

Cattlemen's Beef Board

Summary of Reimbursements Due to CBB from NCBA and the Federation of State Beef Councils In Connection with the Issues Reported by Clifton Gunderson as Part of CBB's Compliance Review of NCBA (This Summary Only Includes Those Issues Which Required Additional Investigation and/or Adjustment)

Tracking Number	Page #, Item #	Reported Issue	Date	Amount	Approved Resolutions for Those Issues Which Required Additional Investigation and/or Adjustment	Due to (from) CBB	Due to (from) Federation	Due to (from) NCBA	Due to (from) Non-Checkoff Federation	Fiscal Year
OVERHEAD ALLOCATION – Exception on Page 3										
1	Page 1, Item 1	Senior staff member's annual dues to an international meat organization. The BPOC has approved another contractor for the international marketing of beef apart from NCBA and the programs approved by the BPOC should not be charged for NCBA's international marketing efforts.	03/31/09	\$8,044	This expense was not adequately documented by NCBA. Based on the additional information and documentation provided by NCBA to the group during the joint meeting, it was determined that this expense does qualify as an overhead expense and was properly coded. NCBA will provide the documentation to CBB explaining the purpose of the organization and how it meets the objectives of the ARs approved for NCBA.	Not applicable	Not applicable	Not applicable	Not applicable	2009
2	Page 1, Item 2	Senior staff member's reimbursement for airfare to Fort Worth, Texas. Purpose of the travel was for a meeting regarding the establishment of a state beef council and member insurance program at NCBA. Per NCBA, this should have been coded to the Federation and Policy Divisions.	08/25/09	\$383	This activity should not have been recorded as a general overhead expense which was allocated in part to approved ARs. This expense should have been split between the Federation and Policy Divisions. All expenses associated with this activity in FY 2008, FY 2009 and FY 2010, including employee time, will be identified and corrected. Subsequent to the approved resolution, it was determined that the vast majority of the possible participants of this insurance program would have been NCBA's association members and that all of the profit would have accrued to the Policy Division of NCBA. Based on this information, CBB and NCBA agreed that a reasonable allocation of the costs associated with researching this insurance program would result in the Policy Division paying 90% of the costs and the Federation paying 10% of the costs.	\$ 7,764	\$ 472	\$ (8,236)	Not applicable	2009
						Adjustments exceed the amount of the finding due to additional items noted during the resolution process.				
3	Page 2, Item 3	Legal invoice for work performed regarding NCBA's trademarks (Beef USA), entity registrations, entity structure, and copyrights. These charges are to maintain the existence of NCBA.	09/30/09	\$2,474	This item does not qualify as an overhead expense which is partially reimbursed by the BPOC. This item will be corrected by reclassifying the expense to the proper division of NCBA. In addition, CBB will review all legal expenses charged to overhead project codes by NCBA in FY 2008, FY 2009 and FY 2010 for proper coding. Any improperly coded items identified by CBB will be reclassified by NCBA. This item relates to FY 2009 legal expenses.	\$ 6,883	\$ 1,370	\$ (7,666)	\$ (587)	2009
						Adjustments exceed the amount of the finding due to additional items noted during the resolution process.				

