

Cattlemen's Beef Board
Resolutions to the Issues Identified by the Agreed-Upon Procedures
Performed at the National Cattlemen's Beef Association
FY 2008, FY 2009 and the First Five Months Ended February 28, 2010

OVERHEAD ALLOCATION – Exception on Page 3

1	1.	Member Organization	March 31, 2009	\$8,044	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.
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NCBA Response: The other contractor approved by the BPOC for international marketing is a "Subcontractor" to NCBA. NCBA coordinates with this contractor in the international marketing of beef. Furthermore, the other contractor has specifically requested that this senior staff member be active member and involved in this international meat organization. Finally, the discussions at this meeting enable all meat promotion groups from countries around the world to share best practices and successes. Therefore, NCBA believes that this expense has been properly recorded and should not be listed here as an exception.

Resolution: 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.

Future treatment: NCBA will maintain and provide adequate documentation with future payments of organization memberships explaining the purpose of the organization and how it meets the objectives of the ARs approved for NCBA.

OVERHEAD ALLOCATION – Exception on Page 4

2	2.	Senior Staff Member	August 25, 2009	\$383	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.
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NCBA Response: The insurance program was primarily intended to be a member/state beef council benefit. Participation in the insurance program was requested by several State Beef Councils. We believe this charge should be recorded 50/50 Federation and Policy. We anticipate this reclassification will result in an estimated \$130 credit to the checkoff division.

Resolution: 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.

Cattlemen's Beef Board
Resolutions to the Issues Identified by the Agreed-Upon Procedures
Performed at the National Cattlemen's Beef Association
FY 2008, FY 2009 and the First Five Months Ended February 28, 2010

For all resolutions of the Group resulting in an adjustment to overhead expenses, including compensation costs, the related allocation of overhead costs will be recalculated to determine the costs charged incorrectly to CBB. NCBA will reimburse CBB accordingly. Recalculating the allocation of overhead costs to determine the amount reimbursable to CBB will be assumed in the remainder of this document, if applicable.

Future treatment: All expenses, including employee time, associated with investigating, implementing or maintaining any programs for state beef councils and state affiliates will be split equally between the Federation and Policy Divisions of NCBA.

OVERHEAD ALLOCATION – Exception on Page 4

3	3.	Law Firm	September 30, 2009	\$2,474	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.
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NCBA Response: We acknowledge that there were mistakes made in processing this invoice. These mistakes will be corrected. We anticipate this will result in a credit to the checkoff division of approximately \$1,700.

Resolution: 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.

Future treatment: All legal invoices will be examined more carefully by NCBA staff so the expenses are properly coded by NCBA. If the expenses are not clearly documented by legal counsel, NCBA will seek clarification to determine the proper coding rather than code the expenses to overhead.

OVERHEAD ALLOCATION – Exception on Page 4

4	4.	Law Firm	November 30, 2009	\$4,049	Legal invoice for work performed regarding NCBA's entity registrations and trademarks (Beef USA). These charges are to maintain the existence of NCBA.
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NCBA Response: A portion of this expense, approximately \$750, relates to Beef Promotion Operating Committee (BPOC) funding, which are 100% chargeable to the checkoff. We acknowledge mistakes made processing this invoice and the remainder of the invoice should have been charged to the policy division. We anticipate the net adjustment to the checkoff will be a credit of approximately \$1,400.

Cattlemen's Beef Board
Resolutions to the Issues Identified by the Agreed-Upon Procedures
Performed at the National Cattlemen's Beef Association
FY 2008, FY 2009 and the First Five Months Ended February 28, 2010

Resolution: 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.

Future treatment: All legal invoices will be examined more carefully by NCBA staff so the expenses are properly coded by NCBA. If the expenses are not clearly documented by legal counsel, NCBA will seek clarification to determine the proper coding rather than code the expenses to overhead.

OVERHEAD ALLOCATION – Exception on Page 5

5	5.	Food Consulting Firm	November 17, 2009	\$2,000	Expense that was a part of the Certified Beef Agreement. Per NCBA, this should have been coded to the Policy Division.
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NCBA Response: We acknowledge that there were mistakes made in processing this invoice. These mistakes will be corrected. We anticipate this will result in a credit to the checkoff division of approximately \$1,400.

Resolution: 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.

Future treatment: No future action is required for this item since NCBA is no longer contracting for this activity.

OVERHEAD ALLOCATION – Undetermined on Page 16

6	1.	Credit Card Fees – various	February 9, 2009	\$10,227	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.
7	2.	Credit Card Fees - various	July 3, 2009	\$2,291	

NCBA Response: NCBA will work with CBB to develop specific policies and procedures regarding the recording of credit card fees. These expenses were properly recorded based on NCBA's policies and procedures.

Cattlemen's Beef Board
Resolutions to the Issues Identified by the Agreed-Upon Procedures
Performed at the National Cattlemen's Beef Association
FY 2008, FY 2009 and the First Five Months Ended February 28, 2010

Resolution: 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.

Future treatment: NCBA will implement changes to applicable websites and manual credit card payment processes to properly capture the information needed to code credit card fees to the appropriate project codes and fund sources.

OVERHEAD ALLOCATION – Undetermined on Page 16

8	3.	Employee	September 22, 2009	\$342	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.
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NCBA Response: This trip was dual purpose in nature. The purpose of the overhead codes is the allocation of dual purpose expenses. These expenses were properly recorded based on NCBA's policies and procedures.

