

Legislative Audit Division

State of Montana



Report to the Legislature

January 2004

Financial-Compliance Audit For the Two Fiscal Years Ended June 30, 2003

Department of Livestock

This report contains one recommendation for improving management controls and compliance with state laws and regulations. The recommendation relates to proper recording of activity on the state's accounting system.

Direct comments/inquiries to:
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03-21

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FINANCIAL-COMPLIANCE AUDITS

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, 2003, will be issued by March 31, 2004. The Single Audit Report for the two fiscal years ended June 30, 2001, was issued on March 26, 2002. Copies of the Single Audit Report can be obtained by contacting:

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Office of Budget and Program Planning
State Capitol
Helena MT 59620
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Tori Hunthausen, IS Audit & Operations
James Gillett, Financial-Compliance Audit

January 2004

The Legislative Audit Committee
of the Montana State Legislature:

This is our financial-compliance audit report on the Department of Livestock for fiscal years 2002-03 and 2001-02. The report contains one recommendation concerning the proper recording of activity on the state's accounting system. The department's written response to the audit recommendation 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, 2003

Department of Livestock

Members of the audit staff involved in this audit were Melissa Heinert, Sonia Powell, and Jennifer Solem.

Table of Contents

Appointed and Administrative Officials	ii
Report Summary	S-1
Introduction.....	1
Introduction	1
Background.....	1
Prior Audit Recommendations	3
Findings and Recommendations	5
Accounting Issues.....	5
Independent Auditor’s Report & Department Financial Schedules.....	A-1
Independent Auditor’s Report.....	A-3
Schedule of Changes in Fund Balances & Property Held in Trust for the Fiscal Year Ended June 30, 2003	A-5
Schedule of Changes in Fund Balances & Property Held in Trust for the Fiscal Year Ended June 30, 2002	A-6
Schedule of Total Revenues & Transfers-In For the Fiscal Year Ended June 30, 2003.....	A-7
Schedule of Total Revenues & Transfers-In For the Fiscal Year Ended June 30, 2002.....	A-8
Schedule of Total Expenditures & Transfers-Out For the Fiscal Year Ended June 30, 2003.....	A-9
Schedule of Total Expenditures & Transfers-Out For the Fiscal Year Ended June 30, 2002.....	A-10
Notes to Financial Schedules.....	A-11
Department Response.....	B-1
Department of Livestock.....	B-3

Appointed and Administrative Officials

Board of Livestock

Term Expires
March 1

Bob Lee, Chairman	Judith Gap	2005
Lee Cornwell	Glasgow	2007
John Paugh	Bozeman	2007
Jeremy Kinross-Wright	Big Timber	2005
Jerry Leep	Manhattan	2005
George Hammond	Hardin	2009
Meg Smith	Divide	2009

Department of Livestock

Marc Bridges, Executive Officer

Thomas Lindfield, DVM, State Veterinarian
Animal Health Division

Centralized Services Division

- ▶ George Harris, Administrator
- ▶ Monte Nick, Bureau Chief, Milk Control Bureau

Bill Layton, DVM, DACVP, Administrator
Diagnostic Laboratory Division

Jack Wiseman, Administrator
Brands Enforcement Division

Sam Murfitt, Executive Secretary
Board of Horseracing

Evaleen Starkel
Alternative Livestock Program

Meat, Milk and Egg Inspection Division

- ▶ Todd Gahagen, Bureau Chief, Milk and Egg Bureau
- ▶ Carol Olmstead, Bureau Chief, Meat and Poultry Division

Report Summary

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, 2003.

This report contains one recommendation where the department could improve accounting and enhance compliance with state policies and laws. The department’s written response to the audit recommendation 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 (SABHRS).

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

Recommendation #1

We recommend the department develop specific procedures to ensure the financial records are complete and accurate at fiscal year-end.6

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 2002-03 and 2001-02. 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, 2003.
4. Determine the implementation status of prior audit recommendations.

This report contains one recommendation to the department. The recommendation addresses an area 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 cost, if significant, of implementing the recommendation 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

Introduction

operations of the department and ensuring board policies, directives, and rules are carried out. The department is organized into five divisions and was authorized 144.49 full-time equivalent (FTE) employees in fiscal year 2003 and fiscal year 2002.