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4	Page 2, Item 4	Legal invoice for work performed regarding NCBA's entity registrations and trademarks (Beef USA). These charges are to maintain the existence of NCBA.	11/30/09	\$4,049	This item does not qualify as an overhead expense which is partially reimbursed by the BPOC, therefore this expense will be reclassified to proper division of NCBA and NCBA will reimburse CBB for the net amount of the error. CBB will also review all legal expenses charged to overhead project codes by NCBA in FY 2008, FY 2009 and FY 2010 to ensure proper coding. Any improperly coded items identified by CBB will be reclassified by NCBA. This item relates to FY 2010 legal expenses.	\$ 2,740	\$ 943	\$ (3,688)	\$ 5	2010*
						This adjustment includes the finding and two additional items noted during the resolution process.				
5	Page 3, Item 5	Expense that was a part of the Certified Beef Agreement. Per NCBA, this should have been coded to the Policy Division.	11/17/09	\$2,000	This expense will be reclassified to the Policy Division along with another payment under this agreement which NCBA identified as improperly coded. NCBA will provide the reclassification journal entry and supporting documentation to CBB for verification.	\$ 2,537	\$ 892	\$ (3,433)	\$ 4	2010*
						Adjustments exceed the amount of the finding due to additional items noted during the resolution process.				
6	Page 3, Item 6	Credit cards fees. NCBA separately tracks credit card fees for Summer and Winter conference fees. As NCBA does not track the project code for the remaining credit card charges, we were unable to determine if the coding for the credit card fees was proper.	02/09/09	\$10,227	NCBA's credit card merchant invoices did not provide sufficient information and NCBA did not have accounting processes in place to identify the ultimate departmental coding of these credit card fees during FY 2008, 2009 and 2010 and the fees were, therefore, charged to overhead. Due to the lack of detailed information, the group determined that an adjustment of credit card fees will be estimated and recorded for FY 2008, 2009 and 2010 based on information available in NCBA's records.	\$ 12,976	\$ 2,946	\$ (15,922)	Not applicable	2009
						Adjustments exceed the amount of the finding due to additional items noted during the resolution process.				
7	Page 3, Item 6	Same issue as #6 above, but relates to FY 2008.	FY 2008	N/A	FY 2008 credit card fees which should not have been charged to overhead.	\$ 8,230	\$ 179	\$ (8,409)	Not applicable	2008
8	Page 3, Item 6	Same issue as #6 above, but relates to FY 2010.	FY 2010	N/A	FY 2010 credit card fees which should not have been charged to overhead.	\$ 12,051	\$ 3,773	\$ (15,843)	\$ 19	2010*
9	Page 3, Item 7	Same as #6 above.	07/03/09	\$2,291	Same as #6 above, therefore amounts adjusted are included in #6 above.	(included in #6 above.)				2009

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10	Page 4, Item 8	Employee reimbursement for airfare. Employee traveled to Texas for a San Antonio site visit and to Chicago to attend Beef 101 training. Due to the nature of the activities, we are unable to determine if the expenses were coded to the proper project codes.	09/22/09	\$342	The activities in this trip were specific to two ARs and should have been coded to these ARs instead of coded to an overhead project code. NCBA will reclassify these expenses to the appropriate ARs.	\$ (191)	\$ (22)	\$ 213	Not applicable	2009
11	Page 4, Item 9	Legal invoice regarding archiving Meat Board files from Chicago for the University of Wyoming. The Meat Board was founded prior to the Act and the Order. We selected a similar invoice regarding Meat Board file archiving in the Federation expense testing which was coded to the Federation. We are unable to determine if the coding was proper due to lack of consistency when recording expenses for this specific project.	09/30/09	\$2,227	The group determined that these costs should have been paid by the Federation; therefore NCBA will reimburse CBB for the costs billed to the BPOC.	\$ 1,185	\$ (1,991)	\$ 806	Not applicable	2009

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12	Page 5, Item 11 ; Page 6, Item 12; Page 7, Item 13 ; Page 7, Item 14; Page 13, Item 11 ; Page 14, Item 1; Page 15, Item 4 ; Page 19, Item 12; Page 20, Item 14; Page 20, Item 15	Senior staff member's airfare expenses for seven trips in April and May 2009 between Indiana, Denver, Washington, D.C., Illinois, Texas, Oklahoma, and Missouri. Supporting documentation did not state a business purpose or provide other supporting documents to verify the purpose of the travel. We are unable to determine if the expenses were coded properly to the overhead cost pool. This item also includes all of the other AUP items related to this senior staff member's travel costs and time coding.	05/27/09	\$4,184	The Group established during the joint meeting that CBB had not approved the decision by NCBA to record all of this senior staff member's time and expenses as 100% overhead. Charges for those activities that were specific to BPOC, Federation or policy have historically been charged directly to those specific activities consistent with CBB's expectations under the BPOC contract. It was also determined that the time and expenses for the senior staff member during this trip were not 100% administrative in nature so they did not qualify as 100% overhead. Therefore, NCBA will identify the senior staff member's time and expenses incurred from April 2009 thru July 2010 related to trips to Washington D.C., Governance Task Force activities not involving USDA, membership meetings/events, policy planning meetings, checkoff planning meetings and BPOC meetings not held in conjunction with other NCBA or joint industry meetings. The senior staff member's time and expenses for these activities will be quantified by NCBA and reclassified from the senior staff member's overhead project code and general fund source to the appropriate project code and fund source. CBB will review and validate NCBA's analysis prior to NCBA recording the reclassification entries.	\$ 51,511	\$ (29,573)	\$ (18,589)	\$ (3,349)	2009
					Subsequent to the resolution meeting, NCBA staff made the decision to determine the proper coding of <u>all</u> this senior staff member's time and expenses. CBB staff validated and/or adjusted NCBA's analysis of the time coding.	\$ 89,058	\$ (59,598)	\$ (28,082)	\$ (1,378)	2010*