Resolution: 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.

Future treatment: If expenses relate to specific ARs, NCBA will code expenses to the specific ARs rather than to an overhead project code. The policy of coding expenses to the lowest possible project code will be followed by NCBA in the future.

OVERHEAD ALLOCATION – Undetermined on Page 17

9	4.	Law Firm	September 30, 2009	\$2,227	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.
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Cattlemen's Beef Board
Resolutions to the Issues Identified by the Agreed-Upon Procedures
Performed at the National Cattlemen's Beef Association
FY 2008, FY 2009 and the First Five Months Ended February 28, 2010

NCBA Response: This project has been discussed with CBB. It covers the archives for the National Livestock and Meat Board (Meat Board) in Chicago. These are historical documents related to the checkoff work that the Meat Board conducted. These expenses were properly recorded based on NCBA's policies and procedures.

Resolution: 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.

Future treatment: The Federation should cover these costs in the future.

OVERHEAD ALLOCATION – Undetermined on Page 17

10

5.	Contractor	December 15, 2009	\$5,524	Preconstruction charges for the NCBA test kitchen in Denver. Based on the documentation received, we were unable to determine if the expense was coded properly.
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NCBA Response: These expenditures were incurred as part of the relocation of the culinary Center from Chicago to Denver to save the checkoff money. These were consulting fees incurred to determine the viability of a construction project for use specifically within checkoff programs. These expenses were properly recorded based on NCBA's policies and procedures.

Resolution: Based upon the additional information provided by NCBA during the joint meeting, it was determined that this item was properly coded by NCBA.

Future treatment: NCBA's analysis of building a separate consumer culinary center in its Denver office is complete and no additional costs will be incurred at this time since NCBA determined that a separate center is too costly. NCBA agreed to communicate this information to the Operating Committee during the September 2010 meeting.

OVERHEAD ALLOCATION – Undetermined on Page 18

11

6.	Credit Card Company	May 27, 2009	\$4,184	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.
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Cattlemen's Beef Board
Resolutions to the Issues Identified by the Agreed-Upon Procedures
Performed at the National Cattlemen's Beef Association
FY 2008, FY 2009 and the First Five Months Ended February 28, 2010

NCBA Response: NCBA provided a detailed listing of business purposes by trip during this period per the request of the independent accountant. The allocation methodology for this employee's project code has not only been approved by CBB, but treatment of these administrative expenses is outlined in the BPOC agreement. CBB receives time coding for all NCBA employees each month and has not questioned the time coding for this employee. These expenses were properly recorded based on NCBA's policies and procedures.

Resolution: 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. The detailed listing of business purposes by trip provided to Clifton Gunderson was reviewed during the joint meeting and it was determined that the listing was not adequate for Clifton Gunderson to determine the proper coding of these expenses. 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.

Future treatment: When activities relate to a specific fund source or project code, the senior staff member will record his time and expense to the lowest possible project code and fund source in accordance with the BPOC contract and NCBA time reporting policy. For example, time and expense related to activities ineligible for checkoff funding will not be recorded to a general overhead project code allocated to the checkoff. In the future, any time NCBA proposes a change to any policy that affects the costs billed to approved ARs, the proposed change must be reviewed and approved by CBB. In addition, the senior staff member will document all time worked with complete explanations for the business purpose of all travel so that CBB can verify those items in the future. This documentation must be adequate for CBB to determine the appropriateness of the time and expense for reimbursement with checkoff funds.

OVERHEAD ALLOCATION – Undetermined on Page 18

12

7.	Credit Card Company	July 21, 2009	\$2,684	A senior staff member's airfare expenses for six trips in June and July 2009 between Indiana, Colorado, Nebraska, Texas, and California. Supporting documentation did not state a business purpose or provide other supporting documents for the purpose of the travel. We are unable to determine if the expenses were coded properly to overhead cost pool.
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Cattlemen's Beef Board
Resolutions to the Issues Identified by the Agreed-Upon Procedures
Performed at the National Cattlemen's Beef Association
FY 2008, FY 2009 and the First Five Months Ended February 28, 2010

NCBA Response: NCBA provided a detailed listing of business purposes by trip during this period per the request of the independent accountant. The allocation methodology for this employee's project code has not only been approved by CBB, but treatment of these administrative expenses is outlined in the BPOC agreement. CBB receives time coding for all NCBA employees each month and has not questioned the time coding for this employee. These expenses were properly recorded based on NCBA's policies and procedures.

Resolution: See Resolution in OVERHEAD ALLOCATION item #6 above.

Future treatment: See Future treatment in OVERHEAD ALLOCATION item #6 above.

OVERHEAD ALLOCATION – Undetermined on Page 19

13	8.	Senior Staff Member	December 15, 2009	\$584	Senior staff member's reimbursement for a meal to discuss the NCBA Governance Task Force. Based on the information provided, including list of attendees, we are unable to determine if the expense is recorded properly.
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NCBA Response: These expenses were incurred as a result of meeting with USDA to discuss specific questions related to the checkoff aspects of NCBA's Governance Task Force (GTF) project. This meal was with a State Beef Council executive as well as other NCBA staff and GTF members. The allocation methodology for this employee's project code has not only been approved by CBB, but treatment of these administrative expenses is outlined in the BPOC Agreement. CBB receives time coding for all NCBA employees each month and has not questioned the time coding for this employee. These expenses were properly recorded based on NCBA's policies and procedures.

