



United States Department of Agriculture

Cooperative Interstate Shipment Program



Audit Report 24601-0002-22

December 2019

OFFICE OF INSPECTOR GENERAL

Cooperative Interstate Shipment Program

Audit Report 24601-0002-22

We reviewed FSIS' compliance with CIS program requirements for the interstate shipment of certain State-inspected meat and poultry products.

OBJECTIVE

Our objectives were to evaluate FSIS' compliance with the CIS program requirements for the interstate shipment of certain State-inspected meat and poultry products. Specifically, we determined if: (1) FSIS is providing adequate oversight, enforcement, and outreach of the CIS program; (2) States are providing inspection services in the same manner that complies with FMIA and the Poultry Products Inspection Act (PPIA); and (3) establishments are operating in compliance with FMIA and PPIA.

REVIEWED

We reviewed laws, regulations, policies, procedures, FSIS directives, FSIS notices, and other published guidance relative to the CIS program; reviewed 28 onsite verification reports from 9 establishments and 7 quarterly reports; and assessed internal program controls and outreach efforts for the CIS program.

RECOMMENDS

Amend the applicable directive to instruct FSIS personnel to prepare written documentation of their onsite verification visits.

WHAT OIG FOUND

The Food Safety and Inspection Service's (FSIS) Cooperative Interstate Shipment (CIS) program provides the opportunity for eligible State-inspected establishments with 25 or fewer employees located in participating States to ship meat and poultry products across State lines and export them to foreign countries. FSIS monitors a participating State's ability to administer and enforce Federal standards under a CIS program primarily through onsite verification visits of establishments selected for the program. While FSIS personnel conducting these visits concluded that establishments selected in the CIS program were in compliance with CIS program requirements, we found that the onsite verification reports do not always contain the information needed for external reviewers to evaluate program compliance. As a result, external reviewers may not fully understand what onsite FSIS reviewers assessed to verify State and establishment compliance with the program.

Regarding our objective of determining whether FSIS is providing adequate enforcement and outreach, we generally had no reportable findings. We found that FSIS' enforcement and outreach for the CIS program was adequate.

FSIS generally agreed with our finding and we accepted management decision for the report's recommendation.



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



DATE: December 11, 2019

AUDIT
NUMBER: 24601-0002-22

TO: Carmen M. Rottenberg
Administrator
Food Safety and Inspection Service

ATTN: Cara LeConte
Chief Financial Officer
Food Safety and Inspection Service
Office of the Chief Financial Officer

FROM: Gil H. Harden
Assistant Inspector General for Audit

SUBJECT: Cooperative Interstate Shipment Program

This report presents the results of the subject review. Your written response to the official draft is included in its entirety at the end of the report. We have incorporated excerpts from your response, and the Office of Inspector General's (OIG) position, into the relevant sections of the report. Based on your written response, we are accepting management decision for the audit recommendation in the report, and no further response to this office is necessary. Please follow your internal agency procedures in forwarding final action correspondence to the Office of the Chief Financial Officer (OCFO).

In accordance with Departmental Regulation 1720-1, final action needs to be taken within 1 year of each management decision to prevent being listed in the Department's annual Agency Financial Report. For agencies other than the Office of the Chief Financial Officer (OCFO), please follow your internal agency procedures in forwarding final action correspondence to OCFO.

We appreciate the courtesies and cooperation extended to us by members of your staff during our audit fieldwork and subsequent discussions. This report contains publicly available information and will be posted in its entirety to our website (<http://www.usda.gov/oig>) in the near future.

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Background and Objectives

Background

The Food Safety and Inspection Service (FSIS) is the Department of Agriculture's (USDA) public health agency responsible for ensuring meat, poultry, and processed egg products are safe, wholesome, and accurately labeled. FSIS has the authority to inspect all meat and poultry products in interstate commerce under the Federal Meat Inspection Act (FMIA) and the Poultry Products Inspection Act (PPIA).^{1,2} FMIA and PPIA also authorize FSIS to cooperate with State agencies in developing and administering State Meat and Poultry Inspection (MPI) programs that are "at least equal to" the Federal inspection program requirements. Products produced under a State MPI program may only be shipped in intrastate commerce.

The 2008 Farm Bill, enacted on June 18, 2008, amended FMIA and PPIA to establish the Cooperative Interstate Shipment (CIS) program, which allows certain State-inspected establishments that comply with Federal standards to ship their products in interstate commerce as well as internationally.³ The 2008 Farm Bill amended the FMIA and PPIA to provide that, in coordination with the appropriate State agency, the Secretary of Agriculture may select State-inspected establishments with 25 or fewer employees to ship meat and poultry products in interstate commerce. These small and very small establishments are permitted to ship their products across State lines and also export them to foreign countries.⁴ To be able to participate in this opportunity to expand their market, such establishments must first be operating under an "at least equal to" State MPI program in a State that has also entered into a cooperative agreement with FSIS for a CIS ("same as" program). To be eligible for selection into a CIS program, the establishment must comply with all Federal requirements under FMIA and PPIA.

