



U.S. Department of Agriculture



Office of Inspector General
Northeast Region

Audit Report

Assessment of USDA's Controls to Ensure Compliance with Beef Export Requirements

Report No. 50601-06-Hy
July 2009



UNITED STATES DEPARTMENT OF AGRICULTURE
OFFICE OF INSPECTOR GENERAL
Washington D.C. 20250



July 15, 2009

REPLY TO

ATTN OF: 50601-06-Hy

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FROM: Robert W. Young /s/
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for Audit

SUBJECT: Assessment of USDA's Controls to Ensure Compliance with Beef Export Requirements

This report presents the results of the subject audit. Your response to the official draft, dated June 29, 2009, is included as exhibit E. Your response and the Office of Inspector General's (OIG) position are incorporated into the Findings and Recommendations section of the report. Based on your response, we accepted management decision on four of the report's five recommendations. Please follow your agency's internal procedures in forwarding documentation for final action to the Office of the Chief Financial Officer.

In accordance with Departmental Regulation 1720-1, please furnish a reply within 60 days describing the corrective actions taken or planned for recommendation 4. Please note that the regulation requires management decision to be reached on all recommendations within 6 months of report issuance.

We appreciate the courtesies and cooperation extended to us by members of your staff during this audit.

Executive Summary

Assessment of USDA's Controls to Ensure Compliance with Beef Export Requirements (Audit Report No. 50601-06-Hy)

Results in Brief

In August 2007, the Chairman of the Budget Committee of the United States (U.S.) Senate asked the Office of Inspector General (OIG) to assess the Food Safety and Inspection Service's (FSIS) export certification process because of concerns regarding the trade impact of exported U.S. beef product rejected by foreign countries. To assess the export certification process, we evaluated: (1) the United States Department of Agriculture's (USDA) controls to ensure exported beef products comply with trade requirements; (2) the process for informing the agency and industry about export requirements; and (3) whether changes are needed to both the bilateral agreements and inspection personnel training to prevent recurring rejections. Further, we evaluated the Agricultural Marketing Service's (AMS) and FSIS' implementation of prior OIG audit recommendations.¹ We concluded that AMS and FSIS had adequately implemented five of the six prior recommendations to improve the oversight of export activities. For the sixth recommendation FSIS updated guidance provided to supervisors as its corrective action; however, FSIS must ensure that supervisors implement this guidance by thoroughly assessing the export duties of inspection personnel. In addition, FSIS needs to strengthen its oversight by analyzing the reasons why foreign countries reject U.S. beef products when these products are presented for re-entry into the United States.

AMS is responsible for reviewing and approving companies as eligible suppliers of beef products exported to foreign countries when such countries require companies to meet specific production standards. FSIS is responsible for ensuring that meat and poultry products exported to other countries are not adulterated and have met all U.S. food safety standards for sale in domestic or international commerce. In addition, FSIS is responsible for ensuring that, as required by trade agreements,² foreign country specifications are met prior to product being certified by FSIS for export. In December 2003, U.S. trade of beef was interrupted when Japan closed its border due to the identification of the first Bovine Spongiform Encephalopathy (BSE) case, commonly referred to as "mad cow disease,"³ in the United States. This disruption in trade, that occurred in 2003, cost the U.S. economy approximately \$1.4 billion. Although trade with Japan was

¹ *Assessment of USDA's Controls for the Beef Export Verification Program for Japan*, Audit Report No. 50601-11-HQ, February 2006.

² Trade agreements specify how the foreign country prefers products to be processed, labeled, and packaged.

³ BSE, widely referred to as "mad cow disease," is a chronic degenerative disease that affects the central nervous system of cattle. BSE belongs to a family of diseases known as the transmissible spongiform encephalopathies, which include scrapie in sheep and goats, chronic wasting disease in deer and elk, and Cruetzfeldt-Jakob disease in humans.

reinstated in July 2006, Japan and other foreign countries, such as Mexico, South Korea, and Canada, continue to sporadically reject U.S. exports and ban U.S. establishments from exporting to their countries because they did not meet trade requirements, which negatively impacts the U.S. economy. From 2006 to 2008, the United States exported over 5.3 billion pounds of beef and beef products worth about \$8.3 billion in export sales. From January 2006 to October 2008, re-entry to the United States was requested for at least 926⁴ shipments, an estimated 37 million pounds of product,⁵ rejected by foreign countries; however, these rejections were not always reported in the press.

In order for banned establishments to resume trade with Japan and Korea, FSIS' Office of Program Evaluation, Enforcement and Review (OPEER) conducted oversight investigations. Since 2006, OPEER has investigated a total of 18 highly publicized bans and rejections⁶ and found, in 6 instances, inspection personnel had failed to follow FSIS guidance.⁷ These employees were sanctioned by either written reprimand or were removed from performing export duties for a period of time.

Audit Results

The Chairman of the Budget Committee of the U.S. Senate questioned whether changes were needed to the bilateral agreements and the training process for inspection personnel to prevent recurring rejections. In addition, the Chairman questioned the adequacy of the process for informing all applicable personnel of export requirements (see Exhibit A). A review of the negotiation of bilateral agreements disclosed the Office of the U.S. Trade Representative and USDA's Foreign Agricultural Service were responsible for negotiating the terms of the agreements with the foreign country, while FSIS provided technical advice and expertise in areas concerning food safety. Thus, we determined that FSIS identified and addressed concerns with the requirements imposed by the foreign countries. Additionally, a review of FSIS' current training program disclosed FSIS had incorporated modules to instruct inspection personnel how to conduct export verification and certification procedures. FSIS and AMS implemented PartnerWeb⁸ to inform agency and industry personnel about export requirements. However, we believe FSIS can further strengthen its controls by improving the oversight of beef exports. We found the following:

⁴ We could not determine the exact number of shipments rejected during this period, because FSIS combined shipments when re-entry to the United States was requested. Of the 926 shipments rejected, 443 shipments were of beef and beef products. The remaining 483 shipments rejected consisted of various products including poultry, pork, and egg.

⁵ According to FSIS, each container shipped holds approximately 40,000 pounds of product.

⁶ Shipments were rejected because of mislabeled boxes, missing export certificates, and bones in products, among other concerns.

⁷ The remaining 12 highly publicized bans and rejections were attributed to establishment errors.

⁸ PartnerWeb is a shared website used by AMS and FSIS to convey to its users the approved product list for each participating establishment exporting products under the Beef Export Verification program.

- FSIS needs to analyze information collected about beef products rejected by foreign countries and presented for re-entry into the United States. Since January 2006, FSIS has informally tracked this data; however, the agency did not implement procedures to ensure it captured data that were consistent and complete. Moreover, FSIS did not require this data to be regularly analyzed to proactively identify areas for improvement in the export certification process. For example, we found that from January 2, 2006 to October 23, 2008, 222 shipments were rejected because of errors that occurred during the plant packaging process⁹ (see Exhibit B). This occurred because FSIS appropriately handled food safety concerns immediately and only focused on commercial concerns¹⁰ when the rejection resulted in the establishment being banned from future exports or when the country closed its borders to U.S. exports. As a result, the continuous rejection of exports increases the risk of U.S. trade disruptions, which in the past have proven costly to the U.S. economy.
- FSIS needs to monitor frontline supervisors (FLS)¹¹ to ensure they assess, at least once during the rating cycle,¹² all performance elements for inspection personnel performing export duties. For the two FSIS Districts reviewed, FLS did not assess all nine export performance elements during the fiscal year 2008 rating cycle (See Exhibit C). FLS were required to assess the 9 export performance elements for each of the 395 employees performing export duties each rating cycle. We found, however, they did not assess all 9 elements 68 percent¹³ of the time during the period of August 2007¹⁴ to September 2008. This occurred because the agency does not have procedures that require agency managers in the District offices to monitor whether FLS evaluate inspection personnel on all export performance elements. As a result, FSIS cannot be assured that inspection personnel perform all export duties as required, thus increasing the risk of shipments not meeting export requirements. For example, if FLS had assessed all performance elements, they might have identified issues with the export verification and certification process that could

⁹ Errors occurring during the plant packaging process include mislabeled product, customer specifications not met, faulty packaging, and/or customer quality needs not met.