Resolution: See Resolution in OVERHEAD ALLOCATION item #6 above.

Future treatment: See Future treatment in OVERHEAD ALLOCATION item #6 above.

OVERHEAD ALLOCATION – Undetermined on Page 19

14	9.	Senior Staff Member	December 15, 2009	\$687	Senior staff member's reimbursement for a meal while in California. Based on the information provided, including list of attendees, we are unable to determine if the expense was coded properly.
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NCBA Response: This expense was for a dinner meal in conjunction with a meeting to discuss an Issues Management (checkoff) project and also included staff from other checkoff organizations. In addition, this meeting included NCBA's staff leader for Issues Management. These expenses were properly recorded based on NCBA's policies and procedures.

Cattlemen's Beef Board
Resolutions to the Issues Identified by the Agreed-Upon Procedures
Performed at the National Cattlemen's Beef Association
FY 2008, FY 2009 and the First Five Months Ended February 28, 2010

Resolution: See Resolution in OVERHEAD ALLOCATION item #6 above. This expense was incurred as the result of a meeting related to an approved Authorization Request (AR) for Issues Management. Therefore, this expense is directly related to a specific AR. NCBA will reclassify this item as part of the adjustment of the senior staff member's time and expense from April 2009 thru July 2010 agreed-upon in the joint meeting.

Future treatment: See Future treatment in OVERHEAD ALLOCATION item #6 above.

TIME REPORTING AND ALLOCATION OF SALARIES AND BENEFITS – Exception on Page 5

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.

NCBA Response: Checkoff employees develop additional sources of checkoff revenue such as SBC Investments for Prioritized and Earmarked funding as well as outside 3rd party investments to enhance or supplement existing checkoff programs. We believe this time has been appropriately charged.

Resolution: 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.

Future treatment: Revenue development activities are not eligible for checkoff funding unless they are clearly identified and defined in an AR that is approved by both the BPOC and USDA. If the use of checkoff dollars for revenue development is approved by USDA, the cost of any future revenue development activities included in approved ARs must be allocated between approved ARs, the Federation and non-checkoff funding sources based upon the relative percentage of funding generated for approved ARs, Federation projects and non-checkoff activities. Processes will be implemented by CBB to monitor the revenue generated, the recording of the revenue, the use of the revenue and the recording of the related costs if future revenue development activities are approved by the BPOC and USDA.

Cattlemen's Beef Board
Resolutions to the Issues Identified by the Agreed-Upon Procedures
Performed at the National Cattlemen's Beef Association
FY 2008, FY 2009 and the First Five Months Ended February 28, 2010

TIME REPORTING AND ALLOCATION OF SALARIES AND BENEFITS – Exception on Page 4

- 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)

NCBA Response: Checkoff employees develop additional sources of checkoff revenue such as SBC Investments for Prioritized and Earmarked funding as well as outside 3rd party investments to enhance or supplement existing checkoff programs. We believe this time has been appropriately charged.

Resolution: 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.

Future treatment: Revenue development activities are not eligible for checkoff funding unless they are clearly identified and defined in an AR that is approved by both the BPOC and USDA. If the use of checkoff dollars for revenue development is approved by USDA, the cost of any future revenue development activities included in approved ARs must be allocated between approved ARs, the Federation and non-checkoff funding sources based upon the relative percentage of funding generated for approved ARs, Federation projects and non-checkoff activities. Processes will be implemented by CBB to monitor the revenue generated, the recording of the revenue, the use of the revenue and the recording of the related costs if future revenue development activities are approved by the BPOC and USDA.

TIME REPORTING AND ALLOCATION OF SALARIES AND BENEFITS – Exception on Page 4

- 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. (September 2008)

NCBA Response: This event raises money for charities that honor NCBA employees who have died of cancer and a charity that supports disabled farmers and ranchers. Key checkoff customers/vendors participate in the NCBA Charity Golf Tournament. Staff participate to support the charities and develop relationships for checkoff work. There are no policies that prohibit an employee from accompanying these key customers/vendors during their participation in this event. We believe this time has been appropriately charged.

Cattlemen's Beef Board
Resolutions to the Issues Identified by the Agreed-Upon Procedures
Performed at the National Cattlemen's Beef Association
FY 2008, FY 2009 and the First Five Months Ended February 28, 2010

Resolution: 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.

Future treatment: Checkoff dollars will not be used to fund time or expenses associated with this event unless NCBA can clearly demonstrate that an employee's time relates to approved ARs. This relationship will be clearly and completely documented by NCBA if applicable.

TIME REPORTING AND ALLOCATION OF SALARIES AND BENEFITS – Exception on Page 8

- 4 For a sample of 15 items tested, the procedures were performed without exception except for seven instances in which invoices totaling \$187,828 were not paid timely. Untimely payments ranged from two to twelve days late.

NCBA Response: There is no policy that requires NCBA to pay all invoices by the due date on the invoice. This is a timing issue and has no impact on funding from any source.

Resolution: Since there was no impact on checkoff-related funds the group did not pursue a resolution.

Future treatment: None agreed upon by the group. CBB will issue guidelines to all contractors which indicate the need for contractors to pay all checkoff-related vendors within the timeframes establish with the vendors.

