



Indiana State Department of Agriculture

Governor Eric Holcomb

Lt. Governor Suzanne Crouch, Secretary of Agriculture and Rural Development

Don Lamb, Director

Date: August 10, 2023

Re: Indiana Grain Buyers and Warehouse Licensing Agency 2023 Performance Review

The Indiana State Department of Agriculture (“ISDA”) contracted with Crowe, LLP (“Crowe”), to assist in the performance review of the Indiana Grain Buyers and Warehouse Licensing Agency (“IGBWLA”) auditing practices. In 2021, the Indiana Legislature amended the Indiana Code which governs IGBWLA’s operations. This amendment within Ind. Code § 26-3-7-3(g) states, “The [IGBWLA] director shall engage an independent third-party firm to conduct a performance review of the agency’s auditing practices and procedures at least once every five (5) years.” Crowe was hired to complete the first of these independent performance reviews. Crowe provided IGBWLA with a report entitled Auditing Practices Performance Review (the “Report”) dated April 27, 2023, summarizing the findings from the performance review conducted by Crowe. The Report sets forth a series of recommendations for improving IGBWLA’s auditing practices and procedures. The Report noted that IGBWLA’s ability to perform its statutory functions would benefit from, among other things, a comprehensive auditing manual, risk-based auditing plans, additional human capital and technological capabilities, and improved public awareness and understanding of IGBWLA’s role and functions.

In response to the Report, IGBWLA drafted a Preliminary Plan of Action identifying five starting points in connection with the above: (1) Human Capital & Talent Development, (2) Policies & Procedures, (3) Technology, (4) Public Awareness, and (5) House Enrolled Act 1623 (2023).

Don Lamb, Indiana State Department of Agriculture Director, is looking forward to enhancing the Indiana grain industry with the findings of the performance review over the next few years.

“We were excited to receive the performance review from the consulting firm and to start reviewing their findings and further developing our process,” said Lamb. “It was encouraging to see that there are areas we are performing well and of course, like with anything, areas we can improve upon. This report is the first step in enhancing the Indiana grain industry. We have a great team in place, and I look forward to all that they will accomplish.”

Public and media inquiries regarding ISDA, IGBWLA, or the Report, please contact Regan Herr, ISDA Communications Director, at [rherr@isda.in.gov](mailto:rherr@isda.in.gov).

Enclosure(s): Auditing Practices Performance Review report dated April 27, 2023 (29 pages)

Indiana Grain Buyers & Warehouse Licensing Agency

# Auditing Practices Performance Review

April 27, 2023



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## I. Executive Summary

The Indiana State Department of Agriculture (ISDA) contracted with Crowe LLP to assist in a performance review of the Indiana Grain Buyers & Warehouse Licensing Agency (IGBWLA) auditing practices. In 2021, the Indiana Legislature amended the Indiana Code which governs IGBWLA's operations. This amendment within Ind. Code § 26-3-7-3(g) states "The [IGBWLA] director shall engage an independent third-party firm to conduct a performance review of the agency's auditing practices and procedures at least once every five (5) years." Crowe was hired to complete the first of these independent performance reviews.

### **Objective, Scope, and Procedures Performed**

The engagement objective was to assess the maturity of the IGBWLA audit function and processes related to the effectiveness and efficiency of IGBWLA operations. Crowe developed a maturity model and testing procedures in collaboration with the IGBWLA Director. The maturity model addressed the structure, design, systems and methodologies used in IGBWLA's audit and related practices (e.g., inspections and examinations). Testing procedures evaluated actual practices to determine if they followed applicable regulatory requirements and were functioning as intended.

### **Conclusion**

Based on the maturity assessment criteria and testing results acceptable maturity levels were noted for the category, *Inspection and Examination Tools and Documentation of Existing Controls*. This category addresses the use of available software and other tools to maintain the security of inspection and examination information. This is important since licensees may consider information obtained during audit processes as proprietary and confidential.

Opportunities for IGBWLA to strengthen audit practices within other assessment categories are included in this report in **Section III. Results of Procedures Performed**. Overall, these opportunities primarily include strengthening documentation, establishing performance metrics and monitoring tools, and improving data-driven communications on the ability to meet current service demands with existing resources.

## II. Objective, Scope, and Procedures Performed

### Objective

***Crowe assessed the maturity of the IGBWLA audit function, and the effectiveness and efficiency of operations based on professional best practices including the Institute of Internal Auditors International Professional Practices Framework (IPPF or IIA Standards) and the framework for internal controls published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Crowe also considered state regulatory requirements and industry best practices for the purpose of providing recommendations to strengthen audit practices.***

### Scope

Crowe assessed the maturity of the IGBWLA following components of the IGBWLA audit function:

- Efficiency and effectiveness of the audit plan and procedures
- Communication and escalation procedures of deficiencies identified by auditors
- IGBWLA's audit recommendations and follow up procedures over identified deficiencies
- The audit quality review process.

### Procedures Performed

The review was comprised of a maturity assessment of the existing audit (inspection and examination) practices conducted by IGBWLA's Compliance Division, and reviewed case files used to assess licensees' compliance with applicable regulations. The assessment considered the maturity level of following components based on a five point maturity model ranging from Not Established (1) to Optimized (5):

1. Audit policies and procedures
2. Organization of the audit function
3. Team qualifications and development
4. Inspection and examination tools and documentation of existing controls
5. Inspection and examination program design and operating effectiveness
6. Risk assessment
7. Inspection and examination testing program (procedures)
8. Work paper review
9. Communication of results
10. Inspection and examination testing recommendations and follow-up
11. Inspection and examination testing program quality assurance

The complete maturity model used to assess IGBWLA's existing audit practices has been provided in **Appendix A** of this report.

In addition, Crowe evaluated components of IGBWLA’s inspection practices to confirm if they reasonably adhered to and aligned with the applicable State regulations listed below. Using a haphazard sampling approach, Crowe selected 15 licensees from the population of active licensees for testing. Haphazard sampling does not follow a systematic approach, and is similar to random sampling since each item in the population has an equal chance of being selected. This sampling approach was chosen since the focus of testing was on compliance, and each licensee is subject to the same statutes regardless of size, or other attributes.

As a result of testing, no significant compliance issues were noted. There were opportunities to strengthen controls noted during testing, and these have been included in the maturity assessment results below.

