

LEGISLATIVE AUDIT DIVISION

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MEMORANDUM

TO: Legislative Audit Committee Members
FROM: Angie Grove, Deputy Legislative Auditor
CC: Ron de Yong, Director, Department of Agriculture
Jeff Rumney, Chief, State Grain Laboratory Bureau
DATE: September 2009
RE: Performance Audit Follow-up (09SP-29): State Grain Laboratory Operations and Future Viability (orig. 07P-10)
ATTACHMENT: Original Performance Audit Summary

INTRODUCTION

In January 2008, we presented our performance audit of the State Grain Laboratory (SGL) Operations and Future Viability. The audit made three recommendations to the Department of Agriculture (department). In June 2009, we began gathering preliminary information from the department on their progress in implementing the recommendations. This memo summarizes the results of our follow-up work, in addition to presenting background information.

Overview

Audit recommendations addressed the need for an alternative or supplemental funding source if the SGL is to be viable in the future. To address improvements in the SGL's efficiency and effectiveness, recommendations stressed the department implement comprehensive management controls at the SGL and increase enforcement of §80-4-711, MCA, related to posting of placards at grain elevators. The department has taken varying degrees of action on each of the three recommendations addressed in the performance audit.

BACKGROUND

The SGL is located in Great Falls and opened in 1921. It is one of four bureaus within the Agricultural Development Division of the department. The SGL charges fees for inspection and sampling services provided to the grain industry, which includes grain producers and operators of grain elevators. These fees are the primary revenue source for the SGL.

FOLLOW-UP AUDIT FINDINGS

The performance audit report included three recommendations to the department. Recommendations addressed the need for an alternative or supplemental funding source if the SGL is to be viable in the

future, the establishment of comprehensive management controls, and an increase of enforcement of §80-4-711, MCA, related to the posting of the SGL's placards at grain elevators. The following summarizes information relating to follow-up audit work and the implementation status of the recommendations.

Recommendation #1

We recommend the Department of Agriculture seek legislation to establish additional or alternative funding sources for the State Grain Lab to maintain its viability.

Implementation Status – Being Implemented

During the 2011 biennium, the department discussed administrative and funding options with the Governor's office. As a result, additional funding was included in the Governor's executive budget and the legislature approved \$125,000 each year of the 2011 biennium in general fund dollars to support the SGL. Additionally, the department received \$525,000 through the Long Range Building Program (LRBP) for energy updates to the SGL building. According to the department, it will continue to seek appropriate remedies to ensure the SGL maintains its viability.

Recommendation #2

We recommend the Department of Agriculture implement comprehensive management controls at the State Grain Lab including:

- **A strategic plan (including detailed goals and targeted objectives).**
- **Equipment and capital improvement schedules.**
- **Written policies and procedures.**
- **A reliable, secure, automated system providing specific grain lab information.**
- **Staffing controls.**
- **Management information to better assess how well the State Grain Lab delivers its services.**

Overall Implementation Status – Being Implemented

Specific areas of this recommendation are discussed below.

Strategic Plan – Implemented

During follow-up work we reviewed the SGL's strategic plan for 2008 to 2009. We noted the strategic plan included mission and vision statements, detailed goals and targeted objectives, timelines related to the goals, equipment lists, replacement and maintenance schedules for all equipment, and employee training schedules.

Equipment and capital improvement schedules – Implemented

As stated above, equipment replacement and improvement schedules are included in the strategic plan and include dates of maintenance or repairs completed, condition, life span, replacement cost, and replacement schedule of all equipment.

During follow-up, we traveled to Great Falls to visit with the SGL staff. While limited changes to equipment and capital improvements have occurred, the department has been working with the Federal Grain Inspection Service (FGIS) and touring laboratories in other states to streamline the layout of the SGL. The department received \$525,000 through the LRBP for energy updates to the building; the remodel is scheduled to begin fall 2009 and includes a new layout that will streamline the grading process and increase efficiencies. The Montana Wheat and Barley Committee also granted funds in fiscal year 2010 for a reception and conference room to better assist in its tours of the SGL.

Written policies and procedures – Being Implemented

The department is coordinating policies and procedures with the state of Washington to meet the mandates of FGIS. While SGL management has begun editing and revising the Quality Management Systems (QMS), they have had limited time to finish revisions due to harvest and current priorities.

A reliable, secure, automated system providing specific grain lab information – Implemented

During follow-up we reviewed the AgTrax program at the SGL. The SGL went live with AgTrax on May 1, 2009. The program meets FGIS standards and provides electronic certificates, giving the SGL's customers immediate access to their test results.

Staffing Controls – Implemented

The department has formalized staffing controls at the SGL. These include training assignments, performance appraisals, one-on-one meetings, and staff meetings. Training assignments include providing formal training and mentoring to staff. Performance appraisals were completed for all staff by the SGL management. Additionally, management has implemented staff and one-on-one meetings to maintain open communication.

Management information to better assess how well the SGL delivers its services – Being Implemented

With the implementation of AgTrax, the SGL is better able to track management information. The SGL management has also created multiple reports using AgTrax information. For example, a report can be run for the average of all tests for a specific county (e.g., average grade for all hard red spring wheat in Cascade County). Management also plans to monitor the year-end balance to gauge the SGL's progress.

Recommendation #3

We recommend the Department of Agriculture increase enforcement and monitoring of compliance with § 80-4-711, MCA.

Implementation Status – Being Implemented

Legislation (HB368) was passed by the 2009 Legislature to amend §80-4-711, MCA, to state a partial list of fees for inspection, testing, and weighing of agricultural commodities be included on the placard posted by warehouse operators and commodity deals. The department has coordinated its enforcement efforts in-house between the Agricultural Development Division and the Agricultural Sciences Division grain auditor and continues ongoing enforcement and monitoring for noncompliance with §80-4-711, MCA. During follow-up work, we visited a sample of grain elevators and each elevator had a placard posted in the elevator office.