The CIS program is limited to States that maintain an "at least equal to" State MPI program.⁵ Under a CIS program, State-inspected establishments receive inspection services from State inspectors that have received the same training required for Federal inspectors and inspect the plant under the same regulatory standards required for Federally-inspected establishments.

¹ Federal Meat Inspection Act of 1907, Pub. L. 59-242 (codified at 21 U.S.C. § 601, et seq.).

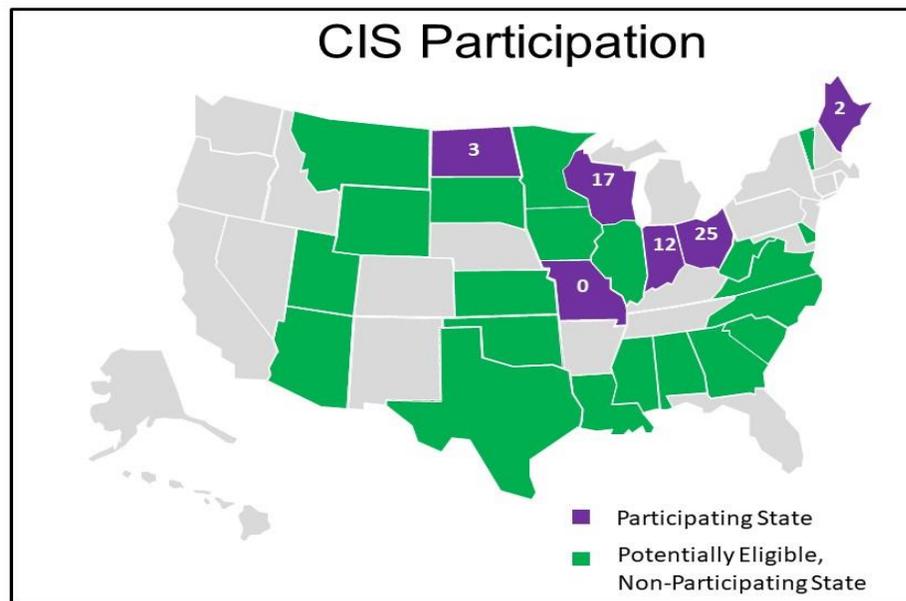
² Poultry Products Inspection Act of 1957, Pub. L. No. 85-172, 71 Stat. 441

³ Food, Conservation, and Energy Act of 2008, Pub. L. No. 110-246, tit. XI, § 11015, 122 Stat. 2124 (codified at 21 U.S.C. 683 § 501 and 21 U.S.C. 472 § 31).

⁴ FSIS defines CIS establishment size based on the number of employees: *small* establishments (10 or more employees, but fewer than 500) and *very small* establishments (fewer than 10 employees, or annual sales of less than \$2.5 million). The CIS program is limited to those small establishments with on average 25 or fewer employees.

⁵ The "at least equal to" standard requires State MPI programs to operate in a manner that is not less effective than those standards adopted for the Federal inspection program. The standard does not require the States to operate their MPI programs in a manner that is the same as FSIS' inspection program, nor does it prohibit the State MPI programs from establishing safeguards they believe to be more effective than those employed by FSIS (FSIS "At Least Equal To" *Guideline for State Meat and Poultry Inspection Programs*, July 2008).

FSIS implemented the CIS program in fiscal year (FY) 2011. Currently, 27 States participate in the “at least equal to” State MPI program and are potentially eligible to participate in the CIS program. Each State interested in establishing an agreement for the CIS program must submit a written request through the FSIS district office that has oversight for that State. To be eligible to participate in the CIS program, an establishment must be located in a State that has entered into an agreement with FSIS for CIS program, and the State must recommend the establishment for selection into the program. Out of the 27 States eligible for the CIS program, 59 establishments in 6 States (Indiana, Maine, Missouri, North Dakota, Ohio, and Wisconsin) were participating as of September 9, 2019.



WisUtah,

Figure 1: A color-coded map of the United States identifying States that currently participate in the CIS program, the number of participating establishments in those states, and States that are potentially eligible, but are not participating in the program.

To qualify and be nominated by the State for selection into the CIS program, a State-inspected establishment must meet all Federal standards, including but not limited to:

- satisfying the Federal regulatory sanitation performance standards;
- obtaining the same water source and sewage system approval that FSIS requires for Federally regulated establishments;
- having written standard operating procedures (SOP) for sanitation that comply with Federal requirements; and
- having a written hazard analysis and critical control point (HACCP) plan that complies with Federal requirements.

