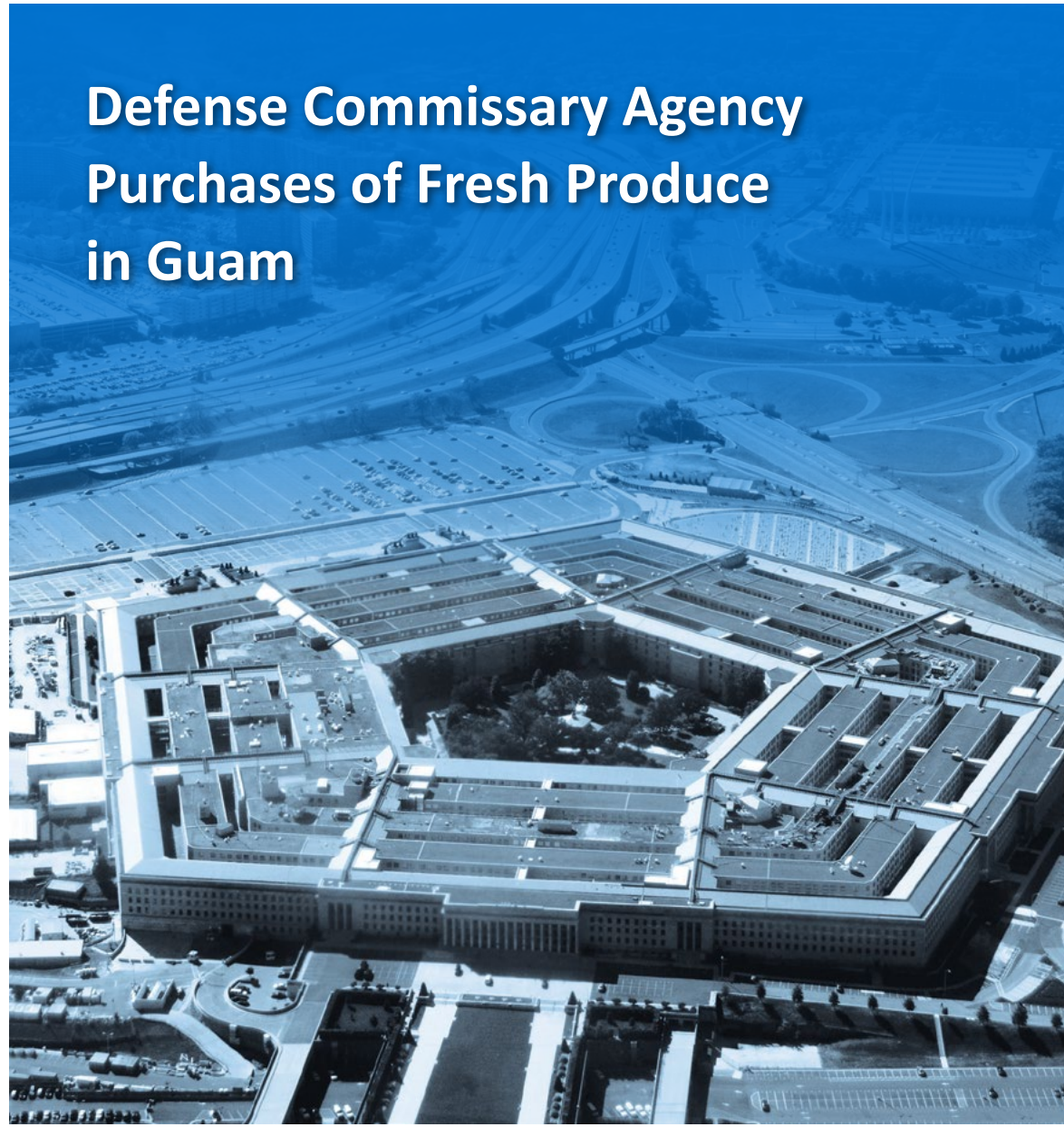




INSPECTOR GENERAL

U.S. Department of Defense

FEBRUARY 28, 2017



Defense Commissary Agency Purchases of Fresh Produce in Guam

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Results in Brief

Defense Commissary Agency Purchases of Fresh Produce in Guam

February 28, 2017

Objective

We determined whether the Defense Commissary Agency's (DeCA) new fresh fruit and vegetable (fresh produce) local purchase process was more effective than the previous DeCA transportation-funded process in the Pacific Theater. Specifically, we focused on the cost and freshness of the produce purchased between November 2015 and August 2016. DeCA purchases fresh produce from in-country contractors in an attempt to leverage the contractor's buying power to acquire products in volume from sources grown locally, regionally, or globally at the lowest possible cost. This is the first in a series of audits to review the current contracts for fresh produce used by DeCA in the Pacific Theater.

We performed this audit in response to a reporting requirement contained in House Report 114-537 to accompany the National Defense Authorization Act for FY 2017.

Findings

Under DeCA's current local purchase process contract for fresh produce in Guam:

- DeCA's current fresh produce local purchase process contract in Guam is more cost effective than the previous DeCA funded transportation process. Under the current contract, the contractor covers transportation costs whereas under the previous contract, DeCA paid \$25 million to transport fresh produce to Guam from FY 2013 through FY 2015.
- For the amount of items that we matched between the two contracts, overall average customer prices from

Findings (cont'd)

November 2015 to August 2016 for 188 fresh produce items increased 7.2 percent, and for 41 bagged salad items, prices increased an average 150.3 percent. However, fresh produce only accounted for 1.3 percent on the calculation of the Guam COLA rate for military personnel in FY 2016. While fresh produce and bagged salad prices for commissary customers increased, prices remained lower than local Guam market prices. Customer prices increased primarily because the DeCA contract required the contractor to incorporate into the price of the produce all costs associated with acquiring produce, including transportation costs.

- The produce personnel did not routinely document quality problems for fresh produce in the commissary display areas under either contract. However, according to Army food inspectors and DeCA officials, the quality of fresh produce has improved since the beginning of the new contract. In addition, 74 of 89 commissary customers we surveyed stated that the quality of fresh produce was the same or better than the fresh produce sold under the previous contract. DeCA personnel did not routinely document quality problems because DeCA guidance and procedures do not routinely require produce personnel to document quality problems.

As a result of DeCA's current local purchase process contract, DeCA will save on average \$8.3 million per year by not paying transportation costs to ship fresh produce to Guam. In addition, customers paid more for fresh produce under the current contract than under the previous one.

Recommendations

We recommend that the Director, DeCA, reevaluate transportation options to address the price increase of bagged salads at the commissary locations in Guam. In addition, we recommend that the Director, DeCA, require Guam produce personnel to document quality problems with fresh produce in commissary display areas and identify whether problems were related to ordering, product rotation, or receiving for commissary locations in Guam.



Results in Brief

Defense Commissary Agency Purchases of Fresh Produce in Guam

Management Comments and Our Response

The Director, Defense Commissary Agency, agreed with our finding and recommendations; therefore, the recommendations are considered resolved.

The Director agreed to address the price increases of bagged salads at the commissary locations in Guam by removing bagged salads from the local purchase contract and re-initiating second destination transportation funding for bagged salads in the Pacific in April 2017. We will close this recommendation after we verify that the local purchase contract for Guam was amended to remove bagged salads, and the second destination transportation funding was re-initiated for providing bagged salads to the commissaries in Guam.

The Director also agreed to have the Store Operations Group review and revise Defense Commissary Agency Directive 40-4 to require documentation of quality reviews for fresh produce in the Pacific. In addition, and based on the revised procedures, the Director will require the Store Operations Group to develop additional training for the individuals assigned with the new quality responsibilities. We will close the recommendation after we receive and analyze the revised Directive to ensure that it includes procedures for documenting quality reviews of fresh produce in the Pacific, and verify that the revised Directive is implemented.

Please see the Recommendations Table on the following page for the status of the recommendations.

Recommendations Table

Management	Recommendations Unresolved	Recommendations Resolved	Recommendations Closed
Director, Defense Commissary Agency	None	1, 2	None

Note: The following categories are used to describe agency management’s comments to individual recommendations:

- **Unresolved** – Management has not agreed to implement the recommendation or has not proposed actions that will address the recommendation.
- **Resolved** – Management agreed to implement the recommendation or has proposed actions that will address the underlying finding that generated the recommendation.
- **Closed** – OIG verified that the agreed upon corrective actions were implemented.





**INSPECTOR GENERAL
DEPARTMENT OF DEFENSE
4800 MARK CENTER DRIVE
ALEXANDRIA, VIRGINIA 22350-1500**

February 28, 2017

MEMORANDUM FOR DIRECTOR, DEFENSE COMMISSARY AGENCY

SUBJECT: Defense Commissary Agency Purchases of Fresh Produce in Guam
(Report No. DODIG-2017-060)

We are providing this report for review. Under Defense Commissary Agency's (DeCA) current local purchase process for fresh produce in Guam, DeCA will save on average \$8.3 million per year by not paying transportation costs to ship fresh produce to Guam. In addition, average commissary prices for fresh produce increased 7.2 percent for 188 items reviewed and 150.3 percent for 41 bagged salad items reviewed compared to prices under the prior contract. However, customers paid less than local Guam market prices. Lastly, according to Army food inspectors and DeCA officials, the quality of fresh produce has improved since the beginning of the new contract. Also, 74 of 89 commissary customers surveyed stated that the quality of fresh produce was the same or better than the fresh produce sold under the previous contract. We conducted this audit in accordance with generally accepted government auditing standards.