TIME REPORTING AND ALLOCATION OF SALARIES AND BENEFITS – Undetermined on Page 22

- 5 Four employees' participation in Young Cattlemen's College which includes both Checkoff and Policy elements. Two employees coded their entire trip to the Checkoff program and the other two employees coded their time to the overhead cost pool. Due to nature of the meetings attended, we were unable to determine if the expenses were coded properly. (June 2009)

NCBA Response: YCC is a producer and staff training program that covers critical industry issues and improves our staff's ability to execute effective programs. As with most professional development/training, employees code this time to their primary project code. These expenses are coded properly according to NCBA's policies and procedures.

Resolution: The Group determined that professional development of NCBA employees is eligible for checkoff funding; therefore, no adjustment is required.

Future treatment: NCBA will document the business purpose and relevance to the checkoff for all future professional development activities. CBB will issue guidelines to contractors related to professional development expenses which are eligible for reimbursement.

Cattlemen's Beef Board
Resolutions to the Issues Identified by the Agreed-Upon Procedures
Performed at the National Cattlemen's Beef Association
FY 2008, FY 2009 and the First Five Months Ended February 28, 2010

TIME REPORTING AND ALLOCATION OF SALARIES AND BENEFITS – Undetermined on Page 22

- 6 Nine employees attended professional development training in Indianapolis. The employees coded their time and expenses for the training to the project code assigned to their daily duties which ranged from the Checkoff, Federation, and the overhead cost pool. We are unable to determine if the coding was proper due to lack of consistency when recording time for this training. (June 2009)

NCBA Response: Professional development and training are key components to ensuring employees are trained to perform at their best. As with most professional development/training, employees code this time to their primary project code. These expenses are coded properly according to NCBA's policies and procedures.

Resolution: The Group determined that professional development of NCBA employees is eligible for checkoff funding; therefore, no adjustment is required.

Future treatment: NCBA will document the business purpose and relevance to the checkoff for all future professional development activities. CBB will issue guidelines to contractors related to professional development expenses which are eligible for reimbursement.

TIME REPORTING AND ALLOCATION OF SALARIES AND BENEFITS – Undetermined on Page 22

- 7 Six employees attended professional development training in Denver. The employees coded their time and expenses for the training to the project code assigned to their daily duties which ranged from the Checkoff, Federation, and Policy Division. We are unable to determine if the coding was proper due to lack of consistency when recording time for this training. (April 2009)

NCBA Response: Professional development and training are key components to ensuring employees are trained to perform at their best. As with most professional development/training, employees code this time to their primary project code. These expenses are coded properly according to NCBA's policies and procedures.

Resolution: The Group determined that professional development of NCBA employees is eligible for checkoff funding. No adjustment is required.

Future treatment: NCBA will document the business purpose and relevance to the checkoff for all future professional development activities. CBB will issue guidelines to contractors related to professional development expenses which are eligible for reimbursement.

Cattlemen's Beef Board
Resolutions to the Issues Identified by the Agreed-Upon Procedures
Performed at the National Cattlemen's Beef Association
FY 2008, FY 2009 and the First Five Months Ended February 28, 2010

TIME REPORTING AND ALLOCATION OF SALARIES AND BENEFITS – Undetermined on Page 22

- 8 One employee's job responsibilities primarily include processing billings and payments for the Federation; yet, he/she records his/her time to an overhead cost pool which is partially allocated to the Checkoff, including projects funded by the BPOC. We were unable to determine if the coding was proper. (April 2009, June 2009 and February 2010)

NCBA Response: As Federation investments are combined with BPOC funding, these are checkoff expenses. The time coding for this employee has been approved by CBB is reviewed monthly by CBB without question. These expenses are coded properly according to NCBA's policies and procedures.

Resolution: This practice does not violate the financial firewall between checkoff and policy funds, so no adjustment will be made.

Future treatment: No change.

TIME REPORTING AND ALLOCATION OF SALARIES AND BENEFITS – Undetermined on Page 23

- 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. (January 2008)

NCBA Response: The International Stockmen's Education Foundation (ISEF) is a key area for NCBA to engage in educating producers and the beef supply chain on key industry issues regarding production, processing and demand building. This expense ties to multiple areas of our checkoff programming including research, education, innovation and issues management. These expenses are coded properly according to NCBA's policies and procedures.

Resolution: 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.

Future treatment: NCBA will maintain documentation with future payments explaining the purpose of the organization and how it meets the objectives of the ARs approved for NCBA.

Cattlemen's Beef Board
Resolutions to the Issues Identified by the Agreed-Upon Procedures
Performed at the National Cattlemen's Beef Association
FY 2008, FY 2009 and the First Five Months Ended February 28, 2010

TIME REPORTING AND ALLOCATION OF SALARIES AND BENEFITS – Undetermined on Page 23

10 Three employees participated in meetings related to Country of Origin Labeling which were coded to the Checkoff. Based on the information provided, we are unable to determine how this supported the objectives of the Checkoff. As a result, we cannot determine if the time was recorded properly. (September 2008)

NCBA Response: At the point that Country of Origin Labeling became law, the checkoff team's engagement was in working with retailers to seamlessly execute the law and respond to consumer questions. These expenses are coded properly according to NCBA's policies and procedures.

