



A REPORT  
TO THE  
MONTANA  
LEGISLATURE

FINANCIAL COMPLIANCE AUDIT

# *Department of Agriculture*

*For the Two Fiscal Years Ended  
June 30, 2021*

SEPTEMBER 2022

LEGISLATIVE AUDIT  
DIVISION

21-21

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§5-13-202(2), MCA

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**FINANCIAL COMPLIANCE AUDITS**

Financial-compliance audits are conducted by the Legislative Audit Division to determine if an agency's financial operations are properly conducted, the financial reports are presented fairly, and the agency has complied with applicable laws and regulations. In performing the audit work, the audit staff uses standards set forth by the American Institute of Certified Public Accountants and the United States Government Accountability Office. Financial-compliance audit staff members hold degrees with an emphasis in accounting and many staff members hold Certified Public Accountant (CPA) certificates.

The Single Audit Act Amendments of 1996 and the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards require the auditor to issue certain financial, internal control, and compliance reports in addition to those reports required by *Government Auditing Standards*. This individual agency audit report is not intended to comply with these reporting requirements and is therefore not intended for distribution to federal grantor agencies. The Legislative Audit Division issues a statewide biennial Single Audit Report which complies with the above reporting requirements. The Single Audit Report for the two fiscal years ended June 30, 2021, was issued June 21, 2022. The Single Audit Report for the two fiscal years ended June 30, 2023, will be issued by March 31, 2024.

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# LEGISLATIVE AUDIT DIVISION

Angus Maciver, Legislative Auditor  
Deborah F. Butler, Legal Counsel



Deputy Legislative Auditors:  
Cindy Jorgenson  
William Soller

September 2022

The Legislative Audit Committee  
of the Montana State Legislature:

This is our financial compliance audit report on the Department of Agriculture for the two fiscal years ended June 30, 2021. We issued an unmodified opinion on the financial schedules which means that the reader can rely on the information presented. This report contains three recommendations to the department related to controls and compliance over grant accruals; compliance with certain state laws and accounting policies; and license, permit, and registration refunds.

The department's written response to the audit is included in the audit report on page C-1. We thank the director and her staff for their cooperation and assistance throughout the audit.

Respectfully submitted,

*/s/ Angus Maciver*

Angus Maciver  
Legislative Auditor



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## APPOINTED AND ADMINISTRATIVE OFFICIALS

### Department of Agriculture

Christy Clark, Director (Effective January 2022)  
Acting Director (May 2021–January 2022)  
Deputy Director and Administrator, Agricultural Development  
Division (March 2020–May 2021)

Mike Foster, Director (January 2021–May 2021)

Ben Thomas, Director (January 2017–January 2021)

Zach Coccoli, Deputy Director and Administrator, Agricultural  
Development Division (Effective March 2022)  
Acting Administrator, Agricultural Development Division  
(June 2021–March 2022)

Ian Foley, Administrator, Agricultural Sciences Division  
(Effective April 2020)

Cindy Trimp, Administrator, Central Services Division  
(March 2018–December 2021)

Cody Pearce, Chief Financial Officer (Effective January 2022)

### Councils, Committees, and Board

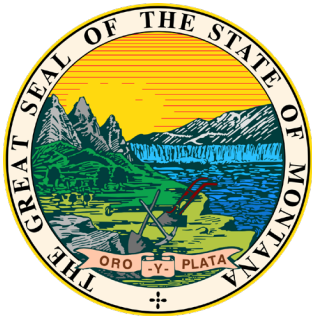
Board of Hail Insurance  
Montana Agricultural Development Council  
Montana Alfalfa Seed Committee  
Montana Hemp Advisory Committee  
Montana Noxious Weed Management Advisory Council  
Montana Organic Commodity Advisory Council  
Montana Potato Advisory Committee  
Montana Pulse Crops Advisory Committee  
Montana Wheat and Barley Committee

For additional information concerning the Department of Agriculture,  
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Helena, MT 59620-0201  
e-mail: CClark@mt.gov







# MONTANA LEGISLATIVE AUDIT DIVISION

## FINANCIAL COMPLIANCE AUDIT

### Department of Agriculture

FOR THE TWO FISCAL YEARS ENDED JUNE 30, 2021

A report to the Montana Legislature

### BACKGROUND

The Montana Department of Agriculture operates more than 30 programs, many of which are funded entirely through user fees. These include programs that protect producers, consumers, and the environment, as well as development and marketing programs to foster growth in Montana agriculture.

The Agricultural Development Division is responsible for administering programs that promote and enhance Montana agriculture.

The Agricultural Sciences Division provides agricultural, public, and environmental services and protection.

The Central Services Division provides accounting, budgeting, computer programming, fiscal management, human resources, payroll and benefits, purchasing, property control, records management, systems analysis, training, website administration, and legal support.

The Department of Agriculture expended \$12.1 million for Meat Processing Infrastructure Grants from Coronavirus Aid, Relief, and Economic Security (CARES) Act funding during the audit period. The department also expended an additional \$3 million for Agriculture Innovation and Adaptability Grants through CARES Act funding. Our report contains three recommendations related to accruals, customer refunds, internal controls, and compliance with state law and accounting policy. We found the department did not accurately reverse accruals before fiscal year-end in the Wheat and Barley Account, leading to a misstatement in the department's financial schedules in both fiscal years 2020 and 2021. Our work also found issues related to refunds on overpayments on license, permit, and registration applications.

### AUDITOR'S OPINION (page A-1): **UNMODIFIED**

Unmodified opinions mean the reader can rely on the information presented in the financial statements.

For the full context of the department's financial activity, see the financial schedules and notes beginning on page A-3.

### RECOMMENDATIONS:

In this report, we issued the following recommendations:

To the department: 3

To the legislature: 0

The prior audit report contained no recommendations.

For the full report or more information, contact the Legislative Audit Division.

[leg.mt.gov/lad](http://leg.mt.gov/lad)

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(Helena)  
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#### **RECOMMENDATION #1 (page 6):**

##### *Internal Control and Compliance with State Accounting Policy*

We recommend that the Department of Agriculture enhance internal controls related to its Wheat and Barley Account grants to ensure accruals are correctly recorded before fiscal year-end as required by state accounting policy.

**Department response:** **Concur**

#### **RECOMMENDATION #2 (page 7):**

##### *Internal Control and Compliance with State Accounting Policy*

We recommend that the Department of Agriculture:

- A. Establish and maintain documented internal controls to ensure that customers are refunded when a credit balance is noted.
- B. Educate staff on the program's internal control policies and procedures to ensure continuity in program operations.
- C. Notify customers of any credit balances, giving them the option of a refund or applying the credit balance to future applications or renewals.

**Department response:** **Concur**

#### **RECOMMENDATION #3 (page 8):**

##### *State Compliance*

We recommend that the Department of Agriculture comply with state law and notify both the attorney general and legislative auditor in writing upon discovery of any theft, actual or suspected, involving state money or property.

**Department response:** **Concur**

#### **REPORT ON INTERNAL CONTROL AND COMPLIANCE (page B-1):**

In this report, we identified the following:

Material Weaknesses in Internal Control: 0

Significant Deficiencies in Internal Control: 1

Material Non-Compliance: 0

Other Matters: 0

For the full context of this information, including the distinction between the types of items reported, see the report beginning on page B-1.