We considered DeCA management and contractor comments on the draft of this report when preparing the final report. Comments from the Director, Defense Commissary Agency, addressed all specifics of the recommendations and conformed to the requirements of DoD Instruction 7650.03; therefore, we do not require additional comments.

We appreciate the courtesies extended to the staff. Please direct questions to Mr. Timothy Wimette at (703) 604-8876 (DSN 664-8876).

A handwritten signature in black ink, appearing to read "Troy M. Meyer", is positioned above the printed name.

Troy Meyer

Principal Assistant Inspector General
For Audit

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Introduction

Objective

We determined whether the Defense Commissary Agency's (DeCA) new fresh fruit and vegetable (fresh produce) local purchase process was more effective than the previous DeCA transportation-funded process in the Pacific Theater. Specifically, we focused on the cost and freshness (quality) of the produce. This is the first in a series of audits to review the current contracts for fresh produce used by DeCA in the Pacific Theater, and the focus of this audit was on the Guam contract.

We performed this audit in response to a reporting requirement contained in House Report 114-537, Part 1, pages 163-164, to accompany H.R. 4909, the National Defense Authorization Act for FY 2017. The House Armed Services Committee was concerned about the performance of the current Pacific fresh fruits and vegetables delivery contracts, the past contract, and the fresh produce local purchase authority across DeCA's enterprise outside the continental United States. Therefore, the committee directed the DoD Office of Inspector General (DoD OIG) to evaluate and report on the effectiveness of the new fresh produce purchase process compared to the previous second destination transportation-funded process.

Background

Defense Commissary Agency Mission

DeCA's mission is to provide an efficient and effective worldwide system of commissaries for the resale of groceries and related household items at reduced prices to members of the Uniformed Services, retired members, dependents (families) of such members, and other authorized customers, to enhance their quality of life and to support military readiness, recruitment, and retention. DeCA operates 51 commissaries in the Pacific region, of which two are located in the U.S. territory of Guam at Orote Naval Base and Andersen Air Force Base.

According to DeCA Directive 40-04, all fresh produce purchased should be of the highest quality and consistent with commercial standards and market conditions.¹ In addition, produce department managers are required to:

- operate the produce department with no financial loss to the Government, while providing quality produce to customers;
- provide oversight for ordering and receiving;

¹ DeCA Directive 40-04, "Produce Operating Department," September 12, 2012.

- train produce department personnel in quality standards, ordering, receiving, customer service, stocking, and inventory procedures;
- ensure receiving personnel resolve all discrepancies between quantity shipped and quantity received, as well as product condition and quality, with assistance from available medical food inspection personnel and store director, if necessary; and
- ensure merchandise is rotated, as needed, to prevent spoilage.

DeCA applies a markup of up to 7 percent to fresh produce and up to 15 percent to organic fresh produce, to cover the actual or estimated cost of spoilage and theft of merchandise.

DeCA's Local Purchase Process

Since 2007, DeCA has leveraged the increasingly global fresh produce market by implementing a local purchase process for acquiring locally sourced fresh produce in Europe. According to DeCA officials, the local purchase process does not mean that all fresh produce is purchased locally, rather it means the contractor already has an established supply chain in place to meet fresh produce contract requirements.

Fresh Produce Contracts for the Pacific Theater

In 2014, DeCA officials determined that the Pacific markets could support the local purchase process and awarded two fresh produce contracts to supply fresh produce to commissaries in the Pacific Theater.² DeCA contracting officials awarded the current 24-month Guam local purchase fresh produce contract on July 1, 2015, for an estimated value of \$16 million.³

The contract required the contractor to provide fresh produce and bagged salads to the two DeCA commissaries in Guam and to deliver the fresh produce within 24 hours of ordering by commissary officials.⁴ The contract also required the contractor to pay for all transportation costs associated with acquiring and delivering the fresh produce to the commissaries. DeCA officials stated that the local purchase process did not limit contractors to supplying only locally acquired produce; however, the process encourages the contractor to purchase fresh produce locally in order to meet contractual delivery requirements. The contract required that 35 high-volume core items have an average minimum of 40.1 percent customer

² One contract supports the Guam commissaries, and the other contract supports the Japan and South Korea commissaries.

³ In addition to the 24-month base contract HDEC09-15-D-0003, there are 3 option periods of 12 months each.

⁴ The contractor was required to provide bagged salad products, to include, bags, bowls and other containers that contain spinach, coleslaw, shredded lettuce and other like items that are equal, or similar to commonly sold mixed salads.

savings over local Guam market prices. High-volume core items, established by the contract, are mainstream produce items in the typical American diet, such as apples, bananas, carrots, and tomatoes. See Appendix B for the list of high-volume core items. Non high-volume core items are all fresh produce other than the 35 high-volume core items.

The previous fresh produce contract was for the acquisition of fresh produce for commissaries in the Pacific theater from the continental U.S., and was awarded on February 15, 2008, for an estimated value of \$39.4 million.⁵ The contractor was responsible for delivering fresh produce to the designated port on the west coast of the United States, at which point DeCA owned the fresh produce. DeCA then paid the costs to transport the produce to DeCA commissary locations in Japan, South Korea, and Guam under separate transportation contracts. The transportation costs DeCA paid to have the produce delivered to the commissaries were not included in the commissary produce prices that customers paid.

Transportation of Produce Under Current and Previous Contracts

Under the local purchase process contract, highly perishable fresh produce, such as bagged salads, lettuces, berries, and leafy vegetables, were acquired by the contractor and transported at the contractor's expense by commercial air twice a week to Guam. When the highly perishable fresh produce arrived in Guam, the contractor delivered the fresh produce to the Guam commissaries. Under the previous contract, highly perishable fresh produce was airlifted using a transportation contract issued by U.S. Transportation Command and used a freight forwarding firm to deliver to Guam commissaries. The previous produce contract did not include bagged salads. Rather, DeCA purchased bagged salads directly from vendors and paid to transport the product to Guam.

Hardy fresh produce, which DeCA defines as produce able to withstand the longer transit time to Guam, is transported by ocean vessel. Under the new contract, the contractor is responsible for the cost of ocean shipping and transportation to DeCA commissaries. Under the previous contract, the contractor loaded shipping containers with the fresh produce and transported the containers to the U.S. port of departure. The produce contractor was responsible for all costs related to transporting containers within the United States, and DeCA paid for transportation by ship. After the ship arrived in Guam, a freight forwarding firm delivered the produce containers to the commissaries. Transportation by ship takes up to 2 weeks to arrive at the port in Guam.

⁵ Contract HDEC02-08-D-0001.

Army Fresh Produce Inspections at Orote Commissary

The U. S. Army Regional Health Command–Pacific, Army Veterinary Services’ mission is to prevent and control foodborne and other transmissible diseases in humans and animals through preventive care, education, animal medical treatment, and inspection of food sources and packaged products. Army Veterinary Service inspectors sample and inspect the quality of the fresh produce delivered to the Orote Naval Base commissary.

Cost of Living Allowance

The cost of living allowance (COLA) is a non-taxable, supplemental pay allowance that offsets overseas prices of non-housing goods and services. Defense Travel Management Office officials implement an overseas COLA for personnel living in Guam to offset higher prices of overseas goods and services at that location. As part of the yearly COLA calculation, Defense Travel Management Office officials send retail surveys to overseas points of contact to collect local prices for 120 goods and services purchased at local market stores (off base) and on-base stores (commissaries and military exchanges). The retail survey includes categories for groceries, fruits and vegetables, clothing, recreation, and childcare, among others. The fruits and vegetables category includes fresh, canned, and frozen fruits and vegetables.

Review of Internal Controls

DoD Instruction 5010.40 requires DoD organizations to implement a comprehensive system of internal controls that provides reasonable assurance that programs are operating as intended and to evaluate the effectiveness of the controls.⁶ We identified an internal control weakness in DeCA’s produce department operations. Specifically, DeCA produce personnel did not routinely document quality problems for fresh produce in the commissary display areas under either contract. We will provide a copy of the report to the senior DeCA officials responsible for internal controls.

⁶ DoD Instruction 5010.40, “Managers’ Internal Control Program Procedures,” May 30, 2013.

Finding

DeCA Transportation Costs Were Eliminated, Fresh Produce Prices Increased, and Quality Was Comparable

Under DeCA's current local purchase process contract for fresh produce in Guam:

- DeCA's current fresh produce local purchase process contract in Guam is more cost effective than the previous DeCA funded transportation process. The process is more cost effective because under the current contract, the contractor is responsible for transportation costs whereas under the previous contract, DeCA paid \$25 million to transport fresh produce to Guam from FY 2013 through FY 2015.
- Average customer prices from November 2015 to August 2016 for 188 fresh produce items increased 7.2 percent and for 41 bagged salad items, which were not a part of the previous produce contract, price increases averaged 150.3 percent.⁷ However, fresh produce only accounted for 1.3 percent of the calculation of the Guam COLA rate for military personnel in FY 2016. While fresh produce and bagged salad prices for commissary customers increased, prices remained less than local Guam market prices. Customer prices increased primarily because the DeCA contract required the contractor to incorporate into the price of the produce all costs associated with acquiring produce, including transportation costs.
- Produce personnel did not routinely document quality problems for fresh produce in the commissary display areas under either contract. However, according to Army food inspectors and DeCA officials, the quality of fresh produce has improved since the beginning of the new contract. In addition, 74 of 89 commissary customers we surveyed stated that the quality of fresh produce was the same or better than the fresh produce sold under the previous contract. DeCA personnel did not routinely document quality problems because DeCA guidance and procedures do not routinely require produce personnel to document quality problems.

