



U.S. Department of Agriculture



Office of Inspector General  
Southeast Region

## **Audit Report**

### **Food Safety and Inspection Service – State Meat and Poultry Inspection Programs**

Report No. 24005-1-AT  
September 2006

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UNITED STATES DEPARTMENT OF AGRICULTURE

OFFICE OF INSPECTOR GENERAL

Washington, D.C. 20250



September 19, 2006

REPLY TO

ATTN OF: 24005-1-At

TO: Dr. Barbara J. Masters  
Administrator  
Food Safety and Inspection Service

ATTN: William C. Smith  
Assistant Administrator  
Office of Program Evaluation, Enforcement and Review

FROM: Robert W. Young /S/  
Assistant Inspector General  
for Audit

SUBJECT: Food Safety and Inspection Service -  
State Meat and Poultry Inspection Programs

This report presents the results of our audit of the Food Safety and Inspection Service - State Meat and Poultry Inspection Program. Your written response to the official draft report, dated August 22, 2006, is included as exhibit D with excerpts of the response and the Office of Inspector General (OIG) position incorporated into the Findings and Recommendations section of the report, where applicable.

We accept management decision for Recommendations 1, 2, 3, 4, 9, and 10. We can accept management decision on Recommendations 5, 6, 7, 8, 11, and 12 once we have been provided the information as outlined in the report sections, OIG Position.

In accordance with Departmental Regulation 1720-1, please furnish a reply within 60 days describing the corrective action taken or planned and the timeframe for implementing such action on those recommendations for which a management decision has not been reached. Please note that the regulation requires management decision to be reached on all recommendations within a maximum of 6 months from report issuance. Follow your internal agency procedures in forwarding final action correspondence to the Office of the Chief Financial Officer.

We appreciate your timely response and the cooperation and assistance provided to our

# **Executive Summary**

## **Food Safety and Inspection Service – State Meat and Poultry Inspection Programs (Audit No. 24005-1-AT)**

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### **Results in Brief**

As the agency of the U.S. Department of Agriculture charged with ensuring that the nation’s commercial supply of meat and poultry products is safe, wholesome, and accurately labeled and packaged, the Food Safety and Inspection Service (FSIS) inspects all meat and poultry products sold in interstate and foreign commerce. It also enters into cooperative agreements with States. These agreements set forth the terms and conditions by which FSIS will cooperate and assist States to ensure that meat and poultry products sold intrastate meet inspection standards “at least equal to” Federal laws and regulations.<sup>1</sup> In 2003, FSIS devised a new comprehensive review system for State Meat and Poultry Inspection (MPI) programs; shortly thereafter, the agency started the process of re-evaluating all 28 State MPI programs according to this new directive. The other 22 States chose not to implement a State MPI program—all establishments within these States are federally inspected. We initiated this review to evaluate FSIS’ internal controls and procedures over State MPI programs.

We found that FSIS’ initial progress in re-evaluating all State MPI programs was slow and that over a 21-month period (from October 2003 through June 2005), the agency had conducted only eight initial onsite reviews of State MPI programs. This occurred because the agency had not established a firm and realistic plan for completing the reviews in a timely manner with its available resources. We concluded that FSIS needs to complete this process, especially since FSIS deferred making a determination that four<sup>2</sup> of the eight State MPI programs initially reviewed were “at least equal to” Federal laws and regulations pending correction action submissions. The agency is working with these four States on corrective actions, but only by completing its onsite reviews can FSIS obtain assurance that all State MPI programs are “at least equal to” Federal laws and regulations. FSIS initiated reviews of 16 State MPI programs between July 2005 and April 2006. FSIS’ initial conclusion was that 7 of 12 of these programs were deferred pending corrective actions required by the State programs (conclusions on 4 reviews conducted in April 2006 are pending). According to FSIS officials, the agency plans to complete the final four reviews prior to the end of fiscal year (FY) 2006.

For those State MPI programs that have been reviewed, we found that although FSIS has a manual with detailed procedures and checklists for

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<sup>1</sup> Those Federal laws and regulations are set forth in the Federal Meat Inspection Act and in the Poultry Products Inspection Act, as well as the implementing regulations.

<sup>2</sup> Of the four reviews, FSIS initially found one State “does not support at least equal to,” one had “significant concerns,” and two were deferred while the States took corrective action.

conducting onsite reviews,<sup>3</sup> how the agency arrived at its decisions regarding the acceptability of State MPI programs are not clearly documented in FSIS' summary reports. In other words, while the manual establishes clear guidelines for identifying problems in State MPI programs, how those problems are weighed in the determination and documented in the summary report was less clear. This condition was caused by the agency's decision to eliminate specific decision-making criteria from its comprehensive review methodology. FSIS rendered comprehensive review determinations of "at least equal to" Federal laws and regulations to three States and a comprehensive review determination of "significant concerns with program" to one State even though sampled establishments in each State contained similar Hazard Analysis and Critical Control Points and Sanitation Standard Operating Procedure deficiencies. The summary reports that FSIS issues for these determinations do not clearly indicate how different deficiencies are weighed, and how they contribute to final determinations. Without being clearly expressed or detailing objective grounds for making final determinations, conclusions of "at least equal to" or "not at least equal to" Federal laws and regulations are incompletely documented and may be inappropriate.

FSIS' comprehensive reviews did not adequately analyze State staffing levels, determine whether one of the two States we visited had fully implemented systems to evaluate employee performance, and assess quality assurance of laboratories used by State MPI programs. Though FSIS routinely gathers data regarding State MPI programs' staff, it does not use this data to determine if staffing levels are appropriate for carrying out State inspection activities. As a result, some State programs may not have the workforce needed to perform essential functions or to provide assurance that their inspection program is "at least equal to" Federal laws and regulations. FSIS had not determined whether one of two States we visited had fully implemented a management system for evaluating employee performance. Finally, FSIS review manual requirements state that the laboratories used by State MPI programs to test meat and poultry products are expected to operate in a manner that produces accurate, reliable, and reproducible results. FSIS, however, did not include tests in its comprehensive review process to determine whether quality assurance procedures were in place at these laboratories. FSIS officials stated that these tests are outside of the scope of the Federal Meat Inspection Act and the Poultry Products Inspection Act. However, since pathogen reduction is an integral part of FSIS' own inspection program, we concluded that any State program can not be considered "at least equal to" Federal laws and regulations without taking this vital component into account.

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<sup>3</sup> *FSIS Manual for State Meat and Poultry Inspection Program Reviews*, July 2005.

In terms of FSIS' oversight of the fiscal accountability of State MPI programs, we found three conditions. First, periodic onsite fiscal reviews of each State MPI program should be performed once every 3 years; however, at least 4 years have elapsed since FSIS conducted onsite fiscal reviews of four States. Second, FSIS has not always followed its policy of reviewing new State MPI programs after their first year of operations. Despite the fact that this review benefits both the State and FSIS by providing early assurance that new programs are operating as intended, we found that two of four new programs had not been reviewed in a timely manner. Third, FSIS did not timely implement its yearend grant closeout procedures to ensure that State MPI programs promptly returned excess Federal funds. Because these closeouts were not performed timely, the Texas MPI program was able to retain excess funds it had not spent for 7 of the 8 FYs between 1997 and 2004. These funds, which for individual years ranged between \$52,000 and \$298,000, were retained by the State for periods of up to 43 months. To date, FSIS has not demanded repayment of \$260,201 still outstanding from FY 2004. By holding Federal funds longer than necessary, the State of Texas did not comply with the Cash Management Improvement Act (CMIA), exercised improper stewardship of Federal resources, and caused the U.S. Treasury unnecessary cumulative interest costs of approximately \$100,000.

We concluded that FSIS should take steps to strengthen its oversight of State MPI programs, including developing a plan to complete the remaining onsite reviews. The agency should also provide more detailed guidelines for determining if a State MPI program is "at least equal to" Federal laws and regulations, for reviewing staffing performance and laboratory quality assurance, and for improving its controls over State MPI programs to ensure costs claimed are allowable and properly accounted for.

## **Recommendations in Brief**

FSIS should complete the remaining initial onsite inspections, and thereafter maintain the triennial onsite comprehensive reviews of each State's MPI program. FSIS should establish clear and uniform criteria for (1) determining how identified deficiencies in meat processing establishments affect State acceptability determinations, (2) analyzing the staffing requirements of State MPI programs, (3) determining whether State MPI programs have fully implemented employee performance systems, and (4) confirming that laboratories adhere to standards at "least equal to" Federal requirements.

Also, FSIS should develop and implement a plan to eliminate the current backlog of onsite fiscal reviews, implement management controls to consistently and timely perform yearend grant closeouts of State MPI programs, and seek prompt recovery of \$260,201 in excess of program expenditures currently held by the Texas MPI program.

## **Agency Response**

In its August 22, 2006, written response to our draft report, FSIS addressed each recommendation with a positive response. However, FSIS also provided clarification and/or disagreements with some statements in the report. Regarding Finding 2, FSIS states the report implies that the number of deficiencies in a State's establishments is the primary determinant as to whether the State's inspection program is "at least equal to" the Federal program and that all Hazard Analysis and Critical Control Points (HACCP) and/or Sanitation Standard Operating Procedures (SSOP) deficiencies have the same risk for endangering public health. FSIS made additional comments expressing disagreement with some contents of our finding regarding staffing requirements of State MPI programs and employee performance systems. Finally, FSIS indicates the report incorrectly states that since 1997 FSIS has recovered excess funds from those allocated to Texas only when it conducts its onsite triennial fiscal review of the Texas MPI program. Our comments on these items are specifically addressed in the OIG Position section of this report. FSIS' entire response is included as exhibit D of this report.

## **OIG Position**

FSIS' response to the recommendations in our draft report was positive and we accept management decision for Recommendations 1, 2, 3, 4, 9, and 10. We can accept management decision for the remaining recommendations once FSIS completes actions noted in the OIG Position section of each recommendation in the report. We disagree with FSIS' specific comments to some of the findings in its written response to the draft report, as follows.

