

Legislative Audit Division

State of Montana



Report to the Legislature

February 2002

Financial-Compliance Audit

For the Two Fiscal Years Ended June 30, 2001

Department of Livestock

This report contains two recommendations for improving management controls and compliance with state laws and regulations. The recommendations include:

- ▶ Accuracy of Fixed Asset Records.
- ▶ Properly recording activity on the state's accounting records.

Direct comments/inquiries to:
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Financial-compliance audits are conducted by the Legislative Audit Division to determine if an agency's financial operations are properly conducted, the financial reports are presented fairly, and the agency has complied with applicable laws and regulations. In performing the audit work, the audit staff uses standards set forth by the American Institute of Certified Public Accountants and the United States General Accounting Office. Financial-compliance audit staff members hold degrees with an emphasis in accounting. Most staff members hold Certified Public Accountant (CPA) certificates.

Government Auditing Standards, the Single Audit Act Amendments of 1996 and OMB Circular A-133 require the auditor to issue certain financial, internal control, and compliance reports. This individual agency audit report is not intended to comply with these reporting requirements and is therefore not intended for distribution to federal grantor agencies. The Legislative Audit Division issues a statewide biennial Single Audit Report which complies with the above reporting requirements. The Single Audit Report for the two fiscal years ended June 30, 1999, was issued on March 30, 2000. The Single Audit Report for the two fiscal years ended June 30, 2001, will be issued by March 31, 2002. Copies of the Single Audit Report, when available, can be obtained by contacting:

Single Audit Coordinator
Office of Budget and Program Planning
State Capitol
Helena MT 59620
Phone (406) 444-3616

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Room 160, State Capitol
PO Box 201705
Helena MT 59620-1705

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LEGISLATIVE AUDIT DIVISION

Scott A. Seecat, Legislative Auditor
John W. Northey, Legal Counsel



Deputy Legislative Auditors:
Jim Pellegrini, Performance Audit
Tori Hunthausen, IS Audit & Operations
James Gillett, Financial-Compliance Audit

February 2002

The Legislative Audit Committee
of the Montana State Legislature:

This is our financial-compliance audit report on the Department of Livestock for fiscal years 1999-00 and 2000-01. The report contains recommendations concerning the recording of fixed assets on the accounting system, and accounting for revenue accruals. The department's written response to the audit recommendations is included in the back of the report.

We thank the Executive Officer and department staff for their cooperation and assistance throughout the audit.

Respectfully submitted,

(Signature on File)

Scott A. Seecat
Legislative Auditor

Legislative Audit Division

Financial-Compliance Audit

For the Two Fiscal Years Ended June 30, 2001

Department of Livestock

Members of the audit staff involved in this audit were Wayne D. Guazzo, Brenda Kedish, Paul J. O'Loughlin, and Sonia Powell.

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Appointed and Administrative Officials

Board of Livestock

		<u>Term Expires</u> <u>March 1</u>
Bob Lee, Chairman	Judith Gap	2005
Lee Cornwell, Vice Chairman	Glasgow	2006
John Paugh	Bozeman	2006
Jeremy Kinross-Wright	Big Timber	2005
Jerry Leep	Manhattan	2005
George Hammond	Hardin	2003
Meg Smith	Divide	2003

Department of Livestock

Marc Bridges, Executive Officer

Arnold Gertonson, DVM, Administrator and State Veterinarian
Animal Health Division

George Harris, Administrator
Centralized Services Division

Bill Layton, Interim Administrator
Diagnostic Laboratory Division

Jack Wiseman, Administrator
Brands Enforcement Division

Meat, Milk and Egg Inspection Division

- ▶ Ken Lee, DVM, Bureau Chief
Milk and Egg Bureau
- ▶ Carol Olmstead, Bureau Chief
Meat Inspection Bureau

Department of Livestock

This audit report documents the results of our financial-compliance audit of the Department of Livestock (department) for the two fiscal years ended June 30, 2001.

This report contains two recommendations where the department could improve accounting and enhance compliance with state policies and laws. The first recommendation relates to accounting for equipment on the state’s accounting system. The second recommendation discusses accounting for revenue accruals. The department’s written response to the audit recommendations begins on page B-3.

We issued an unqualified opinion on the financial schedules contained in the report. This means the reader may rely on the presented financial information and the supporting data on the Statewide Accounting, Budgeting, and Human Resources System.

The listing below serves as a means of summarizing the recommendations contained in the report, the department’s response thereto, and includes a reference to the supporting comments.

Recommendation #1

We recommend the department record equipment purchases on the accounting records in accordance with state accounting policy. 7

Department response: Concur. See page B-3.