Regulation	Scope of Regulation
824 IAC 2-6-1	Audit Procedures
824 IAC 2-14-1	Warehouse Receipts
824 IAC 2-4-6	Insurance
IC 26-3-7-12	Insurance; filing of certificate; settlement with depositor in case of destruction
IC 15-11-8	Moisture Meter Inspection Program
IC 26-3-7-4 (e) and (f)	License application renewals
IC 26-3-7-6.1	Financial statement; fines
IC 26-3-7-6 sub e and f.	New Licensee Applicants
IC 26-3-7-10	Amount of bond, cash deposit, letter of credit, or other surety; deficiencies; penalties
IC 26-3-7-16	Maintenance of minimum net worth
IC 26-3-7-16.5 824 IAC 2-15-1 824 IAC 2-14-1 824 IAC 2-16-1	Procedures for identifying grain failures or shortages in Grain Buyer licenses based on inspection results

### III. Results of Procedures Performed

The completion of procedures resulted in the assessment for each component of the maturity model, as described below. Where opportunities to strengthen the maturity of IGBWLA audit practices were noted, observations and recommendations were provided within the applicable maturity component. In addition, observations and recommendations were provided where testing indicated variances between regulatory requirements and actual practices, or where insufficient documentation was available to support a conclusion.

The maturity assessment model, included as **Appendix A**, includes specific criteria for each category. The criteria support the maturity ratings as listed below in ascending order of maturity level.

Maturity Rating	
1	Not Established (lowest maturity level)
2	Initial
3	Defined
4	Managed
5	Optimized (highest maturity level)

A key assumption was that assessment categories rated at a maturity level of Managed or Optimized were acceptable. Observations and recommendations were noted for categories rated below the Managed level. Recommendations are intended to bring IGBWLA audit practices to a maturity level rating of “Managed” (Level 4 of 5).

The observations and recommendations were primarily related to the need to document and consistently communicate existing practices, establish performance metrics and monitoring tools, and improve data-driven communications regarding the ability to meet current service demands with existing resources.

Ref	Assessment Category	Maturity Level
M-1	Audit Policies and Procedures	Initial
M-2	Organization of the Audit Function	Defined
M-3	Team Qualifications & Development	Defined
M-4	Inspection and Examination Tools and Documentation of Existing Controls	Managed
E-1	Inspection and Examination Testing Program Design and Operating Effectiveness	Not Established
E-2	Risk Assessment	Not Established
E-3	Inspection and Examination Testing Program	Initial
E-4	Workpapers review	Initial
E-5	Communication of Results	Initial
E-6	Inspection and Examination Testing Recommendations & Follow-Up	Initial
E-7	Inspection and Examination Testing Program Quality Assurance	Not Established

Recommendations include an estimated range of implementation costs which IGBWLA may likely incur. There were estimates for the initial cost of implementation (i.e., a “one-time” cost) and estimates for additional costs per audit (e.g., per inspection/examination, etc.) as indicated below.

Assessment Category	Internal Resource Cost (Hours)		External Resource Cost (\$USD Thousand)	
	Min	Max	Min	Max
Initial Cost	570	1,040	\$60K	\$120K
Cost per Audit	66	200	\$14K	\$42K

If IGBWLA chose to implement the recommendations using existing personnel, the estimated cost would likely be between 570 and 1,040 hours. In addition, the cost of implementing recommendations at the project-level (i.e., per audit) would likely increase the number of hours per audit to between 66 and 200 hours.

IGBWLA may need additional resources to implement the recommendations as estimated below. If IGBWLA chooses to outsource the implementation, the estimated cost of initial setup of the recommended audit practices may be between \$60K and \$120K. The cost may be absorbed within the scope of M-1 and M-2, which require a comprehensive set of policies and procedures spanning all assessment categories. However, using outsourced resources to complete inspections, examinations or other audit functions, assuming the same range of labor hours and a blended rate of \$210/hour, would likely cost between approximately \$14K and \$42K per audit, depending upon the scope of work.

The detailed estimates are included in the table below. The internal cost was estimated in hours, while the external cost is a dollar range. The costs were meant to present a choice between implementing the recommendation with existing personnel or outsourcing the task. **The estimate does not represent a combined cost unless a “per project” cost is indicated (i.e., options are presented as being done with internal or external resources, not both).**

Ref	Assessment Category	Internal Resource Cost (Hours)		External Resource Cost (\$)	
		Min	Max	Min	Max
M-1	Audit Policies and Procedures	300 initial	500 one-time	\$50K one-time	\$100K one-time
M-2	Organization of the Audit Function	200 one-time	400 one-time	\$10K one-time	\$20K one-time
M-3	Team Qualifications & Development	50 one-time	100 one-time	M-1	M-1
M-4	Inspection and Examination Tools and Documentation of Existing Controls	0	0	\$0	\$0
E-1	Inspection and Examination Testing Program Design and Operating Effectiveness	M-2	M-2	M-2	M-2
E-2	Risk Assessment	10 per audit	20 per audit	\$2,100 per audit	\$4,200 per audit
E-3	Inspection and Examination Testing Program	40 per audit	80 per audit	\$8,400 per audit	\$16,800 per audit



Ref	Assessment Category	Min	Max	Min	Max
E-4	Workpapers review	10 per audit	80 per audit	\$2,100 per audit	\$16,800 per audit
E-5	Communication of Results	1 per audit	10 per audit	\$210 per audit	\$2,100 per audit
E-6	Inspection and Examination Testing Recommendations & Follow-Up	5 per audit	10 per audit	\$1,050 per audit	\$2,100 per audit
E-7	Inspection and Examination Testing Program Quality Assurance	20	40	M-1	M-1

Support for the assessed maturity levels and related observations and recommendations are included below.

### M-1. Audit Policies and Procedures [Initial]

Comprehensive audit policies and procedures are not documented, consistently communicated to key stakeholders, updated to reflect actual practices, or updated to respond to new requirements. IGBWLA has a procedure manual which Field Auditors Guide which is outdated and does not reflect current practices and does not comprehensively identify the parameters IGBWLA will need to conduct to respond to statutes 824 IAC Article 2 and IC 26-3-7.

During interviews with the IGBWLA Compliance Officers, it was noted that actual audit practices are communicated verbally and applicable State regulations, included in Statutes 824 IAC Article 2 and IC 26-3-7, are interpreted via the IGBWLA Director's discretion. This is necessary since the statutes are not designed to be overly prescriptive and allow for professional judgment as individual circumstances may warrant.

