

FINANCIAL-COMPLIANCE AUDIT
Department of Livestock

For the Two Fiscal Years Ended June 30, 2013

MAY 2014

13-22

REPORT SUMMARY

The audit identified a conflict of interest at the Board of Horse Racing, as well as a material weakness in internal controls over simulcast revenues. Chapter 402, Laws of 2013, transferred the Board of Horse Racing from the Department of Livestock to the Department of Commerce, effective July 1, 2013. This report contains recommendations to both departments related to these issues.

Context

State law tasks the Department of Livestock (department) with controlling and eradicating animal diseases, preventing the transmission of such diseases to humans, protecting livestock from predatory animals, regulating producer pricing of the milk industry, and performing meat, milk, and egg inspections.

The department’s operations are funded primarily by collections made in the state special revenue fund, including brand license fees, per capita livestock taxes, and various charges for services. The department also receives federal grant awards and general fund appropriations. The department expended approximately \$18.23 million through the state special revenue fund, \$3.58 million through the federal special revenue fund, and \$2.25 million through the general fund, during fiscal years 2012 and 2013 combined.

Results

The report contains two recommendations to the Department of Livestock and the Department of Commerce, related to a conflict of interest at the Board of Horse Racing and a material weakness in internal

controls over verification of simulcast wagering information for the Board of Horse Racing. As a result of these issues, we were unable to obtain sufficient, appropriate audit evidence on the accuracy and completeness of simulcast revenues during the audit period, which resulted in modified opinions on four of the six financial schedules included in this report.

The report also contains three recommendations to the Department of Livestock concerning compliance with state laws related to issuing payments only upon an appropriation made by law, setting livestock per capita fees, and using deferred revenues to fund current year operations.

Recommendation Concurrence	
Concur	4
Partially Concur	1
Do Not Concur	0
Source: Agency audit response included in final report.	

For a complete copy of the report (13-22) or for further information, contact the Legislative Audit Division at 406-444-3122; e-mail to lad@mt.gov; or check the web site at <http://leg.mt.gov/audit>
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