# Chapter I – Introduction and Background

## **What We Did**

We performed a financial-compliance audit of the Department of Agriculture (department) for the two fiscal years ended June 30, 2021. The objectives of the audit were to:

1. Obtain an understanding of the department's internal controls to the extent necessary to support our audit of the department's financial schedules and, if appropriate, make recommendations for improvements in internal controls of the department.
2. Determine whether the department's financial schedules present fairly the results of its operations and changes in fund equity in accordance with state accounting policy for each of the two fiscal years ended June 30, 2021.
3. Determine whether the department complied with selected state laws and regulations.

## **Scope**

Our audit work included analyzing the financial schedules and note disclosures. We performed analytical procedures and reviewed the underlying activity which includes Charges for Services, Licenses and Permits, Investments, and Taxes. We also reviewed Wheat and Barley grant accruals and grants awarded from Coronavirus Aid, Relief, and Economic Security (CARES) Act funding received through the Governor's Office for Meat Processing Infrastructure Grants.

The department utilizes a custom-built licensing and product registration system, MT Plants, in which licenses, permits, and registrations are recorded and obtained. Our review of the MT Plants system included meeting with program staff who use the system daily to process and record applications and renewals.

This report contains three recommendations related to State Special Revenue grant accruals in the Wheat and Barley Research and Marketing fund; license, permit, and registration refunds; internal controls; and compliance with state laws and accounting policy.

The prior audit report contained no recommendations.

## **Background**

The department is one of only two state agencies required under the Montana Constitution, Article XII, Section 1. The Constitution mandates the legislature to provide for a Department of Agriculture, enact laws, and to provide appropriations to protect, enhance, and develop all agriculture. The department's statutory functions and responsibilities include:

- ♦ Encouraging and promoting the interests of Montana agriculture.
- ♦ Collecting and publishing agricultural statistics.
- ♦ Assisting, encouraging, and promoting the organization of farmers' institutes, agricultural societies, fairs, and other exhibitions of agriculture.
- ♦ Adopting standards for grade and other classifications of farm products.

- ♦ Assisting in the development of economical and efficient marketing distribution systems.
- ♦ Gathering and distributing marketing information concerning supply, demand, price, and movement of farm products.
- ♦ Regulating and protecting Montana's agricultural activities through the administration of statutes related to agriculture.

The department operates more than 30 programs, many which are funded through user fees. These programs include regulatory programs that protect producers, consumers, and the environment, as well as development and marketing programs to foster growth in Montana's agriculture. Additionally, the department oversees both state and federal grants that are distributed to subrecipients around the state of Montana. These grants are distributed under different programs to support various agriculture-based initiatives.

The department's Agricultural Development Council administers the Montana Farmer Loan Repayment Assistance Program, commonly referred to as the Montana Agriculture Student Loan Assistance Program, as established in §90-9-501, MCA. This program was developed to encourage Montana's college-educated youth to pursue a primary career in farming or ranching, reduce financial stress on Montana's farm and ranch operators, and promote succession planning to preserve interest in Montana's agricultural future.

The department is organized into three divisions:

**Agricultural Development Division (31 FTE)** assists Montana's agricultural industry by providing services including market and agribusiness development, Growth Through Agriculture grants and loans, wheat and barley research and marketing, beginning farmer/rancher loans, hail insurance, grain grading and inspection, agriculture education and outreach, agriculture literacy, and administration of agricultural commodity research and market development programs.

**Agricultural Sciences Division (61 FTE)** administers agricultural programs relating to the production, manufacturing, certification, and marketing of commodities exported from or distributed in the state. The division administers the Montana Pesticides Act, Crop Insect Detection Act, Vertebrate Pest Management Act, Agricultural Chemical Groundwater Protection Act, Noxious Weed Management Trust Fund Act, Commercial Feed and Fertilizer laws, Organic Certification program, Industrial Hemp program, and the department's Chemical Analytical Laboratory.

**Central Services Division (17 FTE)** includes the director's office and assists management and staff in meeting the department's mission by providing efficient, knowledgeable, and cost-effective customer service. The division provides support to all the programs in the department by performing accounting, fiscal management, payroll, purchasing, property control, data processing, and legal support functions.

## **Coronavirus Aid, Relief, and Economic Security (CARES) Act**

During the audit period, the department received funding through the federal CARES Act to administer new federal grant programs established in response to the COVID-19 pandemic.

### **Meat Processing Infrastructure Grants**

The department expended \$12.1 million as of June 30, 2021 for Meat Processing Infrastructure Grants (MMPIG). This program was designed to aid small and medium-sized meat processor businesses in responding to the COVID-19 crisis through the adaptation and diversification of meat processing infrastructure and capacity in Montana. These direct grants offered immediate relief to businesses adapting to COVID-19 by increasing community resilience and bolstering food security.

### **Agriculture Innovation and Adaptability Grants**

The department expended \$3 million as of June 30, 2021 for Agriculture Innovation and Adaptability Grants. This program was designed to aid small and medium-sized food and agriculture businesses in responding to the COVID-19 crisis through business adaptation and diversification. These direct grants offered immediate relief to businesses adapting to COVID-19 by increasing community resilience and bolstering food security.



## Chapter II – Findings & Recommendations

### **Internal Control**

State accounting policy requires all state agencies to implement internal controls to help facilitate statewide compliance with Generally Accepted Accounting Principles (GAAP) and requires that internal controls check accuracy and reliability of financial data to ensure compliance with applicable laws and regulations. During the audit, we identified two instances where internal controls can be enhanced.

### **Wheat and Barley Account Grant Accruals**

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**The department did not reverse accruals in the Wheat and Barley Account in the correct fiscal year.**

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The Department of Agriculture (department) processed accruals for grants in fiscal years 2020 and 2021 in the Wheat and Barley Account. The department accrues grants when awarded and reverses the accrual when funds are distributed to the subrecipients.

State accounting policy establishes valid obligation criteria for accruing expenditures and outlines how to establish and reverse accruals. Valid obligations are those incurred but unpaid as of fiscal year-end. This includes goods ordered but not received and services of legally binding contracts that are not performed as of fiscal year-end. The department's practice recognizes expenditures when accruals are established and again when funds are distributed, necessitating the reversal of a portion of the accruals to properly reflect actual expenditures during the year.

In both 2020 and 2021, we found that the department's internal controls did not detect, in a timely manner, accruals that should have been reversed. In fiscal year 2020, accruals were not reversed in 8 out of 16 active grants, totaling \$874,010. In fiscal year 2021, accruals were not reversed in 4 out of 49 active grants, totaling \$241,980. The department did make correcting entries to reverse the accruals of the grant awards; however, they were not performed until the fiscal year following the actual award payment. This resulted in the department's financial schedules being misstated in both fiscal years. Table 1 shows the net effect of the misstatements in the State Special Revenue Fund.