¹⁰ Such concerns include mislabeling of products and missing export stamps.

¹¹ Frontline supervisors oversee in-plant inspection activities within each circuit in a district. Frontline supervisors' duties include, but are not limited to: overseeing and coordinating the review, implementation, and assessment of in-plant inspection programs; using the In-Plant Performance System (IPPS) to guide, direct, and assess the overall performance of non-supervisory inspection personnel, and ensuring the comprehensive analysis of corrective actions to resolve noncompliances.

¹² A rating cycle normally consists of 12 calendar months (July 1 – June 30), however for the 2008 rating cycle, FSIS extended the end date until September 30, 2008. FLS are required to conduct, at minimum, two IPPS reviews in which they will assess all nine export performance elements at least once during the rating cycle.

¹³ FSIS stated that some elements were not assessed for inspection personnel conducting export tasks because the elements were performed by other inspection personnel located in the establishment; as such the assessment of these elements would be not applicable. However, as discussed in finding 2, FSIS managers were using “no” and “not applicable” interchangeably when reporting whether an export task was assessed; therefore it was unclear whether assessments not performed were applicable to the employee.

¹⁴ Although the period we reviewed (August 2007 to September 2008) did not represent the entire rating cycle for 2008, we do not believe this had a material effect on our conclusion because FSIS traditionally does not perform the bulk of their IPPS assessments during the first month of the rating cycle.

have potentially prevented some of the 214 shipments from being rejected by foreign countries for export processing errors (see Exhibit B).

Lastly, an assessment of prior audit work showed AMS and FSIS had fully implemented five of the six recommendations (see Exhibit D). As discussed previously, although FSIS added export performance elements as part of the assessment of inspection personnel, FSIS supervisors were not assessing all these elements when evaluating the performance of the inspection personnel.

We believe FSIS' improvement of export oversight will allow the agency to identify and address weaknesses in its export certification process, which could result in the decrease of export rejections and prevent further disruptions of U.S. trade.

Recommendation In Brief

FSIS should establish and implement a process to periodically analyze information collected during the re-entry of exported products rejected by foreign countries. FSIS should also establish controls to ensure that results obtained from the analysis of re-entry applications are used to identify potential areas of improvement in the export certification process. In addition, FSIS should establish a monitoring control to ensure supervisory personnel have evaluated all export performance elements as required during the rating cycle.

Agency Response.

FSIS agreed with the report's 5 Recommendations. We have incorporated the FSIS response in the Findings and Recommendations section of this report, along with the OIG position. FSIS' response to the draft report is included in its entirety as Exhibit E.

OIG Position.

We accepted management decision for Recommendations 1, 2, 3, and 5. We can accept management decision on Recommendation 4 once FSIS explains how it will incorporate procedures to ensure District Managers/Deputy District Managers certify FLS are assessing inspection personnel each rating cycle.

Abbreviations Used in This Report

AMS	Agricultural Marketing Service
BEV	Beef Export Verification
BSE	Bovine Spongiform Encephalopathy
FAS	Foreign Agricultural Service
FLS	Frontline Supervisors
FSIS	Food Safety and Inspection Service
HACCP	Hazard Analysis and Critical Control Point
IID	Import Inspection Division
IPPS	In-Plant Performance System
OIG	Office of Inspector General
OPEER	Office of Program Evaluation, Enforcement and Review
U.S.	United States
USDA	United States Department of Agriculture
USTR	Office of the U.S. Trade Representative

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Background and Objectives

Background

The United States Department of Agriculture's (USDA) oversight of the beef export program is handled by the Agricultural Marketing Service (AMS) and the Food Safety and Inspection Service (FSIS). According to the United States (U.S.) Meat Export Federation, in 2008, the United States exported over 2 billion pounds of beef and beef products with a market value of over \$3.3 billion in export sales. Although the United States exports various products to different countries around the world, as of November 2008, our major trading partners were Mexico, Canada, Egypt, Japan, and South Korea. Combined, the United States exports over 1.6 billion pounds (77 percent) of its beef products to these five countries, which was worth about \$2.7 billion (80 percent). Each of these countries has elected to voluntarily participate in the AMS Beef Export Verification (BEV) program. In addition, there are 19 other countries that have voluntarily elected to participate in the BEV program.¹⁵ These countries chose to participate in the BEV program because it provides added assurance that beef exported would meet the foreign country's requirements. Beef is also exported to countries that do not participate in the BEV program.

FSIS is the public health regulatory agency of the USDA. As such, the agency protects consumers by ensuring that meat products are safe, wholesome, and accurately labeled. Under the Federal Meat Inspection Act, FSIS inspects all meat sold in interstate commerce to ensure that it meets U.S. food safety standards. For meat products exported to foreign countries, FSIS performs the tasks necessary to meet the foreign countries' requirements.¹⁶

Export Process

The export of U.S. meat products to foreign countries is facilitated by the activities of several separate but interdependent entities: the U.S. meat industry; USDA's FSIS, AMS, and Foreign Agricultural Service (FAS); and the Office of the U.S. Trade Representative (USTR).

The U.S. meat industry is responsible for the slaughter of healthy animals and preparation of food products that are wholesome, properly labeled, and not adulterated. In addition to meeting U.S. food safety standards, the industry must meet requirements imposed by foreign countries to which the product is exported. For example, Japan imposed a requirement that all meat and meat

¹⁵ Hong Kong, Lebanon, Singapore, Taiwan, Thailand, Vietnam, Belize, Cayman Islands, Chile, Dominican Republic, El Salvador, St. Kitts and Nevis, St. Lucia, Ukraine, Colombia, Malaysia, Panama, Peru, and Russia.

¹⁶ FSIS performs similar inspections for poultry and processed egg products.

products must be produced from cattle 20 months of age or younger. This is one of several requirements included in the trade agreement with Japan.

AMS and FSIS are the agencies directly involved in assuring beef processing establishments comply with trade agreements. AMS is responsible for approving establishments as eligible suppliers of bovine meat and meat products under its BEV program. The BEV program allows the foreign country to specify the type of products it is willing to accept from the individual establishment as well as specific processing and packaging requirements. Exporting establishments have to be pre-approved by AMS and the foreign country before the establishment is allowed to export any product. AMS' BEV program is designed to encompass the requirements of foreign countries that are not components of FSIS inspection activities. The BEV program also provides documented assurance that a supplier is able to meet those requirements. AMS' Audit, Review, and Compliance Branch audits eligible establishments participating in the BEV program for compliance with the program semi-annually.