Centralized Services Division (22.78 FTE) - provides budgeting, accounting, payroll, legal, purchasing, and data processing services to the department. This division also includes the Milk Control Bureau, the Milk Control Board, the Predator Control Program, and the Board of Horse Racing. 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. The Predator Control Program contracts with the U.S. Department of Agriculture to control predators that injure or kill domestic livestock. The Board of Horse Racing moved to the department from the Department of Commerce in fiscal year 2001-02. The board monitors and regulates the horse racing industry in Montana.

Brands Enforcement Division (62.71 FTE) - 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.

Animal Health Division (17 FTE) - 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 (21 FTE) - 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 (21 FTE) - 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

We performed the financial-compliance audit of the department for the two fiscal years ended June 30, 2001. The department concurred with both recommendations contained in the report. We noted the department implemented one and partially implemented the other recommendation.

The department has developed procedures and has worked diligently to implement the recommendation relating to fixed assets. The department is still in the process of fully implementing the recommendation. At this time, we make no further recommendation. We will review this issue again during the next audit.

Findings and Recommendations

Accounting Issues

During our audit of the department, we noted several transactions related to deferral and accrual of revenue, stock stray funds, and brand rerecord revenue, that were either not recorded or recorded incorrectly during the fiscal year. The department is required to record these transactions each year to comply with state laws and policies. Although the dollar amounts for these transactions can vary, the transactions themselves are recurring from year to year.

- State accounting policy requires revenues to equal expenditures in most federal funds at fiscal year end. In fiscal year 2002-03, we noted two accounts where the department did not make the necessary entries to ensure federal revenues equaled federal expenditures. In one case revenue was overstated by \$8,546 and deferred revenue was understated by the same amount. In the other case, revenues and accounts receivable were understated by \$7,578.
- State accounting policy also requires the department to estimate the amount of proceeds the department will earn based on unclaimed stock stray net proceeds. The department did not record this estimate for fiscal year 2002-03.
- State law requires the department recognize ten percent of the net brand rerecord revenue each year for ten years until the next brand rerecord period. For the current rerecord period, the department should recognize \$455,156 each year. In fiscal year 2001-02, the department recognized \$455,156, but in error recorded it as a prior year transaction. This resulted in an overstatement of prior year revenues and an understatement of current year revenues.

The above three examples are transaction types that are recorded each fiscal year. The Department of

Findings and Recommendations

Administration (DofA) annually prepares and distributes a fiscal year-end closing memorandum to aid agencies in ensuring all transactions are properly and completely recorded on the accounting records by fiscal year-end. However, because the closing memorandum is not written to address all situations, the department should develop specific procedures for its recurring transactions. These procedures can be in the form of policies, checklists, or other written documentation. The department should use the DofA memorandum in conjunction with its department developed procedures to reduce the risk of omitting required transactions or to detect errors in previously recorded transactions before the close of the fiscal year.

Recommendation #1

We recommend the department develop specific procedures to ensure the financial records are complete and accurate at fiscal year-end.

**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 & Transfers-Out of the Department of Livestock for each of the fiscal years ended June 30, 2003, and 2002. 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 disclosures 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 and property held in trust of the Department of Livestock for each of the fiscal years ended June 30, 2003, and 2002, in conformity with the basis of accounting described in note 1.

Respectfully submitted,

(Signature on File)

James Gillett, CPA
Deputy Legislative Auditor

December 2, 2003

Department of Livestock
Schedule of Changes In Fund Balances & Property Held in Trust
For The Fiscal Year Ended June 30, 2003

	<u>General Fund</u>	<u>State Special Revenue Fund</u>	<u>Federal Special Revenue Fund</u>	<u>Agency Fund</u>	
FUND BALANCE: July 1, 2002	\$ <u>(72,121)</u>	\$ <u>264,968</u>	\$ <u>95,817</u>		\$
PROPERTY HELD IN TRUST: July 1, 2002				\$ <u>296,335</u>	
ADDITIONS					
Budgeted Revenues & Transfers-In	7,405	5,802,500	1,153,545		
NonBudgeted Revenues & Transfers-In	1,196		166,634		
Prior Year Revenues & Transfers-In Adjustments	198	(160,923)	(42,523)		
Direct Entries to Fund Balance	471,804	(9,228)			
Additions to Property Held in Trust				<u>5,026,495</u>	
Total Additions	<u>480,603</u>	<u>5,632,349</u>	<u>1,277,656</u>	<u>5,026,495</u>	
REDUCTIONS					
Budgeted Expenditures & Transfers-Out	429,624	6,001,266	1,373,119		
NonBudgeted Expenditures & Transfers-Out		30			
Prior Year Expenditures & Transfers-Out Adjustments	239	5,021	119		
Reductions in Property Held in Trust				<u>5,028,919</u>	
Total Reductions	<u>429,863</u>	<u>6,006,317</u>	<u>1,373,238</u>	<u>5,028,919</u>	
FUND BALANCE: June 30, 2003	\$ <u>(21,381)</u>	\$ <u>(109,000)</u>	\$ <u>235</u>		\$
PROPERTY HELD IN TRUST: June 30, 2003				\$ <u>293,911</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, 2002

