

FINANCIAL-COMPLIANCE AUDIT

Department of Agriculture

For the Two Fiscal Years Ended June 30, 2015

APRIL 2016

15-21

REPORT SUMMARY

In fiscal year 2014, the Department of Agriculture paid over \$14 million in insurance claims for the 2013 hail year, resulting in an 88 percent decrease in the department’s hail insurance reserves. As a result, the department entered into a reinsurance agreement as allowed by state law, which transfers a portion of the liability risk to a third party.

**Context**

The Department of Agriculture (department) has approximately 120 employees and is organized under three divisions: Agricultural Sciences Division, Agricultural Development Division, and Central Services Division. The department operates more than 30 programs relating to the protection of producers, consumers, and the agricultural environment. The department also promotes growth in Montana’s agriculture by fostering development and marketing programs. Revenues totaled approximately \$24.5 million and \$25 million for fiscal years 2015 and 2014, respectively. These revenues are derived mainly from hail insurance premiums, crop assessments for agricultural crops sold in Montana, and the sale of pesticide-related licenses and permits.

The Hail Insurance Program recorded in the Enterprise Fund accounts for a material portion of the department’s expenditures. While the fiscal year 2015 hail expenditures were about half of those recorded in fiscal year 2014, they still accounted for approximately 27 percent of the department’s expenditures.

**Results**

The prior audit contained no recommendations. During the current audit, we focused our audit effort on charges for services, licenses and permits, taxes, and transfers-in-revenue. We also completed testing over grant expenditures and personal services. In addition, a significant portion of our audit focused on hail insurance and the reinsurance agreement the department entered into due to the significant loss incurred from the 2013 hail season.

The audit effort discussed above resulted in three recommendations to the department. These recommendations pertained to the misclassification of hail insurance assets and liabilities, an internal control deficiency regarding the transfer of revenue to the department, and noncompliance with a state law related to industrial hemp.

Recommendation Concurrence	
Concur	2
Partially Concur	1
Do Not Concur	0
<b>Source: Agency audit response included in final report.</b>	

For a complete copy of the report (15-21) or for further information, contact the Legislative Audit Division at 406-444-3122; e-mail to [lad@mt.gov](mailto:lad@mt.gov); or check the web site at <http://leg.mt.gov/audit>  
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