As a result, although DeCA will save on average \$8.3 million per year by not paying transportation costs to ship fresh produce to Guam, customers paid more for fresh produce, especially bagged salads, under the current contract than under the previous one.

⁷ This is the amount of fresh produce and bagged salad items we were able to match between the two contracts.

Local Purchase Process is More Cost Effective

DeCA's current fresh produce local purchase process contract in Guam is more cost effective than the previous transportation process funded by DeCA. The current process is more cost effective because the local purchase process contract eliminated the requirement for DeCA to pay costs to transport fresh produce to Guam, which was \$25 million from FYs 2013 through 2015. See Table 1 for DeCA-funded transportation costs for fresh produce delivered to Guam for FYs 2013 through 2016.

Table 1. DeCA-Funded Transportation Costs to Guam.

Transportation Type	FY 2013	FY 2014	FY 2015	FY 2016
Air	\$6,838,129	\$6,216,960	\$6,996,458	\$0
Air (Salad)*	0	281,318	772,785	0
Surface	1,294,907	1,447,808	1,152,880	0
Total	\$8,133,036	\$7,946,086	\$8,922,123	\$0

* Bagged salad transportation paid by DeCA.

Source: DeCA.

Although DeCA paid significant costs to transport fresh produce to Guam in FYs 2013 through 2015, the cost of transportation was not included in the price of fresh produce and bagged salads under the previous contract. Under the current contract, DeCA does not pay transportation costs. The transportation costs under the new contract are included in the sale price of the fresh produce.

Fresh Produce and Bagged Salad Prices Increased but Cost Less Than Local Market Prices in Guam

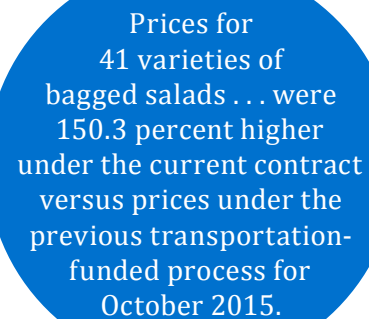
Customers paid more for fresh produce under the current contract than under the previous contract; however, DeCA commissary prices remained less than the local market prices in Guam. Customer prices increased primarily because the DeCA contract required the contractor to incorporate into the price of the produce all costs associated with acquiring produce, including transportation costs.

Fresh Produce Prices Increased

We reviewed prices from November 2015 through August 2016 for 188 fresh produce items, and prices were 7.2 percent higher under the current contract versus the previous DeCA transportation-funded contract. Specifically, prices for:

- 50 highly perishable fresh produce items transported to Guam by air averaged 35.5 percent higher (see Appendix C for the list of items);
- 137 hardy fresh produce items transported to Guam by ship averaged 6.1 percent lower (see Appendix D for the list of items); and
- 16 fresh produce items locally grown in Guam and other nearby islands averaged 12.6 percent lower (see Appendix E for the list of items).⁸

In addition, for the same 10-month period, we reviewed the prices for 41 varieties of bagged salads and determined the prices were 150.3 percent higher under the current contract versus prices under the previous transportation-funded process for October 2015. See Appendix F for the list of bagged salads with the price differences between the two contracts.



Prices for 41 varieties of bagged salads . . . were 150.3 percent higher under the current contract versus prices under the previous transportation-funded process for October 2015.

The fresh produce price increases had minimal impact on the calculation of the Guam COLA in FY 2016. Defense Travel Management Office officials sent a retail price survey to military personnel stationed in Guam in FY 2016 to collect local prices of goods and services, including fresh produce. Fresh produce only accounted for 1.3 percent of overseas COLA in FY 2016. Defense Travel Management Office officials estimate that the amount will increase to 1.5 percent in FY 2017.

Commissary Prices Were Less Than Local Market Prices

Although commissary customers paid more for fresh produce and bagged salads,⁹ commissary prices remained lower than local market prices in Guam. In October 2016, we visited six local store locations to compare their prices to commissary prices. The local store was the approved store to develop the contractually required market basket survey to determine customer savings. The market basket survey compares commissary prices of high-volume core items to the approved retail store prices to determine customer savings. High-volume core items are mainstream produce items in the typical American diet, such as apples, bananas, carrots, and tomatoes. See Appendix G for the list of high-volume core items tested and price difference between the two contracts.

⁸ Total equals 203 items, not 188, because 15 items were transported by more than one mode.

⁹ Examples of bagged salads include spring mix, Caesar, and Italian.

We compared 58 fresh produce items and 8 bagged salads and concluded that commissary fresh produce prices were 33.7 percent less, and bagged salads 16.2 percent less, than the local market prices in Guam. Specifically, for the fresh produce and bagged salad comparison, commissary customers paid:

- 40.5 percent less for 34 high-volume core items at DeCA commissaries when compared to similar items at a comparable local market in Guam:
 - the current contract requires that commissary customers receive an average minimum of 40.1 percent savings over local markets prices in Guam for 35 high-volume core items (see Appendix G for the list of high-volume core items tested);¹⁰
- 24.8 percent less for 24 non-high-volume core items when compared to like items at a local market in Guam:
 - the current contract does not have a savings requirement for fresh produce that are non-high volume core items (see Appendix H for the list of fresh produce items tested); and
- 16.2 percent less for 8 bagged salad items we tested compared to a local market's prices:
 - the current contract does not have a customer savings requirement for bagged salads (see Appendix I for list of bagged salad items tested).

We compared 58 fresh produce items and 8 bagged salads . . . commissary fresh produce prices were 33.7 percent less, and bagged salads 16.2 percent less, than the local market prices in Guam.

Transportation Costs Increased Fresh Produce Prices

Customer prices for fresh produce and bagged salads in Guam increased primarily because the contract required the contractor to incorporate into the price of the produce all costs associated with acquiring fresh produce, including transportation costs. Under the previous contract, DeCA paid to transport the fresh produce and bagged salads, and those costs were not included in the price of fresh produce.

Although commissary prices remained lower than local market prices in Guam, contractor transportation costs, specifically air transportation, caused a significant price increase of bagged salads. For example, bagged salad prices in January 2016 were 173.7 percent higher than prices in October 2015 under the previous contract. According to the current contractor, they reduced the bagged salad prices in

¹⁰ One high-volume core item was not available when we performed our comparison.

February 2016 in response to DeCA commissary customer complaints about high prices, but prices were still 141.3 percent higher than prices in October 2015 under the previous contract. The contractor provided information showing the average cost to transport bagged salads by air was \$31.63 per case. As of December 2016, the contractor was not recovering \$0.92 per bag of one brand, which included 22 varieties of bagged salads sold to DeCA.

Prior to implementation of the local purchase process, DeCA's produce contractor for Guam did not provide bagged salads. Rather, DeCA purchased bagged salads directly from vendors and paid to transport the product to Guam. Under the previous contract, DeCA paid \$773,000 to transport bagged salads by air to Guam in FY 2015. Since DeCA no longer pays to transport bagged salads under the new contract, the average cost to the customer has increased 150.3 percent. We recommend that the Director, DeCA, reevaluate funding and transportation options to address the price increase of bagged salads for the Guam commissaries.

Quality Problems Not Documented for Fresh Produce Displayed for Sale

DeCA produce personnel did not routinely document quality problems for fresh produce in the commissary display areas under the prior or current contracts. However, according to Army food inspectors and DeCA officials, the quality of fresh produce has improved since the beginning of the new contract. In addition, 74 of 89 commissary customers surveyed as a part of this audit stated the quality of fresh produce was the same or better than the fresh produce sold under the previous contract. DeCA produce personnel did not routinely document quality problems because DeCA guidance and procedures do not require produce personnel document quality problems.

Army Food Inspectors Stated That Produce Quality Improved

Army food inspectors stated that the quality of fresh produce has improved since the beginning of the new contract. To insure continued quality of fresh produce, Army food inspectors at the Orote Naval Base commissary perform quality inspections on a sample of fresh produce delivered, and make recommendations to the commissary produce personnel to reject produce that does not meet the contract quality requirements.

The Army food inspectors' quality assurance reports list the quality, condition, and the percent of defective product for each item that is found to not meet contract quality requirements. For example, Army food inspectors inspected the October 21, 2016, produce delivery and identified that cherry tomatoes were

100 percent defective due to the moldy quality, and the soft and decaying condition of the tomatoes. We observed the Army food inspectors record truck temperature readings and perform sample inspections of fresh produce.

Customer Surveys Showed Improved Produce Quality

In October 2016 we surveyed customers at both Guam commissaries to obtain their opinions pertaining to the quality of fresh produce sold at the commissaries. The survey consisted of six questions on quality and pricing. According to 74 of 89 customers we surveyed, the quality of fresh produce was the same or better than the fresh produce sold under the previous contract (Table 2).

Table 2. Customer Responses to Survey Question 1

Survey Question	Customer Response	Number of Customers
On a scale of 1 to 5, how would you rate the quality of produce you purchase now, (October 2016) compared to the quality of the produce you purchased prior to November 2015?	1 – Worse	6
	2 – Slightly Worse	9
	3 – The Same	33
	4 – Slightly Better	20
	5 – Better	21
	Total	89

Source: DoD OIG.