Table 1  
**Effect of Misstatements on State Special Revenue Fund**  
 Fiscal Years 2020 and 2021

|  | 2020 Over(Under) statement | 2021 Over(Under) statement |
|--|----------------------------|----------------------------|
| Fund Equity July 1                                 |                            | (\$874,010)                |
| Budgeted Expenditures & Transfers-Out              | \$874,010                  | \$241,980                  |
| Prior Year Expenditures & Transfers-Out Adjustment |                            | (\$874,010)                |
| Fund Equity June 30                                | (\$874,010)                | (\$241,980)                |

**Source: Compiled by the Legislative Audit Division from the Statewide Accounting, Budgeting, and Human Resources System (SABHRS).**

Department management stated the errors most likely occurred due to the unique nature of the Wheat and Barley grants in which accruals are reversed as payments are made which is different than how the department's other grants are treated. While the accrual process for the Wheat and Barley grants is an acceptable method of accruing expenditures per state accounting policy, it is more complex and involves a greater risk of error. The department maintains they do have effective internal controls as the errors were identified and corrected by department staff before the audit. However, the department acknowledges their controls need to be completed in conjunction with the fiscal year-end close date for the accounting records to be accurate. They stated their existing controls will be added to their fiscal year-end process going forward to avoid the timing oversight in the future. The department is responsible for ensuring that all necessary financial transactions are recorded on the state's accounting system before fiscal year-end. As such, we determined that a significant deficiency exists in the department's internal controls related to financial reporting in the Wheat and Barley Account, as reflected in our Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Schedules Performed in Accordance with *Government Auditing Standards* on page B-1.

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**RECOMMENDATION #1**

*We recommend that the Department of Agriculture enhance internal controls related to its Wheat and Barley Account grants to ensure accruals are correctly recorded before fiscal year-end as required by state accounting policy.*

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## **Licenses, Permits, and Registration Refunds**

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### **The department only refunds overpayments on license, permit, and registration applications when a written request is submitted by the customer.**

---

The department's Agricultural Sciences Division provides licensing and registration services for pesticides, pesticide applicators and dealers, and special pesticide registrations which are obtained through the department's custom-built licensing and product registration system, MT Plants. Customers are able to establish online access to view their account in MT Plants if they choose to do so. During our review of the department's system and processes, we found overpayments on applications or renewals mailed to the department were not consistently being refunded. When applications and renewals are received, the department deposits the payment and determines if the license, permit, or registration is needed. When not needed, program staff record an overpayment in the notes section on the customer's account within MT Plants. Program staff indicated that they do not refund customers unless the customer submits a written request for a refund. For example, in fiscal year 2020 a customer paid for three experimental use permits that program personnel determined they did not need. The program did not issue these permits and the customer was not refunded. The program did note a credit balance of \$414 in the notes on the customer's account in MT Plants. In fiscal year 2021, the same customer once again paid for three experimental use permits that they did not need, and the program once again did not issue the permits, made no refund, and noted a credit balance of \$414 in the notes on the customer's account in MT Plants.



MT Plants is an older system with limited capabilities. It can track balances due to the department but cannot track balances due to the customer. Due to the system's limitations, we do not know how many customer accounts have a credit balance and the total of those credit balances. Program personnel indicated the only way to know if a customer has a credit balance is to access each customer's account and view the notes on the check information screen. Program management stated that the unwritten program policy is to issue a refund if there is a written refund request from the customer or if staff catch an overpayment. However, this is not being done consistently. Management stated staff turnover has led to confusion regarding internal refund policies and overpayments not refunded but noted on the customer's account and applied to future or other necessary fees.

Policies and controls documented in writing are beneficial to ensuring all staff are educated on, and aware of, the program's policies and procedures and that these policies and procedures will be applied consistently. Documented policies and procedures will also help ensure continuity in program operations when there is staff turnover.

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#### **RECOMMENDATION #2**

*We recommend that the Department of Agriculture:*

- A. *Establish and maintain documented internal controls to ensure that customers are refunded when a credit balance is noted.*
  - B. *Educate staff on the program's internal control policies and procedures to ensure continuity in program operations.*
  - C. *Notify customers of any credit balances, giving them the option of a refund or applying the credit balance to future applications or renewals.*
- 

## **Reporting Actual or Suspected Theft**

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**The Department of Agriculture did not immediately notify both the attorney general and legislative auditor regarding known or suspected theft as required by state law.**

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During the audit, the department disclosed two thefts of state resources that occurred during the audit period:

- ♦ In October 2020, a third party obtained \$344,271 from the department by impersonating a grant recipient in an e-mail phishing attack. The department notified its chief attorney, the Governor's Office, the Department of Administration's Risk Management and Tort Defense, and State Financial Services Division. The hacker attempted to receive two grant payments from the department. The department was able to stop the first payment, but not the second. The Department of Administration modified state policy in response to this situation.
- ♦ In April 2020, an employee purchased \$1,000 in gift cards in response to an e-mail phishing attack. After purchasing the cards, the employee became suspicious and notified their supervisor. The gift cards were returned for full credit.

State law requires the head of each agency to immediately notify both the attorney general and the legislative auditor, in writing, upon the discovery of any theft, actual or suspected, involving state money or property under that agency's control or for which the agency is responsible.

The legislative auditor was not notified of these thefts. The Department of Administration did notify the attorney general of the grant recipient impersonation theft and Department of Agriculture personnel represent that they contacted the attorney general's office as well. Department personnel indicated notification was not considered necessary for the April 2020 theft because it was not successful. However, state law requires the notification whenever theft is suspected.

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**RECOMMENDATION #3**

*We recommend the Department of Agriculture comply with state law by notifying the attorney general and legislative auditor in writing upon the discovery of any theft, actual or suspected, involving state money or property.*

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# **Independent Auditor's Report and Department Financial Schedules**



Angus Maciver, Legislative Auditor  
Deborah F. Butler, Legal Counsel



Deputy Legislative Auditors:  
Cindy Jorgenson  
William Soller

## INDEPENDENT AUDITOR'S REPORT

The Legislative Audit Committee  
of the Montana State Legislature:

### *Introduction*

We have audited the accompanying Schedules of Changes in Fund Equity, Schedules of Total Revenues & Transfers-In, and Schedules of Total Expenditures & Transfers-Out of the Department of Agriculture for each of the fiscal years ended June 30, 2021, and 2020, and the related notes to the financial schedules.

### *Management's Responsibility for the Financial Schedules*

Management is responsible for the preparation and fair presentation of these financial schedules in accordance with the regulatory format prescribed by the Legislative Audit Committee, based on the transactions posted to the state's accounting system without adjustment; this responsibility includes recording transactions in accordance with state accounting policy; and designing, implementing, and maintaining internal controls relevant to the preparation and fair presentation of the financial schedules that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express opinions on these financial schedules based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial schedules are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial schedules. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial schedules, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the department's preparation and fair presentation of the financial schedules in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the department's internal control, and accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as the overall presentation of the financial schedules.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

*Basis for Adverse Opinions on U.S. Generally Accepted Accounting Principles*

As described in Note 1, the financial schedules are prepared from the transactions posted to the state's primary accounting system without adjustment, in the regulatory format prescribed by the Legislative Audit Committee. This is a basis of accounting other than accounting principles generally accepted in the United States of America. The financial schedules are not intended to, and do not, report assets, deferred outflows of resources, liabilities, deferred inflows of resources, and cash flows.

The effects on the financial schedules of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

*Adverse Opinions on U.S. Generally Accepted Accounting Principles*

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinions on U.S. Generally Accepted Accounting Principles" paragraph, the financial schedules referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the department as of June 30, 2021, and June 30, 2020, or changes in financial position or cash flows for the years then ended.

