U.S. Department of Agriculture
Office of Inspector General
Northeast Region
Audit Report

FOOD SAFETY AND INSPECTION SERVICE
IMPORTED MEAT AND POULTRY
REINSPECTION PROCESS
PHASE II

Audit Report No.
24099-04-Hy
February 2003

UNITED STATES DEPARTMENT OF AGRICULTURE

OFFICE OF INSPECTOR GENERAL

Washington D.C. 20250

DATE: February 25, 2003

REPLY TO
ATTN OF: 24099-04-Hy

SUBJECT: Imported Meat and Poultry Reinspection Process—Phase II

TO: Garry L. McKee
Administrator
Food Safety and Inspection Service

ATTN: Ronald F. Hicks
Acting Assistant Administrator
Office of Program Evaluation, Enforcement and Review

This report presents the results of the second phase of our audit of Food Safety and Inspection Service's controls to ensure that imported meat and poultry entering U.S. commerce is safe and wholesome. Your response to the official draft, dated January 28, 2003, is included as exhibit A with excerpts and the Office of Inspector General's position incorporated into the Findings and Recommendations section of the report. Based on your response, management decisions have been reached on all recommendations except Nos. 2, 3, 4, and 5. Please follow your agency's internal procedures in forwarding documentation for final action to the Office of the Chief Financial Officer. Management decisions for the remaining recommendations can be reached once you have provided the additional information outlined in the report section OIG Position.

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

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RICHARD D. LONG
Assistant Inspector General
for Audit

EXECUTIVE SUMMARY

FOOD SAFETY AND INSPECTION SERVICE
IMPORTED MEAT AND POULTRY REINSPECTION PROCESS
PHASE II

AUDIT REPORT NO. 24099-04-HY

RESULTS IN BRIEF

This report presents the results of the second phase of our audit of the Food Safety and Inspection Service's (FSIS) controls to ensure that imported meat and poultry entering U.S. commerce is safe and wholesome.

FSIS is to fulfill its responsibilities for ensuring that imported meat and poultry in the U.S. marketplace is safe, wholesome, unadulterated, and properly labeled by (a) determining if foreign countries and their establishments have implemented food safety systems and inspection requirements equivalent to those of the United States, and (b) reinspecting imported meat and poultry products from these countries, through random sampling of shipments. The reinspection process is designed to be a check on the effectiveness of foreign countries' inspection systems.

The first phase of our audit focused on FSIS' controls for evaluating the equivalency of foreign food safety systems. This second phase examined FSIS' controls over the import reinspection process, which included visits to import inspection houses. We also reviewed FSIS' actions in response to our Phase I recommendations.

During the first phase of our audit, we identified weaknesses in FSIS' management of its imported meat and poultry program. The agency's 1997 reorganization had eroded controls within the reinspection process, leaving the lines of responsibility unclear. While individuals had been tasked with specific functions, no one had accepted full responsibility for ensuring the integrity of the process. Responsibility for reinspection was fragmented and serious weaknesses were not addressed.

We found that as a result of decentralized leadership, foreign establishment annual certification requirements were not met; laboratory test reporting was not consistent; and foreign establishment delistment information was not timely and accurately processed. We concluded that the weaknesses in the import inspection process were material and should be included in the

agency's annual report required by the Federal Manager's Financial Integrity Act. These results were reported in Audit Report No. 24099-03-Hy, Food Safety and Inspection Service Imported Meat and Poultry Inspection Process Phase I, issued June 21, 2000.

During this second phase, we concluded that FSIS' deficiencies in accountability continue and have also impacted the reinspection of imported product. FSIS does not adequately ensure that foreign establishments importing meat and poultry products to the United States are eligible to do so. Our audit tests identified over 7.7 million pounds of product that entered U.S. commerce between January 1999 and March 2001 from 37 foreign establishments whose eligibility status as recorded in the information system was contradicted by documents made available to us by FSIS during our review. Due to FSIS' lack of oversight, the agency was unaware of this until our audit questioned the establishments' eligibility. Some of these establishments were located in Argentina, Uruguay, the United Kingdom, and Italy, four countries that had outbreaks of foot and mouth disease in 2001. FSIS provided evidence to support the eligibility of all but 823,632 pounds of the product. The agency needs to take the appropriate action on this product.

Unclear lines of responsibility, lack of procedures, and lack of management oversight adversely affected FSIS' actions to correct past deficiencies, manage eligibility data used in the reinspection process, and clarify agency authority over imported product.

Correcting Past Deficiencies. FSIS has made minimal progress toward establishing an effective import reinspection process, even though the agency agreed to do so in response to our June 2000 audit report. We had recommended that FSIS perform an indepth assessment of its import inspection operations and improve management oversight and control. The agency did not complete either corrective action because no one was held accountable for implementing the prior report recommendations and no mechanism was established to alert top FSIS management officials that this work was not being done. During our current review, FSIS officials acknowledged in discussions with us that they needed to effectively supervise and manage the import reinspection process.

