

**DEPARTMENT OF AGRICULTURE, TRADE AND CONSUMER
PROTECTION NOTICE OF PROPOSED GUIDANCE DOCUMENTS**

Pursuant to section 227.112 of the Wisconsin Statutes, the Wisconsin Department of Agriculture, Trade and Consumer Protection (DATCP) is hereby accepting comments on the proposed guidance document:

Risk Based Audit Procedures

LOCATION OF PROPOSED GUIDANCE

Proposed guidance document may be reviewed by accessing:

https://datcp.wi.gov/Pages/About_Us/GuidanceDocuments.aspx

SUBMITTING PUBLIC COMMENTS

Public comments on proposed or adopted guidance document may be submitted by accessing:

https://datcp.wi.gov/Pages/About_Us/GuidanceDocuments.aspx

DEADLINE FOR SUBMISSION

The comment period will run no fewer than 21 days after the publication of this document in the Administrative Register.

AGENCY PUBLICATION

The attached guidance document contains statements or interpretations of law under the following applicable provisions of federal law or the applicable state statutory or administrative code provisions: Wis. Stat. ch. 126, Wis. Admin. Code, ch. 99.

CERTIFICATION

Pursuant to the authority delegated to me by the Secretary, I have reviewed the attached guidance document or proposed guidance document and I certify that it complies with sections 227.10 and 227.11 of the Wisconsin Statutes. I further certify that the guidance document or proposed guidance document contains no standard, requirement, or threshold that is not explicitly required or explicitly permitted by a statute or a rule that has been lawfully promulgated. I further certify that the guidance document or proposed guidance document contains no standard, requirement, or threshold that is more restrictive than a standard, requirement, or threshold contained in the Wisconsin Statutes.



Lara Sutherlin
Administrator
Division of Trade and Consumer Protection



Wisconsin Department of Agriculture, Trade and Consumer Protection

Division of Trade and Consumer Protection

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GUIDANCE DOCUMENT

Risk Based Audit Procedures

This guidance document is based on Wis. Stat. ch. 126 and chapter(s) ATCP 99 Wis. Admin. Code. This document is intended solely as guidance, and does not contain any mandatory requirements except where requirements found in statute or administrative rule are referenced. This guidance does not establish or affect legal rights or obligations, and is not finally determinative of any of the issues addressed.

18 (TCP)

See attached.

October 15, 2019

Lara Sutherland - Administrator, Division of Trade and Consumer Protection

DATE

Contributors:

Risk Based Audit Procedures

DATCP has restructured the way it approaches its audits of Grain Dealers and Grain Warehouse Keepers to focus its efforts and resources where they are needed most and ensure compliance with Wis. Stat. s. 126.32(6). We accomplish this using risk based audit procedures which result in spending less time and resources auditing and monitoring grain operations that pose the least risk and allocating that time and those resources towards the grain operations that pose the most risk. To determine which entities pose the least (and most) risk, we have developed quantitative measures and group licensees into 3 tiers.

The risk measures we use incorporate financial strength, compliance history, record keeping, inventory self-monitoring practices, and size exposure. Grain operations with strong financial statements, a good compliance history, and good operational checks and balances would score in the top tier (Tier 1). Grain operations that are not financially strong, have a poor compliance history, and poor record keeping would score in the bottom tier (Tier 3). Those scoring in the middle would be grain operations posing average risk (Tier 2).

For strong Tier 1 companies there are a few audit procedures that we will look at scaling back and/or replacing with some self-reporting to save both licensees and DATCP time and resources. Those include measuring grain inventory, reconciliation of grain obligations, and verification of grain purchase amounts and payment terms. We are developing a variety of different levels of procedures for Tier 1 grain operations that can be implemented based on each company's own practices and checks and balances. For example, if a grain company regularly performs and records their own measurement of grain inventories with oversight by company management, we may arrange for those measurements to be reported to and reviewed by DATCP. Depending on the reliability of these measurements and reports, we can decide to limit or skip measuring done during our next audit.

For Tier-3 companies we will look at what factors make that company a Tier 3 grain operation and explore with that company what they may be able to do to improve their operations and achieve a better Tier score.



State of Wisconsin
Governor Tony Evers

Department of Agriculture, Trade and Consumer Protection
Bradley M. Pfaff, Secretary

October ##, 20##

MR/S XXXX XXXXXXXXXXXXX
XXXXXXXXXX COOPERATIVE
PO BOX ##
CITY WI 5####

Dear Mr/s. Xxxxxxxx:

We are contacting you because XXXXXXXX Cooperative has been identified as a good candidate for reduced audit procedures based on a measurement we've developed indicating you present a lower risk than most other licensees. In order to determine what changes we can implement we need to gather some additional information.

Attached you will find:

1. A summary of the Risk Based Audit Procedures we are developing and our objectives.
2. An internal control questionnaire.

We would be happy to discuss this with you further and assist you in completing the questionnaire.

You may contact Sally Sutherland at 608-224-4967 or Chris Oie at 608-224-4969 with any questions. After gathering and reviewing this information, you will also be working with a field auditor on what different procedures may be performed.

Although the initial work to set these procedures up may take a little time, our expectation is that these new procedures will save time and resources for both you and the Producer Security Section.

If you decide not to participate, please return the questionnaire with that directive.

Thanks,

Eric J. Hanson, Chief
Producer Security Section
DIVISION OF TRADE AND CONSUMER PROTECTION
(608)224-4968

Cc: Sally Sutherland

Agriculture generates \$88 billion for Wisconsin

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Company/Business Name: _____

Date: _____ (If answers require more space, use additional sheets of paper.)

1. Please describe your policies for tracking grain inventory and processing related documents, and the reconciliation of those records. If these policies are in writing, please provide us with a copy, and indicate whether they are approved by management. _____

2. a) Do you measure your grain inventory? _____
If so, please briefly describe your system for measuring. _____

b) How often do you measure your grain inventory? _____

c) Do you use standard bushels per foot and pack factors? _____

d) How many employees are involved and what are their roles? _____

e) Do you reconcile the measurement(s) to your Daily Position Record(s) balances for the previous day? _____

f) Are measurements and calculations double checked? _____; by whom? _____

g) Do you keep any of the paperwork created during and after measuring? _____

If so, for how long? _____

h) If available, please provide copies of past measurements from the last 18 months.

i) Also, if grain measurements are reviewed please provide any follow-up documentation or commentary by management.

3. Please describe the security systems you have to prevent grain theft (at each site, if more than one). _____

4. a) Who is responsible for entering grain scale ticket information? (list employees' name(s) & title).

b) Who maintains the daily position record(s)? _____

c) Who prepares grain settlements? _____

d) Who reconciles grain transactions with the general ledger? _____

5. Are activities with the documents listed in Question 4 verified or reconciled by other employees, and if so, how often? (Daily, weekly, monthly, other; and list the name and title (if title is not already shown in the answer to #4) of the reviewing employee):

How Often Employee(s)

Scale Tickets: _____

DPR(s): _____

Settlements: _____

6. a) Who is authorized to make corrections for errors or omissions found in grain documents? List the name and title (if title is not already shown in the answer to #4) of the authorized employee(s):

b) Are adjustments clearly shown and explained? _____

7. Has there been any change in the personnel who handle daily grain transaction entry or to the management staff since the last grain audit by DATCP? List the name and title of any new personnel:

8. What method is used for entering & tracking grain transactions? (Manual entry, purchased computer software, Excel spreadsheet, other...). If you have purchased computer software, what is it?

9. Describe procedures used to periodically review and compare mark-to-market valuations and reconciliations.

10. Who evaluates your current position relative to market conditions, and how often?
