

Management Review Report of the Cattlemen's Beef Promotion and Research Board 2013

OBJECTIVE OF THE REVIEW

The objective of the review was to ensure that the Cattlemen's Beef Promotion and Research Board (CBB) was operating within the provisions of the Beef Promotion, Research, and Consumer Information Act of 1985, (7 U.S.C. 2901-2918, hereinafter called "the Act;" the Beef Promotion and Research Order, (7 CFR Part 1260), hereinafter called "the Order;" AMS Guidelines for Oversight of Commodity Research and Promotion Programs (June 2012), hereinafter called the "Guidelines;" CBB by-laws, policies, and procedures; and all applicable Federal laws, regulations and policies. Under the Guidelines, AMS is required to conduct management reviews of all commodity boards every 3 years.

BACKGROUND

AMS has oversight responsibilities of CBB, which is one of the 20 research and promotion checkoff programs. At the time of the review, CBB consisted of 103 Board members, including domestic beef, dairy and veal producers, as well as importers of beef and beef products. Each Beef Board member is appointed by the Secretary of Agriculture from industry nominations

The Beef Board has as part of its responsibility, the certification of Qualified State Beef Councils (QSBCs, of which there are 45 at present) and the implementation of the provisions of the Federal Order (7 CFR Part 1260, July 18, 1986).

CBB employs a staff. The Chief Executive Officer reports to CBB members and is responsible for the management of CBB's staff and all checkoff-funded programs. CBB reports the results of projects and activities to stakeholders throughout the year.

CBB's funding is provided by assessments as stipulated in the Act and Order. CBB oversees the collection of \$1-per-head assessment on all cattle sold in the U.S. and \$1-per-head equivalent on imported cattle, beef and beef products. In States with a Qualified State Beef Council (QSBC), the QSBC may retain up to 50 cents of each \$1 collected but must remit at least 50 cents to CBB. CBB collects the entire \$1 in non-QSBC states and from importers.

SCOPE OF THE REVIEW

The review was conducted by the AMS' Livestock, Poultry and Seed Program (LPS) and AMS Compliance and Analysis Program (C&A) staff. The review covered the period of October 1, 2011, through June 30, 2013.

Specific areas included:

Risk Assessment	Credit Card Expenditures
Accounting/Financial Management	Cash and Investments
Cash Receipts and Receivables	Travel & Expense Reimbursements
Disbursements and Payables	Investments
Payroll	Fixed Assets
Postage & Shipping	Human Resources & Personnel
Insurance & Fidelity Bonds	By-laws
Contract Compliance	Policies and Procedures
Promotional Materials	Information Sharing
Recordkeeping & Information Collection	

AMS conducted the review by traveling to CBB's offices from July 15-19, 2013, meeting with senior management, and examining support for various CBB activities (as described in Exhibit 1 below). We appreciate the courtesy extended to us by CBB in providing timely documentation and thoroughly answering our questions.

In addition to conducting the management review, we gathered information during the management review to address the Office of the Inspector General's (OIG) audit recommendation for the development of supplemental audit procedures for future CBB review engagements. AMS will develop these audit procedures with assistance from the CBB management team.

CONCLUSION

In our management review of CBB, we noted no reportable findings. We discussed our informal recommendations with CBB senior management during the exit conference. We request that the Board concur with the conclusion of this report, in writing, within 30 days of receipt of this report. Again, we appreciate the consideration and timely responses from all CBB staff during the review.

EXHIBIT 1

Our review showed that CBB adhered to the AMS Guidelines for Oversight of Research and Promotion Programs as well as its own policies.

As part of the financial audit of areas described in our “scope,” AMS selected a sample of 60 total disbursements for fiscal years 2011, 2012 and 2013 for review. Sixty disbursements, totaling \$9,840,845.40, were reviewed for these years for supporting documentation, proper account coding, proper approvals, amounts of disbursements and appropriateness per the disbursements policy. We reviewed and tested cost allocations for selected invoices. Additionally, we performed a walkthrough of a monthly cost allocation for the National Cattlemen’s Beef Association (NCBA), CBB’s largest contractor.

The policies for travel reimbursement for both CBB staff and board members were reviewed. The voucher submissions and corresponding reimbursements were made in a timely manner. The reimbursable expenses were also reviewed against the travel policy and matched to the appropriate expense report receipts and management approvals. A total of 15 expense reports for CBB board members totaling \$17,685.12 and a total of 15 expense reports for CBB staff totaling \$12,645.68 were reviewed for the 2011, 2012, and 2013 time frame in scope.

The detailed monthly credit card statements for each CBB staff member who held credit cards were reviewed for 2011, 2012, and 2013 for reasonableness and type of charges made to the credit cards, late fee charges, over-the-limit fee charges, and interest charges.

AMS also reviewed the monthly bank reconciliations and the accompanying CBB investments reports for a total of 11 months for the years in scope (2011, 2012 and 2013). The monthly bank and investments reconciliations were reviewed and approved by the CBB Chief Financial Officer (CFO) and reconciling items were cleared in a timely manner. AMS also reviewed and reconciled the petty cash account. Petty cash is kept in a locked drawer by the Operations Manager, who maintains the keys. The petty cash is reconciled by the Chief Accountant and reviewed and approved by the Chief Financial Officer.