Regarding Finding 2, we reported that even though FSIS found similar deficiencies in States, its determinations were different. We agree that it was not the sheer number of deficiencies in a State's plants, but rather the underlying nature of HACCP and SSOP noncompliances. However, the review reports did not contain adequate documentation to identify the seriousness and impact of the deficiencies.

We disagree with FSIS' comments regarding staffing requirements of State MPI programs and employee performance systems for two reasons. First of all, the statement FSIS quoted had been removed from the draft report to which FSIS responded. FSIS' positive response to Recommendation 5 of the report to improve the review of State staffing indicates that corrective action was appropriate. Second, our report never states or even implies that State programs are required to have employee performance systems identical to those in the Federal program. FSIS indicated that Missouri uses another Federal tool to address employee performance through the use of their documentation on the In-Plant Performance System Reviews (IPPS) reviews that are conducted in each establishment every quarter. However, examples of completed IPPS forms that were provided to us disclosed that these reviews were strictly of the plant's performance, not the State inspector performance. This information was conveyed to FSIS management at a

meeting subsequent to our exit discussion and no further documents or details were provided since that time.

Although FSIS stated it had recovered excess funds from Texas during the yearend grant closeout process in FY 1999, we were not provided any support that excess funds were returned by Texas at that time. In April 2000, FSIS conducted their onsite triennial review for FYs 1997, 1998, and 1999, which showed that the costs claimed by Texas were proper. FSIS did not discover that Texas' cash drawdowns exceeded the Federal share of costs for all three fiscal years and request repayment of the excess funds until April 2001.

## ***Abbreviations Used in This Report***

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CCP	Critical Control Point
CMIA	Cash Management Improvement Act
FMD	Financial Management Division
FMIA	Federal Meat Inspection Act
FRAB	Financial Review and Accountability Branch
FSIS	Food Safety Inspection Service
FTBPTBU	Funds To Be Put To Better Use
FY	Fiscal Year
HACCP	Hazard Analysis and Critical Control Points
IPPS	In-Plant Performance System Reviews
MPI	Meat and Poultry Inspection
OIG	Office of Inspector General
PPIA	Poultry Products Inspection Act
SPP	State Performance Plans
SPS	Sanitation Performance Standards
SSOP	Sanitation Standard Operating Procedures

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# ***Background and Objectives***

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## **Background**

The mission of the Food Safety Inspection Service (FSIS) is to ensure that the nation's commercial supply of meat and poultry products is safe, wholesome, and accurately labeled and packaged, as required by the Federal Meat Inspection Act (FMIA) and the Poultry Products Inspection Act (PPIA).<sup>4</sup> Under these acts, FSIS inspects all meat and poultry products sold in interstate and foreign commerce, including imported products.

In addition to its Federal inspection activities, FSIS enters into cooperative agreements that set forth the terms and conditions by which FSIS will cooperate with, and provide assistance to, States carrying out a meat or poultry inspection program, provided they enact and enforce inspection laws and requirements which are "at least equal to" those of the Federal inspection program. FSIS defines "at least equal to" as meaning that the food safety and other consumer protection measures implemented by a State program address the same issues addressed by the Federal program, and that the results of the State's approach are at least as effective as those of the Federal program.<sup>5</sup> The State program need not take the exact same action as the Federal program so long as it arrives at the "at least equal to" standard.

States with a cooperative agreement for meat and poultry inspection programs inspect establishments involved only in the intrastate movement of meat and poultry products. Currently, 28 States have cooperative agreements with FSIS. The other States chose not to implement a State Meat and Poultry Inspection (MPI) program and all establishments within these States are federally inspected. For MPI programs meeting the requirement of being "at least equal to" Federal law and regulations, FSIS contributions to the State shall not exceed 50 percent of the State's operating funds (Federal share) including training and technical assistance. During fiscal year (FY) 2004, the 28 State programs inspected meat and poultry products amounting to approximately 500 million pounds. In FY 2004, FSIS' contribution to the 28 State MPI programs amounted to approximately \$43.5 million.

State meat and poultry inspections are governed by the Hazard Analysis and Critical Control Points (HACCP) program, the Sanitation Standard Operating Procedures (SSOP), and the Sanitation Performance Standards (SPS). Implemented in 1998, HACCP aims to reduce hazards in the food supply by stressing the prevention of contamination before it occurs. Instead of requiring inspectors to constantly monitor meat and poultry processing establishments, HACCP requires plants to monitor their own production. FSIS is still, however, responsible for oversight of the State's MPI program

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<sup>4</sup> FMIA, 21 *United States Code* 661(a) (1) (2), and PPIA, 454(a) (1).

<sup>5</sup> These issues include provisions for ante-mortem and post mortem-inspection, re-inspection, sanitation, and recordkeeping.

to ensure that the plants have implemented an adequate HACCP plan. While HACCP ensures that meat and poultry products will be wholesome, SSOP ensures that plants maintain hygienic facilities. SSOPs, like HACCP, make processing facilities responsible for developing and implementing written procedures for documenting cleaning schedules, but inspectors verify that these procedures are carried out. Finally, SPS addresses conditions within and around the establishment (e.g., ventilation, lighting, facility and equipment construction, and the maintenance of the grounds). Together, these three standards provide comprehensive guidelines for ensuring the quality of the nation's supply of commercial meat and poultry.

Due to the 2002 Farm Bill<sup>6</sup> and increased emphasis on reviewing all FSIS programs and activities, the agency began a new comprehensive review of State MPI programs in 2003. FSIS reorganized and adopted a two-part methodology for conducting comprehensive reviews of State MPI programs consisting of the State's self-assessment followed by an onsite review. The onsite review was divided into eight components: inspection, product sampling, staffing and training, humane handling, consumer protection, enforcement, civil rights, and funding and financial accountability. With this new methodology in place, FSIS began the process of conducting comprehensive reviews of all 28 State MPI programs.

## **Objectives**

Our objective was to evaluate FSIS' management controls and procedures to ensure that State MPI programs are "at least equal to" Federal laws and regulations.

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<sup>6</sup> The 2002 Farm Bill conference report language is as follows: " \* \* \* when the Secretary of Agriculture submits the annual report to Congress on the activities of the Food Safety Inspection Service, the Secretary should include a full review of State inspection systems. This review should also offer guidance about changes the State systems might expect should the statutory prohibition against the interstate shipment of state inspected product be removed."

# Findings and Recommendations

## Section 1 – FSIS Comprehensive Review Process Needs Strengthening

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FSIS' comprehensive review process should be strengthened to provide greater assurance that State MPI programs are "at least equal to" Federal laws and regulations. In 2003, FSIS recognized the need to update and strengthen its policies and procedures for reviewing State MPI programs. As a result, FSIS devised a new comprehensive review of State MPI programs with the intent of improving its oversight. We found, however, that this new comprehensive review needs to be improved in three areas:

- FSIS has not completed comprehensive reviews of the 28 existing State MPI programs according to its revised directives. In 11 of the 24<sup>7</sup> reviews performed through April 2006, FSIS' initial determinations were deferred to conclude that the programs were "at least equal to" Federal laws and regulations pending correction action submissions (conclusion on 4 reviews are pending). FSIS needs to complete the remaining comprehensive reviews so that it can help non-compliant States improve their performance.
- FSIS' comprehensive review process does not clearly summarize and report how violations in meat and poultry slaughter and processing facilities contribute to the State MPI program's overall determination. Without establishing a clear relationship between violations and the State MPI program's final determinations, FSIS' determinations may be inconsistent.
- Comprehensive review procedures did not effectively address State MPI staffing requirements, determine whether State MPI programs had fully implemented employee performance systems, and confirm that quality assurance procedures in place at laboratories used for product testing were "at least equal to" Federal laws and regulations.<sup>8</sup>

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### Finding 1

### FSIS Should Complete Its Initial Comprehensive Reviews

In response to the 2002 Farm Bill, FSIS revised its procedures for performing comprehensive reviews of State MPI programs. The agency began reviewing the State MPI programs in October 2003 to re-certify them under the revised procedures. FSIS, however, did not establish a firm and realistic plan for

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<sup>7</sup> Of these 11 reviews, 9 determinations were deferred, 1 determination had "significant concerns," and 1 determination "did not support at least equal to" Federal laws and regulations.

<sup>8</sup> Laboratories conducting official analysis for State programs need not be accredited under 21 *Code of Federal Regulations* 318.21 and 381.153, but are required to be "at least equal to" accredited labs.

completing the comprehensive reviews that took into account the agency's limited resources. As of June 2005, FSIS had completed reviews for 8 of the 28 State MPI programs; FSIS was not able to initially conclude that 4 of the 8 programs were "at least equal to" Federal laws and regulations. After discussing this with FSIS during our fieldwork, the agency initiated reviews of 16 State MPI programs between July 2005 and April 2006. FSIS' initial determinations for seven of these programs were deferred pending corrective action submissions from the State programs. According to FSIS officials, the agency plans to complete the review of the final four State MPI programs prior to the end of FY 2006.

FSIS revised its review procedures, in response to the 2002 Farm Bill, with the goal to re-certify State MPI programs under newer, more secure guidelines. States administering MPI programs were required to provide FSIS with an initial self-assessment, accompanying forms and documentation, and certification that their program was "at least equal to" the Federal program. After the State program submitted its initial self-assessment, FSIS is to conduct its onsite review of the State program. Based on the self-assessment, onsite review and followup review, FSIS arrives at a final determination of whether State MPI programs are "at least equal to" Federal laws and regulations. After reaching conclusions on all 28 State MPI programs, FSIS plans to conduct further onsite reviews every 3 years, or as needed, based on the outcome of its initial review.

The 2002 Farm Bill did not establish a timeframe within which these initial, comprehensive reviews were to be completed. Since Congress required that FSIS review State MPI programs in the 2002 Farm Bill, we concluded these reviews should be timely and provide reasonable assurance that MPI programs are "at least equal to" Federal laws and regulations.

