

## **CALIFORNIA RICE COMMISSION**

### **HANDLER AUDIT POLICY**

Pursuant to California Food and Agricultural Code § 71071, the Commission has adopted the following procedures for auditing persons who handle rice in any quantity.

1. Food and Agricultural Code § 71123 provides that every person who handles rice in any quantity (hereinafter “persons subject to 71123”) shall keep a complete and accurate record of all transactions involving the purchase or sale of rice. The records shall be retained by each person subject to 71123 for three years and shall be offered and submitted at any reasonable time upon written demand of the Commission or its duly authorized agent.

2. Persons subject to 71123, that are not delinquent in the filing of required reports or the payment of assessments shall be audited every three years according to the following procedure. Except as otherwise specified in this Policy, at the end of each marketing year, the Commission shall select one-third of the persons subject to 71123 for audit. The determination of which persons subject to 71123 are to be audited shall be based on the Commission’s current list of persons subject to 71123.

3. Persons subject to 71123 that are out of compliance with Commission law or delinquent in the filing of required reports or the payment of assessments shall be audited each year for a period of two years. Persons subject to 71123 that remain in compliance during the two-year period shall be placed in the three-year rotation as specified in paragraph 2. Persons subject to 71123 that are still out of compliance or delinquent in the filing of reports or payment of assessments at the end of the two-year period remain subject to the provisions of this paragraph.

4. Persons subject to 71123 who have just come to the attention of the Commission shall be audited upon completion of the first marketing season. Following the first audit, persons subject to this paragraph 4 that are in compliance with Commission law and not delinquent in the filing of required reports or payment of assessments shall be placed in the three-year rotation as specified in paragraph 2.

5. The Commission shall provide written notice to each person subject to 71123 it intends to audit, and shall make reasonable efforts to schedule the audit on a date and time convenient for the person subject to 71123.

6. Any person subject to 71123 who fails to respond to a first and second written request by the independent accounting firm contracted to conduct the audit will be referred to the Commission's legal counsel. The auditor's written requests may be sent by regular first class mail, postage prepaid, or via facsimile to the mailing address or fax number on the Commission's most current records.

7. Matters referred to legal counsel will result in a Notice of Intent to Take Action letter being sent by legal counsel to the person refusing to respond to an audit request. The Notice will be sent via an overnight express mail service with tracking capability and the person will be given 15 days from the date the letter was sent in which to respond.

8. If a satisfactory response is not received from the person subject to 71123 during the 15-day notice period, a summons and complaint against the person subject to 71123 will be drafted and filed with the appropriate Superior Court.

9. A person subject to 71123 that is sued by the Commission has 30 days after service of the complaint in which to respond.

10. If the person subject to 71123 responds to the complaint, it will take approximately six to twelve months to reach trial. During that time, all reasonable efforts will be made to settle the litigation.

11. If the person subject to 71123 does not respond to the complaint, a request for entry of default will be filed with the court.

12. Upon a favorable judgment for the Commission, the Commission shall be entitled to recover its reasonable attorney's fees and other actual related costs.

13. Once a judgment is obtained by trial or default, enforcement efforts will begin.

14. Pursuant to Food and Agricultural Code § 71124 all proprietary information obtained by the Commission is confidential and shall not be disclosed except when required by court order after a hearing in a judicial proceeding.

15. Nothing in these procedures shall prohibit the Commission from auditing a person subject to 71123 more frequently than set forth in this Policy if the Commission, in its sole discretion, deems such action necessary.

16. Any handler claiming to be aggrieved by the actions of the Commission under these procedures may file a grievance pursuant to the Commission's Grievance Procedures.