Recommendation #2

We recommend the department accrue revenue in accordance with state law and accounting policy..... 8

Department response: Concur. See page B-3.

Introduction

Introduction

We performed a financial-compliance audit of the Montana Department of Livestock (department) for fiscal years 1999-00 and 2000-01. The objectives of the audit were to:

1. Determine if the department complied with applicable state and federal laws and regulations.
2. Review the department's control systems and make recommendations for the improvement of management and internal controls of the department.
3. Determine if the department's financial schedules present fairly its changes in fund balances and results of operations for the two fiscal years ended June 30, 2001.
4. Determine the implementation status of prior audit recommendations.

This report contains two recommendations to the department. The recommendations address areas where the department can improve its management controls and compliance with laws and regulations. Other areas of concern not having a significant effect on the successful operations of the department are not included in this report, but have been discussed with management.

In accordance with section 5-13-307, MCA, we analyzed and disclosed the costs, if significant, of implementing the recommendations made in this report.

Background

The Department of Livestock was established to provide for the control and eradication of animal diseases, the prevention of transmission of animal diseases to humans, and the protection of livestock from theft and predatory animals. The department is also responsible for regulating the state milk industry.

The department is administered by a seven-member Board of Livestock (board). The members of the board are appointed by the governor and confirmed by the senate to serve six-year terms. The board appoints an executive director who is responsible for the operations of the department and ensuring board policies, directives,

Introduction

and rules are carried out. The department is organized into five divisions and was authorized 136.7 full-time equivalent employees in fiscal year 2000 and 137.71 in fiscal year 2001.

Centralized Services Division - provides budgeting, accounting, payroll, legal, purchasing, and data processing services to the department. This division also includes the Milk Control Bureau and the Milk Control Board. The Milk Control Board, which has been administratively attached to the department since July 1, 1995, is responsible for the regulation of milk producer pricing.

Brands Enforcement Division - includes the Inspection and Control Program which is responsible for brand inspections, recording of livestock brands, dealer licensing, and livestock theft investigations. This program has employees in 15 market centers and 18 districts throughout the state. This division also contains the Predator Control Program. This program is designed to control certain predators that kill or injure domestic livestock.

Animal Health Division - includes the Disease Control Program. This program is responsible for the control and eradication of animal diseases and the prevention of transmission of animal diseases to humans.

Diagnostic Laboratory Division - provides laboratory support for the Disease Control Program, Milk and Egg Program, veterinarians, and livestock producers. The Diagnostic Laboratory operates on the Bozeman campus of Montana State University.

Meat, Milk, and Egg Inspection Division - includes the Milk and Egg Program and the Meat and Poultry Inspection Program. The Milk and Egg Program ensures that eggs and milk products sold or manufactured in the state are fit for human consumption. The Meat and Poultry Inspection Program provides for a state-certified supply of wholesome meat products for retail consumption.

The Livestock Crimestoppers Commission is administratively attached to the department. This commission provides a reward program for information used in the detection of livestock-related crimes.

Prior Audit Recommendations

Prior Audit Recommendations

We performed the financial-compliance audit of the department for the two fiscal years ended June 30, 1999. The department concurred with all seven recommendations contained in the report. We noted the department implemented five and partially implemented two of the recommendations.

One recommendation which was partially implemented relates to accounting for stray livestock. The department has recently implemented procedures which should improve compliance with the state's law on accounting for stray livestock. Because of the changes in procedures we do not make a recommendation.

Another partially implemented recommendation relates to accruing of revenue which is discussed on page 8.

Findings and Recommendations

Recording Equipment Assets

State accounting policy requires equipment purchases exceeding \$5,000 to be capitalized in the Statewide Accounting, Budgeting, and Human Resources System (SABHRS) Asset Management (AM) module. Assets recorded through the AM module are also recorded in the General Fixed Asset Account Group (GFAAC), since information for this fund is obtained from the AM module. During fiscal years 1999-00 and 2000-01, the department purchased approximately \$860,000 in equipment, including vehicles, trailers, snowmobiles, machinery, and laboratory diagnostic equipment. Of the approximate \$860,000 in equipment purchases made, approximately \$400,000 was for equipment that exceeded the \$5,000 limit.

Department personnel have separate inventory listings used to track equipment purchases, including equipment that is under the \$5,000 limit. These personnel are in the process of updating their inventory records and inputting information on the Asset Management system. As of fiscal year-end 2000-01; however, the GFAAC did not reflect approximately \$400,000 in capitalized equipment purchases.

Recommendation #1

We recommend the department record equipment purchases on the accounting records in accordance with state accounting policy.