One noted example from the interviews was that there are no documented procedures to specify the timeline or requirements for when an IGBWLA Compliance Officer must follow-up with licensees who have been determined to be non-compliant with 824 IAC Article 2 and IC 26-3-7. The current practice, overseen by the IGBWLA Director, is to send notices to noncompliant licensees and send Compliance Officers conduct follow-up visits to verify that the licensee corrected the issue on the notification. However, the Compliance Officers stated that there is not a consistent manner in which the Compliance Officers are directed to follow-up or how to document the resolution. In addition, the follow-up visits are occasionally performed by the Deputy Directors on an ad hoc basis, which contributes to the inconsistent practices.

824 IAC 2-6-1 Audit Procedures sets parameters for inspections to be performed at the IGBWLA Director's discretion, which is not an uncommon practice. It outlines when audits can be performed, how the auditee should cooperate, what audits may include, and what a departure report should contain following the completion of an inspection. Crowe observed that IGBWLA had developed a *Field Auditor's Guide* which contained detailed standard operating procedures for Compliance Officers to follow; however, the Director informed Crowe that the guide was developed prior to his tenure, and has not yet been updated to reflect current practices.

**M-1. Recommendation**

Maturity Level	Recommendation to Reach the Indicated Maturity Level	Estimated Internal Cost	Estimated External Cost
Defined	Document a current, comprehensive set of audit policies and procedures, and include: <ul style="list-style-type: none"> <li>- Organization, roles and responsibilities of the audit function</li> <li>- Team member qualification and professional development requirements</li> <li>- Inspection and examination operating procedures, including use of systems, documentation requirements, and review protocols.</li> <li>- Development of the annual risk assessment and inspection/examination plan (i.e., for inspections and examinations to be conducted throughout the year).</li> <li>- Inspection and examination level risk assessments and testing programs</li> <li>- Requirement for documenting and communication inspection and examination results and</li> <li>- Requirements for conducting follow-up procedures on prior findings and recommendations                             <ul style="list-style-type: none"> <li>- The Agency's quality assurance and performance improvement measures and protocols</li> </ul> </li> </ul>	Reallocation of 300 – 500 staff hours  <i>One-Time</i>	\$50K - \$100K  <i>One-Time</i>
Managed	Implement the above, plus communicate the policies and procedures to impacted personnel and use them for training and reference.	Nominal	No additional cost

**M-2. Organization of the Audit Function [Defined]**

The structure of IGBWLA's audit function is documented in an organization chart, and ultimately reports to the ISDA Director. Each agency position descriptions are documented. IGBWLA's base operating budget is tied to annual fees collected plus additional funds from ISDA to cover operating expenses. It is unclear whether the Agency has adequate resources since it does not have an annual audit plan or other method to communicate resource needs based on expected service levels.

**M-2. Recommendation**

Maturity Level	Recommendation to Reach the Indicated Maturity Level	Estimated Internal Cost	Estimated External Cost
Managed	Implement an annual risk-based audit plan or similar mechanism to estimate the level of resources needed to meet the established objectives (e.g., # inspection and examination hours). Compare the demand for services to existing staffing levels and available consulting resources (e.g. specialists, technology support, administrative support). Use the information to inform ISDA on the ability to meet established expectations with existing resources or the need to obtain additional resources or reduce service levels.	Reallocation of 200 – 400 staff hours  <i>One-Time</i>	\$10K - \$20K  <i>One-Time</i>

### M-3. Team Qualifications and Development [Defined]

Inspection and examination testing program team members have written job descriptions, relevant experience, and adequate access to resources for training provided by the Indiana State Department of Agriculture, upon individual request.

Through interviews with the IGBWLA Director, Deputy Directors, and Compliance Officers, it was noted that the State of Indiana provides access to learning courses (e.g., LinkedIn Learning), and selected IGBWLA personnel may attend annual conferences. The State also provides an annual stipend of \$1,500 to all employees to complete continuing education and trainings.

A Key Success Factors Program has been implemented in which employees document the goals they would like to achieve for the year and a manager, or senior employee, will review to determine if the employee met or exceeded the goals.

The only required professional qualification was noted under Regulation IC 26-3-7 Chapter 7, IC 26-3-7-3, Sec. 3f. which states that the IGBWLA Director and the Director’s designees must become members of the national grain regulatory organization, which the Director had achieved.

#### M-3. Recommendation

Maturity Level	Recommendation to Reach the Indicated Maturity Level	Estimated Internal Cost	Estimated External Cost
Managed	The agency should require a minimum amount of continuing professional education that will need to be completed by personnel each year, as part of the Key Success Factors or similar continuing professional education program. The Deputy Director of Compliance and Compliance Officers may benefit from required audit training to help improve the effectiveness and efficiency of inspections and examinations, and enhance alignment with auditing best practices.	50 – 100 hours of training plan development.  <i>One-Time</i>	No additional cost – could be included in the scope of M-1.

### M-4. Inspection/Examination Tools - Documentation of Existing Controls [Managed]

IGBWLA’s inspection and examination tools include paper or electronic templates to consistently document work papers using a standard format, software which enables the secure storage of electronic inspection and examination records, software to assist examiners in documenting planning and fieldwork procedures and generating reports, and information systems which are designed to assist Compliance Officers in completing required inspection and examination procedures and obtaining/documenting the required review and approvals from the planning through reporting phases.

Data is stored in the E-zam application is safeguarded through the VPN system connection and system related user access controls. Regarding physical access to data, all employees have access to a supply closet with tools and supplies needed to complete manual, paper-based tasks.

Based on interviews with the IGBWLA Director, reported issues shown in the departure reports are communicated verbally to the Deputy Director of Indiana State Department of Agriculture (ISDA). Based on interviews with the IGBWLA Director, the IGBWLA Director may spend up to four hours preparing a reporting analysis on a licensee. The Director stated that resources are not currently available to replace or customize E-zam to meet their reporting and analytical needs; however the Agency continues to explore technology solutions within available resource constraints.

## E-1. Inspection/Examination Testing Program Design and Operating Effectiveness [Not Established]

Compliance Officers and the IGBWLA Director stated during interviews that they do not create an annual, risk-based inspection and examination plan. Based on limited staffing, the Compliance Officers, Deputy Director and the Director each contribute to complete as many inspections as possible throughout the year, and perform follow-up procedures as their capacity allows.

