



STATE OF ILLINOIS

OFFICE OF THE AUDITOR GENERAL

MANAGEMENT AUDIT

REGULATION OF GRAIN DEALERS AND WAREHOUSEMEN
AND THE ADMINISTRATION OF THE GRAIN INSURANCE FUND

ILLINOIS DEPARTMENT OF AGRICULTURE
AND THE GRAIN INSURANCE CORPORATION

DECEMBER 2003

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*To the Legislative Audit Commission, the Speaker
and Minority Leader of the House of
Representatives, the President and Minority Leader
of the Senate, the members of the General
Assembly, and the Governor:*

This is our report of the Management Audit of the Illinois Department of Agriculture and the Grain Insurance Corporation Regulation of Grain Dealers and Warehousemen and the Administration of the Grain Insurance Fund.

The audit was conducted pursuant to Legislative Audit Commission Resolution Number 125, which was adopted December 11, 2002. This audit was conducted in accordance with generally accepted government auditing standards and the audit standards promulgated by the Office of the Auditor General at 74 Ill. Adm. Code 420.310.

The audit report is transmitted in conformance with Section 3-14 of the Illinois State Auditing Act.

A handwritten signature in black ink, appearing to read "William G. Holland".

WILLIAM G. HOLLAND
Auditor General

Springfield, Illinois
December 2003

REPORT DIGEST

MANAGEMENT AUDIT

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Released: December 2003



State of Illinois
Office of the Auditor General

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SYNOPSIS

The Illinois Department of Agriculture has the responsibility for licensing and regulating grain dealers and warehouses. According to Department data, as of February 2003, there were 423 State licensed grain dealers and warehouses with 1,148 locations. In August 2001, Ty-Walk Liquid Sales Inc. (Ty-Walk) failed, leaving approximately \$9 million in claims to be paid by the Grain Insurance Fund (GIF). As is required by law, \$4 million was transferred from the General Revenue Fund to the GIF in March 2002 to help pay these claims.

Public Act 93-225, effective July 21, 2003, made changes to the Grain Code that should assist the Department in its regulation and oversight of grain dealers and warehouses.

In addition to the changes contained in the new Act, we concluded that the Department could further strengthen its regulation and oversight of grain dealers and warehouses by:

- Checking the backgrounds of owners, managers, and board members of licensees;
- Requiring a second review and approval of all license applications;
- Providing training to examiners in areas such as accounting and financial fraud detection;
- Having examiners file a conflict of interest or impairment disclosure form either annually or for each examination performed;
- Promulgating rules to implement the new examination requirements in Public Act 93-225;
- Consider requiring training of licensees and implementing a licensure test or training certification program for grain managers/merchandisers; and
- Creating a centralized database with access to all data regarding licensees.

We reviewed the claims process and found that the Department lacks specific procedures outside the Grain Code to ensure that timelines are met and to determine what is a valid claim.

According to the Department, the repayment of \$4 million to the General Revenue Fund should take approximately three years, but it may take longer depending on several variables, including the number or size of future failures, the collection of assessments, or the amount of post draw recoveries. As of June 2003, total assets of the GIF were \$1,166,397, and no funds had been repaid to the General Revenue Fund.

MANAGEMENT AUDIT – REGULATION OF GRAIN DEALERS AND WAREHOUSEMEN AND THE
ADMINISTRATION OF THE GRAIN INSURANCE FUND

REPORT CONCLUSIONS

The Illinois Department of Agriculture (Department) has had the responsibility for licensing and regulating grain dealers and warehouses since the Grain Dealers Act was created in 1967. Warehouses provide facilities to store grain until the producer decides to either sell or use the grain, while grain dealers provide producers with a ready market in which to sell their grain. According to Department data, as of February 2003 there were a total of 423 State licensed grain dealers and warehouses with 1,148 locations and a storage capacity of over one billion bushels.

In 1983, the Illinois Grain Insurance Act created a pool (the Grain Insurance Fund) funded by the licensed participants, to be used to cover claims in the event of a grain dealer or warehouse failure. In August 2001, Ty-Walk Liquid Sales, Inc. (Ty-Walk) failed, leaving approximately \$9 million in claims to be paid by the Grain Insurance Fund (GIF). The Illinois Grain Code (240 ILCS 40/1-1 *et seq.*) states that if amounts in the Fund are insufficient to pay all valid claims, the General Assembly shall appropriate to the Grain Insurance Corporation amounts sufficient to satisfy the valid claims. Because the Grain Insurance Fund had an insufficient fund balance to cover these claims at the time of the failure, \$4 million was transferred from the General Revenue Fund to the GIF to pay these claims.

The Illinois Department of Agriculture's system of regulation and oversight includes licensing and examination requirements. The Illinois Grain Code and the Illinois Administrative Code (8 Ill. Adm. Code 281.10 through 281.90) contain specific requirements for licensing and examining grain dealers and grain warehouses in the State of Illinois. The Grain Code also contains provisions that allow for corrective actions and penalties related to violations of the Grain Code, financial deficiencies, administrative penalties, and suspension and revocation of a license. Although the Department has implemented some changes in its regulation and oversight, the Department could further strengthen its regulation and oversight by:

- Checking the backgrounds of owners, managers, and board members of licensees during the license application and renewal process;
- Requiring a second review and approval of all the license applications;
- Providing training to examiners in areas such as accounting and financial fraud detection;

- Having examiners file a conflict of interest or impairment disclosure form either annually or for each examination performed;
- Promulgating rules to implement the new examination requirement contained in Public Act 93-225;
- Consider requiring training of licensees and implementing a licensure test or training certification program for grain managers/merchandisers; and
- Creating a centralized database that allows the Department to access data regarding licensing, examinations, and corrective actions. Currently the Department's data is kept in several locations and corrective actions such as Memorandums of Adjustment and license suspensions are not tracked. The Department also does not track officers, directors, managers, and partners of former licensees that have had their license terminated or revoked or who have improperly manipulated books and records or undertaken other improper business practices.

The Department's responsibilities regarding the process of liquidation and adjudication of claims in the event of a failure are delineated in the Grain Code and administrative code, including specific timelines for submitting claims and determining compensation. We reviewed the claims process and sampled claims for two failures (Ty-Walk and Ashley Elevator) to determine whether requirements established by the Grain Code and administrative rules for processing claims are adequate and being followed by the Department of Agriculture. The Department should establish specific procedures outside the Grain Code to determine what is a valid claim. There is potential for claimants to spread the claim amounts to different family members to avoid the maximum limit for claims set forth in the Grain Code.

The Grain Code requires that the Department determine the validity, category, and amount of claims within 120 days after the date of failure. It also requires that the claimant be compensated within approximately 180 days of the date of failure. The Department should develop procedures to ensure that timelines relating to claims are met. Our sample of claims showed that it took an average of 227 days from the date of failure to compensate Ty-Walk claimants. Department officials noted that the process was slowed because of bankruptcy proceedings. Our sample of Ashley Elevator claims showed it took on average 156 days to compensate the claimant from the date of failure. According to Department officials, several variables affect the timeliness of claimant compensation including the size and type of failure, the types of claims and contracts involved, the make-up of creditors, the amount of inventory, and whether bankruptcy is involved.

For the Ty-Walk failure, in 36 cases the claimant appealed the initial determination made by the Department. In seven cases the Department's original determination was overturned with these claimants being awarded an additional \$163,134. Seven claimants appealed their claims to the circuit court and as of September 2003, three Department determinations were affirmed and four cases were still pending in circuit court, which could potentially amount to \$115,311.

As of June 30, 2003, a total of \$31,717,287 was paid to 281 Ty-Walk claimants. Five claimants received 76 percent of the total payout (over \$24 million). These claimants were banks and other entities that held collateral warehouse receipts for grain stored at Ty-Walk. Although a majority of the claimants were producers, they received \$7,568,886 or 24 percent of the total payout.

On March 21, 2002, \$4 million was transferred from the General Revenue Fund to the Grain Insurance Fund (GIF). According to the Department's projected plan, General Revenue Fund repayment should take approximately three years, but it may take longer depending on several variables, including the number or size of future failures, the collection of assessments, the amount of post draw recoveries, or other market conditions. As of June 2003, total assets of the GIF were \$1,166,397, and no funds had been repaid to the General Revenue Fund. Although Public Act 93-225 established a new minimum GIF balance of \$6 million and a Reserve Fund of \$2 million, the GIF balance, even when fully funded, may not be sufficient to cover another major failure such as Ty-Walk. The Department should periodically evaluate the GIF's capacity to help ensure there are adequate resources in the GIF and determine whether further changes to the Grain Code are needed. The Department should also ensure that all sub-accounts under the Grain Indemnity Trust Account are used for their designated purpose.

Public Act 93-225, effective July 21, 2003, made several changes to the Grain Code that should assist the Department in its regulation and oversight of grain dealers and warehouses. The Act also contained many changes regarding the GIF including establishing two new assessments: a grain seller initial assessment and a lender assessment. Both assessments will be difficult to track because the Act requires the licensee to notify, collect, or remit the assessment to the Department. We recommended that the Department should take steps to ensure the correct amount is assessed and collected for the new grain seller and lender assessments.

BACKGROUND

On December 11, 2002, the Legislative Audit Commission adopted Resolution Number 125, which directed the Auditor General to conduct a management audit of the Illinois Department of Agriculture and the Grain Insurance Corporation with regard to the regulation of grain dealers and warehousemen and the administration of the Grain Insurance Fund.

The Resolution asks the Auditor General to determine:

- Whether there are sufficient resources in the Grain Insurance Fund, and if shortages exist, the plans to obtain funds needed to pay valid claims;
- Whether the rules established for processing claims filed against grain dealers and warehousemen who chose or become insolvent are adequate; and
- Whether oversight of grain dealers and warehousemen, including the conduct of any audits, site examinations, or other reviews, is sufficient to protect the interests of grain producers, other grain dealers and warehousemen, and the State of Illinois.

Grain dealers and warehouses play an important role in Illinois agriculture. Warehouses provide facilities to store grain until the producer decides to either sell or use the grain. Grain dealers provide producers with a ready market in which to sell their grain. This expedites the flow of grain from farm to market.

- When a grain elevator **stores** grain for a farmer, the elevator is acting as a **warehouse**. The farmer is given a warehouse receipt or a scale ticket as evidence that the grain is stored.
- When an elevator **buys** grain from a farmer, it is acting as a **grain dealer**. Farmers may sell grain to an elevator under several different arrangements.

Illinois Department of Agriculture

Under the provisions of the Illinois Grain Code (240 ILCS 40/1-15), the Director of the Illinois Department of Agriculture is responsible for the regulation and oversight of grain dealers and warehouses in the State. Inspecting and licensing grain dealers and most warehouses in Illinois is undertaken through the Department's Division of Agriculture Industry Regulation, Bureau of Warehouses.

The Illinois Department of Agriculture is responsible for the regulation and oversight of grain dealers and warehouses in the State.

Grain dealers and warehouses may close for many reasons, including voluntarily surrendering their license, selling the facility, merger/consolidation, or forming a new entity. The number of closings over the past three years ranged from 25 in 2000 to 34 closings in 2002. Of these closings, only 1 or 2 per year meet the definition of a failure, according to the Illinois Department of Agriculture. In some closings, the Department of Agriculture works with the licensee and their boards toward an orderly liquidation or sale in order to avoid a failure and the need to request a transfer from the Illinois Grain Insurance Fund.

**The number of
closings over the
past three years
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2000 to 34 closings
in 2002.**

Illinois Grain Insurance Corporation

The Illinois Grain Insurance Corporation was established in 1983. The primary functions of the Corporation are to make investments with funds assessed and collected by the Department of Agriculture and to transfer funds from the Grain Insurance Fund to the Grain Indemnity Trust Account when the Director of the Department of Agriculture determines it necessary in order to compensate claimants.

The Illinois Grain Insurance Fund (GIF) was established in 1983 by the Illinois Grain Insurance Act. The GIF was created to protect producers in the event of a failure of a licensed grain dealer or warehouse and to ensure the existence of an adequate resource so that persons holding valid claims may be compensated for losses in the event of a failure. The Department of Agriculture is responsible for requesting monies from the GIF. (pages 3-8)

REGULATION AND OVERSIGHT

The Illinois Department of Agriculture's system of regulation and oversight includes licensing and examination requirements. The Illinois Grain Code (240 ILCS 40/1-1 *et seq.*) and the Illinois Administrative Code (8 Ill. Adm. Code 281.10 through 281.90) contain specific requirements for licensing and examining grain dealers and grain warehouses in the State of Illinois. The Grain Code and administrative rules also contain provisions that allow for corrective actions and penalties related to violations of the Grain Code, financial deficiencies, administrative penalties, and suspension and revocation of a license. (page 13)

LICENSING PROCESS

When an application for a grain dealer or warehouse license is received by the Illinois Department of Agriculture, several checks are conducted. Department personnel use the audited financial statements that

are sent with the application to calculate the current ratio of assets to liabilities (which must be at least 1:1) and the adjusted debt to equity (which cannot be more than 3:1) for each applicant. For license renewals, if the financial ratios are not sufficient, then the Grain Code permits the applicant to post collateral in an amount to meet the financial requirements. New licensees are not allowed to post collateral to meet the financial ratios required for licensure.

The Department also checks to see that the license applicant has insurance and whether the most recent audit of the licensee contained a qualified opinion. The Department may also disallow some assets when calculating the financial ratios. These disallowances may be for reasons such as a “receivable due from a related party” or “loans due from an affiliated company.”

There was no evidence that the Department had conducted background checks of applicants.

We found that:

- In many cases reviewed (20 of 30), only one Department employee completed the financial analysis, reviewed the application, and approved the license applications. In 10 of the cases, a second review was conducted. A second review would ensure accuracy of financial analysis and provide for additional controls.
- In all 30 cases, there was no evidence that the Department had conducted background checks of applicants.

The Grain Code states that an applicant cannot have had its license terminated or revoked by the Department, the United States, or by any other state or jurisdiction within two years of the date of application (this includes officers, directors, partners, or managers), leaving unsatisfied indebtedness to claimants, unless the applicant or licensee makes a sufficient showing to the Department that the person or related party was not materially and substantially involved as a principal in the business that had its license terminated. The Department does not track these individuals, and therefore cannot ensure that licensees are complying with these requirements of the Grain Code.

We recommended that the Department should: ensure that all license applications and related financial analyses are reviewed and approved by a supervisor; conduct background checks of all license applicants including its officers, directors, partners, and managers; and track officers, directors, managers, and partners of former licensees that have had their licenses terminated or revoked or who have improperly manipulated books and records or undertaken other improper business practices. (pages 15-19)

EXAMINATIONS

The Department is required by law to conduct an examination and inspect each licensed grain dealer and grain warehouse at least once each calendar year (240 ILCS 40/1-15). In addition to performing a physical inventory and financial analysis, examiners perform several types of procedures and reviews to verify financial information and check compliance with grain regulations. The most recent examiner's manual lists a total of 13 spot checks that may be performed during an examination. The checks include areas such as price later contracts (contracts that establish the grain price after delivery), warehouse receipts, scale tickets, and daily position records. However, the number and type of spot checks performed depends upon the activities that are undertaken by the licensee.

According to data provided by the Department, there were 877 examinations of licensed grain dealers and warehouses conducted during Calendar Year 2002. We determined that all licensees received at least one subsequent examination during calendar year 2002.

Examination Requirement Changes In Public Act 93-225

Public Act 93-225, effective July 21, 2003, made several changes to the Grain Code. The new examination requirements in Public Act 93-225 establish three types of examinations to be conducted based upon the activities of the licensee. It also requires the Department to promulgate rules regarding the specific components and guidelines of these exams. The current administrative rules do not contain provisions regarding the components or guidelines for examinations. The Department may also engage the services of accounting experts, grain risk management experts, or both as part of any intermediate or advanced examination.

Supervisory Review

The average amount of time between completion of the subsequent exam and when the Department's central office personnel reviewed the exam was 28.5 days, for the 30 files we reviewed. The number of days between exam completion and central office review ranged from 79 days to 3 days. The exam which took 79 days between completion and review date occurred in late 2001, during the failure and liquidation of Ty-Walk. There are no formal written guidelines regarding supervisory review or timelines in which the review should be conducted.

The Department is required by law to conduct an examination and inspect each licensed grain dealer and grain warehouse at least once each calendar year.

There are no formal written guidelines regarding supervisory review or timelines in which the review should be conducted.

Closeout Exams

When a licensee closes or is bought through a successor agreement, a closeout examination is performed. We found that some closeout exams were not being conducted prior to the company closing or a successor agreement being in effect. In one case it took approximately 3 ½ months from the date of closing before the Department conducted the closeout examination. In the exam it stated that the examiner could not verify unreceipted storage, grain payables, open purchase contracts, and unfilled sales contracts.

Distribution and Notification of Examination Results

Board members of the cooperatives or companies that are licensed grain dealers or warehouses are not required to attend the exit conferences or sign off on the examination results. Also, according to Department officials, board members are not sent a copy of the examinations. Having an active and informed board can play a vital role in the success or failure of any organization and boards are often the first line of defense against misguided management.

Board members of the cooperatives or companies that are licensed grain dealers or warehouses are not required to attend the exit conferences or sign off on the examination results.

We recommended that the Department should promulgate rules to implement the new examination process delineated in Public Act 93-225; consider engaging the services of accounting experts and grain risk management experts; consider establishing a time limit and guidelines for examinations, and documenting supervisory review of examinations; establish guidelines for notification of successor agreements and closeout examinations; consider requiring at least one board member to be present at exit conferences and sign the examination certification form; and consider providing copies of examinations to board members, directors, and owners of licensees. (pages 19-27)

EXAMINERS

As of July 2003, the Bureau of Warehouses had 24 examiners, 23 who conducted field exams of licensees and one who reviewed the exams in the Springfield office. In addition, there were two Public Service Administrators that supervise the work of the examiners.

Training

The Department has not established training requirements for new examiners or a formal written training plan. The Department also does not track training examiners receive. The Department could not provide the number of hours of training that each examiner had received each year

because this is not in the personnel files or tracked by the Bureau of Warehouses or Human Resources. There was no evidence that examiners had received training in grain accounting or detecting fraud.

Conflicts of Interest

According to Department officials, each examiner files a conflict of interest statement with the Department to disclose potential impairments. However, our review showed that these conflicts were not always taken into account and there were potential conflicts of interest that were not reported.

- Nine examiners conducted 32 exams of licensees that they listed as having a conflict between 1994 and 2003. Twenty-eight of these were between 1999-2003; and
- Examiners did not always list former employers that are licensees as a conflict.

We recommended that the Department should provide training to examiners in grain accounting and fraud detection; track training received by examiners; and identify potential examiner conflicts of interest by requiring examiners to file an annual statement or a statement prior to each engagement. (pages 27-31)

Conflicts were not always taken into account and there were potential conflicts of interest that were not reported.

CORRECTIVE ACTIONS

The Illinois Department of Agriculture has several courses of action it can take to correct violations of the Grain Code. These actions include issuing a Memorandum of Adjustment, assessing financial penalties, requiring collateral, increasing reporting requirements, suspending or revoking a license, and criminal prosecution.

Guidelines and Tracking Corrective Actions

The system of corrective actions and monitoring is inconsistent. We compared the licensees that were (1) on an accelerated exam schedule, (2) those required to submit an audit within 60 days of the end of their fiscal year, and (3) those required to file additional reports. Our review showed that one or two of the actions listed above were required for some licensees while others were required to do all three.

The Department has no formal written guidelines regarding when a licensee should be placed on an accelerated exam schedule, be required to file an audit within 60 days of the end of the licensee's fiscal year, or be required to file additional reports. Written guidelines would help the

The Department has no formal written guidelines regarding when a licensee should be placed on an accelerated exam schedule, be required to file an audit within 60 days of the end of the licensee's fiscal year, or be required to file additional reports.

Department take more consistent corrective actions against those licensees that violated the Grain Code and other Department requirements.

Digest Exhibit 1 CORRECTIVE ACTIONS Fiscal Years 1999-2002				
Action Taken	1999	2000	2001	2002
Formal Hearings	16	22	20	22
Penalties	9	17	16	18
Penalty Amount	\$2,750	\$7,250	\$5,250	\$6,750
Licenses Suspended	<i>See Note</i>			
License Revoked	0	0	0	0
<p>Note: The Department could not provide information regarding the number of licenses suspended each year. Source: OAG analysis of Illinois Department of Agriculture data.</p>				

Digest Exhibit 1 shows corrective actions for the period 1999-2002. We requested the number of license suspensions issued by the Department. However, the Department could not provide a total because it does not track suspensions. We also reviewed closings and failures for the period 1999-2002 and found that over those four years no licenses were revoked. We recommended that the Department should establish guidelines for taking and tracking corrective actions.

Licensee Training

There are no testing or training requirements to manage a grain dealership or grain warehouse. Although the Department does require tests for certain professions, there is no such requirement for grain dealers or warehousemen.

Training would help grain dealers and warehouses reduce the number of problems found in examinations. Training would also help the examinations go more smoothly because records would be more easily followed by examiners and the licensees would be able to prepare and provide information in the proper format. Further, training for licensees would especially be beneficial taking into account the large amount of changes to the Grain Code that were recently enacted by Public Act 93-225. (pages 31-36)

DATA MANAGEMENT

The Department's computer system does not contain a centralized database with all information on licensees. As of December 2002, licensee data was stored in many areas/data tables and in different software applications making it difficult to access all information on each licensee such as financial histories, examination histories, hearing history, and collateral on file. The Department also does not track corrective actions taken in each Memorandum of Adjustment, suspensions, or other violations of the Grain Code for follow up. If this information was available in one place for each licensee, the Department could better track licensees, especially those that have violated requirements of the Grain Code. The Department identified this as an area of concern in December 2002 and has taken some steps toward achieving this with the examination and licensing information.

We recommended that the Department should continue to merge its computer systems in order to better track licensing, examinations, and corrective action information. (page 36)

The Department's computer system does not contain a centralized database with all information on licensees.

CLAIMS PROCESSING

The timelines and process for adjudication of claims is contained in the Grain Code. Overall, the process should take approximately 180 days from failure to the point where the claimant is reimbursed for a claim. However, according to Department officials, the time it takes depends upon several factors, including the number of claims and whether the elevator has declared bankruptcy and the courts are involved.

The Department lacked specific procedures, other than those in the Grain Code, to determine what was a valid claim. We reviewed the list of claimants for Ty-Walk and found several instances where multiple claims were filed for the same family under different names of family members. According to Department officials, these all met the definition of claimant.

While all of these may be legitimate claims, there is potential for claimants to spread the claim amounts to different family members in order to maximize recovery of claims and avoid the maximum limitation for claims set forth in the Grain Code. According to the Department, they must look at every individual case because each claim can have different characteristics and therefore needs to be handled differently. Written procedures would give guidance to Department employees in determining if claims and claimants are valid and appropriate.

The Department lacks specific procedures, other than those in the Grain Code, to determine what is a valid claim.

Claims Timeliness

Department officials noted that with Ty-Walk the process was slowed because the licensee was forced into involuntary bankruptcy.

The claims process timeline described in the Grain Code allows approximately 180 days from the date of failure to the date of compensation. In our sample of Ty-Walk claims that had been paid, it took on average 227 days to reimburse the claimant from the date of failure, with the shortest number of days at 221 and 284 the longest. Department officials cited several variables that affect the timeliness of claimant compensation including the size and type of failure, the types of claims and contracts involved, the make-up of creditors, the amount of inventory, and whether bankruptcy is involved. Department officials noted that with Ty-Walk the process was slowed because the licensee was forced into involuntary bankruptcy. With Ashley Elevator, the Department was able to compensate claimants within the deadlines set by the Grain Code.

Department officials noted that compliance with absolute timeliness would be difficult because, in some cases, State and federal laws relating to bankruptcy take precedence over the Illinois Grain Code (240 ILCS 40/1-1 *et seq.*). However, due to the absolute time requirement in the new law, the Department needs to develop procedures to ensure that timelines relating to claims are met, even in the case of bankruptcy by the licensee.

Issues identified during our review of Ty-Walk and Ashley Elevator claims that have been addressed by Public Act 93-225 include:

- Reimbursement of claimants while some part of their total claims is still in dispute; and
- Clarification of the timeline for reimbursement of price-later contracts.

However, other problems identified, such as timeliness, further defining a claimant, and claimants not providing all documentation at the time of filing, still exist. While the Grain Code establishes rules for adjudication and compensation of claimants, the Department of Agriculture has not developed internal policies and procedures to further define requirements in the Grain Code. We recommended that the Department should develop internal policies and procedures to further define the claims process for failures. (pages 37-48)

GRAIN INSURANCE FUND (GIF)

The Illinois Grain Insurance Fund (GIF) was created to protect producers in the event of a failure of a licensed grain dealer or warehouse

and to ensure the existence of an adequate resource so that persons holding valid claims may be compensated for losses in the event of a failure.

Digest Exhibit 2 GRAIN INSURANCE FUND ANALYSIS Fiscal Years 1999-2003 (in thousands)				
Fiscal Year	Beginning Balance	Revenues/ Transfers	Expenditures	Ending Balance
1999	\$3,221	\$699	\$33	\$3,887
2000	\$3,887	\$570	\$28	\$4,429
2001	\$4,429	\$425	\$20	\$4,834
2002	\$4,834	*\$4,303	\$9,110	\$27
2003	\$27	\$1,955	\$816	*\$1,166

Notes: *On March 21, 2002, \$4 million was transferred from the General Revenue Fund to the GIF; therefore the fund equity in the Grain Insurance Fund as of June 30, 2003 was negative \$2.8 million.
Source: OAG IGIC financial/compliance audits and Department information.

As is shown in Digest Exhibit 2, as of June 2003, the total assets of the GIF were approximately \$1.2 million. However, because \$4 million is owed to the General Revenue Fund, the GIF had a negative fund equity of over \$2.8 million.

Claim Expenditures

The Department uses money obtained from the liquidation of a failed licensee's assets to pay obligations first. However, if the sale of assets does not raise sufficient funds to cover a licensee's debt, the GIF is used to pay valid claims. Before any claims are paid by the GIF, the Department must request a transfer to the Grain Indemnity Trust Account at an Illinois Grain Insurance Corporation (IGIC) meeting and the IGIC Board of Directors must approve this request.

In Fiscal Year 2002, the IGIC transferred \$9,097,163 from the GIF to pay claims related to the Ty-Walk failure. In September 2002, the Department issued a subsequent assessment to grain dealers and warehouses. However, in Fiscal Year 2003, the IGIC transferred another \$800,000 from the GIF to pay claims related to the Ashley Elevator failure.

All net proceeds from the liquidation of Ty-Walk were not transferred to the GIF as is required by the Grain Code (240 ILCS 40/25-20). On December 30, 2002, \$20,000 was transferred from the Ty-Walk

sub-account to another failed company's sub-account to cover expenses associated with the other failed company.

We recommended that the Illinois Department of Agriculture should ensure all sub-accounts under the Grain Indemnity Trust Account are used for their designated purpose and their net proceeds are distributed according to the guidelines delineated in the Grain Code.

Grain Insurance Fund Shortfall

According to the Grain Code (240 ILCS 40/25-20), if the GIF has insufficient resources to pay all valid claims, the General Assembly must appropriate the amount necessary to pay these valid claims. The IGIC is required to reimburse the State over time as soon as funds become available through assessments made on the remaining licensed grain dealers and warehouses and collection upon grain assets, equity assets, collateral, and guarantees relating to a failed licensee.

On March 21, 2002, the Department received a \$4 million transfer from the General Revenue Fund to the GIF. According to the Department's projected plan, General Revenue Fund repayment should take approximately three years but it may take longer depending on several variables, including the number or size of future failures, the collection of assessments, the amount of post draw recoveries, or other market conditions.

As of June 30, 2003, no funds had been repaid to the General Revenue Fund. In addition, although Public Act 93-225 establishes a minimum GIF balance of \$6 million and a Reserve Fund of \$2 million, the required GIF balance would not be sufficient to cover another major failure such as Ty-Walk with over \$9 million in claims.

We recommended that the Illinois Department of Agriculture should periodically evaluate the Grain Insurance Fund's capacity to pay claims. Such evaluation would help ensure there are adequate resources in the Grain Insurance Fund and identify whether further changes to the Grain Code are needed.

Funding and Assessment Changes in Public Act 93-225

Public Act 93-225, effective July 21, 2003, contains many changes impacting the GIF. One change established two new assessments: a grain seller initial assessment and a lender assessment. Both assessments require the licensee to notify, collect, or remit the assessment to the Department.

**As of June 30,
2003, no funds had
been repaid to the
General Revenue
Fund.**

Because the Department does not receive or keep detailed information regarding grain purchases or persons holding collateral warehouse receipts, it may be difficult to ensure the proper amount of assessments is being received and all persons holding collateral warehouse receipts are remitting assessments.

We recommended that the Illinois Department of Agriculture should implement controls to ensure the correct amount is assessed and collected for the new grain seller assessment and the lender assessment. (pages 49-63)

RECOMMENDATIONS

The audit report contains 10 recommendations to the Illinois Department of Agriculture. The Department generally agreed with most of the recommendations. Appendix E to the audit report contains the Department's complete responses.



WILLIAM G. HOLLAND
Auditor General

WGHMP
December 2003

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GLOSSARY OF TERMS

Claimant – a person including, without limitation, a lender or a producer who possesses evidence of an obligation including the storage or sale of grain for an Illinois location, for which they were not paid in full.

Class I Warehouseman – a warehouseman who is authorized to issue negotiable warehouse receipts, which can be used as loan collateral, and non-negotiable warehouse receipts.

Class II Warehouseman – a warehouseman who is authorized to issue only non-negotiable warehouse receipts.

Collateral – a) irrevocable letters of credit; b) certificates of deposit; c) cash or cash equivalent; or d) any other property acceptable to the Department to the extent there exists equity in that property.

Daily Position Record – a grain inventory accountability record maintained on a daily basis that includes an accurate reflection of changes in grain inventory, storage obligations, company-owned inventory by commodity, and other information that is required by the Department.

Failure – in reference to a licensee: a) a formal declaration of insolvency; b) a revocation of a license; c) a failure to apply for license renewal, leaving indebtedness to claimants; d) a denial of license renewal, leaving indebtedness to claimants; or e) a voluntary surrender of a license, leaving indebtedness to claimants.

Grain Dealer – a person who is licensed by the Department to engage in the business of buying and selling grain from producers.

Licensee – a grain dealer or warehouseman who is licensed by the Department and/or a federal warehouseman that is a participant in the Fund, under subsection (c) of Section 30-10.

Memorandum of Adjustment (MOA) – a common corrective action used by the Department, requiring the licensee to immediately correct a deficiency found during an examination.

Price Later Contract – a written contract for the sale of grain whereby any part of the purchase price may be established by the seller after delivery of the grain to a grain dealer according to a pricing formula contained in the contract. Title to the grain passes to the grain dealer at the time of delivery.

Warehouse – a building, structure, or enclosure in which grain is stored for the public for compensation.

Warehouse Receipt – a receipt for the storage of grain issued by a warehouseman.

Warehouseman – a person who is licensed: a) by the Department to engage in the business of storing grain for compensation; or b) under the United States Warehouse Act who participates in the Fund under subsection (c) of Section 30-10.

Valid Claim – a claim submitted by a claimant, whose amount and category have been determined by the Department, to the extent that determination is not subject to further administrative review or appeal.

Chapter One

INTRODUCTION AND BACKGROUND

REPORT CONCLUSIONS

The Illinois Department of Agriculture (Department) has had the responsibility for licensing and regulating grain dealers and warehouses since the Grain Dealers Act was created in 1967. Warehouses provide facilities to store grain until the producer decides to either sell or use the grain, while grain dealers provide producers with a ready market in which to sell their grain. According to Department data, as of February 2003 there were a total of 423 State licensed grain dealers and warehouses with 1,148 locations and a storage capacity of over one billion bushels.

In 1983, the Illinois Grain Insurance Act created a pool (the Grain Insurance Fund) funded by the licensed participants, to be used to cover claims in the event of a grain dealer or warehouse failure. In August 2001, Ty-Walk Liquid Sales, Inc. (Ty-Walk) failed, leaving approximately \$9 million in claims to be paid by the Grain Insurance Fund (GIF). The Illinois Grain Code (240 ILCS 40/1-1 *et seq.*) states that if amounts in the Fund are insufficient to pay all valid claims, the General Assembly shall appropriate to the Grain Insurance Corporation amounts sufficient to satisfy the valid claims. Because the Grain Insurance Fund had an insufficient fund balance to cover these claims at the time of the failure, \$4 million was transferred from the General Revenue Fund to the GIF to pay these claims.

The Illinois Department of Agriculture's system of regulation and oversight includes licensing and examination requirements. The Illinois Grain Code and the Illinois Administrative Code (8 Ill. Adm. Code 281.10 through 281.90) contain specific requirements for licensing and examining grain dealers and grain warehouses in the State of Illinois. The Grain Code also contains provisions that allow for corrective actions and penalties related to violations of the Grain Code, financial deficiencies, administrative penalties, and suspension and revocation of a license. Although the Department has implemented some changes in its regulation and oversight, the Department could further strengthen its regulation and oversight by:

- Checking the backgrounds of owners, managers, and board members of licensees during the license application and renewal process;
- Requiring a second review and approval of all the license applications;
- Providing training to examiners in areas such as accounting and financial fraud detection;
- Having examiners file a conflict of interest or impairment disclosure form either annually or for each examination performed;
- Promulgating rules to implement the new examination requirement contained in Public Act 93-225;
- Consider requiring training of licensees and implementing a licensure test or training certification program for grain managers/merchandisers; and

- Creating a centralized database that allows the Department to access data regarding licensing, examinations, and corrective actions. Currently the Department's data is kept in several locations and corrective actions such as Memorandums of Adjustment and license suspensions are not tracked. The Department also does not track officers, directors, managers, and partners of former licensees that have had their license terminated or revoked or who have improperly manipulated books and records or undertaken other improper business practices.

The Department's responsibilities regarding the process of liquidation and adjudication of claims in the event of a failure are delineated in the Grain Code and administrative code including specific timelines for submitting claims and determining compensation. We reviewed the claims process and sampled claims for two failures (Ty-Walk and Ashley Elevator) to determine whether requirements established by the Grain Code and administrative rules for processing claims are adequate and being followed by the Department of Agriculture. The Department should establish specific procedures outside the Grain Code to determine what is a valid claim. There is potential for claimants to spread the claim amounts to different family members to avoid the maximum limit for claims set forth in the Grain Code.

The Grain Code requires that the Department determine the validity, category, and amount of claims within 120 days after the date of failure. It also requires that the claimant be compensated within approximately 180 days of the date of failure. The Department should develop procedures to ensure that timelines relating to claims are met. Our sample of claims showed that it took an average of 227 days from the date of failure to compensate Ty-Walk claimants. Department officials noted that the process was slowed because of bankruptcy proceedings. Our sample of Ashley Elevator claims showed it took on average 156 days to compensate the claimant from the date of failure. According to Department officials, several variables affect the timeliness of claimant compensation including the size and type of failure, the types of claims and contracts involved, the make-up of creditors, the amount of inventory, and whether bankruptcy is involved.

For the Ty-Walk failure, in 36 cases the claimant appealed the initial determination made by the Department. In seven cases the Department's original determination was overturned with these claimants being awarded an additional \$163,134. Seven claimants appealed their claims to the circuit court and as of September 2003, three Department determinations were affirmed and four cases were still pending in circuit court, which could potentially amount to \$115,311.

As of June 30, 2003, a total of \$31,717,287 was paid to 281 Ty-Walk claimants. Five claimants received 76 percent of the total payout (over \$24 million). These claimants were banks and other entities that held collateral warehouse receipts for grain stored at Ty-Walk. Although a majority of the claimants were producers, they received \$7,568,886 or 24 percent of the total payout.

On March 21, 2002, \$4 million was transferred from the General Revenue Fund to the Grain Insurance Fund (GIF). According to the Department's projected plan, General Revenue Fund repayment should take approximately three years, but it may take longer depending on several variables, including the number or size of future failures, the collection of assessments,

the amount of post draw recoveries, or other market conditions. As of June 2003, total assets of the GIF were \$1,166,397, and no funds had been repaid to the General Revenue Fund. Although Public Act 93-225 established a new minimum GIF balance of \$6 million and a Reserve Fund of \$2 million, the GIF balance, even when fully funded, may not be sufficient to cover another major failure such as Ty-Walk. The Department should periodically evaluate the GIF's capacity to help ensure there are adequate resources in the GIF and determine whether further changes to the Grain Code are needed. The Department should also ensure that all sub-accounts under the Grain Indemnity Trust Account are used for their designated purpose.

Public Act 93-225, effective July 21, 2003, made several changes to the Grain Code that should assist the Department in its regulation and oversight of grain dealers and warehouses (see Appendix D). The Act also contained many changes regarding the GIF including establishing two new assessments: a grain seller initial assessment and a lender assessment. Both assessments will be difficult to track because the Act requires the licensee to notify, collect, or remit the assessment to the Department. We recommended that the Department should take steps to ensure the correct amount is assessed and collected for the new grain seller and lender assessments.