	<u>General Fund</u>	<u>State Special Revenue Fund</u>	<u>Federal Special Revenue Fund</u>	<u>Agency Fund</u>	<u>Private Purpose Trust Fund</u>
FUND BALANCE: July 1, 2001	\$ (40,677)	\$ 5,061,124	\$ 192,434	\$ 3,180	\$
PROPERTY HELD IN TRUST: July 1, 2001				\$ 37,691	
ADDITIONS					
Budgeted Revenues & Transfers-In	4,764	4,464,132	1,313,276		
NonBudgeted Revenues & Transfers-In	1,812	224	110,000		16,858
Prior Year Revenues & Transfers-In Adjustments		(2,524,463)	(10,274)		(4,075)
Direct Entries to Fund Balance	487,356	(61,240)	(104,984)	(3,180)	48,942
Additions to Property Held in Trust				3,610,908	
Total Additions	<u>493,932</u>	<u>1,878,653</u>	<u>1,308,018</u>	<u>3,607,728</u>	<u>61,725</u>
REDUCTIONS					
Budgeted Expenditures & Transfers-Out	524,732	6,670,527	1,404,034		
NonBudgeted Expenditures & Transfers-Out					21,098
Prior Year Expenditures & Transfers-Out Adjustments	644	4,282	601		
Reductions in Property Held in Trust				3,352,264	
Total Reductions	<u>525,376</u>	<u>6,674,809</u>	<u>1,404,635</u>	<u>3,352,264</u>	<u>21,098</u>
FUND BALANCE: June 30, 2002	\$ (72,121)	\$ 264,968	\$ 95,817	\$	\$ 40,627
PROPERTY HELD IN TRUST: June 30, 2002				\$ 296,335	

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, 2003

	<u>General Fund</u>	<u>State Special Revenue Fund</u>	<u>Federal Special Revenue Fund</u>	<u>Private Purpose Trust Fund</u>	<u>Total</u>
TOTAL REVENUES & TRANSFERS-IN BY CLASS					
Licenses and Permits	\$ 5,628	\$ 883,452			\$ 889,080
Taxes	1,196	3,123,227			3,124,423
Charges for Services		1,525,405			1,525,405
Investment Earnings		51,563			51,563
Fines and Forfeits	1,975				1,975
Sale of Documents, Merchandise and Property		3,966		\$ (3,379)	587
Other Financing Sources		48,628			48,628
Federal		5,336	\$ 1,277,656		1,282,992
Total Revenues & Transfers-In	<u>8,799</u>	<u>5,641,577</u>	<u>1,277,656</u>	<u>(3,379)</u>	<u>6,924,653</u>
Less: Nonbudgeted Revenues & Transfers-In	1,196		166,634		167,830
Prior Year Revenues & Transfers-In Adjustments	198	(160,923)	(42,523)	(3,379)	(206,627)
Actual Budgeted Revenues & Transfers-In	<u>7,405</u>	<u>5,802,500</u>	<u>1,153,545</u>	<u>0</u>	<u>6,963,450</u>
Estimated Revenues & Transfers-In	6,150	6,128,176	1,675,939		7,810,265
Budgeted Revenues & Transfers-In Over (Under) Estimated	<u>\$ 1,255</u>	<u>\$ (325,676)</u>	<u>\$ (522,394)</u>	<u>\$ 0</u>	<u>\$ (846,815)</u>
BUDGETED REVENUES & TRANSFERS-IN OVER (UNDER) ESTIMATED BY CLASS					
Licenses and Permits	\$ 680	\$ 53,236			\$ 53,916
Taxes		(273,832)			(273,832)
Charges for Services		270,227			270,227
Investment Earnings		(335,437)			(335,437)
Fines and Forfeits	575	(2,500)			(1,925)
Sale of Documents, Merchandise and Property		(6,097)			(6,097)
Other Financing Sources		(37,873)			(37,873)
Federal		6,600	\$ (522,394)		(515,794)
Budgeted Revenues & Transfers-In Over (Under) Estimated	<u>\$ 1,255</u>	<u>\$ (325,676)</u>	<u>\$ (522,394)</u>	<u>\$ 0</u>	<u>\$ (846,815)</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, 2002