*Unmodified Opinions on Regulatory Basis of Accounting*

In our opinion, the Schedules of Changes in Fund Equity, Schedules of Total Revenues & Transfers-In, and Schedules of Total Expenditures & Transfers-Out, present fairly, in all material respects, the results of operations and changes in fund equity of the department for each of the fiscal years ended June 30, 2021, and 2020, in conformity with the basis of accounting described in Note 1.

*Emphasis of Matter*

As discussed in Note 1 – Basis of Presentation, the financial schedule format was adopted by the Legislative Audit Committee. On June 16, 2020, the Committee approved a change in format to remove the presentation of revenue estimates from the Schedule of Total Revenues & Transfers-In. Our opinion is not modified with respect to this matter.

*Other Reporting Required by Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 19, 2022, on our consideration of the Department of Agriculture's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the department's internal control over financial reporting and compliance.

Respectfully submitted,

/s/ Cindy Jorgenson

Cindy Jorgenson, CPA  
Deputy Legislative Auditor  
Helena, MT

May 19, 2022

MONTANA DEPARTMENT OF AGRICULTURE  
SCHEDULE OF CHANGES IN FUND EQUITY  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

|   | General Fund   | State Special Revenue Fund | Federal Special Revenue Fund | Enterprise Fund | Private Purpose Trust Fund | Permanent Fund |
|---|----------------|----------------------------|------------------------------|-----------------|----------------------------|----------------|
| FUND EQUITY: July 1, 2020                           | \$ (1,047,771) | \$ 15,058,175              | \$ 54,347                    | \$ 1,664,730    | \$ 695,728                 | \$ 11,642,080  |
| ADDITIONS   |                |                            |                              |                 |                            |                |
| Budgeted Revenues & Transfers-In                    | 2,101          | 17,671,677                 | 18,686,664                   | 1,155,932       |                            |                |
| Nonbudgeted Revenues & Transfers-In                 | 3,842          | 214,791                    |                              | 196             |                            | 179,126        |
| Prior Year Revenues & Transfers-In Adjustments      | (4,466)        | 1,031,145                  | 3,418                        | (98)            |                            | (141)          |
| Direct Entries to Fund Equity                       | 2,484,393      | 559,837                    | 0                            |                 |                            |                |
| Total Additions                                     | 2,485,871      | 19,477,451                 | 18,690,082                   | 1,156,030       | 0                          | 178,985        |
| REDUCTIONS  |                |                            |                              |                 |                            |                |
| Budgeted Expenditures & Transfers-Out               | 2,369,301      | 15,852,156                 | 18,733,860                   | 885,307         |                            |                |
| Nonbudgeted Expenditures & Transfers-Out            | 3,842          | 1,065,000                  |                              | (97,188)        | 15,500                     | 342,808        |
| Prior Year Expenditures & Transfers-Out Adjustments | (31,564)       | (1,234,497)                | (685)                        | 8,166           |                            |                |
| Total Reductions                                    | 2,341,578      | 15,682,659                 | 18,733,175                   | 796,285         | 15,500                     | 342,808        |
| FUND EQUITY: June 30, 2021                          | \$ (903,479)   | \$ 18,852,968              | \$ 11,254                    | \$ 2,024,474    | \$ 680,228                 | \$ 11,478,257  |

This schedule is prepared from the Statewide Accounting, Budgeting, and Human Resources System (SABHRS) without adjustment. Additional information is provided in the notes to the financial schedules beginning on page A-9.

MONTANA DEPARTMENT OF AGRICULTURE  
SCHEDULE OF CHANGES IN FUND EQUITY  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

|   | General<br>Fund | State Special<br>Revenue Fund | Federal Special<br>Revenue Fund | Enterprise<br>Fund | Private Purpose<br>Trust Fund | Permanent<br>Fund |
|---|-----------------|-------------------------------|---------------------------------|--------------------|-------------------------------|-------------------|
| FUND EQUITY: July 1, 2019                           | \$ (577,307)    | \$ 13,594,120                 | \$ (260,596)                    | \$ 1,577,046       | \$ 714,308                    | \$ 11,134,152     |
| ADDITIONS   |                 |                               |                                 |                    |                               |                   |
| Budgeted Revenues & Transfers-In                    | 21              | 17,350,131                    | 3,904,113                       | 1,215,215          |                               |                   |
| Nonbudgeted Revenues & Transfers-In                 | 7,568           | 335,146                       |                                 | 395                | 500                           | 857,216           |
| Prior Year Revenues & Transfers-In Adjustments      |                 | (3,515)                       | (1,133)                         | (334)              |                               | (23)              |
| Direct Entries to Fund Equity                       | 1,931,313       | 424,479                       | 12,510                          | 26,155             |                               |                   |
| Total Additions                                     | 1,938,902       | 18,106,241                    | 3,915,489                       | 1,241,431          | 500                           | 857,193           |
| REDUCTIONS  |                 |                               |                                 |                    |                               |                   |
| Budgeted Expenditures & Transfers-Out               | 2,402,744       | 15,606,926                    | 3,608,409                       | 1,165,183          |                               |                   |
| Nonbudgeted Expenditures & Transfers-Out            | 6,823           | 984,622                       | (739)                           | (14,012)           | 19,080                        | 349,265           |
| Prior Year Expenditures & Transfers-Out Adjustments | (201)           | 50,638                        | (7,123)                         | 2,577              |                               |                   |
| Total Reductions                                    | 2,409,366       | 16,642,186                    | 3,600,546                       | 1,153,747          | 19,080                        | 349,265           |
| FUND EQUITY: June 30, 2020                          | \$ (1,047,771)  | \$ 15,058,175                 | \$ 54,347                       | \$ 1,664,730       | \$ 695,728                    | \$ 11,642,080     |

This schedule is prepared from the Statewide Accounting, Budgeting, and Human Resources System (SABHRS) without adjustment. Additional information is provided in the notes to the financial schedules beginning on page A-9.



MONTANA DEPARTMENT OF AGRICULTURE  
SCHEDULE OF TOTAL REVENUES & TRANSFERS-IN  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