Resolution: This expense was not adequately documented. Based on the additional information provided by NCBA to the Group, it was determined that this item was properly coded.

Future treatment: NCBA will maintain sufficient documentation related to the purpose of all meetings to support the appropriateness of checkoff funding within the ARs approved for NCBA.

TIME REPORTING AND ALLOCATION OF SALARIES AND BENEFITS – Undetermined on Page 16

11 NCBA's time policy is to record time to the lowest possible fund source and project code. Since April 2009, a member of senior staff coded all time to the overhead cost pool allocated to programs approved by the BPOC instead of to the appropriate project code. (April 2009, June 2009 and February 2010)

NCBA Response: All time for this employee is administrative in nature and is charged to an administrative project code. The cost pool is only allocated "in part" to programs approved by the BPOC. The project code allocation methodology for this employee's project code has not only been approved by CBB, but treatment of these administrative expenses is outlined in the BPOC agreement. The BPOC agreement instructs on how administrative expenses are to be allocated based on staff hours logged to the checkoff as a percentage of total staff hours. In addition, CBB receives time coding for all NCBA employees each month and has not questioned this time coding. This time is coded properly.

Resolution: See Resolution in OVERHEAD ALLOCATION item #6 above.

Future treatment: See Future treatment in OVERHEAD ALLOCATION item #6 above.

Cattlemen's Beef Board
Resolutions to the Issues Identified by the Agreed-Upon Procedures
Performed at the National Cattlemen's Beef Association
FY 2008, FY 2009 and the First Five Months Ended February 28, 2010

TRAVEL COSTS – Exception on Page 9

- ① A senior staff member recorded time incurred for a week in March 2009 to a Governance project code (80996), an overhead project code for the Policy Division, an overhead project for the Checkoff, and directly to the Checkoff; however, 100% of the expenses (\$1,126) were coded only to the overhead cost pool for Checkoff. (April 13, 2009)

NCBA Response: All time for this employee is administrative in nature and is charged to an administrative project code. The project code allocation methodology for this employee's project code has not only been approved by CBB, but treatment of these administrative expenses is outlined in the BPOC agreement. The BPOC agreement instructs on how administrative expenses are to be allocated based on staff hours logged to the checkoff as a percentage of total staff hours. In addition, CBB receives time coding for all NCBA employees each month and has not questioned this time coding. Consistent with the practice of this employee charging time to an overhead code which is allocated per the BPOC contract, the time charged to 80996 should have been charged to 81940-00. The time coded to this project code was minimal and the travel expenses were coded properly.

Resolution: See Resolution in OVERHEAD ALLOCATION item #6 above.

Future treatment: See Future treatment in OVERHEAD ALLOCATION item #6 above.

TRAVEL COSTS – Exception on Page 9

- ② 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. (May 13, 2009)

NCBA Response: We acknowledge that there were mistakes made in processing this invoice. These mistakes will be corrected. We anticipate this will result in a credit to the checkoff division of approximately \$1,000.

Resolution: 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.

Future treatment: Employee time and expenses related to information technology for the Washington D.C. office will be coded to the Washington, D.C. overhead project code (81935) so that the BPOC will not be billed for ineligible expenses related to NCBA's Washington DC office.

Cattlemen's Beef Board
Resolutions to the Issues Identified by the Agreed-Upon Procedures
Performed at the National Cattlemen's Beef Association
FY 2008, FY 2009 and the First Five Months Ended February 28, 2010

TRAVEL COSTS – Exception on Page 10

- 3 Travel expenses totaling \$245 and time incurred in March and April 2008 for a senior staff member to attend a new hire training in Washington, D.C. and the Policy Division's Spring Legislative Conference were coded to the overhead cost pool. These expenses were not split between the Policy Division and the Checkoff based on actual time incurred on each activity. (April 16, 2008)

NCBA Response: Dual purpose expenses – such as those instances when time spent benefited both checkoff and non-checkoff divisions or are not identifiable to one or the other – are the reason overhead codes exist. This dual purpose travel expense was administrative in nature and is charged to an administrative project code. The project code allocation methodology for the project code this employee uses has been approved by CBB and is reviewed by CBB on a monthly basis. We believe these expenses were properly coded.

Resolution: These expenses were incurred during the employee's first week of employment as part of the new hire orientation. Since this time related to the general duties of the employee, the expenses were properly classified.

Future treatment: No change required.

TRAVEL COSTS – Exception on Page 8

- 4 Travel expenses totaling \$1,126 for a senior staff member to attend a NCBA Governance Task Force meeting and to attend a NCBA staff meeting in Washington, D.C. were coded to the overhead cost pool. As the Governance Task Force relates to NCBA's governance structure and the staff meeting is related to the Policy Division, the expenses should have been coded to the specific project codes for these activities. (April 13, 2009)

NCBA Response: This finding is a duplicate to the first finding listed in the "Travel Expenses" Section 8 of this report. This finding should be deleted as it is previously addressed.

Resolution: This is a duplicate item which is previously addressed in the TRAVEL COSTS - Exception section.

Future treatment: This is a duplicate item which is previously addressed in the TRAVEL COSTS - Exception section.