	General Fund	State Special Revenue Fund	Federal Special Revenue Fund	Private Purpose Trust Fund	Total
TOTAL REVENUES & TRANSFERS-IN BY CLASS					
Licenses and Permits	\$ 3,514	\$ (2,051,103)			\$ (2,047,589)
Taxes	1,812	2,435,647			2,437,459
Charges for Services		1,379,534			1,379,534
Investment Earnings		118,876			118,876
Fines and Forfeits	1,250				1,250
Sale of Documents, Merchandise and Property		3,389		\$ 12,783	16,172
Other Financing Sources		42,286			42,286
Federal		11,264	\$ 1,413,002		1,424,266
Total Revenues & Transfers-In	6,576	1,939,893	1,413,002	12,783	3,372,254
Less: Nonbudgeted Revenues & Transfers-In	1,812	224	110,000	16,858	128,894
Prior Year Revenues & Transfers-In Adjustments		(2,524,463)	(10,274)	(4,075)	(2,538,812)
Actual Budgeted Revenues & Transfers-In	4,764	4,464,132	1,313,276	0	5,782,172
Estimated Revenues & Transfers-In	4,600	6,096,426	1,696,215		7,797,241
Budgeted Revenues & Transfers-In Over (Under) Estimated	\$ 164	\$ (1,632,294)	\$ (382,939)	\$ 0	\$ (2,015,069)
BUDGETED REVENUES & TRANSFERS-IN OVER (UNDER) ESTIMATED BY CLASS					
Licenses and Permits	\$ (1,086)	\$ (432,535)			\$ (433,621)
Taxes		(1,116,204)			(1,116,204)
Charges for Services		226,103			226,103
Investment Earnings		(293,347)			(293,347)
Fines and Forfeits	1,250	(2,500)			(1,250)
Sale of Documents, Merchandise and Property		(6,611)			(6,611)
Other Financing Sources		(8,464)			(8,464)
Federal		1,264	\$ (382,939)		(381,675)
Budgeted Revenues & Transfers-In Over (Under) Estimated	\$ 164	\$ (1,632,294)	\$ (382,939)	\$ 0	\$ (2,015,069)