|   | General Fund | State Special Revenue Fund | Federal Special Revenue Fund | Enterprise Fund | Permanent Fund | Total         |
|---|--------------|----------------------------|------------------------------|-----------------|----------------|---------------|
| <b>TOTAL REVENUES &amp; TRANSFERS-IN BY CLASS</b> |              |                            |                              |                 |                |               |
| Licenses and Permits                              |              | \$ 5,469,126               |                              |                 | \$             | 5,469,126     |
| Taxes   |              | 8,613,987                  |                              |                 |                | 8,613,987     |
| Charges for Services                              |              | 2,380,482                  |                              | \$ 1,150,715    |                | 3,531,197     |
| Investment Earnings                               |              | 157,825                    |                              | 4,288           | \$ 178,985     | 341,098       |
| Fines and Forfeits                                |              | 41,928                     |                              | 1,027           |                | 42,955        |
| Sale of Documents, Merchandise and Property       |              | 9,833                      |                              |                 |                | 9,833         |
| Grants, Contracts, and Donations                  |              | 100                        |                              |                 |                | 100           |
| Transfers-in                                      |              | 2,227,885                  | \$ 15,334,518                |                 |                | 17,562,403    |
| Capital Asset Sale Proceeds                       |              | 7,547                      |                              |                 |                | 7,547         |
| Inception of Lease/Installment Contract           | \$ (624)     | 8,652                      |                              |                 |                | 8,028         |
| Federal Indirect Cost Recoveries                  |              |                            | 207,167                      |                 |                | 207,167       |
| Miscellaneous                                     | 2,101        | 250                        |                              |                 |                | 2,351         |
| Federal   |              |                            | 3,148,398                    |                 |                | 3,148,398     |
| Total Revenues & Transfers-In                     | 1,478        | 18,917,614                 | 18,690,082                   | 1,156,030       | 178,985        | 38,944,189    |
| Less: Nonbudgeted Revenues & Transfers-In         | 3,842        | 214,791                    |                              | 196             | 179,126        | 397,955       |
| Prior Year Revenues & Transfers-In Adjustments    | (4,466)      | 1,031,145                  | 3,418                        | (98)            | (141)          | 1,029,860     |
| Actual Budgeted Revenues & Transfers-In           | \$ 2,101     | \$ 17,671,677              | \$ 18,686,664                | \$ 1,155,932    | \$ 0           | \$ 37,516,374 |

This schedule is prepared from the Statewide Accounting, Budgeting, and Human Resources System (SABHRS) without adjustment. Additional information is provided in the notes to the financial schedules beginning on page A-9.

MONTANA DEPARTMENT OF AGRICULTURE  
SCHEDULE OF TOTAL REVENUES & TRANSFERS-IN  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

|   | General Fund | State Special Revenue Fund | Federal Special Revenue Fund | Enterprise Fund | Private Purpose Trust Fund | Permanent Fund | Total         |
|---|--------------|----------------------------|------------------------------|-----------------|----------------------------|----------------|---------------|
| <b>TOTAL REVENUES &amp; TRANSFERS-IN BY CLASS</b> |              |                            |                              |                 |                            |                |               |
| Licenses and Permits                              |              | \$                         | 5,262,871                    |                 |                            | \$             | 5,262,871     |
| Taxes   |              | 7,454,446                  |                              |                 |                            |                | 7,454,446     |
| Charges for Services                              |              | 2,334,818                  |                              | \$              |                            |                | 3,514,399     |
| Investment Earnings                               |              | 382,156                    |                              | 1,179,581       |                            |                | 1,272,702     |
| Fines and Forfeits                                |              | 34,648                     |                              | 33,353          |                            | \$             | 36,693        |
| Sale of Documents, Merchandise and Property       |              | 24,818                     |                              | 2,045           |                            |                | 24,818        |
| Grants, Contracts, and Donations                  |              | 6,750                      |                              |                 | 500                        |                | 7,250         |
| Transfers-in                                      |              | 2,140,799                  | \$                           | 763,781         |                            |                | 2,904,580     |
| Capital Asset Sale Proceeds                       |              | 20,861                     |                              |                 |                            |                | 20,861        |
| Inception of Lease/Installment Contract           | \$           | 10,587                     |                              |                 |                            |                | 18,155        |
| Federal Indirect Cost Recoveries                  |              |                            | 191,393                      |                 |                            |                | 191,393       |
| Miscellaneous                                     | 21           | 9,007                      | 1                            | 298             |                            |                | 9,326         |
| Federal   |              |                            | 2,947,805                    |                 |                            |                | 2,947,805     |
| Total Revenues & Transfers-In                     | 7,589        | 17,681,762                 | 3,902,979                    | 1,215,276       | 500                        | 857,193        | 23,665,300    |
| Less: Nonbudgeted Revenues & Transfers-In         | 7,568        | 335,146                    |                              | 395             | 500                        | 857,216        | 1,200,826     |
| Prior Year Revenues & Transfers-In Adjustments    |              | (3,515)                    | (1,133)                      | (334)           |                            | (23)           | (5,005)       |
| Actual Budgeted Revenues & Transfers-In           | \$ 21        | \$ 17,350,131              | \$ 3,904,113                 | \$ 1,215,215    | \$ 0                       | \$ 0           | \$ 22,469,479 |

This schedule is prepared from the Statewide Accounting, Budgeting, and Human Resources System (SABHRS) without adjustment.  
 Additional information is provided in the notes to the financial schedules beginning on page A-9.

MONTANA DEPARTMENT OF AGRICULTURE  
SCHEDULE OF TOTAL EXPENDITURES & TRANSFERS-OUT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

A-7

|  | Agricultural Development<br>Division | Agricultural Sciences<br>Division | Central Management<br>Division | Total                |
|--|--------------------------------------|-----------------------------------|--------------------------------|----------------------|
| PROGRAM (ORG) EXPENDITURES & TRANSFERS-OUT |                                      |                                   |                                |                      |
| Personal Services                          |                                      |                                   |                                |                      |
| Salaries                                   | \$ 1,578,827                         | \$ 3,568,178                      | \$ 1,329,555                   | \$ 6,476,560         |
| Other Compensation                         | 2,475                                | 1,100                             |                                | 3,575                |
| Employee Benefits                          | 599,128                              | 1,350,366                         | 457,080                        | 2,406,574            |
| Personal Services-Other                    | 1,024                                |                                   |                                | 1,024                |
| Total                                      | <u>2,181,454</u>                     | <u>4,919,645</u>                  | <u>1,786,635</u>               | <u>8,887,733</u>     |
| Operating Expenses                         |                                      |                                   |                                |                      |
| Other Services                             | 274,026                              | 394,922                           | 143,733                        | 812,681              |
| Supplies & Materials                       | 130,283                              | 336,409                           | 36,420                         | 503,112              |
| Communications                             | 96,434                               | 151,476                           | 37,860                         | 285,770              |
| Travel                                     | 29,199                               | 62,459                            | 258                            | 91,916               |
| Rent                                       | 87,069                               | 215,740                           | 69,940                         | 372,750              |
| Utilities                                  | 12,891                               | 38,412                            |                                | 51,303               |
| Repair & Maintenance                       | 23,080                               | 188,236                           | 720                            | 212,036              |
| Other Expenses                             | 1,034,905                            | 128,930                           | 30,130                         | 1,193,965            |
| Goods Purchased For Resale                 |                                      | 986                               |                                | 986                  |
| Total                                      | <u>1,687,888</u>                     | <u>1,517,570</u>                  | <u>319,060</u>                 | <u>3,524,519</u>     |
| Equipment & Intangible Assets              |                                      |                                   |                                |                      |
| Equipment                                  |                                      | 162,524                           |                                | 162,524              |
| Total                                      |                                      | <u>162,524</u>                    |                                | <u>162,524</u>       |
| Grants                                     |                                      |                                   |                                |                      |
| From State Sources                         | 4,306,796                            | 1,853,604                         |                                | 6,160,400            |
| From Federal Sources                       | 16,978,732                           | 373,648                           |                                | 17,352,381           |
| Total                                      | <u>21,285,528</u>                    | <u>2,227,253</u>                  |                                | <u>23,512,781</u>    |
| Benefits & Claims                          |                                      |                                   |                                |                      |
| From State Sources                         | 528,208                              |                                   |                                | 528,208              |
| From Other Sources                         |                                      | 15,500                            |                                | 15,500               |
| Total                                      | <u>528,208</u>                       | <u>15,500</u>                     |                                | <u>543,708</u>       |
| Transfers-out                              |                                      |                                   |                                |                      |
| Fund transfers                             | 26,728                               | 469,086                           |                                | 495,815              |
| Intra-Entity Expense                       |                                      | 870,598                           |                                | 870,598              |
| Total                                      | <u>26,728</u>                        | <u>1,339,684</u>                  |                                | <u>1,366,412</u>     |
| Debt Service                               |                                      |                                   |                                |                      |
| Capital Leases                             | 895                                  | 3,886                             | 1,930                          | 6,711                |
| Total                                      | <u>895</u>                           | <u>3,886</u>                      | <u>1,930</u>                   | <u>6,711</u>         |
| Post Employment Benefits                   |                                      |                                   |                                |                      |
| Other Post Employment Benefits             | (102,088)                            |                                   |                                | (102,088)            |
| Employer Pension Expense                   | 9,705                                |                                   |                                | 9,705                |
| Total                                      | <u>(92,382)</u>                      |                                   |                                | <u>(92,382)</u>      |
| Total Expenditures & Transfers-Out         | \$ <u>25,618,319</u>                 | \$ <u>10,186,062</u>              | \$ <u>2,107,625</u>            | \$ <u>37,912,005</u> |