In addition, according to 50 of 73 customers responding to our third survey question, the quality of the commissary fresh produce was the same or better than the quality in the local Guam markets (Table 3). See Appendix J for the survey questions we asked the commissary customers.

Table 3. Customer Responses to Survey Question 3

Survey Question	Customer Response	Number of Customers
If you shop off-base, on a scale of 1 to 5, how would you rate the quality of produce at the commissary compared to the quality of produce at supermarkets off base?	1 – Worse	7
	2 – Slightly Worse	16
	3 – The Same	15
	4 – Slightly Better	18
	5 – Better	17
	Total*	73

* Sixteen respondents stated that they did not purchase produce at local markets off base.

Source: DoD OIG.

In addition to the survey questions in which customers stated that the quality of fresh produce was the same or better than the produce sold under the previous contract, customers also provided comments regarding the quality of produce through social media. For example, a review of social media complaints through Facebook and Twitter to DeCA showed there were some complaints about quality at the beginning of the current contract. For example, one customer complaint stated, “Why are we still seeing rotten produce being put out for sale.” However, there have been no complaints on social media from June 2016 through December 16, 2016.

DeCA Officials Made Operational Changes to Improve Produce Quality

DeCA officials visited the Guam commissaries in January 2016 in response to customer complaints regarding the poor quality of fresh produce. During the visit to the commissaries, DeCA officials identified problems with produce operations, including the quality of fresh produce in the commissary display areas. According to DeCA officials, they raised awareness regarding the importance of quality fresh produce and reiterated the importance of executing produce department controls.

DeCA officials spent time with personnel to reinforce daily duties, such as how to inspect produce upon receipt, rotating, culling (removing unmarketable product), and keeping produce stocked on the sales floor to ensure quality fresh produce. In addition, DeCA officials made some personnel changes that they indicated improved the quality of fresh produce for customers in the display areas.

During our site visits to the two Guam commissaries in October 2016, we observed commissary produce department and contractor personnel performing key quality controls, such as rotating fresh produce from the back to the front before restocking and removing fresh produce from the display areas that was spoiled or bruised. We also observed produce department and contractor personnel, inspecting the new fresh produce for bruises and blemishes prior to placing the item on display for sale. See Figures 1 and 2 for pictures of Guam fresh produce taken during October 2016.



Figure 1. Fruit on Display at the Orote Commissary
Source: DoD OIG.



Figure 2. Vegetables on Display at the Orote Commissary
Source: DoD OIG.

Documenting Fresh Produce Quality Displayed For Sale is Optional

DeCA produce personnel did not routinely document quality problems because DeCA guidance and procedures do not require produce personnel to document quality problems. DeCA Manual 40-4.1 states that commissary produce department personnel:

- should not display fresh produce of lesser quality than what customers would purchase at a commercial supermarket;
- should discard poor quality fresh produce immediately; and
- may use locally developed worksheets to document poor quality produce for documenting possible problems with ordering, rotating fresh produce, and/or receiving procedures.¹¹

Store operations personnel at DeCA Headquarters stated that it would be labor intensive to document normal produce spoilage on the sales floor. However, during our site visit to the Orote Naval Base commissary, we obtained 2 months of worksheets from DeCA produce personnel showing item names, weight, and cost of fresh produce that could no longer be displayed for sale. DeCA produce department personnel used the worksheets to document why the Orote commissary was outside its allowable operating inventory levels for gain and loss.

At Andersen Air Force Base, DeCA produce personnel also maintained a worksheet for significant events effecting their produce department operating levels for gain and loss. DeCA produce personnel stated that although the worksheets were not normally required, they used them to record the amount of fresh produce discounted, discarded, or donated in order to support exceeding the allowable produce department operating levels for profit and loss.

DeCA officials visited the Guam commissaries in January 2016 because the customers complained that the quality of fresh produce was poor. DeCA officials determined that there were problems with ordering, rotating, and removing produce. If the Guam commissaries were required to use the worksheet referenced in DeCA Manual 40-4.1 to document quality problems for fresh produce displayed for sale, DeCA officials and commissary produce personnel:

- may have identified fresh produce quality problems; and
- would have documented information regarding fresh produce quality problems, and may have been able to respond to any customer complaints.

¹¹ DeCA Manual 40-4.1, "Produce Department Operations", September 12, 2012.

We recommend the Director, DeCA, require produce personnel to document quality problems with fresh produce in Guam commissary display areas and identify whether problems were related to product ordering, rotating, or receiving.

Customers Paying More, but Significantly Less Than Local Market Prices, and Quality Has Improved

DeCA's new fresh produce contract resulted in higher produce prices overall for commissary customers, but prices were still significantly less than prices in a local market in Guam. However, bagged salad prices increased significantly, and DeCA should evaluate transportation options to address that increase.

According to Army food inspectors and DeCA officials, the quality of the fresh produce improved from the beginning of the current contract, and 74 of 89 commissary customers surveyed stated that the produce quality was the same or better than the prior contract. Also as a result of the new contract, DeCA will save on average \$8.3 million per year in transportation costs for fresh produce shipped to Guam commissaries.

Management Comments on the Finding and Our Response

The Director, DeCA, provided the following comments on the finding. For the full text of the Director's comments, see the Management comments section of the report.

DeCA Comments on Price Fluctuations

The Director, DeCA, stated that the report did not address worldwide fresh produce price fluctuations, which are extremely fluid and dependent on many natural factors. Specifically, the Director stated that the report did not account for the 2.1-percent price increase in fresh produce worldwide during the same timeframe. The Director also stated that it is important to compare cost variations of fresh produce worldwide due to market conditions, geographic source locations, and the changes in the growing seasons.

Our Response

We acknowledge the comments from the Director, DeCA, on price fluctuations due to the consumer price index. While we agree that the produce market is fluid and dependent upon many factors, we focused our review on the price of produce paid by the Guam commissary customers. We concluded that fresh produce prices increased primarily because the DeCA contract required the contractor to incorporate into the price of the produce all costs associated with acquiring produce, including transportation costs.

Recommendations, Management Comments, and Our Response

Recommendation 1

We recommend that the Director, Defense Commissary Agency, reevaluate transportation options to address the price increase of bagged salads at the Guam commissaries.

Director, Defense Commissary Agency Comments

The Director, DeCA, agreed, stating that Defense Commissary Agency research has highlighted the continued challenges with bagged salads in the Pacific Theater. The Director stated that the Defense Commissary Agency intends to remove bagged salads from the contracts and re-initiate second destination transportation for bagged salads to the Pacific. The estimated completion date is April 2017.

Our Response

Comments from the Director addressed all specifics of the recommendations; therefore, this recommendation is resolved. We will close this recommendation after we verify that the local purchase contract for Guam was amended to remove bagged salads, and DeCA re-initiated second destination transportation funding for providing bagged salads to the commissaries in Guam.

Recommendation 2

We recommend that the Director, Defense Commissary Agency, require Guam commissary produce personnel to document quality problems with fresh produce in commissary display areas and identify whether problems were related to ordering, product rotation, or receiving.

Director, Defense Commissary Agency Comments

The Director, DeCA, agreed, stating that the Store Operations Group will review and revise DeCA Directive 40-4 to require the documentation of quality checks on fresh produce in the Pacific. In addition, based on the revised procedures, the Director will require the DeCA Store Operations Group to also develop additional training for the individuals assigned with the new responsibilities.

Our Response

Comments from the Director addressed all specifics of the recommendation; therefore, this recommendation is resolved. We will close this recommendation after we receive and analyze the revised Directive to ensure the policy includes procedures for documenting quality reviews of fresh produce in the Pacific, and verify that the revised Directive is implemented.

Appendix A

Scope and Methodology

We conducted this performance audit from August 2016 through February 2017 in accordance with generally accepted 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. We considered DeCA management comments on the draft of this report and contractor comments on relevant portions of the draft report and any comments provided were considered in preparing the final report.

Interviews and Policies

We interviewed DeCA officials responsible for commissary produce department guidance and management. We also interviewed DeCA produce personnel, current fresh produce contractor personnel, Defense Travel Management Office personnel, and Joint Region Marianas personnel.

We visited:

- DeCA Headquarters, Fort Lee, Virginia;
- DeCA Contracting Branch Europe, Kapaun Air Station, Germany;
- DeCA Commissaries at Naval Base Orote and Anderson Air Force Base, Guam;
- Defense Travel Management Office Headquarters, Alexandria, Virginia;
- Joint Region Marianas, Guam; and
- Current Fresh Produce Contractor Facility, Barrigada, Guam.

We reviewed the following DoD and DeCA policy and guidance to determine whether applicable guidance was followed for managing the commissary produce departments. Specifically we reviewed:

- DoD Directive 5105.55, "Defense Commissary Agency (DeCA)," March 12, 2008;
- DoD Instruction 1330.17, "DoD Commissary Program," June 18, 2014;
- DoD Instruction 5154.31, Volume 6, "Commercial Travel Management: Uniformed Services Housing and Station Allowances," October 16, 2015;

- DeCA Directive 40-04, “Produce Operating Department,” September 12, 2012; and
- DeCA Manual 40-4.1, “Produce Department Operations,” September 12, 2012.

