

DOL LRP Budget Subcommittee Report & Recommendations

Findings:

We found there were numerous concerns with staff providing accurate and understandable financial reports for DOL board members, industry representatives and legislators. There is reported distrust for the accuracy of the DOL fiscal reports, and typically blame is laid on the states accounting system. In addition, we found the current budget system used by the DOL and all state agencies can provide abbreviated reports that illustrates easy to read Revenue over Expense Reports. These reports can provide year to date budget Income and Expense totals, but do not accommodate a month by month comparison of budget to actual to clarify a sounder method of reporting. It should be noted that DOL management has repeatedly indicated that a simple page or two report encompassing all forms of total income and all nature of total expense is possible, but this has yet to materialize. In fact, there has been no discernible effort by management to present a simple twelve month spread of the budget to the board.

It is claimed by DOL management that the Board of Livestock was warned of problematic budget situations before and during the previous financial crisis. Additionally, bureau heads were notified by the DOL Financial Division of concerns that individual budgets for some bureaus were projected to exceed what they had been allocated. In no case did we learn that DOL personnel had faced consequences for budget overruns.

Recommendations:

The committee has several recommendations to help develop a better long-term operating system for reporting the DOL budget and for staff accountability. They include:

1. The DOL Board should develop a three person Budget Committee. This Committee should meet at least 4 times each year prior to the regular quarterly full board meeting. The DOL Executive Officer and Financial Officer should provide a budget overview for the Committee and have access to tier two and tier three budget reports if needed to answer specific questions. At these meetings the staff should provide two or three “budget solutions” for the Committee to consider in cases where individual divisions and bureaus appear to be exceeding their allocated budget.
2. The Executive Officer must become familiar with the Departments bookkeeping, understand the summary numbers by Division revenue and expense and should be prepared to answer questions about the budget personally. Reports from division administrators and bureau chiefs should be made during meetings of the Budget Committee.
3. At the full DOL Board meetings the Executive Officer should present a simplified budget report to the full Board using the current state system and provide a summary of any recommendations by the Budget Committee. These reports should be provided to the board members in advance.

4. The Board of Livestock, through the Executive Officer, must develop a “budget disciplinary policy” for division administrators and bureau heads, including themselves and staff members who do not comply. These policies should be in compliance with state law, department procedures and guidelines and personnel manuals. The policies should include progressive disciplinary steps such as written warnings, leave without pay and dismissal.
5. It is near certain that in the future another financial crisis will materialize, however these can be significantly mitigated by a competent staff and the presence of a strong Board of Directors. For example, a significant disease outbreak, a drought or other severe environmental event, a shift in political philosophy/support, or even an industry challenge for altering of operations could greatly affect revenue or expense results for the department. Therefore the Executive Officer, with the Board’s input, should develop an overall “fiscal / budget warning memo” with a predefined and laddered distribution list that builds in assurance of acknowledgement and some accountability for action and results.
6. The Board of Livestock needs to evaluate the historic means of all fees collected and expenditures. Consideration should be given to restructuring and modernizing how fees are collected to increase compliance and mitigate future budget shortages.