EXPENDITURES & TRANSFERS-OUT BY FUND

|   |                     |                   |                  |                     |
|---|---------------------|-------------------|------------------|---------------------|
| General Fund  | \$ 1,864,765        | \$ 214,596        | \$ 262,218       | \$ 2,341,578        |
| State Special Revenue Fund                          | 5,923,480           | 8,322,052         | 1,437,126        | 15,682,659          |
| Federal Special Revenue Fund                        | 17,172,137          | 1,291,105         | 269,933          | 18,733,175          |
| Enterprise Fund                                     | 657,937             |                   | 138,349          | 796,285             |
| Private Purpose Trust Fund                          |                     | 15,500            |                  | 15,500              |
| Permanent Fund                                      |                     | 342,808           |                  | 342,808             |
| Total Expenditures & Transfers-Out                  | <u>25,618,319</u>   | <u>10,186,062</u> | <u>2,107,625</u> | <u>37,912,005</u>   |
| Less: Nonbudgeted Expenditures & Transfers-Out      | 64,469              | 1,248,933         | 16,560           | 1,329,962           |
| Prior Year Expenditures & Transfers-Out Adjustments | (1,256,658)         | (1,990)           | 68               | (1,258,580)         |
| Actual Budgeted Expenditures & Transfers-Out        | <u>26,810,508</u>   | <u>8,939,119</u>  | <u>2,090,997</u> | <u>37,840,623</u>   |
| Budget Authority                                    | 34,226,732          | 9,926,253         | 2,125,806        | 46,278,791          |
| Unspent Budget Authority                            | \$ <u>7,416,224</u> | \$ <u>987,135</u> | \$ <u>34,808</u> | \$ <u>8,438,168</u> |

UNSPENT BUDGET AUTHORITY BY FUND

|                              |                     |                   |                  |                     |
|------------------------------|---------------------|-------------------|------------------|---------------------|
| General Fund                 | \$ 8,989            | \$ 1,376          | \$ 7,280         | \$ 17,645           |
| State Special Revenue Fund   | 2,467,994           | 742,846           | 26,494           | 3,237,334           |
| Federal Special Revenue Fund | 3,476,176           | 242,913           | 1,005            | 3,720,094           |
| Enterprise Fund              | 1,463,065           |                   | 29               | 1,463,094           |
| Unspent Budget Authority     | \$ <u>7,416,224</u> | \$ <u>987,135</u> | \$ <u>34,808</u> | \$ <u>8,438,168</u> |

This schedule is prepared from the Statewide Accounting, Budgeting, and Human Resources System (SABHRS) without adjustment.  
Additional information is provided in the notes to the financial schedules beginning on page A-9.

MONTANA DEPARTMENT OF AGRICULTURE  
SCHEDULE OF TOTAL EXPENDITURES & TRANSFERS-OUT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