BACKGROUND

On December 11, 2002, the Legislative Audit Commission adopted Resolution Number 125, which directed the Auditor General to conduct a management audit of the Illinois Department of Agriculture and the Grain Insurance Corporation with regard to the regulation of grain dealers and warehousemen and the administration of the Grain Insurance Fund (see Appendix A).

The Resolution asks the Auditor General to determine:

- Whether there are sufficient resources in the Grain Insurance Fund, and if shortages exist, the plans to obtain funds needed to pay valid claims;
- Whether the rules established for processing claims filed against grain dealers and warehousemen who chose or become insolvent are adequate; and
- Whether oversight of grain dealers and warehousemen, including the conduct of any audits, site examinations, or other reviews, is sufficient to protect the interests of grain producers, other grain dealers and warehousemen, and the State of Illinois.

GRAIN DEALERS AND WAREHOUSES

Grain dealers and warehouses play an important role in Illinois agriculture. Warehouses provide facilities to store grain until the producer decides to either sell or use the grain. Grain dealers provide producers with a ready market in which to sell their grain. This expedites the flow of grain from farm to market.

- When a grain elevator **stores** grain for a farmer, the elevator is acting as a **warehouse**. The farmer is given a warehouse receipt or a scale ticket as evidence that the grain is stored.
- When an elevator **buys** grain from a farmer, it is acting as a **grain dealer**. Farmers may sell grain to an elevator under several different arrangements.

Exhibit 1-1 LICENSED GRAIN DEALERS AND WAREHOUSES IN ILLINOIS 1992-2002				
Year	State Licensed Grain Dealers	State Licensed Grain Warehouses	Federally Licensed Grain Warehouses	Total Locations
1992	632	434	66	1,391
1993	588	428	58	1,389
1994	568	423	60	1,364
1995	551	412	50	1,326
1996	543	408	38	1,258
1997	527	398	38	1,266
1998	506	377	38	1,255
1999	489	359	36	1,246
2000	457	333	33	1,199
2001	449	334	27	1,198
2002	432	323	27	1,168

Note: One entity may hold more than one type of license.
Source: Illinois Department of Agriculture.

As is shown in Exhibit 1-1, the number of Illinois licensed grain dealers and warehouses has been decreasing over the past 10 years. The number of federally licensed grain warehouses has also decreased. Although the number of licensed grain dealers and warehouses and locations has decreased, the total amount of licensed grain storage capacity in the State increased to over one billion bushels as of 2002. This is significant because, although there are fewer grain dealers and warehouses to regulate, they have larger capacities. This affects grain dealer and warehouse failures in that the claims for a single failure will most likely be larger than in the past. Appendix C contains a list of all grain dealer and warehouse licensees as of February 2003.

HISTORY OF GRAIN REGULATION

The history of grain regulation in Illinois goes back to the first Grain Warehouse Act in 1871. In 1955, the Illinois Public Grain Warehouse and Warehouse Receipts Act became effective and was administered by the Illinois Commerce Commission. In 1967, the Grain Dealers Act was created and the responsibilities for licensing, regulating, and administration were moved to the Illinois Department of Agriculture.

Originally, the Public Grain Warehouse Act and the Grain Dealers Act required licensees to provide surety bonds that could be drawn upon to cover losses in the event of a financial failure. However, during a five-year period beginning in 1978, Illinois farmers lost nearly \$10 million from failed grain dealers and/or warehouses. In 1983, Illinois enacted the Illinois Grain Insurance Act which created a pool of money, funded by the licensed participants, to be used to cover claims in the event of a failure. Effective January 1, 1996, the three Acts related to Illinois grain laws (the Grain Warehouse Act, Grain Dealers Act, and Grain Insurance Act) were combined to create the Illinois Grain Code.

The Grain Code was created to provide a single system of governmental regulation of the Illinois grain industry. The Code was also created to improve the economic stability of agriculture through the existence of the Illinois Grain Insurance Fund; protect producers in the event of the failure of a licensed grain dealer or licensed warehouse; and to ensure the existence of an adequate resource so that persons holding valid claims may be compensated for losses occasioned by the failure of a licensed grain dealer or licensed warehouse.

ILLINOIS DEPARTMENT OF AGRICULTURE

The Illinois Department of Agriculture is a regulatory and promotional agency that was established in 1917. As of fiscal year 2002, the Department administered a total budget of over \$143 million. Due to the Early Retirement Incentive, the number of employees at the Department was reduced by about 100 at the end of calendar year 2002, leaving approximately 500 employees at the beginning of 2003.

The Department is responsible for administering programs and services directed at:

- Conserving the State's land and water resources;
- Protecting the health and welfare of livestock and companion animals;
- Overseeing State and county fairs;
- Regulating seed, feed, and fertilizer products;
- **Ensuring the financial stability of grain dealers and warehouses;**
- Promoting Illinois food and agricultural products; and
- Operating the State' horse racing programs.

Under the provisions of the Grain Code (240 ILCS 40/1-15), the Director of the Illinois Department of Agriculture is responsible for the following functions related to grain dealers and warehouses:

- **Issuing licenses** or refusing to issue licenses (the Director may also extend, renew, reinstate, suspend, revoke, or accept voluntary surrender of licenses).
- **Examining and inspecting** each licensee at least once each calendar year.
- **Acting as Trustee** for licensees that fail or are otherwise liquidated. The Director has the power to:
 - Seize or otherwise gain possession or control of grain assets, equity assets, and collateral;
 - Protect the grain assets, equity assets, and collateral of or relating to a failed licensee for the benefit of claimants, secured parties, and lien holders;

- Liquidate and collect upon all grain assets, equity assets, collateral and guarantees posted with the Department of or relating to the failed licensee, and deposit the proceeds into the Trust Account;
- Request the transfer of moneys from the Grain Insurance Fund to the Trust Account for purpose of payment to claimants; and
- Disburse the funds in the Trust Account to claimants.
- Serving as the **President of the Grain Insurance Corporation.**
- Collecting and depositing all monetary penalties, printer registration fees, and assessments authorized under the Code into the **Grain Insurance Fund.**
- Maintaining a holding corporation to receive, hold title to, and liquidate assets of or relating to a failed licensee, including assets, collateral or guarantees, and deposit proceeds into the Fund.

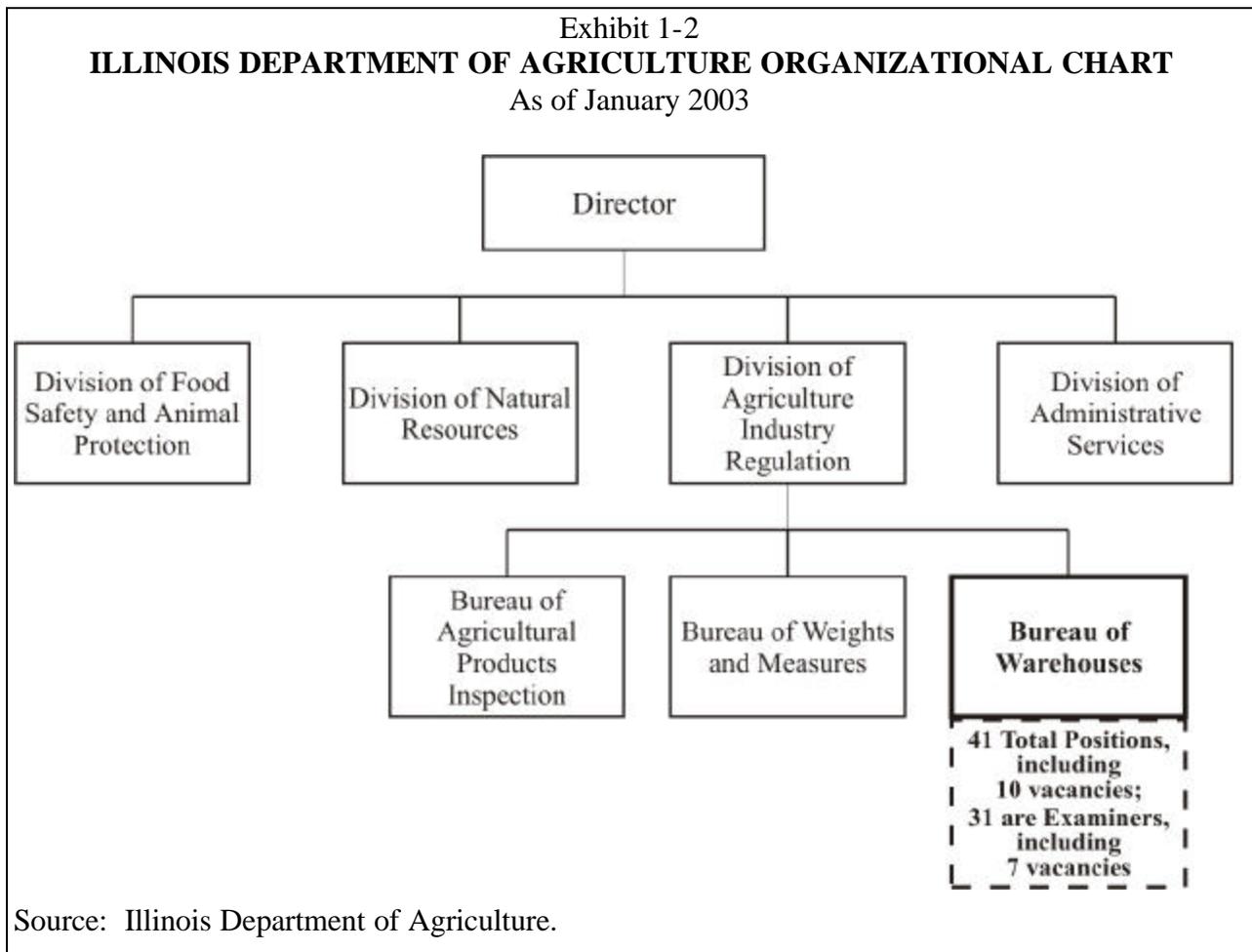


Exhibit 1-2 shows the organizational chart for the Department (as of January 2003). The Department of Agriculture is responsible for inspecting and licensing all grain dealers and most warehouses in Illinois. These activities are undertaken through the Department’s Division of Agriculture Industry Regulation, Bureau of Warehouses.

As of January 2003, the Bureau of Warehouses had a total of 41 positions (ten of these were vacant positions). Actual headcount for the bureau as of January 2003 was 31 total

positions. These 31 employees included 24 examiners, one bureau chief, two supervisors that review examinations, one employee that conducted financial reviews and analysis of licensees, and three office associates/assistants. The ten vacancies included seven examiners, a warehouse claims specialist, an office coordinator, and an accountant. The bureau chief position became vacant in March 2003.

ILLINOIS GRAIN INSURANCE CORPORATION

The Illinois Grain Insurance Corporation was established in 1983 and is currently governed by the Illinois Grain Code (240 ILCS 40) as a political subdivision, body politic and public corporation. The Corporation was created for the purpose of improving the economic stability of agriculture by establishing a Grain Insurance Fund to pay grain producers and other claimants for losses incurred by the failure of a grain dealer or warehouse. The Corporation receives no appropriations and remits no deposits to the State Comptroller.

The primary functions of the Corporation are to make investments with funds assessed and collected by the Department of Agriculture and to transfer funds from the Grain Insurance Fund to the Grain Indemnity Trust Account when the Director of the Department of Agriculture determines it necessary in order to compensate claimants. The Grain Insurance Corporation's Board of Directors is composed of the:

- Director of the Department of Agriculture (President);
- Attorney General or his or her designee (Secretary);
- State Treasurer or his or her designee (Treasurer);
- Director of the Department of Insurance or his or her designee; and
- Chief Fiscal Officer of the Department of Agriculture.

The Department of Agriculture provides the fiscal and administrative support to carry out the responsibilities of the Corporation. According to Department officials, there are six Department employees who work on Corporation fiscal and administrative functions.

ILLINOIS GRAIN INSURANCE FUND

The Illinois Grain Insurance Fund (GIF) was established in 1983 by the Illinois Grain Insurance Act. The GIF was created to protect producers in the event of a failure of a licensed grain dealer or warehouse and to ensure the existence of an adequate resource so that persons holding valid claims may be compensated for losses in the event of a failure. The Grain Insurance Corporation is responsible for disbursing monies from the GIF. The Department of Agriculture is responsible for making disbursements from the Grain Indemnity Trust Account including paying valid claims.

Revenues

The GIF receives assessment revenue paid by Illinois grain dealers and warehouses. All licensed grain dealers must contribute to the GIF. All State-licensed warehouses also must

contribute. Warehouses licensed by the federal government are not required to participate. However, any federally licensed warehouse needs a State license to be a grain dealer and buy grain from producers, who are then protected by State law. According to Department officials, eight federal warehouses in Illinois do not have a State license. The GIF does not cover facilities that do not have a State license.

Other GIF revenues include penalties, printer fees, interest income, and post draw recoveries. These revenues are discussed in greater detail in Chapter Four of this report.

Expenditures

GIF expenditures include claim payments where liquidation proceeds are insufficient and refunds where payments are inappropriately paid into the GIF. Claim payments where liquidation proceeds are insufficient include claim and recovery expenditures. Claim expenditures are amounts paid for valid claims. Recovery expenditures are costs incurred for recovering these claims.

No administrative costs may be paid out of the GIF. According to the 2000-2001 Office of the Auditor General Financial/Compliance audit, the Illinois Grain Insurance Corporation (IGIC) did not have expenditures representing administrative costs. GIF revenues and expenditures are discussed in detail in Chapter Four of this report.

CLOSINGS AND FAILURES

The Illinois Grain Code defines the failure of a licensee as:

- (a) a formal declaration of insolvency;
- (b) a revocation of a license;
- (c) a failure to apply for license renewal, leaving indebtedness to claimants;
- (d) a denial of license renewal, leaving indebtedness to claimants; or
- (e) a voluntary surrender of a license, leaving indebtedness to claimants.

We requested the number of failures for the last three years from the Illinois Department of Agriculture. Grain dealers and warehouses may close for many reasons including voluntarily surrendering their licenses, selling the facility, merger/consolidation, or forming a new entity.

Exhibit 1-3 shows the number of grain dealer and warehouse closings for calendar years 2000-2002. The number of closings ranged from 25 in 2000 to 34 closings in 2002. Of these closings, only 1 or 2 per year meet the definition of a failure according to the Illinois Department of Agriculture. In some closings, the Department of Agriculture works with the licensee and its board toward an orderly liquidation or sale in order to avoid a failure and the need to request a transfer from the Illinois Grain Insurance Fund.

When a grain dealer or warehouse meets the definition of failure, the Department takes possession of the grain assets, liquidates the assets, and pays the outstanding claims. If there are not enough assets to cover the claims, the remainder is paid from the Grain Insurance Fund.

Ty-Walk Failure

In August 2001, Illinois experienced the largest grain licensee failure in the State history when Ty-Walk Liquid Sales, Inc. voluntarily surrendered its

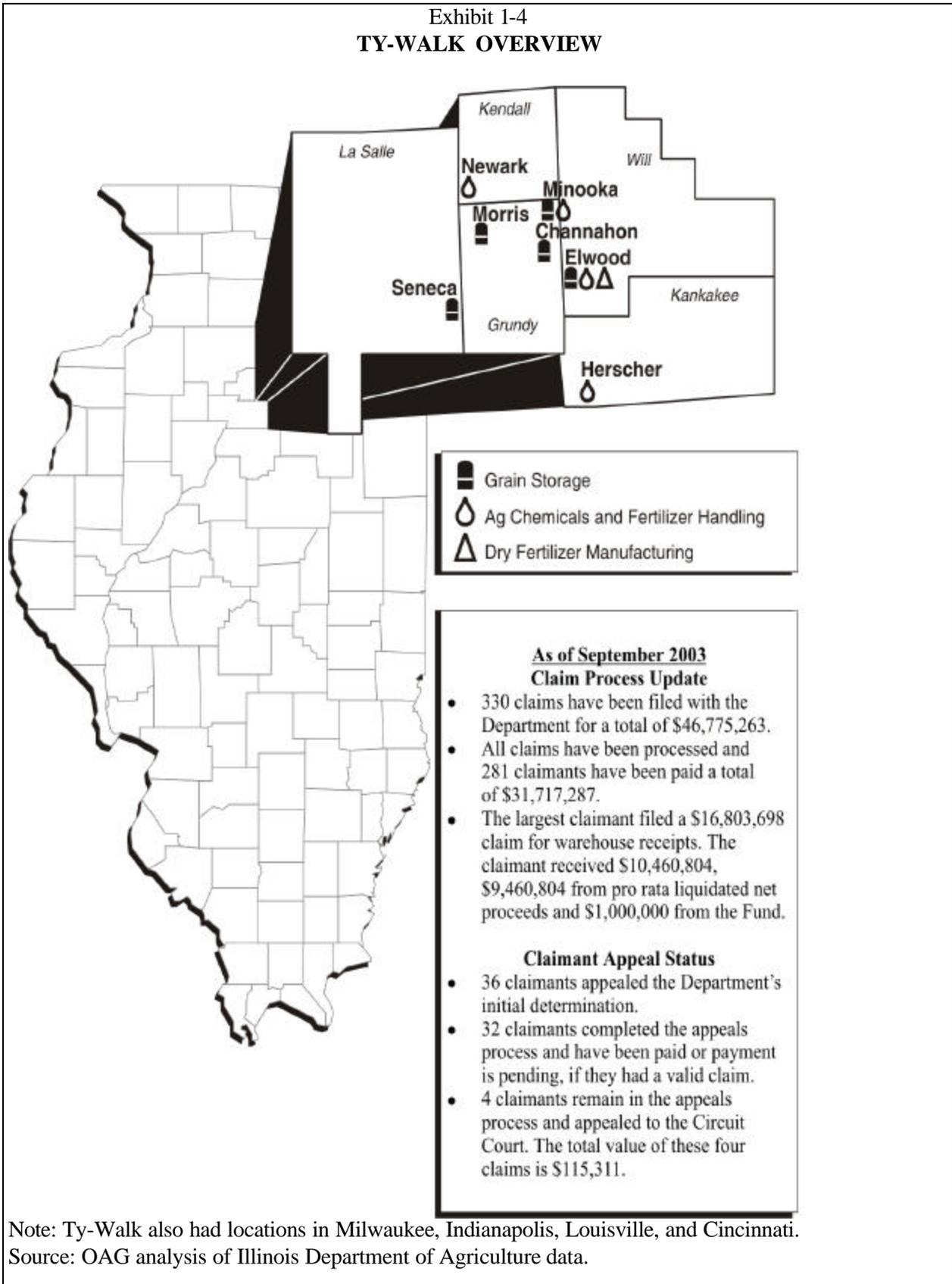
license to the Illinois Department of Agriculture. All Ty-Walk facilities closed and the company subsequently filed for bankruptcy. Exhibit 1-4 shows an overview of the Ty-Walk failure and the related claims. There were a total of 330 claims filed for a total of \$46,775,263. As of September 2003, 281 claimants had been paid a total of \$31,717,287. Of the 330 total claimants, 36 appealed their settlements and as of September 2003, three Department determinations were affirmed and four cases were still pending in circuit court.

For the Ty-Walk failure, according to the Department there were approximately \$22.4 million in net grain assets and an additional \$3 million in net equity assets, some of which were used to cover the cost of liquidation. This left approximately \$9 million in claims to be paid by the Grain Insurance Fund. Because the Grain Insurance Fund balance was only about \$5 million, there were not enough funds to pay all the claims. The remainder of the claims (a shortfall of \$4 million) was made up by a transfer from the General Revenue Fund to the Grain Insurance Fund. The General Revenue Fund is to be repaid through assessments of the Grain Insurance Fund. Chapter Four of this report discusses the Grain Insurance Fund, the revenue shortfall, and the plan for repayment of funds to the General Revenue Fund.

In 2002, the Department issued a subsequent assessment to grain dealers and warehouses of over \$800,000 that would have allowed the Grain Insurance Fund to pay back some of the funds to the General Revenue Fund. However, another failure occurred that required the Fund to pay claims and consequently, as of the end of Fiscal Year 2003, no funds have been paid back to General Revenue Fund. The Board transferred \$800,000 in December 2002 from the Grain Insurance Fund to pay claims related to the Ashley Elevator failure.

Exhibit 1-3 GRAIN DEALER AND WAREHOUSE CLOSINGS AND FAILURES Calendar Years 2000-2002			
Statutory Category	2000	2001	2002
Formal declaration of insolvency	0	0	0
Revocation of a license	0	0	0
Failure to apply for license renewal, leaving indebtedness to claimants	0	0	0
Denial of license renewal, leaving indebtedness to claimants	0	0	0
Voluntary surrender of a license, leaving indebtedness to claimants	1	1	2
<i>Failures</i>	1	1	2
<i>Other Closings</i>	24	26	32
Total Closings	25	27	34
Source: OAG analysis of Illinois Department of Agriculture data.			

Exhibit 1-4
TY-WALK OVERVIEW



Note: Ty-Walk also had locations in Milwaukee, Indianapolis, Louisville, and Cincinnati.
 Source: OAG analysis of Illinois Department of Agriculture data.

PUBLIC ACT 93-225

Public Act 93-225, effective July 21, 2003, made several changes to the Grain Code regarding licensing, record keeping, examinations, penalties for violations, and claims processing and coverage. Specific changes are shown throughout the report and summarized in Appendix D.

FEDERAL WAREHOUSE RULE CHANGES

Not all grain warehouses are licensed by the State. Instead, grain warehouses can choose to be licensed by the United States Department of Agriculture (USDA). As was shown in Exhibit 1-1, there were 27 federally licensed warehouses in Illinois in 2002. According to Department officials, all but 8 of these warehouses participate in the Grain Insurance Fund.

In August of 2002, the USDA adopted new rules for the regulation of federal warehouses. The rule included provisions that increase regulatory requirements and increase producer protection over the current federal system. However, the new rules also contained a provision that added the word “merchandising” and stated that “compliance with State laws relating to warehousing, grading, weighing, storing, *merchandising*, and other similar activities is not required.” By adding the word merchandising to the regulation it would allow both warehouses and grain dealers to become federal licensees because it would allow federal licensees to not only store but purchase grain.

The new federal rule presents a risk to the Illinois Grain Insurance Fund because licensees may choose to move to the federal licensing system and cancel their State licenses, resulting in fewer licensees paying assessments into the Fund. If this happens, it would take longer to pay back the \$4 million owed to the General Revenue Fund because there will be fewer licensees for Department to assess and therefore less revenue for the GIF.

In December 2002, 13 states, including Illinois, signed a letter to the Secretary of Agriculture asking that the rule be rescinded. The USDA has issued a moratorium on the rule that is in effect through January 2004.

SCOPE AND METHODOLOGY

This audit was conducted in accordance with generally accepted government auditing standards and the audit standards promulgated by the Office of the Auditor General at 74 Ill. Adm. Code 420.310.

We reviewed applicable State statutes and administrative rules governing regulation of grain dealers and warehouses. We reviewed compliance with those laws and rules to the extent necessary to meet the audit’s objectives. Any instances of non-compliance we identified are noted as recommendations in this report.

We interviewed officials at the Illinois Department of Agriculture, Attorney General’s Office, and State Treasurer’s Office. We also contacted several other states’ Departments of Agriculture and the United States Department of Agriculture (USDA). We reviewed files at the Illinois Department of Agriculture including licensing and examination information for closings and current licensees. We also reviewed claims related to two failures, examined requirements for the Grain Insurance Fund and its capacity to pay claims, and tested personnel files of examiners.

We reviewed financial and compliance audits conducted by the Office of the Auditor General for the Illinois Department of Agriculture and the Illinois Grain Insurance Corporation. We also reviewed management controls and assessed risk relating to the audit’s objectives which were identified in Legislative Audit Commission Resolution Number 125 (see Appendix A). Any significant weaknesses in those controls are included as recommendations in this report.

REPORT ORGANIZATION

The remainder of this report is organized into the following chapters:

- **Chapter Two** reviews the Department of Agriculture’s oversight of grain dealers and warehouses;
- **Chapter Three** examines the claims process for failed grain dealers or warehouses; and
- **Chapter Four** discusses the Grain Insurance Fund including assessments and other revenues, expenditures, and repayment of funds to the General Revenue Fund.

REGULATION AND OVERSIGHT

CHAPTER CONCLUSIONS

The Illinois Department of Agriculture's system of regulation and oversight includes licensing and examination requirements. The Illinois Grain Code (240 ILCS 40/1-1 *et seq.*) and the Illinois Administrative Code (8 Ill. Adm. Code 281.10 through 281.90) contain specific requirements for licensing and examining grain dealers and grain warehouses in the State of Illinois. The Grain Code and administrative rules also contain provisions that allow for corrective actions and penalties related to violations of the Grain Code, financial deficiencies, administrative penalties, and suspension and revocation of a license.

Public Act 93-225, effective July 21, 2003, made several changes to the Grain Code that should assist the Department in its regulation and oversight of grain dealers and warehouses. Although the Department has implemented some changes in its regulation and oversight as a result of the Ty-Walk Liquid Sales, Inc. (Ty-Walk) failure, the Department could further strengthen its regulation and oversight by:

- Checking the backgrounds of owners, managers, and board members of licensees during the license application and renewal process;
- Requiring a second review and approval of all the license applications;
- Providing training to examiners in areas such as accounting and financial fraud detection;
- Having examiners file a conflict of interest or impairment disclosure form either annually or for each examination performed;
- Promulgating rules to implement the new examination requirement contained in Public Act 93-225;
- Consider requiring training of licensees and implementing a licensure test or training certification program for grain managers/merchandisers; and
- Creating a centralized database that allows the Department to access data regarding licensing, examinations, and corrective actions. Currently the Department's data is kept in several locations and corrective actions such as Memorandums of Adjustment and license suspensions are not tracked. The Department also does not track officers, directors, managers, and partners of former licensees that have had their licenses terminated or revoked or who have improperly manipulated books and records or undertaken other improper business practices.

LICENSING REQUIREMENTS

With few exceptions, a person cannot engage in business as a grain dealer or a warehouse in the State of Illinois without a license issued by the Illinois Department of Agriculture.

Federally licensed warehouses, persons purchasing grain from producers only for resale as seed, and a producer purchasing grain from producers only for seed or feed are the exceptions. The requirements in the Grain Code and administrative rules for obtaining or amending a license vary somewhat depending on whether it is an initial license or renewal, and whether it is for a Class I or II Warehouseman or a Grain Dealer or Incidental Grain Dealer license.

Application Requirements

To obtain a **new license** to be a Class I Warehouseman or Grain Dealer the application must be accompanied by:

- A financial statement made within 90 days after the applicant's fiscal year end and prepared in conformity with generally accepted accounting principles following an examination conducted in accordance with generally accepted auditing standards that has attached the unqualified opinion or other opinion acceptable to the Department. This must be conducted by an independent certified public accountant licensed under Illinois law or an entity permitted to engage in the practice of public accounting in Illinois.
- If the applicant has been engaged in business prior to the application, the financial statements are required to set forth the financial position and results in operations for the most recent fiscal year of the applicant.
- A \$100 application fee for each license.
- A fee for each required certificate (\$25 per certificate).

To obtain a new Class II Warehouseman or an Incidental Grain Dealer license the requirements are similar but not as strict regarding financial statement requirements.

All grain dealer and grain warehouse licenses must be **renewed** annually with the Department. The application for renewal must be accompanied by a financial statement and the financial statements must set forth the financial position and results in operations for the most recent fiscal year of the applicant. The fees are the same as for a new license (\$100 and \$25 per certificate needed).

Financial Requirements

All grain dealers and warehouses must meet several **financial requirements** at all times during the term of the license. These include:

- Financial statements must show a current ratio of the total adjusted current assets to the total adjusted current liabilities of at least 1:1.
- Financial statements and balance sheet must show an adjusted debt to adjusted equity ratio of not more than 3:1.
- An applicant or licensee must have an adjusted equity of at least \$50,000.

If an applicant for renewal fails to meet the required financial ratios above, the Department requires it to post collateral in an amount that will bring them into compliance with the required ratio. New licensees are not allowed to post collateral to meet the financial ratios required for licensure.

Other Licensing Requirements

Each licensee also must meet several general requirements by law to become a licensed grain dealer or grain warehouse and these must be complied with at all times during the term of the license. In general the applicant:

- Must have a good business reputation, have not been involved in improper manipulation of books and records or other improper business practices, and have essential qualifications and background.
- Must maintain a permanent business location in the State and at each place of business remain open from at least one-half hour before and after the daily closing of the Chicago Board of Trade.
- Must have insurance on all grain in its possession or custody.
- Must keep sufficiently detailed books and records to reflect compliance with requirements of the Code.
- Cannot have been found guilty of a criminal violation of the Code or law of the United States within three years of the date of application for license (this also includes other officers, directors, partners, or managers).
- Cannot have had its license terminated or revoked by the Department, the United States, or by any other state or jurisdiction within two years of the date of application (this also includes other officers, directors, partners, or managers), leaving unsatisfied indebtedness to claimants, unless the applicant or licensee makes a sufficient showing to the Department that the person or related party was not materially and substantially involved as a principal in the business that had its license terminated.

LICENSING PROCESS

When an application for a grain dealer or warehouse license is received by the Illinois Department of Agriculture, several checks are conducted. Department personnel use the audited financial statements that are sent with the application to calculate the current ratio of assets to liabilities (which must be at least 1:1) and the adjusted debt to equity (which cannot be more than 3:1) for each applicant. For license renewals, if the financial ratios are not sufficient, then the Grain Code permits the applicant to post collateral in an amount to meet the financial requirements. New licensees are not allowed to post collateral to meet the financial ratios required for licensure. Exhibit 2-1 shows an overview of the licensing process.

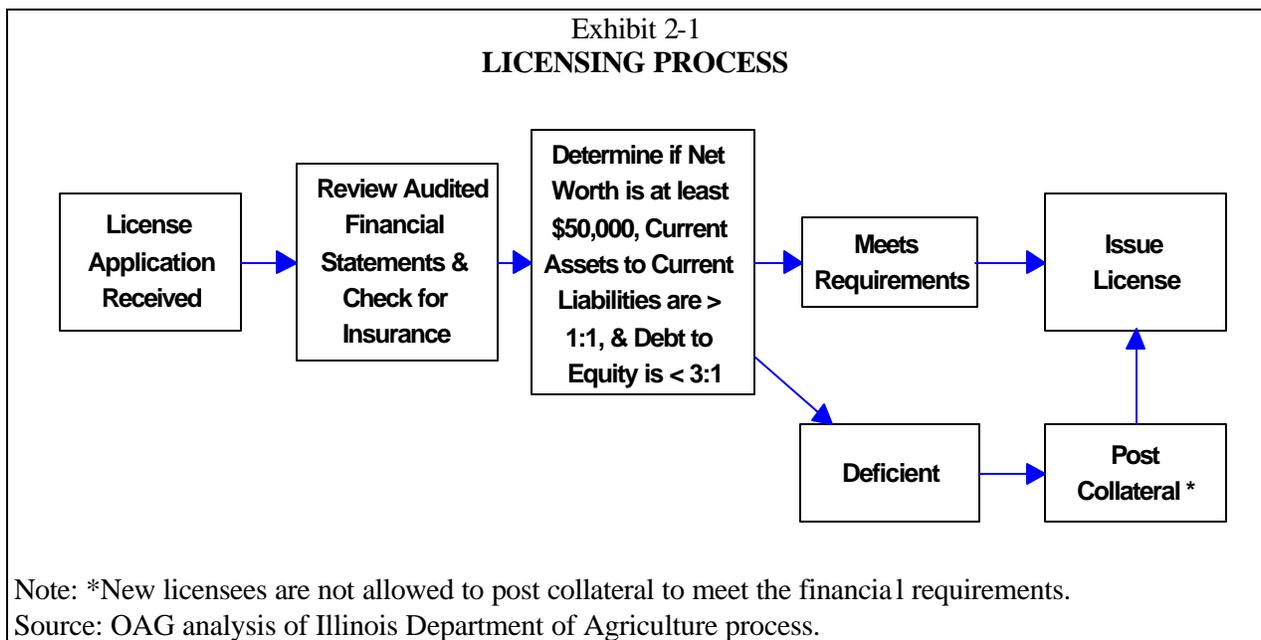
The Department also checks to see that the license applicant has insurance and whether the most recent audit of the licensee contained a qualified opinion. The Department may also disallow some assets when calculating the financial ratios. These disallowances may be for reasons such as a “receivable due from a related party” or “loans due from an affiliated company.”

For the most recent license renewal of Ty-Walk Liquid Sales, Inc. (Ty-Walk) prior to the failure, Ty-Walk submitted an audit with a qualified opinion. The opinion was qualified because of the way assets of the newly formed Ty-Walk company were valued. The Department disallowed a total of \$8,149,316 for several reasons including increase over book value of assets

and related party trade/notes/receivables. Even with these disallowances, Ty-Walk exceeded the statutory financial requirements and was not required to post collateral.

After these checks are conducted, the license is approved and issued. An internal routing sheet is also circulated within the Bureau of Warehouses. The routing sheet contains financial summaries for each licensee that was licensed during the period and contains an area for Bureau of Warehouses officials to make comments.

When asked how many licensees are refused each year, Department officials could not recall a license being refused. Department officials stated that they work with the applicants prior to submission of licenses so they know whether they will qualify for licensure.



Licensing Requirement Changes in Public Act 93-225

Public Act 93-225 effective July 21, 2003, made several changes to the Grain Code, including licensing requirements. The changes included an increase in the required amount of net worth to become licensed. The Act also gives the Department the authority to obtain criminal histories of managers and principal officers that apply to become a licensed grain dealer or warehouseman and increase the number of years that an applicant must not have been convicted of a violation of the Grain Code.

Increased Net Worth Requirement

The new law increases the amount of adjusted equity required for a licensee after 2004 from \$50,000 to \$100,000 over the next five years (\$10,000 increases each year) (240 ILCS 40/5-25 (b)(3)). Although the new law increased the net worth requirement to \$100,000 for State licensees, a recent federal United States Department of Agriculture warehouse rule has increased the net worth requirement for federal warehouses to \$150,000.

Mandated Criminal Background Checks

The Grain Code prior to the passage of 93-225 stated that:

“The applicant or licensee and each of its officers, directors, partners, and managers must not have been found guilty of a criminal violation of this Code, any of its predecessor statutes, or any similar or related statute or law of the United States or any other state or jurisdiction within 3 years of the date of application...” (240 ILCS 40/5-25 (5)).

Public Act 93-225 added provisions that specifically give the Department the power to obtain criminal histories of management and principal officers of the applicant or licensee (240 ILCS 40/5-25 (a)(1)). Public Act 93-225 also increases the number of years in the above quote from 3 to 10 years from the date of application.

Testing Results

We tested 20 closings in 2001 and 2002 (10 from each year) and 10 grain dealers and warehouses with licenses issued in 2002. Our review found that all 30 of the grain dealers and warehouses reviewed submitted an audit and the Department conducted a review to determine if the required financial ratios were met prior to licensing. In all cases, the applicant met the financial requirements or posted collateral in order to meet them. Of the 30 cases, 11 had collateral posted with the Department for a total of \$2,611,648. Collateral consists of irrevocable letters of credit, certificates of deposit, cash or a cash equivalent, or any other property acceptable to the Department to the extent there exists equity in that property. In our sample, the amounts of collateral ranged from a low of \$4,283 to a high of \$718,995. Neither of the two failures we reviewed (Ty-Walk and Ashley Elevator) had collateral posted with the Department when they failed.

Requiring licensees to post collateral demonstrates that the Department is determining which licensees are financially weak and the Department has assets in its possession from these licensees in case of a failure. However, as long as the grain dealer or warehouse can obtain an irrevocable letter of credit large enough to post the needed collateral, it can always obtain a renewal of its license no matter how weak its financial position becomes.

There are applicants that post collateral in multiple years in order to meet the financial requirements for licensing. In one case, the licensee had posted collateral for working capital and net worth deficiencies and other violations for a total of \$710,013 as of May 2003. In 2002, the licensee posted \$345,767 for working capital and net worth deficiencies. The Department renewed this license in October 2002 even though a ten-year trend analysis showed that the licensee had not met the financial ratios for licensure since 1995 without posting collateral. In another case we sampled, the licensee had posted a total of over \$718,995 in collateral with the Department before closing. This licensee had also been granted an exception by the Department to have an open position of 100,000 bushels instead of the usual 50,000 bushels. Department officials estimated that 10 licensees had an open position exception.

According to information provided by the Department, as of May 2003 a total of 93 licensees had collateral posted with the Department totaling over \$8 million. This ranged from \$1,400 to \$1 million.

In our review we also found that:

- In many cases (20 of 30), only one Department employee completed the financial analysis, reviewed the application, and approved the license applications. In 10 of the cases there was a second review conducted. A second review would ensure accuracy of financial analysis and provide for additional controls.
- In all 30 cases, there was no evidence that the Department had conducted background checks of applicants. Without conducting background checks of applicants, the Department cannot ensure that persons convicted of Grain Code or other similar violations are not receiving licenses.