Method to Determine Fresh Produce Price Increase

We compared the prices under the current contract for the 1st week of each month (November 2015 through August 2016) to prices under the previous contract for the same weeks, 1 year before (November 2014 through August 2015). We selected this time frame because the new contract started in November 2015, and pricing data were only available through August 2016 at the time of our review. Of the 448 fresh produce items offered by the current contractor during the time frame of review (November 2015 through August 2016), we compared 188 fresh produce items that were available for sale under both contracts.

Method to Determine Bagged Salad Price Increase

We compared the prices under the new contract for the 1st week of each month (November 2015 through August 2016) to prices offered under the prior contract for October 31, 2015. We selected this time frame because the new contract started in November 2015, and pricing data was only available through August 2016 at the time of our review. Of the 58 bagged salad items offered by the current contractor during the time frame of review (November 2015 through August 2016), we compared 41 bagged salad items that were available for sale under both contracts.

Method to Determine Commissary Prices Were Less Than Local Market Prices

In October 2016, we visited six local store locations to obtain local prices for produce and bagged salad items that were comparable to items being sold in the commissaries. The local market was the approved market to develop the market basket survey that was used to determine customer savings. We sampled 58 fresh produce items and 8 bagged salad items and compared the current commissary prices to the local market prices.

Method to Determine Customer Opinions on Quality of Fresh Produce

In October 2016, we conducted 89 interviews with commissary customers shopping in the produce area at the Orote and Andersen commissaries in Guam to determine customer opinion on the quality and price reasonableness of the produce offered for sale.

Use of Computer-Processed Data

We used computer-processed data that DeCA provided. We used second destination transportation data to determine the amount that DeCA paid to transport produce and bagged salad items to Guam in FYs 2013 through 2015. Although we did not validate the second destination transportation costs, the use of the data would not change the conclusions of this report.

Use of Technical Assistance

The DoD OIG Quantitative Methods Division assisted us in developing the survey used by Guam commissary customers for fresh produce price and quality assessment.

Prior Coverage

No prior coverage has been conducted on fresh produce contracts during the last 5 years.

Appendix B

High Volume Core Items

Count	Item Description	Preferred Quality, Size, Count
1	Apples, Red Delicious	Count 88, Extra Fancy, 40 Pound Case
2	Apples, Granny Smith	Count 88, Extra Fancy, 40 Pound Case
3	Apples, Gala	Count 88, Extra Fancy, 40 Pound Case
4	Avocados	Count 48, Hass Variety
5	Bananas, Yellow	Variety Cavendish, Color Code 2 & 3, 40 Pound Case
6	Grapes, Red Seedless	US #1, Large to Extra Large, 18 Pound Case
7	Grapes, White Green Seedless	Extra Fancy, Large to Extra Large, 18 Pound Case
8	Grapefruits, Red	US #1, Large to Extra Large, 18 Pound Case
9	Lemons, Large	US #1, Count 95 and Larger, 40 Pound Case
10	Limes, Regular	US #1, 36 or 150 Count Case
11	Melons, Cantaloupe	US #1, 12 Count Case Only
12	Melons, Honeydew	US #1, 6 Count Case
13	Oranges	US Fancy, 56 to 64 Count, 35 Pound Case, 72/88 Count for Bags
14	Pineapples, Extra Sweet	Gold, 5-6 Count Case
15	Strawberries	US #1, 8 1 Pound Clamshell Packs per Case
16	Asparagus, Green	US #1, Medium 6-8 Inch in 28 Pound Case
17	Bok Choy	150 Grams, 20 Each
18	Broccoli	US Extra Fancy, 20 Pound Case
19	Cabbage, Green	US #1, 16-18 Count, 50 Pound Case, Medium to Large
20	Cabbage, Nappa	Head
21	Carrots, Peeled Mini	US #1, 24 1 Pound Bags per Case
22	Carrots	US #1 or Better, 1, 2, and 5 Pound Bags, Topped
23	Cauliflower	US #1, 12 Count, Cellophane
24	Celery	US #1 or Better, 24 Count, Sleeved
25	Fresh Herb Cilantro	6 to 30 Bunches, Bags or Tubs

High Volume Core Items (cont'd)

Count	Item Description	Preferred Quality, Size, Count
26	Cucumbers, Green	Super Select or US Fancy, 70 Count in 45 Pound Case
27	Onions, Yellow	US #1, 3 Pound Bag, 21/4' Minimum
28	Onions, Green	US #1, 48 Count, 8-12' in Length, Medium Diameter
29	Lettuce Iceberg, Wrapped in Foil, Vacuum Cooled	US Fancy, Minimum 500 grams per head, Vacuum Cooled and Wrapped
30	Lettuce, Green	US #1, 12 or 24 Count, Unwrapped or Shrink Wrapped
31	Mushrooms, White	US #1, Jumbo or Extra Large, White, 10 Pound Case
32	Peppers, Green Bell	US Fancy, Large to Jumbo, 45 Count, 20 Pound Case
33	Fresh Herb Parsley	6 to 30 Bunches, Bags or Tubs
34	Potatoes, Russet Baking	US Extra #1, A Size, 5 Pound Bag
35	Tomatoes, Regular	US #1, Large

Appendix C

Price Comparison of Items Transported by Air

Item Count	Item Description	Average ¹ Current Contract Sales Price	Average ² Prior Contract Sales Price	Difference in Sales Price ³	Percentage Difference in Sales Price
1	Asparagus Large Bunch	\$8.49	\$5.99	\$2.50	41.7%
2	Avocado Hass Breaker	2.99	1.59	1.40	87.8
3	Banana Plantain	2.62	1.20	1.42	118.3
4	Bean Round Green	4.73	2.41	2.32	96.4
5	Blackberries	3.74	3.09	0.65	21.0
6	Blueberry	4.11	3.62	0.49	13.5
7	Blueberry New Zealand	4.49	3.99	0.50	12.5
8	Brussel Sprouts	4.99	2.79	2.20	78.7
9	Chard Red Bunched	5.65	2.30	3.35	145.5
10	Chili Habanero	8.55	5.99	2.56	42.8
11	Collard Green Clean	7.29	4.49	2.80	62.3
12	Corn White Cello	6.09	5.99	0.10	1.6
13	Cucumber	2.29	1.59	0.70	44.0
14	Cucumber English	5.41	2.94	2.47	84.1
15	Endive Belgian	5.06	4.64	0.42	9.0
16	Herb Basil Cello	3.28	3.29	-0.01	-0.2
17	Herb Chives Cello	3.89	3.30	0.59	17.9
18	Herb Dill Baby Cello	3.49	3.30	0.19	5.8
19	Herb Marjoram Cello	3.49	3.30	0.19	5.8
20	Herb Mint Cello	3.49	3.30	0.19	5.8
21	Herb Oregano Cello	3.58	3.30	0.28	8.5
22	Herb Rosemary Cello	3.49	3.30	0.19	5.8
23	Herb Sage Cello	3.49	3.30	0.19	5.8
24	Herb Tarragon Cello	3.49	3.30	0.19	5.8
25	Herb Thyme Cello	3.49	3.30	0.19	5.8
26	Lemon Grass Broken Lot	8.98	5.99	2.99	50.0
27	Lettuce Butter	3.45	2.87	0.59	20.5
28	Mann Broccoli Wokly	4.67	3.08	1.59	51.6
29	Mann Broccoli/Carrot	4.49	3.20	1.29	40.2

Footnotes used throughout this Appendix are defined on the final page.

Price Comparison of Items Transported by Air (cont'd)

Item Count	Item Description	Average ¹ Current Contract Sales Price	Average ² Prior Contract Sales Price	Difference in Sales Price ³	Percentage Difference in Sales Price
30	Mann Broccoli & Cauliflower	4.67	3.10	1.57	50.6
31	Mann Broccoli Coleslaw	4.30	2.68	1.62	60.5
32	Mann Broccolini Bunched	3.94	2.99	0.95	31.9
33	Mann California Stir Fry	4.67	3.20	1.47	45.9
34	Mann Vegetable Medley	4.67	3.20	1.47	45.9
35	Mushroom Brown Crimini	7.47	4.29	3.17	73.9
36	Mushroom Portabella	10.23	6.99	3.24	46.4
37	Organic Carrot Bunched	5.51	2.31	3.20	138.7
38	Organic Carrot Mini-Peel	2.67	1.88	0.78	41.7
39	Onion Pearl Tricolor	3.93	3.24	0.69	21.2
40	Onion Pearl White	3.93	3.24	0.69	21.2
41	Papaya	5.98	4.69	1.29	27.5
42	Raspberry	5.49	4.66	0.83	17.8
43	Squash Yellow Extra Fancy/Fancy	3.48	2.27	1.20	52.9
44	Squash Zucchini Fancy	2.85	1.44	1.41	98.1
45	Strawberry Driscoll	8.28	5.99	2.29	38.3
46	Strawberry New Zealand	7.78	5.99	1.79	30.0
47	Tomato Grape Clamshell	5.99	3.74	2.25	60.1
48	Tomato Red Cluster	6.23	2.89	3.34	115.7
49	Tomato Roma Large	5.68	2.99	2.69	90.0
50	Watercress Bunched	3.49	3.20	0.29	8.9
Total		\$4.53	\$3.34	\$1.18	35.5%

¹ Average of prices for the 1st week of each month, November 2015 through August 2016.

² Average of prices for the 1st week of each month, November 2014 through August 2015.

³ Differences in prices may not equal the actual sum because of rounding.