### **Comprehensive Onsite Reviews Not Completed**

We found, however, that FSIS has not completed comprehensive onsite reviews of all 28 States' MPI programs under its revised review procedures.<sup>9</sup> From October 2003 through June 2005, FSIS conducted only eight initial onsite reviews of State MPI programs. Before FSIS could render its final conclusion on whether all States were "at least equal to" Federal laws and regulations, FSIS had to review another 20 programs.

FSIS officials explained that these reviews had been performed slowly due to limited staff resources and competing priorities. FSIS officials had announced several different plans to complete the remaining onsite reviews. In November 2004, an FSIS official informed the National Advisory Committee on MPI of FSIS' plan to conduct eight onsite reviews per year.

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<sup>9</sup> According to FSIS, the agency conducted onsite reviews of State MPI programs regularly before the revised procedures were implemented. The frequency of the reviews depended on the severity of FSIS' prior findings.

However, in January 2005, FSIS officials informed the Office of Inspector General (OIG) of their plan to perform 16 State comprehensive reviews during calendar year 2005. As of June 2005, FSIS had conducted only four onsite reviews in 2005. At the same time, a lead FSIS review official stated that FSIS would conduct eight more reviews this year beginning July 2005.

During fieldwork we shared our concern with FSIS that comprehensive onsite reviews of State MPI programs were not being completed. FSIS initiated reviews of 16 State MPI programs between July 2005 and April 2006. According to FSIS officials, the agency plans to complete the review of the final four State MPI programs prior to the end of FY 2006. FSIS needs to complete the remaining reviews and implement controls to ensure each State MPI program is reviewed every 3 years or as needed.

### **FSIS Deferred Making Determinations That State MPI Programs Were “At Least Equal To” Federal Laws and Regulations**

FSIS’ need to complete these reviews in a timely manner is all the more urgent because the eight reviews it had completed through June 2005 indicated that the rate of noncompliance with its new procedures is high. Fifty percent of the State MPI programs reviewed—programs in Missouri, Wisconsin, Delaware, and Minnesota—were not initially determined to be “at least equal to” Federal laws and regulations. FSIS initially found Missouri “does not support at least equal to” Federal laws and regulations, Wisconsin was found to have “significant concerns,” and Minnesota’s and Delaware’s initial determinations were “deferred” while the States took corrective action.

In October 2003, FSIS performed an onsite review of Missouri’s MPI program which determined that the program “does not support at least equal to” Federal laws and regulations due to widespread deficiencies.<sup>10</sup> In January 2004, State of Missouri agriculture officials provided FSIS with a corrective action plan detailing their actions to address these problems; at that point FSIS believed Missouri’s corrective action was sufficient (see Finding 3). In March 2004, FSIS was able to amend its determination for Missouri to conclude that the State’s program “supports at least equal to” Federal laws and regulations.

FSIS has also been working to help the other three States that received determinations other than “at least equal to” Federal laws and regulations on their initial comprehensive onsite review. Wisconsin agriculture officials resolved identified deficiencies through a corrective action plan. While our fieldwork was underway, FSIS continued to work with the States of Delaware and Minnesota to resolve their deficiencies. FSIS determined that a

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<sup>10</sup> FSIS’ onsite review of Missouri’s MPI program resulted in a determination of “does not support at least equal to” Federal laws and regulations for the inspection, staffing, and enforcement components due to numerous deficiencies. For more on the staffing problem, see Finding 3.

followup visit to the State of Minnesota was warranted and conducted that visit in August 2005.

From July 2005 to April 2006, FSIS initiated reviews of 16 State MPI programs. FSIS' initial determinations were deferred for seven of these programs pending corrective actions required by the State programs.

### **Recommendation 1**

Ensure that the remaining initial comprehensive onsite reviews of State MPI programs are completed.

**Agency Response.** FSIS advised in its August 22, 2006, response:

FSIS will complete the onsite verification reviews of all 28 State MPI programs prior to the end of FY 2006.

**OIG Position.** We accept management decision for this recommendation.

### **Recommendation 2**

Establish controls that will ensure the agency meets the requirements to review each State's MPI program every 3 years or as needed.

**Agency Response.** FSIS advised in its August 22, 2006, response:

FSIS will review annual self-assessment submissions from all 28 States and implement risk-based onsite reviews ensuring at least one onsite review every 3 years. The timeline for this process is detailed in the *FSIS Manual for State Meat and Poultry Inspection Program Reviews*.

**OIG Position.** We accept management decision for this recommendation.

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### **Finding 2**

#### **FSIS' State MPI Determinations Not Clearly Documented or Supported**

FSIS' decisions regarding whether State MPI programs are "at least equal to" Federal laws and regulations are not clearly documented in the agency's summary reports. Although FSIS has specific criteria for evaluating the components of State MPI programs, the relationship between violations and the final determination is not clearly explained. When the agency revised its

directives for inspecting these programs, an agency official said FSIS eliminated specific criteria for weighing violations and rendering decisions in order to avoid being overly prescriptive and to allow reviewers to use their discretion. Officials reviewing these programs thus lack clear, objective, and uniform guidelines for weighing the effect of establishment deficiencies on State MPI program findings and for documenting the relationship between those violations and the final determination. FSIS rendered comprehensive review determinations of “at least equal to” Federal laws and regulations to three States, and a comprehensive review finding of “significant concerns” to one State even though sampled establishments in each State contained similar HACCP and SSOP deficiencies. This inconsistency was not clearly justified by the information documented in the FSIS’ summary reports.

FSIS has a clear responsibility for setting a national standard for State MPI programs.<sup>11</sup> As part of its responsibility for ensuring the adequacy of State MPI programs, FSIS conducts comprehensive reviews to determine whether States are “at least equal to” Federal laws and regulations.<sup>12</sup> Directives define “at least equal to” as meaning that the food safety and other consumer protection measures implemented by a State program address the same issues as the Federal program, and the results of the State’s approach are to be at least as effective as those of the Federal program.

FSIS officials review various components of State MPI programs. The “inspection” component involves visiting and assessing meat and poultry establishments. Review officials verify onsite that the State program is functioning as designed and that the State is ensuring that establishments operate according to HACCP and SSOP.<sup>13</sup> HACCP provides a framework for meat and processing establishments to establish science-based controls that can be validated as effective in eliminating, preventing, or reducing to an acceptable level the food safety hazards that are reasonably likely to occur in an official establishment’s particular production process. SSOPs include procedures an official establishment will conduct daily, before and during operation, sufficient to prevent direct contamination or adulteration of products.<sup>14</sup> The nature, extent, and degree of deficiencies should be weighed by objective criteria when reviewers evaluate States’ MPI programs, and the relationship between deficiencies and the final determination should be clearly justified and documented in the summary report.

We found, however, that FSIS’ summary reports do not fully document how officials’ findings at establishments affect the outcome of comprehensive onsite reviews. Without a full explanation of the relationship between

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<sup>11</sup> “Fulfilling the Vision, Initiatives in Protecting Public Health.” U.S. Department of Agriculture/FSIS, July 2004.

<sup>12</sup> FSIS Directive 5720.2, revision 3, dated November 16, 2004.

<sup>13</sup> FSIS Directive 5720.2, revision 3, dated November 16, 2004.

<sup>14</sup> For a fuller explanation of HACCP and SSOP, see the Background.

identified deficiencies and the final determinations, FSIS’ decisions were inconsistent.

### Review Determinations Not Fully Documented

Because it did not fully justify its determinations in its summary reports, FSIS judged State MPI programs in ways that were inconsistent. FSIS rendered comprehensive review determinations of “at least equal to” Federal laws and regulations to three States—Mississippi, Kansas, and North Dakota—even though the majority of sampled establishments were cited for recurring HACCP and SSOP deficiencies within the inspection component. Although Wisconsin had similar categorized deficiencies, FSIS rendered a determination of “significant concerns” for both the inspection component and the overall State determination. In its summary review reports, FSIS did not explain why Wisconsin was treated differently than the other States. Although it is true that “similar” HACCP and SSOP categorized deficiencies may pose different risks to public health and necessitate a different response from FSIS, the agency needs to explain, in its summary report, how and why it arrives at its decisions.

**Table 1**

State	No. of Sampled Establishments	No. of Sampled Establishments With Deficiencies	Percentage of Establishments With Deficiencies	Decision
Mississippi	11	11	100 percent	“At Least Equal to” Federal Laws and regulations
Kansas	13	10	77 percent	“At Least Equal to” Federal Laws and regulations
North Dakota	10	10	100 percent	“At Least Equal to” Federal Laws and regulations
Wisconsin	14	12	86 percent	Significant Concerns

In Mississippi, FSIS randomly selected and visited a total of 11 establishments<sup>15</sup> during its October 2003 onsite review. All establishments visited were cited for HACCP noncompliances, especially in the areas of HACCP recordkeeping<sup>16</sup> and agency verification.<sup>17</sup> Additional examples of the noncompliances identified included: soot-like material found on several

<sup>15</sup> These are processing/slaughter or processing establishments, excluding custom exempt establishments.

<sup>16</sup> Recordkeeping is the only written evidence documenting the operation of HACCP system critical control points (CCP) and any corrective actions taken to ensure product was produced in a safe manner.

<sup>17</sup> Verification involves the scientific and technical process for determining that CCPs and associated limits are adequate to ensure that the entire HACCP system functions properly and that there is a documented periodic reassessment of the HACCP plan.

swine carcasses in cooler; lack of monitoring CCP cooking temperatures; SSOPs and daily monitoring were not performed; and cutting boards (deeply scored and stained) contained product residues from previous days' operations. Despite these problems, FSIS assigned Mississippi an "at least equal to" finding for the inspection component and overall State conclusion. Since it received an "at least equal to" finding, Mississippi also was not required to provide FSIS with a corrective action plan.

In North Dakota, FSIS randomly selected and visited a total of 10 establishments during its January 2005 onsite review. All of the establishments visited were cited for HACCP noncompliances. In our review of North Dakota's establishment checklists we found HACCP noncompliances similar to those found in Mississippi. Again, despite these problems, FSIS assigned North Dakota a finding of "at least equal to" Federal laws and regulations.