The Department does not track officers, directors, managers, and partners of former licensees that have had their licenses terminated or revoked by the Department, the United States, or any other state or jurisdiction. The Grain Code states that an applicant cannot have had its license terminated or revoked by the Department, the United States, or by any other state or jurisdiction within two years of the date of application (this includes officers, directors, partners, or managers), leaving unsatisfied indebtedness to claimants, unless the applicant or licensee makes a sufficient showing to the Department that the person or related party was not materially and substantially involved as a principal in the business that had its license terminated. Without tracking these individuals, the Department cannot ensure that licensees are complying with these requirements of the Grain Code.

The Grain Code also states that applicants must have a good business reputation, have not been involved in improper manipulation of books and records or other improper business practices, and have essential qualifications and background. Without tracking individuals with a poor business reputation, or who have improperly manipulated books and records in the past, or undertaken other improper business practices, the Department cannot ensure that licensees are complying with these requirements of the Grain Code.

LICENSING	
RECOMMENDATION 1	<p><i>The Illinois Department of Agriculture should:</i></p> <ul style="list-style-type: none"> • <i>Ensure that all license applications and related financial analyses are reviewed and approved by a supervisor;</i> • <i>Conduct background checks of all license applicants including its officers, directors, partners, and managers; and</i> • <i>Track officers, directors, managers, and partners of former licensees that have had their licenses terminated or revoked or who have improperly manipulated books and records or undertaken other improper business practices.</i>
DEPARTMENT OF AGRICULTURE RESPONSE	<p>The Department will assure that all license applications and related financial analyses are reviewed and approved by more than one employee of that Bureau and/or the Division of Agriculture Industry Regulation which oversees that Bureau.</p>

	<p>The Department of Agriculture is unable to conduct background checks of all licensed applicants including its officers, directors, partners, and managers simply due to the enormity of this recommendation. The Department roughly estimates that we would have to perform background checks on approximately 4,000 individuals to comply with this recommendation. We do not have the resources to devote to this process. However, the Department will perform background checks on managers of newly licensed entities pursuant to the newly enacted statutory authority provided for in the most recent amendment to the Grain Code.</p> <p>The Department will attempt to formalize and memorialize existing standard operating procedures, which identify persons whose licenses have been terminated, revoked, and have improperly manipulated books and records or undertaken other improper business practices that are subject to the criminal penalties in the Grain Code and other federal criminal penalties that may arise as part of the business dealings of persons who have been criminally prosecuted.</p>
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EXAMINATIONS

The Department is required by law to conduct an examination and inspect each licensed grain dealer and grain warehouse at least once each calendar year (240 ILCS 40/1-15). According to Department officials, all of these examinations are unannounced. The Department tracks examinations, including the exam frequency, with a software program.

Types of Examinations

The Department conducts six different types of examinations:

- **Original** – the first full examination conducted of a newly licensed grain dealer or warehouse or where two or more entities are merging and have been licensed before and are forming a new corporation.
- **Subsequent** – routine examination conducted of licensed grain dealers and warehouses at least once each calendar year by law.
- **Amendment** – partial examination conducted only when storage space is added to or deleted.
- **Subsequent/Amendment** – routine examination combined with an amendment examination.
- **Special** – partial examination conducted as assigned by the Department or as requested by the licensee.

- **Closeout** – examination completed when the licensed grain dealer or warehouse transfers ownership or surrenders their license.

According to data provided by the Department, there were 877 examinations of licensed grain dealers and warehouses conducted during Calendar Year 2002. Exhibit 2-2 shows a breakdown of the examinations conducted by the Department, by type, for Calendar Year 2002.

Subsequent Examinations

During the audit period, the Bureau of Warehouses had a three-tiered system for categorizing licensees and determining the frequency of examinations. For all new and renewal licenses, a routing form, which includes a review sheet and 10-year history of the company, is circulated to Bureau of Warehouses officials for comments and recommendations regarding the examination frequency. The Bureau Chief has the final decision for determining the examination schedule the licensee is placed on. The Department did not have written criteria regarding how a licensee was categorized or what triggered a licensee being placed on an accelerated examination schedule. The three levels are described below.

- The **first level** is for licensees where the financial statements show no evidence of serious financial problems and the examinations show no serious problems or violations. These licensees are examined at least once per year.
- The **second level** is for licensees where the financial statements show a trend toward a declining financial strength and/or the examinations show problems or violations of a more serious nature, which cause concern to the Department. These licensees are examined at least two times per year.
- The **third level** is for licensees where the financial statements show very serious financial problems and/or the examinations show serious problems or violations. These licensees are examined at least three times per year.

According to the Department as of February 2003, 38 licensees were listed as being on an accelerated examination schedule (19 were in the second level and 19 were in the third level).

Examination Process

When the examiner arrives on-site, an entrance conference is held with the licensee. According to a Department examiner, examiners follow the entrance conference checklist for uniformity. During the inspection part of the examination, the quality and amount of each type of grain sold and stored at the facility, along with safety issues are reviewed. Examples of items verified during the financial part of the examination include:

- Working capital (all assets and liabilities are examined, ratio should be above 1:1)
- Collateral warehouse receipts

Exhibit 2-2 EXAMINATIONS BY TYPE Calendar Year 2002	
Exam Type	Number of Exams
Original	11
Subsequent	504
Amendment	137
Subsequent/Amendment	148
Special	44
Closeout	33
TOTAL	877
Source: OAG analysis of Illinois Department of Agriculture data.	

- Price later contracts
- Speculation limits (long/short)
- Proof of insurance

Electronic Examinations

The Department has been conducting its examinations of grain dealers and warehouses for several years using laptop computers and software to conduct analysis during the on site visits. The Department updated its examination software in February 2003. According to Department officials, the program is intended for use by all states eventually. We obtained a copy of the most recent examiner's manual (July 1999). The manual contains step-by-step instructions for conducting the examination.

The exam software allows the examiner to download financial information from the licensee and use an EDI (Electronic Data Interface) function to load the information on to a disk, thereby reducing the amount of data input and the amount of time it takes to conduct the exam. However, according to Department officials, not all licensees have this capability. Some licensees still use a pencil and paper and do not have computers. Although there is no handbook/manual for the new software, it does contain help screens that show the procedure for each step.

Spot Checks

In addition to performing a physical inventory and financial analysis, examiners perform several types of procedures and reviews to verify financial information and check compliance with grain regulations. The most recent examiner's manual lists a total of 13 spot checks that may be performed during an examination. The checks include areas such as price later contracts, warehouse receipts, scale tickets, and daily position records. However, the number and type of spot checks performed depends upon the activities that are undertaken by the licensee. For example, if the grain dealer does not enter into any price later contracts during the examination period, then price later contracts cannot be checked.

In the fall of 2001 the Department reduced the number of spot checks conducted for licensees who were not on an accelerated exam schedule in order to meet the statutory mandate of one exam per year because many examiners were involved in the Ty-Walk liquidation process. There were also instances in which spot checks were not performed during the examination because the licensee kept records out-of-state. Public Act 93-225 specifically addresses this problem by adding "the Department may require that certain records located outside the State of Illinois, if any, be brought to a specified location in the Illinois for review by the Department."

Department officials stated that they are currently in the process of assessing and implementing new spot checks. One of those being considered is a warehouse receipt confirmation process.

In one of the licensees sampled for testing, the examiner suggested in July 1999 that spot checks be created after the examination found that the manager was manipulating records to take

advantage of older grain payables. According to Department officials, spot checks are changed periodically based on recommendations, observations, and exam findings.

Supervisory Review

Upon completion of an examination, the examiner in the field electronically submits the exam to the Department's central office. When a report comes in, the software program labels ("tags") the type of examination as well as the licensee and exam date. Next, an examiner at the Department's central office reviews the examination and completes an exam review form. If the examination has any problems, it is called a priority exam and is forwarded to one of two Warehouse Examiner Supervisors for sign-off. According to Department officials, priority examinations are processed right away. They can result from a negative working capital position, speculation limits being exceeded, grain being short (over-obligation), or a memorandum for safety issues. According to Department officials, clean examinations are not reviewed by the examination supervisors. However, the supervisors spot check one out of every five for potential problems.

There is a checklist that is completed for each examination when it is reviewed. However, because the examinations are submitted electronically, and there is no supporting documentation submitted by the examiner, the supervisor can only check at that time for problems identified or whether all required spot checks were conducted. When we asked Department officials if we could review the checklists completed for the supervisory review we were told that they are thrown away once the exam is reviewed by the supervisor. Therefore, we could not determine whether all required spot checks were conducted for cases we reviewed.

There are no written policies and procedures for the supervisory review process that show if and how the review should be conducted, the steps taken in the event of a problem, or who must review each type of examination. There are, however, help screens in the new software that explain the purpose and procedures for each task. An Examination Cover Sheet is completed for each examination that shows the date reviewed and cleared, whether the examination was forwarded for further review, hearing notice, if applicable, and the computer posting date.

Annual Examination Requirement

We conducted an analysis of licensees to determine whether each was examined at least once during the last calendar year. To conduct this analysis, initially we compared a list of licensed grain dealers and warehouses as of January 14, 2003 to a list of exams completed for 2002.

We determined that all licensees received at least one subsequent examination during calendar year 2002. However, because the Department could not provide one report that showed each current licensee and whether each had received an exam during calendar year 2002, to make this determination, three different sources had to be used.

Examinations of Ty - Walk

Ty-Walk Liquid Sales, Inc. was a licensed grain dealer and warehouse that failed on August 23, 2001. During the fiscal year ended July 31, 2000, Ty-Walk entered into a business combination with a number of corporations and partnerships primarily through tax-free exchanges. The newly formed Ty-Walk Liquid Sales, Inc. performed a variety of business activities predominantly within the agricultural industry. Working capital went from \$2.9 million in FY1999 to \$11.8 million in FY 2000. At the time of failure, Ty-Walk was one of the largest licensed grain dealers in the State of Illinois.

According to the Department, Ty-Walk's financial

history dating back as far as 1994 shows that the company never submitted an audit with any financial deficiencies and always exceeded the minimum requirements for net worth, current ratio, and adjusted debt-to-equity ratios, as required by statute. The last audit submitted by Ty-Walk for license renewal was for the fiscal year ended July 31, 2000 and contained a qualified opinion. The opinion was qualified because Ty-Walk had combined operations and had tried to record assets that it owned at the fair market value instead of the book value. This inflated the total assets by about \$7.5 million. The audit restated the assets minus the \$7.5 million.

We reviewed examinations conducted on Ty-Walk during the years prior to the failure. As is shown in Exhibit 2-3, Department examiners had conducted a subsequent or subsequent/amendment examination each calendar year as was required by the statutes and had visited Ty-Walk for examinations a dozen times in the three years preceding the failure.

Most of the concerns noted in the Department's examinations were related to grain quality, not quantity. During the February 1, 2001 examination, Ty-Walk was discounted for low quality product. On May 24, 2001, a special examination was conducted to follow up on the February 1, 2001 examination and assess the grain quality concerns. The February 1, 2001 examination showed the company to be in compliance, with measured inventory exceeding reconciled storage obligations. The exams of Ty-Walk also noted large numbers of price later contracts being used and that there was a large volume of activity in regard to scale tickets.

On July 16, 2001, an auditor hired by one of the banks that held collateral warehouse receipts performed a collateral audit of Ty-Walk's books and records and concluded that Ty-

Exhibit 2-3 EXAMINATIONS CONDUCTED OF TY-WALK 1999-2001		
Exam Date	Exam Type	Months Since Last Subsequent Exam
07/31/2001	Subsequent/Amendment (final-not completed)	6
05/24/2001	Special	
05/23/2001	Amendment	
02/01/2001	Subsequent	9
01/16/2001	Special	
11/17/2000	Special	
08/21/2000	Amendment	
08/14/2000	Special	
04/28/2000	Subsequent/Amendment	12
03/07/2000	Special	
08/18/1999	Amendment	
04/30/1999	Subsequent	12

Source: OAG analysis of Illinois Department of Agriculture examinations of Ty-Walk.

Walk was short physical grain inventory to cover its total storage obligations. On July 31, 2001, the Department sent an examiner to begin a complete investigation and perform a full examination of all books and records, including physical inventory. This examination required six examiners and was not fully completed by the time of failure.

Examination Requirement Changes In Public Act 93-225

The new examination requirements in Public Act 93-225 establish three types of examinations to be conducted based upon the activities of the licensee. The new three-tiered examination system will be based upon depth of review. It also requires the Department to promulgate rules regarding the specific components and guidelines of these exams. The current administrative rules do not contain provisions regarding the components or guidelines for examinations. According to Department officials, examining some licensees more frequently will continue to be used as part of the examination process.

Exams are now required to cover all aspects of the grain operations of the licensee including options trades and programs and farmer marketing programs. The three types of exams established by the new Act are Basic; Intermediate; and Advanced (240 ILCS 40/1-15).

The **Basic Examination** is to be performed when the licensee's merchandising and trade practices involve minimal market risk, which might include those situations in which the licensee uses cash back-to-back contracts, traditional hedges with the Chicago Board of Trade, and price later contracts. The specific components and guidelines of the basic examination are to be as provided by rule, but shall at a minimum include verification of grain quality and quantity, reconciliation of records with grain transactions, computation of current ratios, and checking of posting procedures for accuracy (240 ILCS 40/1-15 A).

The **Intermediate Examination** shall be performed when the licensee's merchandising and trade practices involve an increased amount of risk, which might include those situations in which the licensee uses guaranteed minimum price contracts, purchases options, or writes options. This examination shall include all those things performed as part of the basic examination. In addition, the specific components and guidelines of the intermediate examination are to be as provided by rule, but shall at a minimum include verification of grain quality and quantity, reconciliation of records with grain transactions, and checking of posting procedures for accuracy (240 ILCS 40/1-15 B).

The **Advanced Examination** shall be performed when the licensee's merchandising and grain trading practices involve the most risk, which might include those situations in which the licensee has discretionary trading authority from producers, uses premium offer type contracts, or has contracts with producers that cover multiple crop years. This examination shall include all those things performed as part of the basic examination and the intermediate examination. In addition, the specific components and guidelines of the advanced examination are to be provided by rule, but shall at a minimum include grain market risk evaluation and appropriate levels thereof for the licensee and adequacy of internal controls (240 ILCS 40/1-15 C).

Using the guidelines in the new law, the Department is to determine the level of examination to be applied to each licensee. The Department may also engage the services of

accounting experts, grain risk management experts, or both as part of any intermediate or advanced examination. The Regulatory Fund may be used as a source of payment for the services of accounting experts, grain risk management experts, or both (240 ILCS 40/1-15).

Under the new act the Department may also require that certain records located outside the State of Illinois be brought to the State for review (240 ILCS 40/5-25 (a)(4)). This should help the Department in conducting examinations of large corporations in which records are kept in the home office in another state.

File Testing

We tested 20 closings in 2001 and 2002 (10 from each year) and 10 grain dealers and warehouses licensed as of January 2003. We also reviewed the two failures in 2001 and 2002 that resulted in claims paid by the Grain Insurance Fund (Ty-Walk and Ashley Elevator).

Supervisory Review

For the 30 files we sampled the average amount of time between completion of the subsequent exam and when the central office personnel reviewed the exam was 28.5 days. The number of days between exam completion and central office review ranged from 79 days to 3 days. The exam which took 79 days between completion and review date occurred in late 2001, during the failure and liquidation of Ty-Walk. There are no formal written guidelines regarding supervisory review or timelines in which the review should be conducted.

For one closing, there was no subsequent exam because the licensee was only in existence for three months. The close-out exam, which was completed by a supervisor, stated that the exam served as both an original and close-out of the licensee. It also stated that the license was obtained only to minimize the Grain Insurance Fund assessments and as a result the licensee neither intended nor ever did purchase grain under the license. We could not determine when or if the exam was reviewed because there was no review date on the examination cover sheet. This case in particular also raises questions regarding whether some licenses are purchased in order to avoid paying assessments.

Closeout Exams

When a licensee closes or is bought through a successor agreement, a closeout examination is performed. We found that some closeout exams were not being conducted prior to the company closing or a successor agreement being in effect. In one case it took approximately 3 ½ months before the Department conducted the closeout examination. In the exam it stated that the examiner could not verify unreceipted storage, grain payables, open purchase contracts, and unfilled sales contracts.

Distribution and Notification of Examination Results

Board members of the cooperatives or companies that are licensed grain dealers or warehouses are not required to attend the exit conferences or sign off on the examination results. Also, according to Department officials, board members are not sent a copy of the examinations. In a February 2001 e-mail Department officials acknowledged that board members were not

attending exit conferences, either by choice or because the manager may not have wanted them there. In this e-mail, examiners were encouraged to request that at least one member of the board attend the exit conference if the examination showed any violations that may lead to posting collateral. Having an active and informed board can play a vital role in the success or failure of any organization and boards are often the first line of defense against misguided management.

As a general rule, lenders that hold warehouse receipts as collateral are not sent a copy of the results or told of the findings in the Department’s examinations. According to Department officials, they do not have the authority to provide this information to lenders because it is confidential. Likewise, reviews conducted by lenders are not required to be filed with the Department.

Although even the best system of regulation cannot always prevent failures, a good system should identify problems and move quickly to fix problems and minimize losses to producers and the State.

EXAMINATIONS	
RECOMMENDATION 2	<p><i>The Illinois Department of Agriculture should:</i></p> <ul style="list-style-type: none"> • <i>Consider engaging the services of accounting experts and grain risk management experts;</i> • <i>Consider establishing a time limit and guidelines for examinations, and documenting supervisory review of examinations;</i> • <i>Establish guidelines for notification of successor agreements and closeout examinations;</i> • <i>Consider requiring at least one board member to be present at exit conferences and sign the examination certification form;</i> • <i>Consider providing copies of examinations to board members, directors, and owners of licensees; and</i> • <i>Promulgate rules to implement the new examination process delineated in Public Act 93-225.</i>
DEPARTMENT OF AGRICULTURE RESPONSE	<p>The Illinois Department of Agriculture will consider engaging the services of accounting experts and/or grain risk management experts when the occasion arises utilizing funds in the newly created regulatory control fund as provided in the most recent Grain Code changes. The Department has established time limits and guidelines for examinations based on a historical review of each licensee’s examination findings and results and will reduce these to formal written procedures. The Department will formalize and memorialize existing guidelines for the performance of closeout examinations and the execution of successor agreements in the event of a succession from one licensee to</p>

	<p>another.</p> <p>The Department engages all licensees’ boards of directors or principal officers in both entrance and exit conferences. The Department does provide copies of examinations to board members, directors, and owners of licensees upon attendance at exit conferences. The Department offers the entrance conference document as evidence that we attempt to actively engage all board of directors and principal officers in the examination review process during the exit conference. The Department will change the examination certification form to require signature of the manager and a member of the board of directors or principal officer of the licensed entity.</p>
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EXAMINERS

As of July 2003, the Bureau of Warehouses had 24 examiners, 23 who conducted field exams of licensees and one who reviewed the exams in the Springfield office. In addition, there were two Public Service Administrators that supervise the work of the examiners. Exhibit 2-4 shows the locations of the examiners.

The Department lost three examiners in December 2002 to the Early Retirement Incentive (ERI). The average age of the remaining examiners is 49 and 13 are over the age of 50. This leaves the Department likely to lose several more examiners, especially if another early retirement incentive is offered. Even without ERI, many of the examiners will be eligible for retirement around the same time period. According to the Department, new examiners need over one year of on-the-job training. The combination of the age of some of the examiners and the length of time it takes to train a new examiner could lead to problems with completing an annual examination of all licensees and the quality of those exams.

Exhibit 2-4
EXAMINER LOCATIONS
As of July 2003



Note: Not included in this map are two supervisors and one examiner who review exams in the Department's central office.

Source: OAG analysis of examiner locations.

Personnel Testing

We reviewed the personnel files of the examiners, and their two supervisors to determine if they met the qualifications of the job description and to identify what training they have received. According to the job description, the desirable requirements for a Warehouse Examiner are the following.

- **Education and Experience:** Requires knowledge, skill and mental development equivalent to the completion of four years of college with coursework in fields related to accounting, auditing, business and agriculture.
- **Knowledge, Skills and Abilities:** Requires elementary knowledge of the following: agricultural economics, grain warehouse financial records and reports, methods and procedures used in the conduct of warehouse examinations, and rules, regulations, and laws relative to warehouses. Requires ability to: conduct warehouse examinations and inspect personal property and warehouses, communicate in oral and written form, establish and maintain satisfactory working relationships with grain dealers, warehouse managers, and other employees of the grain industry, testify at administrative or judicial proceedings, gather data and information to be utilized at administrative and judicial proceedings, and use a notebook computer.

Of the 24 examiners' files we reviewed, 13 have a Bachelor's Degree, 8 have either an Associate's Degree or some college experience and 3 have high school degrees only. For the three having no college experience, one was the general manager for 21 years at a grain company and the other two worked in sales in other industries.

We also reviewed other states' requirements for examiners. Illinois has similar qualifications in comparison to Indiana, Iowa, Nebraska and Ohio. None of these states have a requirement of a four-year college degree. Generally, college experience is preferred, but work experience related to agriculture, accounting or business management is accepted.

Training

The Department does not have training requirements for new examiners or a formal written training plan. The Department also does not track training examiners receive. When asked what training the examiners receive, the Department could only provide e-mails and meeting agendas from meetings. No sign-in sheets or verification that an examiner attended the training is kept by the Department. The Department also could not provide the number of hours of training that each examiner had received each year because this is not in the personnel files or tracked by the Bureau of Warehouses or Human Resources. The Department said all examiners are required to attend the meetings, with the exception of examiners that are working on an insolvency. Items from e-mails and meeting agendas for the years 2000 through 2003 included the following training:

- Examination software and computers;
- Discussion of the new spot checks;
- Problems seen in exam review process;
- Discussion of exam procedures;

- Discussion of the Grain Code; and
- Presentations by employees of licensees regarding feed and grain pool merchandising programs and contracting.

There was no evidence that examiners had received training in grain accounting or detecting fraud. According to Department officials some of the examiners did attend a workshop with the Illinois Agriculture Auditing Association in the 1990s.

Conflicts of Interest

According to Department officials, each examiner files a conflict of interest statement with the Department to disclose potential impairments. However, our review showed that these conflicts are not always taken into account and there were potential conflicts of interest that were not reported. Our review of the examiner conflict database, personnel files, and examinations revealed that:

- Nine examiners conducted 32 exams of licensees that they listed as having a conflict between 1994 and 2003. Twenty-eight of these were between 1999-2003;
- Examiners did not always list former employers that are licensees as a conflict;
- For one failed licensee in 2002 who was also a gun dealer, the examiner was a customer. When the licensee failed, he had possession of the examiner’s firearm, which was seized as an asset; and
- The Department could not provide documentation, such as memos or forms, completed by the examiners to support the conflicts listed in the database. The most recent memo provided by the Department was for February 1992.

Because of the geographic nature of the examiners, it is also possible that they have family members in the farming or grain industry. According to Department officials, there is an unwritten rule that examiners cannot examine licensees more than three times in a row. They try to rotate them after two years. A review of exam histories for licensees showed that this is generally the case. However, because of the geographical nature of examiner locations around the State, the potential for a conflict of interest still exists.

EXAMINERS	
RECOMMENDATION 3	<p><i>The Illinois Department of Agriculture should:</i></p> <ul style="list-style-type: none"> • <i>Provide training to examiners in grain accounting and fraud detection;</i> • <i>Track training received by examiners; and</i> • <i>Identify potential examiner conflicts of interest by requiring examiners to file an annual statement or a statement prior to each engagement.</i>
DEPARTMENT OF AGRICULTURE RESPONSE	<p>The Department will provide additional training to examiners in grain accounting, and we will attempt to identify available fraud detection training to examiners at the earliest possible convenience. The Department will formally track training and memorialize the types of training that we have provided to our examiners on an ongoing basis. The Department of Agriculture</p>

	will identify conflicts of interest for examiners and track these on an annual basis during the normal performance evaluation process for each employee.
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CORRECTIVE ACTIONS

The Illinois Department of Agriculture has several courses of action it can take to correct violations of the Grain Code. These actions include issuing a memorandum of adjustment, assessing financial penalties, requiring collateral, increasing reporting requirements, suspending or revoking a license, and criminal prosecution.

Memorandum of Adjustment

The most common corrective action used by the Department is a Memorandum of Adjustment (MOA). According to Department officials, approximately 90 percent of examinations result in a MOA. The MOA requires the licensee to immediately correct a deficiency found during an examination. Examples cited by the Department as reasons a MOA would be issued include bad record keeping and miscalculations. According to the Department, MOAs are not considered formal actions.

Several of the MOAs we reviewed in our testing contained serious violations of the Grain Code. These included exceeding speculation limits, insufficient inventory to cover storage obligations, having negative liquid position, failure to keep an accurate Daily Position Record, not using State approved forms for price-later contracts, and price-later contracts not being signed within the required 30 days. We could not obtain a complete list of MOAs issued or the findings in them because the Department does not track these.

According to the Department, in April 2000, before the Ty-Walk failure, the Department decreased the number of days that a licensee had to respond to an MOA. The required response time was reduced from 15 days to 5 days. This was done to expedite the exam process and allow corrective actions to be taken sooner. In May 2000 the Department also started sending examiners a copy of the MOA responses so that examiners could see how the licensee responded to the violations noted in the exam.

Statutory Penalties

The Illinois Grain Code (240 ILCS 40) sets forth penalties/corrective actions that shall be imposed by the Department for licensee violations. These include:

- Violations of open position limits by more than 1000 bushels but less than twice the maximum allowable limits
 - Post collateral with the Department
 - Pay a penalty - \$250 (1 violation), \$500 (2 violations), \$1,000-\$10,000 (3 or more violations)

- Licensee fails to have sufficient quantity of grain in store to meet outstanding storage obligations between \$1,000 and \$20,000
 - Post collateral with the Department
 - Pay a penalty - \$250 (1 violation), \$500 (2 violations), \$1,000-\$10,000 (3 or more violations)
- Licensee fails to have sufficient quality of grain in store to meet outstanding storage obligations
 - Post collateral with the Department in an amount equal to the value of the grain quality deficiency
- Licensee does not meet minimum financial requirements or has record keeping deficiencies
 - Post collateral with the Department

Over the past four years, few licensees have been assessed penalties. Information obtained from the Department showed that in 2002, 18 licensees were assessed penalties for a total of \$6,750. The smallest penalty was for \$250 and the largest was for \$1,000.

Formal Hearings

As is shown in Exhibit 2-5, the Department held 22 formal hearings during Fiscal Year 2002. These were held because of

licensees exceeding speculation limits, insufficient inventory, and record keeping violations. In most cases, the licensee had to post collateral, pay a penalty, or both.

Suspension/Revocation of License

The Department may **suspend** a license if any of the following has occurred: (1) a licensee has experienced a failure or is unable to financially satisfy claimants, (2) a licensee has violated any of the provisions of the Code and the violation indicates an immediate danger of loss to potential claimants, (3) a licensee fails to pay a penalty or post collateral, or (4) a licensee fails to pay an assessment.

The Department may **revoke** a license if any of the following occurs: (1) the Director finds, after an administrative hearing, that grounds for suspension have occurred, (2) a licensee voluntarily files for bankruptcy or (3) an order of relief is entered in reference to a licensee as a consequence of a petition for involuntary bankruptcy.

We requested the number of license suspensions issued by the Department over the past three years. We were able to identify several license suspensions. However, the Department

Exhibit 2-5 CORRECTIVE ACTIONS Fiscal Years 1999-2002				
Action Taken	1999	2000	2001	2002
Formal Hearings	16	22	20	22
Penalties	9	17	16	18
Penalty Amount	\$2,750	\$7,250	\$5,250	\$6,750
Licenses Suspended	<i>See Note</i>			
License Revoked	0	0	0	0
Note: The Department could not provide information regarding the number of licenses suspended each year. Source: OAG analysis of Illinois Department of Agriculture data.				

could not provide a total because it does not track suspensions. We also reviewed closings and failures for the period 1999-2002 and found that over those four years no licenses were revoked.

Requiring Collateral

Another common action taken by the Department is to require licensees to post collateral. The Illinois Grain Code defines collateral as:

- (a) irrevocable letters of credit;
- (b) certificates of deposit;
- (c) cash or a cash equivalent; or
- (d) any other property acceptable to the Department to the extent there exists equity in that property.

The Department provided documentation showing that as of May 2003 there were 93 licensees with collateral posted totaling over \$8 million. However, this may include collateral previously posted for which the licensee has not requested release. This listing also includes licensees that may have posted collateral to meet the financial requirements for licensing and those that filed collateral because of violations found during an examination. Officials stated that some licensees choose to have the Department retain the collateral in case of future need.

60 Day Filings

The Illinois Grain Code (240 ILCS 40/5-15) states that the Department may by rule reduce the filing period for an application for renewal of a license to 60 days after the fiscal year end, instead of 90, if the Department determines that an applicant has financial deficiencies, or there are other factors that would create a substantial risk of loss to potential claimants. According to information provided by the Department, as of May 2003, 16 licensees were on the 60-day filing requirement. All of these licensees also had collateral on file with the Department.

Additional Required Reports

The Department has also placed some licensees on either a monthly, weekly, or bi-weekly reporting schedule. As of July 2003, there were 15 licensees on either a monthly, weekly, or bi-weekly reporting schedule to the Department. These reports are one page and include information regarding the licensees' grain assets and liabilities.

Guidelines and Tracking Corrective Actions

The system of corrective actions and monitoring is inconsistent. We reviewed the licensees that were on an accelerated exam schedule, 60 day filing requirements, and those required to file additional reports. Our review showed that 6 licensees were on an examination schedule of 3 (licensees with the most serious problems or violations) but were not required to have an audit within 60 days of the end of the fiscal year or to file additional reports with the Department. Likewise, there were 2 licensees that were required to file additional reports that were not on an accelerated exam schedule or on the reduced audit period. Finally, there were 7 licensees required to have an audit within 60 days of the end of their fiscal year that were not listed as being on an accelerated exam schedule or required to file additional reports.

During our testing we also reviewed several licensees that had violated the Grain Code and other requirements repeatedly. For example, one licensee had repeated violations cited in examinations conducted by the Department including negative working capital, various record keeping problems, and insufficient company-owned grain. There were also multiple hearings, penalties, and the licensee did not file a financial report with the Department, leading to a special exam in January 2003. It was also noted that the licensee was possibly withholding information and records or was at least untimely in providing them to Department officials. This licensee was on an accelerated exam schedule, required to file an audit within 60 days of the end of its fiscal year, and monthly reporting. However, it is not clear at what point the license should be suspended, revoked, or no longer renewed.

The Department has no formal written guidelines regarding when a licensee should be placed on an accelerated exam schedule, be required to file an audit within 60 days of the end of the licensee’s fiscal year, or be required to file additional reports. Written guidelines would help the Department take more consistent corrective actions against those licensees that violated the Grain Code and other Department requirements.

CORRECTIVE ACTIONS	
RECOMMENDATION 4	<i>The Illinois Department of Agriculture should establish guidelines for taking and tracking corrective actions.</i>
DEPARTMENT OF AGRICULTURE RESPONSE	The Illinois Department of Agriculture will formalize existing guidelines and standard operating procedures in written form for taking and tracking corrective actions.

Licensee Training

In a Bureau of Warehouses informational newsletter to the grain industry, the Department listed the most common violations and problems found during examinations. These violations fell into five general categories: inaccurate records, price later contracts, safety concerns, insufficient inventory to cover storage obligations, and exceeding speculative limits.

There are no testing or training requirements to manage a grain dealership or grain warehouse. Although the Department does require tests for certain professions such as pesticide applicator, there is no such requirement for grain dealers or warehousemen. There are also no training requirements.

The Grain Code makes provisions for licensee training by stating that:

Without limitation upon any other action under this Code, if a licensee violates any of the provisions of this Code, the Department may, without need for a hearing, require additional training (240 ILCS 40/15-5).

In one case we sampled, the licensee terminated the manager because of numerous charges and hired a grain manager with no prior experience. In an examination conducted by the Department in March 2001, the MOA recommended that “the person that is in charge of grain accounting as well as the grain dept. manager/merchandiser needs to receive additional training in grain accounting practices and usage of your grain computer software.” The MOA also noted that this would be of great benefit to the licensee. The licensee sent several employees to training. As a result, a May 2002 examination showed a considerable improvement in compliance with the Grain Code and grain accounting practices.

Exhibit 2-6 EXAMPLES OF MOST COMMON VIOLATIONS CITED IN EXAMINATIONS	
<i>Inaccurate Records</i>	Scale tickets not posted for days actually issued.
	Trades not recorded on the day(s) they were actually made.
	Collateral warehouse receipts not entered in Daily Position Record on day they were issued.
	Collateral warehouse receipts not cancelled in Daily Position Record on day they were released.
	Scale tickets issued out of sequence.
	Warehouse receipts issued out of sequence.
	Math errors – totals were not calculated correctly.
	Storage obligations not increased or decreased on days they occur.
	Adjustments to inventory due to warehouseman not taking periodic shrink.
<i>Price-later Contracts</i>	Not signed within 30 days of last date of delivery.
	If delivered from storage, contract not signed prior to being removed from storage.
Source: OAG analysis of a 9/11/02 Illinois Department of Agriculture newsletter.	

The Department should consider providing or partnering with associations in the State to provide training to licensees in areas such as grain accounting, examinations, and the Grain Code. This training would help grain dealers and warehouses reduce the number of problems found in examinations. Training would also help the examinations go more smoothly because records would be more easily followed by examiners and the licensees would be able to prepare and provide information in the proper format. Further, training for licensees would especially be beneficial taking into account the large amount of changes to the Grain Code that were recently enacted by Public Act 93-225.

The Department may also want to consider implementing a licensure test or training certification program for grain managers/merchandisers. This would ensure that the managers operating grain dealerships or warehouses have a level of expertise in the field.

LICENSEE TRAINING	
RECOMMENDATION 5	<i>The Illinois Department of Agriculture should consider requiring training of licensees and implementing a licensure test or training certification program for grain managers/merchandisers.</i>
DEPARTMENT OF AGRICULTURE RESPONSE	At the present time, the Department of Agriculture does not contemplate implementing a licensure test for grain merchandisers and managers due to lack of resources to devote to this process.

DATA MANAGEMENT

The Department’s computer system does not contain a centralized database with all information on licensees. As of December 2002, licensee data was stored in many areas/data tables and in different software applications making it difficult to access all information on each licensee such as financial histories, examination histories, hearing history, and collateral on file. The Department also does not track corrective actions taken in each Memorandum of Adjustment, suspensions, or other violations of the Grain Code for follow up. If this information was available in one place for each licensee, the Department could better track licensees, especially those that have violated requirements of the Grain Code. The Department could also create and implement a system of management reporting.

The Department identified this as an area of concern in December 2002 and has taken some steps toward achieving this with the examination and licensing information. However, there is still no one place in which all information can be accessed about a licensee. The Department also does not track officers, directors, managers, and partners of former licensees that have had their licenses terminated or revoked or who have improperly manipulated books and records or undertaken other improper business practices.

DATA MANAGEMENT	
RECOMMENDATION 6	<i>The Illinois Department of Agriculture should continue to merge its computer systems in order to better track licensing, examinations, and corrective action information.</i>
DEPARTMENT OF AGRICULTURE RESPONSE	The Department will continue to merge various computer systems from the existing Paradox database to a centralized database to achieve better tracking of licensees, examinations, and corrective actions follow-ups.

Chapter Three

CLAIMS PROCESSING

CHAPTER CONCLUSIONS

The Department's responsibilities regarding the process of liquidation and the procedures for paying claims are delineated in the Grain Code and administrative code. The Grain Code and administrative rules specify the process for adjudication of claims in the event of a failure, timelines for submitting claims, and how to determine the amounts of claims.

We reviewed the claims process for two licensee failures (Ty-Walk and Ashley Elevator) to determine whether rules established by the Grain Code for processing claims were adequate and being followed by the Department of Agriculture.

As of September 2003, a total of \$31,717,287 was paid to 281 Ty-Walk claimants. Of the 330 claimants, 5 received 76 percent of the total payout, or over \$24 million. These were banks and other entities that held collateral warehouse receipts for grain stored at Ty-Walk. Although a majority of the claimants were producers, they received \$7,568,886 or 24 percent of the total payout.

Of the 330 Ty-Walk claimants, 36 appealed the initial determination made by the Department. The first level appeal process increased the amount payable to seven claimants by \$163,134. Seven other claimants remained in the appeal process and appealed to the Circuit Court. As of September 2003, three Department determinations were affirmed and four cases were still pending in circuit court. The amount still in dispute, which could potentially have to be paid, amounted to \$115,311. For the other failure we reviewed, Ashley Elevator left \$881,178 in debt to claimants. In order to pay the grain claimants, the Grain Insurance Corporation approved an \$800,000 transfer from the Illinois Grain Insurance Fund to the Grain Indemnity Trust Account.