Accounting Issues

Section 17-1-102(4), MCA, requires state agencies to input all necessary transactions to the accounting system before the end of the fiscal year in order to present the receipt, use, and disposition of resources in accordance with generally accepted accounting principles. State accounting policy provides guidance on how to record activity in accordance with this state law. Accounting for financial activity in accordance with these requirements improves the quality, consistency, and comparability of the resulting financial information among state agencies. It also ensures that revenue and expenditures are properly and consistently measured within each fiscal year. We noted several instances where activity was not

Finding and Recommendations

properly recorded on SABHRS in accordance with state law. The following section discusses how the department can improve its compliance with this state law and state policy.

Revenue Accruals

State accounting policy requires revenue be recognized in the period in which it is measurable and available. Measurable means that there is enough information to make a reasonable estimate of the amount to be received. Available means that it is collectible in the current period or soon enough thereafter (generally 60 days) to be used to pay liabilities of the current period. During the current audit we noted the following errors:

- ▶ At fiscal year-end 1999-00, the department accrued a total of \$113,656 for inspector assessment (\$67,937), milk producer (\$20,910), milk distributor (\$22,800) and milk assessment (\$2,009) revenues. When the moneys were received in fiscal year 2000-01 the department recorded revenue a second time instead of reducing accounts receivable previously recorded on the accounting records. As a result, revenues and accounts receivable in the state Special Revenue Fund were overstated by \$113,656 at the end of fiscal year 2000-01.
- ▶ At fiscal year-end 1999-00, the department accrued federal revenue in the amount of \$405,000 to show the amount of federal funds owed to the department for its bison trap project. A separate \$81,082 accrual was made to record the amount owed back to the department for funds loaned to the bison trap project while awaiting reimbursement. Because the \$81,082 was already included in the \$405,000 accrual, it was recorded twice on the accounting records. As a result, revenues and accounts receivable were overstated in the Special Revenue Fund for fiscal year 1999-00 by \$81,082.

Recommendation #2

We recommend the department accrue revenue in accordance with state law and accounting policy.

Independent Auditor's Report & Department Financial Schedules

LEGISLATIVE AUDIT DIVISION

Scott A. Seacat, Legislative Auditor
John W. Northey, Legal Counsel



Deputy Legislative Auditors:
Jim Pellegrini, Performance Audit
Tori Hunthausen, IS Audit & Operations
James Gillett, Financial-Compliance Audit

INDEPENDENT AUDITOR'S REPORT

The Legislative Audit Committee
of the Montana State Legislature:

We have audited the accompanying Schedules of Changes in Fund Balances & Property Held in Trust, Schedules of Total Revenues & Transfers-In, and Schedules of Total Expenditures & Transfer-Out of the Department of Livestock for each of the fiscal years ended June 30, 2000 and 2001. The information contained in these financial schedules is the responsibility of the department's management. Our responsibility is to express an opinion on these financial schedules based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial schedules are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosure in the financial schedules. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial schedule presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in note 1, the financial schedules are presented on a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The schedules are not intended to be a complete presentation and disclosure of the department's assets and liabilities.

In our opinion, the financial schedules referred to above present fairly, in all material respects, the results of operations and changes in fund balances/property held in trust, of the Department of Livestock for each of the years ended June 30, 2000 and 2001, in conformity with the basis of accounting described in note 1.

Respectfully submitted,

(Signature on File)

James Gillett, CPA
Deputy Legislative Auditor

January 15, 2002

DEPARTMENT OF LIVESTOCK
SCHEDULE OF CHANGES IN FUND BALANCES & PROPERTY HELD IN TRUST
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Agency Fund</u>	<u>Expendable Trust Fund</u>
FUND BALANCE: July 1, 2000	\$ <u>(142,951)</u>	\$ <u>2,702,319</u>	\$ <u>3,180</u>	\$ <u>27,888</u>
PROPERTY HELD IN TRUST: July 1, 2000			\$ <u>(195,792)</u>	
 ADDITIONS				
Budgeted Revenues & Transfers-In	4,530	9,141,968		
NonBudgeted Revenues & Transfers-In	1,261	625,788		42,108
Prior Year Revenues & Transfers-In Adjustments	(380)	(28,365)		
Direct Entries to Fund Balance	694,420	12		
Additions To Property Held in Trust			4,375,141	
Total Additions	<u>699,831</u>	<u>9,739,403</u>	<u>4,375,141</u>	<u>42,108</u>
 REDUCTIONS				
Budgeted Expenditure & Transfers-Out	589,297	7,234,728		
NonBudgeted Expenditure & Transfers-Out				21,054
Prior Year Expenditure & Transfers-Out Adjustments	8,259	2,377		
Reductions in Property Held in Trust			4,141,658	
Total Reductions	<u>597,556</u>	<u>7,237,105</u>	<u>4,141,658</u>	<u>21,054</u>
 FUND BALANCE: June 30, 2001	 \$ <u><u>(40,676)</u></u>	 \$ <u><u>5,204,617</u></u>	 \$ <u><u>3,180</u></u>	 \$ <u><u>48,942</u></u>
PROPERTY HELD IN TRUST: June 30, 2001			\$ <u><u>37,691</u></u>	

This schedule is prepared from the Statewide Accounting, Budgeting, and Human Resources System (SABHRS) without adjustment. Additional information is provided in the notes to the financial schedules beginning on page A-11.