Inspection services for these establishments must be provided by State inspection personnel who have undergone all necessary FSIS inspection training and certification to assist the

Secretary with the administration and enforcement of the Acts. Meat and poultry products inspected and passed by these State inspection personnel will bear a Federal mark of inspection and are permitted to ship into interstate commerce and foreign markets.

FSIS is required by law to reimburse States for costs related to the inspection of selected establishments in the State in an amount of not less than 60 percent of eligible State costs.⁶ In FYs 2016 and 2017, the program allocated \$424,000 and \$558,432 for reimbursements, respectively. In FY 2018, the CIS program budgeted \$692,327 for reimbursements to States.

FSIS provided grants to four State agencies during FYs 2011 and 2012 to assist them in assessing the changes needed to meet program requirements. The grants to the four States—North Dakota, Ohio, Vermont, and Wisconsin—totaled approximately \$200,000.⁷ Furthermore, the Act requires that FSIS establish a “technical assistance division” to coordinate with the initiatives of any other appropriate USDA agencies to provide outreach, education, and training to very small and certain small establishments, and to provide grants to State agencies to provide these same services.

The law requires that FSIS designate a Federal employee to act as a State Coordinator to provide oversight and enforcement of the program and oversee the training and inspection activities of State agency personnel.⁸ Specifically, the State Coordinator must visit selected establishments in an appropriate frequency to ensure they are operating to program standards, submit quarterly compliance reports on selected establishments under their jurisdiction, and immediately notify the Secretary of Agriculture of any violations of FMIA and PPIA. If the State Coordinator finds that an establishment is in violation of the Acts, the FSIS district office is authorized to deselect the establishment from the CIS program or suspend inspections at that selected establishment. An establishment that has been deselected from the CIS program must transition to become an official Federal establishment.⁹

In May 2013, the Government Accountability Office (GAO) issued a report of its review of USDA’s implementation of the CIS program.¹⁰ GAO found that FSIS met most key implementation activities for the CIS program, but also found that the Agency had not coordinated with other USDA agencies on initiatives to provide outreach, education, and training to establishments and grants to States for the purposes described in the 2008 Farm Bill. GAO recommended that the Secretary of Agriculture direct the FSIS Administrator to require the technical assistance division to coordinate with other USDA agencies on initiatives to provide

⁶ Eligible State costs are those costs that a State has justified and FSIS has approved as necessary for the State to provide “the same as” inspection services to selected establishments in the State (9 CFR 321.3(b) and 9 CFR 381.187(b)). Examples of such costs include personnel, fringe benefits, travel, equipment, and supplies.

⁷ GAO Report 13-332R, *USDA’s Implementation of New State-Delegated Meat Inspection Program Addresses Most Key Farm Bill Requirements, but Additional Action Needed*, May 2013.

⁸ “State Coordinator” is also referenced as the “SEC” in the CIS program final rule “Cooperative Inspection Programs: Interstate Shipment of Meat and Poultry Products, 76 Fed. Reg. 24,714, 24,748 (May 2, 2011)” as well as FSIS Directive 5740.1.

⁹ Food, Conservation, and Energy Act of 2008, Pub. L. No. 110-246, tit. XI, § 11015, 122 Stat. 2124 (codified at 21 U.S.C. 683 § 501 and 21 U.S.C. 472 § 31).

¹⁰ USDA’s *Implementation of New State-Delegated Meat Inspection Program Addresses Most Key Farm Bill Requirements, but Additional Action Needed*, May 30, 2013.

outreach, education, and training to small establishments and grants to States for outreach, education, and technical assistance to such establishments as described in the 2008 Farm Bill. USDA and FSIS concurred with GAO's recommendations and provided the actions the Agency would take to partner and communicate with other USDA agencies.

The 2008 Farm Bill requires the Office of Inspector General (OIG) to perform a compliance audit on all CIS program activity no less than every 3 years to determine the program's compliance with the Act.¹¹

Objectives

Our objectives were to evaluate FSIS' compliance with the CIS program requirements for the interstate shipment of certain State-inspected meat and poultry products.¹² Specifically, we determined if: (1) FSIS is providing adequate oversight, enforcement, and outreach of the CIS program; (2) States are providing inspection services in the same manner that complies with FMIA and PPIA;¹³ and (3) establishments are operating in compliance with FMIA and PPIA.

Regarding our objective of determining whether FSIS is providing adequate enforcement and outreach, we had no reportable findings. We did not find any enforcement violations and found that outreach for the CIS program was adequate. We also found that States provided inspection services in the same manner that complies with FMIA and PPIA, and CIS program establishments operated in compliance with FMIA and PPIA. The finding in this report addresses documenting the results of onsite verification visits.