FSIS applies the same inspection procedures for products being exported as it does for products consumed domestically. FSIS' mission includes providing assurance that exported beef and beef products meet the requirements of the foreign countries as agreed during the trade negotiation. The combination of a USDA mark of inspection, export certificate, and export stamps provides assurance that U.S. meat products offered for export are certified as meeting all U.S. food safety standards and the foreign country trade requirements. To communicate foreign country requirements, FSIS maintains the export library as a primary resource for use by inspection personnel to verify foreign country requirements for products exported from the United States. The export library contains relevant export documents and information including export requirements for meat, poultry, and egg products, export related notices and directives, and all eligible U.S. establishments. Moreover, the export library includes requirements for countries that participate in AMS' BEV program, as well as for countries that do not participate in the program.

The USTR is responsible for developing and recommending U.S. trade policy to the President of the United States as well as conducting trade negotiations at bilateral and multilateral levels with foreign countries. FAS is responsible for conducting market development of U.S. agricultural products with foreign countries, negotiating international trade agreements, and collecting statistical and market information for USDA. USTR and FAS work closely to establish specific trade policies between the United States and foreign countries for the export of agricultural products. Along with these agencies, AMS and FSIS provide technical expertise as needed to establish certain conditions of trade to be adhered to by the U.S. meat industry in exporting product.

Product that meets the conditions of trade as established by foreign countries is certified by FSIS as meeting these conditions. However, history has shown foreign countries refused and/or returned products to the United States because it did not comply with specified trade requirements. When product is refused entry due to a public health concern, the foreign country notifies FSIS of the rejection. However, product rejected due to commercial reasons such as processing, packaging and/or export certification errors, is not communicated to FSIS unless the owner of such shipments requests re-entry of products to the United States. FSIS has established a process to return product to the United States that was refused entry into foreign countries. This process is outlined in FSIS Directive 9010.1, Revision 1, United States Exported and Returned Products, dated September 5, 2007.

FSIS is developing a Public Health Information System that will allow the agency to track activities in four modules: domestic inspection, import, export, and predictive analysis. The system integrates the agency's numerous applications that collect information regarding inspection, enforcement, scheduling, modeling, and analysis. Although FSIS has stated this system would be fully implemented by the end of fiscal year 2009, as of December 2008, FSIS had not begun the design phase for the export module.

Events Leading to this Audit

In December 2003, the first case of Bovine Spongiform Encephalopathy (BSE), widely known as "mad-cow disease,"¹⁷ was found in the State of Washington. Since then, the effects of BSE have negatively impacted the U.S. beef export market. Major trading countries banned U.S. beef and beef products in December 2003 after the first case of BSE was identified.

In October 2004, representatives from the Governments of Japan and the United States met in Tokyo to discuss the resumption of beef trade between the two countries. On December 11, 2005, the Secretary of Agriculture announced that the Japanese market was again open to accepting U.S. beef products, but only from age verified cattle 20 months or younger. On January 20, 2006, Japanese officials again halted the import of beef and beef products from the United States. This action was taken because veal product from a U.S. plant contained vertebral column, which was a violation of the agreement between the United States and Japan. As a result, the Secretary requested that the Office of Inspector General (OIG) identify the controls put in place to ensure beef products met the requirements of the BEV program for Japan, examine whether the controls broke down, and determine whether additional actions could be taken to ensure future compliance by responsible agency employees. OIG found that AMS and FSIS could strengthen their

¹⁷ BSE, widely referred to as "mad cow disease," is a chronic degenerative disease that affects the central nervous system of cattle. BSE belongs to a family of diseases known as the transmissible spongiform encephalopathies, which include scrapie in sheep and goats, chronic wasting disease in deer and elk, and Cruetzfeldt-Jakob disease in humans.

controls over the BEV program by improving processes used to communicate BEV program requirements, clearly defining roles and responsibilities, and implementing additional oversight of FSIS inspection personnel. Also, we found that the enforcement of compliance with BEV requirements broke down because the processes and documents used to communicate export requirements to inspection personnel were insufficient and non-specific.¹⁸

In July 2006, the United States and Japan resumed beef trade activities followed by other foreign countries reopening their markets. However, concerns over the export of beef and beef products from U.S. establishments still exist. Since the reopening of markets in July 2006, the press has reported at least 9 establishments banned from exporting to foreign countries. As a result, the Chairman of the Budget Committee of the U.S. Senate requested OIG perform work to determine why beef products inspected by FSIS inspection personnel were approved for export when, according to the foreign countries, they did not meet the conditions of trade. The specific questions raised by the Senator are included in Exhibit A.

Objectives

Our overall objective was to assess USDA's controls to ensure exported beef products comply with trade requirements established with foreign countries. Specifically, we determined (1) whether FSIS personnel have repeatedly allowed shipments of beef products to be exported when they did not meet the conditions for export; (2) what steps FSIS has taken to ensure that licensed beef processors, exporters, and FSIS personnel are fully aware of the implementing procedures to comply with the specific terms of trade contained in bilateral agreements; (3) whether changes should be made in future bilateral agreements and if any changes are needed in training FSIS personnel to prevent the recurrence of these problems; and (4) whether AMS and FSIS have fully implemented corrective actions agreed to in OIG's prior audit report - "Assessment of USDA's Controls for the Beef Export Verification Program for Japan."

¹⁸ *Assessment of USDA's Controls for the Beef Export Verification Program for Japan*, Audit Report No. 50601-11-HQ, February 2006.

Findings and Recommendations

Section 1 Oversight of the Export Process Needs to be Improved

The FSIS export certification process is designed to instill confidence in the foreign country that U.S. meat is safe and wholesome. The export certification includes a verification process in which FSIS verifies the product meets U.S. food safety requirements and the specific trade requirements of the foreign country. It also includes the official signing of the export certificate by FSIS officials stating the product has met all export requirements. When product is processed, packaged, and exported from an approved establishment, FSIS conducts a limited examination¹⁹ of the product because FSIS managers rely on inspection personnel having been onsite to observe and inspect the slaughter, processing, and packaging of the product. When the product is transferred to a different establishment or cold storage facility prior to export, inspection personnel conduct a sensory inspection²⁰ of the product to ensure it has not been adulterated or become unwholesome since processing. If the sensory inspection results in suspicion of poor product handling and/or storage, inspection personnel may select up to 5 percent of the boxes for reinspection of the product and reject products as necessary.²¹ Since packaging and quality errors may be related to single boxes within a shipment, there is an inherent risk to this inspection process that errors will not be detected and shipments that do not meet trade requirements will be exported.²²

Currently, FSIS does not track shipments once the export certificate is issued because the agency's responsibility ends once the product is certified as safe, wholesome, and ready for export. FSIS' focus is food safety. FSIS maintains open communication with USDA's FAS and the foreign countries to ensure any public health concerns are addressed immediately. However, there are many commercial reasons²³ for which foreign countries reject²⁴ U.S. shipments and on occasion these shipments are diverted to other countries, by the owner, without FSIS intervention. Unless a foreign country chooses to apply a sanction²⁵ or the product's owner requests re-entry of the shipment to the United States, FSIS remains unaware of the status of shipments certified for export. FSIS only addresses these commercial issues when foreign countries delist establishments or choose to close borders.

¹⁹ Inspection personnel inspect the shipments, paying close attention to identify leakage or damaged boxes.

²⁰ A sensory inspection is when an inspector reviews the shipment to ensure there are no damaged boxes, no odor, no leaks, the temperature is correct, and boxes are properly labeled. Inspection personnel are not required to open the box, unless they identify signs of poor product handling and storage while conducting the sensory review.