Appendix D

Price Comparison of Items Transported by Ship

Item Count	Item Description	Average ¹ Current Contract Sales Price	Average ² Prior Contract Sales Price	Difference in Sales Price ³	Percentage Difference in Sales Price
1	Apple Braeburn Extra Fancy	\$1.58	\$1.43	\$0.16	11.0%
2	Apple Fuji, 56 Count	1.50	1.14	0.36	31.6
3	Apple Fuji, 88 Count	1.08	1.59	-0.51	-32.0
4	Apple Fuji Bags	3.84	4.24	-0.40	-9.5
5	Apple Gala Extra Fancy	1.57	1.23	0.35	28.2
6	Apple Gala Bag	3.70	3.90	-0.20	-5.2
7	Apple Gold Delicious Bag	3.78	3.41	0.37	10.8
8	Apple Gold Delicious	1.54	1.19	0.36	30.0
9	Apple Granny Smith Bags	3.80	4.22	-0.42	-9.9
10	Apple Granny Smith Extra Fancy	1.20	1.21	-0.01	-1.1
11	Apple Honeycrisp	2.41	3.07	-0.67	-21.7
12	Apple Jazz	2.29	2.11	0.18	8.6
13	Apple Jonagold	1.46	1.18	0.28	24.0
14	Apple Pink Lady Extra Fancy	1.72	1.90	-0.18	-9.3
15	Apple Red Delicious	1.05	0.92	0.13	14.0
16	Apple Red Delicious Extra Fancy Bags	3.56	3.50	0.06	1.6
17	Asparagus Large Bunch	4.54	6.11	-1.57	-25.7
18	Avocado Hass Breaker Mexico	1.02	1.59	-0.57	-35.8
19	Avocado Hass Breaker USA	1.04	1.74	-0.70	-40.5
20	Avocado Hass Green California	1.15	1.63	-0.48	-29.4
21	Avocado Hass Green Mexico	1.02	1.59	-0.57	-35.8
22	Baby Bok Choy	1.27	2.61	-1.34	-51.3
23	Banana Chiquita Breaking	0.99	1.09	-0.10	-9.1
24	Banana Chiquita Greener	0.99	1.09	-0.10	-9.1
25	Beet Loose Red	1.32	1.14	0.18	16.1
26	Bell Pepper Gold Choice	2.49	4.11	-1.62	-39.4

Footnotes used throughout this Appendix are defined on the final page.

Price Comparison of Items Transported by Ship (cont'd)

Item Count	Item Description	Average ¹ Current Contract Sales Price	Average ² Prior Contract Sales Price	Difference in Sales Price ³	Percentage Difference in Sales Price
27	Bell Pepper Red Choice	2.11	2.72	-0.61	-22.3
28	Broccoli Crowns	1.52	1.95	-0.43	-22.3
29	Brussel Sprouts	2.69	2.64	0.05	1.9
30	Cabbage Bok Choy	1.43	1.90	-0.47	-24.9
31	Cabbage Green	0.82	0.70	0.12	17.5
32	Cabbage Red	1.27	1.11	0.15	13.8
33	Cabbage Savoy	1.69	0.88	0.81	91.5
34	Canary Melon	1.49	1.39	0.10	7.2
35	Cantaloupe, 12 Count	0.94	1.05	-0.10	-9.7
36	Cantaloupe, 9 Count	0.94	1.18	-0.24	-20.7
37	Carrot Cello, 1 Pound Bag	0.83	0.77	0.07	8.9
38	Carrot Cello, 5 Pound Bag	3.73	3.67	0.06	1.7
39	Carrot Jumbo	0.79	0.89	-0.10	-11.5
40	Carrot Peeled Mini	1.24	1.68	-0.44	-26.3
41	Cauliflower Cello	1.78	3.27	-1.49	-45.6
42	Celery Hearts	2.91	2.69	0.22	8.1
43	Chili Anaheim	2.13	2.84	-0.71	-24.9
44	Chili Habanero	6.32	5.99	0.33	5.5
45	Chili Jalapeno	2.22	2.05	0.17	8.1
46	Chili Pasilla	2.15	2.80	-0.64	-23.0
47	Chili Serrano	2.22	2.11	0.11	5.1
48	Chili Tomatillo	2.26	1.93	0.33	17.3
49	Cilantro	1.08	0.98	0.10	10.0
50	Collard Green Bunched	1.55	1.27	0.28	22.1
51	Corn White	1.08	1.29	-0.21	-16.2
52	Corn White Cello	4.48	5.99	-1.51	-25.2
53	Cranberries	1.99	2.99	-1.00	-33.4
54	Crenshaw Melon	1.49	1.39	0.10	7.2
55	Cucumber	2.17	1.35	0.82	60.7
56	Eggplant	1.79	2.97	-1.18	-39.8
57	Garlic Super Colossal	3.03	3.08	-0.04	-1.5

Footnotes used throughout this Appendix are defined on the final page.

Price Comparison of Items Transported by Ship (cont'd)

Item Count	Item Description	Average ¹ Current Contract Sales Price	Average ² Prior Contract Sales Price	Difference in Sales Price ³	Percentage Difference in Sales Price
58	Grape Black Seedless	2.29	2.69	-0.40	-14.9
59	Grape Green Seedless California	2.29	2.83	-0.54	-19.1
60	Grape Green Seedless Peru	2.98	2.74	0.24	8.8
61	Grape Red Globe	2.56	2.67	-0.11	-4.1
62	Grape Red Seedless California	2.04	2.48	-0.44	-17.6
63	Grape Red Seedless Peru	2.95	2.69	0.26	9.7
64	Grapefruit Red California	0.87	1.15	-0.27	-23.8
65	Grapefruit Red Cello	5.99	5.39	0.60	11.1
66	Grapefruit Red Texas	0.77	1.08	-0.31	-28.7
67	Green Onion Bunched	0.57	0.75	-0.18	-24.4
68	Honeydew	1.13	1.22	-0.09	-7.0
69	Jicama	1.60	2.37	-0.78	-32.7
70	Kale Green Bunched	1.33	2.04	-0.71	-34.9
71	Leeks Bunched	3.85	3.87	-0.02	-0.5
72	Lemon Choice	1.18	1.85	-0.67	-36.3
73	Lettuce Greenleaf Sleeved	1.28	2.99	-1.71	-57.1
74	Lettuce Red Leaf Sleeved	1.28	2.99	-1.71	-57.1
75	Lettuce Romaine Hearts	3.54	4.02	-0.47	-11.8
76	Lettuce Romaine Sleeved	1.99	2.49	-0.50	-20.1
77	Limes	1.18	2.22	-1.04	-46.9
78	Melon Galia	1.49	1.39	0.10	7.2
79	Melon Watermelon Seedless	0.81	0.59	0.22	36.5
80	Mushroom Large	4.40	3.99	0.41	10.2
81	Mushroom Portabella	6.99	6.99	0.00	0.0
82	Mustard Green Bunched	1.54	1.98	-0.44	-22.2
83	Nectarine Yellow California	3.06	2.45	0.60	24.6
84	Organic Carrot Cello	1.20	1.40	-0.20	-14.3
85	Organic Onion Red Vexar	3.69	5.09	-1.40	-27.5
86	Organic Onion Yellow Vexar	3.85	3.70	0.15	4.0

Footnotes used throughout this Appendix are defined on the final page.

Price Comparison of Items Transported by Ship (cont'd)

Item Count	Item Description	Average ¹ Current Contract Sales Price	Average ² Prior Contract Sales Price	Difference in Sales Price ³	Percentage Difference in Sales Price
87	Onion Pearl White	2.59	3.38	-0.79	-23.2
88	Onion Red Medium	1.25	0.96	0.30	31.3
89	Onion Sweet Yellow Sweet	1.28	0.99	0.29	29.7
90	Onion White Medium	1.17	0.78	0.39	49.8
91	Onion White Vexar	3.38	2.85	0.53	18.4
92	Onion Yellow Medium	0.52	0.48	0.04	8.2
93	Onion Yellow Vexar	2.58	1.94	0.64	33.3
94	Orange Cello	4.23	3.99	0.24	6.1
95	Orange Navel Australian	0.89	1.37	-0.48	-35.0
96	Orange Navel Fancy USA	0.97	0.99	-0.01	-1.5
97	Parsley Curly Bunched	0.50	0.89	-0.39	-43.8
98	Parsley Italian	0.71	0.94	-0.23	-24.7
99	Parsnip	2.59	2.56	0.03	1.3
100	Peach Yellow California	3.09	2.26	0.83	36.9
101	Pear Bartlett	1.52	1.32	0.20	14.9
102	Pear Bosc Us	1.59	1.67	-0.08	-4.8
103	Pear Comice	2.48	2.25	0.23	10.3
104	Pear Forelle Extra Large	2.49	2.99	-0.50	-16.7
105	Pear Red	2.01	2.09	-0.08	-3.8
106	Pear Seckle	2.48	2.22	0.27	12.1
107	Personal Watermelon	0.99	1.17	-0.18	-15.3
108	Pineapple Gold	1.23	1.19	0.03	2.8
109	Plum Loose Red	2.19	1.09	1.10	100.9
110	Pomegranate	2.48	2.13	0.36	16.8
111	Potato Red A	0.81	0.74	0.07	9.4
112	Potato Red Cello	3.97	4.74	-0.77	-16.3
113	Potato Russet, 10 Pound Bag	5.35	3.74	1.61	43.0
114	Potato Russet, 5 Pound Bag	2.72	2.00	0.71	35.7
115	Potato Sweet	1.06	2.00	-0.94	-47.1
116	Potato Yellow Yukon	4.99	5.25	-0.26	-4.9
117	Potato Yellow Yukon A	1.04	0.93	0.11	12.4

Footnotes used throughout this Appendix are defined on the final page.