¹¹ Due to GAO's review of CIS program implementation issued in May 2013, as well as relatively low program participation, OIG elected to begin its review of CIS program compliance in September 2017.

¹² "Certain" refers to very small and small establishments currently participating in their States' MPI program that may be eligible for the CIS program.

¹³ Reference to "in the same manner" means State personnel are to provide the "same as" inspection services to selected establishments under the CIS program as those that FSIS provides under the Federal inspection system. The reference to "at least equal to" refers to guidelines where individual State MPI programs are required to operate in a manner, and with authorities, that are "at least equal to" the ante mortem and postmortem inspection, re-inspection, sanitation, record keeping, and enforcement provisions as provided for in FMIA and PPIA.

Section 1: Onsite Verification Reports

Finding 1: FSIS Needs to Provide More Detail in its Onsite Verification Reports

OIG found that reports FSIS personnel prepare for their onsite verification visits do not always contain the information needed for external reviewers to evaluate program compliance. This occurred because the CIS program directive does not instruct FSIS personnel to record results from their onsite reviews of participating establishments. As a result, external reviewers may not fully understand what onsite FSIS reviewers assessed to verify State and establishment compliance with the program.

The *Standards for Internal Control in the Federal Government*, also known as the “Green Book,” require Federal managers to document the performance of internal controls and evaluate whether the controls are working effectively.¹⁴ The Green Book also requires agencies to document how monitoring controls operate. This documentation allows Federal managers to evaluate the monitoring tests performed, the analysis conducted, and the basis for and accuracy of the monitoring results. Correcting deficiencies in internal controls is an integral part of management accountability and should be completed on a timely basis. FSIS Directive 5740.1 specifies that the selected establishment coordinators (SECs) are to review eight compliance areas to verify that selected establishments receive the necessary inspection services from State personnel and remain eligible to participate in the CIS program.

FSIS is responsible for protecting the public’s health by ensuring the safety of meat, poultry, and processed egg products. The agency monitors States’ and establishments’ compliance with CIS program requirements primarily through onsite verification visits. The SECs informed us that they usually conduct the onsite verification visits quarterly or semiannually. They also compile a written report of each visit. In addition to the onsite visit report, the SEC prepares a report on a quarterly basis that describes the status of each selected establishment and provides a copy to the applicable District Manager and the CIS national program coordinator; the FSIS Administrator is also required to receive a copy. These quarterly reports include an assessment of State inspectors’ performance in conducting inspection activities.¹⁵

During each onsite verification visit, the current Directive instructs the SECs to review the following eight compliance areas:

- verification of the establishment’s number of employees,
- assessment of State inspection services provided to the establishment (which includes a review of Public Health Information Service (PHIS) inspection records from the applicable State MPI program),
- evaluation of State inspection staffing levels,
- review of the product sampling performed by the State,

¹⁴ GAO 14-704G, *Standards for Internal Control in the Federal Government*, Sept. 2014.

¹⁵ USDA FSIS, Directive 5740.1, *Cooperative Interstate Shipment Program*, Chapter IV, Section I, Subpart C.1 (Sep. 27, 2012).

- initiation of enforcement actions, if found necessary during the visit,
- consultation with FSIS' District Manager if further investigations are needed, or the District Veterinary Medical Specialist is needed to assess humane handling or slaughter,
- verification that the State MPI programs are conducting food safety assessments in the same manner as FSIS does for federally inspected establishments, and
- determination of whether the establishment complies with FMIA, PPIA, and their implementing regulations.¹⁶

Because these compliance areas are used to determine if an establishment remains eligible for the CIS program, we reviewed a non-statistical sample of 28 onsite verification reports from establishments in Indiana, North Dakota, Ohio, and Wisconsin prepared from FYs 2016 through 2018. For all 28 onsite verification reports, we found that the documents adequately described how the SECs verified the establishments' number of employees. This sample of reports showed that the SECs reviewed employment records, the timeframes of those records, the number of full and part-time employees, and whether any voluntary employees worked at the establishment. For this compliance area, the SECs provided thorough information that allowed reviewers to conclude whether or not the establishment was in compliance with the requirements of FSIS' CIS program.

However, we found the SECs' written reports did not always describe all the work performed by the SECs, nor did the reports contain adequate details to indicate whether all compliance areas were properly reviewed during the visit. For certain compliance areas, we also found that these reviews did not include an explanation of how the establishment met those Federal requirements. For example, FSIS onsite verification reports lacked details for two of the eight compliance areas listed in FSIS Directive 5740.1. These compliance areas direct the SECs to: (1) verify State inspection services provided to the establishment; and (2) review "other consumer protection" processes that require regulatory oversight and review the establishments' compliance with all applicable Federal regulatory requirements.¹⁷ We found that all of these 28 reports did not describe how the SECs determined that CIS establishments complied with these two requirements.

