

January 7, 2011

Dr. Craig Morris
Deputy Administrator
USDA-AMS Livestock & Seed Program
Stop 0249, Room 2092-S
Washington, DC 20252-0249

Dear Craig:

This letter serves as the Beef Board's (CBB) final resolution of those issues originally identified in the contract compliance review of the National Cattlemen's Beef Association (NCBA) conducted by Clifton Gunderson (CG) for fiscal years 2008 and 2009, and the first five months of fiscal year 2010. The proposed resolution of those items was submitted to USDA/AMS on September 10, 2010, and approved by USDA/AMS on September 20, 2010. I am pleased to inform you that all of the issues reported to you have been resolved in accordance with the approved resolution of each item, with the following exceptions:

1. Member insurance program – Subsequent to the resolution group meeting on August 18, 2010, 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.
2. A senior staff member's salary/benefits costs and expenses billed to overhead – Subsequent to the resolution group meeting, NCBA staff decided that it made sense to recode all of this senior staff member's time and expenses based on his actual time worked in FY 2009 and FY 2010 instead of identifying only his time and expenses related to Washington, D.C. trips, NCBA Governance Task Force activities not involving USDA, membership meetings/events, policy planning meetings, checkoff planning meetings and Beef Promotion Operating Committee meetings not held in conjunction with other NCBA or joint industry meetings.
3. NCBA officer's personal expenses charged to the Federation - Subsequent to the resolution group meeting, NCBA staff determined the officer had already reimbursed NCBA for his wife's tour expense of \$125 and CBB verified the Federation was reimbursed for the \$62.50 that was incorrectly billed to the Federation.

The CBB Executive Committee concurs with each of the three changes to the approved resolution which are enumerated above and considers the revised methods to be more appropriate for determining the proper funding source for the item.



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For each of the issues identified by CG which CBB considered exceptions, CBB worked with NCBA to determine the proper coding of staff hours and expenses, NCBA determined the amounts which resulted from correcting those items, and CBB reviewed/tested NCBA's calculations of those amounts and any applicable documentation. Based on that information, CBB and NCBA have agreed to the amounts which NCBA will either (1) reimburse CBB and/or the Federation for FY 2008 and FY 2009, or (2) adjust the billings to CBB and the Federation for FY 2010. Those amounts are summarized as follows:

Summary of Amounts Due to the Cattlemen's Beef Board from NCBA					
Fiscal Year	Due to CBB	Payable to or (by) the Federation	Payable by non-checkoff funds at the Federation	Payable by the Policy Division of NCBA	Payable by a Member of NCBA's Senior Staff
2008	\$ 12,477	\$ 6,636	\$ -	\$ (19,113)	\$ -
2009	89,716	(22,040)	(3,936)	(63,740)	-
2010 <i>(partial year)</i>	114,751	(52,241)	(1,381)	(57,537)	(3,592)
Totals	\$216,944	\$(67,645)	\$(5,317)	\$(140,390)	\$(3,592)

These reimbursement amounts were reviewed and approved by the CBB Executive Committee on December 23, 2010. The amounts to be adjusted (either reimbursed or credited to CBB) for each exception are detailed on the attached Exhibit I. NCBA also has agreed with the final resolution of the issues originally identified by CG and will reimburse CBB for the FY 2008 and 2009 exceptions within ten (10) business days after USDA-AMS approves the final resolution.

In addition to NCBA reimbursing CBB and the Federation for the exceptions, CBB staff is in the process of performing additional compliance review procedures at NCBA in those areas where the AUP Report indicated the potential for issues that need to be addressed as well as areas which came to CBB's attention during the resolution process. These additional compliance review procedures are progressing and we anticipate completing them prior to the winter convention in Denver.

Furthermore, CBB has expanded its review procedures of monthly invoices submitted by all BPOC contractors, added a monthly review of Federation expenses, and distributed revised guidelines to all contractors to ensure these exceptions do not occur in the future. The revised guidelines were reviewed and approved by USDA/AMS prior to their distribution.

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Conclusion

The CBB Executive Committee is satisfied with the final resolution of the issues identified by Clifton Gunderson and remains confident the expanded monthly review procedures and the revised contractor guidelines will result in improved compliance of CBB's contractors and more timely identification of issues by CBB.

Craig, if you have any questions or concerns about the final resolution of the compliance review of NCBA, please let me know.

Sincerely,



Thomas E. Ramey, Jr.
Chief Executive Officer

Enclosures

cc: CBB Executive Committee
Rayne Pegg, Dave Shipman, Kenny Payne, Craig Shackelford, USDA/AMS
Katherine Ayers, CBB
Forrest Roberts & Doug Evans, NCBA
NCBA Officers
Wayne Watkinson & Richard Rossier, McLeod, Watkinson and Miller