The Department should develop specific policies and procedures, other than those in the Grain Code, to determine what is a valid claim. There is potential for claimants to spread the claim amounts to different family members to avoid the maximum limitation for grain dealer claims set forth in the Grain Code.

The Department needs to develop procedures to ensure that timelines relating to claims are met. Our sample showed the Department took on average 227 days to compensate Ty-Walk claimants when according to the Grain Code it should take approximately 180 days to compensate the claimant. Claims sampled for the Ashley Elevator failure took an average of 156 days to compensate the claimant. Department officials cited several variables that affect the timeliness of claimant compensation including the size and type of failure, the types of claims and contracts involved, the make-up of creditors, the amount of inventory, and whether bankruptcy is involved. For instance, Department officials noted that the Ty-Walk claims process was slowed because the licensee was forced into involuntary bankruptcy.

THE DEPARTMENT OF AGRICULTURE’S RESPONSIBILITIES

In the event of failure or closing of a licensee, the Director of the Department has the power to seize or gain control of grain assets, protect the assets, liquidate and collect funds for deposit into the Trust Account, establish accounts as trustee, request transfers from the Fund to the Trust Account to pay claims, and disburse funds (see Chapter Four for an explanation of the Grain Insurance Fund and the Grain Indemnity Trust Account).

The Department’s responsibilities regarding the process of liquidation and the procedures for paying claims are delineated in the Grain Code and administrative code. When a failure occurs, the Department is required to take the following steps:

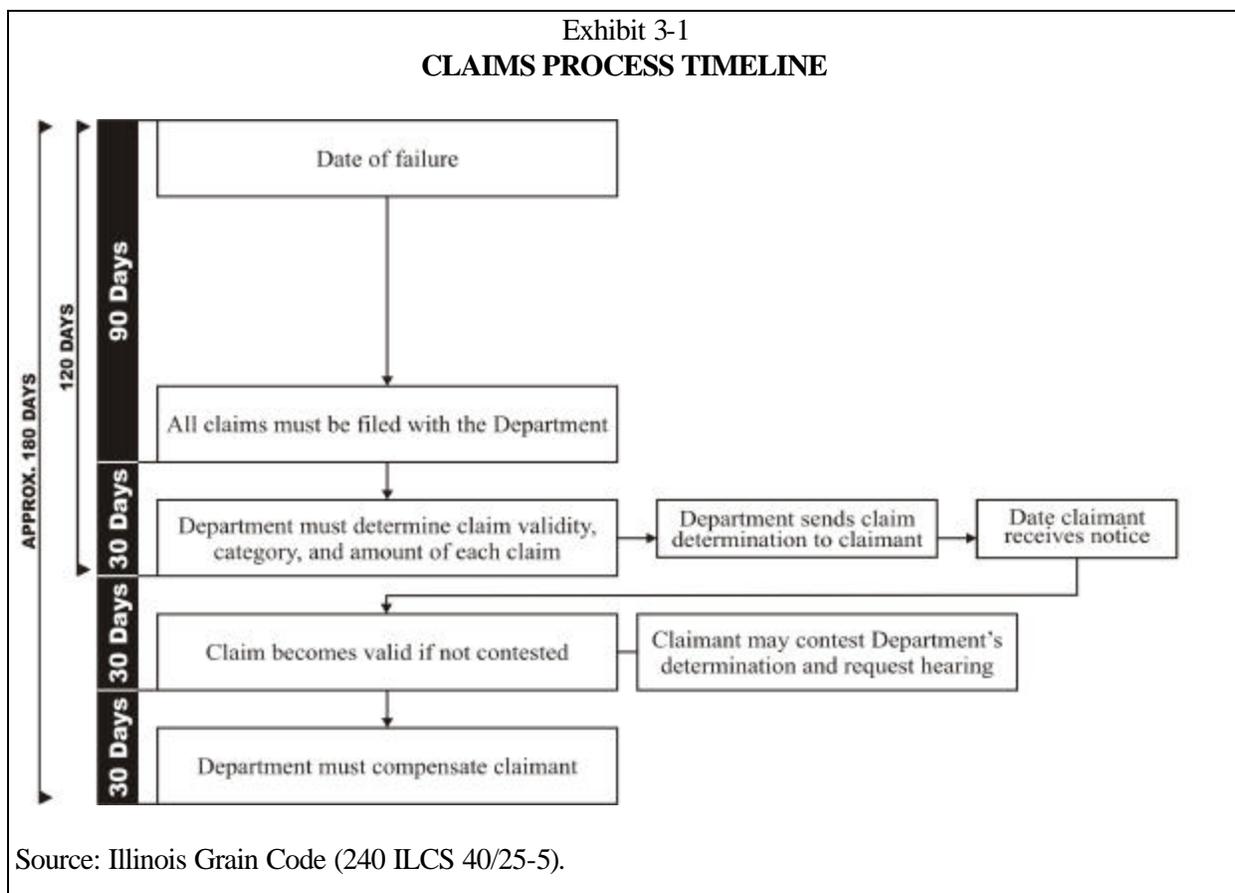
- Immediately post notice at all locations of the failed licensee stating that the licensee has experienced a failure and that the license has been terminated and is no longer in effect.
- Immediately take physical control and possession of the failed licensee’s facility, including but not limited to offices and grain storage facilities, books, records, and any other property necessary or desirable to liquidate grain assets and equity assets.
- Give public notice and notify all known potential claimants by certified mail of the licensee’s failure and the processes necessary to file grain claims with the Department.
- Perform an examination of the failed licensee.
- Seize and take possession of, liquidate, and collect upon all grain assets, collateral, and guarantees of or relating to the failed licensee.
- Seize, take possession of, liquidate, and collect upon equity assets of the failed licensee if the Department has first obtained the written consent of all applicable secured parties or lien holders, if any.

All reasonable expenses related to the liquidation are to be paid from the Trust Account.

CLAIMS PROCESS

The timelines and process for adjudication of claims is contained in the Grain Code. Once the failure of a grain dealer or warehouse has been established, the Department must publish a notice each week for three successive weeks and must mail a notice to each known claimant. The Grain Code defines a claimant as a person:

- Who possesses warehouse receipts issued from an Illinois location covering grain owned or stored by a failed warehouse;
- Who has other written evidence of a storage obligation of a failed warehouse issued from an Illinois location in favor of the holder, including, but not limited to, scale tickets, settlement sheets, and ledger cards;
- Who has loaned money to a warehouse and was to receive a warehouse receipt issued from an Illinois location as security for that loan, who surrendered warehouse receipts as part of a grain sale at an Illinois location, or who delivered grain out of storage with the warehouse as part of a grain sale at an Illinois location; or
- A producer who possesses evidence of the sale at an Illinois location of grain delivered to a failed grain dealer and who was not paid in full.



The notice sent to claimants contains information regarding filing a claim against the failed grain dealer or warehouse. The claimant then has 90 days from the date the failure occurred to file the claim with the Department. Exhibit 3-1 shows the timeline of the claims process established in the Grain Code.

After the deadline for filing claims, the Department has 30 days to determine whether the claim is valid and the amount of the determination or a total of 120 days. The Department then notifies the claimant of the determination. After notification, the claimant has 30 days to request a hearing if they disagree with the determination. According to the Grain Code, the hearing shall be held in accordance with rules. If a hearing is not requested, the claim becomes valid after 30 days. Once this occurs the Department has 30 days to compensate the claimant. Overall, the process should take approximately 180 days from failure to the point where the claimant is reimbursed for a claim. However, according to Department officials, the time it takes depends upon several factors, including the number of claims and whether the elevator has declared bankruptcy and the courts are involved.

Determining Claimant Compensation

Determining the amount of compensation is somewhat complicated. Money obtained from the liquidation of grain assets is used to pay off the failed licensee’s obligations. If the sale of assets does not raise sufficient funds, money from the Grain Insurance Fund is used to pay

valid claims. However, if funds from the Grain Insurance Fund must be used, the amount of compensation depends upon 1) whether the claims are for grain stored or sold; and 2) the dates of delivery and pricing in relation to the date of failure. Warehouse claims are covered 100 percent with a maximum draw on the Grain Insurance Fund of \$1 million. This covers all grain in storage at the time the elevator failed.

Exhibit 3-2
TYPES OF CLAIMS AND REIMBURSEMENT
Prior to Public Act 93-225

- I. Warehouse Claims covered 100%, subject to \$1,000,000 maximum draw from the Grain Insurance Fund:
 - A. All grain in storage with the failed elevator

 - II. Grain Dealer Claims covered 100%, subject to \$1,000,000 maximum draw from the Grain Insurance Fund:
 - A. Covers a producer who has completed delivery and pricing of grain within 21 days of the date of failure.

 - III. Grain Dealer Claims covered 85%, subject to a \$100,000 maximum:
 - A. Producers who have completed delivery and priced this grain within 160 days of the date of failure.
 1. If the grain in this category was sold on a price-later contract, the date of delivery was within 270 days of the date of failure, and pricing occurred within 160 days of the date of failure.
 - B. Producers who have sold grain on a price-later contract, for which a final price has not been established, where the date of delivery is within 270 days of the date of failure.
-

Note: Public Act 93-225 increases coverage for Grain Dealer Claims to a \$250,000 maximum with 365 days instead of 270 for price-later contracts.

Source: 240 ILCS 40/25-10 and Illinois Department of Agriculture documents.

Claim determinations for grain dealer claims are complicated by the fact that some claims may involve price-later contracts in which the grain has been delivered but a final price has not been established. Exhibit 3-2 shows the amount of compensation for different types of claims. In some instances the claimant would only be reimbursed for 85 percent of the amount of the claim up to \$100,000. Certain grain dealer claims are barred and disallowed in their entirety if the Fund must be used. These include:

- Claims filed by a producer who completed pricing of the grain in reference to their claims in excess of 160 days before the date of failure; and
- Claims filed by a producer for grain sold on a price-later contract if the later of the date of execution of the contract or the date of delivery of grain in reference to the grain covered by the price-later contract occurred more than 270 days before the date of failure.

Department officials noted that pre-paid items such as seed, fertilizer and storage are not considered reimbursable.

We reviewed the claims process for two licensee failures (Ty-Walk and Ashley Elevator) to determine whether requirements established by the Grain Code and administrative rules for processing claims are adequate and being followed by the Department of Agriculture. In addition to reviewing claimant information, we sampled 25 claims from each of the two failures to determine the following for each claimant:

- Original claim amount filed;
- Final amount reimbursed to each claimant;
- Number of days between the failure and claim date;
- Number of days between the failure and final reimbursement of each claim;
- Whether the claim was approved or denied and the reason;
- Whether a hearing was requested by the claimant if it was denied;
- Outcome of the hearing if one was requested; and
- Any other issues noted during claims testing.

For the Ty-Walk failure, we also reviewed seven claims that were appealed and the Department's original decision was overturned. We tested these files for the same information listed above.

Administrative Rules and Policies and Procedures For Claims Processing

The Department does not maintain specific guidelines outside the Grain Code to further define the appropriateness of claims. The Department's rules simply state:

- Where the claim can be filed;
- That a claim form will be made available at the locations of the failed licensee;
- All scale tickets, settlement sheets, warehouse receipts and contracts must be submitted with the claim;
- All original warehouse receipts shall be submitted to the Department prior to receiving payment of a claim; and
- All claims must be signed by the claimant whose name appears on the claim.

Although the Department rules include a section regarding claims procedure, they do not address claims processing issues such as meeting timelines established by the Grain Code or specifically defining what is a valid claim.

TY-WALK CLAIMS

On August 23, 2001, Ty-Walk Liquid Sales, Inc., an Illinois licensed grain dealer and warehouse, met the definition of a failure. As a result of the failure, 330 claims totaling \$46,775,263 were filed against Ty-Walk Liquid Sales, Inc. As of September 2003, a total of \$31,717,287 was paid to 281 Ty-Walk claimants. Grain warehouse claims paid amounted to \$27,687,680 and grain dealer claims were paid the remaining \$4,029,607.

Of the 330 claimants, 5 received 76 percent of the total payout, or over \$24 million. The five claimants were banks and other entities that held collateral warehouse receipts for grain stored at Ty-Walk. As shown in Exhibit 3-3, these five banks and other entities also lost over \$10 million because of the \$1 million limit on warehouse claims. Although the majority of claimants were producers, they received \$7,568,886 or 24 percent of the total payout.

Exhibit 3-3 OVERVIEW OF TY-WALK CLAIMS		
Claimant	Total Claim	Reimbursed
5 Banks and Other Entities	\$34,716,160	\$24,148,401
325 Producer Claims	\$12,059,103	\$7,568,886

Source: OAG analysis of Ty-Walk data.

Department officials noted that if it were not for having to pay the five banks and other entities, they would not have needed to ask for funds from the General Revenue Fund, as is discussed in Chapter Four.

Claims Process

The Department lacks specific procedures, other than those in the Grain Code, to determine what is a valid claim. We reviewed the list of claimants for Ty-Walk and found several instances where multiple claims were filed for the same family under different names of family members. For example, it was common to see a claim for the family farm and individuals with the same last name. According to Department officials, these all met the definition of claimant.

While all of these may be legitimate claims, there is potential for claimants to spread the claim amounts to different family members in order to maximize recovery of claims and avoid the \$100,000 limitation for grain dealer claims set forth in the Grain Code. Department officials stated that they did see multiple claims for the same last names occurring with the Ty-Walk failure. According to the Department, they must look at every individual case because each claim can have different characteristics and therefore needs to be handled differently.

Although Department officials rely on past experiences and review each claim individually, they do not maintain specific guidelines outside the Grain Code to further define claimant and determine appropriateness of claimants. Written procedures would give guidance to Department employees in determining if claims and claimants are valid and appropriate.

Public Act 93-225 that went into effect July 21, 2003 raised the maximum limit on grain dealer claims from \$100,000 to \$250,000.

Claims Timeliness

According to the Grain Code, the claimant has 90 days from the date of failure to file a claim with the Department. On September 18, 2001, the Department of Agriculture mailed notices to potential claimants informing them that they must file a claim no later than November 21, 2001. We randomly sampled 25 of the 330 Ty-Walk claims and found that claims were filed on average 35 days after the date of failure with the number of days ranging from 17 to 89.

The Department holds an informational creditors meeting to educate producers about the claims process. The next day they set up shop at the licensee and meet with each possible

claimant. According to Department officials, they usually tell the claimants how much is shown on the books of the failed elevator. According to Department officials, many of the producers have no idea because they don't keep good records and there is a certain trust between the producers and the managers of the elevators. Department officials estimated that it took 25 percent of the Bureau's staff to handle the large number of Ty-Walk claims.

The claims process timeline described in the Grain Code allows approximately 180 days from the date of failure to the date of compensation (as shown in Exhibit 3-1). In our sample of Ty-Walk claims that had been paid, it took on average 227 days to reimburse the claimant from the date of failure with the shortest number of days at 221 and 284 the longest. Department officials cited several variables that affect the timeliness of claimant compensation including the size and type of failure, the types of claims and contracts involved, the make-up of creditors, the amount of inventory, and whether bankruptcy is involved. Department officials noted that with Ty-Walk the process was slowed because the licensee was forced into involuntary bankruptcy. The Attorney General's office informed the Department that determination letters should not be sent until the automatic stay was lifted. On January 25, 2002, the Department mailed claimants a letter informing them of the delay due to bankruptcy proceedings. The bankruptcy was dismissed on February 28, 2002, which was the same day the determination letters were sent out.

Public Act 93-225, effective July 21, 2003, addresses this issue by stating:

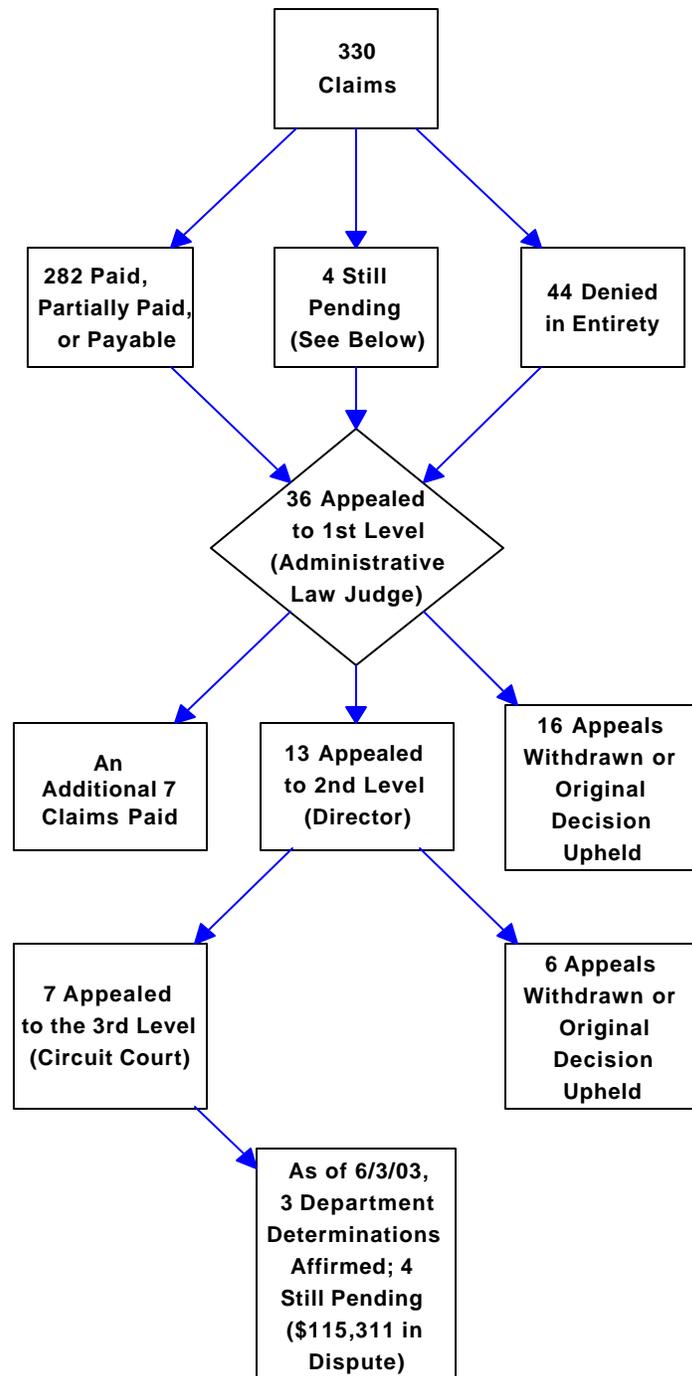
“It is the intent of this Act that the time periods and deadlines are absolute, and are not to be tolled, or their operation halted or delayed. In the event of a bankruptcy by a licensee, the Director shall seek to have commenced any proceedings that are necessary and appropriate to lift the automatic stay or make it otherwise inapplicable to the actions of the Department with regard to the claims determination process” (240 ILCS 40/25-5 (j)).

Department officials noted that compliance with absolute timeliness would be difficult because, in some cases, State and federal laws relating to bankruptcy take precedence over the Illinois Grain Code (240 ILCS 40). Due to the absolute time requirement in the new law, the Department needs to develop procedures to ensure that timelines relating to claims are met, even in the case of bankruptcy by the licensee.

Ty-Walk Appeals and Hearings

The Grain Code states that once the claimant receives a written determination, a hearing may be requested within 30 days if disagreements exist. Of the 330 Ty-Walk claimants, 36 appealed the initial determination made by the Department. The first level appeal process increased the amount payable to seven claimants (over the original amount determined by the Department) by \$163,134. Seven claimants remained in the appeal process and appealed to the circuit court. As of September 2003, three Department determinations were affirmed and four cases were still pending in circuit court. The amount still in dispute, which could potentially have to be paid out of the Grain Indemnity Trust Account, amounted to \$115,311. The Department's original determinations were upheld or the appeals were withdrawn for the remaining claimants. For an overview of Ty-Walk claim determinations, see Exhibit 3-4.

Exhibit 3-4
TY-WALK CLAIMS DETERMINATION OVERVIEW
 As of September 2003



Source: OAG analysis of Ty-Walk claims.

We sampled seven appealed claims where the original amount determined by the Department was overturned. Two claims were for the same claimant. All of the claims were filed within 90 days. It took on average 304 days to compensate the claimant from the date of failure. The payment of claims was slowed by the bankruptcy and the appeals process. Exhibit 3-5 summarizes the reasons the Department’s initial determination on the appealed claims was overturned. In several instances the initial determination was overturned because the claimant provided additional documentation to the Department that was not provided with the original claim.

During the Ty-Walk failure, the Department did not compensate claimants for claims until all disputes with that claimant were settled. In some cases we reviewed, there were valid claims that were not denied or in dispute that did not get paid until other disputed claims were settled. Public Act 93-225 addresses paying claims not in dispute by stating “it is the express intent of this legislation that each undisputed portion of a claim shall be paid in accordance with the deadlines of this Code, even if there are disputed portions of the claim.”

Exhibit 3-5

TY-WALK CASES WHERE THE DEPARTMENT'S DECISION WAS OVERTURNED

- The Department initially determined that the claimant was entitled to \$226,324 of the \$319,705 claimed. The petitioner argued that a \$34,000 advance from Ty-Walk that the Department subtracted from his claim, did not clear Ty-Walk's bank. A copy of the check that did not clear the bank was entered into evidence. It was ruled that the Department pay the claimant 85% of the \$41,267 claim or \$35,077 (an additional \$28,359). This claimant also discovered a warehouse receipt he had not made a claim for originally. The Administrative Law Judge ordered \$7,185 to be paid for the grain. In total the claimant received an additional \$35,544.
- The Department initially determined this claimant was entitled to \$28,103 of the \$50,728 claimed. The amount denied included price-later grain sold more than 270 days before the date of failure. On appeal the claimant provided scale tickets that were not previously provided to the Department to show that the grain was delivered within 270 days of the failure. The Administrative Law Judge ordered that the claimant be paid an additional \$15,016.
- The Department initially determined that the claimant was entitled to \$20,528 of the \$48,679 claimed. The amount denied included price-later grain sold more than 270 days before the date of failure. The amount paid was 85% of a \$24,151 grain dealer claim. On appeal the claimant was able to provide scale tickets showing the grain was delivered to Ty-Walk and priced within 21 days of the failure. The Administrative Law Judge ordered that the claimant should be compensated 100% instead of 85% for the grain dealer claim, or an additional \$3,623.
- The Department initially determined this claimant was entitled to \$9,564 of the \$11,772 claimed. The petitioner argued that in calculating the claim, the Department used the close-out elevator price (\$1.9475) instead of the close-out direct delivery price (\$2.0375). The Administrative Law Judge ordered that the claimant be paid 85% of the close-out direct delivery price or \$10,007, an additional \$443.
- The Department initially determined this claimant was entitled to \$23,388 of the \$163,566 claimed. The amount denied included price-later grain sold more than 270 days before the date of failure. The claimant appealed on several bases including pricing, cash advances, trucking charges, and interpretation of the 270 day rule for price-later contracts. The Administrative Law Judge ordered the Department to change the distribution of advances and apply it pro-rata to all 13 price-later contracts and to reverse the trucking charges for price-later contracts. The Department was ordered to pay the claimant \$89,507 or an additional \$66,119.
- The Department initially denied the claim totaling \$203,496. A portion of the claim in the amount of \$49,872 was denied because the Department assumed the claimant was a principal owner of Ty-Walk, constituting a related party from whom they could seek reimbursement. The file contained no documentation showing the Department's basis for determining the claimant a related party or an amended determination because the determination on file did not deny entitlement. Department officials could not provide documentation indicating the claimant's ownership in Ty-Walk. The Administrative Law Judge ordered that the claimant be paid 85% of the \$49,872 claim or an additional \$42,391.

Source: OAG analysis of Ty-Walk appeals.

Eleven of the 25 Ty-Walk claims we sampled were denied by the Department. Eight of 11 were denied because the grain was sold on a price-later contract in excess of 270 days before the date of failure. The other three claims were denied for the following reasons:

- It was for pre-paid grain.
- Records showed payment was made for the grain referenced in the claim.
- Hedge-to-arrive contracts are not cash contracts and are invalid after the time the grain dealer's license is surrendered.

Price-Later Contracts

Although the Department has established administrative rules, the rules do not clarify the claims determination process specifically for price-later contracts. In addition, internal policies and procedures regarding claims are not maintained by the Department. There were appeals regarding determinations for price-later contracts that challenged the Department's interpretation of the Grain Code.

The Grain Code states that claims are disallowed entirely if:

"...the later of the date of execution of the contract or the date of delivery of grain in reference to the grain covered by the price later contract must not be more than 270 days before the date of failure in order for the claimant to receive any compensation" (240 ILCS 40/25-10(d)).

One of the problems encountered with the claims process is related to the interpretation of price-later dates and reimbursement. Department officials stated that the Department has generally started the clock for the 270 days from the date the grain is delivered and weighed because that is when the grain dealer takes possession. Some producers appealed their determinations based on the date they signed the contract. Price-later contracts are required to be signed within 30 days of the last date of delivery. Public Act 93-225 added a provision to the Grain Code stating:

"In the event of a failure, if a price later contract is not signed by all parties to the transaction, the Department may consider the grain to be sold by price later contract if a preponderance of the evidence indicates the grain was to be sold by price later contract" (240 ILCS 40/10-15(e)).

In one sample case, the Department denied the claim because the grain was delivered to Ty-Walk on a price-later contract in excess of 270 days before the date of failure. The 270th day before Ty-Walk's failure was November 26, 2000. Although the grain was delivered from November 13 through November 20, 2000, the claimant signed the price-later contract on November 27, 2000. The claimant argued that they were entitled to 85% compensation for the grain covered by the price-later contract that was signed within 270 days of Ty-Walk's failure. The claimant also argued that paragraph (D)(2) requires coverage if the contract was executed within 270 days. Paragraph (D)(2) of the standard price-later contract states:

"This contract shall cease to be the basis of a valid claim against the Illinois Grain Insurance Fund upon the expiration of 270 days after the latter of the execution of this contract or the date of delivery of the grain sold under this contract."

The Department interprets the computation of the 270 days to begin at the date of failure and later is determined from the date of failure looking backwards in time. Since the Department

looks backwards to count the 270 days, it determined the delivery date of November 20, 2000 to be later than the execution date of November 27, 2000. According to the Department, this is and always has been the interpretation of “later” used by the Department. The outcome of this case was that the Administrative Law Judge upheld the Department’s determination denying the claim concerning this price-later contract.

The interpretation of this issue was addressed in Public Act 93-225. The number of days the grain must be sold within changed from 270 to 365. The new Public Act also clarifies that when computing the 365 days “the later of the date” now means the date closest to the failure (240 ILCS 40/25-10(e)). On September 10, 2003, the Department provided auditors with a proposed new price-later contract which incorporated the changes from Public Act 93-225.

ASHLEY CLAIMS

On August 12, 2002, David Whipple *et al* d/b/a Ashley Elevator, an Illinois licensed grain dealer and warehouse, voluntarily surrendered its license to the Department of Agriculture. As a result of the failure, a total of 99 claims amounting to over \$1.1 million were filed with the Department against Ashley Elevator.

The Department paid a total of \$881,178 to claimants involved in the Ashley Elevator failure. Grain warehouse claims paid amounted to \$802,744 and grain dealer claims were paid the remaining \$78,434. In order to pay the grain claimants, the Grain Insurance Corporation transferred \$800,000 from the Illinois Grain Insurance Fund to the Grain Indemnity Trust Account.

We randomly sampled 25 Ashley Elevator claims and reviewed the files. In the sample cases we selected, 11 of the claimants were reimbursed more than what was claimed. The original claim amount filed for the 25 cases totaled \$167,924. However the final amount reimbursed to the same claimants was \$172,959. In all 11 cases, the claimant deducted an amount for “Offsets Storage Drying Service Charge” and the Department’s determination did not make the deduction.

We asked the Department why storage and drying charges were not offset. Department officials responded that when the claimants filed the initial claim, the Department was contemplating offsetting these amounts as allowed by the Grain Code. However, the Department elected not to pursue these amounts because they were equity assets. Therefore the storage charges were added back into the claimed amount. According to the Department, in cases involving bankruptcy, the Department only has rights to the grain assets and does not have rights to equity and other assets.

Claims Timeliness

Our sample of 25 Ashley Elevator claims found that claims were filed on average 23 days after the date of failure, which is well within the 90-day requirement established in the Grain Code. The claims process timeline described in the Grain Code allows approximately 180 days from the date of failure to the date of compensation. In our sample of Ashley Elevator claims, it

took on average 156 days to reimburse the claimant from the date of failure with the shortest number of days at 153 and 162 the longest. With Ashley Elevator, the Department was able to compensate claimants within the deadlines set by the Grain Code.

The Department denied 6 of the 25 Ashley Elevator claims sampled. Five claims were denied because the grain was sold on a price-later contract in excess of 270 days before the date of failure. Another case was denied because the grain was priced in excess of 160 days before the date of failure.

According to the Department, three of the claims were appealed. These cases did not fall into the random sample of 25. The three claims were in the same family and identical to each other. Department officials stated the claimants did not agree that they had price-later grain and contended that the grain was stored. The claimants also felt they should be paid before all other claims and at 90% of the value. The Administrative Law Judge upheld the Department’s determination. The claimants then appealed to the Director of the Department, who also upheld the original decision. The claimants did not appeal to the circuit court.

Issues identified during our review of Ty-Walk and Ashley Elevator claims that have been addressed by the new Public Act include:

- Reimbursement of claimants while some part of their total claims is still in dispute; and
- Clarification of the timeline for reimbursement of price-later contracts.

However, other problems identified, such as timeliness, further defining a claimant, and claimants not providing all documentation at the time of filing, still exist. While the Grain Code establishes rules for adjudication and compensation of claimants, the Department of Agriculture has not developed internal policies and procedures to further define requirements in the Grain Code.

CLAIMS PROCESSING	
RECOMMENDATION 7	<p><i>The Department of Agriculture should develop internal policies and procedures to further define the claims process for failures including:</i></p> <ul style="list-style-type: none"> • <i>developing procedures to ensure that timelines relating to claims are met; and</i> • <i>defining specific claims criteria such as what is considered a valid claim.</i>
DEPARTMENT OF AGRICULTURE RESPONSE	<p>The Department of Agriculture will develop and memorialize internal policies and procedures to ensure that timelines relating to claims are met, as has been the case for the twenty-year history of the Grain Insurance Program. The Department will develop internal policies and procedures to further define specific claims criteria such as what is considered a valid claim in the form of rules.</p>

Chapter Four

GRAIN INSURANCE FUND

CHAPTER CONCLUSIONS

As of June 2003, the total assets of the Grain Insurance Fund (GIF) were \$1,166,397. However, because \$4 million is owed to the General Revenue Fund, the GIF had a negative fund equity of over \$2.8 million. In Fiscal Year 2002, the Illinois Grain Insurance Corporation (IGIC) transferred \$9,097,163 from the GIF to pay claims related to the Ty-Walk failure. In September 2002, the Department issued a subsequent assessment to grain dealers and warehouses. However, in Fiscal Year 2003, the IGIC transferred another \$800,000 from the GIF to pay claims related to the Ashley Elevator failure.

All net proceeds from the liquidation of Ty-Walk were not transferred to the GIF as is required by the Grain Code (240 ILCS 40/25-20). On December 30, 2002, \$20,000 was transferred from the Ty-Walk sub-account to another failed company's sub-account to pay the former owner's life insurance policy premiums.

On March 21, 2002, the Department received a \$4 million transfer from the General Revenue Fund to the GIF. According to the Department's projected plan, General Revenue Fund repayment should take approximately three years but it may take longer depending on several variables, including the number or size of future failures, the collection of assessments, the amount of post draw recoveries, or other market conditions. As of June 30, 2003, no funds had been repaid to the General Revenue Fund. In addition, although Public Act 93-225 establishes a minimum GIF balance of \$6 million and a Reserve Fund of \$2 million, the required GIF balance would not be sufficient to cover another major failure such as Ty-Walk with over \$9 million in claims.

Public Act 93-225, effective July 21, 2003, contains many changes impacting the GIF. One change established two new assessments: a grain seller initial assessment and a lender assessment. Both assessments require the licensee to notify, collect, or remit the assessment to the Department.

GRAIN INSURANCE FUND (GIF)

The Illinois Grain Insurance Fund (GIF) was established on August 16, 1983 by the Illinois Grain Insurance Act. The GIF was created to protect producers in the event of a failure of a licensed grain dealer or warehouse and to ensure the existence of an adequate resource so that persons holding valid claims may be compensated for losses in the event of a failure. The Grain Insurance Corporation is responsible for disbursing monies from the GIF. The Department of Agriculture is responsible for making disbursements from the Grain Indemnity Trust Account including paying valid claims.

As of June 2003, the GIF had a fund equity of (\$2,833,603). Exhibit 4-1 illustrates GIF revenues and expenditures for the past five fiscal years.

Exhibit 4-1 GRAIN INSURANCE FUND ANALYSIS Fiscal Years 1999-2003 (in thousands)				
Fiscal Year	Beginning Balance	Revenues/ Transfers	Expenditures	Ending Balance
1999	\$3,221	\$699	\$33	\$3,887
2000	\$3,887	\$570	\$28	\$4,429
2001	\$4,429	\$425	\$20	\$4,834
2002	\$4,834	*\$4,303	\$9,110	\$27
2003	\$27	\$1,955	\$816	*\$1,166

Notes: *On March 21, 2002, \$4 million was transferred from the General Revenue Fund to the GIF; therefore the fund equity in the Grain Insurance Fund as of June 30, 2003 was negative \$2.8 million.
Source: OAG IGIC financial/compliance audits and Department information.

GRAIN INSURANCE FUND REVENUES

GIF revenues include assessments, penalties, printer fees, interest income, and post draw recoveries. GIF expenditures include claim payments where liquidation proceeds are insufficient and refunds where payments are inappropriately paid into the GIF.

Exhibit 4-2 GRAIN INSURANCE FUND REVENUES Fiscal Years 1999-2003					
	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003
Industry Assessments	\$113,432	\$188,281	\$148,575	\$118,636	\$80,675
Subsequent Assessments	\$0	\$0	\$0	\$0	\$822,052
Penalties Collected	\$3,000	\$7,750	\$5,750	\$5,500	\$7,750
Post Draw Recoveries	\$401,413	\$148,305	\$7,302	\$76,720	\$1,030,296
Printer Fees	\$0	\$1,900	\$2,100	\$1,900	\$1,900
Interest Income	\$181,538	\$223,655	\$260,988	\$100,450	\$12,767
Total	\$699,383	\$569,891	\$424,715	\$303,206	\$1,955,440

Notes: In Fiscal Year 2003 the Department issued a subsequent assessment. No subsequent assessments were issued for Fiscal Years 1999-2002. Both the Grain Insurance Corporation and the Department of Agriculture are undergoing a compliance audit for the two-year period ending June 30, 2003 by the Office of the Auditor General.
Source: OAG IGIC financial/compliance audits and Department information.

Assessment revenue includes funds collected from industry assessments and subsequent assessments. In Fiscal Year 2003, the Department collected \$80,675 in industry assessments and \$822,052 in subsequent assessments (see Exhibit 4-2). Industry assessments include annual, excess, and additional capacity assessments.

The Illinois Grain Code (240 ILCS 40/5-30) requires all State-licensed grain dealers and warehouses to pay assessments into the GIF. Warehouses licensed by the federal government are not required to participate but they need a State license to buy grain from producers, who are then protected by State law. If federally-licensed warehouses choose to have a State license, they must pay assessments into the GIF. According to Department officials, 18 federal warehouses have State licenses. The GIF does not cover facilities that do not have State licenses or federal licensees that choose not to participate.

Annual Assessments

The Illinois Grain Code (240 ILCS 40/5-30) requires all newly licensed licensees to pay assessments into the GIF for three consecutive years. This assessment is computed by using annual audited financial statements and a complex system of multipliers listed in the Code. The Department calculates the amount due and sends an invoice to grain dealers and warehouses. Grain dealers and warehouses have 60 days to pay this amount. Some companies pay grain dealer and warehouse assessments because they provide both functions.

In addition, if grain purchases or capacity is significantly greater than net worth, grain dealers and warehouses must pay an additional excess assessment. For grain dealers, if their grain purchases exceed adjusted equity multiplied by 20, they must pay an excess assessment. For warehouses, if their capacity exceeds adjusted equity multiplied by 5, they must pay an excess assessment.

The Code uses different multipliers to compute warehouse and grain dealer assessments and different multipliers for the first annual assessment and the second and third annual assessments (see Exhibit 4-3). Prior to Public Act 93-225, effective July 21, 2003, producers provided revenue through their business with grain dealers and warehouses but did not pay assessments directly into the GIF. As discussed later in this chapter, producers are now required to pay a new grain seller initial assessment to the GIF.

