

PA Milk Marketing Board
Carol A. Hardbarger

The Role of PMMB Monthly Audits

From time to time I try to share with you the work conducted by the Board Staff. Most people don't realize that we collect detailed purchasing and sales records from licensed milk dealers in the state on a monthly basis. Our staff audits every dealer that purchases from producers to ensure correct monthly payments.

PMMB establishes milk prices at the producer, wholesale (processor) and retail levels. Milk prices are established by class and size of container. As a refresher, the milk classes are

- Class I – fluid milk and beverage products,
- Class II – manufactured soft products such as ice cream, sour cream and yogurt,
- Class III – hard cheeses, and
- Class IV – butter and dry powder.

We also establish license fees, the major source of operating funds, based on dealers' volume sales, and use purchasing reports to ensure that producers are being paid properly. (Remember, PMMB does not operate with any taxpayer revenue.) For each of these reasons, it is important that we collect accurate, audited information.

Auditors verify the data submitted by dealers using source documents. Currently, we test 100% of the information, but plan to move to selective testing based on materiality and certain risk factors. The specific documents we review include vendor invoices, sales reports, sales invoices, production reports, inventory records and accounts receivable.

Board staff testify at hearings, some scheduled on a regular basis and some called by the Board to address a petition filed by an organization, a business or an individual. One annual hearing addresses cost recovery and helps set the minimum wholesale and retail prices. The Auditor Supervisor for the Board Staff testifies to verify dealers' costs based on extensive audits conducted on a representative cross-section from each of the six PA Milk Marketing Areas.

Recently, Staff testified at the April hearing to establish the 2-month market relief surcharge, which resulted in additional over-order premium for producers. Data to support the Staff position came largely from audited monthly reports.

Occasionally audits find that producers have been underpaid or not paid in a timely fashion. If producers are underpaid, dealers are given 30 days to make restitution. A referral to the PMMB legal division may occur if producers are not paid in a timely fashion, which may result in the dealer paying a monetary penalty. Each year, dealers must provide bonds to cover 30-days payments to all their producers in case of a payment default. The amounts of these bonds are determined by our auditing staff using information submitted in the monthly reports.

Board staff sometime receive requests for reports from an outside party; these are usually provided if they do not require release of any proprietary information. Staff also work closely with accountants and others representing many dealers across the state.

The audits performed by our Staff form the cornerstone of our accounting and enforcement division and ensure that all levels of the dairy industry are operating in accordance with the Milk Marketing Law.

PMMB is always available to address concerns and questions. I can be reached at 717-210-8244 or by email at chardbarge@pa.gov.