Automated daily electronic backups of CBB’s financial data are performed. Access to the CBB financial data is password-protected and accessible to only the CBB employees based upon their assigned job duties.

We also discussed the prior loan agreement for NCBA and the standing agreement with NCBA for which CBB advances one month’s implementation costs prior to billing. Minutes from CBB Executive Committee meetings, at which an LPS representative was present, reflect discussion on the loan agreement.

We reviewed CBB’s payroll procedure. Two people are involved in adding new employees to the payroll. CBB uses a third-party payroll processor and pays employees via ACH. As a compensating control, the Chief Accountant prepares payroll data entry forms, which are approved by the CFO before the Chief Accountant enters payroll. The Chief Financial Officer then reviews the payroll register.

CBB established an Authorization Request Management System (ARMS) to manage checkoff-funded project approvals. We conducted a walkthrough of ARMS with CBB staff, who granted C&A ARMS access for a period of time. ARMS is a database system which is used to track all documents requiring approval for expenditures on funded projects. Controls include project numbers, electronic receipts, dates of approvals, project descriptions, scope of work, and project completion time frames. This system was established to account for all actions that are taken during the course of a project. In ARMS, contractors submit documents for approval, first by CBB and then by USDA. All submissions are tied to an approved Authorization Request (AR), which is a detailed project description, and a contract.

ARMS houses CBB's approved ARs, AR extension requests and approvals, and contracts. In FY 2011, none of CBB's promotional materials was in ARMS. In FY 2012, much of the materials had populated ARMS. In FY 2013, all materials with the exception of partnerships were running through ARMS. ARMS access requires a password and is limited based on an individual's need. Contractors may only view their own submissions, and only certain representatives are able to view contracts in the system. When contractors submit bills to CBB, they include the ARMS number that correlates to each expenditure. As an additional control, the CBB accounting staff review a sample of these ARMS numbers from the invoices to ensure that the description matches the item and that approvals are in place.

CBB provided C&A with its organizational policies, bylaws and accounting procedures. C&A determined that CBB internal controls policies were approved by LPS personnel. CBB's Guidelines for the Approval of Programs under the Beef Promotion and Research Act as well as the CBB Accounting and Finance Policies were reviewed for compliance with the Act and Order. The Beef Board Travel Expense Reimbursement Policy was considered sound and reasonable based upon C&A's review. The AMS Investment Policy was also clearly referenced and detailed within the internal controls for investments of the checkoff funds.

A total of 12 contracts were reviewed for FY 2011, FY 2012, and FY 2013. All were consistent with the Act, Order, and AMS Guidelines that were in place when the contracts were signed. All contracts were signed by all parties and approved by LPS prior to CBB disbursing the first payment.

AMS inquired about the complaints process for the use of checkoff funds for State Beef Councils (SBCs) around the United States. Based upon our inquiry, we recommend that each State office that handles checkoff funds be provided OIG Hotline Complaint posters which include the OIG hotline phone numbers. We also recommend that this information should be provided to all staff members at each of the SBCs in an e-mail so that SBCs are adequately informed of the complaints process for reporting potential waste, fraud, and/or abuse of checkoff funds.

Promotional materials for the period covered were judgmentally sampled and reviewed by LPS. A total of 15 pieces were reviewed covering a variety of topics and types of materials. All of the promotional materials reviewed were properly communicated to and previously approved by AMS. In addition, all of the materials were tied to an approved AR.

We found CBB to have adequate procedures for the handling its cash disbursements and receipts. We also found CBB's contracts, investments, collateralization of investments, and the Board's bylaws to be in accordance with current AMS guidelines and policies. In addition, we noted that CBB has fidelity bond coverage of \$500,000 per incident, and all employees who handle cash, checks, and credit card transactions are bonded. In addition, CBB has Directors' and Officers' liability coverage. At the time of AMS' field work, CBB was in the process of renewing that coverage with a limit of \$3 million, with \$100,000 per transaction. CBB actually filed a claim under the fidelity bond coverage because of language in a lawsuit filed against CBB and received some funds.

We found CBB's fixed assets identifiable for recordkeeping. Assets with a value less than \$1,000 are expensed, while assets over \$1,000 are depreciated. Fixed asset records are verified against fixed assets on hand annually by CBB's financial auditor.

We reviewed CBB's human resources procedures, ensuring that CBB requires a Code of Ethics and conflict of interest disclosure agreement for employees and board members. CBB has an employee manual, which states that preemployment background checks are performed on all applicants who accept an offer of employment. CBB has a written policy requiring employees to report suspicious activities, conflicts of interest, or unethical behavior as well as a whistleblower protection policy.

We found CBB to keep stakeholders advised of rules and regulations, policies, guidelines, and other information. CBB pushes emails to stakeholders and drives them to Web links. In addition, CBB created two toolboxes, one for board members and one for QSBCs. When something is posted on a Web site or in a toolbox, an email is sent to the appropriate audience, and the recipient has the option of reading the information in the email or on the Web site or toolbox. In the first month of the toolboxes being implemented, CBB sent 39,000 messages to board members and beef councils.

We found CBB to have adequate controls over postage meters, postal accounts, and shipping services to prevent unauthorized use.

We found CBB to have sufficient controls over sensitive and other information.