²¹ FSIS can reject the entire shipment or only the boxes affected.

²² Shipments can include several hundred boxes, and unless a sensory inspection flags a problem FSIS is concerned that opening boxes outside the processing area may result in food safety consequences.

²³ Commercial reasons include both changes to the orders while product is in-transit and countries rejecting product because they had an excess of that type of product in the country.

²⁴ FSIS considers the shipment rejected when the foreign country refuses to allow the shipment to enter its borders.

²⁵ Sanctions may vary from simply rejecting the product without further recourse to much stronger actions like delisting the establishment or closing the borders.

We found that FSIS needs to implement procedures to consistently and completely capture and track data on shipments rejected by foreign countries and presented for re-entry into the United States. A structured analysis of this data could allow FSIS to proactively address concerns in the export process. We also found that frontline supervisors (FLS) did not always assess inspection personnel performance in the nine export performance elements. We found that the breakdown in the export verification process can be correlated to the elements not being assessed by the FLS because rejections were occurring in the areas in which the elements were not assessed. For example, from 2006 to 2008, 214 of the 926 rejections occurred due to such reasons as boxes missing export stamps and incorrect export documentation.

FSIS should improve its oversight of exports by analyzing information collected during the approval of product re-entry. In addition, to strengthen its management process, FSIS should further analyze how supervisors are assessing inspection personnel, thus allowing FSIS to identify areas within its processes that need improvement.

Finding 1**Re-Entry Data Should be Analyzed**

While attempting to determine the scope of export rejections, we found that since January 2006, FSIS has informally²⁶ tracked data about beef product exports rejected by foreign countries and presented for re-entry into the United States. However, the agency did not implement procedures to ensure it captured complete and consistent data. Moreover, FSIS did not require this data to be regularly analyzed to identify areas for improvement in the export certification process. According to FSIS officials, this occurred because the agency focused its resources on food safety and food defense²⁷ as opposed to export certification. While we agree with this prioritization of agency resources, FSIS should also enhance the agency's oversight and analysis of beef products rejected by foreign countries because rejections can disrupt U.S. trade. From 2006 to 2008, the United States exported over 5.3 billion pounds of beef products valued at more than \$8.3 billion.²⁸

Federal regulation²⁹ states continuous monitoring and testing should help the agency identify poorly designed or ineffective controls. Further, they state the use of periodic reviews, reconciliation and comparison of data, and periodic

²⁶ Although FSIS has procedures for approving or denying requests for the re-entry of meat to the United States, there are no requirements for the agency to track or analyze the information being collected. FSIS created this informal tool to centralize the information being collected when it became too voluminous to maintain by individual employees.

²⁷ Food Defense is the protection of food products from intentional adulteration by biological, chemical, physical or radiological agents. It addresses additional concerns including physical, personnel, and operational security.

²⁸ United States Meat Export Federation (2008)

²⁹ Office of Management and Budget, Circular A-123 – Management's Responsibility for Internal Control, issued December 21, 2004.

assessments should be integrated as part of management's continuous monitoring of internal controls.

Within FSIS, the Import Inspection Division (IID) is responsible for approving the re-entry of exported product to the United States. IID uses information recorded on FSIS Form 9010-1, *Application for the Return of Exported Product*, to approve re-entry. The application is designed to provide such information as: (1) the condition of the product and its immediate container; (2) the length of time the product was out of the country; (3) the conditions under which the product was held; (4) whether the product label is in compliance with U.S regulations; and (5) whether the product was refused entry by the foreign government and the circumstances behind the refusal. FSIS officials explained that if all of the necessary information was not recorded on this application, they would contact the applicant to obtain complete information. Information collected from the application is posted and maintained on an informal spreadsheet stored on the agency's "shared drive."³⁰ However, not all of the information as identified on the application is collected and recorded in the spreadsheet.³¹ Because of the informal process by which the information is maintained, FSIS does not have guidance on how the data are recorded or should be analyzed.

The information recorded on the spreadsheet provides a snapshot of the product re-entering the United States; however, the information as collected was not consistent. For example, we identified 92 of 926 entries on the spreadsheet where staff combined multiple rejections as 1 entry in the spreadsheet, thus skewing the number of actual shipments returned. Also, we found entries with vague descriptions of why the product was returned. For example, a shipment rejected by the foreign country indicated the reason for return was because of improper markings. To assess the adequacy of the information as recorded on the spreadsheet, we judgmentally selected 46 of 926 applications for review. We determined that the information as collected was not complete. For example, only 1 of the 46 applications we reviewed included answers to the 10 questions as listed in the directive³² and only 2 of 46 had attached the refused entry form provided by the foreign country documenting the reason for the rejection.³³

FSIS does not have guidance for staff to analyze the information collected during the re-entry process and staff does not conduct any type of analysis. We found that if FSIS grouped the causes for product rejections into specific categories, the agency could identify trends and other weaknesses in the

³⁰ A "shared drive" is a common network folder(s) that can be utilized for storing files that need to be viewed and/or maintained by multiple users. Generally the folder sharing is among users in a particular department or area within a department but can be extended across departments.

³¹ For example: the establishment number, date product was produced, the weight of the product, number of cartons rejected, and the date product was released into United States commerce.

³² FSIS Directive 9010.1, United States Exported and Returned Products, Revision 1, dated September 5, 2007.

³³ Although FSIS does not require applicants to attach the foreign country's refused entry form, it may provide FSIS with a better explanation of why the shipment was refused entry to the foreign country.

export process. By analyzing the 926 entries³⁴ on the spreadsheet, we identified six summary categories to explain why shipments were refused entry by a foreign country (e.g., export processing errors and plant packaging errors) (see Exhibit B). For example, the spreadsheet showed foreign countries rejected product because shipments were missing such things as the statement of verification, export certificates, or the export stamp. Individually, these errors may appear irrelevant, however when grouped as “export processing errors,” the errors disclose weaknesses in the export verification process. Also, the analysis shows errors in this area have increased from 54 in 2006 to 88 in 2008.³⁵

Since FSIS was not analyzing export shipments rejected by foreign countries and presented for re-entry to the United States, agency managers could not proactively address concerns in the export process. Instead, FSIS conducted investigations of export rejections only to reassure foreign countries³⁶ that banned establishments corrected the causes for rejection and met export requirements. From 2006 to 2008, FSIS’ Office of Program, Evaluation, Enforcement and Review (OPEER) investigated the events that led to the rejection of 18 shipments. Moreover, based on these investigations, OPEER performed 10 misconduct reviews and found 6 instances where inspection personnel had failed to follow FSIS guidance.³⁷ In our analysis of IID’s spreadsheet on rejected shipments, we found OPEER only investigated 5 of the 926 rejections. According to FSIS officials, they performed these particular investigations because the foreign country would not allow the banned establishments to resume exports without FSIS assurance that concerns were corrected.

FSIS should expand its current oversight of rejected shipments to include analyzing the information collected during the re-entry of products rejected by foreign countries. In order to be able to conduct a thorough analysis, FSIS needs to establish controls to ensure appropriate, consistent, and complete information is collected during the re-entry request. Collecting and analyzing this information would allow FSIS to identify specific areas where improvement is needed before foreign countries impose restrictive actions against an establishment or the entire U.S. beef market.

Recommendation 1

Identify the data to be recorded and analyzed regarding beef products rejected by foreign countries and presented for re-entry into the United States.