### E-1. Recommendation

Maturity Level	Recommendation to Reach the Indicated Maturity Level	Estimated Internal Cost	Estimated External Cost
Initial	Develop an annual, risk-based audit plan to identify the inspections, examinations, and follow-up activities to be completed based on available resources. The entire population of licensees may not need to be included each year, but creating a risk-rating methodology and a cyclical plan for adequate audit coverage may help prioritize and allocate limited resources more effectively. For example, based on the risk rating criteria, IGBWLA may decide to inspect licensees rated as “high-risk” every year, and inspect low to moderate risk licensees once every two years. This may help IGBWLA provide adequate audit coverage over a three-year cycle without overextending capacity.	Included in M-2	Included in M-2
Defined	Implement the above, plus seek input from ISDA leaders during the development of the annual audit plan to gain their support and buy-in and to create awareness of resource/capacity limitations.		
Managed	Implement the above, plus update the risk assessment and adjust the audit plan at least once per year.		

## E-2. Risk Assessment [Not Established]

Through interviews and observation of case files, it was noted that IGBWLA Compliance Officers, Deputy Director, and Director does not complete inspection or examination-level risk assessments. Audit best practices suggest that auditor should complete a risk assessment at least once during the planning phase of an engagement to help identify control gaps or weaknesses and to prioritize testing of controls and other mitigation activities for high-risk areas.

### E-2. Recommendation

Maturity Level	Recommendation to Reach the Indicated Maturity Level	Estimated Internal Cost	Estimated External Cost
Initial	IGBWLA should develop a risk-rating methodology (see E-1) which may be applied at the program planning level and the project level. Risk assessments should be documented during planning for each inspection or examination and used to identify control gaps or weaknesses and to tailor the audit program to focus on testing the areas of highest risk.	Creation of the risk assessment methodology and templates may be	Creation of the risk assessment methodology and templates may be

Maturity Level	Recommendation to Reach the Indicated Maturity Level	Estimated Internal Cost	Estimated External Cost
Defined	Implement the above, plus create or update the risk assessment each time the licensee is inspected or examined (i.e., do not rollover the prior risk assessment without reassessing).	included in the scope of M-1.  Additional 10-20 hours per project to develop the risk assessment during project planning.	included in the scope of M-1  Completion of audits would likely cost between \$2,100 and \$4,200 per audit
Managed	Implement the above, plus utilize the audit plan level risk assessment to inform the project level risk assessment and testing program, and use the project level risk assessment to validate the audit plan level assessment. For example, if a licensee was identified as “high-risk” on the annual plan, use the project level assessment to either confirm, or adjust that rating to moderate or minimal risk.		

### E-3. Inspection and Examination Testing Program [Initial]

The E-zam audit software is IGBWLA’s system of record, but it does not include a documented testing program for inspections or examinations. Outside of E-zam, IGBWLA personnel prepare documentation for license applications/renewals, inspections, examinations, and related activities, and save it to a network drive to build the case file for each licensee. However, a testing program is not documented for the inspections or examinations.

E-zam provides standardized data entry fields and computes financial ratios and other data to indicate licensees’ compliance or non-compliance with the State regulations. The software provides several tabs for the Compliance Officers to enter in the licensees’ financial information and other relevant data, and the system will compute the pertinent financial ratios for the Compliance Officer’s review.

IGBWLA Deputy Directors and Compliance Officers explained how E-zam was used during the licensee application/renewal process, inspections and examinations; however, it was observed that while the system included data entry fields, it did not include specific testing procedures, and actual procedures performed were not clear or consistently documented within the software or in IGBWLA case files. A brief description of the main entry tabs used in E-zam are as follows:

- The **Select** tab indicates high-level status information on licensees.
- The **Detail** tab includes data used to track the status of licensees’ fees, bond/insurance, and financial ratios, but testing procedures and their results are not clearly documented or consistently associated with this information.
- The **Computations** tab includes the licensees’, net worth ratio, bond requirements, and other computations for IGBWLA’s records but testing procedures and their results are not clearly documented or consistently associated with this information.
- The **Financial Statement** tab includes data entry fields for the licensees’ financial statement data for record-keeping purposes and financial ratio computations but testing procedures and their results are not clearly documented or consistently associated with this information.
- The **Company** tab includes general information on the licensee organization, but no audit-specific results.

Based on the inspection or examination testing results, the IGBWLA Compliance Officers perform testing procedures, generate a Departure Report using the E-zam software. The Compliance Officer will sign the report, obtain the licensee’s signature, and retain it in IGBWLA case files. However, the Compliance

Officers do not have documented, standard testing programs to support the results included in the Departure Reports.

**E-3. Recommendation**

Maturity Level	Recommendation to Reach the Indicated Maturity Level	Estimated Internal Cost	Estimated External Cost
Defined	<p>IGBWLA should create testing programs for inspections and examinations. For each engagement, the completed testing programs should be documented and included in the work papers.</p> <p>The testing programs should be based on standard requirements and templates and included in an IGBWLA audit procedures manual.</p> <p>The testing program should be reviewed for completeness and adherence to policy by another Compliance Officer or Deputy Director during the planning phase. The completed testing program should be review by another Compliance Officer or Deputy Director prior to generating the final Departure Report and prior to issuing any notices to licensees.</p>	<p>Creation of the testing program requirements and templates may be included in the scope of M-1.</p> <p>Additional 40 -80 hours per project to develop and review the testing program during planning, and to complete and review the testing program prior to issuing Departure Reports and licensee notices.</p>	<p>Creation of the testing program requirements and templates may be included in the scope of M-1.</p> <p>Completion of testing procedures would likely cost between \$8,400 and \$16,800 per audit.</p>
Managed	<p>Implement the above, plus include procedures to tailor the testing program based on the project-level risk assessment described in E-2.</p>		

**E-4. Work Papers Review [Initial]**

In addition to Departure Reports, IGBWLA Compliance Officers generate standard reports using the E-zam software, and upload photographs and other supporting documentation for the inspections and examination results. During interview, the IGBWLA Director and Compliance Officers stated that audit work papers are created in E-Zam and reviewed by Compliance Officers. Once reviewed, the Compliance Officers will generate a Departure Report to specify violations and remedial actions noted during onsite visits with licensees. The Departure Report is saved to E-zam and reviewed by the Deputy Director of Compliance.