Subsequent Assessments

Prior to Public Act 93-225, if the equity in the GIF was below \$3 million on September 1 of any given year, every grain dealer or warehouse who had, or was required to have paid his three consecutive assessments, was required to pay a subsequent assessment. As discussed later in this chapter, Public Act 93-225 raised the minimum fund balance requirement to \$6 million and deleted the September 1 date so subsequent assessments can be paid in quarterly installments. The net effect of this will likely be slower collections of assessments.

The subsequent assessment is computed by using audited financial statements and the multipliers listed in the Code (240 ILCS 40/5-30). In addition, as in annual assessments, if purchases or capacity are significantly greater than net worth, they must pay an additional excess

assessment. Exhibit 4-3 summarizes annual and subsequent assessments for grain dealers and warehouses.

There have been seven subsequent assessments since the inception of the GIF. After the initial three years' assessments, there have been four subsequent assessments over the past 17 years. One of these assessments occurred in September 2002. According to Department officials, they collected the \$822,052 subsequent assessment but some companies surrendered their licenses as a result of this assessment.

Exhibit 4-3 GRAIN INSURANCE FUND ANNUAL AND SUBSEQUENT ASSESSMENTS					
		First Annual Assessment	Second Annual Assessment	Third Annual Assessment	Subsequent Assessment
GRAIN DEALERS	Base Assessment	\$0.000145 multiplied by the total value of grain purchases for that fiscal year	\$0.0000725 multiplied by the total value of grain purchases for that fiscal year	\$0.0000725 multiplied by the total value of grain purchases for that fiscal year	\$0.0000725 multiplied by the total value of grain purchases for the last completed fiscal year
	Excess Assessment	\$0.000255 multiplied by that portion of the value of grain purchases which exceeds the licensee's adjusted equity for that fiscal year multiplied by 20	\$0.0001275 multiplied by that portion of the value of grain purchases which exceeds the licensee's adjusted equity for that fiscal year multiplied by 20	\$0.0001275 multiplied by that portion of the value of grain purchases which exceeds the licensee's adjusted equity for that fiscal year multiplied by 20	\$0.0001275 multiplied by that portion of the value of grain purchases which exceeds the licensee's adjusted equity for the last completed fiscal year multiplied by 20
	Minimum/Maximum Assessment	Minimum assessment shall be \$1,000 and maximum shall be \$10,000	Minimum assessment shall be \$500 and maximum shall be \$5,000	Minimum assessment shall be \$500 and maximum shall be \$5,000	Minimum assessment shall be \$500 and maximum shall be \$5,000
WAREHOUSES	Base Assessment	\$0.00085 multiplied by the total permanent storage capacity at the time of license issuance	\$0.000425 multiplied by the total permanent storage capacity at the time of license issuance	\$0.000425 multiplied by the total permanent storage capacity at the time of license issuance	\$0.000425 multiplied by the total licensed storage capacity as of September 1 st of that year
	Excess Assessment	\$0.00099 multiplied by that portion of permanent storage capacity which exceeds the licensee's adjusted equity for that fiscal year multiplied by 5	\$0.000495 multiplied by that portion of permanent storage capacity which exceeds the licensee's adjusted equity for that fiscal year multiplied by 5	\$0.000495 multiplied by that portion of permanent storage capacity which exceeds the licensee's adjusted equity for that fiscal year multiplied by 5	\$0.000495 multiplied by that portion of the licensed storage capacity that exceeds the licensee's adjusted equity as of September 1 st of that year
	Minimum/Maximum Assessment	Minimum assessment shall be \$1,000 and maximum shall be \$10,000	Minimum assessment shall be \$500 and maximum shall be \$5,000	Minimum assessment shall be \$500 and maximum shall be \$5,000	Minimum assessment shall be \$500 and maximum shall be \$5,000

Note: As of July 21, 2003, the minimum and maximum assessment amounts changed and the September 1 date for subsequent assessments was deleted as a result of Public Act 93-225 (240 ILCS 40/5-30).
Source: Illinois Grain Code (240 ILCS 40/5-30).

Additional Capacity Assessments

There may also be another assessment for State-licensed warehouses. If a State-licensed warehouse increases its permanent, temporary, or emergency storage capacity, it must pay an assessment. There are two fees charged for an additional capacity assessment. There is a “per bushel” fee required by the Code (240 ILCS 40/5-30), which is deposited into the GIF. This fee is explained in Exhibit 4-4. There is also a \$50 amendment fee for administrative costs, which is deposited into the General Revenue Fund. As of July 21, 2003, Public Act 93-225 increased the amendment fee to \$100. The additional \$50 will be deposited into the Regulatory Fund, which is discussed later in this chapter.

Exhibit 4-4 GRAIN INSURANCE FUND ADDITIONAL CAPACITY ASSESSMENTS			
	Additional Permanent Storage Capacity	Additional Temporary Storage Capacity	Additional Emergency Storage Capacity
Warehouses	\$0.001 multiplied by the total number of bushels to be added	\$0.0005 per bushel of temporary storage space	\$0.001 per bushel of emergency storage space
Minimum/Maximum	Minimum assessment shall be \$50 and the maximum shall be \$20,000	Minimum assessment shall be \$100. No maximum is listed	Minimum assessment shall be \$100. No maximum is listed
Source: Illinois Grain Code (240 ILCS 40/5-30).			

Other Revenues

Other GIF revenues include penalties, printer fees, interest income, and post draw recoveries. Exhibit 4-2 contains other GIF revenues collected for Fiscal Years 1999-2003.

Penalties are fines assessed to licensees for violations of open position limits (240 ILCS 40/15-15), and grain quantity and grain quality violations (240 ILCS 40/15-20). The Code (240 ILCS 40/15-25) requires all monetary penalties collected by the Department to be deposited into the GIF.

Printer fees are registration fees charged to approved printers of price later contracts and warehouse receipts. Each printing company pays \$100 annually for printer fees, which is deposited into the GIF.

Interest income is revenue obtained from the interest earned by the investment of Grain Insurance Fund monies. By statute, the Illinois Grain Insurance Corporation (IGIC) is authorized to invest in short-term discount obligations of the Federal National Mortgage Association, the Illinois Funds Money Market Fund, and the Illinois Funds Prime Fund. The revenue collected from interest income was previously several hundred thousand dollars annually. However, after the transfers related to the Ty-Walk and Ashley Elevator failures, interest income for Fiscal Year 2003 was only \$12,767 (see Exhibit 4-2). The revenue collected

from interest income will continue to be lower than in previous years as long as the GIF has a low balance.

Post draw recoveries are funds collected from cases when a draw from the GIF was previously required. For example, the Department may draw money from the GIF and then recover other funds so the originally drawn money would be transferred back to the GIF.

License, amendment, and examination fees are not deposited into the GIF. They are deposited into the General Revenue Fund. As of July 21, 2003, portions of license and amendment fees are also deposited into the Regulatory Fund (see Exhibit 4-7).

GRAIN INSURANCE FUND EXPENDITURES

GIF expenditures include claim payments where liquidation proceeds are insufficient and refunds where payments are inappropriately paid into the GIF. Claim payments where liquidation proceeds are insufficient include claim and recovery expenditures. Claim expenditures are amounts paid for valid claims. Recovery expenditures are costs incurred for recovering these claims. According to Department officials, recovery expenses are charged to the Grain Indemnity Trust Account.

No administrative costs may be paid out of the GIF. According to the 2000-2001 Office of the Auditor General Financial/Compliance audit, the IGIC did not have expenditures representing administrative costs.

Claim Expenditures

The Code requires the Department to pay claims within 30 days after they become valid (240 ILCS 40/25-10). The Department uses money obtained from the liquidation of a failed licensee's assets to pay obligations first. However, if the sale of assets does not raise sufficient funds to cover a licensee's debt, the GIF is used to pay valid claims. Before any claims are paid by the GIF, the Department must request a transfer to the Grain Indemnity Trust Account at an IGIC meeting and the IGIC Board of Directors must approve this request.

The Grain Indemnity Trust Account was established by the Department for the receipt and disbursement of moneys paid from the GIF and proceeds from the liquidation and collection of grain assets, equity assets, collateral, and guarantees (20 ILCS 205/205-410). The Trust Account is used to pay valid claims, authorized refunds from the GIF, and expenses incurred in preserving, liquidating, and collecting upon failed licensees.

The Grain Indemnity Trust Account contains sub-accounts established for each failed licensee. The licensee's liquidated grain assets, equity assets, collateral, and guarantees are deposited into its individual sub-account and used to pay the licensee's obligations before any GIF transfers are requested. As of June 30, 2002, the Grain Indemnity Trust Account contained eight sub-accounts, including among others, Ty-Walk and Ashley Elevator.

In Fiscal Year 2002, the Illinois Grain Insurance Corporation transferred \$9,097,163 from the GIF to the Ty-Walk indemnity trust sub-account to help pay \$31,717,287 in claims related to the Ty-Walk failure. In Fiscal Year 2003, the IGIC transferred \$800,000 to the Ashley Elevator indemnity trust sub-account from the GIF to pay \$836,394 in claims related to the Ashley Elevator failure.

There were two other failures in Fiscal Year 2003 and one additional failure so far in Fiscal Year 2004. J & W Feed Service Inc. in Osco, Illinois, voluntarily surrendered its license on March 31, 2003. The Department requested \$28,000 to be transferred from the GIF to pay \$44,143 in claims related to the J & W Feed failure and the IGIC approved this request in May 2003. Bethel Elevator in Benton, Illinois, also surrendered its licenses on May 5, 2003 but the Department does not anticipate needing GIF funds for this failure. In addition, Olson's Grain, Inc. in North Henderson, Illinois, failed in July 2003.

Unusual Expenditure from the Ty-Walk Indemnity Trust Sub-Account

All net proceeds from the liquidation of Ty-Walk were not transferred back to the GIF. The Code (240 ILCS 40/25-20) requires all net proceeds from liquidation to be prorated among the GIF and warehouse claimants who have not had their valid claims paid in full. After the GIF is repaid in full, any remaining proceeds are to be used to repay the State Treasury (General Revenue Fund) and prorated among grain dealer claimants who have not received 100 percent of their valid claims.

The Department was assigned the life insurance policy of a failed company's owner when a grain company failed in 1984. The Department previously paid the policy using proceeds from the liquidation of that failed company but the assets in the Department's sub-account for that trust were exhausted in December 2002. According to the Department, as of December 2002, \$52,000 had been paid to maintain the policy and the insured was 72 years old. At his death the IGIC will realize \$250,000.

At the December 2002 IGIC meeting, Department officials inquired about obtaining \$15,000-\$20,000 in GIF funds to make the 2003 premium payments for the life insurance policy. The IGIC responded that the pertinent provisions in the Grain Code prohibit the use of funds for any purpose other than compensating claimants or making refunds.

On December 30, 2002, \$20,000 was transferred from the Ty-Walk sub-account to the failed company's sub-account to pay the former owner's life insurance policy. The Department's ledger shows the \$20,000 transfer with a description explaining the transfer from Ty-Walk's sub-account. The remaining Ty-Walk post draw recoveries, approximately \$1.2 million, were transferred to the GIF. The Department continues to pay the premium for this policy, which for 2003 was \$1,136 per month. Funds received in trust from the liquidation of a failed licensee should be used only for the costs associated with that entity. Both the Grain Insurance Corporation and the Department of Agriculture are undergoing a compliance audit for the two-year period ending June 30, 2003 under the Office of the Auditor General.

GRAIN INDEMNITY TRUST ACCOUNT	
RECOMMENDATION 8	<i>The Illinois Department of Agriculture should ensure all sub-accounts under the Grain Indemnity Trust Account are used for their designated purpose and their net proceeds are distributed according to the guidelines delineated in the Grain Code.</i>
DEPARTMENT OF AGRICULTURE RESPONSE	The Department of Agriculture believes that we have used the money in the Grain Indemnity Trust Account for its stated purpose as set forth in the Grain Code and will continue to do so. The Department will also continue to distribute net proceeds according to the guidelines delineated in the Grain Code and pursuant to direction from the Illinois Grain Insurance Corporation Board of Directors.
AUDITOR COMMENTS	<p><i>To help pay valid claims associated with the Ty-Walk failure, in February 2002 the Grain Insurance Corporation approved the transfer of \$5 million from the Grain Insurance Fund to the Grain Indemnity Trust Account. Another \$4 million was transferred to the Grain Insurance Fund from the General Revenue Fund in March 2002 and subsequently transferred to the Grain Indemnity Trust Account. The Grain Code states that such transfers are to be used to pay the balance owed to claimants (240 ILCS 40/25-20 (b)).</i></p> <p><i>The Grain Code requires that if any excess funds remain after all valid claims have been paid, such funds shall be first used to repay the Grain Insurance Fund for moneys transferred to the Trust Account and that the State shall be reimbursed as soon as funds become available for any amounts paid upon replenishment of the Grain Insurance Fund (240 ILCS 40/25-20 (d)(1) and (h)).</i></p> <p><i>Further, at its December 2002 meeting, the Grain Insurance Corporation denied the Department of Agriculture’s request to use Grain Insurance Fund monies to pay for the premium on the life insurance policy, stating that pertinent provisions in the Grain Code prohibit use of funds for any purpose other than compensating claimants or making refunds. The auditors believe that using Trust Account funds for any purpose other than compensating claimants or making refunds is similarly prohibited. If the Department continues to disagree, we suggest it seek a formal written opinion from the Attorney General’s Office as to the appropriateness of its payment of a life insurance policy premium related to one failure from the proceeds of another failure.</i></p>

GRAIN INSURANCE FUND SHORTFALL

According to the Grain Code (240 ILCS 40/25-20), if the GIF has insufficient resources to pay all valid claims, the General Assembly must appropriate the amount necessary to pay these valid claims. The IGIC is required to reimburse the State over time as soon as funds become available through assessments made on the remaining licensed grain dealers and warehouses and collection upon grain assets, equity assets, collateral, and guarantees relating to a failed licensee.

On March 21, 2002, the Department received a \$4 million transfer from the General Revenue Fund to the GIF. This appropriation was the first time the GIF received money from the General Revenue Fund. Department officials said the 2002 subsequent assessment was supposed to begin reimbursement to the General Revenue Fund but Ashley Elevator failed so this money was used to pay Ashley Elevator claims (\$800,000). Since this failure, there have been three additional failures but only one has required a transfer from the GIF (\$28,000).

The Department does not anticipate needing additional appropriations from the General Revenue Fund at this time. However, if another liquidation occurred and the GIF did not have enough funds to cover it, additional funds from the General Revenue Fund may be needed.

General Revenue Fund Repayment

According to Department officials, the plan for General Revenue Fund repayment includes repaying \$1-2 million per year for the next three years. Public Act 93-225 (240 ILCS 40/5-30) calls for grain dealer and warehouse subsequent assessments until the GIF exceeds \$6 million. As of June 30, 2003 there had been no transfer of funds to repay the General Revenue Fund.

The Department provided estimates of paying back the General Revenue Fund. Most Department estimates (i.e., assessments, penalties, and GIF draws) were based on historical averages. According to the Department's projected plan, General Revenue Fund repayment should take approximately three years but it may take longer depending on several variables, including the number or size of future failures, the collection of assessments, the amount of post draw recoveries, or other market conditions.

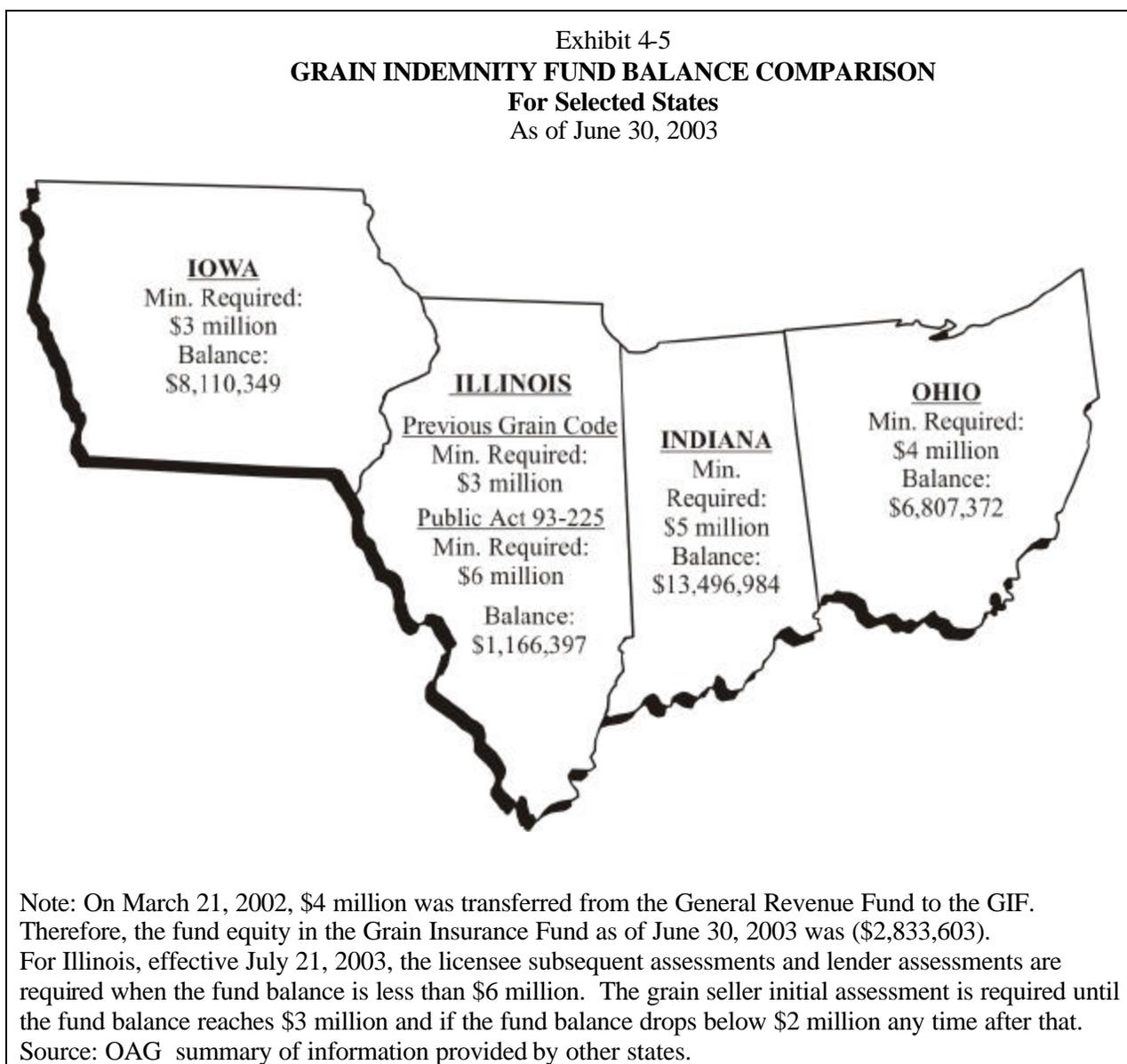
There are half as many licensed entities paying into the GIF today than in 1983 when the GIF was established. In addition, the potential for higher GIF claims, in the event of a failure, have increased substantially because licensees are larger and there is greater claims coverage.

- The average size and number of locations per licensed company has doubled.
- Public Act 93-225 increases the coverage of price-later contracts for a higher dollar amount and greater number of days. The amount covered on price-later contracts increased from \$100,000 to \$250,000 and the number of days covered increased from 270 days to 365 days before the date of failure.

Public Act 93-225 establishes a minimum GIF balance of \$6 million and a Reserve Fund of \$2 million. However, if another major failure such as Ty-Walk occurred, requiring over \$9 million in claims, the GIF balance required under the new law would not be sufficient to cover the cost of claims.

Other States

The Association of American Warehouse Control Officials (AAWCO) conducted a study on states with GIFs. According to the AAWCO study, twelve states possess indemnity fund laws including Idaho, Illinois, Indiana, Iowa, Kentucky, Michigan, New York, Ohio, Oklahoma, South Carolina, Tennessee, and Washington. In addition, Wisconsin and North Dakota recently passed laws. Of these fourteen states, only ten have implemented the laws and/or started collecting assessments.



According to the Illinois Agricultural Statistics Services 2002 Annual Summary, Illinois ranked second among all states for the number of bushels of corn and soybeans produced and tenth for the number of bushels of winter wheat produced. We chose Indiana, Iowa, and Ohio as comparable states to use in an analysis of other states. These states rank comparably in the number of bushels produced and have implemented indemnity fund laws.

Prior to Public Act 93-225, Illinois had one of the lowest minimum fund balance requirements and continues to have the lowest GIF balance when compared to Indiana, Iowa, and Ohio (see Exhibit 4-5). According to a Department official, there has been some concern for the past several years about the size of Illinois’ GIF in comparison to the size of other mid-western states GIFs. Illinois’ GIF was one of the smallest of any state while covering more licensed storage space and providing more comprehensive coverage than other states with a GIF.

Coverage of price-later contracts may be a contributing factor to Illinois’ low GIF balance. As illustrated in Exhibit 4-6, Illinois has the highest reimbursement rate for price-later contracts when compared to other states. According to an official from Iowa, a state not covering price-later contracts, this state’s GIF balance has remained high and has not had to utilize additional GIF funding methods.

In addition, as of July 21, 2003, Public Act 93-225 increased coverage of price-later contracts for a higher dollar amount (\$100,000 to \$250,000) and a greater number of days (270 to 365). In fall 2001, the Director of Agriculture formed the Illinois Grain Insurance Fund Task Force to provide input and advice in developing recommendations for governance, funding, beneficiaries, and oversight. The Task Force recommended that the dollar limit on certain claims be raised except in a year when the GIF balance is less than zero. This recommendation was not included in Public Act 93-225.

Exhibit 4-6 OTHER STATE COMPARISON As of January 2003		
	Does Fund Cover Price-later Contracts?	If insufficient funds, does the State provide additional funding?
Illinois	Yes – 85% to maximum of \$100,000	Yes
Indiana	Yes – 80%	No, board has authority to borrow. Licensees still required to have bond.
Iowa	No	No
Ohio	Yes – 100% first \$10,000 & 80% thereafter	No
Note: As of July 21, 2003, Public Act 93-225 increased Illinois’ maximum coverage of price-later contracts from \$100,000 to \$250,000. Source: The Association of American Warehouse Control Officials.		

Illinois’ Grain Insurance Fund was the only fund out of the four states we reviewed that was backed by the state treasury. As a result, when compared to other states, Illinois’ GIF has the lowest balance, provides the most comprehensive coverage of price-later contracts, and has the only GIF backed by the State. These factors create a riskier environment for Illinois than other states with grain indemnity funds especially given that any shortfall in the GIF will have an impact on the State treasury as a whole.

GRAIN INSURANCE FUND	
RECOMMENDATION 9	<i>The Illinois Department of Agriculture should periodically evaluate the Grain Insurance Fund's capacity to pay claims. Such evaluation would help ensure there are adequate resources in the Grain Insurance Fund and whether further changes to the Grain Code are needed.</i>
DEPARTMENT OF AGRICULTURE RESPONSE	The Department will evaluate the Grain Insurance Fund's capacity to pay claims on an annual basis under the direction of the Board of Directors of the Grain Insurance Corporation. The inability to project maximum foreseeable loss and maximum probable loss, given the dynamic nature of the licensees within this insurance pool, poses a tremendous challenge to meet the Auditor General's recommendation concerning this matter.

FUNDING AND ASSESSMENT CHANGES IN PUBLIC ACT 93-225

Public Act 93-225, effective July 21, 2003, contains many changes impacting the GIF including the creation of two new funds: a Regulatory Fund and a Reserve Fund. The new Act also creates new assessments and changes existing assessments and increases fees.

Regulatory Fund

The new Act (240 ILCS 40/35-5) creates a Regulatory Fund in the State Treasury to receive license, certificate, and extension fees. Any liquidation expenses incurred by the Department must be reimbursed out of the liquidation's net assets to the extent available and deposited into the Regulatory Fund. Any interest accrued on money in the Regulatory Fund is to be deposited into this fund.

Funds may be expended if they are voucher ordered by the Director for the following:

- Implementation and monitoring of Department programs solely under the Grain Code, including an electronic warehouse receipt program;
- Employment or engagement of CPAs to assist in oversight and regulation of licensees in the course of an intermediate or advanced examination; and
- Training and education of examiners and other Department employees in reference to Department programs established to implement the Department's duties under the Grain Code.

Reserve Fund

The new Act (240 ILCS 40/30-25) creates a Grain Insurance Reserve Fund. Upon payment in full of the \$4 million transferred from the General Revenue Fund to the GIF, the State is required to remit \$2 million to a Reserve Fund. This \$2 million must be used if GIF assets are insufficient to meet claimant payments. The IGIC also has the authority to transfer funds from the Reserve Fund to the Grain Indemnity Trust Account. Any income such as interest accrued is to be transferred to the GIF each quarter.

Increased Fees

The new Act (240 ILCS 40/5-10 through 5/20) increases fees and deposits portions into the General Revenue Fund and the Regulatory Fund. Prior to the new Act, the Grain Code did not define where license fees were deposited but according to Department officials, they were deposited into the General Revenue Fund. Exhibit 4-7 lists the new fees, amounts deposited into each fund, and differences between the new and old required amounts.

Exhibit 4-7 FEES AND FUNDS SCHEDULE As of July 21, 2003					
				Where New Fee is Deposited	
	Fee	Old Fee	New Fee	GRF	Regulatory Fund
New Licenses	Class I Warehouse/ Grain Dealer	\$100	\$200	\$100	\$100
	Class II Warehouse/ Incidental Grain Dealer	\$100	\$150	\$100	\$50
	Storage Capacity Amendment	\$50	\$100	\$50	\$50
Renewals	Class I Warehouse/ Grain Dealer	\$100	\$200	\$100	\$100
	Class II Warehouse/ Incidental Grain Dealer	\$100	\$150	\$100	\$50
	Renewal Extension	\$50	\$100	\$50	\$50
Note: Under the previous law, all fees were deposited into GRF (General Revenue Fund). Source: Public Act 93-225 (240 ILCS 40/5-10 through 5-20).					

Assessment Changes

According to the new Act (240 ILCS 40/5-30), newly licensed grain dealers and warehouses continue to pay an assessment each year for the first three years and assessment rates remain unchanged. However, the required minimum assessment amount for the first year decreased from \$1,000 to \$500 and the maximum increased from \$10,000 to \$15,000. For the second and third years, the assessment remains unchanged but the required minimum assessment amount decreased from \$500 to \$250 and the maximum increased from \$5,000 to \$7,500.

In addition, the minimum fund balance trigger for levying a subsequent assessment on grain dealers and warehouses increased from \$3 million to \$6 million and the September 1 date was deleted so subsequent assessments may now be paid on a quarterly basis. However, the rates have remain unchanged. The required minimum assessment amount decreased from \$500 to \$250 and the maximum increased from \$5,000 to \$7,500. It also requires incidental grain dealers to now pay a subsequent assessment of \$100.

New Assessments for Producers and Lenders

The new Act (240 ILCS 5-30 (f)) creates a new assessment for the first sale of grain to a grain dealer at an Illinois location with an initial assessment period and then a regular assessment period based on the GIF balance. The grain seller's (producer's) initial assessment period is from the effective date of the Act until the GIF balance is at least \$6 million. The assessment rate is \$0.0004 of the net market value of the grain or \$4 for every \$10,000 of grain sold. After the GIF reaches \$6 million, the assessment is no longer needed. However, if the GIF balance drops below \$2 million on the first working day of a calendar quarter, the assessment would again be levied.

The new Act (240 ILCS 5-30(g)) also creates a new assessment for lenders (banks) holding warehouse receipts from an Illinois location on grain owned or stored by a licensee to secure a loan to that licensee. When the GIF balance is less than \$6 million, these quarterly assessments are initially at a rate of \$0.00000055 per bushel per day for bushels covered by a warehouse receipt held as security for the loan during that calendar quarter. The initial assessment is about \$1 for every 20,000 bushels of grain held on a warehouse receipt each quarter. For the second assessment period, the assessment multiplier is determined by dividing 250,000 by the aggregate dollar amount of lender assessments imposed under the first assessment. For the third assessment period, the assessment multiplier is determined by dividing 250,000 by the average aggregate dollar amount of lender assessments imposed under the first two assessments. After the third assessment period, the assessment multiplier is determined by dividing 250,000 by the three most recent years' aggregate dollar amount of lender assessments.

Both the new grain seller assessment and the new lender assessment require the licensee to notify, collect and/or remit the assessment to the Department. For the grain seller assessment, the assessments are to be collected by the licensee at the time of settlement during the assessment period and then remitted to the Department each quarter. For the lender assessment, it is the responsibility of the licensee to inform each of its lenders and other persons by virtue of whose relationship with the licensee is applicable about the assessment and multiplier.

Because the Department does not receive or keep detailed information regarding grain purchases or persons holding collateral warehouse receipts, it may be difficult to ensure the proper amount of assessments is being received and all persons holding collateral warehouse receipts are remitting assessments. Department officials stated that ensuring the proper amount of assessments is collected would be difficult.

The Department could ensure the correct amount is assessed and remitted by requiring licensees to file a form each quarter with the amount of settlements and/or the amount of collateral warehouse receipts held and by whom. The Department could also consider checking the assessment amounts remitted during Department examinations.

COLLECTION OF NEW ASSESSMENTS	
RECOMMENDATION 10	<i>The Illinois Department of Agriculture should implement controls to ensure the correct amount is assessed and collected for the new grain seller assessment and the lender assessment.</i>
DEPARTMENT OF AGRICULTURE RESPONSE	The Illinois Department of Agriculture has developed and formalized both a grain seller assessment and lender assessment implementation kit that have been mailed to all licensees as of October 3, 2003. Assessments are due to be collected beginning January 1, 2004 and submitted on a quarterly basis. The Department will utilize existing examiner staff to perform remittance verification audits during the routine course of examinations to ensure the correct amounts are assessed and collected for the new assessments.



APPENDICES



APPENDIX A

**LEGISLATIVE AUDIT COMMISSION
RESOLUTION NUMBER 125**

Legislative Audit Commission

RESOLUTION NO. 125

Presented by Representative Mary Kay O'Brien

WHEREAS, the Illinois grain industry comprises a significant and vital part of the State's economy;

WHEREAS, the Department of Agriculture is responsible for licensing and inspecting the operations of grain dealers and warehouse operations and administering the Illinois Grain Code in order to protect the property of grain producers and residents of Illinois;

WHEREAS, the Director of the Department serves as president of the Illinois Grain Insurance Corporation which, among other duties, is responsible for administering the Illinois Grain Insurance Fund;

WHEREAS, the Grain Insurance Fund was established to protect producers in the event of the failure of a licensed grain dealer or warehousemen and to ensure the existence of an adequate resource so the persons holding valid claims may be compensated for losses occasioned by such failures;

WHEREAS, the Grain Insurance Fund had a balance of \$4.8 million at the end of Fiscal Year 2001;

WHEREAS, in August 2001, a grain elevator surrendered its Illinois Grain Dealer's license and relinquished control of its grain-handling facilities to the Department of Agriculture. The Department estimates that after liquidation of the assets, claims totaling approximately \$15 million are protected under the Illinois Grain Code, of which \$5 million is anticipated to be funded by the Grain Insurance Fund, while the remaining \$10 million is anticipated to be funded from an appropriation from the General Assembly;

WHEREAS, effective oversight and regulation of grain dealers and warehouseman is essential not only to protect grain producers, but also to protect the State of Illinois and other grain dealers who may be required to pay additional assessments to cover the shortfall in the Grain Insurance Fund, therefore

BE IT RESOLVED, by the Legislative Audit Commission that the Auditor General is directed to conduct a management audit of the Illinois Department of Agriculture and Illinois Grain Insurance Corporation with regard to the regulation of grain dealers and warehousemen and the administration of the Grain Insurance Fund; and be it further

RESOLVED, that the audit include but need not be limited to the following determinations:

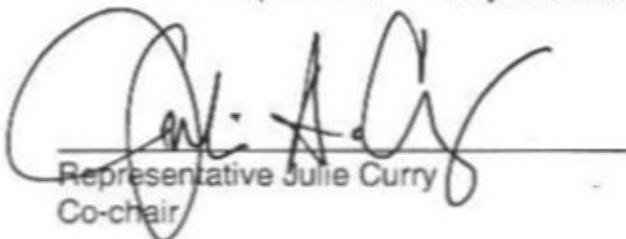
MANAGEMENT AUDIT – REGULATION OF GRAIN DEALERS AND WAREHOUSEMEN AND THE
ADMINISTRATION OF THE GRAIN INSURANCE FUND

- Whether there are sufficient resources in the Grain Insurance Fund, and if shortages exist, the plans to obtain funds needed to pay valid claims;
- Whether the rules established for processing claims filed against grain dealers and warehousemen who chose or become insolvent are adequate; and
- Whether oversight of grain dealers and warehousemen, including the conduct of any audits, site examinations, or other reviews, is sufficient to protect the interests of grain producers, other grain dealers and warehousemen, and the State of Illinois.

RESOLVED, that the Department, the Corporation, and any other entity that may have relevant information pertaining to this audit cooperate fully and promptly with the Auditor General's Office in the conduct of this audit; and be it further

RESOLVED, that the Auditor General commence this audit and report his findings and recommendations upon completion to the Legislative Audit Commission, the Governor and members of the General Assembly.

Adopted this 11th day of December, 2002.



Representative Julie Curry
Co-chair



APPENDIX B

AUDIT METHODOLOGY





Appendix B**AUDIT METHODOLOGY**

On December 11, 2002, the Legislative Audit Commission adopted Resolution Number 125, which directed the Auditor General to conduct a management audit of the Illinois Department of Agriculture and the Grain Insurance Corporation with regard to the regulation of grain dealers and warehousemen and the administration of the Grain Insurance Fund (see Appendix A). The Resolution contained three determinations. The following is an overview of the methodology used in the audit.

Licensing and Examination Sampling Methodology

To obtain a grain dealer or grain warehouse license there are several conditions that must be met such as net worth requirements, financial ratios, and insurance requirements. The Department is also required by law to conduct an examination of each licensee at least once each calendar year. We sampled closings and current licensees to review the licensing and examinations processes at the Illinois Department of Agriculture.

The Department provided a list of closings for 2001 and 2002. The information showed that there were 27 closings in 2001 and 34 closings in 2002. We conducted a random sample of license applications/renewals and examinations for testing from these closings. We selected:

- 10 closings in calendar year 2001
- 10 closings in calendar year 2002

We also selected a judgmental sample of licensees. The Department of Agriculture provided a list of all licensed grain dealers and warehouses as of February 2003. There were a total of 423 licensees as of February 2003. We judgmentally selected 10 grain dealers and/or warehouses licensed in 2002 for testing. Several criteria were used in selecting the sample including location, size, number of locations, and current financial ratios.

These 30 closings/licensees were tested to determine, among other things, whether the files contained evidence that statutory requirements for licensing were met, the number of examinations conducted each year for the last several years, the types of checks that were performed during the most recent examination, whether required audits were submitted, whether problems were found, and whether corrective actions were taken.

We also reviewed the licensing and examination files for two failures in 2001-2002 in which claims were paid from the Illinois Grain Insurance Fund (Ty-Walk and Ashley Elevator).

Claims Sampling Methodology

We examined claims from two failed licensees in 2001-2002. These included Ty-Walk Liquid Sales and Ashley Elevator. We received printouts that detailed the claims for these two failures. The data listed 331 claimants for Ty-Walk and 103 claimants for Ashley. We randomly

sampled 25 claims for each of the failures for a total of 50 claims. After further review it was determined that some claimants listed by the Department for Ty-Walk and Ashley did not file a claim or the claim number was unassigned. The actual claims filed were 330 for Ty-Walk and 99 for Ashley.

We sampled these claims to determine if the Department was following the statutory rules and timelines for processing claims. We analyzed the timeframes between the date the claim was received and the payment date. In addition, we examined the reasons for denial and whether they were in accordance with the statutes. We also attempted to identify any problems in the overall claims process.

We also reviewed Ty-Walk claims that were appealed. We reviewed all seven claims in which the Department's original decision was overturned. These claims were reviewed to determine the reasons for denial, basis of appeal, the ruling, the timeline, and the amount of the claim.

Personnel Testing

We examined the personnel files of the 24 examiners and their two supervisors employed by the Department during the audit. We reviewed the files to determine if the examiners and the supervisors met the qualifications of the job descriptions. To do this, we reviewed education levels and previous job experience. In addition, we reviewed the age of the examiners to see what effect retirements might have on the Bureau of Warehouses. We also reviewed files to identify any training the examiners may have received.

Other States Comparisons

To determine other comparable states with Grain Insurance Funds, we reviewed a 2002 study conducted by the Association of American Warehouse Control Officials on states with Grain Insurance Fund laws. The study provided information on fund balances, funding levels, coverage of price-later contracts, and General Revenue Fund support.

We also used state rankings from the Illinois Agricultural Statistics Service on the bushels of corn, soybeans, and wheat produced by each state. Once comparable states in the Midwest were determined, we confirmed them with Department officials. We also followed up with officials from several states in the Midwest to provide fund balance information as of June 30, 2003, and verify funding levels.

