

Audit Objectives

- Does the lab apply appropriate criteria when determining costs and setting fees, and do fees cover reasonable percentage of budget?
- What is the public health role of the lab, and what quantity of testing is done to protect public health?
- Does the lab get appropriate support from the Department of Livestock and Montana State University?

Objective 1: Lab test costs and fees

- Law requires costs to be taken into consideration when setting fees.
- Lab has not historically been consistent in regularly determining what tests cost.
- Recommendation: Regularly analyze and document material and overhead costs of tests performed at the lab.

Test Fees

- As a rule, labs do not break even on fees – whether affiliated with a university or executive agency, labs are typically subsidized beyond their fee income.
- Labs typically charge more to out-of-state customers. Montana’s lab also does this.

Table 1
Select Test Fees in Surrounding States

Procedure/Test	MT Lab Fee	North Dakota State University	Washington Animal Disease Diagnostic Lab	Utah State University	Wyoming State Vet Lab	Idaho Dept. of Agriculture Lab
Bacteriology						
Campylobacter	\$13.00	\$15.00	\$13.00	\$12.50		
Trichomonas culture	\$6.50		\$7.50	\$6.50	\$8.00	\$5.00
Serology						
Equine Infectious Anemia	\$13.00	\$6.00	\$10.00	\$7.50	\$10.00	\$10.00
West Nile Virus	\$21.00	\$25.00	\$20.00	\$15.00	\$18.00	\$15.00
Brucella abortus						
Card, BAPA or FP	\$1.60	\$2.00	\$4.50	\$4.00	\$4.00	\$1.50
CF, Rivanol, SPT or STT	\$2.65	\$2.00		\$6.00		\$5.00
PCR						
Trichostrongylus colubriformis	\$28.50	\$25.00	\$40.00	\$20.00	\$30.00	\$18.00
Johne's PCR	\$31.50	\$40.00		\$30.00	\$35.00	\$30.00
Clinical Pathology						
Complete Blood Count	\$15.75	\$16.00		\$25.00	\$16.00	
Parasitology						
Cryptosporidia examination	\$8.50	\$10.00		\$10.00	\$8.00	
Virology						
Bovine Viral Diarrhea ELISA	\$5.25				\$5.00	\$4.25
Fluorescent Antibody Testing	\$8.50	\$15.00			\$12.00	
Histology						
Special Slide Stains	\$8.50	\$5.00	\$7.50		\$8.00	

Source: Compiled by the Legislative Audit Division from department records/other lab records.

Test Fees

- Review process informal and ad hoc.
- Fees are not reviewed in systematic, documented manner. Most recent thorough documentation of fee review came in 2011.
- Other states review and adjust fees regularly.

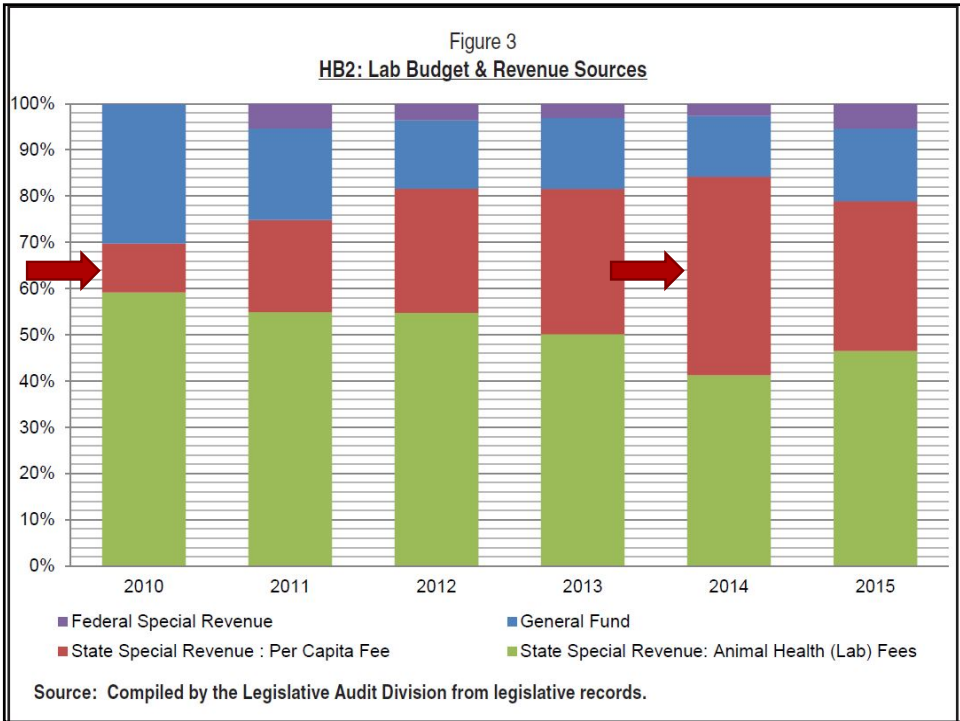
Recommendation: Biennially review fees in a systematic, documented manner that takes into account direct and indirect material and overhead costs as well as fees at regional labs.

Objective 2: Public health and the lab budget

- Stakeholders believe Montana should maintain a veterinary diagnostic lab.
- Lab does serve a public health role:
 - Integrated with Department of Public Health and Human Services as well as federal Centers for Disease Control.
 - Track and report on a number of zoonotic diseases
- Committee asked lab to quantify public health benefit. However, quantifying public health benefit is difficult, not a practice seen elsewhere.

Lab budget:

- Typically three main sources: Fee revenue, per capita, general fund.
- Fees usually make up 50-60 percent of budget
- Department has flexibility in distributing per capita funds. Per capita allocation was \$590,000 in FY15, \$23,000 in FY16.



Recommendation: Determine a consistent and sustainable amount of per capita funding to be contributed to the lab budget as one source of non-fee revenue.

Information Management System

- Department of Homeland Security grant to develop new system with better search capability, stronger interface with accounting, ability to post results on Web, integration with other systems.
- Fully functional system would improve fulfillment of public health role.
- Contract paid, but system not fully functional.

Recommendation: Fully implement all features and functionality indicated in information management system contract.

Objective 3: Relationship with Montana State

- In many states, lab affiliated with land grant university.
 - MSU officials don't believe the lab operations fit with university's mission.
 - No full veterinary medicine degree program
 - Few interactions currently between students and lab
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Other state labs shared aspects of university affiliation:

- Positives: Higher qualified professional staff, higher pay, teaching and research opportunities
 - Challenges: Less influence from executive branch and from industry, diminished importance on campus as universities increasingly seek external research grant funding.
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Marsh Lab Building

- MSU owns building, Department of Livestock pays recharges for proportional share of various centralized campus services.
- Stakeholders agree building is at the end of its safe and useful life.
- MSU facility survey rates the building as one of the most deficient on campus, and it does not rank highly on priority lists for renovation or replacement.

Marsh Lab Building

- Department has not been proactive in developing detailed plan to replace building.
- National accrediting organization says deteriorating building is a concern.

Recommendation: Develop a detailed and specific plan and timeline for replacing the Montana Veterinary Diagnostic Laboratory.