In Wisconsin, however, FSIS assigned the State a finding of "significant concerns" even though a lower percentage of its plants were cited with similar noncompliances to both Mississippi and North Dakota. FSIS randomly selected 14 establishments in Wisconsin, 12 of which were cited for HACCP noncompliances. Our analysis of FSIS' establishment review checklists disclosed that there were a significant number of noncompliances in the areas of HACCP recordkeeping and agency verification similar to those found in Mississippi. Some additional noncompliances included: product residue from previous days' operations left on contact surfaces; lack of documentation of preshipment review; and insects observed in processing area and on product. Yet, FSIS initially rendered Wisconsin a determination of "significant concerns" for the inspection component and overall State conclusion. Even though a higher percentage of establishments in Wisconsin complied with Federal laws and regulations than in Mississippi and North Dakota, Wisconsin was initially judged as having "significant concerns" while the other two States were judged "at least equal to" Federal laws and regulations. FSIS did not provide full documentation in its summary reports to explain the apparent inconsistency of this decision. FSIS officials advised that it was not the sheer number of deficiencies in a State's plants to be the primary determinate as to whether the State's inspection program is "at least equal to" the Federal program, but rather the underlying nature of noncompliances. We learned that before the 2003 revision of its directive, FSIS had such procedures in place (see exhibit C), but removed them in order to avoid being overly prescriptive.<sup>18</sup>

When we presented this issue to FSIS, one FSIS review official stated that when making determinations, the agency considers whether noncompliances will affect food safety. The official also stated that the agency considers the

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<sup>18</sup> (Revision 2) of FSIS Directive 5720.2.

volume of noncompliances involved and how noncompliances affect consumers. Another FSIS review official stated that finding noncompliances at a State's establishments does not necessarily mean that the State MPI program is not "at least equal to" Federal laws and regulations. We agree that it was not the sheer number of deficiencies in a State's plants to be the primary determinate as to whether the State's inspection program is "at least equal to" the Federal program, but rather the underlying nature of HACCP and SSOP noncompliances. Finally, with regard to the lack of HACCP and SSOP recordkeeping, each occurrence may represent a different risk to food safety from significant to minor; however, we believe the condition provides no assurance that various functions were performed and precludes knowing whether State-inspected establishments had indeed increased the risk to food safety, and thus were not "at least equal to" the Federal program. However, the review reports do not contain adequate documentation to identify the seriousness and impact of the deficiencies.

Other FSIS review officials, however, expressed their need for more specific standards for making component decisions and assessing the importance of their findings for overall State conclusions. FSIS' comprehensive review teams documented as part of an internal evaluation of the comprehensive review process that they lacked objective criteria for determining the status of State MPI programs. In an onsite report, for example, a lead FSIS review team official wrote that "[t]he review instrument [manual]<sup>19</sup> did not provide the reviewers a set of standards to use as a benchmark when assessing the components of the state program." Later, the same official documented the question, "What findings should be considered significant?" After this evaluation, FSIS revised its review manual but did not address benchmarks.

We acknowledge that the decision of whether a given State's MPI program is "at least equal to" Federal laws and regulations is complex, and that all violations will not affect food safety equally. We contend, however, that FSIS should carefully explain and fully document how those violations affect its determination in its summary report.

### **Inadequate Documentation of Reports**

Onsite review reports issued to eight States did not describe the extent and degree of noncompliances found at establishments or explain how FSIS arrived at its conclusions. FSIS' manual states that "the nature, extent, and degree of the noncompliance are to be considered as part of the reviewer's decision."<sup>20</sup> We found that many inspected establishments failed to comply with HACCP requirements for recordkeeping and verification; however, the onsite reports did not describe the extent and degree of the deficiencies, including the number of occurrences. We attributed this to the fact that FSIS'

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<sup>19</sup> *FSIS Manual for State MPI Program Reviews*, dated August 2003.

<sup>20</sup> *FSIS Manual for State MPI Program Reviews*, August 2003 & November 2004.

review manual gives the reviewer wide discretion regarding what should be included in the report.

For example, a lead review official reported for the inspection component that “Mississippi State officials failed to verify HACCP records and determine the adequacy of corrective actions taken when a deviation occurs”; however, the extent of this violation or the degree of its importance was not included in the onsite report. This component was determined “at least equal to” and no corrective action plan was required.

We concluded that FSIS should develop objective, uniform criteria to guide officials as they determine whether State MPI programs are “at least equal to” Federal laws and regulations. Officials should also be required to document fully the nature, extent, and degree of any noncompliances.

### **Recommendation 3**

Develop and implement formal standards to evaluate and document in the agency’s summary reports the effect that establishment deficiencies have on State MPI determinations.

**Agency Response.** FSIS advised in its August 22, 2006, response:

The formal standards for determining whether a State program meets and enforces requirements “at least equal to” those imposed under the \* \* \* FMIA and the \* \* \* PPIA are delineated in nine review components in the *FSIS Manual for State Meat and Poultry Inspection Reviews*, July 2005. Agency regulations and directives set the specific evaluation criteria (formal standards). During the onsite review, the review team verifies each checklist item on the State program’s self-assessment within each of the review components except Component 1, Statutory Authority and Food Safety Regulations, which is fully addressed in Part 1 (self-assessment) of the review methodology.

FSIS recognizes that documentation in the onsite review reports needs to more clearly explain the reasoning for the overall decisions regarding each State program’s “at least equal to” status. FSIS has clarified documentation requirements for the onsite review in its most recent revision of the *FSIS Manual for State Meat and Poultry Inspection Reviews*, which was issued on August 11, 2006.

**OIG Position.** We accept management decision for this recommendation

## Recommendation 4

Require review officials to document the nature, extent, and degree of noncompliance(s) in onsite review reports supporting component and overall decisions.

**Agency Response.** FSIS advised in its August 22, 2006, response:

FSIS will clarify documentation requirements for the onsite review in its next revision of the *FSIS Manual for State Meat and Poultry Inspection Reviews*, which is currently underway. All noncompliance documentation will clearly state sufficient detail of the nature, extent, and degree of the finding and how it relates to the overall food safety system within the establishment. Additionally, this documentation will provide sufficient support for the overall determination of the State's performance and ability to carry out a meat and poultry inspection program "at least equal to" the Federal program.

**OIG Position.** We accept management decision for this recommendation.

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## Finding 3

### **FSIS Should More Effectively Review Staffing Requirements, Performance, and Laboratory Quality Assurance**

FSIS' comprehensive reviews did not effectively address staffing and laboratory quality assurance for State MPI programs. Specifically, FSIS did not (1) adequately analyze State staffing levels, (2) determine whether one of two States visited had fully implemented systems to evaluate employee performance, and (3) assess quality assurance of laboratories used by State MPI programs. FSIS gathers data regarding staffing in State inspected establishments, but it does not have a viable method to analyze the size of State MPI program staffing and adequate criteria to determine the levels of staffing that would be appropriate. Although FSIS has a viable method for determining staffing needs for its Federal inspection program, it has not applied that method to State inspection programs. FSIS also eliminated quality assurance verification of laboratories because FSIS officials said it was outside of the scope of the FMIA and PPIA. However, since pathogen reduction is an integral part of FSIS' own inspection program, we do not believe that any State program can be considered "at least equal to" Federal laws and regulations without taking this vital component into account. As a result, FSIS has little assurance that State MPI programs are appropriately staffed for program operations, or that laboratories used for product sampling yield accurate, reliable, and reproducible results.

When performing its comprehensive reviews of State MPI programs, FSIS is required by the review manual to evaluate how these programs are staffed in order to verify whether the State's workforce is adequate. In order for State programs to be "at least equal to" Federal laws and regulations, the State program should ensure that it has a sufficient number of trained veterinarians, inspectors, and enforcement staff to properly handle the inspection and regulatory duties of the program.<sup>21</sup> Program personnel must also receive the professional, technical inspection, and managerial training necessary to maintain their competence and work effectively. Finally, to be truly equal to Federal testing standards, State MPI programs need to have a verification program, including laboratory testing, to address adulterants, pathogens, and other testing requirements of properly operating food safety systems for meat and poultry.<sup>22</sup> Though these laboratories are not required to be accredited, nevertheless, they must produce accurate, reliable, and reproducible results.<sup>23</sup>

### **FSIS Should Improve Its Review of Staffing Requirements**

Although FSIS routinely collects numerical data regarding the number and type of State employees and the number of State-inspected establishments, the agency does not adequately analyze this data to determine if staffing levels are appropriate for carrying out State inspection activities. Unless FSIS analyzes the numerical data it collects to determine if staffing levels are appropriate, it will not be adequately assessing State MPI staffing resources as required by its own directives.

We believe it is important that a detailed and meaningful analysis of State MPI programs' staffing be conducted as part of FSIS' comprehensive reviews, as we found evidence that State programs may not always have the number of personnel needed. During the comprehensive review of the Minnesota MPI program, for example, an FSIS review official documented in the review report that it was not clear if an inspector is assigned to every "further processing" facility<sup>24</sup> each day of operation. Minnesota MPI officials responded that an inspector is assigned to every establishment that does "further processing" on each day they are scheduled to operate. However, Minnesota's own program guidelines for inspector staffing recognized that the State could not provide short-term coverage for establishments whose assigned inspectors were absent due to vacation, illness, or other changes in establishments' processing schedules.<sup>25</sup> FSIS conducted a followup onsite review of Minnesota during August 2005.

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<sup>21</sup> FSIS Directive 5720.2, revision 3, dated November 16, 2004.

<sup>22</sup> *FSIS Manual for State MPI Program Reviews*, dated November 2004.

<sup>23</sup> FSIS Directive 5720.2, revision 3, dated November 16, 2004.

<sup>24</sup> A "further processing" facility is an official establishment that smokes, cooks, cans, cures, refines, or renders products previously prepared in another official establishment.