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, 2003

PROGRAM (SUBCLASS) EXPENDITURES & TRANSFERS-OUT	DIAGNOSTIC LABORATORY PROGRAM	BRANDS ENFORCEMENT DIVISION	CENTRALIZED SERVICES PROGRAM	ANIMAL HEALTH DIVISION	MEAT/POULTRY INSPECTION	MILK & EGG PROGRAM	R04	Total
Personal Services								
Salaries	\$ 617,728	\$ 1,797,188	\$ 673,378	\$ 674,730	\$ 505,928	\$ 171,832		\$ 4,440,784
Other Compensation			7,500					7,500
Employee Benefits	<u>189,438</u>	<u>541,175</u>	<u>188,765</u>	<u>157,291</u>	<u>155,294</u>	<u>45,518</u>		<u>1,277,481</u>
Total	<u>807,166</u>	<u>2,338,363</u>	<u>869,643</u>	<u>832,021</u>	<u>661,222</u>	<u>217,350</u>		<u>5,725,765</u>
Operating Expenses								
Other Services	48,963	46,269	408,174	199,352	29,400	1,236		733,394
Supplies & Materials	195,609	79,373	20,213	57,155	13,111	9,613		375,074
Communications	19,209	58,316	27,510	36,973	18,898	3,265		164,171
Travel	6,398	31,407	43,030	33,777	38,920	9,299		162,831
Rent	6,648	512	85,258	26,097	89,156	79		207,750
Utilities	30,617	13,500		1,040				45,157
Repair & Maintenance	47,569	20,660	7,789	22,020	2,661	3,166		103,865
Other Expenses	<u>48,822</u>	<u>5,896</u>	<u>47,501</u>	<u>29,340</u>	<u>8,363</u>	<u>505</u>		<u>140,427</u>
Total	<u>403,835</u>	<u>255,933</u>	<u>639,475</u>	<u>405,754</u>	<u>200,509</u>	<u>27,163</u>		<u>1,932,669</u>
Equipment & Intangible Assets								
Equipment	<u>33,901</u>			<u>95,996</u>		<u>21,087</u>		<u>150,984</u>
Total	<u>33,901</u>			<u>95,996</u>		<u>21,087</u>		<u>150,984</u>
Transfers								
Accounting Entity Transfers							\$ 23,191	23,191
Total							<u>23,191</u>	<u>23,191</u>
Total Expenditures & Transfers-Out	<u>\$ 1,244,902</u>	<u>\$ 2,594,296</u>	<u>\$ 1,509,118</u>	<u>\$ 1,333,771</u>	<u>\$ 861,731</u>	<u>\$ 265,600</u>	<u>\$ 23,191</u>	<u>\$ 7,832,609</u>
EXPENDITURES & TRANSFERS-OUT BY FUND								
General Fund	\$ 27		\$ 118		\$ 429,718			\$ 429,863
State Special Revenue Fund	1,205,365	\$ 2,594,296	1,422,166	\$ 543,956	1,845	\$ 238,689		6,006,317
Federal Special Revenue Fund	39,510		86,834	789,815	430,168	26,911		1,373,238
Private Purpose Trust Fund							\$ 23,191	23,191
Total Expenditures & Transfers-Out	<u>1,244,902</u>	<u>2,594,296</u>	<u>1,509,118</u>	<u>1,333,771</u>	<u>861,731</u>	<u>265,600</u>	<u>23,191</u>	<u>7,832,609</u>
Less: Nonbudgeted Expenditures & Transfers-Out		30				0	23,191	23,221
Prior Year Expenditures & Transfers-Out Adjustments	<u>2</u>	<u>844</u>	<u>203</u>	<u>3,976</u>	<u>238</u>	<u>116</u>		<u>5,379</u>
Actual Budgeted Expenditures & Transfers-Out	1,244,900	2,593,422	1,508,915	1,329,795	861,493	265,484	0	7,804,009
Budget Authority	1,514,651	2,753,049	2,188,622	2,274,495	885,174	287,676		9,903,667
Unspent Budget Authority	<u>\$ 269,751</u>	<u>\$ 159,627</u>	<u>\$ 679,707</u>	<u>\$ 944,700</u>	<u>\$ 23,681</u>	<u>\$ 22,192</u>	<u>\$ 0</u>	<u>\$ 2,099,658</u>
UNSPENT BUDGET AUTHORITY BY FUND								
General Fund	\$ 189,862		\$ 22,356		\$ 4,938			\$ 217,156
State Special Revenue Fund	61,792	\$ 159,627	653,893	\$ 354,882		\$ 22,192		1,252,386
Federal Special Revenue Fund	18,097		3,458	589,818	18,743			630,116
Unspent Budget Authority	<u>\$ 269,751</u>	<u>\$ 159,627</u>	<u>\$ 679,707</u>	<u>\$ 944,700</u>	<u>\$ 23,681</u>	<u>\$ 22,192</u>	<u>\$ 0</u>	<u>\$ 2,099,658</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, 2002