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TIME REPORTING AND ALLOCATION OF SALARIES AND BENEFITS										
13	Page 8, Item 1	One instance in which the employee's job description contradicted the time reported as the employee's job description included non-Checkoff revenue development responsibilities; however, no time was coded to revenue development. For example, the same employee attended a revenue generation meeting to discuss non-checkoff revenues but recorded the time to a Checkoff project code.	Not applicable	Unknown	The FY 2009 and FY 2010 approved ARs did not include revenue development activities. Therefore, all costs, including employee time, for revenue development activities cannot be allocated to approved ARs. Per NCBA, the meetings described in this item resulted in NCBA's "Campaign for the Future" initiative lead by two NCBA senior staff which relates to the development of both checkoff and non-checkoff revenue. An adjustment will be made to reclassify all of the employee time and costs associated with this activity that were coded to approved ARs or general overhead allocated to approved ARs. Membership/sponsorship revenue development efforts will be coded to the Policy division and state beef council revenue development efforts will be coded to the Federation division. <i>This item contains only the FY 2010 adjustment.</i>	\$ 6,527	\$ 897	\$ (7,390)	\$ (34)	2010*
14	Page 9, Item 2	Three employees attended non-Checkoff revenue development meetings and coded their time to the Checkoff program rather than the Policy Division. The miscoding of time was approved by a supervisor.	April 2009	Unknown	<i>This item contains the adjustment for FY 2009 revenue development costs which should not have been allocated to BPOC ARs.</i>	\$ 4,941	\$ 1,283	\$ (6,224)	N/A	2009
15	Page 9, Item 3	Three employees attended the NCBA Charity Golf Tournament. One employee coded his/her time entirely to the Checkoff program, one coded time to the Federation, and one coded time to the overhead cost pool.	Sept 2008	Unknown	Checkoff dollars cannot be used to fund charities unless the funding relates directly to a checkoff-eligible activity. Therefore, this activity is not eligible for AR funding unless NCBA can clearly demonstrate that an employee's time related to developing a relationship with a third party, such as a retailer, for the purpose of achieving a specific objective in an approved AR. NCBA will reclassify all of the checkoff time NCBA employees' spent on this event during FY 2008 and FY 2009 which do not clearly relate to approved ARs.	\$ 4,014	\$ 2,805	\$ (6,819)	N/A	2008
16	Page 9, Item 3	Same issue as #15 above, but relates to FY 2009.	FY 2009	N/A	<i>Same as #15 above, but relates to FY 2009.</i>	\$ 3,495	\$ 3,000	\$ (6,495)	N/A	2009

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17	Page 12, Item 9	One senior staff member is a participant in the International Stockmen's Education Foundation (ISEF). A meeting to discuss revenue development for the ISEF was recorded to Checkoff. We are unable to determine how this affiliation supports the objectives of Checkoff and therefore cannot determine if the time was recorded to the proper project code and fund source.	Jan 2008	Not applicable	This expense was not adequately documented. Based on the additional information provided to the Group during the joint meeting, this item was properly coded. NCBA will provide documentation to CBB explaining the purpose of the organization and how it meets the objectives of the ARs approved for NCBA.	Not applicable	Not applicable	Not applicable	Not applicable	2008
TRAVEL COSTS – Exception on Page 9										
18	Page 14, Item 2; Page 18, Item 11	An employee recorded his time incurred in March and April 2009 to a Washington, D.C. overhead project code (81935); however, the expenses of \$1,418 on the expense report were coded to the Information Technology project code (81955) in the overhead cost pool.	05/13/09	\$1,418	The expenses were improperly coded to the Information Technology project code (81955) which resulted in the BPOC reimbursing a significant portion of ineligible expenses. The expenses related to this trip will be reclassified to the Washington, D.C. overhead project code (81935) and CBB will be reimbursed for the adjustment.	\$ 708	\$ 141	\$ (849)	Not applicable	2009
19	Page 15, Item 5	An employee held a company values discussion in the NCBA office in Washington D.C. and coded all time incurred in July 2009 and expenses totaling \$246 to the Federation. The time and expenses should not have been coded to the Federation.	08/11/09	\$246	As NCBA previously acknowledged, NCBA improperly coded this invoice. The expenses related to this activity will be reclassified by NCBA and the Federation will be reimbursed for the amount of the error.	\$ -	\$ 246	\$ (246)	Not applicable	2009
20	Page 16, Item 6	Travel expenses for a volunteer of NCBA totaling \$685 for a U.S. Meat Export Federation meeting were coded to the overhead cost pool. The travel expenses should have been coded directly to the Federation.	08/18/09	\$685	Although this expense related to a CBB member, this person represented the NCBA policy division at this meeting and therefore NCBA will reclassify this expense to the policy division based upon the previous agreement between CBB and NCBA.	\$ 444	\$ 88	\$ (532)	Not applicable	2009