TRAVEL COSTS – Exception on Page 8

- 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. (August 11, 2009)

Cattlemen's Beef Board
Resolutions to the Issues Identified by the Agreed-Upon Procedures
Performed at the National Cattlemen's Beef Association
FY 2008, FY 2009 and the First Five Months Ended February 28, 2010

NCBA Response: We acknowledge that there were mistakes made in processing this invoice. These mistakes will be corrected. We anticipate this will result in a credit to the checkoff division of \$246.

Resolution: 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.

Future treatment: NCBA will educate employees on the proper coding of expenses and the related time worked, as outlined in the NCBA time reporting policy. NCBA will implement procedures to review the coding of expenses and the related time worked more closely to identify and correct this type of error.

TRAVEL COSTS – Exception on Page 11

- 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. (August 18, 2009)

NCBA Response: This is a reverse finding, whereby the non-checkoff division has been overcharged. We acknowledge that there were mistakes made in processing this invoice. These mistakes will be corrected. We anticipate this will result in a credit to the non-checkoff division of approximately \$200.

Resolution: 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.

Future treatment: The expenses of NCBA volunteers attending USMEF meetings will be paid by NCBA and charged to the appropriate division, and the expenses of CBB members representing CBB at USMEF meetings will continue to be paid by CBB.

TRAVEL COSTS – Exception on Page 11

- 7 A senior staff member coded registration expenses totaling \$2,020 to the overhead cost pool for a trip to New Zealand to attend the Five Nations Beef Conference. The expenses should not be coded to overhead. (January 14, 2010)

Cattlemen's Beef Board
Resolutions to the Issues Identified by the Agreed-Upon Procedures
Performed at the National Cattlemen's Beef Association
FY 2008, FY 2009 and the First Five Months Ended February 28, 2010

NCBA Response: Dual purpose expenses – such as those instances when time spent benefited both checkoff and non-checkoff divisions or are not identifiable to one or the other – are the reason overhead codes exist. This dual purpose travel expense was administrative in nature and is charged to an administrative project code. The BPOC agreement instructs on how administrative expenses are to be allocated based on staff hours logged to the checkoff as a percentage of total staff hours. In addition, the project code allocation methodology for this employee's project code has not only been approved by CBB, but is outlined in the BPOC agreement. CBB receives time coding for all NCBA employees each month and has not questioned this employee's time coding. Specifically, in the meeting referenced (Five Nations Beef Conference), this employee discussed how these countries coordinate to address beef issues that limit global beef demand. We believe this expense has been properly coded.

Resolution: NCBA appropriately coded this item to a general overhead project code since it relates to all aspects of the work performed by NCBA.

Future treatment: See Future treatment in OVERHEAD ALLOCATION item #6 above.

TRAVEL COSTS – Exception on Page 12

- 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. (February 24, 2010)

NCBA Response: Even though this employee's employment agreement provides for spouse travel to two industry meetings per year, we will be revising the terms of employment so that the two spouse trips allowed for in the agreement will not be charged to the checkoff division. Mistakes were made during processing of the child's travel and will be corrected. We anticipate this will result in a credit to the checkoff division of approximately \$2,500.

Resolution: 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.

Future treatment: CBB will issue guidelines to contractors related to the reimbursement of expenses for spouses of contractor staff.

TRAVEL COSTS – Undetermined on Page 24

- 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. (October 16, 2007)

NCBA Response: This was a meeting to discuss how to increase overall revenue to enhance both checkoff and non-checkoff efforts. These expenses are recorded properly.

Cattlemen's Beef Board
Resolutions to the Issues Identified by the Agreed-Upon Procedures
Performed at the National Cattlemen's Beef Association
FY 2008, FY 2009 and the First Five Months Ended February 28, 2010

Resolution: 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.

Future treatment: Time worked by NCBA staff and expenses related to enhancement of the Checkoff or policy revenue development are not eligible for checkoff funding and cannot be coded to an overhead project code or fund source that is allocated to the checkoff.

TRAVEL COSTS – Undetermined on Page 24

10

A Board member expensed costs totaling \$1,435 associated with travel to the White House, Montana Stock Growers Association, and the NCBA three-office tour evenly between the Federation and the Policy Division. Due to the nature of the activities, we are unable to determine if the expenses are coded properly. (January 8, 2008)

NCBA Response: The policy for Officer Travel is to allocate 50/50 to Federation and Policy. This 50/50 allocation of expenses is reviewed by CBB and is consistent with the way we have handled officer travel expenses for several years. These expenses are recorded properly.

Resolution: The group determined that NCBA officer travel typically relates to both checkoff and policy issues, so it is very difficult to allocate officer travel expenses between the two divisions. As a result, the coding of these expenses was appropriate and will not be reclassified.

Future treatment: Unless the purpose of a meeting attended by an officer is related to a specific division of NCBA, expenses for the NCBA President, President-Elect and Vice President can be split evenly between the Federation and Policy Division. If the activity relates to a specific division of NCBA, the costs incurred attending that meeting should be coded exclusively to the appropriate division. NCBA will maintain adequate documentation for officer travel to determine if the expenses are correctly coded.

TRAVEL COSTS – Undetermined on Page 24

11

An employee coded travel expenses totaling \$1,418 to the Information Systems overhead cost pool for a trip to the Washington, D.C., office to work on the computer network. This was inconsistent with the project code in which the employee's time incurred in March and April 2009 was recorded. Due to the nature of the activities, we are unable to determine if the employee's expenses were coded properly. (May 13, 2009)

NCBA Response: This is a duplicate finding to the second item listed in the "Travel Expenses" Section 8 of this report. This item should be deleted as it has been previously addressed in the report.