Upon review of licensee case files it was noted that the documentation does not include required audit work paper components such as a documented purpose, source, scope, or conclusion. The documents do not include evidence of supervisory review and approval. In addition, the ability to confirm support for the inspection or examination results is complicated by the volume of documentation. Licensee case files may include over one thousand documents and reports with no documented relation to the Departure Report or the auditors' conclusions.

#### E-4. Recommendation

Maturity Level	Recommendation to Reach the Indicated Maturity Level	Estimated Internal Cost	Estimated External Cost
Defined	IGBWLA should document the required components for inspection and examination work papers as follows: <ul style="list-style-type: none"> <li>• Purpose: how the work paper supports the audit objective</li> <li>• Source: where/how the information was obtained</li> <li>• Scope: to which component of the audit scope the work paper relates</li> <li>• Procedures: what the auditor did with the information (i.e., analysis, reconciliation, observation, etc.)</li> <li>• Conclusion: the result of the procedures performed</li> <li>• Preparer/Date</li> <li>• Reviewer/Date</li> </ul>	Creation of the work paper requirements and templates may be included in the scope of M-1.  Hours may vary greatly based on the audit size and scope.  Estimated at an additional 10 - 80 hours per project to complete and review the work papers.	Creation of the work paper program requirements and templates may be included in the scope of M-1.  Completion and review of work papers would likely cost between \$2,100 and \$16,800 per audit.
Managed	Implement the above, plus develop an indexing method to help organize the work papers in the case files retained on the network drive and in E-zam.		

#### E-5. Communication of Results [Initial]

Upon completion of an inspection or examination, the IGBWLA Compliance Officers generate a Departure Report using the E-zam software. If issues of non-compliance with statutes 824 IAC Article 2 or IC 26-3 were noted, the E-zam software system will generate a solution, which is provided to the licensee within a notification to enable them to remediate the issue. The Compliance Officer will sign the report, obtain the licensee’s signature, obtain the Deputy Director’s review, and retain it in IGBWLA case files.

The Departure Report includes line items for compliance issues and an open field for the auditor to add comments. The report also includes a general statement for the licensee to sign,

**“If violations are noted above, I agree to report to the Agency at the above address within 5 days, the progress made toward compliance. Grain shortages must be covered.”**

During observation of case files, no evidence was noted for ratings or escalation of findings based on severity. There was also no evidence that licensees provided input or confirmation of the factual accuracy of findings. In addition, IGBWLA does not have written procedures to instruct Compliance Officers on the requirement for writing findings, escalating issues based on severity, or obtaining confirmation from licensees.

During interviews, Compliance Officers noted frequent occasions where licensees were not aware of or did not understand IGBWLA notices due to compliance issues. In those cases, the licensees may not have familiarized themselves with IGBWLA and its purpose, or the regulatory requirements outlined in statutes 824 IAC Article 2 and IC 26-3.

**E-5. Recommendation**

Maturity Level	Recommendation to Reach the Indicated Maturity Level	Estimated Internal Cost	Estimated External Cost
Defined	IGBWLA should develop written standards for documenting inspection and examination results, including criteria for escalation based on severity, frequency, or systemic issues (i.e., indicators of potential failure).	Creation of the report requirements may be included in the scope of M-1.	Creation of the report requirements may be included in the scope of M-1.
Managed	Implement the above, plus include procedures to enable licensees to provide input or confirm the factual accuracy of findings before finalizing the report or issuing notices.	Estimated an additional 1 - 10 hours per project to complete the report and obtain licensee input.	Completion of recommendations would likely cost between \$210 and \$2,100 per audit.

**E-6. Inspection and Examination Testing Recommendations & Follow-Up [Initial]**

The State regulations include high-level processes for following up and resolving compliance issues with licensees which include notifications, fines, and even license suspension or revocation. However, IGBWLA does not have written procedures to guide personnel on carrying out those processes consistently, or on documenting the resolution of compliance matters. The IGBWLA Director uses discretion to determine the necessary follow-up actions on a case-by-case basis.

During interviews, Compliance Officers stated that follow-up procedures are typically conducted by Compliance Officers, for which there is an established timeline, but may also be conducted by the Deputy Directors on an ad hoc basis. It was also discussed in interviews and observed through case file review that there are no consistent practices or written procedures for conducting and documenting follow-up, monitoring, or closure of prior findings.

In addition, if the agency determines that the licensee has a grain shortage, the IGBWLA Director may hold a claims hearing with potential claimants to provide evidence of their claims (IAC Rule 15. Grain Shortages; Failures; Close out IA 2-15-1 Procedure for failures or grain shortages Sec (10)). The Director will discuss the existence of a shortage within the licensee's grain records and books and may give notice to stakeholders, the public, and the licensed premises according to the results of the proceedings.

In the rare case of a suspension or revocation of license, the Director follows procedures outlined in IC 26-3-7 Chapter 7. Indiana Grain Buyers and Warehouse Licensing and Bonding Law, IC 26-3-7-17.



**E-6. Recommendation**

Maturity Level	Recommendation to Reach the Indicated Maturity Level	Estimated Internal Cost	Estimated External Cost
Defined	IGBWLA should include a work paper in licensees' case files to document the status or resolution of a compliance issue. The work paper should be supported by notices issued, extensions granted, fines assessed, and other relevant documentation.	Creation of the follow-up requirements may be included in the scope of M-1.  Requirements will vary based on the number of issues and extent of follow-up procedures.	Creation of the follow-up requirements may be included in the scope of M-1.  Completion of follow-up procedures would likely cost between \$1,050 and \$2,100 per finding.
Managed	Implement the above, plus consider the amount of follow-up work required on outstanding compliance issues when developing the annual audit plan. This will account for the resources needed to be allocated for follow-up and may help avoid over-extending capacity for services.	Estimate an additional 5-10 hours per finding.	

**E-7. Inspection and Examination Testing Program Quality Assurance**

**[Not Established]**

As stated above in M-3, a Key Success Factors program was implemented in which employees document the goals they would like to achieve for the year and a manager, or senior employee, will review to determine if the employee met or exceeded the goals. However, IGBWLA has not developed top-down performance metrics or quality assurance procedures to validate that the inspection and examination procedures meet expectations and have been completed properly and timely.

