fund to date.
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Accounting for County Easement Costs

- MALPF lacked adequate procedures for ensuring that the counties were invoiced for their share of easement acquisitions costs. We identified one county that was not invoiced \$390,000 for its share of a FY 2007 easement acquisition that was not detected by MALPF because there was no procedure to ensure all such acquisitions were matched to billing records. (Finding 2)

- MALPF did not ensure counties submitted annual reports required by State regulations. The reports document the transfer taxes collected by the county, the nature of the counties' use of the taxes, and whether any unexpended taxes were due to the State. (Finding 4)
 - As of May 2008, MALPF had not received the fiscal year 2006 reports (due in October 2006) from 9 of the 17 counties tested.
 - Reports that were received were not always prepared in accordance with State regulations.



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Monitoring of County Easement Inspections

- MALPF lacked procedures for ensuring inspections of easement properties were performed as required and had not established a follow-up policy when a county did not perform the required inspections. (Finding 5)
- Our review of calendar year 2006 inspections disclosed that MALPF had not received 97 of the 173 inspections required for easements acquired with State and local funds and had not followed up with any of the counties delinquent in submitting the inspections.
- As a result, there was a lack of assurance that landowners were in compliance with the provisions stipulated in the easement agreements. The failure to obtain the required inspections has been commented upon in our five preceding audit reports dating back to June 3, 2003.



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Fund Status

- At the end of FY 2007 MALPF had recorded \$91 million in encumbrances, generally representing the value of outstanding easement offers, but only had \$34 million in the Fund available for these obligations. (page 8 of the audit report)
- The \$57 million shortage in funds was primarily caused by the attainment of less transfer tax revenue than the amount budgeted.
- State law governing the Fund recognizes that estimated revenues may not be realized and provides for adjustments in future years or the eventual de-authorization of projects previously authorized.



Conclusion

- MALPF should maintain a comprehensive accurate listing of easements purchased and ensure amounts reported to the General Assembly are properly supported.
- MALPF should establish procedures for ensuring counties were invoiced for their share of easement acquisition costs and properly used their share of agricultural land transfer taxes.
- MALPF should ensure that counties performed the required easement inspections and follow up with counties delinquent in submitting the required inspections.