³⁴ Of the 926 entries, 489 rejections were by foreign countries participating in the beef export verification (BEV) program and the remaining 437 were rejections by foreign countries that did not participate in the program.

³⁵ The number of rejections for 2008 was as of October 23, 2008.

³⁶ FSIS has only conducted investigations for establishments delisted by Japan and Korea, which are countries that participate in the BEV program.

³⁷ The remaining 12 investigations were attributed to establishment errors.

Agency Response.

Information regarding beef products rejected by foreign countries is recorded during re-entry inspection on FSIS Form 9010-1. That form captures the condition of the product, length of time the product was outside of the country, conditions under which the product was held, product label compliance, domestic establishment of origin, country refusing product, and reason for foreign government product refusal. FSIS currently captures the Form 9010-1 data in an excel spreadsheet and, as discussed in FSIS' response to Recommendation 2, will automate the collection of Form 9010-1 data in its new Public Health Information System (PHIS) to improve the quality of data collection.

FSIS' Data Analysis and Integration Group (DAIG) will, on a quarterly basis, analyze Form 9010-1 (and ultimately PHIS) data to identify trends in reasons for product rejection by country, product type and establishment, with the first analysis to be completed by December 31, 2009.

OIG Position.

We accept FSIS' management decision.

Recommendation 2

Implement procedures to ensure the data captured are complete and consistently recorded.

Agency Response.

PHIS will automate the Application for the Return of Exported Product to the United States (FSIS 9010-1) process. If applicable, the 9010-1 is pre-filled with data from the Meat and Poultry Export Certificate of Wholesomeness (FSIS 9060-5) that was issued for the product when it left the United States. The applicant enters the remaining data that is required and submits the application. PHIS will validate the application for completeness and accuracy. PHIS will also provide the capability for the applicant to complete and submit the return of exported products checklist. PHIS will route the application to the Office of International Affairs (OIA). OIA staff will review the application and checklist and determine whether to approve the product's return to the United States, to refuse the product's return, or to require re-inspection in order to gather additional information to make its decision. OIA staff may request additional information from the exporter, if needed. PHIS will issue notification of the outcome to the applicant.

As stated on Recommendation 1, FSIS currently has a process to capture the Form 9010-1 data in an excel spreadsheet. This data will be analyzed on a quarterly basis.

OIG Position.

We accept FSIS' management decision.

Recommendation 3

Analyze the information collected to identify potential areas of improvement in the export certification process. Implement improvements as identified.

Agency Response.

In order to continuously improve the export process, the FSIS DAIG will, on a quarterly basis, analyze Form 9010-1 data to identify trends in reasons for product rejection by country, product type, and establishment. That information will be used, as needed, to develop guidance for inspectors conducting export verification activities and to modify related FSIS' policies regarding export verification. The DAIG will complete the first such analysis by December 31, 2009.

OIG Position.

We accept FSIS' management decision.

Finding 2

Assess All Export Performance Elements

For the two FSIS Districts reviewed, frontline supervisors (FLS)³⁸ did not assess all nine export performance elements during the fiscal year 2008 rating cycle (See Exhibit C).³⁹ FLS were required to assess the 9 export performance elements for each of the 395 employees performing export duties. We found that they did not assess all performance elements 68 percent of the time during the rating cycle.⁴⁰ This occurred because the agency does not have procedures that require agency managers in the District offices to monitor whether FLS evaluate inspection personnel on all export performance elements. As a result, FSIS cannot be assured that inspection personnel are accurately performing export duties to meet export certification

³⁸ Frontline supervisors oversee in-plant inspection activities within each circuit in a district. Frontline supervisors' duties include, but are not limited to: overseeing and coordinating the review, implementation, and assessment of in-plant inspection programs; using IPPS to guide, direct, and assess the overall performance of non-supervisory inspection personnel; and ensuring the comprehensive analysis of corrective actions to resolve noncompliances.

³⁹ A rating cycle normally consists of 12 calendar months (July 1 – June 30); however, for the 2008 rating cycle, FSIS extended the end date until September 30, 2008.

⁴⁰ FSIS stated that some elements were not assessed for inspection personnel conducting export tasks because the elements were performed by other inspection personnel located in the establishment; as such the assessment of these elements would be not applicable. However, as discussed later in this finding, FSIS managers were using “no” and “not applicable” interchangeably when reporting whether an export task was assessed; therefore it was unclear whether assessments not performed were applicable to the employee.

requirements. Since 2006, foreign countries rejected at least 214 shipments due to errors that occurred during the export certification process (e.g., boxes missing export stamps and incorrect export documentation), which are performance elements FLS evaluate for inspection personnel.

FSIS requires that supervisors conduct at a minimum two In-Plant Performance System (IPPS) assessments during the rating cycle assessing all performance elements at least once. If the supervisors cannot thoroughly assess all performance elements over the two assessments, or if they have the need to followup on issues identified previously, they are to conduct additional assessments to review these elements.⁴¹

In 2006, we recommended FSIS increase supervisory oversight of the export certification process by revising the IPPS review guidance to incorporate procedures that specifically evaluate the ability of inspection personnel to perform export certifications.⁴² In response to our recommendation, FSIS updated the IPPS process and the related Form 4430-8, In-Plant Performance System Assessment Sheet, to expand from one general export performance element to include nine specific performance elements for all employees responsible for certifying product for export.

We analyzed the IPPS data⁴³ recorded for 2 of 15 Districts for August 1, 2007⁴⁴ to September 30, 2008, to determine whether FLS were assessing the inspection personnel performing export duties. We found that FLS did not assess export performance elements 68 percent of the time when conducting IPPS reviews for 395 inspection personnel. For example, we found that for the performance element “to review the completeness and verifying the accuracy of export documents,” FLS responded “no” or “not applicable” 575 of 615 times when the IPPS system asked if this element was assessed.⁴⁵ In addition, when asked to assess the element “assure that authorized export inspection sites met general sanitation and facility requirements,” FLS responded “no” or “not applicable” 605 of 614 times. FLS are required to assess all export duties at least once during the rating cycle. If the FLS evaluates the inspector when exports are not being produced or shipped, the FLS should ask the inspector to demonstrate how he/she would perform such export tasks. Therefore, we would expect a “no” response to be recorded only 50 percent of the total time IPPS reviews were performed.⁴⁶ FSIS district managers could not explain why FLS were not

⁴¹ FSIS Directive 4430.3, Revision 1, In-Plant Performance System, dated November 18, 2005.

⁴² *Assessment of USDA's Controls for the Beef Export Verification Program for Japan*, Audit Report No. 50601-11-HQ, February 2006.

⁴³ Data were obtained from AssuranceNet, a management control system designed to provide in-depth management oversight of the public health activities carried out by inspection personnel.

⁴⁴ Although the period we reviewed (August 2007 to September 2008) did not represent the entire rating cycle for 2008, we do not believe this had a material effect on our conclusion because FSIS traditionally does not perform the bulk of their IPPS assessments during the first month of the rating cycle.

⁴⁵ We attempted to interview some FLS to determine why they answered “no” or “n/a” and did not obtain a specific answer.

⁴⁶ With the requirement to assess all export performance elements at least once, a “not applicable” response should not occur because all export performance elements have to be assessed for inspection personnel performing export duties.

assessing these elements, but were focused on meeting the requirements from AssuranceNet to review 10 percent of the reviews performed by FLS and 1 percent of those reviews performed by FLS through direct observation. Further, managers were analyzing reports obtained from AssuranceNet that allowed them to determine whether FLS were conducting IPPS reviews at least twice per year. However, these reports did not include specific information identifying whether FLS had assessed all export performance elements while conducting the IPPS reviews, although this information could be queried in AssuranceNet.