DEPARTMENT OF LIVESTOCK
SCHEDULE OF CHANGES IN FUND BALANCES & PROPERTY HELD IN TRUST
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Agency Fund</u>	<u>Expendable Trust Fund</u>
FUND BALANCE: July 1, 1999	\$ <u>(102,581)</u>	\$ <u>3,295,573</u>	\$ <u>0</u>	\$ <u>21,045</u>
PROPERTY HELD IN TRUST: July 1, 1999			\$ <u>18,983</u>	
 ADDITIONS				
Budgeted Revenues & Transfers-In	4,884	6,019,025		
NonBudgeted Revenues & Transfers-In	264	504,925	3,180	25,827
Prior Year Revenues & Transfers-In Adjustments		10,066		
Direct Entries to Fund Balance	520,388	47,288		
Additions To Property Held in Trust			<u>7,306,245</u>	
Total Additions	<u>525,536</u>	<u>6,581,304</u>	<u>7,309,425</u>	<u>25,827</u>
 REDUCTIONS				
Budgeted Expenditure & Transfers-Out	564,844	7,172,575		
NonBudgeted Expenditure & Transfers-Out		35		18,984
Prior Year Expenditure & Transfers-Out Adjustments	1,062	1,948		
Reductions in Property Held in Trust			<u>7,521,020</u>	
Total Reductions	<u>565,906</u>	<u>7,174,558</u>	<u>7,521,020</u>	<u>18,984</u>
 FUND BALANCE: June 30, 2000	 \$ <u>(142,951)</u>	 \$ <u>2,702,319</u>	 \$ <u>3,180</u>	 \$ <u>27,888</u>
PROPERTY HELD IN TRUST: June 30, 2000			\$ <u>(195,792)</u>	

This schedule is prepared from the Statewide Accounting, Budgeting, and Human Resources System (SABHRS) without adjustment. Additional information is provided in the notes to the financial schedules beginning on page A-11.

DEPARTMENT OF LIVESTOCK
SCHEDULE OF TOTAL REVENUES & TRANSFERS-IN
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Expendable Trust Fund</u>	<u>Total</u>
TOTAL REVENUES & TRANSFERS-IN BY CLASS				
Licenses and Permits	\$ 4,150	\$ 3,337,409		\$ 3,341,559
Taxes	1,261	3,855,249		3,856,510
Charges for Services		1,347,563		1,347,563
Investment Earnings		98,789		98,789
Sale of Documents, Merchandise and Property		1,166	\$ 42,108	43,274
Miscellaneous		8,683		8,683
Grants, Contracts, Donations and Abandonments		(110,000)		(110,000)
Other Financing Sources		76,216		76,216
Federal		1,124,316		1,124,316
Total Revenues & Transfers-In	<u>5,411</u>	<u>9,739,391</u>	<u>42,108</u>	<u>9,786,910</u>
Less: Nonbudgeted Revenues & Transfers-In	1,261	625,788	42,108	669,157
Prior Year Revenues & Transfers-In Adjustments	<u>(380)</u>	<u>(28,365)</u>	<u>0</u>	<u>(28,745)</u>
Actual Budgeted Revenues & Transfers-In	4,530	9,141,968	0	9,146,498
Estimated Revenues & Transfers-In	6,100	5,780,744	0	5,786,844
Budgeted Revenues & Transfers-In Over (Under) Estimated	<u>\$ (1,570)</u>	<u>\$ 3,361,224</u>	<u>\$ 0</u>	<u>\$ 3,359,654</u>
BUDGETED REVENUES & TRANSFERS-IN OVER (UNDER) ESTIMATED BY CLASS				
Licenses and Permits	\$ (1,570)	\$ 2,839,659		\$ 2,838,089
Taxes		587,480		587,480
Charges for Services		194,933		194,933
Investment Earnings		(130,266)		(130,266)
Fines and Forfeits		(500)		(500)
Sale of Documents, Merchandise and Property		(26,981)		(26,981)
Grants, Contracts, Donations and Abandonments		(110,000)		(110,000)
Other Financing Sources		28,016		28,016
Federal		(21,117)	\$	(21,117)
Budgeted Revenues & Transfers-In Over (Under) Estimated	<u>\$ (1,570)</u>	<u>\$ 3,361,224</u>	<u>\$ 0</u>	<u>\$ 3,359,654</u>

This schedule is prepared from the Statewide Accounting, Budgeting, and Human Resources System (SABHRS) without adjustment. Additional information is provided in the notes to the financial schedules beginning on page A-11.