<sup>25</sup> Minnesota State MPI Program Guidelines for Inspector Staffing, December 2004.

As a part of its comprehensive review, FSIS should determine that State MPI programs are properly staffed. A senior FSIS official agreed that his organization needs better standards to evaluate how State MPI programs allocate their staff. However, we found that lead review officials did not know how to evaluate this aspect of MPI programs. One official told us he would not even know how to determine the appropriate size of an inspection program. He added that FSIS does not use a benchmark to determine if the State has adequate staffing. Instead, FSIS looks at whether a State has inspectors assigned to the inspected plants daily, and whether required inspection activities are being appropriately conducted. We concluded that this approach is inadequate because it emphasizes whether there are enough inspectors to perform inspections but not whether there might be too many. Senior officials later agreed that FSIS needs criteria for staffing decisions, as well as procedures for applying those criteria as part of its comprehensive reviews.

In contrast with these State reviews, FSIS' Federal inspection program currently uses an analytical tool—the Method of Assigning Work—to validate its staffing needs based on forecasts of industry demand and projected changes in its workforce. Developed, in part, in response to a 2001 OIG audit,<sup>26</sup> this tool has helped FSIS estimate staffing needs of the Federal inspection program. FSIS should determine if this method of assigning work can be adapted to evaluate the staffing resources at State MPI programs.

### **FSIS Should Improve its Review of State Systems for Evaluating Staff Performance**

Our review also disclosed that, in Missouri, FSIS review staff did not determine whether the State's MPI program had fully implemented an adequate system for evaluating—and when necessary, correcting—employee performance. During FSIS' October 2003 onsite comprehensive review, FSIS review staff determined that although Missouri's MPI program had a viable performance system in place, its senior management chose not to implement formal appraisals for the inspectors, supervisors, and compliance officers assigned to the MPI program because they believed such evaluations were useless. The review staff reported that supervisors had not documented their routine oversight of inspectors, and that they had not documented evaluations of inspection personnel placed on probation.

On January 16, 2004, the director of the Missouri MPI program submitted to FSIS a corrective action plan addressing these deficiencies. The director stated that during all reviews the inspectors' performance is evaluated and that, if necessary, they are given a letter of instruction. On March 18, 2004, in

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<sup>26</sup> OIG Audit Report No. 24-601-FM, April 2001, "Review of FSIS Inspector Staffing Shortages and Anti-Deficiency Act Violations."

response to an inquiry by an FSIS review staff official, a Missouri official submitted blank copies of the Missouri Department of Agriculture's employee performance review forms. The purpose of this documentation was to demonstrate that the Missouri MPI program was operating a State-directed employee performance system according to a State handbook that requires performance appraisals be documented.<sup>27</sup> FSIS accepted these blank forms as sufficient evidence, and changed Missouri's finding on the staffing component of the comprehensive review from "deferred" to "at least equal to," even though these blank forms did not necessarily demonstrate that the Missouri State MPI was "at least equal to" Federal laws and regulations.

During our June 2005 visit to Missouri, we inquired with senior State officials about whether or not performance appraisals were conducted for inspectors, supervisors, and compliance officers. The official stated that performance appraisals are not used to evaluate State MPI program staff because management felt that such evaluations are useless. We later asked an FSIS official what was done to validate Missouri's corrective actions. The official stated that the staffing component was merely a "records review" and that based only on the evidence of the blank forms, FSIS assumed a performance management system was in place and operating as intended. The FSIS official declined to review actual records, stating that they were too personal.

We concluded that such "record reviews" are not adequate to ensure that State MPI programs have a viable employee management performance system in place. FSIS should strengthen this part of its comprehensive review in order to make certain that State MPI programs fully comply with its requirements.

### **FSIS Did Not Verify Quality Assurance Standards at Laboratories**

Although FSIS' comprehensive review process for the State MPI program specifies that States should use qualified laboratory services,<sup>28</sup> our review disclosed that FSIS does not verify laboratory quality systems. FSIS' initial reviews of State MPI programs conducted during October/November 2003 did include quality management systems reviews; however, the agency eliminated this process by the second round of reviews conducted January 2005. An FSIS official informed us that the agency decided to eliminate the process because it was outside the scope of FMIA and PPIA. However, since pathogen reduction is an integral part of FSIS' own inspection program, we do not believe that any State program can be considered "at least equal to" Federal inspection without taking this vital component into account.

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<sup>27</sup> *Missouri Department of Agriculture, Employee Information Handbook*, section II, "Conditions of Employment."

<sup>28</sup> Laboratory services qualified to accurately find and identify organisms, substances, and other conditions of regulatory and public health concerns.

As part of ensuring the safety of food products, meat-processing establishments and inspectors sample products and send them to laboratories for testing. Although regulations do not require that the laboratories used by State MPI staff be accredited, FSIS' Directive 5720.2 (revision 3) provides that laboratories conducting official analyses for State inspection programs produce accurate, reliable, and reproducible results. Current review manual requirements provide that State programs need not be accredited, but are expected to operate in accordance with those requirements; therefore, we maintain that it is important for FSIS to review and confirm the quality systems standards of laboratories used by State MPI programs.

FSIS should take steps to strengthen the staffing component of its comprehensive review process, as well as to verify that the laboratories used by States meet the same quality assurance standards as those required of FSIS' Federal programs.

## **Recommendation 5**

Determine if the Federal method of assigning work can be adapted to evaluate the staffing needs of State MPI programs. If so, incorporate this tool into the staffing component of comprehensive MPI reviews; if not, develop and implement independent procedures to adequately analyze staffing requirements submitted by State MPI programs.

**Agency Response.** FSIS advised in its August 22, 2006, response:

The "Method of Assigning Work" tool is now being assessed to determine if it can be provided to each of the State meat and poultry inspection programs to assist in the evaluation of their staffing needs to determine if the State has an adequate number of inspectors to provide a level of inspection coverage that is "at least equal to" that provided by FSIS. During the current project of revising the *FSIS Manual for State Meat and Poultry Inspection Reviews*, additional language/guidelines will be added to the staffing component to reflect that the "Method of Assigning Work" is one of the tools that States may use in analyzing staffing requirements.

In addition, FSIS will continue to assess a State program's staffing by examining the State's production volume and staff equivalence data and confirming during onsite reviews that the level of inspection coverage and the knowledge and skills of inspection personnel are adequate to ensure safe, wholesome, and properly marked and labeled products.

**OIG Position.** We agree with FSIS in providing the “Method of Assigning Work,” to State MPI programs for use in analyzing staffing requirements. However, FSIS’ response does not address whether the agency can adapt the “Method of Assigning Work” or alternative independent procedures to evaluate staffing as part of the comprehensive review process. To reach management decision, FSIS should provide us with specific details of its plan to implement the “Method of Assigning Work” or alternative independent procedures to assist in the evaluation of State MPI program staffing.

## Recommendation 6

Instruct Missouri MPI management to perform and document periodic evaluations of inspection staff. FSIS should perform a followup review to validate Missouri’s implementation of its employee performance system.

**Agency Response.** FSIS advised in its August 22, 2006, response:

State of Missouri inspection officials have provided information that they have implemented a performance review system based upon FSIS Directive 4330.3, In-Plant Performance System Reviews [IPPS] (6/17/02). Using this system, Missouri’s frontline supervisors periodically visit each establishment and conduct an assessment of individual aspects of the food safety systems within the establishment. Any performance weaknesses of assigned inspectors are documented using the IPPS review form.

Missouri’s self-assessment submission in the fall of 2006 will be required to address the employee performance system and our thorough review will determine if it is “at least equal to.” This aspect of Missouri’s program will also be reviewed during the next onsite review.

**OIG Position.** Documentation provided to us did not adequately support individual performance evaluations of Missouri State MPI program officials, but rather that of the establishments inspected. To reach management decision, FSIS should provide us with documentation of FSIS’ review of Missouri’s fall 2006, self-assessment to support that Missouri’s State MPI program perform periodic evaluations of individual inspection staff.

## Recommendation 7

Develop and implement procedures for determining whether State MPI programs have fully implemented employee performance systems.

**Agency Response.** FSIS advised in its August 22, 2006, response:

FSIS will determine if State programs have implemented FSIS Directive 4330.3, \* \* \*[IPPS] (6/17/02), or a similar system to document employee performance. As part of the review process, FSIS will determine if persons performing meat and poultry inspection and/or enforcement duties for the States have the knowledge, skills, and abilities to carry out a meat and poultry inspection program “at least equal to” the Federal program.

**OIG Position.** FSIS’ response addresses our recommendation, however, IPPS documentation provided to us regarding the Missouri State MPI Program did not adequately demonstrate individual performance evaluations of program officials, but rather that of establishments inspected. To reach management decision, FSIS needs to provide us with details of what reviews will be conducted of the IPPS or any other system to determine whether State MPI programs implemented employee performance systems.

## Recommendation 8

Develop and implement procedures to verify that laboratories conducting analyses for State MPI programs produce accurate, reliable, and reproducible results.

**Agency Response.** FSIS advised in its August 22, 2006, response:

FSIS agrees that laboratories conducting analyses for State MPI programs should produce accurate, reliable, and reproducible results. However, current laws and regulations governing State programs do not set requirements for laboratories. States are responsible to determine that their results are reliable and valid enough to stand in a court of law. FSIS provides guidance to State programs and formal checklists in the review manual appendices on good laboratory quality assurance practices. FSIS reviews each State’s verification testing program and laboratory capacity to ensure that mandatory analyses are conducted to prevent pathogenic bacteria and violative residues in products.

**OIG Position.** FSIS’ response does not completely address our recommendation. Although FSIS reviews each State’s verification testing program and laboratory capacity to ensure that mandatory analyses are conducted to prevent pathogenic bacteria and violative residues in products, we concluded the agency needs a method to ensure that laboratories used by

State MPI programs have good laboratory quality assurance practices. To reach management decision, FSIS should develop and implement procedures to verify that laboratories conducting analyses for State MPI programs produce accurate, reliable, and reproducible results, along with the timeframe for completion.