Since 2006, at least 214 of 926 shipments were rejected because of errors occurring during the export certification process, such as boxes missing the export stamp and export documentation with wrong dates.⁴⁷ If FLS assessed all export elements, they could have identified and addressed weaknesses in the export process, thus potentially reducing the risk of foreign countries rejecting shipments. Without the proper export documents, shipments are subject to refused entry by the foreign country. Continuous refusal of shipments that do not meet foreign country requirements can ultimately impact U.S. trade when foreign countries close their borders to exported U.S. product.

Finally, our analysis of IPPS data disclosed FLS used “no” or “not applicable” interchangeably. This occurred because they did not have clear guidance indicating when it was appropriate to use either response. For example, our analysis disclosed that FLS responded “not applicable” to export related performance elements 1,272 of 8,665 times. FSIS Headquarters officials could not confirm whether the response indicated the export performance element was not assessed or did not apply to the inspection personnel being evaluated. As such, according to FSIS officials, they revised the IPPS Supervisory Guide in December 2008 to address the miscommunication and assist FLS in performing comprehensive IPPS assessments. However, review of the revised guidance disclosed FSIS had not distinctly clarified when to use “no” or “not applicable”. FSIS stated, in some instances, that not all export performance elements may apply to the inspection personnel, which in this case is the only time a “not applicable” response should be recorded.⁴⁸ For all other instances, a “yes” or “no” response would be recorded.

Although FSIS has improved its IPPS management tool, the agency needs to further strengthen its controls over IPPS to ensure that it is implemented and performed as designed. FSIS should incorporate further analysis of IPPS data to ensure all export performance elements are being assessed at least once during the rating cycle. Also, FSIS needs to provide further guidance to

⁴⁷ As described in FSIS Directive 9000.1, inspection personnel are to ensure that all supplemental documentation required by the foreign country to be submitted with the export certificate must contain dates that are consistent with the dates documented on the export certificate.

⁴⁸ A “not applicable” response would be recorded by the FLS if at the time of review, the establishment was not authorized to export product.

supervisors to clarify the responses they should use when addressing the performance elements.

Recommendation 4

Develop and implement procedures to ensure District managers confirm and certify that frontline supervisors assess all export performance elements each rating cycle for all employees performing export duties.

Agency Response.

In December 2008, FSIS issued a revision to the “Guide for Conducting IPPS Assessments.” This Guide contains a section on how to assess export verification and certification competence during an IPPS assessment. The Guide specifically states “If the inspector or PHV’s assignment requires him/her to conduct export certification activities, the supervisor must assess the employee’s competency in export verifications and certifications during the IPPS cycle, even if there are no exports to be done on the day of the IPPS visit.” This statement is followed by instruction on what specifically to assess. OFO sent a reminder email to the District Managers/Deputy District Managers on May 11, 2009, reminding them to ensure that their Frontline Supervisors and supervisors at the in-plant level assess export certification elements at least once during the rating cycle.

Also, FSIS now has the capability to generate custom reports from AssuranceNet that indicate which employees have been rated on the nine export related performance elements during any reporting period indicated. FSIS will provide them to the District Management teams so they can hold their field supervisors accountable for assessing these elements for employees performing export-related functions. These reports were issued in mid-May 2009.

OIG Position.

We do not accept FSIS’ management decision. Although FSIS has developed procedures for the District Managers/Deputy District Managers to confirm whether frontline supervisors are assessing inspection personnel, these procedures do not include managers certifying that the assessments were indeed completed.

Recommendation 5

Revise IPPS guide to clarify the responses supervisors should use when assessing the individual performance elements.

Agency Response.

FSIS is in the process of revising the IPPS Directive and will ensure that it provides explicit instructions to supervisors on the responses they should provide when assessing individual performance elements. Specifically, if an element applies to the employee but the supervisor is not assessing it on that particular visit, it should be coded as “no.” If the element does not apply to the employee’s position/assignment at all, it should be coded as “n/a.” We expect the revised IPPS Directive to be published by October 1, 2009.

In addition, although FSIS updated the IPPS Guide in December 2008, FSIS will be updating it again and will incorporate guidance on the “assessed” column in the new version of the Guide, as well. The revised version of the Guide will also be published by October 1, 2009.

OIG Position.

We accept FSIS’ management decision.

Scope and Methodology

Our review focused on two agencies within USDA: AMS and FSIS. In addition, we met with FAS officials to understand their involvement in the export process. We performed fieldwork in Fredericksburg, Virginia; Washington, D.C.; and selected meat and processing establishments and cold storage facilities in Nebraska and Texas.

To accomplish our objectives, we interviewed pertinent FSIS and AMS officials, examined pertinent documentation, reviewed applicable policies and procedures, and evaluated the effectiveness of management controls established by FSIS and AMS in response to our prior audit recommendations.⁴⁹ Specifically, we interviewed FAS officials to determine their oversight of tracking product refused entry by foreign countries that participate in the BEV program as well as their involvement in the establishment of trade agreements. We evaluated reports issued by FSIS' OPEER and OIG Investigations Office to determine the actions performed by industry personnel and FSIS inspection personnel that would cause product to be shipped when it did not meet the conditions for export.

AMS

We interviewed appropriate officials from AMS' Audit, Review, and Compliance Branch to determine the agency's responsibilities in the export of beef and beef products for countries participating in the BEV program, obtained and reviewed applicable documentation of AMS' review of meat processing establishments that participate in the BEV program, and assessed AMS' implementation of the prior OIG audit recommendations.

FSIS

To determine the adequacy of FSIS' controls over exported beef products for countries participating in the BEV program, we met with personnel assigned to the following offices:

- OPEER – responsible for assessing FSIS program functions and operations;
- Office of International Affairs – responsible for leading international food safety activities;
- Office of Field Operations – responsible for managing the national program of inspection and enforcement activities;
- Office of Outreach, Employee Education and Training – responsible for providing direction of education resources and technical support.

⁴⁹ *Assessment of USDA's Controls for the Beef Export Verification Program for Japan*, Audit Report 50601-11-HQ, February 2006.

We obtained and analyzed data collected by IID for the period of January 2006 through October 2008 regarding the re-entry of product returned to the United States. These data were reviewed to determine why product was returned and identify any significant issue with the export verification and certification process. In addition, we selected and analyzed a judgmental sample of 46 of 926⁵⁰ re-entry request applications to determine if the process used by IID to allow product re-entry was adequate.

Further, we analyzed the IPPS assessments, maintained in AssuranceNet, for the period of August 2007 through September 2008, to determine the type of supervisory oversight performed for export duties.