DEPARTMENT OF LIVESTOCK
SCHEDULE OF TOTAL REVENUES & TRANSFERS-IN
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Agency Fund</u>	<u>Expendable Trust Fund</u>	<u>Total</u>
TOTAL REVENUES & TRANSFERS-IN BY CLASS					
Licenses and Permits	\$ 4,884	\$ 349,884			\$ 354,768
Taxes	264	3,542,546			3,542,810
Charges for Services		1,246,275	\$ 3,180		1,249,455
Investment Earnings		151,087			151,087
Sale of Documents, Merchandise and Property		1,183		\$ 25,827	27,010
Grants, Contracts, Donations and Abandonments		220,000			220,000
Other Financing Sources		45,445			45,445
Federal		977,596			977,596
Total Revenues & Transfers-In	<u>5,148</u>	<u>6,534,016</u>	<u>3,180</u>	<u>25,827</u>	<u>6,568,171</u>
Less: Nonbudgeted Revenues & Transfers-In	264	504,925	3,180	25,827	534,196
Prior Year Revenues & Transfers-In Adjustments	<u>0</u>	<u>10,066</u>	<u>0</u>	<u>0</u>	<u>10,066</u>
Actual Budgeted Revenues & Transfers-In	4,884	6,019,025	0	0	6,023,909
Estimated Revenues & Transfers-In	6,100	6,087,345	0	0	6,093,445
Budgeted Revenues & Transfers-In Over (Under) Estimated	<u>\$ (1,216)</u>	<u>\$ (68,320)</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (69,536)</u>
BUDGETED REVENUES & TRANSFERS-IN OVER (UNDER) ESTIMATED BY CLASS					
Licenses and Permits	\$ (1,216)	\$ (147,866)			\$ (149,082)
Taxes		347,637			347,637
Charges for Services		74,275			74,275
Investment Earnings		(383,232)			(383,232)
Fines and Forfeits		(500)			(500)
Sale of Documents, Merchandise and Property		(26,817)			(26,817)
Grants, Contracts, Donations and Abandonments		110,000			110,000
Other Financing Sources		(10,556)			(10,556)
Federal		(31,261)			(31,261)
Budgeted Revenues & Transfers-In Over (Under) Estimated	<u>\$ (1,216)</u>	<u>\$ (68,320)</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (69,536)</u>

This schedule is prepared from the Statewide Accounting, Budgeting, and Human Resources System (SABHRS) without adjustment. Additional information is provided in the notes to the financial schedules beginning on page A-11.

DEPARTMENT OF LIVESTOCK
SCHEDULE OF TOTAL EXPENDITURES & TRANSFERS-OUT
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

