

PERFORMANCE AUDIT

Montana Veterinary Diagnostic Laboratory  
Department of Livestock

MAY 2016

15P-04

REPORT SUMMARY

The Department of Livestock's Veterinary Diagnostic Laboratory plays an important role in protecting both animal and human health. The department needs to improve its processes for determining the costs associated with the lab's tests, as well as for determining the fees the lab charges for its tests. A consistent contribution from per capita funds would help the department in preparing the lab's budget. The Montana State University building that the lab occupies is at the end of its useful life, and the department needs to be proactive in developing a specific plan for finding new space for the lab.

## Context

The Montana Veterinary Diagnostic Lab (lab) is the only accredited, full-service veterinary laboratory in Montana. The lab typically performs over 200,000 tests annually on a wide variety of animal species, as well as performing regulatory milk testing and testing on suspected rabies cases. This testing serves the livestock industry as well as public health concerns through providing valuable surveillance data regarding animal and zoonotic diseases, meaning diseases that can be transmitted between animals and humans. In recent years, the lab has experienced some budgetary difficulties, and the lab's budget alongside that of the Department of Livestock (department) in general have been a subject of legislative interest.

Our review looked at the fees charged by the lab, in addition to how the lab accounts for the costs of its testing activities and its budget in general. We interviewed lab and department personnel and examined relevant documentation in order to understand and evaluate the processes in place for monitoring costs and setting fees. We also interviewed management of similar state-operated veterinary diagnostic labs in five regional states.

Audit work also touched on a wide variety of concerns relating to the lab's operations and future, including the lab's role in protecting public health and the lab's relationships as a facility on the campus of Montana State University–Bozeman (university). We held interviews with the Department of Public Health and Human Services, and reviewed the lab's reporting relationship with public health entities at the state and federal level. We additionally reviewed documents relating to the lab's arrangements with the university and interviewed officials involved with the university's facilities services, school of agriculture, regional veterinary medicine program, and agricultural extension service.

## Results

Our audit found that the Montana Veterinary Diagnostic Lab does not maintain a regularly updated accounting of the costs associated with the majority of its testing services, and there is not a recurring, standard process in place for monitoring or reviewing the fees charged for these testing services. Further, though the lab certainly has a role to play in monitoring diseases that can impact public

health, attempting to quantify this role to provide a basis for the lab's budget presents concerns. The department and lab could do more to provide for a consistent and stable lab budget in the long term. Additionally, the facility housing the lab is at the end of its useful life. As such, the department needs to take detailed and specific steps to plan for future lab space, particularly in light of the fact that the university displays little interest or willingness to pursue a closer relationship with the lab.

Among the items addressed in our report's five recommendations:

- ◆ The lab should create and maintain detailed, documented information on the costs associated with its testing services.
- ◆ The lab should perform and document reviews of the fees it charges for testing services.
- ◆ The department should develop a stable budget for the lab, in part by determining a consistent and sustainable contribution of per-capita funding for the lab.
- ◆ The lab should ensure that all features of its lab information management system are fully operational, including features relating to the public-health reporting role of the lab.
- ◆ The department should develop a plan and timeline for the replacement of the lab's current facility.

Recommendation Concurrence	
Concur	5
Partially Concur	0
Do Not Concur	0
<b>Source: Agency audit response included in final report.</b>	

For a complete copy of the report (15P-04) 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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