Our review of the compliance area for State inspection services disclosed that the verification reports did not show details of how the SECs determined whether State inspectors applied appropriate Federal inspection standards or how they used effective decisionmaking when determining noncompliance with Federal requirements.¹⁸ All 28 onsite verification reports we reviewed concluded that the establishment under review received necessary inspection services from designated State personnel. While the details of the reports briefly mentioned which documents the SECs reviewed, these reports did not include an assessment of how the SECs

¹⁶ As part of this compliance area, FSIS Directive 5740.1 instructs the SECs to review the facility's hazard analysis and critical control point system, sanitation procedures, any other consumer protection processes requiring oversight at the facility, and compliance with all other Federal regulatory requirements.

¹⁷ Item 2 is comprised of two sub-requirements within the compliance area to determine whether an establishment complies with FMIA, PPIA, and their implementing regulations.

¹⁸ USDA FSIS, Directive 5740.1, *Cooperative Interstate Shipment Program*, Chapter IV, Section I, Subpart B.2 (Sep. 27, 2012).

determined the documents demonstrated that State inspectors are applying the appropriate Federal inspection standards and making effective decisions when determining noncompliance.¹⁹

For the remaining compliance area, we found the SECs did not adequately document their review of establishments' other consumer protections that require regulatory oversight. Other consumer protection measures include product labels, product formulations, and the use and control of restricted ingredients.²⁰ Of the 28 onsite verification reports we reviewed, only 1 stated that other consumer protection measures were reviewed; furthermore, it did not provide details on exactly which protections were reviewed, cite the applicable regulation(s), or discuss how they were applicable to the establishment. For the other 27 reports, the SECs did not provide specific statements on whether other consumer protections were evaluated at all, nor did they mention if this requirement applied to the establishment under review. In addition, our review disclosed that all 28 reports did not provide information on whether any other applicable Federal requirements (besides FMIA, PPIA, and CIS regulations) were applicable and reviewed while the SECs were at the establishment.²¹ Details for this compliance area are in sharp contrast to how well the SECs documented their requirement to verify an establishment's number of employees.

When FSIS initially visits an establishment to determine CIS program eligibility, the SECs use a checklist, along with a survey report, to document the establishment's compliance with Federal laws and regulatory and program eligibility requirements. We examined some of these initial survey reports and checklists and found them to show specifically what the SECs reviewed during the initial visit. In contrast, the SECs' onsite verification reports do not contain the necessary details because the CIS program directive does not include instructions to provide a written report documenting each onsite verification review or direct the SECs on what type of information should be included in the reports. FSIS could consider using a checklist or similar document when conducting onsite verification reviews to supplement the onsite verification reports.

When we first informed FSIS officials of this issue, they stated that FSIS officials are aware of the verification activities conducted by the SECs during verification visits because the activities are described in the directive and, therefore, they only need additional information in the verification report if the SEC finds a noncompliance. FSIS maintains that internal and external parties reviewing the onsite verification reports are able to determine which verification activities were completed based on the directive and any noncompliances documented in the verification report. FSIS agreed to revise its directive to instruct the SEC to provide a written onsite verification report that confirms it completed the verification activities described in the directive.

¹⁹ The appropriate Federal inspection techniques are found in CIS program regulations.

²⁰ Restricted food ingredients are food ingredients that are limited in amount or prohibited from use in meat and poultry products. Examples of restricted ingredients are cure agents and accelerators, binders and extenders, phosphates, antioxidants, and flavorings. 9 C.F.R. pt. 424 and USDA FSIS, Directive 7620.3, Processing Inspector's Calculations Handbook, Chapter 1 "Introduction" (Revised 1995).

²¹ 9 C.F.R. pt. 300, et seq.

While we understand that FSIS officials reviewing the onsite verification reports may be aware of what is assessed during an onsite verification review, all external parties may not have this knowledge. For the compliance areas discussed, the SECs need to provide a brief overview of what processes were assessed, which Federal regulations were evaluated, and how the establishment is compliant instead of a broad compliance statement. These details will provide reviewers with assurance that the SECs performed the proper oversight during the onsite verification review and will allow a reviewer to appropriately determine that all applicable inspection regulations were considered by the SECs. The onsite verification reports should be self-sustaining and not require users to assume the SECs performed a thorough review.

