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Office of the Auditor General

Report Summary

Performance Audit

Grain Dealers Program

Michigan Department of Agriculture and Rural Development (MDARD)

Report Number:
791-0240-21

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MDARD's Grain Dealers Program administers the Grain Dealers Act (Public Act 141 of 1939, as amended) to regulate the storage, buying, and selling of farm produce. As of April 2021, MDARD licensed 188 grain dealers in Michigan, including 15 owned by out-of-state entities. The Farm Produce Insurance Authority (FPIA) employs MDARD to provide administrative services and to conduct audits of grain dealers to ensure compliance with program requirements and monitor grain dealers' financial stability. If a grain dealer becomes insolvent and unable to pay its obligations to the producer, MDARD audits the producer's loss claims and FPIA reimburses a percentage of the loss to the producer.

Audit Objective			Conclusion
Objective 1: To assess the effectiveness of MDARD's efforts to administer the Grain Dealers Program.			Moderately effective
Findings Related to This Audit Objective	Material Condition	Reportable Condition	Agency Preliminary Response
Documented guidance for grain dealer risk assessments is needed (Finding 1).		X	Agrees
MDARD did not conduct 12 (8%) of 146 grain dealer audits within the required 12- to 18-month period, ranging from 1 to 9 months late (Finding 2).		X	Agrees
MDARD did not ensure the timely submission of 11 (39%) of 28 monthly daily position reports from licensed grain dealers (Finding 3).		X	Agrees

Audit Objective			Conclusion
Objective 2: To assess the effectiveness of MDARD's efforts to license grain dealers.			Moderately effective
Findings Related to This Audit Objective	Material Condition	Reportable Condition	Agency Preliminary Response
MDARD did not ensure the completeness of 14 (67%) of 21 license applications prior to issuing grain dealer licenses (Finding 4).		X	Agrees

Audit Objective			Conclusion
Objective 3: To assess the effectiveness of MDARD's efforts to validate producer loss claims.			Effective
Findings Related to This Audit Objective	Material Condition	Reportable Condition	Agency Preliminary Response
None reported.			Not applicable.

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