|   | Agricultural Development<br>Division | Agricultural Sciences<br>Division | Central Management<br>Division | Total                |
|---|--------------------------------------|-----------------------------------|--------------------------------|----------------------|
| <b>PROGRAM (ORG) EXPENDITURES &amp; TRANSFERS-OUT</b> |                                      |                                   |                                |                      |
| Personal Services                                     |                                      |                                   |                                |                      |
| Salaries  | \$ 1,519,406                         | \$ 3,332,751                      | \$ 1,128,751                   | \$ 5,980,908         |
| Hourly Wages  | 14,595                               | 2,770                             |                                | 17,365               |
| Other Compensation                                    | 9,300                                | 3,200                             |                                | 12,500               |
| Employee Benefits                                     | 572,810                              | 1,277,379                         | 394,867                        | 2,245,056            |
| Personal Services-Other                               | (5,815)                              |                                   | (25,448)                       | (31,263)             |
| Total   | <u>2,110,296</u>                     | <u>4,616,100</u>                  | <u>1,498,170</u>               | <u>8,224,566</u>     |
| Operating Expenses                                    |                                      |                                   |                                |                      |
| Other Services  | 428,178                              | 478,769                           | 93,585                         | 1,000,532            |
| Supplies & Materials                                  | 116,983                              | 360,562                           | 36,282                         | 513,827              |
| Communications  | 99,644                               | 137,722                           | 23,164                         | 260,530              |
| Travel  | 222,223                              | 187,194                           | 21,733                         | 431,151              |
| Rent  | 94,039                               | 201,318                           | 67,775                         | 363,132              |
| Utilities   | 11,707                               | 35,441                            |                                | 47,148               |
| Repair & Maintenance                                  | 21,217                               | 130,505                           | 914                            | 152,635              |
| Other Expenses  | 1,455,645                            | 124,882                           | 25,579                         | 1,606,106            |
| Total   | <u>2,449,635</u>                     | <u>1,656,394</u>                  | <u>269,031</u>                 | <u>4,375,061</u>     |
| Equipment & Intangible Assets                         |                                      |                                   |                                |                      |
| Equipment   |                                      | 60,191                            |                                | 60,191               |
| Total   |                                      | <u>60,191</u>                     |                                | <u>60,191</u>        |
| Capital Outlay  |                                      |                                   |                                |                      |
| Buildings   |                                      |                                   | (20,475)                       | (20,475)             |
| Total   |                                      |                                   | <u>(20,475)</u>                | <u>(20,475)</u>      |
| Grants  |                                      |                                   |                                |                      |
| From State Sources                                    | 5,116,558                            | 2,009,759                         |                                | 7,126,317            |
| From Federal Sources                                  | 2,023,106                            | 342,544                           |                                | 2,365,650            |
| Total   | <u>7,139,664</u>                     | <u>2,352,304</u>                  |                                | <u>9,491,968</u>     |
| Benefits & Claims                                     |                                      |                                   |                                |                      |
| From State Sources                                    | 779,502                              |                                   |                                | 779,502              |
| From Other Sources                                    |                                      | 19,080                            |                                | 19,080               |
| Total   | <u>779,502</u>                       | <u>19,080</u>                     |                                | <u>798,582</u>       |
| Transfers-out   |                                      |                                   |                                |                      |
| Fund transfers  | 81,510                               | 387,926                           |                                | 469,436              |
| Intra-Entity Expense                                  |                                      | 753,726                           |                                | 753,726              |
| Total   | <u>81,510</u>                        | <u>1,141,652</u>                  |                                | <u>1,223,162</u>     |
| Debt Service  |                                      |                                   |                                |                      |
| Capital Leases  | 1,141                                | 3,215                             | 793                            | 5,149                |
| Total   | <u>1,141</u>                         | <u>3,215</u>                      | <u>793</u>                     | <u>5,149</u>         |
| Post Employment Benefits                              |                                      |                                   |                                |                      |
| Other Post Employment Benefits                        | 498                                  |                                   |                                | 498                  |
| Employer Pension Expense                              | 15,489                               |                                   |                                | 15,489               |
| Total   | <u>15,987</u>                        |                                   |                                | <u>15,987</u>        |
| Total Expenditures & Transfers-Out                    | \$ <u>12,577,736</u>                 | \$ <u>9,848,935</u>               | \$ <u>1,747,519</u>            | \$ <u>24,174,191</u> |
| <b>EXPENDITURES &amp; TRANSFERS-OUT BY FUND</b>       |                                      |                                   |                                |                      |
| General Fund  | \$ 1,955,863                         | \$ 206,940                        | \$ 246,563                     | \$ 2,409,366         |
| State Special Revenue Fund                            | 7,327,859                            | 8,055,669                         | 1,258,659                      | 16,642,186           |
| Federal Special Revenue Fund                          | 2,227,421                            | 1,217,982                         | 155,143                        | 3,600,546            |
| Enterprise Fund                                       | 1,066,594                            |                                   | 87,154                         | 1,153,747            |
| Private Purpose Trust Fund                            |                                      | 19,080                            |                                | 19,080               |
| Permanent Fund  |                                      | 349,265                           |                                | 349,265              |
| Total Expenditures & Transfers-Out                    | <u>12,577,736</u>                    | <u>9,848,935</u>                  | <u>1,747,519</u>               | <u>24,174,191</u>    |
| Less: Nonbudgeted Expenditures & Transfers-Out        | 193,053                              | 1,167,482                         | (15,496)                       | 1,345,039            |
| Prior Year Expenditures & Transfers-Out Adjustments   | 66,983                               | (12,612)                          | (8,481)                        | 45,890               |
| Actual Budgeted Expenditures & Transfers-Out          | <u>12,317,700</u>                    | <u>8,694,065</u>                  | <u>1,771,496</u>               | <u>22,783,262</u>    |
| Budget Authority                                      | 20,672,420                           | 10,116,765                        | 1,874,067                      | 32,663,252           |
| Unspent Budget Authority                              | \$ <u>8,354,719</u>                  | \$ <u>1,422,700</u>               | \$ <u>102,571</u>              | \$ <u>9,879,990</u>  |
| <b>UNSPENT BUDGET AUTHORITY BY FUND</b>               |                                      |                                   |                                |                      |
| General Fund  | \$ 614                               | \$ 7,570                          | \$ 7,359                       | \$ 15,544            |
| State Special Revenue Fund                            | 2,349,636                            | 968,696                           | 85,082                         | 3,403,415            |
| Federal Special Revenue Fund                          | 2,226,454                            | 446,433                           | 9,445                          | 2,682,332            |
| Enterprise Fund                                       | 3,778,015                            |                                   | 684                            | 3,778,699            |
| Unspent Budget Authority                              | \$ <u>8,354,719</u>                  | \$ <u>1,422,700</u>               | \$ <u>102,571</u>              | \$ <u>9,879,990</u>  |

This schedule is prepared from the Statewide Accounting, Budgeting, and Human Resources System (SABHRS) without adjustment.  
Additional information is provided in the notes to the financial schedules beginning on page A-9.

# Department of Agriculture

## Notes to the Financial Schedules

### For the Two Fiscal Years Ended June 30, 2021

## 1. Summary of Significant Accounting Policies

### Basis of Accounting

The department uses the modified accrual basis of accounting, as defined by state accounting policy, for its Governmental fund category (General, State Special Revenue, Federal Special Revenue, and Permanent). In applying the modified accrual basis, the department records:

- ♦ Revenues when it receives cash or when receipts are realizable, measurable, earned, and available to pay current period liabilities.
- ♦ Expenditures for valid obligations when the department incurs the related liability and it is measurable, with the exception of the cost of employees' annual and sick leave. State accounting policy requires the department to record the cost of employees' annual and sick leave when used or paid.

The department uses accrual basis accounting for its Proprietary (Enterprise) and Fiduciary (Private-Purpose Trust) fund categories. Under the accrual basis, as defined by state accounting policy, the department records revenues in the accounting period when realizable, measurable, and earned, and records expenses in the period incurred when measurable.

Expenditures and expenses may include: entire budgeted service contracts even though the department receives the services in a subsequent fiscal year; goods ordered with a purchase order before fiscal year-end, but not received as of fiscal year-end; and equipment ordered with a purchase order before fiscal year-end.

### Basis of Presentation

The financial schedule format was adopted by the Legislative Audit Committee. The financial schedules are prepared from the transactions posted to the state's accounting system without adjustment.

The department uses the following funds:

### Governmental Fund Category

- ♦ **General Fund** – to account for all financial resources except those required to be accounted for in another fund. The department's use of the General Fund primarily helps support statewide agricultural development and research.
- ♦ **State Special Revenue Fund** – to account for proceeds of specific revenue sources (other than private-purpose trusts) that are legally restricted to expenditures for specific state program purposes. Department state special revenue funds include accounts for research and market development of agricultural commodities such as wheat, barley, and pulse crops; registration of products or licensure of dealers, applicators, or manufacturers and associated inspection or enforcement related to pesticides, commercial fertilizer, animal feed, produce, nurseries, organic operations, industrial hemp, and seed; noxious weed management; grain testing and inspection; and economic development assistance, grants, and loans.

- ♦ **Federal Special Revenue Fund** – to account for activities funded from federal revenue sources. Department federal special revenue funds include pass-through weed grants, pest surveys, feed inspections, review of private farm applicator restricted use pesticide application records, marketing, specialty crop block grants, meat processing in response to the COVID-19 pandemic, and negotiated indirect costs.
- ♦ **Permanent Fund** – to account for financial resources that are permanently restricted to the extent that only earnings, and not principal, may be used for purposes that support the department's programs. The department uses this fund to account for Noxious Weed Management Trust activity.

### **Proprietary Fund Category**

- ♦ **Enterprise Fund** – to account for operations (a) financed and operated in a manner similar to private business enterprises, where the Legislature intends that the department finance or recover costs primarily through user charges; (b) where the Legislature has decided that periodic determination of revenues earned, expenses incurred or net income is appropriate; (c) where the activity is financed solely by a pledge of the net revenues from fees and charges of the activity; or (d) when laws or regulations require that the activities' cost of providing services, including capital costs, be recovered with fees and charges rather than with taxes or similar revenues. Department enterprise funds include the Hail Insurance and Beginning Farm Loan Programs.