APPENDIX C

**LIST OF LICENSED GRAIN DEALERS AND
WAREHOUSES
AS OF FEBRUARY 2003**

Appendix C
LIST OF LICENSED GRAIN DEALERS AND WAREHOUSES
As of February 2003

Key/Legend

GC = Grain Dealer Certificate	C1 = Class 1 Warehouse License	IN = Incidental Grain Dealer
GD = Grain Dealer License	C2 = Class 2 Warehouse License	FD = Federal Warehouse

Licensee Name	City	State	Headquarter	License Type		Bushel Capacity
				Dealer	Warehouse	
A & P GRAIN INC	ALBANY	IL	Y	GD		0
ADKINS ENERGY COOPERATIVE	MCCONNELL	IL	Y	GD		0
ADM	QUINCY	IL	Y	GD		139,000
	DANVILLE	IL	N	GC		0
	HOPEDALE	IL	N	GC	C1	68,000
	LINCOLN	IL	N	GC		0
ADM CO	DECATUR	IL	Y	GD		0
	ALTAMONT	IL	N	GC	C1	2,637,000
	EDGEWOOD	IL	N	GC	C1	926,000
	FARINA	IL	N	GC	C1	2,912,000
	FARMER CITY	IL	N	GC	C1	1,038,000
	FARMER CITY	IL	N	GC	C1	3,237,000
	HOOPESTON	IL	N	GC	FD	4,249,000
	HUME	IL	N	GC	C1	1,414,000
	LAROSE	IL	N	GC	C1	347,000
	LEONORE	IL	N	GC	C1	1,565,000
	LOSTANT	IL	N	GC	C1	1,137,000
	LOWPOINT	IL	N	GC	C1	715,000
	MACON	IL	N	GC	C1	2,026,000
	MARTINTON	IL	N	GC	C1	1,656,000
	MT AUBURN	IL	N	GC	C1	2,361,000
	NEWMAN	IL	N	GC	C1	1,572,000
	OAKLAND	IL	N	GC	C1	2,301,000
	OAKLAND	IL	N	GC	C1	271,000
	PATOKA	IL	N	GC	C1	1,892,000
	ROSSVILLE	IL	N	GC	FD	289,000
	SHOBONIER	IL	N	GC	C1	1,859,000
	ST. PETER	IL	N	GC	C1	1,059,000
	STATE LINE	IN	N	GC	FD	3,228,000
	SULLIVAN	IL	N	GC	C1	3,147,000
	TALLULA	IL	N	GC	C1	1,256,000
	WENONA	IL	N	GC	C1	1,418,000
	WENONA	IL	N	GC	C1	1,130,000
	XENIA	IL	N	GC	C1	1,420,000
ADM D/B/A ADM/GROWMARK RIV SYS	DECATUR	IL	Y		C1	15,682,000
	BEARDSTOWN	IL	N		C1	2,757,000
	CHAMPAIGN	IL	N		C1	1,900,000
	CHILLICOTHE	IL	N		C1	172,000
	CREVE COEUR	IL	N		C1	1,401,000
	DECATUR	IL	N		C1	0
	DECATUR	IL	N		C1	0
	GALESBURG	IL	N		C1	1,465,000

Licensee Name	City	State	Headquarter	License Type		Bushel Capacity
				Dealer	Warehouse	
	HAVANA	IL	N		C1	178,000
	HAVANA	IL	N		C1	2,846,000
	HENNEPIN	IL	N		C1	500,000
	HENRY	IL	N		C1	552,000
	HULL	IL	N		C1	181,000
	HULL	IL	N		C1	842,000
	KEITHSBURG	IL	N		C1	383,000
	LACON	IL	N		C1	199,000
	LASALLE	IL	N		C1	89,000
	MORRIS	IL	N		C1	992,000
	MORRIS	IL	N		C1	483,000
	MOUND CITY	IL	N		C1	721,000
	NAPLES	IL	N		C1	310,000
	OTTAWA	IL	N		C1	1,362,000
	OTTAWA	IL	N		C1	107,000
	PEORIA	IL	N		C1	1,897,000
	QUINCY	IL	N		C1	7,099,000
	QUINCY	IL	N		C1	3,364,000
	SPRING VALLEY	IL	N		C1	114,000
	TAYLORVILLE	IL	N		C1	5,496,000
AGH FEED MILL INC	ORION	IL	Y	GD	C1	213,000
AG-LAND FS, INC	PEKIN	IL	Y	GD		0
	ELMWOOD	IL	N	GC	C1	596,000
	MT PULASKI	IL	N	GC		0
	WILLIAMSFIELD	IL	N	GC	C1	1,330,000
AGRAIL, LLC	BLOOMINGTON	IL	Y	GD	C1	685,000
AGRI GRAIN MARKETING, L.L.C.	MINNEAPOLIS	MN	Y	GD		0
	DALLAS CITY	IL	N	GC		164,000
	DUBUQUE	IA	N	GC		0
	JOY	IL	N	GC		1,250,000
	NEW BOSTON	IL	N	GC		242,000
AGRIPRIDE FS INC	NASHVILLE	IL	Y	GD	C1	0
	HOFFMAN	IL	N	GC	C1	209,000
	NASHVILLE	IL	N	GC	C1	1,186,000
	OAKDALE	IL	N	GC	C1	575,000
	VENEDY	IL	N	GC	C1	529,000
	WALTONVILLE	IL	N	GC	C1	370,000
AKRON SERVICES INC	EDELSTEIN	IL	Y	GD	C1	1,128,000
	BRIMFIELD	IL	N	GC	C1	578,000
	BRIMFIELD	IL	N	GC	C1	2,069,000
	DUNLAP	IL	N	GC	C1	220,000
ALLIANCE GRAIN COMPANY	GIBSON CITY	IL	Y	GD	C1	2,953,000
	ANCHOR	IL	N	GC	C1	1,547,000
	BELLFLOWER	IL	N	GC	C1	1,073,000
	CABERY	IL	N	GC	C1	813,000
	CAMPUS	IL	N	GC	C1	1,886,000
	CHATSWORTH	IL	N	GC	C1	1,983,000
	COLFAX	IL	N	GC	C1	2,357,000
	CROPSEY	IL	N	GC	C1	2,190,000
	CULLOM	IL	N	GC	C1	1,738,000

Licensee Name	City	State	Headquarter	License Type		Bushel Capacity
				Dealer	Warehouse	
	DWIGHT	IL	N	GC	C1	367,000
	FOOSLAND	IL	N	GC	C1	715,000
	GIBSON CITY	IL	N	GC	C1	443,000
	SAYBROOK	IL	N	GC	C1	308,000
	SIBLEY	IL	N	GC	C1	1,609,000
ALTAIR TRADING CORP.	OQUAWKA	IL	Y	GD	C1	739,000
AMERICAN GRAIN CO,L.L.C., THE	CAHOKIA	IL	Y	GD		0
	GRANITE CITY	IL	N	GC		0
ANCONA GRAIN INC	ANCONA	IL	Y	GD	C1	1,347,000
	BLACKSTONE	IL	N	GC	C1	712,000
	BLACKSTONE	IL	N	GC	C1	958,000
	WENONA	IL	N	GC	C1	1,420,000
ANDERSON FEED & GR CO INC	DALLAS CITY	IL	Y	IN	C2	282,000
ANDERSONS AGRISERVICES INC,THE	CHAMPAIGN	IL	Y	GD	C1	14,974,000
ANDERSONS, INC, THE	MAUMEE	OH	Y	GD		0
	CHAMPAIGN	IL	N	GC		0
ANDRES & WILTON FRM & SUP	PEOTONE	IL	Y	GD	FD	1,322,000
ANNAPOLIS GRAIN CO	ANNAPOLIS	IL	Y	GD	C1	632,000
ARCOLA COOP GRAIN COMPANY	ARCOLA	IL	Y	GD	C1	2,202,000
	ARTHUR	IL	N	GC	C1	0
	ARTHUR	IL	N	GC	C1	558,000
ARENDS, W H FARMS INC	GIBSON CITY	IL	Y	GD	C1	0
	FOOSLAND	IL	N	GC	C1	507,000
ARTHUR GRAIN COMPANY INC	ARTHUR	IL	Y	GD	C1	1,187,000
ASHLAND FARMERS ELEVATOR CO	ASHLAND	IL	Y	GD	C1	2,134,000
ASHMORE GRAIN COMPANY	KANSAS	IL	Y	GD	C1	2,420,000
	ASHMORE	IL	N	GC	C1	634,000
ASSUMPTION COOP GRAIN CO	ASSUMPTION	IL	Y	GD	C1	2,323,000
	OWANECO	IL	N	GC	C1	573,000
	PALMER	IL	N	GC	C1	1,719,000
	PANA	IL	N	GC	C1	2,396,000
	PANA	IL	N	GC	C1	690,000
	WESTERVELT	IL	N	GC	C1	973,000
ATHERTON GRAIN CO INC	WALNUT	IL	Y	GD	C1	266,000
	WALNUT	IL	N	GC	C1	581,000
	WALNUT	IL	N	GC	C1	5,002,000
ATKINSON GR & FERT INC	ATKINSON	IL	Y	GD	C1	2,860,000
	ATKINSON	IL	N		C1	756,000
	ORION	IL	N	GC	C1	457,000
AUGUSTA FARMERS COOP. CO	AUGUSTA	IL	Y	GD	C1	646,000
AUTUMN GRAIN SERVICES, INC	MORRIS	IL	Y	GD		0
A-WAY INC	CRESCENT CITY	IL	Y	GD	C1	1,839,000
	ONARGA	IL	N	GC	C1	262,000
BALK GRAIN & TRUCKING, INC	THOMSON	IL	Y	GD		0
BASCO ELEVATOR LTD	BASCO	IL	Y	GD	C1	414,000
BEATTY, JOHN AND DONNA	AUBURN	IL	Y	GD		0
BECKER GRAIN & FEED CO	LA MOILLE	IL	Y	GD	C1	223,000
BEELMAN TRUCK CO	ST. LIBORY	IL	Y	NA	NA	0
	MADISON	IL	N	GC		0
	ST. LIBORY	IL	N	GD		0

Licensee Name	City	State	Headquarter	License Type		Bushel Capacity	
				Dealer	Warehouse		
BELL ENTERPRISES INC	DEER CREEK	IL	Y	GD	C1	454,000	
	CONGERVILLE	IL	N	GC	C1	1,177,000	
	GOODFIELD	IL	N	GC	C1	287,000	
	MACKINAW	IL	N	GC	C1	772,000	
	WASHINGTON	IL	N	GC	C1	164,000	
BENNETT, TIM D & TOBY	WINDSOR	IL	Y	GD	C1	1,717,000	
	GAYS	IL	N	GC	C1	409,000	
	WINDSOR	IL	N	GC	C1	72,000	
BENTLEY ELEVATOR CO INC	CARTHAGE	IL	Y	GD	C1	1,001,000	
BERNARD, M ET AL	BELLE RIVE	IL	Y	GD		616,000	
BETHANY GRAIN COMPANY	BETHANY	IL	Y	GD	C1	1,636,000	
BETHEL ELEVATOR L.L.C.	BENTON	IL	Y	GD	C1	1,338,000	
BLUE RIBBON GRAIN INC	GREENVILLE	IL	Y	GD		0	
BLUFORD GRAIN COMPANY INC	BLUFORD	IL	Y	GD	C1	126,000	
BOCKER GRAIN INC	POLO	IL	Y	GD	C1	2,813,000	
	FORRESTON	IL	N	GC	C1	454,000	
BOESDORFER-ADCOCK-BOES-INC	AUBURN	IL	Y	GD	C1	1,227,000	
	NILWOOD	IL	N	GC	C1	174,000	
BRADFORDTON COOP ASSN INC	SPRINGFIELD	IL	Y	GD	C1	527,000	
	SPRINGFIELD	IL	N	GC	C1	929,000	
BREESE GRAIN COMPANY	BREESE	IL	Y	GD	C1	446,000	
BRIDGEPORT GRAIN, INC	BRIDGEPORT	IL	Y	GD	C1	240,000	
BRINK GRAIN, INC	SANDOVAL	IL	Y	GD	C1	233,000	
BROOKS, IRA WILLIAM	CUBA	IL	Y	GD		93,000	
BROWN, DONALD	WARREN	IL	Y	GD		13,000	
BRUCH, GARY ET AL	GRANVILLE	IL	Y	GD		0	
BRUNING JOHN & SHERRILL	WINNEBAGO	IL	Y	GD	C1	424,000	
BUNGE NORTH AMERICA, INC	ST LOUIS	MO	Y	GD		0	
	ALBANY	IL	N	GC	FD	5,097,000	
	ALLERTON	IL	N	GC	FD	361,000	
	CAIRO	IL	N	GC	FD	4,182,000	
	CATLIN	IL	N	GC	FD	243,000	
	DALE	IL	N	GC	FD	40,000	
	DANVILLE	IL	N	GC		0	
	FITHIAN	IL	N	GC	FD	0	
	FITHIAN	IL	N	GC	FD	1,908,000	
	GRAND TOWER	IL	N	GC	FD	584,000	
	HANNIBAL	MO	N	GC	FD	2,694,000	
	HARRISBURG	IL	N	GC		74,000	
	HOMER	IL	N	GC	FD	6,015,000	
	RIDGWAY	IL	N	GC		94,000	
	SHAWNEETOWN	IL	N	GC	FD	3,417,000	
	BUREAU SERVICE COMPANY	PRINCETON	IL	Y	GD		0
	BURTONVIEW CO-OP	LINCOLN	IL	Y	GD	C1	742,000
CAMERON GRAIN CORPORATION	CAMERON	IL	Y	GD	C1	2,479,000	
CARGILL INC	MINNEAPOLIS	MN	Y	GD	FD	0	
	BEARDSTOWN	IL	N	GC	FD	441,000	
	BLOOMINGTON	IL	N	GC	FD	2,283,000	
	BONGARD	IL	N	GC		500,000	
	CAMARGO	IL	N	GC	FD	571,000	

Licensee Name	City	State	Headquarter	License Type		Bushel Capacity
				Dealer	Warehouse	
	CARTHAGE	IL	N	GC		17,000
	DANA	IN	N	GC	FD	927,000
	EAST ST LOUIS	IL	N	GC	FD	2,586,000
	EVANSVILLE	IN	N	GC	FD	1,961,000
	FLORA	IL	N	GC		49,000
	GIBSON CITY	IL	N	GC	FD	4,959,000
	GILMAN	IL	N	GC	FD	1,916,000
	GOODFIELD	IL	N	GC		5,000
	HAVANA	IL	N	GC	FD	584,000
	HAVANA	IL	N	GC	FD	732,000
	HENNEPIN	IL	N	GC	FD	110,000
	LACON	IL	N	GC	FD	487,000
	MEREDOSIA	IL	N	GC	FD	977,000
	MORRIS	IL	N	GC	FD	125,000
	MT VERNON	IN	N	GC		1,834,000
	OTTAWA	IL	N	GC	FD	801,000
	PESOTUM	IL	N	GC	FD	728,000
	PITTSFIELD	IL	N	GC	FD	1,889,000
	PORTAGE	IN	N	GC		0
	PRINCETON	IN	N	GC	FD	2,311,000
	SENECA	IL	N	GC	FD	869,000
	SPRING VALLEY	IL	N	GC	FD	1,468,000
	SPRING VALLEY	IL	N	GC	FD	106,000
	TUSCOLA	IL	N	GC	FD	8,016,000
	TUSCOLA EAST	IL	N	GC	FD	1,048,000
	VILLA GROVE	IL	N	GC	FD	927,000
	VINCENNES	IN	N	GC	FD	432,000
	VINCENNES	IN	N	GC		1,292,000
CARGILL INC THRU WHOLLY-OWNED	MINNEAPOLIS	MN	Y	GD		0
	BROCKTON	IL	N	GC	FD	989,000
	CHRISMAN	IL	N	GC	FD	233,000
	CHRISMAN	IL	N	GC	FD	715,000
	FILSON	IL	N	GC	FD	1,099,000
	HINDBORO	IL	N	GC	FD	934,000
	METCALF	IL	N	GC	FD	836,000
	PARIS	IL	N	GC	FD	1,148,000
	PARIS	IL	N	GC	FD	1,249,000
CARR ELEVATORS, INC	MALTA	IL	Y	GD	C1	786,000
CARROLL SERVICE COMPANY	LANARK	IL	Y	GD	C1	331,000
	LANARK	IL	N	GC	C1	331,000
	SHANNON	IL	N	GC	C1	571,000
CARROLLTON FARMERS ELEV CO	CARROLLTON	IL	Y	GD	C1	816,000
	WHITE HALL	IL	N	GC	C1	785,000
CATERPILLAR, INC	PEORIA	IL	Y	GD		0
CENTRAL COMMODITIES LTD	BELVIDERE	IL	Y	GD	FD	7,079,000
CENTRAL SOYA COMPANY INC	FT WAYNE	IN	Y	GD	FD	0
	GIBSON CITY	IL	N	GC	FD	6,795,000
CESSNA GRAIN CO	BUFFALO	IL	Y	GD	C1	258,000
	SHERMAN	IL	N	GC	C1	135,000
CHAPIN FARMERS ELEVATOR CO	CHAPIN	IL	Y	GD	C1	838,000

Licensee Name	City	State	Headquarter	License Type		Bushel Capacity
				Dealer	Warehouse	
CHEBANSE CROP SERV INC	CHEBANSE	IL	Y	GD	C1	2,860,000
	BEAVERVILLE	IL	N	GC	C1	906,000
	CHEBANSE	IL	N	GC	C1	110,000
	ELWOOD	IL	N	GC	C1	3,090,000
	KANKAKEE	IL	N	GC	C1	371,000
	KANKAKEE	IL	N	GC	C1	550,000
	PAPINEAU	IL	N	GC	C1	1,201,000
CHEM GRO INC	FERRIS	IL	Y	GD	C1	1,124,000
	BOWEN	IL	N	GC	C1	873,000
CHESTERVALE ELEVATOR INC	LINCOLN	IL	Y	GD	C1	621,000
CHICAGO & IL RIVER MKTG, LLC	CHICAGO	IL	Y	GD	FD	10,358,000
CISSNA PARK COOP, INC	CISSNA PARK	IL	Y	GD	C1	2,198,000
CLARKSON GRAIN COMPANY INC	CERRO GORDO	IL	Y	GD	C1	331,000
	BEARDSTOWN	IL	N	GC	C1	1,205,000
	OAKLEY	IL	N	GC	C1	563,000
CLAY COUNTY GRAIN COMPANY	IOLA	IL	Y	GD	C1	1,139,000
CLOVER LEAF ELEVATOR CO INC	HOYLETON	IL	Y	GD	C1	1,376,000
CLOVERLEAF FEED CO	ROODHOUSE	IL	Y	GD	C1	127,000
COLEHOUR ELEVATOR INC	MT CARROLL	IL	Y	GD	C1	375,000
COLUSA ELEVATOR CO	NAUVOO	IL	Y	GD	FD	3,451,000
	BURNSIDE	IL	N	GC	FD	881,000
	COLUSA	IL	N	GC	FD	1,300,000
	FERRIS	IL	N	GC	FD	367,000
	OMAHA	NE	Y	GD		0
CONAGRA FOODS, INC	ALBION	IL	N	GC	FD	1,433,000
	ALTON	IL	N	GC		3,385,000
	BROWNS	IL	N	GC	FD	1,313,000
	CHESTER	IL	N	GC		1,213,000
	E. ST LOUIS	IL	N	GC		1,044,000
	GOLDENGATE	IL	N	GC	FD	985,000
	MASCOUTAH	IL	N	GC		855,000
	MCLEANSBORO	IL	N	GC	FD	3,389,000
CONSOLIDATED EXCHANGE INC	CARLYLE	IL	Y	GD	C1	451,000
	BARTELSON	IL	N	GC	C1	163,000
	SANDOVAL	IL	N	GC	C1	291,000
CONSOLIDATED GRAIN & BRG CO	NEW BERLIN	IL	Y	GD	FD	1,390,000
	BLUFFS	IL	N	GC	FD	6,851,000
	CHANA	IL	N	GC	FD	1,108,000
	DEER GROVE	IL	N	GC	FD	1,123,000
	DIXON	IL	N	GC	FD	396,000
	EAST DUBUQUE	IL	N	GC		335,000
	ENFIELD	IL	N	GC	FD	1,230,000
	FARMERSVILLE	IL	N	GC		209,000
	FRANKLIN GR	IL	N	GC	FD	586,000
	FREEPORT	IL	N	GC	FD	498,000
	GREENFIELD	IL	N	GC		819,000
	MOUND CITY	IL	N	GC	FD	1,207,000
	MT ERIE	IL	N	GC	FD	52,000
	MT. CARROLL	IL	N	GC	FD	2,161,000
	OLNEY	IL	N	GC	FD	6,166,000

Licensee Name	City	State	Headquarter	License Type		Bushel Capacity
				Dealer	Warehouse	
	PAW PAW	IL	N	GC	FD	25,000
	PAW PAW	IL	N	GC	FD	522,000
	PAW PAW	IL	N	GC	FD	624,000
	PERU	IL	N	GC	FD	0
	PINCKNEYVILLE	IL	N	GC	FD	1,119,000
	POLO	IL	N	GC	FD	538,000
	PRINCETON	IL	N	GC	FD	1,915,000
	ROCHELLE	IL	N	GC	FD	2,161,000
	ROCHELLE	IL	N	GC	FD	213,000
	SAVANNA	IL	N	GC	FD	178,000
	STOCKTON	IL	N	GC	FD	183,000
	UTICA	IL	N	GC		2,413,000
	WARREN	IL	N	GC	FD	499,000
	WAYNE CITY	IL	N	GC	FD	2,448,000
	WYANET	IL	N	GC		329,000
COOKSVILLE GRAIN CO	COOKSVILLE	IL	Y	GD	C1	2,305,000
COOLLEY, I.N. JR. INC	BROCTON	IL	Y	GD	C1	366,000
COOPERATIVE GR & SUPPLY CO	TROY GROVE	IL	Y	GD	C1	1,513,000
COX, DANNIE & CLOYCE	NEWTON	IL	Y	GD	C1	377,000
CRAWFORD GRAIN INTL INC	MANHATTAN	IL	Y	GD	C1	1,591,000
CRIFE GRAIN CO	VANDALIA	IL	Y	GD	C1	342,000
CULVER-FANCY PRAIRIE COOP	ATHENS	IL	Y	GD	C1	2,428,000
	ATHENS	IL	N	GC	C1	860,000
	FANCY PRAIRIE	IL	N	GC	C1	110,000
	GREENVIEW	IL	N	GC	C1	880,000
DANFORTH-GILMAN GRAIN CO	DANFORTH	IL	Y	GD	C1	923,000
	GILMAN	IL	N	GC	C1	809,000
	GILMAN	IL	N	GC	C1	682,000
DANVERS FARMERS ELEVATOR CO	DANVERS	IL	Y	GD	C1	2,245,000
DAVIDSON GRAIN, INCORPORATED	CRESTON	IL	Y	GD	C1	1,467,000
	CRESTON	IL	N	GC	C1	654,000
	HOLCOMB	IL	N	GC	C1	85,000
	SHABBONA	IL	N	GC	C1	31,000
DEARWESTER GRAIN SERVICES, INC	GOLDEN	IL	Y	GD	C1	465,000
	MT. STERLING	IL	N	GC	C1	188,000
	PALOMA	IL	N	GC	C1	36,000
DEKALB FEEDS INC	ROCK FALLS	IL	Y	GD		26,000
DELAND FARMERS COOP GR CO	DELAND	IL	Y	GD	C1	2,931,000
DELONG, CO THE	WINNEBAGO	IL	Y	GD	FD	0
	ROCKTON	IL	N	GC	FD	0
DEMETER L.P.	FOWLER	IN	Y	GD		0
	CRYSTAL LAKE	IL	N	GC	FD	2,175,000
	HAMPSHIRE	IL	N	GC	FD	1,248,000
	HARVARD	IL	N	GC	FD	1,607,000
	HARVARD	IL	N	GC	FD	519,000
	HARVARD	IL	N	GC	FD	569,000
	SO BELOIT	IL	N	GC	FD	4,043,000
	WOODSTOCK	IL	N	GC	FD	835,000
DERUBEIS GRAIN CO	TOLUCA	IL	Y	GD		0
DEWITT CTY CO-OP GR CO INC	WAYNESVILLE	IL	Y	GD	C1	701,000

Licensee Name	City	State	Headquarter	License Type		Bushel Capacity
				Dealer	Warehouse	
	CLINTON	IL	N		C1	49,000
	CLINTON	IL	N	GC	C1	883,000
DONOVAN FRMRS COOP ELEV INC	DONOVAN	IL	Y	GD	C1	1,041,000
	BEAVERVILLE	IL	N	GC	C1	968,000
	IROQUOIS	IL	N	GC	C1	690,000
DOUG DURDAN FARMS, INC	STREATOR	IL	Y	GD	C1	937,000
DRESSLER TRUCK SERVICE INC	FREEBURG	IL	Y	GD	C1	467,000
	DONNELSON	IL	N	GC	C1	520,000
	MARISSA	IL	N	GC		0
DUNTEMAN GR SERVICE INC	SUGAR GROVE	IL	Y	GD		0
DWIGHT AG-PRODUCTS INC	DWIGHT	IL	Y	GD	C1	283,000
EARLVILLE FARMERS COOP	EARLVILLE	IL	Y	GD	FD	1,959,000
EAST LINCOLN FARMERS GR CO	LINCOLN	IL	Y	GD	C1	664,000
	ATLANTA	IL	N	GC	C1	740,000
	BEASON	IL	N	GC	C1	1,536,000
	LAWNDALE	IL	N	GC	C1	1,112,000
	LINCOLN	IL	N	GC	C1	635,000
EASTLAND FEED & GRAIN, INC	SHANNON	IL	Y	GD	C1	364,000
EFFINGHAM EQUITY	EFFINGHAM	IL	Y	GD	C1	2,170,000
	ALMA	IL	N	GC	C1	399,000
	MARSHALL	IL	N	GC	C1	60,000
	TONTI	IL	N	GC	C1	98,000
EFFINGHAM-CLAY SERVICE CO	EFFINGHAM	IL	Y	GD	C1	466,000
	CHARLESTON	IL	N	GC	C1	1,542,000
	FAIRGRANGE	IL	N	GC	C1	338,000
	GREENUP	IL	N	GC	C1	1,403,000
	HUMBOLDT	IL	N	GC	C1	365,000
	JEWETT	IL	N	GC	C1	745,000
	LOUISVILLE	IL	N	GC	C1	352,000
	NEOGA	IL	N	GC	C1	845,000
	SANDOVAL	IL	N	GC	C1	174,000
	SHELBYVILLE	IL	N	GC	C1	291,000
	SHELBYVILLE	IL	N	GC	C1	434,000
	TOLEDO	IL	N	GC	C1	408,000
	WATSON	IL	N	GC	C1	415,000
ELBURN CO-OPERATIVE COMPANY	ELBURN	IL	Y	GD	C1	477,000
	ELBURN	IL	N	GC	C1	5,785,000
	STEWARD	IL	N	GC	C1	1,420,000
ELKHART GRAIN COMPANY	ELKHART	IL	Y	GD	C1	2,807,000
	BROADWELL	IL	N	GC	C1	520,000
EMDEN FARMERS GRAIN COMPANY	EMDEN	IL	Y	GD	C1	1,443,000
EMINENCE GRAIN & COAL CO	ATLANTA	IL	Y	GD	C1	307,000
ENGLUM GRAIN CO INC	REDMON	IL	Y	GD	C1	735,000
	CHRISMAN	IL	N	GC	C1	399,000
	PARIS	IL	N	GC	C1	188,000
	VERMILION	IL	N	GC	C1	484,000
EVERGREEN FS, INC	BLOOMINGTON	IL	Y	GD	C1	0
	ARROWSMITH	IL	N	GC	C1	1,536,000
	ARROWSMITH	IL	N	GC	C1	485,000
	BLOOMINGTON	IL	N	GC	C1	1,496,000

Licensee Name	City	State	Headquarter	License Type		Bushel Capacity
				Dealer	Warehouse	
	DOWNS	IL	N	GC	C1	2,394,000
	ELLSWORTH	IL	N	GC	C1	546,000
	FARMER CITY	IL	N	GC	C1	208,000
	FARMER CITY	IL	N	GC	C1	277,000
	MCLEAN	IL	N	GC	C1	2,167,000
	NORMAL	IL	N	GC	C1	682,000
	SHIRLEY	IL	N	GC	C1	375,000
FAIVRE, J.P., INC	DEKALB	IL	Y	GD	C1	1,204,000
FARMERS CO-OP GR ASSN	MORTON	IL	Y	GD	C1	2,454,000
FARMERS CO-OP GRAIN CO	DALTON CITY	IL	Y	GD	C1	3,883,000
	DALTON CITY	IL	N	GC	C1	192,000
FARMERS COOPERATIVE ASSN	VARNA	IL	Y	GD	C1	3,625,000
FARMERS ELEV & SUPPLY CO	MORRISON	IL	Y	GD	C1	451,000
FARMERS ELEV BIGGS & EASTON	EASTON	IL	Y	GD	C1	1,310,000
	EASTON	IL	N	GC	C1	1,152,000
FARMERS ELEV CO OF LOWDER	WAVERLY	IL	Y	GD	C1	2,947,000
	AUBURN	IL	N	GC	C1	1,784,000
FARMERS ELEV CO OF MANTENO	MANTENO	IL	Y	GD	C1	2,143,000
	GRANT PARK	IL	N	GC	C1	996,000
FARMERS ELEV CO OF RANSOM	RANSOM	IL	Y	GD	C1	2,931,000
	ODELL	IL	N	GC	C1	548,000
FARMERS ELEV CO OF SCIOTA	SCIOTA	IL	Y	GD	C1	2,156,000
FARMERS ELEVATOR CO JAMAICA	FAIRMOUNT	IL	Y	GD	C1	1,629,000
	INDIANOLA	IL	N	GC	C1	240,000
FARMERS GR & CL CO OF ALEDO	ALEDO	IL	Y	GD	C1	732,000
FARMERS GR CO OF BEECHER	BEECHER	IL	Y	GD	C1	191,000
FARMERS GR CO OF CHESTNUT	CHESTNUT	IL	Y	GD	C1	2,268,000
	CLINTON	IL	N	GC	C1	180,000
	CLINTON	IL	N	GC	C1	1,186,000
	KENNEY	IL	N	GC	C1	899,000
FARMERS GR CO OF NEW BERLIN	NEW BERLIN	IL	Y	GD	C1	1,062,000
	NEW BERLIN	IL	N	GC	C1	269,000
	NEW BERLIN	IL	N	GC	C1	240,000
FARMERS GR CO OF PIPER CITY	PIPER CITY	IL	Y	GD	C1	1,498,000
FARMERS GRAIN & COAL CO	MASON CITY	IL	Y	GD	C1	2,733,000
	GREENVIEW	IL	N	GC	C1	1,467,000
	MASON CITY	IL	N	GC	C1	1,751,000
FARMERS GRAIN AND COAL	GREEN VALLEY	IL	Y	GD	C1	1,956,000
FARMERS GRAIN CO OF DORANS	MATTOON	IL	Y	GD	C1	2,266,000
FARMERS GRAIN CO OF LATHAM	LATHAM	IL	Y	GD	C1	2,569,000
	WARRENSBURG	IL	N	GC	C1	581,000
FARMERS GRAIN COMPANY	ROSEVILLE	IL	Y	GD	C1	2,233,000
FARMERS GRAIN SERVICE INC	GRAND RIDGE	IL	Y	GD	C1	2,325,000
FARMERS MID CO FEED CO	NASHVILLE	IL	Y	IN	C2	54,000
FARMERS MILL INC	ALBION	IL	Y	IN	C2	14,000
FASCO MILLS COMPANY	MENDOTA	IL	Y	GD	C1	6,353,000
	AMBOY	IL	N	GC	C1	292,000
	ASHTON	IL	N	GC	C1	0
	ASHTON	IL	N	GC	C1	992,000
	COMPTON	IL	N	GC	C1	145,000

Licensee Name	City	State	Headquarter	License Type		Bushel Capacity
				Dealer	Warehouse	
	CRESTON	IL	N	GC	C1	2,909,000
	GERMAN VALLEY	IL	N	GC	C1	846,000
	KINGS	IL	N	GC	C1	86,000
	LAMOILLE	IL	N	GC	C1	132,000
	LAMOILLE	IL	N	GC	C1	352,000
	SEWARD	IL	N	GC	C1	1,946,000
	STEWART	IL	N	GC	C1	296,000
FERGUSON, WM GRAIN CO	BUSHNELL	IL	Y	GD		0
FERRIN COOP EQUITY EXC	CARLYLE	IL	Y	GD	C1	466,000
	SHATTUC	IL	N	GC	C1	106,000
FISHER FARMERS GR & COAL CO	DEWEY	IL	Y	GD	C1	4,679,000
	ELLIOTT	IL	N	GC	C1	1,082,000
	FISHER	IL	N	GC	C1	689,000
	GIFFORD	IL	N	GC	C1	624,000
	PENFIELD	IL	N	GC	C1	218,000
	POTOMAC	IL	N	GC	C1	147,000
	POTOMAC	IL	N	GC	C1	2,057,000
	RANTOUL	IL	N	GC	C1	857,000
	THOMASBORO	IL	N	GC	C1	1,202,000
	THOMASBORO	IL	N	GC	C1	2,408,000
FITCHMOOR GRAIN INC	MENDOTA	IL	Y	GD	C1	1,789,000
FORD GRAIN CO INC	MELVIN	IL	Y	GD	C1	775,000
FOUR T AGRI-CORP	GRANVILLE	IL	Y	IN	C2	57,000
FRANKLIN ELEVATOR INC	FRANKLIN	IL	Y	GD	C1	2,611,000
	ALEXANDER	IL	N	GC	C1	758,000
FROHNING, VICTOR	MT ERIE	IL	Y	IN	C2	77,000
FRY FARM SUPPLY INC	PAWNEE	IL	Y	GD		0
GALESBURG ORDER BUYERS INC	GALESBURG	IL	Y	GD	C1	6,000
	ABINGDON	IL	N	GC	C1	4,598,000
	ALEXIS	IL	N	GC	C1	1,862,000
	ALPHA	IL	N	GC	C1	672,000
	GALESBURG	IL	N	GC	C1	1,202,000
	HENDERSON	IL	N	GC	C1	3,200,000
	NEW WINDSOR	IL	N	GC	C1	535,000
	OPHIEM	IL	N	GC	C1	490,000
	VIOLA	IL	N	GC	C1	470,000
	WATAGA	IL	N	GC	C1	12,000
GALESVILLE ELEVATOR CO	MANSFIELD	IL	Y	GD	C1	620,000
	FOOSLAND	IL	N	GC	C1	684,000
GARDEN PR GR HANDLING, LTD	GARDEN PRAIRIE	IL	Y	GD	FD	6,056,000
	CALEDONIA	IL	N	GC	FD	717,000
	POPLAR GROVE	IL	N	GC	FD	5,042,000
GATEWAY CO-OP	GALVA	IL	Y	GD	C1	1,926,000
	ALTONA	IL	N	GC	C1	2,090,000
	GALVA	IL	N	GC	C1	2,736,000
	KEWANEE	IL	N	GC	C1	361,000
GATEWAY FS INC	RED BUD	IL	Y	GD	C1	0
	BALDWIN	IL	N	GC	C1	168,000
	COLUMBIA	IL	N	GC	C1	180,000
	EVANSVILLE	IL	N	GC	C1	441,000