Price Comparison of Items Transported by Ship (cont'd)

Item Count	Item Description	Average ¹ Current Contract Sales Price	Average ² Prior Contract Sales Price	Difference in Sales Price ³	Percentage Difference in Sales Price
118	Radish White Daikon	1.66	2.49	-0.82	-33.1
119	Rutabaga	1.59	2.16	-0.58	-26.6
120	Shallots	3.49	4.37	-0.88	-20.2
121	Squash Butternut Large	1.19	2.76	-1.57	-56.9
122	Squash Cheyote	1.19	1.19	0.00	-0.2
123	Squash Kabocha	1.22	1.29	-0.07	-5.2
124	Squash Spaghetti Large	1.27	2.63	-1.36	-51.7
125	Squash Yellow Extra Fancy/Fancy	1.75	2.76	-1.01	-36.5
126	Squash Zucchini Fancy	1.68	1.72	-0.04	-2.3
127	Strawberry Driscoll	7.14	5.15	1.99	38.6
128	Strawberry New Zealand	7.15	5.99	1.16	19.4
129	Taro Root Sato	2.49	3.95	-1.46	-37.0
130	Taro Root Small	1.81	4.53	-2.71	-60.0
131	Tomato	1.54	1.44	0.10	6.9
132	Tomato Cherry	2.59	1.86	0.73	39.3
133	Tomato Grape Clamshell	2.97	2.40	0.56	23.5
134	Tomato Roma Large	1.42	1.49	-0.07	-4.6
135	Turnip	1.59	1.28	0.31	23.8
136	Yam	1.08	2.27	-1.19	-52.4
137	Yucca Root	1.39	2.77	-1.38	-49.9
Average		\$2.10	\$2.24	-\$0.14	-6.1%

¹ Average of prices for the 1st week of each month, November 2015 through August 2016.

² Average of prices for the 1st week of each month, November 2014 through August 2015.

³ Differences in prices may not equal the actual sum because of rounding.

Appendix E

Price Comparison of Items Bought Locally

Item Count	Item Description	Average ¹ Current Contract Sales Price	Average ² Prior Contract Sales Price	Difference in Sales Price ³	Percentage Difference in Sales Price
1	Banana Cooking	\$1.59	\$1.78	-\$0.19	-10.4%
2	Beans Long Green	2.21	3.68	-1.47	-40.0
3	Coconut Husked	1.67	1.74	-0.07	-4.1
4	Corn Sweet Yellow	2.19	2.47	-0.28	-11.3
5	Cucumber Oriental Small	1.88	2.14	-0.26	-12.2
6	Eggplant	1.91	2.76	-0.85	-30.7
7	Kang Kong	2.39	1.53	0.86	56.2
8	Lemon Grass Bunched	1.68	1.62	0.06	3.9
9	Lemon	1.52	2.10	-0.58	-27.6
10	Melon Bitter	2.63	3.10	-0.47	-15.1
11	Okra	2.89	3.27	-0.38	-11.5
12	Papaya Green	1.98	2.02	-0.04	-1.9
13	Potato Sweet (Kamuti)	1.56	2.66	-1.10	-41.4
14	Taro Root Red	1.49	2.69	-1.20	-44.6
15	Tomato Cherry	2.59	1.85	0.74	39.9
16	Watermelon	1.05	1.23	-0.18	-14.6
Average		\$1.99	\$2.28	-\$0.29	-12.6%

¹ Average of prices for the 1st week of each month, November 2015 through August 2016.

² Average of prices for the 1st week of each month, November 2014 through August 2015.

³ Differences in prices may not equal the actual sum because of rounding.

Appendix F

Price Comparison of Bagged Salad Items

Item Count	Item Description	Average ¹ Current Contract Sale Price	Prior Contract Sale Price ²	Sale Price Difference	Percentage Difference in Sales Price
1	Earthbound Baby Arugula	\$6.57	\$3.09	\$3.48	112.7%
2	Earthbound Baby Mix Greens	6.57	2.99	3.58	119.8
3	Earthbound Baby Romaine	6.62	3.09	3.53	114.2
4	Earthbound Baby Spinach	6.62	3.09	3.53	114.2
5	Earthbound Half & Half	6.62	3.09	3.53	114.2
6	Earthbound Herb Salad	6.62	3.09	3.53	114.2
7	Fresh Express 5 Lettuce Mix	4.50	1.71	2.79	163.2
8	Fresh Express American	5.20	1.71	3.49	204.1
9	Fresh Express Asian Supreme	5.10	3.19	1.91	59.9
10	Fresh Express Baby 50/50 Mix	5.20	1.80	3.40	188.9
11	Fresh Express Baby Spinach	5.20	1.80	3.40	188.9
12	Fresh Express Baby Spinach/Arugula	5.69	1.80	3.89	216.1
13	Fresh Express Baby Sweet/Crunchy	5.69	1.80	3.89	216.1
14	Fresh Express Bacon Caesar	5.10	3.19	1.91	59.9
15	Fresh Express Caesar Light Salad	5.74	1.65	4.09	247.9
16	Fresh Express Caesar Salad	5.10	1.65	3.45	209.1
17	Fresh Express Caesar With Lite Dressing	5.99	1.65	4.34	263.0
18	Fresh Express Coleslaw 3 Color	5.16	2.09	3.07	146.7
19	Fresh Express Baby Kale	5.20	1.80	3.40	188.9
20	Fresh Express Farmers Garden	5.20	1.08	4.12	381.5
21	Fresh Express Green & Crisp Romaine Garden	5.16	1.67	3.49	208.8
22	Fresh Express Hearts Of Romaine	5.17	1.71	3.46	202.2
23	Fresh Express Iceberg Garden Salad, 24 ounce	5.49	1.74	3.75	215.5
24	Fresh Express Iceberg Garden Salad, 6 ounce	3.84	0.45	3.39	753.1
25	Fresh Express Italian	5.20	1.71	3.49	204.1

Footnotes used throughout this Appendix are defined on the final page.

Price Comparison of Bagged Salad Items (cont'd)

Item Count	Item Description	Average ¹ Current Contract Sale Price	Prior Contract Sale Price ²	Sale Price Difference	Percentage Difference in Sales Price
26	Fresh Express Leafy Green Romaine	5.20	1.71	3.49	204.1
27	Fresh Express Lettuce Shreds	5.49	0.86	4.63	538.3
28	Fresh Express Organic Baby Arugula Clamshell	5.45	1.89	3.56	188.3
29	Fresh Express Organic Spring Mix Clamshell	5.45	1.89	3.56	188.3
30	Fresh Express Premium Romaine	5.04	1.67	3.37	201.8
31	Fresh Express Shred Lettuce	4.99	0.86	4.13	480.2
32	Fresh Express Spinach	4.50	1.30	3.20	246.2
33	Fresh Express Spring Mix	5.20	1.80	3.40	188.9
34	Fresh Express Spring Mix Clamshell	8.16	4.55	3.61	79.3
35	Fresh Express Supreme Caesar	5.49	1.77	3.72	210.1
36	Fresh Express Veggie Spring Mix	5.69	1.80	3.89	216.1
37	Rdypac Chef	5.99	2.94	3.05	103.7
38	Rdypac Cobb Salad	5.99	2.94	3.05	103.7
39	Rdypac Cranberry Walnut Bowl	5.99	2.94	3.05	103.7
40	Rdypac Santa Fe Bistro Bowl	5.99	2.94	3.05	103.7
41	Rdypac Spinach Dijon Bistro Bowl	5.99	2.94	3.05	103.7
Average		\$5.55	\$2.22	\$3.33	150.3%

¹ Average of prices for the 1st week of each month, November 2015 through August 2016.

² Current as of October 2015.

Appendix G

Test of Local Market Prices—High-Volume Core Items

Item Count	Item Description	Commissary Price	Local Market Price	Price Difference	Percent Difference
1	Apples, Gala	\$1.29	\$1.59	\$0.30	18.9%
2	Apples, Granny Smith	1.05	1.99	0.94	47.2
3	Apples, Red Delicious	1.05	1.99	0.94	47.2
4	Asparagus, Green	3.85	5.99	2.14	35.7
5	Avocados	1.68	1.99	0.31	15.6
6	Bananas, Yellow	0.89	1.29	0.40	31.0
7	Bok Choy	1.15	1.99	0.84	42.2
8	Broccoli Crowns	1.35	2.99	1.64	54.9
9	Cabbage, Green	0.75	0.99	0.24	24.2
10	Cabbage, Nappa	0.69	1.99	1.30	65.3
11	Carrots	0.69	1.29	0.60	46.5
12	Carrots, Peeled Mini	1.19	1.79	0.60	33.5
13	Celery	0.59	1.29	0.70	54.3
14	Cauliflower	0.95	1.59	0.64	40.3
15	Cucumbers, Green	2.19	4.99	2.80	56.1
16	Fresh Herb Cilantro	1.19	1.99	0.80	40.2
17	Fresh Herb Parsley	0.39	1.29	0.90	69.8
18	Grapes, Red Seedless	1.89	3.99	2.10	52.6
19	Grapes, White Green Seedless	1.89	3.49	1.60	45.9
20	Lemons, Large	1.29	2.29	1.00	43.7
21	Lettuce, Green	1.09	1.99	0.90	45.2
22	Lettuce Iceberg	0.89	1.19	0.30	25.2
23	Limes, Regular	0.99	1.69	0.70	41.4
24	Melons, Cantaloupe	0.79	1.29	0.50	38.8
25	Melons, Honeydew	0.89	1.59	0.70	44.0
26	Mushrooms, White	3.99	5.49	1.50	27.3
27	Onions, Green	0.49	1.29	0.80	62.0
28	Onions, Yellow	0.45	0.99	0.54	54.6
29	Oranges	0.85	1.29	0.44	34.1

Footnotes used throughout this Appendix are defined on the final page.