### **Fiduciary Fund Category**

- ♦ **Private-Purpose Trust Fund** – to account for activity of any trust arrangement not properly reported in a pension fund or an investment trust fund where the principal and income benefit individuals, private organizations, or other governments. The department uses the private-purpose trust fund to record commercial pesticide applicator certificates of deposit.

## **2. General Fund Equity Balance**

The negative fund equity balance in the General Fund does not indicate overspent appropriation authority. The department has authority to pay obligations from the statewide General Fund within its appropriation limits. The department expends cash or other assets from the statewide fund when it pays General Fund obligations. The department's outstanding liabilities exceed the assets it has placed in the fund, resulting in negative ending General Fund equity balances for each of the fiscal years ended June 30, 2020, and June 30, 2021.

## **3. Direct Entries to Fund Equity**

Direct entries to fund equity in the General, Special Revenue, and Federal Special Revenue funds include entries generated by SABHRS to reflect the flow of resources within individual funds shared by separate agencies.

## **4. Hail Insurance**

In order to reduce exposure to large losses the hail insurance program participates in a quota-share reinsurance agreement. As a result of this agreement, both Charges for Services and Benefits & Claims from State Sources reflect a percentage of the premiums received and the total losses paid in relation to

the percentage of premiums and risk ceded to the reinsurer. In calendar year 2020 and 2021, insureds paid \$3.8 million and \$2.3 million, respectively, in hail insurance premiums and the department ceded \$2.9 million and \$1.6 million, respectively, of those premiums. Total losses were \$1.9 million and \$2.2 million and the department ceded \$1.4 million and \$1.6 million of those losses in calendar year 2020 and 2021, respectively.

## **5. Unspent Budget Authority**

The agency had \$9.9 million and \$8.4 million in unspent budget authority on June 30, 2020, and June 30, 2021, respectively. The majority of which, \$8.4 million and \$7.4 million for fiscal years 2020 and 2021, respectfully, is attributed to the Agriculture Development Division and further broken down as follows:

- ♦ Pulse Crop Research and Marketing grants, reported as state special revenue fund, amounts are limited by respective assessment collections, which are unknown and difficult to project in advance.
- ♦ Specialty Crop Block Grant, reported as federal special revenue fund, can have three years, or more, of active awards in a single fiscal year. All the authority is requested when the award is approved, though it will be used over the multi-year award period. Due to the nature and timing of these awards, unspent authority is expected for the first couple years of each award.
- ♦ The Hail Insurance program, reported as an enterprise fund, has a statutory appropriation for claims; the remaining authority on June 30, 2020, and June 30, 2021, was \$3.7 million and \$1.4 million respectively. Additional authority is requested based on the expected claims. However, due to the inherent volatility of hail damage, the amount of actual claims may be less than anticipated or may be paid later in the Hail Season in the following fiscal year.

## **6. Coronavirus Aid, Relief, and Economic Security Act (CARES)**

During fiscal years 2020 and 2021, the Department of Treasury, through the State of Montana's Governor's Office, awarded \$12.2 million for Meat Processing Infrastructure Grants, of which \$12.1 million had been expended as of June 30, 2021. Additionally, another \$3.0 million was awarded for Agriculture Innovation and Adaptability Grants, all of which had been expended as of June 30, 2021. Total awarded amounts were initially transferred into department's federal special revenue funds from the Governor's Office, and then granted to recipients from these department federal special revenue funds.

## **7. Subsequent Events**

During fiscal year 2022, the department expended the remaining balance of the Meat Processing Infrastructure Grants CARES Act award monies.

During fiscal year 2022, the Department of Treasury, through the State of Montana's Governor's Office, awarded over \$7.8 million in American Rescue Plan Act of 2021 (ARPA) Agriculture Infrastructure Grants to state businesses. An additional \$2.0 million was appropriated by the Governor's Office for the creation of port authority grants under Section 12 of House Bill 632.





# **Report on Internal Control and Compliance**



# LEGISLATIVE AUDIT DIVISION

B-1

Angus Maciver, Legislative Auditor  
Deborah F. Butler, Legal Counsel



Deputy Legislative Auditors:  
Cindy Jorgenson  
William Soller

## REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL SCHEDULES PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

The Legislative Audit Committee  
of the Montana State Legislature:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the Schedules of Changes in Fund Equity, Schedules of Total Revenues & Transfers-In, and Schedules of Total Expenditures & Transfers-Out of the Department of Agriculture for each of the fiscal years ended June 30, 2021, and 2020, and the related notes to the financial schedules, and have issued our report thereon dated May 19, 2022.

### *Internal Control Over Financial Reporting*

In planning and performing our audit of the financial schedules, we considered the department's internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial schedules, but not for the purpose of expressing an opinion on the effectiveness of the department's internal control. Accordingly, we do not express an opinion on the effectiveness of the department's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial schedules will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal controls was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described below, that we consider to be a significant deficiency.

As discussed in finding #1 on page 5, the department's controls over financial reporting were not sufficient to detect and correct misstatements related to accrual reversals in relation to its Wheat and Barley grants before the books closing at fiscal year-end, resulting in misstatements to the accounting records in fiscal years 2020 and 2021.

*Compliance and Other Matters*

As part of obtaining reasonable assurance about whether the department's financial schedules are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial schedules. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

*Department of Agriculture's Response to Findings*

The department's response to the findings identified in our audit are described on page C-1 of this report. The department's response was not subjected to the auditing procedures applied in the audit of the financial schedules and, accordingly, we express no opinion on it.

*Purpose of this Report*

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the department's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the department's internal control and compliance. Accordingly, this communication is not suitable for any other purpose

Respectfully submitted,

/s/ Cindy Jorgenson

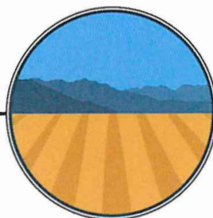
Cindy Jorgenson, CPA  
Deputy Legislative Auditor  
Helena, MT

May 19, 2022

DEPARTMENT OF  
AGRICULTURE

DEPARTMENT RESPONSE





August 29, 2022

Angus Maciver  
Legislative Auditor  
Legislative Audit Division  
PO Box 201705  
Helena, MT 59620-1705

RECEIVED  
August 29, 2022  
LEGISLATIVE AUDIT DIV.

Mr. Maciver:

Thank you for the opportunity to respond to the Department of Agriculture's financial-compliance audit for the two fiscal years ending June 30, 2021. We have reviewed the financial-compliance audit report and **concur with the three recommendations** made by your office.

Prior to this calendar year-end, we intend to put revised department policies and enhanced internal controls into place to ensure these oversights are not repeated in the future. The Department of Agriculture is committed to complying with state laws and accounting policies, as well as strengthening our internal controls.

We also want to thank you and your staff for the professionalism shown during the audit. We appreciate the insight of your staff in relation to our procedures, internal controls, and accounting practices. My staff and I will be available to discuss the audit and recommendations with the Legislative Audit Committee at its convenience.

Sincerely,

A handwritten signature in blue ink that reads "Christy Clark". The signature is fluid and cursive, with the first name "Christy" and last name "Clark" clearly distinguishable.

Christy Clark  
Director  
Department of Agriculture