PROGRAM EXPENDITURES & TRANSFERS-OUT BY OBJECT	<u>CENTRALIZED SERVICES PROGRAM</u>	<u>DIAGNOSTIC LABORATORY PROGRAM</u>	<u>DISEASE CONTROL PROGRAM</u>	<u>INSPECTION & CONTROL PROGRAM</u>	<u>MEAT/POULTRY INSPECTION</u>	<u>MILK & EGG PROGRAM</u>	<u>MILK CONTROL BUREAU</u>	<u>PREDATOR CONTROL</u>	<u>Total</u>
Personal Services									
Salaries	\$ 438,388	\$ 699,077	\$ 487,485	\$ 1,733,760	\$ 422,432	\$ 168,169	\$ 106,257		\$ 4,055,568
Other Compensation	6,725		100				800		7,625
Employee Benefits	114,060	184,809	109,498	502,848	122,496	42,855	28,451		1,105,017
Total	<u>559,173</u>	<u>883,886</u>	<u>597,083</u>	<u>2,236,608</u>	<u>544,928</u>	<u>211,024</u>	<u>135,508</u>	<u>\$ 0</u>	<u>5,168,210</u>
Operating Expenses									
Other Services	120,433	74,839	306,959	73,601	20,256	803	5,364	400,413	1,002,668
Supplies & Materials	38,152	205,818	54,556	101,200	11,799	10,257	3,958	963	426,703
Communications	20,182	18,339	49,274	96,531	24,829	4,278	7,762		221,195
Travel	27,040	5,455	55,560	54,351	59,561	9,115	12,434		223,516
Rent	78,159	4,674	34,237	597	76,870	63	5,425		200,025
Utilities		30,119	1,479	11,854					43,452
Repair & Maintenance	12,018	37,532	24,265	34,802	3,596	3,446	2,067		117,726
Other Expenses	48,240	48,218	7,288	15,446	4,484	672	3,095		127,443
Total	<u>344,224</u>	<u>424,994</u>	<u>533,618</u>	<u>388,382</u>	<u>201,395</u>	<u>28,634</u>	<u>40,105</u>	<u>401,376</u>	<u>2,362,728</u>
Equipment & Intangible Assets									
Equipment	78,820	6,578	94,472	67,758	32,214	22,381			302,223
Livestock			1,500						1,500
Total	<u>78,820</u>	<u>6,578</u>	<u>95,972</u>	<u>67,758</u>	<u>32,214</u>	<u>22,381</u>	<u>0</u>	<u>0</u>	<u>303,723</u>
Transfers									
Accounting Entity Transfers				21,054					21,054
Total	<u>0</u>	<u>0</u>	<u>0</u>	<u>21,054</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>21,054</u>
Total Expenditures & Transfers-Out	<u>\$ 982,217</u>	<u>\$ 1,315,458</u>	<u>\$ 1,226,673</u>	<u>\$ 2,713,802</u>	<u>\$ 778,537</u>	<u>\$ 262,039</u>	<u>\$ 175,613</u>	<u>\$ 401,376</u>	<u>\$ 7,855,715</u>
EXPENDITURES & TRANSFERS-OUT BY FUND									
General Fund	\$ 25,485	\$ 183,958			\$ 388,113				\$ 597,556
Special Revenue Fund	956,732	1,131,500	1,226,673	2,692,748	390,424	262,039	175,613	401,376	7,237,105
Expendable Trust Fund				21,054					21,054
Total Expenditures & Transfers-Out	<u>982,217</u>	<u>1,315,458</u>	<u>1,226,673</u>	<u>2,713,802</u>	<u>778,537</u>	<u>262,039</u>	<u>175,613</u>	<u>401,376</u>	<u>7,855,715</u>
Less: Nonbudgeted Expenditures & Transfers-Out	0	0	0	21,054	0	0	(0)	0	21,054
Prior Year Expenditures & Transfers-Out Adjustments	288	6,428	2,650	1,232	18	20	0	0	10,636
Actual Budgeted Expenditures & Transfers-Out	981,929	1,309,030	1,224,023	2,691,516	778,519	262,019	175,613	401,376	7,824,025
Budget Authority	1,013,760	1,340,532	1,898,111	2,714,919	897,721	272,107	181,563	512,201	8,830,914
Unspent Budget Authority	<u>\$ 31,831</u>	<u>\$ 31,502</u>	<u>\$ 674,088</u>	<u>\$ 23,403</u>	<u>\$ 119,202</u>	<u>\$ 10,088</u>	<u>\$ 5,950</u>	<u>\$ 110,825</u>	<u>\$ 1,006,889</u>
UNSPENT BUDGET AUTHORITY BY FUND									
General Fund	\$ 31,831	\$ 31,502			\$ 59,852				\$ 123,185
Special Revenue Fund			\$ 674,088	\$ 23,403	\$ 59,350	\$ 10,088	\$ 5,950	\$ 110,825	883,704
Unspent Budget Authority	<u>\$ 31,831</u>	<u>\$ 31,502</u>	<u>\$ 674,088</u>	<u>\$ 23,403</u>	<u>\$ 119,202</u>	<u>\$ 10,088</u>	<u>\$ 5,950</u>	<u>\$ 110,825</u>	<u>\$ 1,006,889</u>

This schedule is prepared from the Statewide Accounting, Budgeting, and Human Resources System (SABHRS) without adjustment. Additional information is provided in the notes to the financial schedules beginning on page A-11.

DEPARTMENT OF LIVESTOCK
SCHEDULE OF TOTAL EXPENDITURES & TRANSFERS-OUT
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