Resolution: This is a duplicate item which is previously addressed in the TRAVEL COSTS - Exception section.

Cattlemen's Beef Board
Resolutions to the Issues Identified by the Agreed-Upon Procedures
Performed at the National Cattlemen's Beef Association
FY 2008, FY 2009 and the First Five Months Ended February 28, 2010

Future treatment: This is a duplicate item which is previously addressed in the TRAVEL COSTS - Exception section.

TRAVEL COSTS – Undetermined on Page 24

12

A senior staff member consistently records all time and expenses to a specific project code which is then allocated through the overhead cost pool. The senior staff member incurred expenses totaling \$1,205 for travel between Indiana, Washington, D.C. and Kansas and did not provide information supporting the business purpose. All expenses and time incurred in May 2009 were recorded to the overhead cost pool. Based on the documentation provided, we are unable to determine the proper coding for these expenses. (June 9, 2009)

NCBA Response: This employee's project code allocation methodology has not only been approved by CBB, but is outlined in the BPOC agreement. CBB receives time coding for all NCBA employees each month and has never questioned the time coding for this employee. These expenses are coded properly.

Resolution: See Resolution in OVERHEAD ALLOCATION item #6 above.

Future treatment: See Future treatment in OVERHEAD ALLOCATION item #6 above.

TRAVEL COSTS – Undetermined on Page 25

13

An employee traveled to Washington, D.C. to train employees on the time recording system and to discuss policy related items. All of the expenses totaling \$466 were coded to the overhead cost pool. Due to nature of the meetings attended, we are unable to determine if the expenses are coded properly. (June 26, 2009)

NCBA Response: The purpose of this meeting was to discuss the circumstances under which it is appropriate for DC staff to charge their time to checkoff activities/project codes. CBB's legal counsel was present for and actively participated in the meeting. These expenses are recorded properly.

Resolution: The expenses relating to the training of employees on the time recording system were recorded properly because the time spent related to both checkoff and policy related issues. Therefore, no adjustment is necessary.

Future treatment: No change required.

Cattlemen's Beef Board
Resolutions to the Issues Identified by the Agreed-Upon Procedures
Performed at the National Cattlemen's Beef Association
FY 2008, FY 2009 and the First Five Months Ended February 28, 2010

TRAVEL COSTS – Undetermined on Page 17

14

A senior staff member consistently records all time and expenses to a specific project code which is then allocated through the overhead cost pool. The senior staff member incurred expenses totaling \$1,062 for travel between Indiana, Denver, Missouri, and Kansas and did not provide information supporting the business purpose. All expenses and time incurred in November and December 2009 were recorded to the overhead cost pool. Based on the documentation provided, we are unable to determine the proper coding for these expenses. (December 15, 2009)

NCBA Response: This employee's project code allocation methodology has not only been approved by CBB, but is outlined in the BPOC agreement. CBB receives time coding for all NCBA employees each month and has never questioned the time coding for this employee. These expenses are coded properly.

Resolution: See Resolution in OVERHEAD ALLOCATION item #6 above.

Future treatment: See Future treatment in OVERHEAD ALLOCATION item #6 above.

TRAVEL COSTS – Undetermined on Page 25

15

A senior staff member's expenses for travel to Oregon for the Idaho Cattlemen's Workshop and meetings totaling \$307 were coded to the overhead cost pool. Based on the documentation provided, we are unable to determine the proper coding for these expenses. (February 26, 2010)

NCBA Response: This employee's project code allocation methodology has not only been approved by CBB, but is outlined in the BPOC agreement. CBB receives time coding for all NCBA employees each month and has never questioned the time coding for this employee. These expenses are coded properly.

Resolution: NCBA will reclassify this item as part of the adjustment of senior staff member time and expense agreed-upon in the joint meeting if this item relates to Governance Task Force activities not involving USDA or membership/policy activities.

Future treatment: See Future treatment in OVERHEAD ALLOCATION item #6 above.

FEDERATION OF STATE BEEF COUNCILS DIVISION COSTS – Exception on Page 13

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. (September 2, 2008)

NCBA Response: Currently, CBB guidelines for contractors and NCBA policies do not prohibit spousal travel expenses, but we will meet with CBB to establish a guideline.

Cattlemen's Beef Board
Resolutions to the Issues Identified by the Agreed-Upon Procedures
Performed at the National Cattlemen's Beef Association
FY 2008, FY 2009 and the First Five Months Ended February 28, 2010

Resolution: 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.

Future treatment: NCBA will develop a written policy to address the payment of expenses for spouses of Board members. CBB will implement similar guidelines for all contractors.

FEDERATION OF STATE BEEF COUNCILS DIVISION COSTS – Exception on Page 14

- 2 An officers' dinner for \$2,316, at the Annual Winter Convention included amounts for spouses. Of this amount, \$1,158 was charged to the Federation and \$1,158 was charged to the Policy Division. Checkoff funds cannot be used to pay for spouses' meals per the AMS guidelines. (February 17, 2009)

NCBA Response: Historically, an officer dinner with spouses at the annual industry meeting has not been an issue. Currently, CBB guidelines for contractors and NCBA policies do not prohibit spousal travel expenses, but we will meet with CBB to establish a guideline.

