



United States Department of Agriculture

Office of the Secretary  
Washington D.C. 20250

**JUL 7 2014**

Mr. Bill Bullard  
Chief Executive Officer  
R-CALF United Stockgrowers of America  
P.O. Box 30715  
Billings, Montana 59107

Dear Mr. Bullard:

Thank you for your letter dated March 10, 2014, concerning the renewed complaint and request for remedial action regarding the Beef Checkoff Program. First and foremost, I can assure you that we have taken your concerns seriously in the past and we are confident in the conclusions reached by the U.S. Department of Agriculture (USDA) Office of Inspector General (OIG).

Concerning your reference to the work performed by the independent accounting firm in 2010, this activity was commissioned by the Cattlemen's Beef Board (Board) as part of its internal control program. This was not an audit, and the accounting firm made no such "findings" of misappropriation. In fact, the firm explicitly disclaimed any opinion on the results of the engagement or the criteria used in their testing. Their work was an "agreed upon procedures" assignment where the accounting firm assembled the information using tests and criteria developed by Board management.

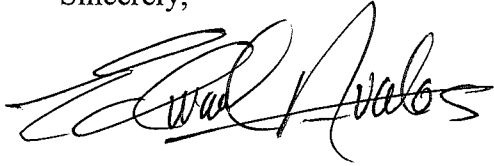
The Board targeted the sample of transactions selected by the firm to a limited class of transactions. In the end, it was determined that misunderstandings and some key personnel turnover led to mistakes. There was never any conclusion that the National Cattlemen's Beef Association (NCBA) had acted improperly or with mal-intent. The Board obtained full reimbursement of nearly \$217,000 from the primary contractor, and controls at NCBA, the Board and the USDA Agricultural Marketing Service (AMS) have been strengthened accordingly to prevent a recurrence. For example, NCBA hired a compliance manager to ensure that costs are properly coded, the Board conducts monthly reviews of transactions, and AMS has established standard operating procedures to document its oversight and also conducted a management review of the Board.

Your request that USDA move unilaterally to suspend all check-off accounts and the contract between NCBA and the Board are extraordinary measures. The Beef Checkoff program was enacted by the Congress on behalf of all cattle producers, and should operate as intended within the parameters of the Beef Promotion and Research Act (Act) and the Beef Promotion and Research Order (Order). The program, by design, is not meant to promote any one group's position or viewpoints. As it pertains to compliance with the Act and Order, OIG found no cause to question the contractual relationships between the Board and other industry-related

organizations, including NCBA. A recent management review conducted by AMS personnel found no issues or concerns at the Board.

In summary, I believe the concerns expressed in your letter and previous letters have been fully addressed, and I stand behind the oversight work conducted by AMS and OIG. Further, a careful evaluation of the facts and circumstances by USDA resources has concluded that there is no basis for any further action.

Sincerely,

A handwritten signature in black ink, appearing to read "Edward Avalos". The signature is fluid and cursive, with a large initial "E" and "A".

Edward Avalos  
Under Secretary  
Marketing and Regulatory Programs