**E-7. Recommendation**

Maturity Level	Recommendation to Reach the Indicated Maturity Level	Estimated Internal Cost	Estimated External Cost
Initial	IGBWLA should document standard operating procedures to validate that inspection and examination procedures have been completed properly and timely.	Creation of the performance metrics and quality assurance mechanisms may be included in the scope of M-1.	Creation of the performance metrics and quality assurance mechanisms may be included in the scope of M-1.
Defined	Implement the above, plus develop Agency goals as general guidelines to encourage staff to meet quality expectations.  In addition document key performance indicators (KPI) communicate them to Compliance Officers' to measure performance (e.g., number of examinations completed per year, time to complete testing and examination segments, and review/approval turnaround time).	Deputy Director may need to commit between 20 – 40 per year to evaluate Compliance Officer performance.	
Managed	Implement the above, plus encourage Compliance Officers to develop individual goals which align with Agency goals in order to identify ways to strengthen individual performance and overall inspection and examination production and quality.		

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### **Disclosures**

The assessment was executed in accordance with AICPA Consulting Standards. Because these services do not constitute an audit, review, or examination in accordance with standards established by the American Institute of Certified Public Accountants, Crowe does not express an opinion on any deliverables. Crowe has no obligation to perform any services beyond those listed in this Statement of Work. If Crowe were to perform additional services, other matters might come to Crowe's attention that would be reported to the Indiana State Department of Agriculture (Client). It is understood that Crowe will prepare a report reflecting our findings of the services outlined in the Statement of Work for use by the Client. Crowe makes no representations as to the adequacy of these services for Client's purposes. Crowe makes no warranties, express or implied, and Crowe specifically disclaims all other express and implied warranties, including any implied warranties of merchantability, fitness for a particular purpose, or non-infringement.

Crowe Services and work product are intended for the benefit and use of Client. This engagement was not planned or conducted in contemplation of reliance by any other party or with respect to anyone who receives the deliverables and is not intended to benefit or influence any other party. Therefore, items of possible interest to a third party may not be specifically addressed or matters may exist that could be assessed differently by a third party. Our report or deliverables will indicate the purpose of the project, will describe the intended use of the reports and deliverables, and the intended users of the report and deliverables. The working papers for this engagement are the property of Crowe and constitute confidential information.

Client management is responsible for the results of the services, including findings, conclusions, and recommendations. Client management will be responsible for evaluating the results and conclusions arising from these services.

**Appendix A: Maturity Assessment Model**

Crowe used the criteria within the model below to assess the following components of the IGBWLA audit function:

- Maturity of the audit cycle
- Efficiency and effectiveness of the audit plan and procedures
- Communication and escalation procedures of deficiencies identified by Compliance Officers and other IGBWLA personnel
- Inspection and examination recommendations and follow up procedures over identified deficiencies
- The audit quality review process

In each category, the Optimized column includes the criteria which describes the most mature or most effective and efficient audit component, and the level of maturity/effectiveness gradually decreases in each column with the “Not Established” column representing the least developed or least effective component.

#	Category	Optimized	Managed	Defined	Initial	Not Established
M-1	<b>Audit policies and procedures</b>	Audit policies and procedures are: 1. Documented 2. Comprehensive 3. Communicated to key stakeholders (used in training, as reference, etc.) 4. Updated to reflect actual practices or respond to new requirements 5. Used to measure staff performance (e.g. include KPIs).	Audit policies and procedures are: 1. Documented 2. Comprehensive 3. Communicated to key stakeholders (used in training, as reference, etc.) 4. Updated to reflect actual practices or respond to new requirements.	Audit policies and procedures are: 1. Documented. 2. Comprehensive. 3. Communicated to key stakeholders (used in training, as reference, etc.).	Audit policies and procedures are in place but not documented or consistently applied.	Comprehensive audit policies and procedures are not in place.

#	Category	Optimized	Managed	Defined	Initial	Not Established
M-2	<b>Organization of audit function</b>	The organization of the audit function: 1. Is documented in the organization chart or Agency policy 2. Has defined roles and responsibilities (e.g. audit charter, Agency policy, Board decision, job descriptions) 3. Has reasonable staffing levels (e.g. headcount) to perform the audit function and meet Agency expectations 4. Has funding to obtain additional resources needed to fulfill the audit objectives (e.g. specialists, technology support, administrative support) 5. Reports to an independent body (e.g., board, audit committee, or other independent governance body).	The organization of the audit function: 1. Is documented in the organization chart or Agency policy 2. Has defined roles and responsibilities (e.g. audit charter, Agency policy, Board decision, job descriptions) 3. Has reasonable staffing levels (e.g. headcount) to perform the audit function and meet Agency expectations 4. Has funding to obtain additional resources needed to fulfill the audit objectives (e.g. specialists, technology support, administrative support).	The organization of the audit function: 1. Is documented in the organization chart or Agency policy 2. Has defined roles and responsibilities (e.g. audit charter, Agency policy, Board decision, job descriptions) 3. Has reasonable staffing levels (e.g. headcount) to perform the audit function and meet Agency expectations.	The organization of the audit function is documented in the organization chart or Agency policy.	The organization of the audit function does not have documented roles and responsibilities.

#	Category	Optimized	Managed	Defined	Initial	Not Established
M-3	<b>Team Qualifications &amp; Development</b>	Inspection and examination testing program team members: 1. Have written job descriptions. 2. Have relevant experience consistent with written job descriptions. 3. Have adequate access to, resources for training, upon individual request. 4. Must have specific certifications or experience, required by the Agency. 5. Must complete a minimum amount of continuing professional education each year, as part of a training program established by the Agency.	Inspection and examination testing program team members: 1. Have written job descriptions. 2. Have relevant experience consistent with written job descriptions. 3. Have adequate access to, resources for training, upon individual request. 4. Must have specific certifications or experience, required by the Agency.	Inspection and examination testing program team members: 1. Have written job descriptions. 2. Have relevant experience consistent with written job descriptions. 3. Have adequate access to, resources for training, upon individual request.	Inspection and examination testing program team members: 1. Have written job descriptions. 2. Have relevant experience consistent with written job descriptions.	Inspection and examination testing program team does not have written job descriptions or requirements for training or experience.