PROGRAM (SUBCLASS) EXPENDITURES & TRANSFERS-OUT	DIAGNOSTIC LABORATORY PROGRAM	BRANDS ENFORCEMENT DIVISION	CENTRALIZED SERVICES PROGRAM	ANIMAL HEALTH DIVISION	MEAT/POULTRY INSPECTION	MILK & EGG PROGRAM	MILK CONTROL BUREAU	R04	Total
Personal Services									
Salaries	\$ 685,640	\$ 1,771,542	\$ 710,333	\$ 557,944	\$ 470,561	\$ 176,144			\$ 4,372,164
Other Compensation			9,050						9,050
Employee Benefits	186,853	522,415	187,981	137,501	137,649	45,923	(82)		1,218,240
Total	<u>872,493</u>	<u>2,293,957</u>	<u>907,364</u>	<u>695,445</u>	<u>608,210</u>	<u>222,067</u>	<u>(82)</u>		<u>5,599,454</u>
Operating Expenses									
Other Services	53,095	55,053	653,484	404,572	34,792	993			1,201,989
Supplies & Materials	240,789	93,055	106,896	74,486	15,940	11,514			542,680
Communications	18,025	66,106	35,019	38,823	19,760	3,205			180,938
Travel	6,474	51,032	53,009	75,509	46,204	11,357			243,585
Rent	7,128	240	76,548	32,493	74,803	126			191,338
Utilities	30,672	14,400		1,029					46,101
Repair & Maintenance	35,991	23,548	10,358	23,126	1,969	5,861			100,853
Other Expenses	49,824	(10,360)	69,396	40,130	2,989	252			152,231
Total	<u>441,998</u>	<u>293,074</u>	<u>1,004,710</u>	<u>690,168</u>	<u>196,457</u>	<u>33,308</u>			<u>2,659,715</u>
Equipment & Intangible Assets									
Equipment	19,239	154,155	79,060	71,881		19,916			344,251
Livestock				1,400					1,400
Total	<u>19,239</u>	<u>154,155</u>	<u>79,060</u>	<u>73,281</u>		<u>19,916</u>			<u>345,651</u>
Transfers									
Accounting Entity Transfers								21,098	21,098
Total								<u>21,098</u>	<u>21,098</u>
Total Expenditures & Transfers-Out	<u>\$ 1,333,730</u>	<u>\$ 2,741,186</u>	<u>\$ 1,991,134</u>	<u>\$ 1,458,894</u>	<u>\$ 804,667</u>	<u>\$ 275,291</u>	<u>\$ (82)</u>	<u>\$ 21,098</u>	<u>\$ 8,625,918</u>
EXPENDITURES & TRANSFERS-OUT BY FUND									
General Fund	\$ 109,548		\$ 14,237		\$ 401,591				\$ 525,376
State Special Revenue Fund	1,214,942	\$ 2,741,186	1,874,334	\$ 598,781	1,791	\$ 243,857	\$ (82)		6,674,809
Federal Special Revenue Fund	9,240		102,563	860,113	401,285	31,434			1,404,635
Private Purpose Trust Fund								\$ 21,098	21,098
Total Expenditures & Transfers-Out	<u>1,333,730</u>	<u>2,741,186</u>	<u>1,991,134</u>	<u>1,458,894</u>	<u>804,667</u>	<u>275,291</u>	<u>(82)</u>	<u>21,098</u>	<u>8,625,918</u>
Less: Nonbudgeted Expenditures & Transfers-Out		113		(113)				21,098	21,098
Prior Year Expenditures & Transfers-Out Adjustments	168	2,682	84	874	882	836			5,526
Actual Budgeted Expenditures & Transfers-Out	<u>1,333,562</u>	<u>2,738,391</u>	<u>1,991,050</u>	<u>1,458,133</u>	<u>803,785</u>	<u>274,455</u>	<u>(82)</u>	<u>0</u>	<u>8,599,294</u>
Budget Authority	1,420,062	2,747,923	2,207,988	2,080,010	824,270	279,594			9,559,847
Unspent Budget Authority	<u>\$ 86,500</u>	<u>\$ 9,532</u>	<u>\$ 216,938</u>	<u>\$ 621,877</u>	<u>\$ 20,485</u>	<u>\$ 5,139</u>	<u>\$ 82</u>	<u>\$ 0</u>	<u>\$ 960,553</u>
UNSPENT BUDGET AUTHORITY BY FUND									
General Fund	\$ 84,440		\$ 4,015		\$ 5,704				\$ 94,159
State Special Revenue Fund		\$ 9,532	183,133	\$ 213,015		\$ 4,339	\$ 82		410,101
Federal Special Revenue Fund	2,060		29,790	408,862	14,781	800			456,293
Unspent Budget Authority	<u>\$ 86,500</u>	<u>\$ 9,532</u>	<u>\$ 216,938</u>	<u>\$ 621,877</u>	<u>\$ 20,485</u>	<u>\$ 5,139</u>	<u>\$ 82</u>	<u>\$ 0</u>	<u>\$ 960,553</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 Notes to the Financial Schedules for the Two Fiscal Years Ended June 30, 2003

1. Summary of Significant Accounting Policies

Basis of Accounting

The department uses the modified accrual basis of accounting, as defined by state accounting policy, for its Governmental, Agency, and Private-Purpose Trust 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.