The following table shows the current status of 18 of the 35 recommendations made in our June 2000 audit report, related to the reinspection portion of FSIS' import inspection operations. (The remaining 17 recommendations are being evaluated as part of our review of FSIS' equivalence determination process, Audit No. 24099-05-Hy.) In the table, the "Management Decision Reached" column indicates whether agreement has been reached on FSIS' response to the prior recommendations. The

"Adequate Action" column represents our current assessment of the actions FSIS previously agreed to take.

Phase I Report Recommendations	Management Decision Reached	Adequate Action by FSIS	Presented in This Report
1. Conduct an indepth assessment of the current organizational structure to establish a system of control objectives and processes to ensure that the goals of import inspection are achieved.	YES	NO	Finding No. 1
2. Require increased management oversight and approval of changes to import inspection operations and procedures.	YES	NO	Finding No. 1
3. Provide management control training to agency managers.	YES	NO	Finding No. 1
4. Revise FSIS Directive 1090.1 to incorporate the provisions of OMB Circular A-123, revised "Management Accountability and Control," dated June 21, 1995, and to document specific control objectives and the review procedures that will provide management reasonable assurance on the effectiveness of controls.	YES	YES	
5. Require the FSIS Internal Control Staff to conduct periodic independent assessments of FSIS' programs and operations, emphasizing those processes that changed in the reorganization.	YES	NO	Finding No. 1
6. Report the conditions disclosed in this audit as material management control weaknesses in the import inspection process.	NO		Finding No. 1

Phase I Report Recommendations	Management Decision Reached	Adequate Action by FSIS	Presented in This Report
7. Review the roles and responsibilities of personnel involved in the equivalence determination process, the onsite review process, and the input of data to update the Automated Import Information System, and define more specifically the authority and responsibilities of those units.	YES	YES	
9. Provide training to all inspectors responsible for conducting inspections of imported products.	YES	YES	
13. Streamline the process and establish procedures that would allow expeditious entry of laboratory test results into the Automated Import Information System.	YES	NO	Finding No. 1
14. Require the Office of Field Operations to work with Technical Service Center and Field Automation and Information Management Division to develop management controls and a supervisory review process to ensure that all laboratory test results are promptly and accurately entered into the Automated Import Information System. Management controls must include requirements for maintaining records of when failure notifications are received and when the entries are made in the AIIS.	YES		Finding No. 1
15. Officially notify all countries importing meat and poultry into the United States that annual certifications are due no later than the established date and that establishments that are not certified by this date may be delisted. Incorporate this requirement in regulations.	NO		Finding No. 2

Phase I Report Recommendations	Management Decision Reached	Adequate Action by FSIS	Presented in This Report
16. Establish a followup process to obtain the annual certification lists from countries, which have not submitted them.	YES	NO	Finding No. 2
17. Immediately conduct reconciliation between establishment certification information maintained by the Equivalence and Planning Branch and the Automated Import Information System to ensure that the Automated Import Information System includes only those establishments certified by their foreign governments to ship products to the United States.	YES	NO	Finding No. 2
18. Establish time requirements and a management control process for reviewing and processing certification information in the Automated Import Information System.	YES	NO	Finding No. 2
19. Take immediate action to ensure that the Technical Service Center, the Field Automation and Information Management Division, and the Equivalence and Planning Branch coordinate efforts to verify that all delisted establishments have been timely entered into the Automated Import Information System.	YES	NO	Finding No. 2
20. Establish a management control process to ensure that the Technical Service Center Director promptly forwards to the Office of Policy, Program Development, and Evaluation information about foreign establishments that were delisted prior to, or because of, Technical Service Center foreign reviews.	YES	YES	

Phase I Report Recommendations	Management Decision Reached	Adequate Action by FSIS	Presented in This Report
21. Establish a management control process to ensure that delistment information is (a) reviewed and signed by a designated official to the Field Automation and Information Management Division, via a dated control number, and (b) processed and verified in the Automated Import Information System.	YES	NO	Finding No. 2
22. Modify the Automated Import Information System to produce daily process control reports to enable verification of input.	YES	NO	Finding No. 4

Managing Eligibility Data. FSIS' current management information system, as well as the new system under development, contained weaknesses that raised concerns about the safety of imported products.

- *Inaccuracies*. The current information system contained inaccuracies about the eligibility status of foreign establishments that export product to the United States. This occurred partly because FSIS allowed foreign countries to submit eligibility information on an irregular basis rather than by a fixed date each year. Inaccuracies also occurred because FSIS had not established procedures to ensure the integrity of the data and had not fully implemented recommendations from our prior report.

  - In 2001, FSIS reinspected and passed 3.4 million pounds of product from five Canadian establishments whose eligibility status was incorrect due to a breakdown in communications between FSIS divisions. In April 2002, FSIS officials provided documentation to show that two establishments with ownership changes were in fact eligible. However, they did not provide documentation to support the eligibility of the three remaining establishments or 36,967 pounds of product from these establishments.

