





United States Department of Agriculture
Office of Inspector General
Washington, D.C. 20250



DATE: August 6, 2018

AUDIT
NUMBER: 01026-0001-41

TO: Ms. Annie Walker
Director, Internal Control Davison
Office of the Chief Financial Officer

FROM: Gil H. Harden
Assistant Inspector General for Audit

SUBJECT: AMS—Final Action Verification—Procurement and Inspection of Fruits and
Vegetables

The Office of Inspector General (OIG) completed a final action verification of all 12 recommendations in our February 2016 report on the *Agricultural Marketing Service's (AMS) Procurement and Inspection of Fruits and Vegetables* (Audit Report 01601-0001-41). Final action verification determines whether the final action¹ documentation the agency provides to the Office of the Chief Financial Officer (OCFO) supports the agency's management decision² reached with OIG. Our objective was to determine whether the documentation AMS provided OCFO was sufficient to close the recommendations made in Audit Report 01601-0001-41.

In a memo dated September 8, 2017, OCFO reported to AMS that it closed all of the recommendations, and we concur with this decision.

¹ "Final action" is the completion of all actions that management has concluded, in its management decision, are necessary with respect to the finding and recommendations included in an audit report. DR1720-001, 6g(1)(2), dated Nov. 2011.

² "Management decision" is an agreement between agency management and OIG on the action(s) taken or to be taken to address a finding and recommendations cited in an audit report. The management decision must include the agreed-upon dollar amount affecting the recommendations and an estimated completion date unless all corrective action is completed by the time agreement is reached. DR1720-001, 6i, dated Nov. 2011.

Background

Our report, *AMS Procurement and Inspection of Fruits and Vegetables*,³ made 12 recommendations to improve AMS controls to help ensure that processed fruits and vegetables are procured in compliance with Federal purchasing regulations and that processing facilities and products are timely and effectively inspected.

OIG and AMS reached management decision on all the recommendations in a memorandum dated March 9, 2016. The memorandum detailed what AMS needed to implement in order to achieve final action on the recommendations.

In accordance with Departmental Regulation 1720-001,⁴ OCFO has the responsibility to determine final action for recommendation(s) where OIG has agreed to management decision. As such, OCFO evaluates agency-provided documentation to support planned corrective actions and to determine if final action has occurred.

Scope and Methodology

The scope of this final action verification was limited to determining whether AMS' plan of action for all of the recommendations in the subject report was completed in accordance with the management decisions reached on March 9, 2016. To accomplish our objective, we reviewed documentation AMS submitted to OCFO. We did not perform internal control testing or make site visits to determine whether the underlying deficiencies that were initially identified had been corrected. In addition, we did not provide an opinion on the results of the implementation or effectiveness of each recommendation. As a result, this verification was not conducted in accordance with Generally Accepted Government Auditing Standards issued by the Comptroller General of the United States.

Results of Final Action Verification

We determined that AMS provided sufficient documentation to OCFO to close the 12 recommendations we made in our February 2016 audit report on AMS' procurement and inspection of fruits and vegetables. The table summarizes the actions AMS took with respect to each recommendation.

We informed AMS officials of the results of this final action verification.

³ Audit Report 01601-0001-41, *AMS Procurement and Inspection of Fruits and Vegetables*, Feb. 2016.

⁴ DR1720-001, 7d(1-9), dated Nov. 2011.