Without adequate, written documentation of the SECs' analysis, FSIS is unable to confirm whether the SECs are properly reviewing CIS program establishments and whether participating establishments are truly compliant with Federal and program regulations. In addition to the concerns regarding details in onsite verification reports, OIG noted an additional issue with FSIS' documentation concerning its continued coordination with other appropriate USDA agencies to provide information about the CIS program, an initiative required by the 2008 Farm Bill.²² Since GAO reported in 2013 that FSIS' technical assistance division had not coordinated with other USDA agencies,²³ we found substantial efforts from the agency to provide outreach, including State directors' webinars, attendance at industry conferences nationwide, Internet news articles, a CIS website, a CIS program brochure, a small plant help desk, and roundtable discussions. Even with these efforts, however, the CIS program continues to show low participation levels since its May 2011 implementation.²⁴ We encourage FSIS to continue exploring opportunities to leverage the outreach resources of other appropriate USDA agencies to provide CIS program information to establishments that may benefit from the program.

Recommendation 1

Amend FSIS Directive 5740.1, Cooperative Interstate Shipment Program, to instruct the SECs to prepare written documentation of their onsite verification visits. This documentation should include, at a minimum, a brief overview of review procedures performed for each of the eight compliance areas and a description of the analyses conducted.

²² The 2008 Farm Bill states that "...the Secretary shall establish in the Food Safety and Inspection Service of the Department of Agriculture a technical assistance division to coordinate the initiatives of any other appropriate agency of the Department of Agriculture to provide (A) outreach, education, and training to very small or certain small establishments (as defined by the Secretary); ..." Food, Conservation, and Energy Act of 2008, Pub. L. No. 110-246, tit. XI, § 11015, 122 Stat. 2124 (codified at 21 U.S.C. 683 § 501 and 21 U.S.C. 472 § 31).

²³ GAO Report 13-332R, *USDA's Implementation of New State-Delegated Meat Inspection Program Addresses Most Key Farm Bill Requirements, but Additional Action Needed*, May 2013.

²⁴ FSIS data provided showed there are 27 States and approximately 1,460 meat and poultry establishments that are eligible to apply for selection into the CIS program. However, only 6 States and 59 of 529 establishments in these 6 States participated in the CIS program as of September 9, 2019.

Agency Response

In its November 4, 2019, response, FSIS agreed with our recommendation and will amend FSIS Directive 5740.1 to instruct the SEC to prepare a verification report after the SEC, or designee, has conducted an onsite review of a selected establishment. SECs will be instructed to confirm that they completed all of the onsite verification activities as described in the directive and to document any non-compliances observed. The directive language will instruct the SEC to document each individual onsite report with the level of detail necessary to support the Quarterly Reports mandated by the Federal Meat Inspection Act and Poultry Products Inspection Act and to include an overview review description similar to that which OIG presented in the Official Report Scope and Methodology section to summarize their own onsite compliance verification audit activities.

FSIS will also take the revision opportunity to assess the directive's existing oversight instruction to clarify the SEC and District oversight responsibilities pertain to the statutory requirements applicable to "same as" inspected establishment operations as opposed to other requirements such as appropriated funding, civil rights, and the participation requirements assessed under the "at least equal to" status. The estimated completion date is November 30, 2020.

OIG Position

We accept management decision for this recommendation.

Scope and Methodology

We conducted this audit to evaluate FSIS' compliance with the CIS program requirements for the interstate shipment of certain State-inspected meat and poultry products. Our audit focused on CIS program activities for FY 2016 through FY 2018. When we began fieldwork in November 2017, four States (Indiana, Ohio, North Dakota, and Wisconsin) and 37 establishments participated in the CIS program.²⁵

We performed fieldwork at the FSIS national office located in Washington, D.C.; FSIS' Chicago and Des Moines district offices; the Ohio Department of Agriculture, Division of Meat Inspection; the Indiana State Board of Animal Health, Meat and Poultry Inspection; and six meat and poultry establishments located in Ohio and Indiana. The Chicago and Des Moines district offices were the only FSIS field offices that had oversight of CIS program establishments. The Chicago district office oversees Ohio and Indiana, while the Des Moines district office oversees North Dakota and Wisconsin. We selected Ohio and Indiana State agencies for further fieldwork, as collectively these States had the highest number of CIS establishments compared to the States under the Des Moines district office. At the State agencies, we non-statistically selected establishments based on their facility type (processing, red meat slaughter, and poultry slaughter), number of noncompliance records issued, operating hours, and location. Fieldwork occurred from September 2017 to December 2018.