Lastly, we assessed FSIS' implementation of prior OIG audit recommendations related to our report issued in February 2006.⁵¹

Sampled Meat Processing Establishments

To assess the handling of meat and meat products produced and exported to participating BEV countries, we conducted onsite visits to four eligible establishments that are inspected by personnel from Districts in Des Moines, Iowa and Dallas, Texas in September 2008. Specifically, these establishments were located in Omaha, Nebraska, and Amarillo and Cactus, Texas. We judgmentally selected these two Districts because they had the greatest number of eligible establishments approved to export product to at least 2 of the 3 countries we selected to review. We judgmentally selected establishments authorized to produce products for Japan and Korea, since these countries have rejected numerous shipments. A third country, Mexico, was selected because of its extensive volume of exported product, 690 million pounds of beef.⁵²

At the selected establishments, we held discussions with plant officials to obtain an understanding of the operations and the responsibilities of pertinent plant personnel. We reviewed the plants' control documents including the Hazard Analysis and Critical Control Point (HACCP) plans,⁵³ Sanitation Standard Operating Procedures⁵⁴ and other related documents. We also observed the establishments' operations to obtain an understanding of their slaughter, processing, and export activities; for example, reviewing the

⁵⁰ We judgmentally selected 46 re-entry applications for shipments that were rejected for errors that might have occurred during the export certification process and could potentially have been identified by inspection personnel.

⁵¹ *Assessment of USDA's Controls for The Beef Export Verification Program for Japan*, Audit 50601-11-HQ, February 2006.

⁵² U.S. Meat Export Federation, as of September 2008.

⁵³ HACCP is a process that identifies areas where potential contamination can occur (critical control points or CCPs) and strictly manages and monitors these points as a way of assuring the process is in control. This process is designed to prevent rather than catch potential hazards.

⁵⁴ Sanitation Standard Operating Procedures are written procedures that an establishment develops and implements to prevent direct contamination or adulteration of product.

application for export and ensuring export documents are properly signed and dated by inspection personnel.

We conducted this performance audit in accordance with Government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Exhibit A – Response to Congressional Inquiry Related to Export of U.S. Beef Products

#	<i>Question</i>	<i>Results</i>
1	<p>Why has FSIS personnel repeatedly allowed shipments of beef products to be exported when they did not meet the conditions for export?</p>	<p>FSIS’ guidance allows for limited sensory inspections of shipments presented for export. This process does not require inspection personnel to open boxes unless the sensory inspection causes them to suspect there may be signs of product mishandling. Since packaging and quality errors may be related to single boxes within a shipment, there is an inherent risk that errors may not be detected during the inspection process.</p> <p>Although FSIS’ guidance instructs inspection personnel how to properly verify and certify beef products for export, they failed to follow it consistently to ensure product exported met foreign country requirements. For example, when FSIS’ OPEER performed 20 investigations related to shipments of beef and beef products rejected by Japan and Korea, it found 6 instances where inspection personnel had failed to follow FSIS guidance.</p> <p>As discussed in Finding 1, FSIS processed re-entry applications for at least 926 shipments rejected by foreign countries from January 2006 to October 2008. We found FSIS has not analyzed this information to proactively identify specific areas in the export process where improvements may prevent future rejections. FSIS could improve its oversight of export activities by analyzing rejection information collected when re-entry to the United States is requested.</p>

2	<p>What steps has FSIS taken to ensure that licensed beef processors, exporters, and FSIS personnel are fully aware of and implementing procedures to comply with the terms of trade contained in the bilateral agreements?</p>	<p>FSIS has taken several steps such as training and policy development to ensure inspection personnel are aware of trade requirements. Since 2006, FSIS has worked closely with AMS to develop a shared web site (PartnerWeb) disclosing all approved product lists for countries participating in the BEV program. AMS maintains this site and is responsible for ensuring that all information remains current. The product lists are available and accessible to all parties involved in the export of product including industry, FSIS, and AMS personnel. FSIS inspection personnel are required to access this shared web site each time they perform export duties. Industry personnel are provided the information directly from AMS officials.</p>
3	<p>Should changes be made in future bilateral agreements or are changes warranted in training FSIS personnel to prevent the recurrence of these problems?</p>	<p><u>Bilateral Agreements:</u> We determined that changes to the bilateral agreements between the United States and foreign countries are not warranted at this time because FSIS provided USTR and FAS with technical advice when the terms of the agreements were being negotiated. Thus, FSIS had an opportunity to address during the negotiation any concerns with the requirements imposed by the foreign countries.</p> <p><u>Training FSIS Personnel:</u> FSIS’ current training program includes information on the export certification process. As such, changes to the program are not warranted at this time. Further, we confirmed all applicable inspection personnel received the necessary training to perform their duties. However, as discussed in Finding 2, FSIS needs to strengthen its oversight of supervisory assessment of export duties. This will assure FSIS that inspection personnel are conducting their duties as required and trained.</p>

Exhibit B – Summary of Shipments Rejected and Presented for Re-entry

Exhibit B – Page 1 of 2

	Plant Processing Errors	Plant Packaging Errors	Product Quality Errors	Export Processing Errors	Banned Shipments	Other Errors	Total
2006	19	106	36	54	88	49	352
2007	15	73	48	72	28	60	296
2008	19	43	104	88	0	24	278
Grand Total	53	222	188	214	116	133	926
Percentage	6%	24%	20%	23%	13%	14%	100%

FSIS posted multiple causes for rejection of U.S. products when tracking re-entry requests from January 2, 2006 to October 23, 2008. OIG grouped these multiple causes to identify potential areas of weakness. OIG does not assert these categories are all inclusive.

Plant Processing Errors

The foreign country rejected the products because of conditions the plant should have addressed prior to shipment, such as bones in the product.

Plant Packaging Errors

The foreign country rejected the products because products were mislabeled,⁵⁵ did not meet customer specifications, had faulty packaging, and did not meet customer quality needs. These errors should have been addressed by the plant prior to shipping.

Product Quality Errors

The foreign country rejected the products because of questions related to the quality of the products. This included among others: fecal contamination, mold, odors, e.coli, decomposing products, and products shipped near expiration date. These errors could have been detected by the establishment during the handling of products, as well as during FSIS inspections performed during the slaughter, processing, and packaging of products.

Export Processing Errors

The foreign country rejected the product because of errors that could have been prevented during the export verification and certification process, such as boxes not stamped with an export certificate number, boxes missing labels, product listed on the export certificate not matching actual product exported, and misstatement of number of products being exported.

⁵⁵ The product inside the box does not match the product described on the label outside the box.

Banned Shipments

This group includes all shipments that were listed as banned by Japan in 2006 and Korea in 2007; however, the information provided in the spreadsheet did not show if the ban occurred before or after FSIS inspection personnel certified the shipments.

Other Reasons

This group includes all other rejections that had either a vague description or did not fit any of the previous categories. Some were rejected because of customer refusal to pay for products, a country had excess inventory of the particular product, or the product was sent to the wrong country.

Exhibit C – In-Plant Performance System Assessment Key

Exhibit C – Page 1 of 1

This exhibit outlines the question code and applicable export question as assessed by FLS when performing IPPS reviews.

<i>Export Question Code</i>	<i>Export Question</i>
EX8A1	Evaluates and certifies products for export by assuring that products approved for export are in compliance with laws, regulations, and foreign country requirements.
EX8A2	Verifies the accuracy of labels and inspection certificates.
EX8B	Examines product and containers to determine wholesomeness and that export requirements are met.
EX8C	Performs product reinspection in accordance with applicable laws, rules, and regulations.
EX8D	Assures the security of export stamps and monitors the marking of products.
EX8E	Notifies parties of product refused for export; explains and interprets requirements.
EX8F	Prepares required export records and certificates.
EX8G	Completes and verifies the accuracy of export documents.
EX8H	Assures that all authorized inspection sites meet general sanitation and facility requirements.