## **Section 2 – Financial Reviews Were Not Always Timely**

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FSIS Directive 3300.1 states that the agency “conducts periodic onsite fiscal reviews of each State’s cooperative MPI program (presently once every 3 years). The reviews determine the sufficiency of the financial systems, records, reports, and procedures used to account for the cooperative inspection program’s expenditures.” The reviews are also part of the comprehensive review process.

We identified three problems with FSIS’ fiscal oversight of State MPI programs. Although the agency conducts fiscal review of State MPI programs every 3 years, we found that four programs were overdue for this review. In order to make sure that new programs are functioning as designed, FSIS also reviews new MPI programs after their first year of operation, but we found that two States—North Dakota and Maine—had not been reviewed as scheduled.

In addition, FSIS did not timely implement its yearend grant closeout procedures to ensure that State MPI programs promptly returned excess Federal funds. FSIS thus permitted Texas to not comply with the Cash Management Improvement Act (CMIA), exercise improper stewardship of Federal resources, and cause the U.S. Treasury unnecessary interest costs of approximately \$100,000.

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### **Finding 4**

#### **FSIS Did Not Timely Perform Fiscal Reviews of State MPI Programs**

FSIS did not complete its fiscal reviews of State MPI programs in a timely manner—MPI programs in four States had not been reviewed in more than 4 years, and new MPI programs in two other States had not been reviewed after their first year of operation. FSIS officials stated that their fiscal reviews were delayed due to personnel shortages over the last 3 years. Unless these reviews are performed in a timely manner, FSIS will not have reasonable assurance that costs claimed are allowable and properly accounted for, and that internal control mechanisms comply with Federal guidelines.

FSIS has assigned the responsibility for performing periodic fiscal reviews to the Financial Review and Accountability Branch (FRAB), a unit of the Financial Management Division (FMD).<sup>29</sup> FRAB conducts periodic onsite fiscal reviews of each State’s MPI program (once every 3 years). These reviews determine the sufficiency of the financial systems, as well as the records, reports, and procedures used to document the inspection program’s

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<sup>29</sup> FSIS Directive 3300.1, revision 2, dated March 5, 2004.

expenditures. The purpose of these fiscal reviews is to verify that costs claimed by the State program are allowable and properly accounted for and that appropriate internal control mechanisms comply with Federal guidelines. As a way of ensuring that new programs are functioning as expected, FSIS also conducts onsite fiscal reviews of new State MPI programs after their first year of operation.

### **Fiscal Reviews of State MPI Programs Backlogged**

According to FRAB's FY 2005 schedule of onsite fiscal reviews, FRAB staff was scheduled to conduct onsite fiscal reviews at 14 State MPI programs. The schedule also disclosed the number of fiscal years of grant operations to be reviewed during the upcoming onsite review. We noticed that the fiscal year review coverage for 4 of the 14 States was in excess of 3 years. A FRAB official confirmed that onsite reviews for four states were overdue (see table 2 below).

**Table 2**

<b>FSIS State MPI Inspection Program Overdue Fiscal Reviews<sup>30</sup></b>		
<b>State</b>	<b>Last Onsite Review</b>	<b>Fiscal Years to be Covered</b>
Indiana	1999	2000-2004
Minnesota	1999	2000-2004
South Dakota	2000	2001-2004
Vermont	1999	2000-2004

FMD management officials, when asked to describe how this backlog in regularly scheduled triennial fiscal reviews developed, stated that during the last few fiscal years, FRAB has experienced some staffing shortages resulting in onsite reviews being delayed. According to these officials, during FY 2006, additional onsite fiscal reviews would be scheduled to eliminate the backlog.

In order to ensure that these programs are in compliance with Federal requirements,<sup>31</sup> FRAB should take all necessary steps to reduce its backlog and perform future fiscal reviews promptly.

<sup>30</sup> As of January 31, 2005.

<sup>31</sup> FSIS Directive 3300.1, revision 2, dated March 5, 2004.

## New State MPI Programs Not Reviewed After First Year's Operation

In addition to creating a backlog of regularly scheduled triennial onsite fiscal reviews, FRAB has been unable to maintain its policy of reviewing new State MPI programs after the conclusion of their initial year of grant operations. Since October 1998 (FY 1999), four states have entered FSIS' State MPI program—Minnesota, Missouri, North Dakota, and Maine. Of these four new programs, FRAB completed its initial review of two programs on time. In contrast, North Dakota<sup>32</sup> was reviewed 2 years later than expected. Maine's program was also not been reviewed on time, although a FRAB official indicated that it intends to conduct the onsite fiscal review during FY 2006 (see table 3).

**Table 3**

<b>FSIS State MPI Program, New State Programs, and Fiscal Reviews</b>			
	<b>FY</b>	<b>Initial Onsite Review</b>	
<b>State</b>	<b>Program Began</b>	<b>Date</b>	<b>FYs Covered</b>
Minnesota	FY 1999	Aug 2000	1999
Missouri	FY 2001	May 2002	2001
North Dakota	FY 2001	Sep 2004	2001-2003
Maine	FY 2003	Pending*	
*Scheduled for FY 2006			

These first-year fiscal reviews of new programs serve the important purpose of identifying and mitigating problems that may arise in a newly established MPI program. For example, FRAB's initial review of Minnesota's program—completed on time—found that the State during its first year of operation had not adjusted State fiscal year costs (July 1 to June 30) to those of the Federal fiscal year (October 1 to September 30). Similarly, FRAB's initial review of the Missouri program—also completed on time—disclosed a number of internal control problems, related to the financial aspect of the program, that were later corrected. When performed in a timely fashion, FRAB's first-year fiscal reviews are a useful control for preventing serious problems from developing in new State MPI programs.

We concluded that action should be taken to ensure the timeliness of fiscal reviews of State MPI programs, including both the regularly scheduled triennial reviews of program fiscal operations and the first-year reviews of new programs.

<sup>32</sup> FSIS' review of North Dakota found that they were operating in compliance with the "equal to" provisions relating to funding and financial accountability.

## Recommendation 9

Implement a plan to eliminate the current backlog of onsite fiscal reviews, including both regularly scheduled triennial fiscal reviews and first-year reviews of new programs.

**Agency Response.** FSIS advised in its August 22, 2006, response:

FSIS has scheduled visits to Texas and Montana in July and August which will eliminate the current backlog of onsite fiscal reviews.

**OIG Position.** We accept management decision for this recommendation.

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## Finding 5

### **FSIS Should Strengthen Controls Over Grant Closeout Procedures to Ensure That States Adhere to the Federal CMIA**

FSIS did not timely implement its year end grant closeout procedures to ensure that State MPI programs promptly returned excess Federal funds. Although requirements existed to monitor matching expenditures and to limit the Federal share to 50 percent, year-end grant reconciliations were not performed as required and responsible officials failed to notice that the grants had not been reconciled. As of October 2003, 11 of 28 States had overdrawn the Federal share by a total of \$731,160; of this amount Texas accounted for \$524,293 of the total overdrawn. Without performing these closeouts, FSIS officials were unaware that the Texas and other State MPI programs were holding Federal funds in excess of its program expenditures, and did not demand the prompt repayment of those funds. By permitting Texas to hold Federal funds longer than necessary—for as long as 43 months in once instance—FSIS exercised improper stewardship of Federal resources, and caused the U.S. Treasury unnecessary interest costs of approximately \$100,000.

FSIS has established in-house procedures requiring that year end grant closeouts be performed as a desk-audit within FRAB. The in-house procedures require a review of the SF 269A, Financial Status Report, however, the desk procedures do not show steps that address whether States had excess funds. FSIS Directive 3300.1 requires the prompt repayment of any excess funds. FSIS also conducts onsite triennial fiscal reviews of State MPI programs (see Finding 4).

Congress enacted the CMIA of 1990 to ensure efficiency, effectiveness, and equity in transferring funds between the States and the Federal Government.

Each Federal assistance program<sup>33</sup> is required to operate according to the terms of CMIA and, depending on the size of the program, different CMIA rules apply. The CMIA requires States to minimize the time between the receipt and disbursement of Federal funds.

We found that the Texas MPI Program has for several years been drawing down its full annual allocation of Federal funds, rather than drawing funds based on matching actual program expenditures as shown on its end-of-year reconciliation report<sup>34</sup> (see table 4 below). Because responsible officials did not perform year-end grant reconciliations as required, and management failed to notice that the grants had not been reconciled, Texas was allowed to accumulate a balance of excess unobligated Federal funds. The true extent of those cash balances were confirmed when the onsite triennial fiscal review was performed.

**Table 4**

<b>Texas MPI Program Excess Federal Funds 1997 to 2004</b>			
<b>FY</b>	<b>Federal Funds Allocated To and Withdrawn by Texas</b>	<b>Actual 50 percent Federal Share of MPI Expenses</b>	<b>Actual Excess Federal Funds Held</b>
1997	\$4,731,596	\$4,678,657	\$52,939
1998	\$4,848,545	\$4,675,945	172,600
1999	\$5,622,000	\$5,323,247	298,753
2000	\$5,010,400	\$4,770,411	239,989
2001	\$4,885,100	\$4,647,013	238,087
2002	\$5,078,900	\$4,842,686	236,214
2004	\$4,495,899	\$4,235,698	260,201
<b>Total</b>			<b>\$1,498,783</b>
Note: 2003 omitted since it was not overdrawn			

When a State violates federally regulated cash management procedures, (by drawing Federal funds in advance or in excess of its program’s operating immediate needs), the U.S. Treasury suffers a loss. We estimate that, had interest been charged to the State Texas Department of Health for the \$1,498,783 it overdraw between FY 1997 and FY 2004, that cost would have been approximately \$100,000 through June 30, 2005.<sup>35</sup> Instead the U.S. Treasury bore this additional expense.

Since 1997, FSIS has only recovered these excess funds when it conducts its onsite triennial fiscal review of the Texas MPI program. Upon FSIS’

<sup>33</sup>Those listed in the Catalog of Federal Domestic Assistance. Number 10.475, “Cooperative Agreements with States for Intrastate MPI.”