The department uses the following funds:

Notes to the Financial Schedules

Governmental Fund Category

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

State Special Revenue Fund - to account for proceeds of specific state revenue sources (other than private-purpose trusts or major capital projects) that are legally restricted to expenditures for specific purposes. Department State Special Revenue Funds include Board of Horseracing, Inspection and Control, Livestock Per Capita, and Animal Health.

Federal Special Revenue Fund - to account for proceeds of specific federal revenue sources, other than private-purpose trusts or major capital projects, that are legally restricted to expenditures for specific purposes. Department Federal Special Revenue funds include Meat and Poultry Inspection, Bison Trap, and Homeland Security.

Fiduciary Fund Category

Private-Purpose Trust Fund - to account for activity of all other trust arrangements under which principal and income benefit individuals, private organizations, or other governments. Department private-purpose trust funds include the Stock Estray Fund.

Agency Fund - to account for resources held by the state in a custodial capacity. The department agency funds include National Beef Check-Off, Producers Milk Pool, and Horse Racing Exotic Wagering Funds.

2. General Fund Balance

The negative fund balance in the General Fund does not indicate overspent appropriation authority. The department has authority to pay obligations from the statewide General Fund within its appropriation limits. It expends cash or other assets from the statewide fund when it pays General Fund obligations. The department's outstanding liabilities exceed the assets it has placed in the fund, resulting in negative ending General Fund balances for each of the two fiscal years ended June 30, 2003, and June 30, 2002.

3. Direct Entries to Fund Balance

Direct entries to fund balance in the General Fund in fiscal years 2002-03 and 2001-02 include entries generated by SABHRS to reflect the flow of resources within individual funds shared by the department and other agencies.

In fiscal year 2002-03, the direct entries to the State Special Revenue Fund pertain to the movement of the Board of Horseracing to the Department of Livestock from the Department of Commerce, and implementation of GASB No. 34.

The direct entries in the Private-Purpose Trust Fund also relate to the implementation of GASB No. 34. The direct entries in the Federal Special Revenue Fund relate to corrections of accounting entries originally recorded during fiscal year 1999-2000.

4. Expenditures With R04

During fiscal years 2002-03 and 2001-02, expenditure transactions were recorded using a revenue subclass rather than an expenditure subclass. The entries were accounting entity transfers and are shown on the fiscal year 2002-03 and 2001-02 Schedules of Total Expenditures & Transfers-Out under the column title R04. The transactions should have been recorded in the Brands Enforcement Program.

5. Program Name Changes and Eliminations

Prior to July 1, 2001, the Milk Control Bureau and the Predator Control Programs were presented separately. Starting in fiscal year 2001-02, these programs became part of the Centralized Services Division. Additionally, the Disease Control Program is now titled Animal Health Division, and the Inspection and Control Program is now titled the Brands Enforcement Division.

6. Licenses and Permits Revenue

During calendar year 2001, the department rerecorded brands. Fees for the recorded brands were received in fiscal year 2000-01 and 2001-02. The fees were originally coded to a revenue account. Once all the fees were received, the department moved the net revenue to the deferred revenue account in order to comply with section 81-3-107, MCA. The net revenue totaled approximately \$2.9

Notes to the Financial Schedules

million and is reflected in the negative amount on the Schedule of Revenues & Transfers-In for fiscal year 2001-02 in the State Special Revenue Fund for Licenses and Permits.

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

January 21, 2004

RECEIVED

LEGISLATIVE ASSEMBLY

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

Dear Mr. Seacat:

The Department of Livestock concurs with your audit recommendation for the audit period FY02-03.

Procedurally, the Department of Livestock uses the latest Department of Administration Management Memo titled "General Instructions for Fiscal Year End," as a guide to meet all fiscal year end requirements. Internally, we have a fiscal year end checklist of tasks to be accomplished. Additionally, we will contact your office and obtain financial schedules to compare to our transactions, and to ensure compliance with state and federal requirements. The timeframe for our procedure is from the first week of June through fiscal year end.

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 recommendation you have made.

Sincerely,

A handwritten signature in black ink that reads "Marc Bridges".

Marc Bridges, Executive Officer
To the Board of Livestock

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ghh

Page B-3