Licensee Name	City	State	Headquarter	License Type		Bushel Capacity
				Dealer	Warehouse	
	FULTS	IL	N	GC	C1	420,000
	FULTS	IL	N	GC	C1	502,000
	JACOB	IL	N	GC	C1	223,000
	MARION	IL	N	GC	C1	94,000
	MURPHYSBORO	IL	N	GC	C1	137,000
	PERCY	IL	N	GC	C1	347,000
	PR DU ROCHER	IL	N	GC	C1	234,000
	RED BUD	IL	N	GC	C1	326,000
	TILDEN	IL	N	GC	C1	366,000
	WATERLOO	IL	N	GC	C1	622,000
GEDDES GRAIN INC	SOUTH BELOIT	IL	Y	GD		0
GENESEO FEED AND GRAIN INC	GENESEO	IL	Y	GD	C1	410,000
	GENESEO	IL	N	GC		841,000
GILL GRAIN COMPANY	BRADFORD	IL	Y	GD	C1	903,000
	BROADMOOR	IL	N	GC	C1	410,000
	CAMP GROVE	IL	N	GC	C1	1,007,000
GILSTER-MARY LEE CORP	CHESTER	IL	Y	GD		0
	STEELEVILLE	IL	N	GC		289,000
GLASFORD GRAIN & MILLING CO	GLASFORD	IL	Y	GD	C1	743,000
	ELMWOOD	IL	N	GC	C1	111,000
GLEN DENNING GRAIN INC	STILLMAN VALLEY	IL	Y	GD	C1	1,045,000
	LEAF RIVER	IL	N	GC	C1	177,000
	STILLMAN VALLEY	IL	N	GC	C1	473,000
GOLD STAR FS, INC	CAMBRIDGE	IL	Y	GD	C1	0
	ERIE	IL	N	GC	C1	705,000
	OSCO	IL	N	GC	C1	461,000
	STERLING	IL	N	GC	C1	437,000
GOODWINE COOP GRAIN CO	GOODWINE	IL	Y	GD	C1	1,065,000
	CLAYTONVILLE	IL	N	GC	C1	497,000
	HOOPESTON	IL	N	GC	C1	341,000
	MILFORD	IL	N	GC	C1	645,000
	MILFORD	IL	N	GC	C1	1,042,000
GRAINCO FS, INC	MORRIS	IL	Y	GD		0
	MORRIS	IL	N	GC		0
	NEWARK	IL	N	GC	C1	1,660,000
	NEWARK	IL	N	GC	C1	423,000
GRAINLAND COOPERATIVE	EUREKA	IL	Y	GD	C1	4,688,000
	EL PASO	IL	N	GC	C1	1,514,000
	SECOR	IL	N	GC	C1	1,775,000
GRAND PRAIRIE COOP INC	TOLONO	IL	Y	GD	C1	2,015,000
	BROADLANDS	IL	N	GC	C1	337,000
	GALESVILLE	IL	N	GC	C1	1,983,000
	IVESDALE	IL	N	GC	C1	1,587,000
	IVESDALE	IL	N	GC	C1	460,000
	LONGVIEW	IL	N	GC	C1	262,000
	PHILO	IL	N	GC	C1	969,000
	SADORUS	IL	N	GC	C1	1,332,000
	SAVOY	IL	N	GC	C1	400,000
	SIDNEY	IL	N	GC	C1	1,695,000
	SIDNEY	IL	N	GC	C1	112,000

Licensee Name	City	State	Headquarter	License Type		Bushel Capacity
				Dealer	Warehouse	
	ST. JOSEPH	IL	N	GC	C1	580,000
	TOLONO	IL	N	GC	C1	3,692,000
GRANT PARK CO-OP GR CO	GRANT PARK	IL	Y	GD	FD	1,580,000
GRAVES MILLING COMPANY INC	YATES CITY	IL	Y	GD	C1	775,000
	GILSON	IL	N	GC	C1	218,000
	MAQUON	IL	N	GC	C1	110,000
GRAY, BRADLEY & JULIE	GREENUP	IL	Y	IN	C2	36,000
GRAYMONT COOP ASSOC	GRAYMONT	IL	Y	GD	C1	2,173,000
	CORNELL	IL	N	GC	C1	1,119,000
	PONTIAC	IL	N	GC	C1	1,284,000
GRAYSLAKE GR SERVICE INC	GRAYSLAKE	IL	Y	GD		0
GREEN RIVER GRAIN COMPANY	WALNUT	IL	Y	GD		0
GRIGGSVILLE FEED MILL INC	GRIGGSVILLE	IL	Y	GD	C2	91,000
GROWMARK INC	BLOOMINGTON	IL	Y	GD		0
	BEARDSTOWN	IL	N	GC		2,757,000
	BURLINGTON	IA	N	GC		0
	BURLINGTON	IA	N	GC		0
	CHILlicothe	IL	N	GC		0
	CLINTON	IA	N	GC		0
	CREVE COEUR	IL	N	GC		0
	DECATUR	IL	N	GC		0
	DECATUR	IL	N	GC		0
	GALESBURG	IL	N	GC		0
	GULFPORT	IL	N	GC		314,000
	HAVANA	IL	N	GC		0
	HAVANA	IL	N	GC		0
	HENNEPIN	IL	N	GC		0
	HENRY	IL	N	GC		0
	HULL	IL	N	GC		0
	HULL	IL	N	GC		0
	KEITHSBURG	IL	N	GC		0
	LACON	IL	N	GC		0
	LASALLE	IL	N	GC		0
	MORRIS	IL	N	GC		0
	MORRIS	IL	N	GC		0
	MOUND CITY	IL	N	GC		0
	NAPLES	IL	N	GC		0
	OTTAWA	IL	N	GC		0
	OTTAWA	IL	N	GC		0
	PEORIA	IL	N	GC		0
	QUINCY	IL	N	GC		0
	QUINCY	IL	N	GC		0
	QUINCY	IL	N	GC		0
	QUINCY	IL	N	GC		0
	SPRING VALLEY	IL	N	GC		0
H & B SPECIALTIES, INC	PLEASANT PLAINS	IL	Y	GD		0
HAMEL COOPERATIVE GRAIN CO	HAMEL	IL	Y	GD	C2	277,000
HARDY GRAIN CO	WATERMAN	IL	Y	GD	C1	472,000
HARMON GRAIN, L.L.C.	HARMON	IL	Y	GD	C1	4,489,000
	DEER GROVE	IL	N	GC	C1	1,525,000

Licensee Name	City	State	Headquarter	License Type		Bushel Capacity
				Dealer	Warehouse	
	WOOSUNG	IL	N	GC	C1	73,000
HARPER, CHARLES	HERRIN	IL	Y	IN		0
HARTMANN GRAIN CORPORATION	MAPLE PARK	IL	Y	GD		0
HARTSBURG GRAIN COMPANY	HARTSBURG	IL	Y	GD	C1	1,912,000
HEATON GRAIN COMPANY INC	ROSSVILLE	IL	Y	GD	FD	1,392,000
HECKER FEED SERVICE INC	HECKER	IL	Y	GD	C1	170,000
	RED BUD	IL	N	GC		0
HEEREN, KARL INC	WINNEBAGO	IL	Y	GD		0
HENRICHS GRAIN, INC	SAUNEMIN	IL	Y	GD		0
HERING LEWIS ELEVATOR	BELLMONT	IL	Y	GD	C1	303,000
HERSCHER GRAIN COMPANY	HERSCHER	IL	Y	GD	C1	1,030,000
HILLSDALE COOPERATIVE ELEV	HILLSDALE	IL	Y	GD	C1	1,286,000
	ANNAWAN	IL	N	GC	C1	1,048,000
	FENTON	IL	N	GC	C1	367,000
HINTZSCHE GRAIN INC	MAPLE PARK	IL	Y	GD	C1	2,190,000
	CORTLAND	IL	N	GC	C1	624,000
	GENOA	IL	N	GC	C1	386,000
	HINCKLEY	IL	N	GC	C1	80,000
	KIRKLAND	IL	N	GC	C1	38,000
	MINOOKA	IL	N	GC	C1	2,048,000
	SYCAMORE	IL	N	GC	C1	1,389,000
	WATERMAN	IL	N	GC	C1	2,746,000
HOG, INC	GREENFIELD	IL	Y	GD	C1	818,000
	SCOTTVILLE	IL	N	GC	C1	680,000
HOGAN GRAIN INC	MACON	IL	Y	GD	C1	0
	DECATUR	IL	N	GC	C1	522,000
	ELWIN	IL	N	GC	C1	267,000
HOOK GRAIN, INC	THOMSON	IL	Y	GD		
HOSTETLER GRAIN, INC	HARMON	IL	Y	GD		0
HOYLETON FEED STORE & MILL	HOYLETON	IL	Y	IN	C2	91,000
HUDSON GRAIN COMPANY	HUDSON	IL	Y	GD	C1	1,983,000
HUISINGA GRAIN INC	CASEY	IL	Y	GD	C1	8,084,000
IDENTITY SEED & GRAIN COMPANY	COCOA BEACH	FL	Y	GD		0
	STANFORD	IL	N	GC		0
INTER-GRAIN SPECIALTY PROD,LLC	INDIANAPOLIS	IN	Y	GD		0
	CHRISMAN	IL	N	GC		0
IRVINGTON ELEVATOR COMPANY	IRVINGTON	IL	Y	GD	C1	1,278,000
	CENTRALIA	IL	N	GC	C1	778,000
	KELL	IL	N	GC	C1	37,000
J & W FEED SERVICE, INC	OSCO	IL	Y	IN	C2	255,000
JACKSON GRAIN COMPANY	DEKALB	IL	Y	GD		0
JANKE, RONALD K	STREATOR	IL	Y	GD		90,000
JERSEY COUNTY GRAIN COMPANY	JERSEYVILLE	IL	Y	GD	C1	939,000
	HARDIN	IL	N	GC	C1	805,000
JERSEY FARMERS ELEVATOR INC	JERSEYVILLE	IL	Y	GD	C1	771,000
JOHNSON, ROBERT GRAIN CO INC	WAVERLY	IL	Y	GD	C1	2,182,000
	PALMYRA	IL	N	GC	C1	857,000
	WAVERLY	IL	N	GC	C1	0
KASBEER FARMERS ELEV CO	KASBEER	IL	Y	GD	C1	1,352,000
KASTLER GRAIN INC	WATERMAN	IL	Y	GD		0

Licensee Name	City	State	Headquarter	License Type		Bushel Capacity
				Dealer	Warehouse	
	DEKALB	IL	N	GC		0
KAUFMAN GRAIN COMPANY	WEST LAFAYETTE	IN	Y	NA	NA	0
	CISSNA PARK	IL	N	GC	C1	1,931,000
	EAST LYNN	IL	N	GC	C1	349,000
	RANKIN	IL	N	GC	C1	947,000
	ROSSVILLE	IL	N	GD	C1	2,476,000
KELLER GRAIN CO INC	ANNA	IL	Y	GD	C1	154,000
	JONESBORO	IL	N	GC	C1	349,000
KEMMERER GRAIN SERVICE INC	PLAINFIELD	IL	Y	GD		0
KENTLAND ELEVATOR & SUP INC	KENTLAND	IN	Y	GD	FD	0
	SHELDON	IL	N	GC	FD	1,357,000
	SHELDON	IL	N	GC	FD	492,000
KIDD, MARGARET	MENDOTA	IL	Y	GD	C1	621,000
KINCAID BROTHERS GRAIN INC	LOUISVILLE	IL	Y	GD		0
KISTLER PRAIRIE MILL INC	BUFFALO PRAIRIE	IL	Y	GD	C1	364,000
KNOBLOCH GRAIN CO INC	TOULON	IL	Y	GD	C1	1,443,000
	KEWANEE	IL	N	GC	C1	473,000
	WYOMING	IL	N	GC	C1	1,436,000
LA PRAIRIE-CHATTON ELEV INC	LAPRAIRIE	IL	Y	GD	C1	434,000
	CLAYTON	IL	N	GC	C1	425,000
LA SALLE CO FARM SUPP	OTTAWA	IL	Y	GD	C1	0
	CEDAR POINT	IL	N	GC	C1	535,000
	GRAND RIDGE	IL	N	GC	C1	547,000
	SERENA	IL	N	GC	C1	377,000
LADD ELEVATOR COMPANY	LADD	IL	Y	GD	C1	2,527,000
	LADD	IL	N	GC	C1	216,000
LAKE FORK GRAIN COMPANY	LAKE FORK	IL	Y	GD	C1	1,527,000
	MT PULASKI	IL	N	GC	C1	0
	MT PULASKI	IL	N	GC	C1	0
	MT PULASKI	IL	N	GC	C1	4,436,000
	MT PULASKI	IL	N	GC	C1	867,000
LAMBERT GRAIN ELEVATOR INC	BOURBONNAIS	IL	Y	GD	C1	2,336,000
	KANKAKEE	IL	N	GC	C1	620,000
	ST ANNE	IL	N	GC	C1	860,000
LANARK AG CENTER, INC	LANARK	IL	Y	IN	C2	66,000
LAND O' LAKES,INC OPERATING	ST. PAUL	MN	Y	GD		0
	VANDALIA	IL	N	GC		336,000
LANDMEIER, LYNN	ELGIN	IL	Y	GD		150,000
LEBANON GRAIN ELEVATOR INC	LEBANON	IL	Y	GD		121,000
LELAND FARMERS COMPANY, THE	LELAND	IL	Y	GD	C1	2,232,000
	SOMONAUK	IL	N	GC	C1	47,000
LEONE GR & SUPPLY INC	PERU	IL	Y	GD	C1	441,000
LIBERTY FEED MILL INC	LIBERTY	IL	Y	GD	C1	296,000
LICK ELEVATOR INC	CHATHAM	IL	Y	GD	C1	764,000
	LOAMI	IL	N	GC	C1	185,000
LINCOLN LAND FS INC	JACKSONVILLE	IL	Y	GD		0
	OAKFORD	IL	N	GC	C1	295,000
	PETERSBURG	IL	N	GC	C1	922,000
LITCHFIELD FARMERS GR	LITCHFIELD	IL	Y	GD	C1	604,000
LITTLEJOHN GRAIN INC	MARTINSVILLE	IL	Y	GD	C1	769,000

Licensee Name	City	State	Headquarter	License Type		Bushel Capacity
				Dealer	Warehouse	
	MARTINSVILLE	IL	N	GC	C1	1,381,000
	MARTINSVILLE	IL	N	GC	C1	74,000
	WEST UNION	IL	N	GC	C1	752,000
	WEST UNION	IL	N	GC	C1	333,000
	WEST UNION	IL	N	GC	C1	233,000
LITTLETON ELEVATOR INC	LITTLETON	IL	Y	GD	C1	562,000
LIVINGSTON GRAIN CO	CHATSWORTH	IL	Y	GD	C1	428,000
	CHATSWORTH	IL	N	GC	C1	890,000
LOTZ TRUCKING SERVICE, INC	ST PETER	IL	Y	GD		0
LOUIS DREYFUS ILLINOIS INC	LOCKPORT	IL	Y	GD		212,000
	MORRIS	IL	N	GC		307,000
LUDLOW CO-OP ELEV CO	LUDLOW	IL	Y	GD	C1	1,912,000
	BUCKLEY	IL	N	GC	C1	1,014,000
	CLARENCE	IL	N	GC	C1	509,000
	LODA	IL	N	GC	C1	479,000
	PAXTON	IL	N	GC	C1	604,000
	PAXTON	IL	N	GC	C1	5,165,000
	THAWVILLE	IL	N	GC	C1	1,127,000
M & M SERVICE COMPANY	CARLINVILLE	IL	Y	GD	C1	500,000
	BUNKER HILL	IL	N	GC	C1	505,000
	CHESTERFIELD	IL	N	GC	C1	773,000
	FARMERSVILLE	IL	N	GC	C1	594,000
	GIRARD	IL	N	GC	C1	702,000
	IRVING	IL	N	GC	C1	528,000
	PALMYRA	IL	N	GC	C1	407,000
	VIRDEN	IL	N	GC	C1	961,000
M & R FARMS, INC	DIXON	IL	Y	GD	C1	758,000
M & W GRAIN, LTD	ELIZABETH	IL	Y	GD	C1	448,000
	STOCKTON	IL	N	GC		0
MADISON SERVICE COMPANY	ALHAMBRA	IL	Y	GD	C1	305,000
MANSFIELD GRAIN INC	MANSFIELD	IL	Y	GD	FD	724,000
MAPLEHURST FARMS, INC	ROCHELLE	IL	Y	GD	C1	6,144,000
	AMBOY	IL	N	GC	C1	271,000
	AMBOY	IL	N	GC	C1	901,000
	CLARE	IL	N	GC	C1	805,000
	DAVIS JCT	IL	N	GC	C1	888,000
	ESMOND	IL	N	GC	C1	2,500,000
	KINGS	IL	N	GC	C1	472,000
	LINDENWOOD	IL	N	GC	C1	2,430,000
	ROCKFORD	IL	N	GC	C1	2,223,000
	SCARBORO	IL	N	GC	C1	2,982,000
MAROA FARMERS COOP ELEV CO	MAROA	IL	Y	GD	C1	2,169,000
	DECATUR	IL	N	GC	C1	613,000
MARQUIS MTD INC	BUDA	IL	Y	GD	C1	777,000
	NEPONSET	IL	N	GC	C1	856,000
MARTIN GRAIN INC	TAYLOR RIDGE	IL	Y	GD	C1	2,001,000
	ALEDO	IL	N	GC	C1	2,545,000
MAZON FARMERS ELEV CO	MAZON	IL	Y	GD	C1	644,000
	DWIGHT	IL	N	GC	C1	249,000
	MAZON	IL	N	GC	C1	873,000

Licensee Name	City	State	Headquarter	License Type		Bushel Capacity
				Dealer	Warehouse	
	VERONA	IL	N	GC	C1	328,000
MC ARDLE, PHILIP	DWIGHT	IL	Y	GD		0
MC NABB GRAIN COMPANY	MC NABB	IL	Y	GD	FD	2,030,000
MCCHESENEY, C E CO INC	GLADSTONE	IL	Y	GD	C1	413,000
	GLADSTONE	IL	N	GC	C1	2,966,000
MCCLASKEY GRAIN COMPANY INC	COLLINSVILLE	IL	Y	GD		0
MCCRERY COMPANY	BERWICK	IL	Y	GD		0
MCELWEE, DONALD STEVEN	PANA	IL	Y	IN		13,000
MCNEILL GRAIN INC	LAKE VILLA	IL	Y	GD		0
MECHANICSBURG FARMERS GR CO	MECHANICSBURG	IL	Y	GD	C1	2,755,000
	BUFFALO	IL	N	GC	C1	92,000
	DAWSON	IL	N	GC	C1	512,000
	EDINBURG	IL	N	GC	C1	1,066,000
MEGGINSON GRAIN INC	PAWNEE	IL	Y	GD		0
MENDOTA FARMERS COOP SUP CO	MENDOTA	IL	Y	GD	C1	882,000
	MENDOTA	IL	N	GC	C1	663,000
	VAN ORIN	IL	N	GC	C1	379,000
MENNEL MILLING CO OF IL,THE	FOSTORIA	OH	Y	GD		0
	MT OLIVE	IL	N	GC		942,000
MERIDEN GRAIN CO	MENDOTA	IL	Y	GD	C1	743,000
MEYER, ROBERT GR SERV INC	LIBERTYVILLE	IL	Y	GD		198,000
MICHLIG AGRICENTER, INC	MANLIUS	IL	Y	GD	C1	871,000
	CAMBRIDGE	IL	N	GC	C1	555,000
	CAMBRIDGE	IL	N	GC	C1	600,000
	SHEFFIELD	IL	N	GC	C1	2,221,000
MID COUNTY GRAIN INC	CARLYLE	IL	Y	GD		0
	GERMANTOWN	IL	N	GC	C1	211,000
MIDWEST POULTRY SERVICES L.P.	MENTONE	IN	Y	GD		0
	LODA	IL	N	GC		33,000
MILLEDGEVILLE FARMERS EL CO	MILLEDGEVILLE	IL	Y	GD	C1	1,607,000
	MILLEDGEVILLE	IL	N	GC	C1	0
MILLER'S FEED MILL INC	CHADWICK	IL	Y	GD	C1	92,000
MINERAL ELEVATOR INC	MINERAL	IL	Y	GD	C1	550,000
	BUDA	IL	N	GC	C1	117,000
MINIER COOPERATIVE GRAIN CO	MINIER	IL	Y	GD	C1	4,406,000
	ARMINGTON	IL	N	GC	C1	1,297,000
MINOOKA GR LMBR & SUPP CO	MINOOKA	IL	Y	GD	FD	0
	MINOOKA	IL	N	GC	FD	1,573,000
MISSAL FARMERS GRAIN CO	STREATOR	IL	Y	GD	C1	1,477,000
MITCHELL, JAMES E & WM P	MARSEILLES	IL	Y	GD		0
MOELLER BROTHERS INC	NASHVILLE	IL	Y	GD		0
MONICA ELEVATOR COMPANY	PRINCEVILLE	IL	Y	GD	C1	3,274,000
	DUNLAP	IL	N	GC	C1	2,033,000
MONMOUTH FEED SERVICE INC	MONMOUTH	IL	Y	GD	C1	789,000
	CAMERON	IL	N	GC	C1	63,000
MONMOUTH GR & DRYER CO	MONMOUTH	IL	Y	GD	C1	3,098,000
	GERLAW	IL	N	GC	C1	94,000
	MONMOUTH	IL	N	GC	C1	1,090,000
MONT EAGLE MILLS INC	OBLONG	IL	Y	GD	C1	2,063,000
	OBLONG	IL	N	GC	C1	863,000

Licensee Name	City	State	Headquarter	License Type		Bushel Capacity
				Dealer	Warehouse	
	OBLONG	IL	N	GC	C1	88,000
	STE MARIE	IL	N	GC	C1	661,000
	WEST LIBERTY	IL	N	GC	C1	684,000
MOOMAW, LOWELL & MARIE TRUST	STEWARDSON	IL	Y	GD	C1	604,000
MORRISONVILLE FRS COOP CO	MORRISONVILLE	IL	Y	GD	C1	2,516,000
	HARVEL	IL	N	GC	C1	478,000
MOULTRIE GRAIN ASSOCIATION	ARTHUR	IL	Y	GD	C1	2,252,000
	LOVINGTON	IL	N	GC	C1	2,017,000
	SULLIVAN	IL	N	GC	C1	725,000
MOWEAQUA FARMERS COOP GR CO	MOWEAQUA	IL	Y	GD	C1	3,110,000
MT VERNON ELEVATOR CO	MT VERNON	IL	Y	GD	C1	808,000
MULLINS GRAIN CO	SHABONA	IL	Y	GD	C1	1,331,000
	EARLVILLE	IL	N	GC	C1	877,000
	LEE	IL	N	GC	C1	432,000
MUSEL, INC	MORRISON	IL	Y	GD	C1	0
	FULTON	IL	N	GC	C1	468,000
NABER GRAIN CORPORATION	SHELBYVILLE	IL	Y	GD		0
NEWARK FARMERS GR CO	NEWARK	IL	Y	GD	C1	1,242,000
NIANTIC FARMERS GRAIN CO	NIANTIC	IL	Y	GD	FD	1,761,000
NIELSEN GRAIN CO	REDDICK	IL	Y	GD	C1	952,000
NORTHERN FS INC	SYCAMORE	IL	Y	GD		0
NORTHWEST GRAIN INC	ELIZABETH	IL	Y	GD	C1	4,000
	KENT	IL	N	GC		0
	STOCKTON	IL	N	GC		0
	WINSLOW	IL	N	GC		0
O K GRAIN COMPANY	LITCHFIELD	IL	Y	GD	C1	2,411,000
	LITCHFIELD	IL	N	GC	C1	1,953,000
OBERBECK FEED COMPANY	HIGHLAND	IL	Y	GD	C1	435,000
	NEW DOUGLAS	IL	N	GC	C1	380,000
OBERY GRAIN INC	METAMORA	IL	Y	GD		0
OCONEE GRAIN COMPANY	OCONEE	IL	Y	GD	C1	783,000
	RAMSEY	IL	N	GC	C1	44,000
OHIO GRAIN COMPANY	OHIO	IL	Y	GD	C1	2,906,000
OKAWVILLE FARMERS ELEV CO	OKAWVILLE	IL	Y	GD	C1	954,000
	ADDIEVILLE	IL	N	GC	C1	788,000
	ST LIBORY	IL	N	GC	C1	237,000
OLSEN'S ELEVATOR & FEEDS INC	POLO	IL	Y	GD	C1	755,000
OLSON'S GRAIN INC	N HENDERSON	IL	Y	GD	C1	771,000
	RIO	IL	N	GC	C1	452,000
O'MALLEY GRAIN INC	OMAHA	NE	Y	GD		0
	MANSFIELD	IL	N	GC		352,000
ORR, F R GRAIN CO	MOMENCE	IL	Y	GD	C1	1,085,000
	MOMENCE	IL	N	GC	C1	700,000
	MOMENCE	IL	N	GC	C1	1,539,000
OSBERNVILLE GRAIN COMPANY	BLUE MOUND	IL	Y	GD	FD	726,000
OSTERBUR, L.B. & ASSOCIATES	QUINCY	IL	Y	GD		0
P & S GRAIN, LLC	MARION	IL	Y	GD	C1	599,000
PAULE, IRVIN G. EST OF ET AL	MILLSTADT	IL	Y	GD	C1	122,000
	MILLSTADT	IL	N	GC	C1	30,000
PAULSEN, DANIEL L	KENT	IL	Y		C2	37,000

Licensee Name	City	State	Headquarter	License Type		Bushel Capacity
				Dealer	Warehouse	
PAWNEE GRAIN COMPANY	PAWNEE	IL	Y	GD		0
PEARL CITY ELEVATOR INC	PEARL CITY	IL	Y	GD	C1	2,097,000
	BAILEYVILLE	IL	N	GC	C1	3,043,000
	LENA	IL	N	GC		0
PEPSICO INC-OPER THRU SUBS-	SIDNEY	IL	Y	GD		3,882,000
PERRY, W A & SON ELEV CO	TIMEWELL	IL	Y	GD	C1	296,000
PETERSEN GRAIN SERVICE INC	LIBERTYVILLE	IL	Y	GD		0
	LIBERTYVILLE	IL	N	GC		0
PETERSON, JOHN	SHERIDAN	IL	Y	GD		27,000
PISGAH COOP GRAIN CO	JACKSONVILLE	IL	Y	GD	C1	1,078,000
PITCHFORD ELEVATOR CO	RICHVIEW	IL	Y	GD	C1	1,683,000
	NASHVILLE	IL	N	GC	C1	406,000
	RICHVIEW	IL	N	GC	C1	625,000
POOL, RICHARD ET AL	AVON	IL	Y	GD	C1	903,000
PRAIRIE CENTRAL COOP INC	CHENOA	IL	Y	GD	C1	3,736,000
	CHENOA	IL	N	GC	C1	230,000
	FAIRBURY	IL	N	GC	C1	2,060,000
	FLANAGAN	IL	N	GC	C1	1,871,000
	LEXINGTON	IL	N	GC	C1	2,286,000
	MEADOWS	IL	N	GC	C1	1,690,000
	PONTIAC	IL	N	GC	C1	1,695,000
	PONTIAC	IL	N	GC	C1	6,736,000
	PONTIAC	IL	N	GC	C1	420,000
	PRAIRIETOWN FEED SERVICE, INC	DORSEY	IL	Y	GD	C1
PRENTICE FARMERS ELEV CO	ASHLAND	IL	Y	GD	C1	1,338,000
	ASHLAND	IL	N	GC	C1	802,000
	JACKSONVILLE	IL	N	GC	C1	400,000
QUAKER ELEVATOR, INC	CHRISMAN	IL	Y	GD	C1	533,000
QUALITY TRADERS INC	HUNTLEY	IL	Y	GD		624,000
	SHARON	WI	N	GC		0
RABIDEAU GR & LUMBER INC	CLIFTON	IL	Y	GD	C1	2,337,000
	KEMPTON	IL	N	GC	C1	871,000
RAGER, C.C. AND SON, INC	LATHAM	IL	Y	GD	C1	713,000
RAMSEY GRAIN INC	ROCHESTER	IL	Y	GD	C1	1,951,000
	MECHANICSBURG	IL	N	GC	C1	356,000
RANDOLPH COOP GR CO	HEYWORTH	IL	Y	GD	C1	1,991,000
REES FARMERS ELEV CO	FRANKLIN	IL	Y	GD	C1	734,000
	MURRAYVILLE	IL	N	GC	C1	499,000
	WOODSON	IL	N	GC	C1	392,000
REINBOLD AND SONS INC	FLAT ROCK	IL	Y	GD	C1	403,000
	PALESTINE	IL	N	GC	C1	1,331,000
	PALESTINE	IL	N	GC	C1	1,069,000
RICH-PLAINS FARMERS COOP	PLEASANT PLNS	IL	Y	GD	C1	1,683,000
	PLEASANT PLNS	IL	N	GC	C1	1,253,000
RICKETT GRAIN CO	FOREST CITY	IL	Y	GD	C1	1,579,000
	MANITO	IL	N	GC	C1	918,000
RIDLEY INC THRU WHOLLY OWNED	MANKATO	MN	Y	GD		0
	BUSHNELL	IL	N	GC		0
RIGGSTON GRAIN CORP	WINCHESTER	IL	Y	GD		91,000
RISING FARMERS GRAIN CO	CHAMPAIGN	IL	Y	GD	C1	881,000

Licensee Name	City	State	Headquarter	License Type		Bushel Capacity
				Dealer	Warehouse	
	BONDVILLE	IL	N	GC	C1	931,000
	MAHOMET	IL	N	GC	C1	299,000
RITCHIE GRAIN ELEVATOR INC	WILMINGTON	IL	Y	GD	C1	1,030,000
	WILMINGTON	IL	N	GC	C1	1,071,000
RIVER AG OF MERMET, INC	METROPOLIS	IL	Y	GD	C1	0
	BELKNAP	IL	N	GC	C1	120,000
RIVER/GULF GRAIN COMPANY	BETTENDORF	IA	Y	GD		0
	ROCK ISLAND	IL	N	GC		0
ROANOKE FARMERS ASSOC	ROANOKE	IL	Y	GD	C1	7,720,000
	BENSON	IL	N	GC	C1	1,937,000
	EAST PEORIA	IL	N		C1	1,243,000
	WENONA	IL	N	GC	C1	1,394,000
ROANOKE MILLING CO INC	ROANOKE	IL	Y		C2	92,000
ROBERTS GRAIN CO INC	ROBERTS	IL	Y	GD	C1	876,000
ROCK RIVER LUMBER & GR CO	PROPHETSTOWN	IL	Y	GD	C1	0
	GALT	IL	N	GC	C1	854,000
	HOOPPOLE	IL	N	GC	C1	377,000
	PROPHETSTOWN	IL	N	GC	C1	22,000
	PROPHETSTOWN	IL	N	GC	C1	1,185,000
	TAMPICO	IL	N	GC	C1	1,499,000
ROLLIES GRAIN INC	PAXTON	IL	Y	GD		0
ROQUETTE AMERICA INC	KEOKUK	IA	Y	GD		0
	BLANDINSVILLE	IL	N	GC	C1	250,000
	BLANDINSVILLE	IL	N	GC	C1	1,280,000
	ELVASTON	IL	N	GC	FD	169,000
	LAHARPE	IL	N	GC	C1	760,000
ROTH GRAIN CO INC	MORTON	IL	Y	GD	C1	118,000
	MORTON	IL	N	GC	C1	446,000
ROVEY BROTHERS, INC	FARMERSVILLE	IL	Y	GD		0
RT 16 GRAIN COOPERATIVE	NOKOMIS	IL	Y	GD	C1	665,000
	BAYLE CITY	IL	N	GC	C1	136,000
	FILLMORE	IL	N	GC	C1	595,000
	OHLMAN	IL	N	GC	C1	291,000
	ROSAMOND	IL	N	GC	C1	949,000
	WITT	IL	N	GC	C1	1,016,000
RUFF BROTHERS GRAIN COMPANY	MINONK	IL	Y	GD	C1	2,139,000
	LONG POINT	IL	N	GC	C1	2,383,000
	MINONK	IL	N	GC	C1	1,741,000
	RUTLAND	IL	N	GC	C1	2,068,000
RUMBOLD AND KUHN INC	PRINCEVILLE	IL	Y	GD	C1	1,219,000
	PRINCEVILLE	IL	N	GC	C1	2,934,000
	PUTNAM	IL	N	GC	C1	1,775,000
	SPEER	IL	N	GC		1,472,000
	WYOMING	IL	N	GC	C1	5,028,000
RUSSELL GRAIN, INC	INDUSTRY	IL	Y	GD	C1	0
	ADAIR	IL	N	GC	C1	671,000
SANDWICH GRAIN & FEED CO INC	SANDWICH	IL	Y	GD		30,000
SCHROCK, OMER	ARTHUR	IL	Y		C2	28,000
SCHULTE, W & S TR SERV	TRENTON	IL	Y	GD		76,000
SCHULTZ FARMS & GRAIN, INC	MARENGO	IL	Y	GD	C1	1,228,000

Licensee Name	City	State	Headquarter	License Type		Bushel Capacity
				Dealer	Warehouse	
SEATONVILLE ELEVATOR CO	SEATONVILLE	IL	Y	GD	C1	1,044,000
SHARED VENTURES, INC	MATTOON	IL	Y	GC	C1	994,000
	EDINA	MN	N	GD		0
SHIPMAN ELEVATOR COMPANY	SHIPMAN	IL	Y	GD		0
	MEDORA	IL	N	GC	C1	470,000
	SHIPMAN	IL	N	GC	C1	718,000
SIDELL AGRI-SERVICES, INC	SIDELL	IL	Y	GD	C1	1,006,000
SIEMER MILLING COMPANY	TEUTOPOLIS	IL	Y	GD	C1	2,227,000
	MONTROSE	IL	N	GC	C1	731,000
SIGEL FEED & GRAIN INC	SIGEL	IL	Y	GD	C1	277,000
SISTER CREEK FARM INC	LEWISTOWN	IL	Y	GD		151,000
SMITH, BRADFORD & JUDITH	OSWEGO	IL	Y	GD	C1	48,000
SONNEBORN, WILLIAM P	HETTICK	IL	Y	GD	C1	245,000
SORRELLS FARM SUPPLY INC	RAYMOND	IL	Y	GD	C1	1,159,000
	ATWATER	IL	N	GC	C1	533,000
SOUTH CENTRAL FS INC	VANDALIA	IL	Y	GD	C1	0
	GREENVILLE	IL	N	GC	C1	262,000
	KEYESPORT	IL	N	GC	C1	127,000
	MULBERRY GROVE	IL	N	GC	C1	258,000
	SMITHBORO	IL	N	GC	C1	192,000
	VANDALIA	IL	N	GC	C1	212,000
SPANGLER, BRUCE	MARIETTA	IL	Y	GD		58,000
SPECIALTY GRAINS INC	GIBSON CITY	IL	Y	GD		25,000
SPOON RIVER FS INC	KNOXVILLE	IL	Y	GD	C1	0
	FIATT	IL	N	GC	C1	521,000
	KNOXVILLE	IL	N	GC	C1	790,000
	LONDON MILLS	IL	N	GC	C1	1,451,000
	MAQUON	IL	N	GC		1,541,000
ST CLAIR SERVICE COMPANY	BELLEVILLE	IL	Y	GD	C1	0
	BELLEVILLE	IL	N	GC	C1	264,000
	MASCOUTAH	IL	N	GC		0
	NEW ATHENS	IL	N	GC	C1	268,000
	SUMMERFIELD	IL	N	GC	C1	182,000
STADE GRAIN CO	MARENGO	IL	Y	GD	C1	3,062,000
	MCHENRY	IL	N	GC	C1	826,000
STALEY GRAIN, INC	DECATUR	IL	Y	GD	C1	4,773,000
	COWDEN	IL	N	GC	C1	2,286,000
	FINDLAY	IL	N	GC	C1	894,000
	HEYWORTH	IL	N	GC	C1	2,926,000
	LEROY	IL	N	GC	C1	2,163,000
	MATTOON	IL	N	GC	C1	1,211,000
	MATTOON	IL	N	GC	C1	2,319,000
	WAPELLA	IL	N	GC	C1	818,000
STANFORD GRAIN COMPANY	STANFORD	IL	Y	GD	C1	2,159,000
STEPHENSON SERVICE COMPANY	FREEPORT	IL	Y	GD		0
	LENA	IL	N	GC		0
STEWART GRAIN COMPANY	WILLIAMSPORT	IN	Y	GD		0
	ALVIN	IL	N	GC	C1	366,000
	BISMARCK	IL	N	GC	C1	699,000
STOCKLAND GRAIN CO INC	STOCKLAND	IL	Y	GD	C1	1,430,000