Rec. No.	Recommendation	Action Taken
1	Complete the closeout process for the 2,198 completed contracts cited in the finding and de-obligate \$19,652,098 in funds associated with those contracts.	AMS provided supporting documentation to substantiate the 2,198 contracts awarded in FY 2011 through 2013 had been closed and funds were deobligated.
2	Establish a procedure to review completed contracts and ensure the required contract closeout actions are performed according to CPS-PM-001.	<p>The Commodity Procurement Staff (CPS) issued guidance on contract closeout on April 15, 2016, which included actions to be conducted by the staff for all purchase orders and contracts to include verification that completed contracts are closed out.</p> <p>The policy memo was also provided to OCFO to show that the policy was updated and distributed to the staff.</p>
3	Require Officers-in-Charge (OIC) to obtain documentation and include a narrative in the purchase order folder that supports AMS' trace-back determination. Also, ensure that documentation is maintained in the purchase order file.	<p>AMS provided support to substantiate "Domestic Origin and Code Traces" training to the Specialty Crop Inspections (SCI) employees on May 2, 2016, which covered all the topics as stated in the agency response.</p> <p>Additionally, AMS provided an example of how a complete trace-back would be performed by SCI employees. Per these guidelines, any incomplete trace-backs would be returned to the contractor immediately for completions.</p>
4	Require AMS to develop procedures to ensure OICs are documenting their review of the purchase order folders, including the corrective action taken when documentation is incorrect, incomplete, or missing.	<p>The Specialty Crops Program (SCP) updated the USDA Purchase Manual to reflect the new process in conducting quarterly reviews of at least 25 percent of all contract folders annually.</p> <p>Additionally, the procedures for carrying out the documenting reviews were discussed with OICs at the Train-the-Tracer training held May 2, 2016.</p>

Rec. No.	Recommendation	Action Taken
5	Require AMS to develop procedures to ensure inspectors in the field offices send the commodity samples for assessment reviews when due and develop a flag system at the national level to detect when commodity samples have not been sent in.	AMS provided support to substantiate enhancements to its SharePoint site. The USDA Purchase Manual has been revised to outline the sample submittal time frames.
6	Perform a review of the Quality Assurance Program (QAP) to ensure uniformity in the application of rules, procedures, and standards. Identify deficiencies and areas for improvement.	SCP established a team to conduct the QAP review. As a result of the review, the QAP manual was revised to improve the flow of the manual, increase uniformity of the program, and address concerns from the OIG audit.
7	Develop procedures requiring field offices that do not rotate their inspectors to provide an action plan of how monitoring will be increased and for the regional office to verify that this action was accomplished.	The Employee Rotation Policy was revised in May 2016 to include specific criteria and reporting requirements for OICs' annual assessments of the performance of inspectors who are not rotated.
8	Develop procedures that require documented annual certifications of inspectors' review of verification work plans with updates or revisions submitted to the field and regional offices for approval. Include spot checks by the national office to test that verification work plans are in place and have undergone the required review.	The revised QAP Manual includes procedures for documenting annual certifications of inspectors' review of its Verification Work Plan. Appendix III of the manual now includes the certification document that requires the signature of the OIC who performs the annual review of the current QAP work plan and manual and verifies that the required approvals have been documented.
9	Develop procedures to ensure that all annual reports are submitted and reviewed by field, regional, and national offices.	The revised QAP Manual describes the approval process of the Verification Work Plan (see Recommendation 8 above). In addition, SCP established the Field Office Review Manual. The manual contains the instructions for conducting field office reviews, including procedures for planning, documenting, reporting, and distributing reports.

Rec. No.	Recommendation	Action Taken
10	Develop procedures specific to QAP annual reports that require documentation of dates for each major deviation throughout the year.	The revised QAP Manual includes instructions on tracking each major deviation throughout the year. Appendix IIX shows the Verification Deviation Tracking Form to be used for recording major deficiencies in the QAP annual reports.
11	Review QAP contract agreement instructions and distribute updated guidance that incorporates periodic reviews by regional office staff to ensure consistency.	SCP incorporated the updated criteria for periodic regional office reviews of the program in FV-398, Field Office Review Report. The inspection operations headquarters staff reviews each report to ensure full compliance by field supervisors on all checklist items.
12	As part of the annual reporting process, require field officers to ensure that contract agreements with plant management are up-to-date.	SCP has been reviewing inplant contracts with the industry (plant officials) at the Fresno, Stockton, Yakima, and Covina AMS offices. The requirements for regional and/or national level reviews of contracts annually are incorporated into the Field Office Review Report.

cc:

Frank Woods, Audit Liaison, AMS

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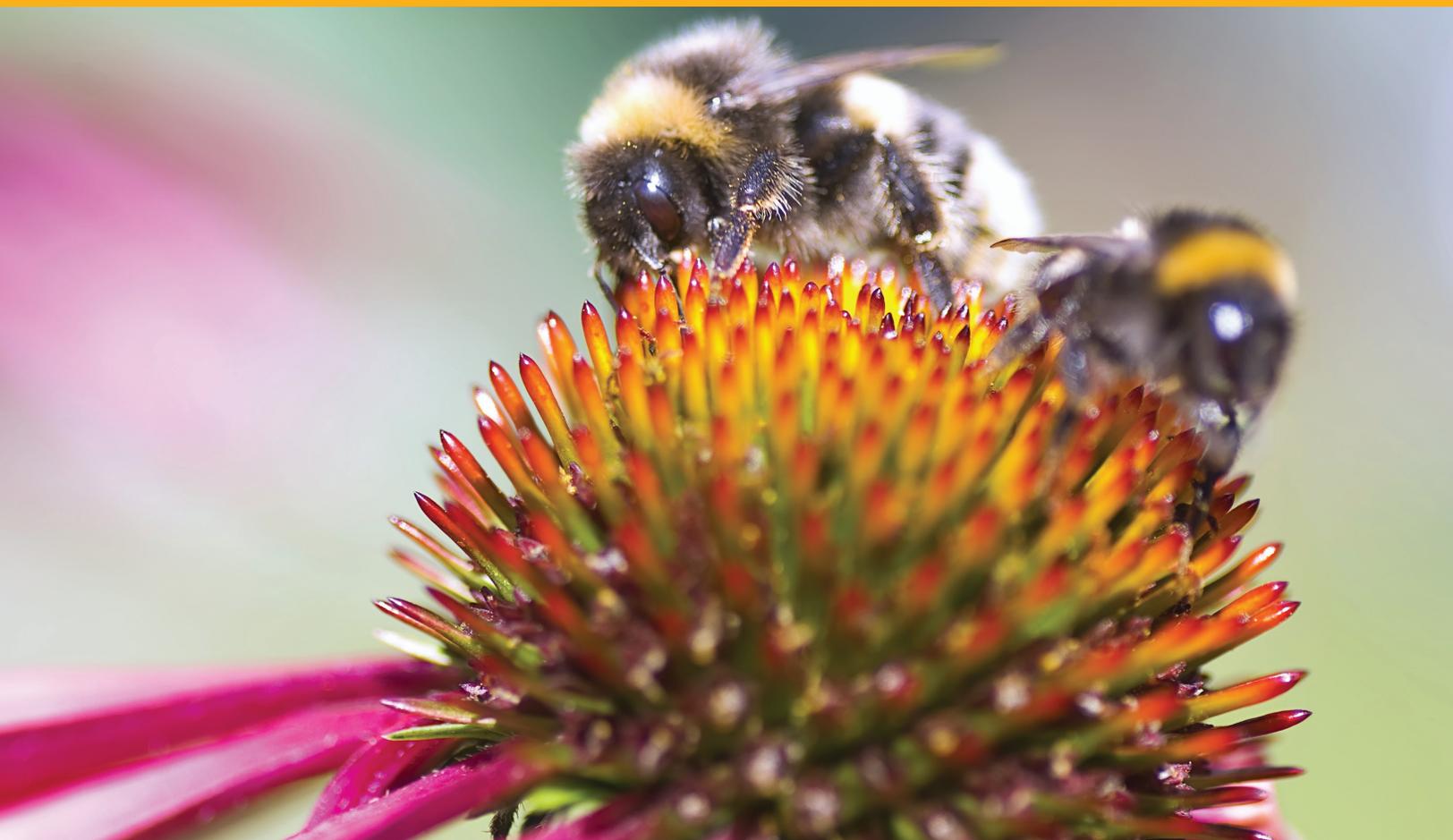
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