

Thomas F. (Fred) Stokes

Regarding USDA Audit Report

The long-delayed report of the USDA OIG Audit Report, “Agricultural Marketing Service Oversight of the Beef Research and Promotion Board’s Activities” was read by the undersigned with shock, disbelief and deep disappointment.

Incident to the Performance Review in 2010 of NCBA’s handling of beef checkoff funds by Clifton Gunderson, The Organization for Competitive Markets formed the OCM Beef Checkoff Reform Taskforce to address the blatant abuse brought to light by the audit. The Clifton Gunderson review found more than \$200,000 in irregularities within a very small sampling. This could only be seen as but the tip-of-the-iceberg since NCBA had been almost the exclusive contractor since 1996.

The taskforce was composed of independent cattlemen who contributed funds to pursue appropriate corrective action. The DC firm of Ackerson Kauffman Fex, PC was retained to consider litigation concerning the situation. After exploring various options, Mr. Ackerson advised the group that bringing suit would be expensive with no guarantee of a positive outcome. He suggested that as a better alternative would be an audit by the Inspector General of USDA. This post was occupied by Phyllis K. Fong, widely reputed to be an energetic, straight shooter of very high personal integrity.

The group met with USDA Deputy Secretary Merrigan, Undersecretary Avalos, GIPSA Administrator Butler, several AMS officials and others in January 2011, urging an OIG Audit of NCBA’s handling of Beef Checkoff funds. Whether these meetings were the cause or not, we were elated when an OIG Audit was initiated in February of that year.

Members of the OCM Taskforce met early on with members of the OIG team that was to conduct the audit and shared concerns relative to the Beef Checkoff Program. We were very clear in stating our concerns regarding the performance of NCBA as contractor for the program rather than the oversight by AMS. As I remember, there was already an ongoing audit of the AMS supervision of some 18 programs. The report of that audit was released in 2012 and found AMS wanting in their performance.

During the course of the conduct of the audit in 2011 I had numerous telephonic and email communications with the lead investigator, Mr. Don Pfeil. I always prefaced these with a statement that I wanted to stay well within ethical bounds. Mr. Pfeil and I seemed to have a warm relationship and I passed along my concerns and a considerable amount of information, including:

- The very high percentage of NCBA’s total revenue deriving from the checkoff, making these funds the life-blood of this policy organization which actively advocated against the interests of most checkoff-payers.
- That NCBA had opposed Country of Origin Labeling, the Proposed GIPSA rule and in general supported beef packers interest rather than that of beef cattle producers.

- That many beef cattle producers saw themselves funding their own demise through the checkoff.
- The \$150,000 loan from checkoff funds for Forrest Roberts, incoming CEO of NCBA.
- The \$2 million advance (interest free for two years) to NCBA rather than paying for services rendered.
- The unreasonably salaries and benefits received by officials of the Kansas Livestock Association and other state checkoff activities.
- The reporting by a credible source of overhearing an AMS representative at the joint NCBA/CBB meeting during February 2012 at the Gaylord Opryland Hotel in Nashville saying to a group of NCBA members that he had seen the draft OIG Audit Report which contained some bad stuff but that he had fixed it.

During the several conversations and emails with Don Pfeil, it was my sense that he was vigorously pursuing an investigation of the handling of checkoff funds by NCBA and not the matter of AMS supervision of the program. In a telephone conversation in December of 2011, he reported that the audit team had completed their work and that things were in the “hands of the report writers”. When I asked if he thought I would be pleased with the report, after a long pause he said; “I don’t think anyone is going to be pleased with the report”.

I would venture that he was wrong in his assessment; I am confident that NCBA was relieved and very happy with the report.

I was expecting many of the NCBA transgressions relative to the Checkoff to be reflected in the OIG’s report. In March of 2012 at a meeting in Omaha, current Beef Board Chairman Weldon Wynn stated to me that the OIG Beef Checkoff audit report contained some “tough stuff” regarding NCBA. Confidential but credible sources have also revealed to me that the findings of the audit team were incrimination for NCBA, but that during 16 months after the audit team finished their investigation, the report was changed and made devoid of such findings.

I see the stated objective of the audit, examination of the Agricultural Marketing Service Oversight of the Beef Research and Promotion Board’s Activities as a deceitful diversion from the task of bringing daylight to the integrity of the Beef Promotion and Research Program and that of its prime contractor NCBA.

The findings contained within this report diminish confidence in the institution of the Inspector General and are a stain on the reputation of the USDA Inspector General.



Thomas F. Stokes

May 1, 2013