<sup>34</sup> Standard Form 269A, Financial Status Report.

<sup>35</sup> Interest costs calculation = (average daily balance) x (CMIA-provided daily interest rate) x (number of days funds withheld by Texas). Interest rate is the average of the 13-week U.S. Treasury Bill equivalent yield.

reconciliation of actual expenditures, the three annual grants are closed and if excess funds are identified, FSIS bills the State only the amount overdrawn—*without* interest. For example, the \$52,939 of excess funds withdrawn by Texas in October 1997 was ultimately refunded interest-free to FSIS 43 months later, on May 11, 2001. Waiting 3 years effectively increases the cost to the U.S. Treasury; an expense that is avoidable since a provision in FSIS’ fiscal guidelines requires the prompt return of funds in excess of State programs’ needs, thus sparing the U.S. Treasury this added cost.

FSIS has been aware of this problem since 2001, when it required Texas to repay excessive funds withheld in FYs 1997 through 1999. By August 2003, Texas had repaid FSIS \$1,238,580 of excess MPI program funds and notified FSIS that they had revised their procedures “to ensure that [F]ederal funds are drawn down appropriately in the future.” Nevertheless, on August 18, 2005, seven months after the FSIS-established year end grant closeout deadline, we learned the Texas MPI program had withdrawn excess funds for FY 2004 totaling \$260,201.

Given the ongoing nature of this problem, we conclude that FSIS needs to implement more rigorous control over its year end grant closeout process to ensure that State MPI programs do not drawdown excessive sums and, more generally, comply with the terms of CMIA, exercise proper stewardship of Federal resources, and conserve Federal funds.

## **Recommendation 10**

Implement management controls to consistently and timely perform yearend grant closeouts of all State MPI programs, and seek annual recovery of excess Federal funds held by State MPI programs.

**Agency Response.** FSIS advised in its August 22, 2006, response:

FSIS will develop a business process with management controls in the form of Standard Operating Procedures (SOPs). The SOPs are projected to be completed by October 31, 2006, and will incorporate a shift in current policy and practices. The SOPs will prescribe the means by which FSIS will review the Financial Status Reports from the States on an annual basis and make disbursements or request excess funds as necessary. FSIS will implement the new process for the yearend grant closeout of FY 2006 with a target completion of July 2007. In addition, FSIS will make any additional refunds or collections during the 3-year comprehensive review.

**OIG Position.** We accept management decision for this recommendation.

## Recommendation 11

Seek immediate recovery of the \$260,201 in excess Federal funds for FY 2004 currently held by the Texas MPI program.

**Agency Response.** FSIS advised in its August 22, 2006, response:

FSIS successfully completed a comprehensive onsite review of the Texas MPI program in July 2006 that covered \* \* \* FYs 2003, 2004 & 2005. The final report will be completed by September 15, 2006, and the agency will initiate the process to recover any excess grant funds by September 30, 2006.

**OIG Position.** We agree with FSIS' response to this recommendation. To reach management decision, FSIS should provide documentation to support that excess funds have been requested.

## Recommendation 12

Monitor the yearend grant closeout of the 2005 Texas MPI program. If grant funds are held in excess of program needs, recover the excess funds.

**Agency Response.** FSIS advised in its August 22, 2006, response:

FSIS successfully completed a comprehensive onsite review of the Texas MPI program in July 2006 that covered \* \* \* FYs 2003, 2004 & 2005. The final report will be completed by September 15, 2006, and the agency will initiate the process to recover any excess grant funds by September 30, 2006.

**OIG Position.** We agree with FSIS' response to this recommendation. To reach management decision, FSIS should provide a copy of the final report along with evidence to support the recovery of excess funds, if any.

# Scope and Methodology

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Our review focused on the effectiveness of FSIS' management controls and procedures to ensure that State MPI programs were "at least equal to" Federal inspection programs mandated by FMIA and PPIA. We performed fieldwork at FSIS National Office located in Washington, D.C., and the Office of Program Evaluation, Enforcement and Review located in Omaha, Nebraska.

Currently there are 28 States that administer MPI programs. We judgmentally selected and performed onsite reviews of State MPI program operations for the States of Mississippi and Missouri, two of the four States in which FSIS had completed comprehensive reviews. Mississippi was selected because it received a finding of "at least equal to" as a result of FSIS' comprehensive review. Missouri was selected because it received an initial determination of "does not support at least equal to" Federal laws and regulations for its overall State determination based on FSIS' onsite comprehensive review. Our review was limited to review of documentation and discussion regarding FSIS' comprehensive review process and State management controls of MPI program operations. We also visited one State-inspected establishment in each State to observe inspection operations. The establishments visited were judgmentally selected by State MPI program officials based on slaughter and/or processing activities conducted the day of the visit. We visited the establishments to obtain an understanding of program components related to humane handling of animals, inspection, and product sampling aspects of State MPI program operations.

We reviewed FSIS' FY 2005 management controls over the State MPI programs; however, older transactions were reviewed when deemed necessary. The fieldwork was performed from January 2005 to October 2005. Our review was performed in accordance with generally accepted government auditing standards.<sup>36</sup>

To accomplish the review objectives, we also performed the following:

- Reviewed and analyzed documentation pertaining to State MPI laws, regulations, policies, and procedures.
- Reviewed and analyzed self-assessments and onsite reviews performed by the review staff of MPI programs for Kansas, Mississippi, Missouri, Wisconsin, Delaware, Minnesota, North Dakota, and Ohio.

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<sup>36</sup> *Government Auditing Standards*, 2003 revision, GAO.

- Reviewed and analyzed documentation pertaining to MPI staffing, training, consumer safety, compliance activities, and funding and financial accountability.
- Interviewed FSIS officials from the State Program Liaison Staff; Office of Program Evaluation, Enforcement, and Review; Financial Review and Analysis Branch; and Office of Policy, Program, and Employee Development.
- Interviewed State MPI officials regarding FSIS' comprehensive review process and State MPI program operations.
- Reviewed and analyzed States of Mississippi and Missouri documentation supporting State MPI operations.

# Exhibit A – Summary of Monetary Results

<b>Finding No.</b>	<b>Recommendation No.</b>	<b>Description</b>	<b>Amount</b>	<b>Category</b>
5	11	Overdraw of Grant Funds	\$260,201	Questioned Costs – Recovery Recommended
5	N/A <sup>1</sup>	Overdraw of Grant Funds	\$1,238,582	Questioned Costs – No Recovery Recommended
5	N/A <sup>2</sup>	Interest Costs	100,000	FTBPTBU: Management Operating Improve/Savings

<sup>1</sup> Overdrawn grant funds not included in recommendation because Texas MPI program repaid FSIS excess funds.

<sup>2</sup> Interest costs of \$100,000 not included in a recommendation because the Texas MPI program is not a “major program” under the terms of the CMIA and therefore are not subject to interest liability.

## ***Exhibit B – Locations Visited***

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Exhibit B – Page 1 of 1

FSIS National Office - Washington, D.C.

FSIS Office of Program Evaluation, Enforcement and Review - Omaha, Nebraska

Mississippi Department of Agriculture - Jackson, Mississippi

Missouri Department of Agriculture - Jefferson City, Missouri

Establishment A

Establishment B

# **Exhibit C – Categories/Criteria Designating Frequency of FSIS Comprehensive Review**

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Exhibit C - Page 1 of 2

The categories designated the frequency of recurring comprehensive reviews based on the condition of the State program.<sup>37</sup>

## **Category 1**

Acceptable (at least every 5 years). All required items are in compliance with the Acts, Regulations and State Performance Plans (SPP).

## **Category 2**

Acceptable with minor variations (at least every 4 years).

- a. Variations found during reviews were considered minor and do not affect public health.
- b. Possibility that adulterated or misbranded product could enter human food channels is minimal.
- c. Procedures in SPP are being followed and updates are being sent to FSIS officials.
- d. Corrective actions taken by State officials were adequate to assure program maintenance in full compliance with the Acts and Regulations.

## **Category 3**

Acceptable with significant variations (at least every 3 years).

- a. Variations found during reviews were considered significant and may affect public health but were corrected immediately.
- b. Possibility that adulterated or misbranded product can enter the human food channels is minimal.
- c. Procedures in SPP are being followed, but effectiveness is in question.
- d. Major procedures in the SPP have been changed but updates have not been sent to FSIS officials as required.
- e. Actions taken by State officials are less than adequate to assure the program is maintained in compliance with the Acts and Regulations.

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<sup>37</sup> FSIS Directive 5720.2, revision 2, dated July 24, 1992.

# ***Exhibit C – Categories/Criteria Designating Frequency of FSIS Comprehensive Review***

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Exhibit C – Page 2 of 2

## **Category 4**

Unacceptable (frequency to be based on nature of findings).

- a. Variations found during reviews were considered significant and which may affect public health and were not corrected.
- b. Possibility that adulterated or misbranded product has entered or can enter human food channels.
- c. Procedures in SPP are not being followed, or procedures are being followed but are not effective.

# Exhibit D – Agency Response

Exhibit D – Page 1 of 6



United States  
Department of  
Agriculture

Food Safety  
and Inspection  
Service

Washington, D.C.  
20250

AUG 22 2006

**TO:** Robert W. Young  
Assistant Inspector General for Audit  
Office of Inspector General

**FROM:** Barbara J. Masters, D.V.M. *Barbara Masters*  
Administrator

**SUBJECT:** Office of Inspector General (OIG) Official Draft Audit Report – FSIS  
State Meat and Poultry Inspection Programs

We appreciate the opportunity to review and comment on this report. The Food Safety and Inspection Service (FSIS) has reviewed the draft report with great interest and has responded to each of the twelve audit recommendations. In addition to these responses, there are some areas within the report upon which FSIS would like to offer some additional comments for clarification:

In Finding 2 of the report, it is implied that the number of deficiencies in a State's establishments is the primary determinant as to whether the State's inspection program is "at least equal to" the Federal program. The report seems to imply that all HACCP and/or SSOP deficiencies have the same risk for endangering public health. A HACCP recordkeeping deficiency may not pose a direct risk to public health, while failure to monitor a critical limit may pose a severe risk to public health. Both would be recorded as "HACCP" noncompliance but would not carry the same weight. FSIS can provide additional information regarding our determinations that State programs are "at least equal to" the Federal program.