To accomplish our objectives, we:

- reviewed laws, regulations, policies, procedures, FSIS directives, FSIS notices, and other published guidance relative to the CIS program;
- interviewed officials from the FSIS national and district office levels as well as State agency and establishment levels;
- documented FSIS' organizational structure and officials' roles and responsibilities for administering the CIS program;
- reviewed a listing of all States and establishments participating in the CIS program;
- reviewed the cooperative agreements of four States participating in the CIS program;
- gained an understanding of FSIS information systems used to administer the CIS program;
- evaluated internal controls for the CIS program at the national, district, and State agency levels;
- reviewed internal and external reviews and studies related to the CIS program;
- assessed the adequacy of corrective actions taken on deficiencies disclosed by any prior audits;
- assessed national and district office outreach efforts for the CIS program;
- reviewed FSIS' reimbursement process to States for CIS inspection services;
- reviewed a sample of 28 onsite verification reports from 9 establishments (8 from FY 2016, 13 from FY 2017, and 7 from FY 2018);
- reviewed a sample of seven quarterly reports on establishments' compliance with Federal inspection regulations; and

²⁵ There were six States and 59 establishments participating in the CIS program as of September 9, 2019.

- conducted an outreach survey of nonparticipating State agencies that have a State MPI program and of nonparticipating establishments in Ohio and Indiana.

During fieldwork at the State agencies, we reviewed training requirements and records for State inspection staff; State inspection records from PHIS;²⁶ States' product sampling plans; and State inspection costs reimbursed by FSIS. We assessed outreach efforts by States to promote the CIS program to potential establishments.

From our review of each State agency's records, we selected three establishments to test whether they operated in compliance with FMIA, PPIA, and FSIS regulations (9 CFR 300 to end). At the six establishments, we observed slaughter or processing activities, facility grounds, and operations. We also reviewed the establishments' records for staffing, sanitation SOPs, and HACCP plans. Additionally, we reviewed CIS product labels and approvals, establishment product sampling procedures, the frequency of product sampling, and memorandums of interview and noncompliance records from State inspections.

During the course of our audit, we verified the accuracy of CIS program information obtained from the FSIS national office (i.e., participating States, participating establishments, verification visits and reports, and inspection activities and personnel) at the district and State levels. However, we did not assess the overall reliability of any FSIS information system to carry out CIS program activities as we did not rely solely on its data to support the reported findings, conclusions, and recommendations, nor was evaluating the effectiveness of information system or information technology controls part of the audit objectives.

We conducted this performance audit in accordance with Generally Accepted Government Auditing Standards. These standards require that we plan and perform our 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 we obtained provides a reasonable basis for our findings based on our audit objectives.

²⁶ PHIS is a web-based application that replaced many of FSIS' systems. PHIS improves the way FSIS detects and responds to foodborne hazards and generates specific tasks and adjusts task frequencies based on public health risk factors.

Abbreviations

CFR.....	Code of Federal Regulations
CIS	Cooperative Interstate Shipment
FMIA.....	Federal Meat Inspection Act
FSIS.....	Food Safety and Inspection Service
FY	fiscal year
GAO.....	Government Accountability Office
HACCP	Hazard Analysis and Critical Control Point
MPI	Meat and Poultry Inspection
OIG	Office of Inspector General
PHIS.....	Public Health Information System
PPIA.....	Poultry Products Inspection Act
SEC	Selected Establishment Coordinator
SOP	standard operating procedure
USDA.....	Department of Agriculture

Exhibit A: Locations of Site Visits

The table below represents a listing of the FSIS offices, State agencies, and meat and poultry establishments visited during fieldwork.

Site	Location of Site Visits
FSIS National Office	Washington, D.C.
FSIS Chicago District Office	Chicago, Illinois
FSIS Des Moines District Office	Des Moines, Iowa
Ohio Department of Agriculture	Reynoldsburg, Ohio
Indiana State Board of Animal Health	Indianapolis, Indiana
Establishment A	Ohio
Establishment B	Ohio
Establishment C	Ohio
Establishment D	Indiana
Establishment E	Indiana
Establishment F	Indiana

**AGENCY'S
RESPONSE TO AUDIT REPORT**



United States Department of Agriculture

Food Safety and
Inspection Service

1400 Independence
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Washington, D.C.
20250

TO: Gil H. Harden
Assistant Inspector General
Office of Inspector General

FROM: Carmen M. Rottenberg / s / **November 4, 2019**
Administrator
Food Safety and Inspection Service

SUBJECT: Office of Inspector General (OIG) Official Draft Report,
Cooperative Interstate Shipment Program, Audit
Number 24601-0002-22

We appreciate the opportunity to review and comment on this Official Draft report. The Food Safety and Inspection Service (FSIS) reviewed the Official Draft report and has general comments followed by a response to the recommendation.