#	Category	Optimized	Managed	Defined	Initial	Not Established
M-4	<b>Inspection and Examination Tools and Documentation of Existing Controls</b>	Inspection and examination tools include: 1. Paper or electronic templates to consistently document work papers using a standard format. 2. Software which enables the secure storage of electronic inspection and examination records. 3. MS Office or similar software used to assist examiners in documenting planning and fieldwork procedures and generating reports. 4. Information systems which are designed to assist examiners in completing required inspection and examination procedures and obtaining/documenting the required review and approvals from the planning through reporting phases. 5. Sophisticated applications which are used to securely store data, complete examination and testing procedures and perform analytical procedures.	Inspection and examination tools include: 1. Paper or electronic templates to consistently document work papers using a standard format. 2. Software which enables the secure storage of electronic inspection and examination records. 3. MS Office or similar software used to assist examiners in documenting planning and fieldwork procedures and generating reports. 4. Information systems which are designed to assist examiners in completing required inspection and examination procedures and obtaining/documenting the required review and approvals from the planning through reporting phases.	Inspection and examination tools include: 1. Paper or electronic templates to consistently document work papers using a standard format. 2. Software which enables the secure storage of electronic inspection and examination records. 3. MS Office or similar software used to assist examiners in documenting planning and fieldwork procedures and generating reports.	Inspection and examination tools include: 1. Paper or electronic templates to consistently document work papers using a standard format. 2. Software which enables the secure storage of electronic inspection and examination records.	There are no Inspection and examination tools or software applications to assist in the inspection and examination process.

	Category	Optimized	Managed	Defined	Initial	Not Established
E-1	<b>Inspection and Examination Testing Program Design and Operating Effectiveness</b>	The inspection and examination testing program plan: <ol style="list-style-type: none"> <li>1. Is developed and prioritized based on risk.</li> <li>2. Provides adequate inspection and examination coverage over a defined cycle</li> <li>3. Includes input and support from Agency leadership.</li> <li>4. Is updated at least annually.</li> <li>5. Is flexible and adaptable based on new or emerging risks or events.</li> </ol>	The inspection and examination testing program plan: <ol style="list-style-type: none"> <li>1. Is developed and prioritized based on risk.</li> <li>2. Provides adequate inspection and examination coverage over a defined cycle</li> <li>3. Includes input and support from Agency leadership.</li> <li>4. Is updated at least annually.</li> </ol>	The inspection and examination testing program plan: <ol style="list-style-type: none"> <li>1. Is developed and prioritized based on risk.</li> <li>2. Provides adequate inspection and examination coverage over a defined cycle</li> <li>3. Includes input and support from Agency leadership.</li> </ol>	The inspection and examination testing program plan: <ol style="list-style-type: none"> <li>1. Is developed and prioritized based on risk.</li> <li>2. Provides adequate inspection and examination coverage over a defined cycle</li> </ol>	The inspection and examination testing program plan is not developed from a defined, risk-based process

	Category	Optimized	Managed	Defined	Initial	Not Established
E-2	Risk Assessment	Risk assessments: 1. Are documented for each inspection and examination. 2. Are based on a defined set of criteria/ scoring methodology (e.g., impact/likelihood). 3. Are reassessed on each iteration (i.e., not rolled over or solely based on the prior assessment). 4. Are conducted at the enterprise-level (i.e., to develop the annual inspection and examination plan), and at the project level to develop the inspection and examination testing program. 5. Data are maintained and used to analyze trends and inform key stakeholders (e.g. informing decisions, prioritization of resources, identifying emerging risks, etc.).	Risk assessments: 1. Are documented for each inspection and examination. 2. Are based on a defined set of criteria/ scoring methodology (e.g., impact/likelihood). 3. Are reassessed on each iteration (i.e., not rolled over or solely based on the prior assessment). 4. Are conducted at the enterprise-level (i.e., to develop the annual inspection and examination plan), and at the project level to develop the inspection and examination testing program.	Risk assessments: 1. Are documented for each inspection and examination. 2. Are based on a defined set of criteria/ scoring methodology (e.g., impact/likelihood). 3. Are reassessed on each iteration (i.e., not rolled over or solely based on the prior assessment).	Risk assessments: 1. Are documented for each inspection and examination. 2. Are based on general criteria/ scoring methodology (e.g., high, moderate, minimal risk).	Risk assessments are not documented for each inspection and examination or based on established criteria.



	Category	Optimized	Managed	Defined	Initial	Not Established
E-3	<b>Inspection and Examination testing Program</b>	Inspection and examination testing programs: 1. Are documented for each inspection and examination testing and included in the work papers. 2. Are developed based on standard operating procedures and using standard work paper templates. 3. Are reviewed by supervisory-level personnel as part of the inspection and examination testing planning process. 4. Are derived from project- level risk assessments. 5. Are tailored for each inspection and examination testing to confirm that the procedures address the testing objectives and greatest risks.	Inspection and examination testing programs: 1. Are documented for each inspection and examination testing and included in the work papers. 2. Are developed based on standard operating procedures and using standard work paper templates. 3. Are reviewed by supervisory-level personnel as part of the inspection and examination testing planning process. 4. Are derived from project- level risk assessments.	Inspection and examination testing programs: 1. Are documented for each inspection and examination testing and included in the work papers. 2. Are developed based on standard operating procedures and using standard work paper templates. 3. Are reviewed by supervisory-level personnel as part of the inspection and examination testing planning process.	Inspection and examination testing programs are documented for each testing and included in the work papers, but are not consistent, according to established procedures.	Inspection and examination testing programs are not documented in a consistent manner for each program.

	Category	Optimized	Managed	Defined	Initial	Not Established
E-4	Workpapers review	Inspection and examination testing work papers: 1. Are prepared using standard work paper templates. 2. Are prepared in accordance with standard operating procedures. 3. Include documented evidence of preparation and review/approvals. 4. Are documented and retained within the Agency's record-keeping system. 5. Are automated using technology to enhance efficiency and reduce administrative efforts.	Inspection and examination testing work papers: 1. Are prepared using standard work paper templates. 2. Are prepared in accordance with standard operating procedures. 3. Include documented evidence of preparation and review/approvals. 4. Are documented and retained within the Agency's record-keeping system.	Inspection and examination testing work papers: 1. Are prepared using standard work paper templates. 2. Are prepared in accordance with standard operating procedures. 3. Include documented evidence of preparation and review/approvals.	Inspection and examination testing work papers are documented in the inspection and examination testing records but are not consistent or in accordance with established procedures.	Inspection and examination testing workpapers are not documented consistently for each inspection and examination testing .