Test of Local Market Prices—High-Volume Core Items (cont'd)

Item Count	Item Description	Commissary Price	Local Market Price	Price Difference	Percent Difference
30	Peppers, Green Bell	1.29	2.49	1.20	48.2
31	Pineapples	1.19	1.79	0.60	33.5
32	Potatoes, Russet Baking	0.69	1.09	0.40	36.7
33	Strawberries	6.49	8.99	2.50	27.8
34	Tomatoes, Regular	1.59	2.19	0.60	27.4
Total		\$47.69	\$80.16	\$32.47	40.5%

Note: Tested commissary and local market prices during the 3rd week of October 2016.

Appendix H

Test of Local Market Prices—Non-High-Volume Core Items

Item Count	Item Description	Commissary Price	Local Market Price	Price Difference	Percent Difference
1	Apple, Fuji	\$1.39	\$1.89	\$0.50	26.5%
2	Apple, Golden Delicious	1.79	1.99	0.20	10.1
3	Bananas, Plantain	2.89	1.89	-1.00	-52.9
4	Beans, Long Local	2.29	2.99	0.70	23.4
5	Blueberries	4.89	7.99	3.10	38.8
6	Cabbage, Red	1.29	1.29	0.00	0.0
7	Garlic	3.19	4.69	1.50	32.0
8	Ginger Root	1.39	1.29	-0.10	-7.8
9	Kale	1.39	1.99	0.60	30.2
10	Kiwi	0.43	1.09	0.66	60.6
11	Lettuce, Romaine	1.09	1.49	0.40	26.9
12	Lettuce, Romaine Red	1.29	1.49	0.20	13.4
13	Melon, Watermelon	0.79	0.99	0.20	20.2
14	Onions, Red	1.29	1.99	0.70	35.2
15	Onions, White	1.19	1.79	0.60	33.5
16	Pear, Anjou	1.59	2.19	0.60	27.4
17	Pear, Anjou Red	2.29	2.19	-0.10	-4.6
18	Pear, Bosc	1.89	2.19	0.30	13.7
19	Pepper, Red Bell	1.68	3.49	1.81	51.9
20	Pepper, Yellow Bell	3.99	4.19	0.20	4.8
21	Potatoes, Red	0.94	1.49	0.55	36.9
22	Potatoes, Yellow	1.09	0.99	-0.10	-10.1
23	Raspberries	4.79	7.99	3.20	40.1
24	Tomato, Roma	1.68	2.29	0.61	26.6
Total		\$46.53	\$61.86	\$15.33	24.8%

Note: Tested commissary and local market prices during the 3rd week of October 2016.

Appendix I

Test of Local Market Prices—Bagged Salad

Item Count	Item Description	Commissary Price	Local Market Price	Price Difference	Percent Difference
1	Fresh Express Salad – 5 Lettuce Mix	\$3.99	\$5.99	\$2.00	33.4%
2	Fresh Express Salad – 50/50 Mix	4.99	5.99	1.00	16.7
3	Fresh Express Salad – Caesar	4.99	5.99	1.00	16.7
4	Fresh Express Salad – Iceberg Garden	4.99	3.29	-1.70	-51.7
5	Fresh Express Salad – Italian	4.99	5.99	1.00	16.7
6	Fresh Express Salad – Kit Asian	4.79	6.99	2.20	31.5
7	Fresh Express Salad – Spring Mix	4.99	5.99	1.00	16.7
8	Fresh Express Salad – Veggies Lovers	4.99	5.99	1.00	16.7
Total		\$38.72	\$46.22	\$7.50	16.2%

Note: Tested commissary and local market prices during the 3rd week of October 2016.

Appendix J

Survey Questionnaire

Department of Defense Office of Inspector General
 Audit of the Fresh Produce Contracts for the U.S. Pacific Command Theater
 Project Number D2016-D000AJ-0186.000

Survey of Guam Commissary Patrons

Date: _____ Time: _____ Location: _____ Survey No.: _____

How long have you been shopping at this commissary? Month _____ Year _____

1. On a scale of 1 to 5 with 1 being worse, 2 slightly worse, 3 the same, 4 slightly better, and 5 better; how would you rate the quality of produce you purchase now, compared to the quality of the produce you purchased prior to November 2015?

1 (worse) 2 (slightly worse) 3 (the same) 4 (slightly better) 5 (better)

2. Has the quality of the produce at this commissary improved since the beginning of this year?

Yes _____ No _____

3. Have you shopped off-base for fresh produce? On a scale of 1 to 5 with 1 being worse, 2 slightly worse, 3 the same, 4 slightly better, and 5 better; how would rate the quality of produce at this commissary compared to the quality of the produce at super markets off base?

1 (worse) 2 (slightly worse) 3 (the same) 4 (slightly better) 5 (better) 6 (N/A)

4. On a scale of 1 to 5 with 1 being worse, 2 slightly worse, 3 the same, 4 slightly better, and 5 better; how would you rate the price of produce now, compared to the price of the produce before November 2015?

1 (worse) 2 (slightly worse) 3 (the same) 4 (slightly better) 5 (better)

5. Have you noticed a difference in the price of the produce at this commissary since the beginning of this year?

Yes _____ Higher _____ Lower _____ No _____

6. On a scale of 1 to 5 with 1 being worse, 2 slightly worse, 3 the same, 4 slightly better, and 5 better; how would you rate the price of the produce at this commissary compared to the price of the produce at super markets off base?

1 (worse) 2 (slightly worse) 3 (the same) 4 (slightly better) 5 (better) 6 (N/A)

Management Comments

Defense Commissary Agency



IN REPLY
REFER TO

DEFENSE COMMISSARY AGENCY
HEADQUARTERS
1300 E AVENUE
FORT LEE, VIRGINIA 23801-1800

February 21, 2017


CC

MEMORANDUM FOR DEPARTMENT OF DEFENSE OFFICE OF THE INSPECTOR
GENERAL

SUBJECT: Defense Commissary Agency Purchases of Fresh Produce in Guam

Reference: Project No. D2016-D000AJ-0186.000

Attached per your request is the Defense Commissary Agency's response to referenced project.



Joseph H. Jau
Director

Attachment:
As stated

Your Commissary ... It's Worth the Trip!

Defense Commissary Agency (cont'd)

DeCA agrees with the report and its recommendations. Specifically regarding the DoDIG's first recommendation to re-evaluate transportation options to address the increased costs of bagged salads, as part of the natural progression of any new business or contract model, DeCA has continued to monitor the prices and quality of various fresh fruits and vegetables (FF&V) under the contract. Our research also highlighted the continued challenges with bagged salads in the Pacific Theater and, therefore, DeCA began reviewing its options to bring the highest quality FF&V to our patrons at an affordable price. As such, DeCA intends to remove bagged salads from the contracts and re-initialize Second Destination Transportation for bagged salads to the Pacific in April 2017.

DeCA is pleased that 74 of 89 customers surveyed indicated that the quality of produce is equal or better than under the previous contract. Notwithstanding, in regards to the second recommendation that DeCA require Guam produce personnel to document quality problems with fresh produce in commissary display areas and identify whether problems were related to ordering, product rotation, or receiving for commissary locations in Guam, I have charged DeCA's Store Operations Group with reviewing DeCA Directive 40-4 and revising procedures and mandating annotation of quality checks on the FF&V in the Pacific. Finally, the Store Operations Group is directed to formulate additional training for the individuals charged with these new responsibilities.

Finally, the report does not annotate the price fluctuation which occurred in the worldwide fresh fruits and vegetable market. As is commonly known, the produce market is extremely fluid and dependent upon many natural factors. In order to determine the percentage of increase or decrease in local market prices on produce compared to the prices in the Pacific commissaries, it is important to document and compare variations in the cost of fresh fruits and vegetables worldwide due to the change in growing season, geographic source location, and market conditions in effect with regard to DeCA's previous Pacific theater produce contract (from April 2008 through October 2015) and the "local sourcing" contracts initiated in November 2015. By comparing current prices to prices from the previous contract, the report did not account for the estimated 2.1 percent increase in produce prices worldwide during the same time frame. The net increase in produce prices is 5.1 percent (7.2 percent minus 2.1 percent).

Attachment

Your Commissary ... It's Worth the Trip!

Acronyms and Abbreviations

COLA Cost of Living Allowance

DeCA Defense Commissary Agency



Whistleblower Protection

U.S. DEPARTMENT OF DEFENSE

The Whistleblower Protection Ombudsman's role is to educate agency employees about prohibitions on retaliation and employees' rights and remedies available for reprisal. The DoD Hotline Director is the designated ombudsman. For more information, please visit the Whistleblower webpage at www.dodig.mil/programs/whistleblower.

For more information about DoD OIG reports or activities, please contact us:

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