FSIS's General Comments

FSIS supports OIG Recommendation 1 and the ability of FSIS reviewers, such as supervisors, to ensure the Selected Establishment Coordinator (SEC) is verifying the applicable regulations and performing duties appropriately. As discussed throughout this audit cycle, the individual onsite verification visit is one component of the oversight process assessed as a snapshot representation of the State implementation of the "same as" inspection program and the selected establishment compliance therein. FSIS does not expect all internal or external reviewers will be able to make the determination the SEC verified compliance with all applicable regulations and inspection activities based on a single written verification report. Without intimate and comprehensive knowledge of the selected establishment's operations and proprietary information, such as written programs and Hazard Analysis and Critical Control Point systems, a reviewer is unable to identify what specific regulations and subparts are applicable and should be reviewed by the SEC. FSIS implements the Departmental and Agency performance appraisal processes to ensure personnel, including the SEC, are performing their duties appropriately. The individual onsite verification report is one item which may be reviewed as part of this process, but alone could not be used to make the performance assessment determination.

In the final paragraph of Finding 1, OIG states, "Even with these efforts, however, the CIS program continues to show low participation levels since its May 2011 implementation." Throughout the audit, FSIS has requested OIG refrain from incorporating participation data into program assessments. Program participation is a voluntary decision at the State and State-inspected establishment levels. FSIS would like to remind OIG there is no official metric of participation in the CIS program for either the number of States or selected establishments. FSIS has previously publicly stated in the *Cooperative Inspection Programs: Interstate Shipment of Meat and Poultry Products* Final Rule, that we revised our estimate of the number of States interested in

CIS participation to 4¹. As of the date of this letter, there are 6 participating CIS States and a seventh in review. FSIS will continue to only acknowledge quantification of participation in the CIS program for budgetary and other resource considerations.

We also acknowledge the OIG finding regarding the absence in the respective FSIS Directive of any instruction to the Office of Field Operations, SEC, or designee, to document the individual onsite verification of the Cooperative Interstate Shipment Program (CIS) selected establishments. However, FSIS is requesting OIG modify the text in their Recommendation 1 from, “Amend FSIS Directive 5740.1, Cooperative Interstate Shipment Program, to require...” to “Amend FSIS Directive 5740.1, Cooperative Interstate Shipment Program, to instruct...” Unlike statutes and regulations which are required actions, FSIS directives and notices are instructions to personnel. We have modified the text in the recommendation below accordingly.

In addition, while FSIS has agreed to the recommendation and has offered corrective actions in response to that recommendation, FSIS is not committing to developing a checklist type document nor instructing the SEC to document each regulation and or regulation sub part verified as compliant as suggested by OIG. There are approximately 61 applicable tasks in the Public Health Information System (PHIS) task library which cover over 700 individual regulations and regulation subparts from 9 CFR which the State inspectors are already verifying and documenting daily in PHIS. FSIS has previously discussed with OIG concerns regarding instructing SECs to perform duplicative resource intensive documentation. FSIS will assess the available Reports in PHIS to provide guidance for SECs as to which reports are to be reviewed, as applicable, as part of the individual onsite verification visit process.

Recommendation 1

Amend FSIS Directive 5740.1, Cooperative Interstate Shipment Program, to instruct the SECs to prepare written documentation of their onsite verification visits. This documentation should include, at a minimum, a brief overview of review procedures performed for each of the eight compliance areas and a description of the analyses conducted.

FSIS Response

FSIS will amend FSIS Directive 5740.1 to instruct the SEC to prepare a verification report after the SEC, or designee, has conducted an onsite review of a selected establishment. SECs will be instructed to confirm that they completed all of the onsite verification activities as described in the directive and to document any non-compliances observed. The directive language will instruct the SEC to document each individual onsite report with the level of detail necessary to support the Quarterly Reports mandated by the Federal Meat Inspection Act and

¹ As stated in the Comments and FSIS Response section of the May 2, 2011, CIS Final Rule, 76 FR 24745, “However, more recent Agency outreach activities conducted after the proposed rule was published indicate that there now may be only four States interested in participating... This finding is consistent with the information provided in the public comments submitted in the response to the proposed rule that indicated the participation number we estimated in the proposed rule was too high. Therefore, we have adjusted the budget impact downward by incorporating the new information”.

Poultry Products Inspection Act and to include an overview review description similar to that which OIG presented in the Official Report Scope and Methodology section to summarize their own onsite compliance verification audit activities.

FSIS will also take the revision opportunity to assess the directive's existing oversight instruction to clarify the SEC and District oversight responsibilities pertain to the statutory requirements applicable to "same as" inspected establishment operations as opposed to other requirements such as appropriated funding, civil rights, and the participation requirements assessed under the "at least equal to" status.

Estimated Completion Date:

FSIS estimates the revised Directive 5740.1 will issue November 30, 2020.

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