	Category	Optimized	Managed	Defined	Initial	Not Established
E-5	<b>Communication of Results</b>	<p>Protocols for communicating inspection and examination testing results include:</p> <ol style="list-style-type: none"> <li>1. Required agency management review and approvals prior to communication of the inspection and examination testing results.</li> <li>2. Standards for documenting inspection and examination testing results (i.e., consistent content and format.</li> <li>3. Standards for rating and/or escalating findings based on severity, frequency, systemic issues, or other criteria</li> <li>4. Examinee input/confirmation of facts on preliminary findings.</li> <li>5. Written corrective action plans are requested from examinee to remediate findings.</li> </ol>	<p>Protocols for communicating inspection and examination testing results include:</p> <ol style="list-style-type: none"> <li>1. Required agency management review and approvals prior to communication of the inspection and examination testing results.</li> <li>2. Standards for documenting inspection and examination testing results (i.e., consistent content and format</li> <li>3. Standards for rating and/or escalating findings based on severity, frequency, systemic issues, or other criteria.</li> <li>4. Examinee input/confirmation of facts on preliminary findings.</li> </ol>	<p>Protocols for communicating inspection and examination testing results include:</p> <ol style="list-style-type: none"> <li>1. Required agency management review and approvals prior to communication of the inspection and examination testing results.</li> <li>2. Standards for documenting inspection and examination testing results (i.e., consistent content and format.</li> <li>3. Standards for rating and/or escalating findings based on severity, frequency, systemic issues, or other criteria.</li> </ol>	<p>Protocols for communicating the inspection and examination testing results which include agency management review and approvals prior to the communication of inspection and examination testing results, but communications are not consistent or made in accordance with established procedures.</p>	<p>Protocols for communicating the inspection and examination testing results are not documented, and reporting is done on an ad hoc basis.</p>

	Category	Optimized	Managed	Defined	Initial	Not Established
E-6	<b>Inspection and Examination Testing Recommendations &amp; Follow-Up</b>	<ol style="list-style-type: none"> <li>1. Recommendations are documented for each inspection and examination testing deficiency.</li> <li>2. Examiners evaluate management corrective action plans for reasonableness and alignment with inspection and examination testing recommendations.</li> <li>3. Procedures are established for follow-up monitoring and reporting until deficiencies have been resolved, and status is documented at frequent intervals.</li> <li>4. Follow-up on prior inspection and examination testing recommendations is considered when developing then annual inspection and examination testing plan.</li> <li>5. Recommendations are drafted to address the root cause, are developed in collaboration with the examinee, are feasible to implement, and are time-bound.</li> </ol>	<ol style="list-style-type: none"> <li>1. Recommendations are documented for each inspection and examination testing deficiency.</li> <li>2. Examiners evaluate management corrective action plans for reasonableness and alignment with inspection and examination testing recommendations.</li> <li>3. Procedures are established for follow-up monitoring and reporting until deficiencies have been resolved, and status is documented at frequent intervals.</li> <li>4. Follow-up on prior inspection and examination testing recommendations is considered when developing then annual inspection and examination testing plan.</li> </ol>	<ol style="list-style-type: none"> <li>1. Recommendations are documented for each inspection and examination testing deficiency.</li> <li>2. Examiners evaluate management corrective action plans for reasonableness and alignment with inspection and examination testing recommendations.</li> <li>3. Procedures are established for follow-up monitoring and reporting until deficiencies have been resolved, and status is documented at frequent intervals.</li> </ol>	<ol style="list-style-type: none"> <li>1. Recommendations are documented for each inspection and examination testing deficiency.</li> <li>2. Examiners evaluate management corrective action plans for reasonableness and alignment with inspection and examination testing recommendations.</li> </ol>	Procedures are not established for follow-up monitoring and reporting. Corrective action plans are not assessed or implemented for reasonableness and are not aligned with the inspection and examination recommendations.

	Category	Optimized	Managed	Defined	Initial	Not Established
E-7	<b>Inspection and Examination Testing Program Quality Assurance</b>	<ol style="list-style-type: none"> <li>Standard operating procedures are in place to validate that the inspection and examination procedures have been completed properly and timely.</li> <li>Agency goals have been developed as general guidelines to encourage staff to meet quality expectations.</li> <li>Key performance indicators (KPI) are documented to measure examiners' performance and have been communicated to inspection and examination personnel (# examinations/year, # personnel per each inspection and examination testing program, time to complete inspection and examination segments, review/approval turnaround time).</li> <li>Examinees develop goals in collaboration with Agency management to identify ways to strengthen individual performance and overall inspection and examination production and quality.</li> </ol>	<ol style="list-style-type: none"> <li>Standard operating procedures are in place to validate that the inspection and examination procedures have been completed properly and timely.</li> <li>Agency goals have been developed as general guidelines to encourage staff to meet quality expectations.</li> <li>Key performance indicators (KPI) are documented to measure examiners' performance and have been communicated to inspection and examination personnel (#examinations//year, # personnel per each inspection and examination testing program, time to complete testing and examination segments, review/approval turnaround time).</li> <li>Examinees develop goals in collaboration with Agency management to identify ways to strengthen individual performance and overall inspection and examination production and quality.</li> </ol>	<ol style="list-style-type: none"> <li>Standard operating procedures are in place to validate that inspection and examination procedures have been completed properly and timely.</li> <li>Agency goals have been developed as general guidelines to encourage staff to meet quality expectations.</li> <li>Key performance indicators (KPI) are documented to measure examiners' performance and have been communicated to inspection and examination personnel (#examinations/year, # personnel per each inspection and examination testing program, time to complete testing and examination segments, review/approval turnaround time).</li> </ol>	Standard operating procedures are in place to validate that the inspection and examination procedures have been completed properly and timely, but no agency-wide goals have been developed to encourage staff to meet quality expectations.	Inspection and examination testing quality assurance mechanisms or KPIs have not been developed.

	Category	Optimized	Managed	Defined	Initial	Not Established
		5. Goals and KPIs are used to inform the formation of the annual budget to help confirm that the inspection and examination quality expectations are funded and feasible to achieve.				