Exhibit D – Implementation of Prior Audit Recommendations

Exhibit D – Page 1 of 1

This exhibit addresses implementation of recommendations provided in Audit Report No. 50601-11-HQ, “Assessment of USDA’s Controls for the Beef Export Verification Program for Japan,” February 2006

#	<i>Prior Audit Recommendation</i>	<i>Corrective Action Implemented</i>
1	AMS should include on its website the specific beef products each plant has been approved to export.	Yes
2	AMS and FSIS should jointly develop an operational process (compensating controls) that requires confirmation of the eligibility of both the plant and the products for export, prior to FSIS certifying export documents	Yes
3	AMS should work with plant personnel to revise the Quality System Assessment/BEV manuals to include the specific products and any additional process control requirements determined to be necessary for the BEV program for Japan	Yes
4	FSIS should clarify the roles and responsibilities of FSIS personnel involved at every stage of the export certification process.	Yes
5	FSIS should expedite the development of training on export certification for Consumer Safety Inspections. FSIS should also incorporate a proficiency test for those assigned to perform export certification.	Yes
6	FSIS should increase supervisory oversight of the export certification process by revising the IPPS review guidance to incorporate procedures that specifically evaluate the ability of inspection personnel to perform export certifications.	Although FSIS incorporated procedures for export certification to its IPPS guidance, supervisors have not implemented these procedures as instructed. See Finding 2

Exhibit E – Agency Response

Exhibit E – Page 1 of 3

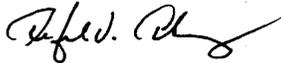


United States
Department of
Agriculture

Food Safety
and Inspection
Service

Washington, D.C.
20250

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

FROM: Alfred V. Almanza 
Administrator

SUBJECT: Office of Inspector General (OIG) Official Draft Report – Assessment of USDA’s
Controls to Ensure Compliance with Beef Export Requirements (Audit 50601-06-
Hy)

JUN 29 2009

We appreciate the opportunity to review and comment on this official draft report. The Food Safety and Inspection Service (FSIS) has carefully reviewed the official draft report and has provided comments on the report and responses to OIG’s recommendations.

Comments on the Report

Page i, Paragraph 1, page iv, paragraph 1, and page 21, Exhibit D: OIG states that FSIS and AMS “adequately implemented” only five of the six prior recommendations contained in the February 2006 OIG audit report, *Assessment of USDA’s Controls for the Beef Export Verification Program for Japan*. OIG explains that although FSIS incorporated procedures for assessing export certification into its IPPS guidance, as required by recommendation six of that audit, FSIS needs to better ensure that its supervisors implement these procedures as instructed. FSIS agrees and has responded accordingly to recommendations 4 and 5 of this latest audit, which concern better implementation of export performance elements during IPPS reviews. FSIS notes, however, that recommendation six from the 2006 audit report has been officially “closed” by the USDA Office of the Chief Financial Officer per Departmental Regulation 1720-001.

Responses to Recommendations

Recommendation 1:

Identify the data to be recorded and analyzed regarding beef products rejected by foreign countries and presented for re-entry into the United States.

FSIS Response:

Information regarding beef products rejected by foreign countries is recorded during re-entry inspection on FSIS Form 9010-1. That form captures the condition of the product, length of time the product was outside of the country, conditions under which the product was held, product label compliance, domestic establishment of origin, country refusing product, and reason for foreign government product refusal. FSIS currently captures the Form 9010-1 data in an excel spreadsheet and, as discussed in FSIS’ response to Recommendation #2, will automate the

collection of Form 9010-1 data in its new Public Health Information System (PHIS) to improve the quality of data collection.

FSIS' Data Analysis and Integration Group (DAIG) will, on a quarterly basis, analyze Form 9010-1 (and ultimately PHIS) data to identify trends in reasons for product rejection by country, product type and establishment, with the first analysis to be completed by December 31, 2009.

Estimated Completion Date:
December 31, 2009

Recommendation 2:
Implement procedures to ensure the data captured is complete and consistently recorded.

FSIS Response:
PHIS will automate the Application for the Return of Exported Product to the United States (FSIS 9010-1) process. If applicable, the 9010-1 is pre-filled with data from the Meat and Poultry Export Certificate of Wholesomeness (FSIS 9060-5) that was issued for the product when it left the U.S. The applicant enters the remaining data that is required and submits the application. PHIS will validate the application for completeness and accuracy. PHIS will also provide the capability for the applicant to complete and submit the return of exported products checklist. PHIS will route the application to the Office of International Affairs (OIA). OIA staff will review the application and checklist and determine whether to approve the product's return to the U.S., to refuse the product's return, or to require re-inspection in order to gather additional information to make its decision. OIA staff may request additional information from the exporter, if needed. PHIS will issue notification of the outcome to the applicant.

Estimated Completion Date:
October 31, 2010

Recommendation 3:
Analyze the information collected to identify potential areas of improvement in the export certification process. Implement improvements as identified.

FSIS Response:
In order to continuously improve the export process, the FSIS DAIG will, on a quarterly basis, analyze Form 9010-1 data to identify trends in reasons for product rejection by country, product type and establishment. That information will be used, as needed, to develop guidance for inspectors conducting export verification activities and to modify related FSIS' policies regarding export verification. The DAIG will complete the first such analysis by December 31, 2009.

Estimated Completion Date:
December 31, 2009

Recommendation 4:

Develop and implement procedures to ensure District managers confirm and certify that frontline supervisors assess all export performance elements each rating cycle for all employees performing export duties.

FSIS Response:

In December 2008, FSIS issued a revision to the “Guide for Conducting IPPS Assessments”. This Guide contains a section on how to assess export verification and certification competence during an IPPS assessment. The Guide specifically states “If the inspector or PHV’s assignment requires him/her to conduct export certification activities, the supervisor must assess the employee’s competency in export verifications and certifications during the IPPS cycle, even if there are no exports to be done on the day of the IPPS visit.” This statement is followed by instructions on what specifically to assess. OFO sent a reminder email to the District Managers/Deputy District Managers on May 11, 2009, reminding them to ensure that their Frontline Supervisors and supervisors at the in-plant level assess export certification elements at least once during the rating cycle.

Also, FSIS now has the capability to generate custom reports from AssuranceNet that indicate which employees have been rated on the nine export related performance elements during any reporting period indicated. FSIS will provide them to the District Management teams so they can hold their field supervisors accountable for assessing these elements for employees performing export-related functions. These reports were issued in Mid-May 2009.

Completion Date:

May 2009

Recommendation 5:

Revise IPPS guide to clarify the responses supervisors should use when assessing the individual performance elements.

FSIS Response:

FSIS is in the process of revising the IPPS Directive and will ensure that it provides explicit instructions to supervisors on the responses they should provide when assessing individual performance elements. Specifically, if an element applies to the employee but the supervisor is not assessing it on that particular visit, it should be coded as “no”. If the element does not apply to the employee’s position/assignment at all, it should be coded as “n/a”. We expect the revised IPPS Directive to be published by October 1, 2009.

In addition, although FSIS updated the IPPS Guide in December 2008, FSIS will be updating it again and will incorporate guidance on the “assessed” column in the new version of the Guide, as well. The revised version of the Guide will also be published by October 1, 2009.

Estimated Completion Date:

October 1, 2009

Informational copies of the report have been distributed to:

Administration: FSIS

ATTN: Agency Liaison Officer (6)

Government Accountability Office (1)

Office of Management and Budget (1)

Office of the Chief Financial Officer (1)

Director, Planning and Accountability Division