FSIS disagrees with the statement on page ii that "FSIS's new directive [*sic*] does not provide review officials with adequate guidelines for determining the staffing requirements of State MPI programs, for determining whether State MPI programs have fully implemented employee performance systems..." In the FSIS Manual under Component 4, staffing and training is assessed by examining the types of operations within the State, along with staffing information, and confirming during onsite reviews that the level of inspection coverage and the knowledge and skills of inspection personnel are adequate to ensure safe, wholesome and properly marked and labeled products. The focus is on "at least equal to" outcomes, as recommended by the National Advisory Committee on Meat and Poultry Inspection and Agency subject matter experts, rather than on prescriptive requirements. The State programs are not required to have employee performance systems identical to those the Federal program. They must be capable of effective enforcement under their laws to obtain results "at least equal to" the Federal statutes and regulations. Adopting the performance system used by FSIS would be just

one way a State could demonstrate that it is sufficiently evaluating the work performance of its inspectors.

The report implies that a performance evaluation system was not in place in Missouri. Although not following the Federal protocol for performance evaluation, Missouri did use another Federal tool to address employee performance through the use of their documentation on the In-Plant Performance System (IPPS) reviews that are conducted in each establishment once per quarter. If, during the course of the IPPS reviews, the Missouri supervisor determined that inspection procedures had not been conducted or were not appropriate, then that issue was discussed with the employee and documented on the IPPS form. FSIS accepted examples of employee performance review forms, in addition to the performance evaluation documentation that was contained within their IPPS reviews, as documentation that the Missouri program was “at least equal to” the Federal program.

Finally, regarding the recovery of excess funds allocated to Texas, the report incorrectly states that since 1997, FSIS has recovered these excess funds only when it conducts its onsite triennial fiscal review of the Texas MPI program. FSIS did recover excess funds from Texas during the yearend grant closeout process in FY 1999. FSIS can provide additional documentation as necessary.

## Section 1. FSIS Comprehensive Review Process Needs Strengthening

1. Recommendation 1  
Ensure that the remaining initial comprehensive onsite reviews of State MPI programs are completed.

### Agency Response

FSIS will complete the onsite verification reviews of all 28 State MPI programs prior to the end of FY 2006.

Completion Date: August 1, 2006

2. Recommendation 2  
Establish controls that will ensure the agency meets the requirements to review each State’s MPI program every 3 years or as needed.

### Agency Response

FSIS will review annual self-assessment submissions from all 28 states and implement risk-based onsite reviews ensuring at least one onsite review every three years. The timeline for this process is detailed in the *FSIS Manual for State Meat and Poultry Inspection Program Reviews*.

Completion Date: August 15, 2006

3. Recommendation 3  
Develop and implement formal standards to evaluate and document in the agency's summary reports the effect that establishment deficiencies have on final State MPI determinations.

Agency Response

The formal standards for determining whether a State program meets and enforces requirements "at least equal to" those imposed under the Federal Meat Inspection Act (FMIA) and the Poultry Products Inspection Act (PPIA) are delineated in nine review components in the *FSIS Manual for State Meat and Poultry Inspection Program Reviews*, July 2005. Agency regulations and Directives set the specific evaluation criteria (formal standards). During the onsite review, the review team verifies each checklist item on the State program's self-assessment within each of the review components except Component 1, Statutory Authority and Food Safety Regulations, which is fully addressed in Part 1 (self-assessment) of the review methodology.

FSIS recognizes that documentation in the onsite review reports needs to more clearly explain the reasoning for the overall decisions regarding each State program's "at least equal to" status. FSIS has clarified documentation requirements for the onsite review in its most recent revision of the *FSIS Manual for State Meat and Poultry Inspection Program Reviews*, which was issued on August 11, 2006.

Completion Date: August 11, 2006

4. Recommendation 4  
Require review officials to document the nature, extent, and degree of noncompliance(s) in onsite review reports supporting component and overall decisions.

Agency Response

FSIS will clarify documentation requirements for the onsite review in its next revision of the *FSIS Manual for State Meat and Poultry Inspection Program Reviews*, which is currently underway. All noncompliance documentation will clearly state sufficient detail of the nature, extent, and degree of the finding and how it relates to the overall food safety system within the establishment. Additionally, this documentation will provide sufficient support for the overall determination of the State's performance and ability to carry out a meat and poultry inspection program "at least equal to" the Federal program.

Completion Date: August 15, 2006

5. Recommendation 5  
Determine if the Federal method of assigning work can be adapted to evaluate the staffing needs of State MPI programs. If so, incorporate this tool into the staffing component of comprehensive MPI reviews; if not, develop and implement independent procedures to adequately analyze staffing requirements submitted by State MPI programs.

Agency Response

The “Method of Assigning Work” tool is now being assessed to determine if it can be provided to each of the State meat and poultry inspection programs to assist in the evaluation of their staffing needs to determine if the State has an adequate number of inspectors to provide a level of inspection coverage that is “at least equal to” that provided by FSIS. During the current project of revising the FSIS Manual for State Meat and Poultry Inspection Program Reviews, additional language/guidelines will be added to the staffing component to reflect that the “Method of Assigning Work” is one of the tools that States may use in analyzing staffing requirements.

In addition, FSIS will continue to assess a State program’s staffing by examining the State’s production volume and staff equivalence data and confirming during onsite reviews that the level of inspection coverage and the knowledge and skills of inspection personnel are adequate to ensure safe, wholesome, and properly marked and labeled products.

Completion Date: August 15, 2006

6. Recommendation 6  
Instruct Missouri MPI management to perform and document periodic evaluations of inspection staff. FSIS should perform a follow-up review to validate Missouri’s implementation of its employee performance system.

Agency Response

State of Missouri inspection officials have provided information that they have implemented a performance review system based upon FSIS Directive 4330.3, In Plant Performance System Reviews (6/17/02). Using this system, Missouri’s frontline supervisors periodically visit each establishment and conduct an assessment of individual aspects of the food safety systems within the establishment. Any performance weaknesses of assigned inspectors are documented using the IPPS review form.

Missouri’s self-assessment submission in the fall of 2006 will be required to address the employee performance system and our thorough review will determine if it is “at least equal to.” This aspect of Missouri’s program will also be reviewed during the next onsite review.

Completion Date: November 30, 2006

7. Recommendation 7  
Develop and implement procedures for determining whether State MPI programs have fully implemented employee performance systems.

Agency Response

FSIS will determine if State programs have implemented FSIS Directive 4330.3, In-Plant Performance System Reviews (6/17/02), or a similar system to document employee performance. As part of the review process, FSIS will determine if persons performing meat and poultry inspection and/or enforcement duties for the States have the knowledge, skills, and abilities to carry out a meat and poultry inspection program “at least equal to” the Federal program.

Completion Date: August 15, 2006

8. Recommendation 8  
Develop and implement procedures to verify that laboratories conducting analyses for State MPI programs produce accurate, reliable, and reproducible results.

Agency Response

FSIS agrees that laboratories conducting analyses for State MPI programs should produce accurate, reliable, and reproducible results. However, current laws and regulations governing State programs do not set requirements for laboratories. States are responsible to determine that their results are reliable and valid enough to stand in a court of law. FSIS provides guidance to State programs and formal checklists in the review manual appendices on good laboratory quality assurance practices. FSIS reviews each State’s verification testing program and laboratory capacity to ensure that mandatory analyses are conducted to prevent pathogenic bacteria and violative residues in products.

Section 2. Financial Reviews Were Not Always Timely

9. Recommendation 9  
Implement a plan to eliminate the current backlog of onsite fiscal reviews, including both regularly scheduled triennial fiscal reviews and first-year reviews of new programs.

Agency Response

FSIS has scheduled visits to Texas and Montana in July and August which will eliminate the current backlog of onsite fiscal reviews.

Completion Date: September 15, 2006

10. Recommendation 10  
Implement management controls to consistently and timely perform yearend grant closeouts of State MPI programs, and seek annual recovery of excess Federal funds held by State MPI programs.

Agency Response

FSIS will develop a business process with management controls in the form of Standard Operating Procedures (SOPs). The SOPs are projected to be completed by October 31, 2006 and will incorporate a shift in current policy and practices. The SOPs will prescribe the means by which FSIS will review the Financial Status Reports from the States on an annual basis and make disbursements or request excess funds as necessary. FSIS will implement the new process for the yearend grant closeout of FY 2006 with a target completion of July 2007. In addition, FSIS will make any additional refunds or collections during the 3 year comprehensive review.

11. Recommendation 11  
Seek immediate recovery of the \$260,201 in excess Federal funds for FY 2004 currently held by the Texas MPI program.

Agency Response

FSIS successfully completed a comprehensive onsite review of the Texas MPI Program in July 2006 that covered fiscal years (FY) 2003, 2004 & 2005. The final report will be completed by September 15, 2006, and the Agency will initiate the process to recover any excess grant funds by September 30, 2006.

12. Recommendation 12  
Monitor the yearend grant closeout of the 2005 Texas MPI program. If grant funds are held in excess of program needs, recover the excess funds and initiate action to include the Texas MPI program as a major program on Texas' Treasury-State Agreement.

Agency Response

FSIS successfully completed a comprehensive onsite review of the Texas MPI Program in July 2006 that covered fiscal years (FY) 2003, 2004 & 2005. The final report will be completed by September 15, 2006, and the Agency will initiate the process to recover any excess grant funds by September 30, 2006.

If you have any questions, please contact William C. Smith, Assistant Administrator, Office of Program Evaluation, Enforcement and Review, at (202) 720-8609.