



MONTANA LEGISLATIVE AUDIT DIVISION

PERFORMANCE AUDIT

Recording of Livestock Brand Ownership

Department of Livestock

FEBRUARY 2010

09P-12

REPORT SUMMARY

Improvements are needed to erase inefficiencies in the Department of Livestock's process of recording 55,000 livestock brands, a process which is done every 10 years and is vital to the livestock industry.

Context

In response to a request from the Joint Appropriations Subcommittee for Natural Resources and Transportation, the Legislative Auditor prioritized a performance audit of the Department of Livestock's (department) Brands Enforcement Division (division) and its processes for recording livestock brand ownership. Our audit assessed the department's management of brands-related activities and the efficiency and effectiveness of the processes associated with recording brand ownership.

We examined the registration of security interests, or mortgages, against branded livestock by both the department and Secretary of State's Office. We focused on determining if duplication of effort was occurring and whether consolidation of the duties was appropriate. Audit work found Montana's dual system of recording security interest filings is not duplicative and ensures a higher level of compliance with federal law. It allows for a more thorough method of identifying existing security interests.

Audit work indicated the division has minimal formal policy guiding operations. In addition, incomplete file documentation, outdated form design, and limited management information about program activities were noted. Department management has recognized that the division's use of its current information system for recording brand ownership is inefficient and is seeking to replace the system. While we were unable to determine if fees associated with brands-related processes are commensurate with costs, we noted other department funds supplement fees charged by the division in maintaining operations. While we found no cases of misuse during audit work, we noted weaknesses in the department's cash

management controls and improvements should be made to mitigate these weaknesses.

Audit work indicated processes associated with new brand applications and transfers of brand ownership could be improved. Overall, we found processing of these documents is not timely. In addition, department staff has limited guidance regarding the priority in which applications should be processed and when applications can be denied. These issues directly impact the livestock industry by delaying use of a recorded brand for denoting livestock ownership. We also reviewed processes associated with rerecording brand ownership. We found the allowance of a grace period beyond the statutorily designated rerecord year is not supported by law. In addition, we examined the ten-year cycle of rerecord for efficiency and effectiveness. We reviewed brand rerecording processes in seven other states and one Canadian province and found no other agency rerecords brand ownership in a manner similar to Montana. Montana's rerecord cycle was established in 1921 and should be re-evaluated by the department and the Board of Livestock to ensure it meets the needs of today's livestock industry.

Results

Audit recommendations address improvements needed to more effectively manage recording of brand ownership. Recommendations address the following issues:

- Develop detailed policies and procedures for brands-related activities.
- Establish file documentation requirements; regularly evaluate department information needs; and update agency forms to reflect those needs.
- Track the number of brands recorded, brand owners with recorded brands, security interests recorded, and the status of files requiring further action.

- Strengthen cash management controls. Ensure division fees are commensurate with costs and maintain records sufficient to support fees charged.
- Rerecord all brands within the designated rerecord year.
- Re-examine the brand rerecord cycle to determine if it meets the needs of the livestock industry.

Recommendation Concurrence	
Concur	10
Partially Concur	0
Do Not Concur	0

Source: Agency audit response included in final report.

For a complete copy of the report or for further information, contact the Legislative Audit Division at 406-444-3122; e-mail to lad@mt.gov; or check the website at <http://leg.mt.gov/audit>. Report Fraud, Waste, and Abuse to the Legislative Auditor's FRAUD HOTLINE Call toll-free 1-800-222-4446, or e-mail lad@mt.gov.