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21	Page 17, Item 8	A senior staff member expensed travel costs totaling \$3,592 related to his spouse's travel to New Zealand for the Five Nations Beef Conference and his spouse and child's travel to San Antonio, Texas to the overhead cost pool. As these expenses relate to the spouse and child, the expenses should be recorded to the Policy Division. Checkoff funds cannot be used for spouse's travel per the Agriculture Marketing Service (AMS) guidelines.	02/24/10	\$3,592	The AMS Guidelines in place at the time of this expense did not apply to NCBA. However, NCBA has made the decision to credit the checkoff division for this expense. (The senior staff member will pay 100% of these expenses using personal funds.)	\$ 1,838	\$ 706	\$ 1,045	\$ 3	2010*
22	Page 17, Item 9	A volunteer attended a meeting to determine the feasibility of adding a Voluntary Investment Group to enhance revenue. The expenses incurred from the meeting totaling \$443 were coded to the overhead cost pool. Due to nature of the meeting, we are unable to determine if the expenses were properly coded.	10/16/07	\$443	Per review of the agenda for this meeting, the group determined that the time and expenses were not eligible for checkoff funding because the meeting related to enhancement of the Checkoff and other non-checkoff items. These expenses will be reclassified by NCBA.	\$ 233	\$ 52	\$ (285)	Not applicable	2008
FEDERATION OF STATE BEEF COUNCILS DIVISION COSTS – Exception on Page 13										
23	Page 20, Item 1	A NCBA officer and his wife attended tours in Hawaii for \$250. Of this amount, \$125 was expensed to the Federation and \$125 was expensed to the Policy Division. Checkoff funds cannot be used to pay for spouse's expenses per the AMS guidelines.	9/2/08	\$125	Although NCBA was not subject to the AMS Guidelines and payment of the expense did not violate any NCBA or CBB policy, this expense will be reclassified to the Policy Division by NCBA. Subsequent to the resolution, it was determined the NCBA officer had already repaid the \$125 related to his wife's expenses. Therefore, no adjustment is necessary.	Not applicable	Not applicable	Not applicable	Not applicable	2008
24	Page 21, Item 3	One instance in which an invoice totaling \$7,200 for a speaker at a professional development training for State Beef Councils and State Policy Affiliates was coded entirely to the Federation instead of allocated evenly between the Federation and Policy Divisions.	09/03/08	\$7,200	This expense will be reclassified.	\$ -	\$ 3,600	\$ (3,600)	Not applicable	2008

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25	Page 23, Item 8	An expense totaling \$1,971 was recorded entirely to the Federation for a legal invoice regarding archiving records for the Meat Board and Policy Division files. Approximately \$146 related to the policy files and should be coded to the Policy Division. Additionally, a similar invoice was selected in the Overhead Allocation discussed in Exhibit A noted above and the charge was coded to the overhead cost pool. Due to lack of consistency when recording expenses for the Meat Board project we were unable to determine if the expenses were coded properly.	12/22/09	\$146	The majority of these costs were appropriately paid by the Federation. NCBA will adjust \$146 of this invoice which should have been paid by the policy division.	\$ -	\$ 146	\$ (146)	Not applicable	2010*

* These adjustment amounts were estimated for FY 2010 based on NCBA's allocation methodology. Estimates were necessary for this report because NCBA adjusted the number of staff hours and costs during September 2010 instead of performing a separate allocation of costs for all the adjustments.