PROGRAM EXPENDITURES & TRANSFERS-OUT BY OBJECT	PROGRAM (SUB-CLASS) NOT SPECIFIED	CENTRALIZED SERVICES PROGRAM	DIAGNOSTIC LABORATORY PROGRAM	DISEASE CONTROL PROGRAM	INSPECTION & CONTROL PROGRAM	MEAT/ POULTRY INSPECTION	MILK & EGG PROGRAM	MILK CONTROL BUREAU	PREDATOR CONTROL	Total
Personal Services										
Salaries		\$ 412,393	\$ 678,796	\$ 349,649	\$ 1,694,218	\$ 409,709	\$ 161,696	\$ 95,150		\$ 3,801,611
Other Compensation		7,400						2,550		9,950
Employee Benefits		101,853	179,379	90,411	481,946	117,201	41,350	24,897		1,037,037
Total	\$ 0	521,646	858,175	440,060	2,176,164	526,910	203,046	122,597	\$ 0	4,848,598
Operating Expenses										
Other Services		151,956	67,534	145,690	39,029	27,782	2,373	6,153	468,982	909,499
Supplies & Materials		42,454	237,651	126,352	95,796	58,109	9,689	1,526	10,079	581,656
Communications		16,294	19,007	36,160	66,969	19,953	3,771	5,826		167,980
Travel		25,207	10,557	24,292	53,818	60,756	11,009	11,747	2,592	199,978
Rent		64,151	4,067	25,768	2,434	85,520	116	7,560	1,846	191,462
Utilities			33,149	2,983	13,341					49,473
Repair & Maintenance		8,968	31,802	15,812	22,566	2,601	2,525	1,496	27,947	113,717
Other Expenses		47,349	42,440	8,095	10,681	583	595	1,696	25	111,464
Total	0	356,379	446,207	385,152	304,634	255,304	30,078	36,004	511,471	2,325,229
Equipment & Intangible Assets										
Equipment		96,724	28,992	259,491	139,392		29,671			554,270
Total	0	96,724	28,992	259,491	139,392	0	29,671	0	0	554,270
Benefits & Claims										
From State Sources				12,367						12,367
Total	0	0	0	12,367	0	0	0	0	0	12,367
Transfers										
Accounting Entity Transfers	18,984									18,984
Total	18,984	0	0	0	0	0	0	0	0	18,984
Total Expenditures & Transfers-Out	\$ 18,984	\$ 974,749	\$ 1,333,374	\$ 1,097,070	\$ 2,620,190	\$ 782,214	\$ 262,795	\$ 158,601	\$ 511,471	\$ 7,759,448
EXPENDITURES & TRANSFERS-OUT BY FUND										
General Fund		\$ 2,915	\$ 192,808			\$ 370,183				\$ 565,906
Special Revenue Fund		971,834	1,140,566	1,097,070	2,620,190	412,031	262,795	158,601	511,471	7,174,558
Expendable Trust Fund	18,984									18,984
Total Expenditures & Transfers-Out	18,984	974,749	1,333,374	1,097,070	2,620,190	782,214	262,795	158,601	511,471	7,759,448
Less: Nonbudgeted Expenditures & Transfers-Out	18,984	0	35	0	0	0	0	0	0	19,019
Prior Year Expenditures & Transfers-Out Adjustments	0	698	364	93	1,556	0	299	0	0	3,010
Actual Budgeted Expenditures & Transfers-Out	0	974,051	1,332,975	1,096,977	2,618,634	782,214	262,496	158,601	511,471	7,737,419
Budget Authority	0	1,027,846	1,376,926	1,695,861	2,700,327	867,767	267,215	178,203	512,201	8,626,346
Unspent Budget Authority	\$ 0	\$ 53,795	\$ 43,951	\$ 598,884	\$ 81,693	\$ 85,553	\$ 4,719	\$ 19,602	\$ 730	\$ 888,927
UNSPENT BUDGET AUTHORITY BY FUND										
General Fund		\$ 20,039	\$ 45,773			\$ 62,675				\$ 128,487
Special Revenue Fund		33,756	(1,822)	598,884	81,693	22,878	4,719	19,602	730	760,440
Unspent Budget Authority	\$ 0	\$ 53,795	\$ 43,951	\$ 598,884	\$ 81,693	\$ 85,553	\$ 4,719	\$ 19,602	\$ 730	\$ 888,927

This schedule is prepared from the Statewide Accounting, Budgeting, and Human Resources System (SABHRS) without adjustment. Additional information is provided in the notes to the financial schedules beginning on page A-11.

Department of Livestock

Notes to the Financial Schedules for the Two Fiscal Years Ended June 30, 2001

1. **Summary of Significant Accounting Policies**

Basis of Accounting

The Department of Livestock uses the modified accrual basis of accounting, as defined by state accounting policy, for its Governmental, Expendable Trust, and Agency Funds. In applying the modified accrual basis, the department records:

Revenues when it receives cash or when receipts are measurable and available to pay current period liabilities.

Expenditures for valid obligations when the department incurs the related liability and it is measurable, with the exception of the cost of employees' annual and sick leave. State accounting policy requires the department to record the cost of employees' annual leave and sick leave when used or paid.

Expenditures may include: entire budgeted service contracts even though the department receives the services in a subsequent fiscal year; goods ordered with a purchase order before fiscal year-end, but not received as of fiscal year-end; and equipment ordered with a purchase order before fiscal year-end.