Resolution: This expense will not be reclassified.

Future treatment: NCBA will develop a written policy to address the payment of expenses for spouses of Board members. CBB will implement similar guidelines for all contractors.

FEDERATION OF STATE BEEF COUNCILS DIVISION COSTS – Exception on Page 14

- 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. (September 3, 2008)

NCBA Response: We acknowledge that there were mistakes made in processing these charges. These mistakes will be corrected. We anticipate this will result in a reimbursement to the Checkoff Division of approximately \$3,600.

Resolution: This expense will be reclassified.

Future treatment: NCBA will monitor this type of expense more closely to ensure that future expenses related to joint meetings of the Federation and Policy Division are properly coded.

FEDERATION OF STATE BEEF COUNCILS DIVISION COSTS – Undetermined on Page 26

- 4 A journal entry for \$20,958 to reclassify NCBA brand strategy and communication expenses from the Policy Division to the Federation. The allocation was changed to correspond to the time incurred in each division. As the time allocation was not part of our procedures, we were unable to determine based on the information received if the expense was coded properly. (September 30, 2008)

Cattlemen's Beef Board
Resolutions to the Issues Identified by the Agreed-Upon Procedures
Performed at the National Cattlemen's Beef Association
FY 2008, FY 2009 and the First Five Months Ended February 28, 2010

NCBA Response: The original project split was based upon estimates and the split was adjusted through this journal entry based upon actual hours worked. These expenses are recorded properly.

Resolution: The allocation documentation supporting this expense was reviewed during the joint meeting and it was determined the allocation methodology was reasonable and no adjustment is required.

Future treatment: No action required.

FEDERATION OF STATE BEEF COUNCILS DIVISION COSTS – Undetermined on Page 26

5 A Board member attended the Canadian Cattlemen's Convention and coded expenses for meals of \$39 to a governance cost code which was split evenly between the Federation and Policy Division. Due to the nature of the meetings attended we are unable to determine if the expenses are coded properly. (September 30, 2008)

NCBA Response: The policy for Officer Travel is to allocate 50/50 to Federation and Policy. This 50/50 allocation of expenses is reviewed by CBB and is consistent with the way we have handled officer travel expenses for several years. These expenses are recorded properly.

Resolution: The group determined that NCBA officer travel typically relates to both checkoff and policy issues, so it is very difficult to allocate travel expenses between the two divisions. As a result, the coding of these expenses was appropriate and will not be reclassified.

Future treatment: Unless the purpose of a meeting attended by an officer is related to a specific division of NCBA, expenses for the NCBA President, President-Elect and Vice President can be split evenly between the Federation and Policy Division. If the activity relates to a specific division of NCBA, the costs incurred attending that meeting should be coded exclusively to the appropriate division. NCBA will maintain adequate documentation for officer travel to determine if the expenses are correctly coded.

FEDERATION OF STATE BEEF COUNCILS DIVISION COSTS – Undetermined on Page 26

6 An expense for conference calls totaling \$1,531 initiated by an employee who works on both the Federation and the Policy Division was coded entirely to the Federation. We are unable to determine the nature of the conference calls and therefore cannot determine if the expense complies with the Act and Order and if it was coded properly. (August 4, 2009)

NCBA Response:

These charges, most of which were refunded by the telecommunications company due to improper billing, were incurred by an employee that primarily performs Federation services. This employee made a clear determination that these calls were to discuss Federation project work. These expenses are recorded properly.

Cattlemen's Beef Board
Resolutions to the Issues Identified by the Agreed-Upon Procedures
Performed at the National Cattlemen's Beef Association
FY 2008, FY 2009 and the First Five Months Ended February 28, 2010

Resolution: Per review of the supporting documentation provided at the joint meeting, this item was recorded properly by NCBA.

Future treatment: No change required.

FEDERATION OF STATE BEEF COUNCILS DIVISION COSTS – Undetermined on Page 26

- 7 A NCBA officer traveled to Hawaii for the Hawaii Cattlemen's Association meeting. Travel expenses for airfare were \$1,132 which was split evenly between the Federation and Policy Division. Due to the nature of the meetings attended we are unable to determine if the expenses are coded properly. (December 9, 2009)

NCBA Response: The policy for Officer Travel is to allocate 50/50 to Federation and Policy. This 50/50 allocation of expenses is reviewed by CBB and is consistent with the way we have handled officer travel expenses for several years. These expenses are recorded properly.

Resolution: The group determined that NCBA officer travel typically relates to both checkoff and policy issues, so it is very difficult to allocate travel expenses between the two divisions. As a result, the coding of these expenses was appropriate and will not be reclassified.

Future treatment: Unless the purpose of a meeting attended by an officer is related to a specific division of NCBA, expenses for the NCBA President, President-Elect and Vice President can be split evenly between the Federation and Policy Division. If the activity relates to a specific division of NCBA, the costs incurred attending that meeting should be coded exclusively to the appropriate division. NCBA will maintain adequate documentation for officer travel to determine if the expenses are correctly coded.

FEDERATION OF STATE BEEF COUNCILS DIVISION COSTS – Undetermined on Page 27

- 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. (December 22, 2009)

NCBA Response: We acknowledge that there were mistakes made in processing this invoice. This \$146 mistake will be corrected.

Resolution: 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.

Future treatment: The Federation should cover these costs in the future.