Licensee Name	City	State	Headquarter	License Type		Bushel Capacity
				Dealer	Warehouse	
	MILFORD	IL	N	GC	C1	1,133,000
	MILFORD	IL	N	GC	C1	443,000
	WELLINGTON	IL	N	GC	C1	441,000
STONINGTON CO-OP GR CO	STONINGTON	IL	Y	GD	C1	4,599,000
	BLUE MOUND	IL	N	GC	C1	1,450,000
	SHARPSBURG	IL	N	GC	C1	1,000,000
STONINGTON FERTILIZER INC	STONINGTON	IL	Y	GD	C1	2,464,000
	TAYLORVILLE	IL	N	GC	C1	283,000
STRASBURG ELEVATOR, INC	STRASBURG	IL	Y	GD	C1	417,000
STRINGER'S GRAIN COMPANY	ASSUMPTION	IL	Y	GD		2,000
STRONGHURST GR & MERCH CO	STRONGHURST	IL	Y	GD	C1	1,969,000
	LOMAX	IL	N	GC	C1	335,000
	STRONGHURST	IL	N		C1	0
STUTZMAN, JOHN	ARTHUR	IL	Y		C2	42,000
SUBLETTE FARMERS ELEV CO	SUBLETTE	IL	Y	GD	C1	2,515,000
SUMNER GRAIN INC	SUMNER	IL	Y	GD	C1	292,000
SUNRISE AG SERVICE COMPANY	VIRGINIA	IL	Y	GD	C1	1,330,000
	ARENZVILLE	IL	N	GC	C1	572,000
	BLUFF SPRINGS	IL	N	GC	C1	793,000
	CHANDLERVILLE	IL	N	GC	C1	630,000
SWANSON GRAIN SERVICE INC	GILBERTS	IL	Y	GD		197,000
TALOMA FARMERS GRAIN CO	DELAVAN	IL	Y	GD	C1	1,042,000
	DELAVAN	IL	N	GC	C1	2,928,000
	NEW HOLLAND	IL	N	GC	C1	1,499,000
	SAN JOSE	IL	N	GC	C1	2,405,000
TAZCO SOIL SERVICE INC	GOODFIELD	IL	Y		C2	4,000
TETTENS GRAIN INC	STERLING	IL	Y	GD	C1	428,000
THE GRAIN EXCHANGE, LLC	CARLYLE	IL	Y	GD	C1	452,000
	BARTELSON	IL	N	GC	C1	164,000
	GERMANTOWN	IL	N	GC	C1	211,000
	SANDOVAL	IL	N	GC	C1	292,000
THOMPSON GRAIN COMPANY	GALESBURG	IL	Y	GD	C1	1,382,000
THOREN, GREG & JANIS	STOCKTON	IL	Y		C2	157,000
TOMEN GRAIN COMPANY	PEKIN	IL	Y	GD		0
	PEKIN	IL	N	GC	C1	156,000
	PEKIN	IL	N	GC	C1	576,000
TOPFLIGHT GRAIN COOP, INC	BEMENT	IL	Y	GD	C1	2,426,000
	ATWOOD	IL	N	GC	C1	1,184,000
	BEMENT	IL	N	GC	C1	187,000
	BEMENT	IL	N	GC	C1	326,000
	CISCO	IL	N	GC	C1	2,129,000
	EMERY	IL	N	GC	C1	1,300,000
	HAMMOND	IL	N	GC	C1	191,000
	HAMMOND	IL	N	GC	C1	294,000
	HAMMOND	IL	N	GC	C1	1,131,000
	LAKE CITY	IL	N	GC	C1	86,000
	LAKE CITY	IL	N	GC	C1	103,000
	LAPLACE	IL	N	GC	C1	2,794,000
	MILMINE	IL	N	GC	C1	3,387,000
	MONTICELLO	IL	N	GC	C1	1,644,000

Licensee Name	City	State	Headquarter	License Type		Bushel Capacity
				Dealer	Warehouse	
	MONTICELLO	IL	N	GC	C1	662,000
	SEYMOUR	IL	N	GC	C1	970,000
TOTMAN & SON, INC	CLARE	IL	Y	GD	C1	67,000
TOWANDA GRAIN CO COOP	TOWANDA	IL	Y	GD	C1	3,157,000
	NORMAL	IL	N	GC	C1	390,000
TRAINOR GRAIN & SUPPLY CO	FORREST	IL	Y	GD	C1	2,003,000
	DWIGHT	IL	N	GC	C1	1,886,000
	EMINGTON	IL	N	GC	C1	636,000
	FORREST	IL	N	GC	C1	195,000
	PONTIAC	IL	N	GC	C1	1,120,000
	SAUNEMIN	IL	N	GC	C1	669,000
	STRAWN	IL	N	GC	C1	907,000
TREMONT CO-OP GRAIN COMPANY	TREMONT	IL	Y	GD	C1	437,000
	PEKIN	IL	N	GC	C1	1,769,000
	TREMONT	IL	N	GC	C1	3,704,000
TRENTON COOP EQUITY EX	TRENTON	IL	Y	GD	C1	860,000
	PIERRON	IL	N	GC	C1	431,000
TRI CENTRAL COOP	ASHKUM	IL	Y	GD	C1	2,316,000
TRI-COUNTY FEED MILL INC	AVISTON	IL	Y	GD	C2	144,000
	ARTHUR	IL	N	GC		0
TRIUMPH COOPERATIVE COMPANY	TRIUMPH	IL	Y	GD	C1	1,215,000
TRUMP BROTHERS GRAIN, INC	DECATUR	IL	Y	GD	C1	532,000
TUTTLE GRAIN INC	HUTSONVILLE	IL	Y	GD	C1	827,000
TWO RIVERS FS, INC	RUSHVILLE	IL	Y	GD	C1	0
	ASTORIA	IL	N	GC		0
	CAMDEN	IL	N	GC	C1	1,200,000
	IPAVA	IL	N	GC		0
	MT STERLING	IL	N	GC	C1	907,000
	RUSHVILLE	IL	N	GC	C1	2,017,000
TWOMEY COMPANY	SMITHSHIRE	IL	Y	GD	C1	1,174,000
	ALEXIS	IL	N	GC	C1	15,000
	GLADSTONE	IL	N	GC	C1	1,589,000
	GLADSTONE	IL	N	GC	C1	32,832,000
	MEDIA	IL	N	GC	C1	3,711,000
	MONMOUTH	IL	N	GC	C1	3,517,000
	MONMOUTH	IL	N		C1	0
	MONMOUTH	IL	N	GC	C1	3,623,000
UNION HILL FRM COOP ELEV CO	UNION HILL	IL	Y	GD	C1	1,007,000
UNITED FEEDS, INC	PITTSFIELD	IL	Y	GD	C1	1,688,000
	COLLISON	IL	N	GC	C1	1,698,000
	GRIDLEY	IL	N	GC	C1	2,624,000
	GRIGGSVILLE	IL	N	GC	C1	6,363,000
	NEW CANTON	IL	N	GC	C1	113,000
	ROYAL	IL	N	GC	C1	3,491,000
URSA FARMERS COOPERATIVE CO	URSA	IL	Y	GD	C1	128,000
	BOWEN	IL	N	GC	C1	396,000
	CAMP POINT	IL	N	GC	C1	275,000
	LORAINE	IL	N	GC	C1	110,000
	WARSAW	IL	N	GC	C1	4,466,000
	WARSAW	IL	N	GC	C1	1,509,000

Licensee Name	City	State	Headquarter	License Type		Bushel Capacity
				Dealer	Warehouse	
UTICA ELEVATOR COMPANY	UTICA	IL	Y	GD	C1	1,523,000
	OTTAWA	IL	N	GC		0
	TONICA	IL	N	GC	C1	1,003,000
VIEROW, HERBERT	ELGIN	IL	Y	GD	C1	404,000
VOGEL, MARTIN	CARLYLE	IL	Y	GD	C2	267,000
VOSS, STANLEY	RED BUD	IL	Y		C2	42,000
WAKEFIELD MILL & ELEV INC	NEWTON	IL	Y	GD	C1	607,000
WALSH GRAIN ELEVATOR INC	FARMER CITY	IL	Y	GD	FD	1,624,000
WALSHVILLE ELEVATOR INC	WALSHVILLE	IL	Y	GD	C2	148,000
WALTON ELEVATOR COMPANY	DIXON	IL	Y	GD	FD	2,049,000
WARREN GRAIN INC	WINDSOR	IL	Y	GD		58,000
WATSEKA FARMERS GR CO CO-OP	WATSEKA	IL	Y	GD	C1	1,760,000
	SHELDON	IL	N	GC	C1	726,000
	WATSEKA	IL	N	GC	C1	966,000
	WOODLAND	IL	N	GC	C1	324,000
WELDON COOPERATIVE GRAIN CO	WELDON	IL	Y	GD	C1	1,339,000
	LANE	IL	N	GC	C1	1,362,000
WEST BROOKLYN FRMRS COOP CO	WEST BROOKLYN	IL	Y	GD	C1	492,000
	WEST BROOKLYN	IL	N	GC	C1	107,000
WEST CENTRAL FS, INC	MACOMB	IL	Y	GD	C1	0
	BUSHNELL	IL	N	GC	C1	286,000
WESTERN ILLINOIS FEED LLC	PLEASANT HILL	IL	Y	GD	C1	152,000
WESTERN ILLINOIS GRAIN CO	MACOMB	IL	Y	GD	C1	1,008,000
	BUSHNELL	IL	N	GC	C1	351,000
	COLCHESTER	IL	N	GC	C1	211,000
	COLMAR	IL	N	GC	C1	724,000
	FAIRVIEW	IL	N	GC	C1	1,212,000
	INDUSTRY	IL	N	GC	C1	160,000
	LEWISTOWN	IL	N	GC	C1	327,000
	MACOMB	IL	N	GC	C1	521,000
	MARIETTA	IL	N	GC	C1	380,000
	NORRIS	IL	N	GC	C1	121,000
	PLYMOUTH	IL	N	GC	C1	348,000
	PRAIRIE CITY	IL	N	GC	C1	66,000
	ROSEVILLE	IL	N	GC	C1	669,000
	WESTFIELD GRAIN & FERT INC	WESTFIELD	IL	Y	GD	C1
WHEELER GRAIN CO	LONG POINT	IL	Y	GD	C1	1,319,000
	DANA	IL	N	GC	C1	695,000
WIECHERT SEED COMPANY, INC	NEW BADEN	IL	Y	IN	C2	143,000
WILLIAMSVILLE FARMERS	WILLIAMSVILLE	IL	Y	GD	C1	1,343,000
	WILLIAMSVILLE	IL	N		C1	410,000
WILLOW HILL GRAIN INC	WILLOW HILL	IL	Y	GD	C1	3,475,000
	HIDALGO	IL	N	GC	C1	894,000
	INGRAHAM	IL	N	GC	C1	901,000
	NEWTON	IL	N	GC	C1	1,147,000
	NEWTON	IL	N	GC	C1	2,719,000
WILSON GR & FERTILIZER INC	WHEELER	IL	N	GC	C1	781,000
	PIASA	IL	Y	GD	C1	107,000
WOODHULL COOP GRAIN CO	WOODHULL	IL	Y	GD	C1	1,446,000
	ONEIDA	IL	N	GC	C1	1,371,000

Licensee Name	City	State	Headquarter	License Type		Bushel Capacity
				Dealer	Warehouse	
	ONEIDA	IL	N	GC	C1	292,000
	WOODHULL	IL	N	GC	C1	950,000
	WOODHULL	IL	N	GC	C1	87,000
	WOODHULL	IL	N		C1	62,000
YAKEY, W.R. GRAIN CO	MODE	IL	Y	GD	C1	914,000
ZIMMERMAN BROS FD & GR INC	FORREST	IL	Y	GD	C1	557,000
Licensees: 423	Locations: 1,148			Total Capacity		1,198,302,000
				(in bushels)		

Key/Legend

GC = Grain Dealer Certificate	C1 = Class 1 Warehouse License	IN = Incidental Grain Dealer
GD = Grain Dealer License	C2 = Class 2 Warehouse License	FD = Federal Warehouse

Note: Zero capacity occurs when Dealers do not have storage abilities and when Warehouse licensees maintain the license at that location to accommodate the issuance of warehouse receipts.

Source: OAG analysis of Department of Agriculture data.

APPENDIX D

**CHANGES TO THE GRAIN CODE ENACTED BY
PUBLIC ACT 93-225**



APPENDIX D**CHANGES TO THE GRAIN CODE ENACTED BY
PUBLIC ACT 93-225**

Public Act 93-225, effective July 21, 2003 made many changes to the Grain Code. The following sections summarize the changes made to the Code.

Licensing

The new law added additional provisions for the Department to obtain criminal histories of management and principal officers of the applicant or licensee (240 ILCS 40/5-25 (a)(1)). As is discussed in Chapter Two of this report, the Code has always contained requirements that a licensee could not have been convicted of a violation of the Code within 3 years of application. This was increased to within 10 years of application for a license.

The new law increases the amount of adjusted equity required for a licensee after 2004 from \$50,000 to \$100,000 over the next five years (\$10,000 increases each year) (240 ILCS 40/5-25 (b)(3)).

The Department may also require that certain records located outside the State of Illinois be brought to the State for review (240 ILCS 40/5-25 (a)(4)).

Record Keeping

It is now required that all grain trades, grain merchandising transactions, grain origination plans and programs, and transactions or arrangements that represent or reflect rights and obligations in grain must be clearly identified and disclosed in the books and records of the licensee, for audit and examination purposes (240 ILCS 40/10-5 (c)).

When a producer with a price later contract selects a price for all or any part of the grain represented by the contract, within 5 business days after that price selection, the licensee shall mail to that producer a confirmation of the price selection (240 ILCS 40/10-15 (k)).

Examinations

Exams are now required to cover all aspects of the grain operations of the licensee including but not necessarily limited to options trades and programs and farmer marketing programs. The Act also creates three types of exams: Basic; Intermediate; and Advanced (240 ILCS 40/1-15).

The *Basic Examination* is to be performed when the licensee's merchandising and trade practices involve minimal market risk, which might include those situations in which the licensee uses cash back-to-back contracts, traditional hedges with the Chicago Board of Trade, and price later contracts. The specific components and guidelines of the basic examination are to be as provided by rule, but shall at a minimum include verification of grain quality and quantity,

reconciliation of records with grain transactions, computation of current ratios, and checking of posting procedures for accuracy.

The ***Intermediate Examination*** shall be performed when the licensee's merchandising and trade practices involve an increased amount of risk, which might include those situations in which the licensee uses guaranteed minimum price contracts, purchases options, or writes options. This examination shall include all those things performed as part of the basic examination. In addition, the specific components and guidelines of the intermediate examination are to be as provided by rule, but shall at a minimum include verification of grain quality and quantity, reconciliation of records with grain transactions, and checking of posting procedures for accuracy.

The ***Advanced Examination*** shall be performed when the licensee's merchandising and grain trading practices involve the most risk, which might include those situations in which the licensee has discretionary trading authority from producers, uses premium offer type contracts, or has contracts with producers that cover multiple crop years. This examination shall include all those things performed as part of the basic examination and the intermediate examination. In addition, the specific components and guidelines of the advanced examination are to be provided by rule, but shall at a minimum include grain market risk evaluation and appropriate levels thereof for the licensee and adequacy of internal controls.

Using these guidelines, the Department shall determine the level of examination to be applied to each licensee. In addition, the Department may, in its sole discretion, engage the services of accounting experts, grain risk management experts, or both as part of any intermediate or advanced examination. The Regulatory Fund may be used as a source of payment for the services of accounting experts, grain risk management experts, or both.

Penalties

The new law increases the penalties for repeated violations of open position, grain quantity deficiencies, and criminal offenses. The new law also lists specific instances in which the Director may suspend or revoke a license.

Violations of Open Position Limits (240 ILCS 40/15-15)

- For violations of more than 1,000 bushels but less than twice the maximum allowable open position:
 - If a licensee commits two violations within a two-year period the penalty has been increased from \$500 to \$750.
 - If the licensee commits three or more violations within a five-year period the penalty has been increased from between \$1,000-\$10,000 to between \$2,000-\$20,000.
- For violations equal to or exceeding twice the maximum allowable open position:
 - If a licensee commits two violations within a two-year period the penalty has been increased from between \$500-\$10,000 to between \$750-\$15,000.

- If the licensee commits three or more violations within a five-year period the penalty has been increased from between \$1,000-\$10,000 to between \$2,000-\$20,000.

Grain Quantity Violations (240 ILCS 40/15-20)

- For grain quantity deficiencies of more than \$1,000 but less than \$20,000:
 - If a licensee commits two violations within a two-year period the penalty has been increased from \$500 to \$750.
 - If the licensee commits three or more violations within a five-year period the penalty has been increased from between \$1,000-\$10,000 to between \$2,000-\$20,000.
- For grain quantity deficiencies of \$20,000 or more:
 - If a licensee commits two violations within a two-year period the penalty has been increased from between \$500-\$10,000 to between \$750-\$15,000.
 - If the licensee commits three or more violations within a five-year period the penalty has been increased from between \$1,000-\$10,000 to between \$2,000-\$20,000.

Criminal Offenses (240 ILCS 40/15-45)

The new law increases the felony class from a class 3 felony to a class 2 felony for:

- Issuing warehouse receipts for grain not under the licensee's control;
- False representations in a warehouse receipt;
- Disposing of grain represented by outstanding warehouse receipts or covered by unreceipted storage obligations;
- Withholding records from the Department;
- Keeping, creating or filing false, misleading, or inaccurate records with the Department;
- Altering records without permission of the Department;
- Presenting the Department with any materially false or misleading records;
- Refusing to surrender books, accounts, and records after suspension or revocation of license.

The new law increased the felony class for issuing a collateral warehouse receipt covering grain purchased by a price later contract to the extent the purchase price has not been paid by the grain dealer from a class 4 felony to a class 3 felony (240 ILCS 40/15-45). It also increased the length of time that a person found guilty of a criminal violation must wait before applying for a license again from 3 years to 10 years (240 ILCS 40/5-25 (5)).

Claims

Under the purpose section a statement has been added and it states that

“this Code shall be liberally construed and liberally administered in favor of claimants” (240 ILCS 40/1-5).

Timelines

The new law states that it is the intent of the Act that time periods and deadlines are absolute (240 ILCS 40/25-5 (j)).

The new law requires that Department notify the claimant of the claim determination within 120 days after the failure (240 ILCS 40/25-5 (f)).

Within 30 days of the failure of a licensee, the Director must appoint an Administrative Law Judge for hearings who has no conflict of interest and who does not work for the Department (240 ILCS 40/25-5 (h)).

Payment

The new Act also makes provisions for partial payment if there is a dispute (240 ILCS 40/25-10).

New changes clarify that when the “later date” criteria is used it means the date closest to the date of failure. It also clarifies that the “date of delivery” means the date of the last delivery of grain to be applied to the quantity requirement of the contract (240 ILCS 40/25-10(d)).

It also increases the days of coverage to 365 days and raises the maximum coverage for price later contracts to \$250,000. It also makes provisions for payment if the producer has arranged for delayed payment from the licensee (240 ILCS 40/25-10 (e)).

The new Act also adds clarification for the following.

- The number of newspapers (3) in which the notice of failure must be printed
- Stipulates that a claim must be signed by a person who has the legal authority to file a claim on behalf of the claimant (240 ILCS 40/25-5 (a) & (c)).

New Funds Created

The new Act also contains provisions for two new funds: a Regulatory Fund and a Reserve Fund.

Regulatory Fund (240 ILCS 40/35-5)

The new Act creates a Regulatory Fund in the State Treasury to receive license, certificate, and extension fees. Any liquidation expenses incurred by the Department must be reimbursed out of the liquidation’s net assets to the extent available and deposited into the Regulatory Fund. Any interest accrued on money in the Regulatory Fund is to be deposited into this fund.

Funds may be expended if they are voucher ordered by the Director for the following:

- Implementation and monitoring of Department programs solely under the Grain Code, including an electronic warehouse receipt program;
- Employment or engagement of CPAs to assist in oversight and regulation of licensees in the course of an intermediate or advanced examination; and
- Training and education of examiners and other Department employees in reference to Department programs established to implement the Department's duties under the Grain Code.

Reserve Fund (240 ILCS 40/30-25)

The new Act creates a Reserve Fund to remit \$2 million of the \$4 million owed to the General Revenue Fund. This \$2 million must be used if GIF assets are insufficient to meet claimant payments. The IGIC also has the authority to transfer funds from the Reserve Fund to the Grain Indemnity Trust Account. Any income such as interest accrued is to be transferred to the GIF each quarter.

Increased Fees

The new Act increases fees and deposits portions into the General Revenue Fund and the Regulatory Fund. Prior to the new Act, the Grain Code did not define where license fees were deposited but according to Department officials, they were deposited into the General Revenue Fund. The following table lists the new fees, amounts deposited into each fund, and differences between the new and old required amounts.

FEES AND FUNDS SCHEDULE					
As of July 21, 2003					
				Where New Fee is Deposited	
	Fee	Old Fee	New Fee	GRF	Regulatory Fund
New Licenses	Class I Warehouse/ Grain Dealer	\$100	\$200	\$100	\$100
	Class II Warehouse/ Incidental Grain Dealer	\$100	\$150	\$100	\$50
	Storage Capacity Amendment	\$50	\$100	\$50	\$50
Renewals	Class I Warehouse/ Grain Dealer	\$100	\$200	\$100	\$100
	Class II Warehouse/ Incidental Grain Dealer	\$100	\$150	\$100	\$50
	Renewal Extension	\$50	\$100	\$50	\$50
Note: Under the previous law, all fees were deposited into GRF (General Revenue Fund). Source: Public Act 93-225 (240 ILCS 40/5-10 through 5-20).					

Liquidation Expenses

The new law now allows the Department as Trustee to transfer funds from the Grain Indemnity Trust Account to the newly created Regulatory Fund to cover the Department's costs associated with liquidation expenses to the extent that funds are available (240 ILCS 40/20-20).

Grain Insurance Fund Assessments

Assessment Changes (Grain Dealers and Warehouses) (240 ILCS 40/5-30)

According to the new Act, newly licensed grain dealers and warehouses continue to pay an assessment each year for the first three years and assessment rates remain unchanged. However, the required minimum assessment amount for the first year decreased from \$1,000 to \$500 and the maximum increased from \$10,000 to \$15,000. For the second and third years, the assessment remains unchanged but the required minimum assessment amount decreased from \$500 to \$250 and the maximum increased from \$5,000 to \$7,500.

In addition, the minimum fund balance trigger for levying a subsequent assessment on grain dealers and warehouses increased from \$3 million to \$6 million and the September 1 date was deleted so subsequent assessments may now be paid on a quarterly basis. The rates, however, remain unchanged. The required minimum assessment amount decreased from \$500 to \$250 and the maximum increased from \$5,000 to \$7,500. It also requires incidental grain dealers to now pay a subsequent assessment of \$100.

Grain Seller Assessments (Producers) (240 ILCS 40/5-30 (f))

The new Act creates a new assessment for the first sale of grain to a grain dealer at an Illinois location with an initial assessment period and then a regular assessment period based on the GIF balance. The grain seller's initial assessment period is from the effective date of the Act until the GIF balance is at least \$6 million. The assessment rate is \$0.0004 of the net market value of the grain or \$4 for every \$10,000 of grain sold. After the GIF reaches \$6 million, the assessment is no longer needed. However, if the GIF balance drops below \$2 million on the first working day of a calendar quarter, the assessment would again be levied.

Lender Assessments (Banks) (240 ILCS 40/5-30 (g))

The new Act also creates a new assessment for lenders holding warehouse receipts from an Illinois location on grain owned or stored by a licensee to secure a loan to that licensee. When the GIF balance is less than \$6 million, these quarterly assessments are initially at a rate of \$0.00000055 per bushel per day for bushels covered by a warehouse receipt held as security for the loan during that calendar quarter. The initial assessment is about \$1 for every 20,000 bushels of grain held on a warehouse receipt each quarter. For the second assessment period, the assessment multiplier is determined by dividing 250,000 by the aggregate dollar amount of lender assessments imposed under the first assessment. For the third assessment period, the assessment multiplier is determined by dividing 250,000 by the average aggregate dollar amount of lender assessments imposed under the first two assessments. After the third assessment

period, the assessment multiplier is determined by dividing 250,000 by the three most recent years' aggregate dollar amount of lender assessments.

GRAIN INSURANCE CORPORATION

Public Act 93-225 also increases the powers and duties of the Grain Insurance Corporation and establishes a committee of advisors to provide technical assistance and advice and make recommendation to the Board (240 ILCS 40/30-5). The Grain Insurance Corporation can now:

- Make payment from the new Reserve Fund.
- Authorize, receive and disburse funds by electronic means.
- Inquire and investigate the failure of any licensee to determine the adequacy and accuracy of the Department examinations and other regulatory measures with regard to the failed licensee and analyze whether the handling of the liquidation and payment process by the Department was done in a manner that served the interest of those persons whose interest the Grain Code was designed to protect (producers).

The new advisory committee includes designees of the Illinois Farm Bureau, Illinois Farmers Union, Illinois Corn Growers Association, Illinois Soybean Association, Grain and Feed Association, the Illinois Bankers Association, and the Community Bankers of Illinois.

APPENDIX E

AGENCY RESPONSES

Note: This Appendix contains the complete written responses of the Illinois Department of Agriculture. Following the Agency Responses is an Auditor Comment. The number “1” for the comment appears in the margin of the Agency Response.



Rod R. Blagojevich, Governor • Chuck Hartke, Director

Division of Agriculture Industry Regulation

State Fairgrounds • P.O. Box 19281 • Springfield, IL 62794-9281 • 217/524-2477 • TDD 217/524-6858 • Fax 217/524-7801

December 1, 2003

Mr. Michael S. Paoni
Audit Manager
Office of the Auditor General
Hes Park Plaza, 740 East Ash
Springfield, IL 62703-3154

RE: Management Audit of the Illinois Department of Agriculture and the Grain Insurance Corporation

Dear Mike:

Please find enclosed the Department of Agriculture's responses to the recommendations of the management audit which has recently been completed.

If you have any questions or require additional information, please advise.

Very truly yours,

ILLINOIS DEPARTMENT OF AGRICULTURE
Division of Agriculture Industry Regulation

A handwritten signature in black ink, appearing to read "T. Jennings".

Thomas E. Jennings
Division Manager

TEJ:dlw

Enclosure

2003 DEC 3 10:00 AM
MAIL ROOM

Recommendation #1:

- The Department will assure that all license applications and related financial analyses are reviewed and approved by more than one employee of that Bureau and/or the Division of Agriculture Industry Regulation which oversees that Bureau.
- The Department of Agriculture is unable to conduct background checks of all licensed applicants including its officers, directors, partners, and managers simply due to the enormity of this recommendation. The Department roughly estimates that we would have to perform background checks on approximately 4,000 individuals to comply with this recommendation. We do not have the resources to devote to this process. However, the Department will perform background checks on managers of newly licensed entities pursuant to the newly enacted statutory authority provided for in the most recent amendment to the Grain Code.
- The Department will attempt to formalize and memorialize existing standard operating procedures, which identify persons whose licenses have been terminated, revoked, and have improperly manipulated books and records or undertaken other improper business practices that are subject to the criminal penalties in the Grain Code and other federal criminal penalties that may arise as part of the business dealings of persons who have been criminally prosecuted.

Recommendation #2:

- The Illinois Department of Agriculture will consider engaging the services of accounting experts and/or grain risk management experts when the occasion arises utilizing funds in the newly created regulatory control fund as provided in the most recent Grain Code changes. The Department has established time limits and guidelines for examinations based on a historical review of each licensee's examination findings and results and will reduce these to formal written procedures. The Department will formalize and memorialize existing guidelines for the performance of closeout examinations and the execution of successor agreements in the event of a succession from one licensee to another.
- The Department engages all licensees' boards of directors or principal officers in both entrance and exit conferences. The Department does provide copies of examinations to board members, directors, and owners of licensees upon attendance at exit conferences. The Department offers the entrance conference document as evidence that we attempt to actively engage all board of directors and principal officers in the examination review process during the exit conference. The Department will change the examination certification form to require signature of the manager and a member of the board of directors or principal officer of the licensed entity.

Recommendation #3:

- The Department will provide additional training to examiners in grain accounting, and we will attempt to identify available fraud detection training to examiners at the earliest possible convenience. The Department will formally track training and memorialize the types of training that we have provided to our examiners on an ongoing basis. The Department of Agriculture will identify conflicts of interest for examiners and track these on an annual basis during the normal performance evaluation process for each employee.

Recommendation #4:

- The Illinois Department of Agriculture will formalize existing guidelines and standard operating procedures in written form for taking and tracking corrective actions.

Recommendation #5:

- At the present time, the Department of Agriculture does not contemplate implementing a licensure test for grain merchandisers and managers due to lack of resources to devote to this process.

Recommendation #6:

- The Department will continue to merge various computer systems from the existing Paradox database to a centralized database to achieve better tracking of licensees, examinations, and corrective actions follow-ups.

Recommendation #7:

- The Department of Agriculture will develop and memorialize internal policies and procedures to ensure that timelines relating to claims are met, as has been the case for the twenty-year history of the Grain Insurance Program. The Department will develop internal policies and procedures to further define specific claims criteria such as what is considered a valid claim in the form of rules.

Recommendation #8:

- The Department of Agriculture believes that we have used the money in the Grain Indemnity Trust Account for its stated purpose as set forth in the Grain Code and will continue to do so. The Department will also continue to distribute net proceeds according to the guidelines delineated in the Grain Code and pursuant to direction from the Illinois Grain Insurance Corporation Board of Directors. **1**

Recommendation #9:

- The Department will evaluate the Grain Insurance Fund's capacity to pay claims on an annual basis under the direction of the Board of Directors of the Grain Insurance Corporation. The inability to project maximum foreseeable loss and maximum probable loss, given the dynamic nature of the licensees within this insurance pool, poses a tremendous challenge to meet the Auditor General's recommendation concerning this matter.

Recommendation #10:

- The Illinois Department of Agriculture has developed and formalized both a grain seller assessment and lender assessment implementation kit that have been mailed to all licensees as of October 3, 2003. Assessments are due to be collected beginning January 1, 2004 and submitted on a quarterly basis. The Department will utilize existing examiner staff to perform remittance verification audits during the routine course of examinations to ensure the correct amounts are assessed and collected for the new assessments.



**DIVISION OF AGRICULTURAL INDUSTRY REGULATION
BUREAU OF WAREHOUSES
P.O. BOX 19281
SPRINGFIELD, IL 62794-9281**

ENTRANCE CONFERENCE

Licensee Name: _____ Travel ID: _____
 Examiner Name: _____ Cut Off & Date _____

Entrance Conference:

- ___ A. Determine if there is any grain redeposited for storage or shipped and sold on PL Contracts. If there is, complete verification forms and fax a copy to the terminal or warehouse to confirm amounts before completion of exam.
- ___ B. Inquire as to whom you will be working with during the exam:
 - Outside _____
 - Grain Inventory _____
 (Ask about any safety concerns and if there is any treated grain you might encounter when measuring. Also ask what their policy is on completely emptying each storage unit (how frequently) note responses on examiner comments.)
 - Grain Merchandising _____
 - Financial Information _____
- ___ C. Inform the licensee of exam cut-off time and that all postings (accrued storage, drying, PL, service charges, etc) must be brought up to date and if applicable, they should back up their system prior to doing an EDI download.
- ___ D. Inform the licensee that Officers, Directors and Board members are encouraged to attend the exit conference at the conclusion of the exam.
- ___ E. Inform the warehouse/dealer personnel of your work hours (arrival & departure times) and encourage them to accommodate your work schedule.
- ___ F. Review and discuss the list of items needed for this examination.
- ___ G. Determine if there have been any changes in capacity or facilities since last exam. If facility has been deleted, be sure to have them sign over warehouse license and grain dealer certificate. Return these items with the exam.
- ___ H. Inquire if entity is first purchaser of soybeans.
 - ___ 1. If entity is a first purchaser of soybeans inform manager that you will be completing a SPARC audit.

**THE FOLLOWING ITEMS ARE NEEDED FOR THIS EXAMINATION AND ARE GENERALLY
LISTED IN ORDER AS NEEDED:**

Cut off Date: _____ Cut off Time: _____

- ___ 1. Copy of **all** margin account equity statements at cut off. (If any statement does not show a starting margin account balance then examiner(s) will need previous days cut off for that statement also.)
- ___ 2. Current bank account balance (including "sweep" account balance) for the date and time of exam cut-off.
- ___ 3. Petty cash on hand. (Include checks to be deposited that are posted to Acct. Receivable.)
\$ _____
- ___ 4. Please provide, (and download if an EDI exam.)
 - A. Grain payables (aged) both current and deferred.
 - B. Open storage (including last date of delivery and grain sheet number.)
 - C. Listing of purchase and sales contracts
 - D. Numerical listing of all Price Later, Basis (delivered & undelivered), MPC contracts.
 - E. All Price Later grain received that is not yet applied to contract (on scale tickets).
 - F. Grain Bank Listing.
 - G. Numerical listing of all Negotiable and Non Negotiable warehouse receipts.
 - H. Checks Written and deposits made from last reconciliation to the cut off. (Copy of check register and deposit slips are O.K.)
 - I. If on computer, trial balance as of cut off.
 - J. Balances in DPR and Long/Short as of cut-off.
- ___ 5. **All** notes payable. Please include with the information the following:
 - a. Lending institution(s) name(s)
 - b. Terms of repayment
 - c. Amount due within the next twelve (12) months. (Principle + interest accrued to cut off.)
 - d. All due dates. (need a print-out form bank(s) showing this information)
 - e. Loan numbers
- ___ 6. Need verification of loan dates and release dates for collateral receipts. (NEED A RECORD FROM THE BANK SHOWING THE ABOVE INFORMATION)
- ___ 7. Value of processed commodities - (i.e. feed, seed, fertilizer, general merchandise, etc.)
- ___ 8. Accounts receivable, other than grain. Examiner will need to know the balance under twelve (12) months and the balance over twelve (12) months. (NEED PRINT OUT OR MANUAL LISTING)
Under 12 months \$ _____ Over 12 months \$ _____
- ___ 9. Storage and drying charges receivable: (not posted to A/R list)
Storage \$ _____ Drying \$ _____

- ___ 10. Price Later and Basis contract charges receivable: (not posted to A/R list)
 Wheat \$ _____ Corn \$ _____ Soybeans \$ _____
 _____ \$ _____ _____ \$ _____ _____ \$ _____
- ___ 11. Pre-paid storage and the balance not used.
 Pre-paid storage \$ _____ Unused balance \$ _____
- ___ 12. Provide a copy of last audit for reference. Update notes receivable. (Include all notes due within 12 months of cut-off date and identify any notes due from owners, partners, or shareholders.)
 \$ _____
- ___ 13. Short term investments. (CD's, savings account(s), etc.)
- ___ 14. Advances paid to producers (if not shown on contracts, need a list by producer with contract reference number.)
- ___ 15. Contracts on PL shipped grain.
- ___ 16. Total of any advances received from terminals on Price Later grain shipped \$ _____
- ___ 17. All information, including settlement sheets, and any redeposited grain.
- ___ 18. Terminal bid for grain at cut off: (Also need copy of cut off bid sheet.)
 Wheat \$ _____ Corn \$ _____ Oats \$ _____ Soybeans \$ _____ Other \$ _____
- Transportation Cost:
 Wheat \$ _____ Corn \$ _____ Oats \$ _____ Soybeans \$ _____ Other \$ _____
- | | | | | |
|--|---------------|---------------|-------------------|----------------|
| Total Terminal Bid Price less Trucking | | | | |
| Wheat \$ _____ | Corn \$ _____ | Oats \$ _____ | Soybeans \$ _____ | Other \$ _____ |
- Bid price to producers at cut off
 Wheat \$ _____ Corn \$ _____ Oats \$ _____ Soybeans \$ _____ Other \$ _____
- Bid price to producers date of last insurance report
 Wheat \$ _____ Corn \$ _____ Oats \$ _____ Soybeans \$ _____ Other \$ _____
- ___ 19. Payables other than grain that are due as of cut-off. (Trucking, utilities, merchandise, etc.) (NEED PRINT-OUT OR LIST)
- ___ 20. Grain Receivables by commodity. (Grain that has been shipped prior to cut off and payment not received.) List should include name of terminal, commodity, dollar amount, bushel amount and date shipped.
- ___ 21. Prepaid receivables. (Example producer has paid for fertilizer not yet picked up or applied.) List

should include customer name and amount of receivable.

- ___ 22. Prepaid payables. (Example.... elevator has paid for chemicals not yet picked up.) List should include vendor name and amount.
- ___ 23. Bank statements and reconciliations from the date of the last examination.
- ___ 24. Last insurance report and insurance policies.
- ___ 25. Lease payments & receivables & copies of leases.
- ___ 26. Is there any storage to be added or deleted? Yes ___ No ___
- ___ 27. Copy of Daily Position Record & Long Short Record as of cut off.
- ___ 28. Accrued property taxes.

AUDITOR COMMENTS

1 To help pay valid claims associated with the Ty-Walk failure, in February 2002 the Grain Insurance Corporation approved the transfer of \$5 million from the Grain Insurance Fund to the Grain Indemnity Trust Account. Another \$4 million was transferred to the Grain Insurance Fund from the General Revenue Fund in March 2002 and subsequently transferred to the Grain Indemnity Trust Account. The Grain Code states that such transfers are to be used to pay the balance owed to claimants (240 ILCS 40/25-20 (b)).

The Grain Code requires that if any excess funds remain after all valid claims have been paid, such funds shall be first used to repay the Grain Insurance Fund for moneys transferred to the Trust Account and that the State shall be reimbursed as soon as funds become available for any amounts paid upon replenishment of the Grain Insurance Fund (240 ILCS 40/25-20 (d)(1) and (h)).

Further, at its December 2002 meeting, the Grain Insurance Corporation denied the Department of Agriculture's request to use Grain Insurance Fund monies to pay for the premium on the life insurance policy, stating that pertinent provisions in the Grain Code prohibit use of funds for any purpose other than compensating claimants or making refunds. The auditors believe that using Trust Account funds for any purpose other than compensating claimants or making refunds is similarly prohibited. If the Department continues to disagree, we suggest it seek a formal written opinion from the Attorney General's Office as to the appropriateness of its payment of a life insurance policy premium related to one failure from the proceeds of another failure.