Basis of Presentation

The financial schedule format is in accordance with the policy of the Legislative Audit Committee. The financial schedules are prepared from the transactions posted to the state's accounting system without adjustment.

Accounts are organized in funds according to state law. The department uses the following funds:

Notes to the Financial Schedules

Governmental Funds

General Fund - to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Fund - to account for proceeds of specific revenue sources legally restricted to expenditures for specific purposes. Department Special Revenue Funds include Private, Environmental Contingency, Inspection and Control, Livestock Per Capita, Animal Health, Milk Control Bureau, Meat and Poultry Inspection and Bison Trap accounts.

Fiduciary Funds

Trust and Agency Funds - to account for assets held by the state in a trustee capacity or as an agent for individuals, private organizations, other governments or other funds. Department fiduciary funds include Agency Funds for National Beef Check-Off and Producers Milk Pool accounts as well as an Expendable Trust Fund for the Stock Estray account.

2. General Fund Balance

The negative fund balance in the General Fund does not indicate overspent appropriation authority. Each agency has authority to pay obligations from the statewide General Fund within its appropriation limits. Each agency expends cash or other assets from the statewide fund when it pays General Fund obligations. The department's outstanding liabilities exceed the assets the agency has placed in the fund, resulting in negative ending General Fund balances for each of the two fiscal years ended June 30, 2000 and June 30, 2001.

3. Expenditure Program (Sub-class)

As part of the implementation of a new accounting system in fiscal year 1999-00, state officials determined that a sub-class designation would identify the program to which an expenditure should be charged. State officials did not require non-budgeted expenditure transactions to be identified to a sub-class. The program designations in the Schedules of Total Expenditures & Transfers-Out are based on the sub-class designation used when the expenditures were recorded. The accounting system did not require agencies to code non-budgeted accounts with a sub-class code identifying the expenditure program in which the activity occurred until September 2000. This new edit requires that all expenditure transactions

Notes to the Financial Schedules

entered through the general ledger include a sub-class value. This non-budgeted activity is included in the column titled Program (Sub-Class) Not Specified on the Schedules of Total Expenditures & Transfers-Out.

4. Direct Entries to Fund Balance

Direct entries to fund balances in the General and Special Revenue Fund types in fiscal years 1999-00 and 2000-01 include entries generated by SABHRS to reflect the flow of resources within individual funds shared by separate agencies.

Department Response

DEPARTMENT OF LIVESTOCK



JUDY MARTZ, GOVERNOR

PO BOX 202001

STATE OF MONTANA

BOARD OF LIVESTOCK - (406) 444-7323
BRANDS ENFORCEMENT DIVISION - (406) 444-2045
ANIMAL HEALTH DIVISION - (406) 444-2043
CENTRALIZED SERVICES DIVISION - (406) 444-9040
MEAT & POULTRY INSPECTION BUREAU - (406) 444-5202
MILK & EGG BUREAU - (406) 444-9761

HELENA, MONTANA 59620-2001

February 20, 2002

Scott A. Seacat
Legislative Auditor
Room 160, State Capitol
P.O. Box 201705
Helena, Montana 59620-1705

RECEIVED
FEB 22 2002
LEGISLATIVE AUDIT DIV.

Dear Mr. Seacat:

On behalf of the Board of Livestock, I submit the following responses to your audit recommendations for the audit period FY00-01.

Recommendation #1

We recommend the department record equipment purchases on the accounting records in accordance with state accounting policy.

Department Response:

Concur:

The Department of Livestock has an internal automated system that tracks assets valued above and below \$5,000. At this time, all equipment over \$5,000 is recorded on SABHRS Asset Management (AM). The Department has placed procedures into effect that will ensure that new assets over \$5,000 will be recorded on SABHRS AM as they are procured.

Recommendation #2

We recommend the department accrue revenue in accordance with state law and accounting policy.

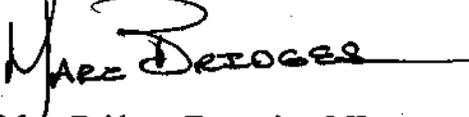
Department Response:

Concur:

The Department recognizes that coding errors were made on the new SABHRS system in FY2000. The Department will continue to place emphasis on fiscal year end revenue accruals to ensure that such transactions are properly coded.

Thank you for the opportunity to respond to your audit report. We appreciate the efforts of your staff in identifying and clarifying issues. The department will make every effort to implement the recommendations you have made.

Sincerely,

A handwritten signature in black ink that reads "Marc Bridges". The signature is written in a cursive style with a long horizontal line extending to the right.

Marc Bridges, Executive Officer
To the Board of Livestock

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