  - Also in 2001, FSIS reinspected and passed 2.2 million pounds of product from nine Argentine establishments at a time when additional precautions were being taken with Argentine imports due to foot and mouth disease. These precautions included additional certifications by Argentine inspection officials or additional testing by FSIS import inspection personnel. These precautions were not documented for this product. In April 2002, FSIS produced

documentation to show that about 2.1 million pounds of the product was eligible to enter U.S. commerce. There was no support for the remaining 139,686 pounds.

- *Deleted Tests*. Import inspectors can unilaterally request deletion of a particular inspection test without providing an explanation. These requests are usually made via email, without supervisory review, directly to the staff that maintains the current system. FSIS does not have written procedures for validating inspectors' requests.

  Requests for changes to reinspection data showed that in some cases import inspectors claimed that reinspection assignments were inappropriate for the type of product presented. Others, however, cited no reason for requesting the deletions. One message, concerning laboratory testing, directed an inspector to "mark [the laboratory results] as passed" in the information system because testing on different product from the same establishment had already passed.

- *Flawed System Development*. Although FSIS has developed a more user-friendly information system, weaknesses remain in the new system's design and development due to the lack of management oversight of the project. For example, FSIS officials have not documented how they developed the new information system. In addition, they did not include a daily process control report in the new system even though the agency agreed to do so in response to our prior report. FSIS officials did not articulate how they would resolve the weaknesses we pointed out in our discussion with them in April 2002.

Agency Authority Over Imported Product**.** We found that after release by the Animal and Plant Health Inspection Service (APHIS) and prior to the formal presentation to FSIS, a private party retained control of certain shipments that were likely to include adulterated product. Beef from Argentina, adulterated with metal contamination, was not promptly labeled as "U.S. Refused Entry" because FSIS personnel believed that they did not have authority to do so until the beef was formally presented for reinspection. As a result of our audit inquiries, this particular product was eventually destroyed under the supervision of FSIS personnel. This problem had occurred because agency procedures did not address FSIS' authority with respect to this product. As a result, the Department does not have adequate accountability and control to ensure that potentially hazardous product does not enter domestic commerce.

KEY RECOMMENDATIONS

FSIS needs to take the appropriate actions on the 823,632 pounds of product identified as coming from foreign establishments with questionable eligibility. The agency also needs to implement controls to ensure that the eligibility of foreign establishments is accurately recorded in its information system and that inspectors can rely on the information in the system.

Concerning our prior report, FSIS should develop a plan to implement the recommendations to correct deficiencies in the import reinspection program. This plan should identify the overall project manager as well as the officials responsible for leading the implementation of each recommendation. It should also establish reasonable timeframes for the project as well as the individual tasks, and include periodic progress reports (i.e., 3, 9, and 18 months) addressing each part of the plan. FSIS management should establish a mechanism that apprises them of progress.

Overall, agency officials need to commit themselves to resolving weaknesses in the import reinspection process.

AGENCY RESPONSE

FSIS generally agreed with the recommendations outlined in the report. FSIS is continuing its efforts to enhance import operations by strengthening policies and controls, addressing resource issues, enhancing import training for inspection personnel, as well as making other systems improvements.

FSIS stated that it had implemented the appropriate corrective actions for the majority of the 35 recommendations outlined in the June 2000 audit report regarding import reinspection. FSIS reported that final action has been accepted by the Office of the Chief Financial Officer on 27 of 35 recommendations.

OIG POSITION

Because FSIS no longer has records on shipments presented prior to 2000, we agree that the agency is unable to take meaningful action on 602,698 pounds of the 823,632 pounds of product we identified as coming from foreign establishments with questionable eligibility. However, for the remaining 220,934 pounds that entered commerce since that time, FSIS needs to specify the actions it intends to take. During the course of our work, FSIS provided documentation to show that 66,299 pounds of product was ineligible to enter the United States. For the other 154,635 pounds of product, FSIS provided insufficient documentation to show that it was eligible to enter the United States.

In response to recommendations in this report, FSIS demonstrated a commitment to improving controls over the import reinspection program. However, as noted in our audit, FSIS did not implement the corrective actions the agency reported to the Office of the Chief Financial Officer for final action for 11 of 18 recommendations from our prior report.

OIG continues to maintain that there are material weaknesses in FSIS' reinspection program because basic control activities, such as documented policies and procedures, supervisory reviews and approvals, and clear lines of authority were lacking in FSIS' operations. Because FSIS management does not expect to have measures in place to correct these deficiencies until September 2003, FSIS should report the material management control weaknesses in the agency's internal control and management accountability reports.

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INTRODUCTION

BACKGROUND

The Federal Meat Inspection Act and the Poultry Products Inspection Act require foreign countries that export meat and poultry products to the United States to establish and maintain systems that are equivalent to the U.S. inspection system. Meat and poultry imported into the United States must originate in countries and plants approved to export to the United States. FSIS is responsible for monitoring foreign countries and exporters to ensure the countries' food safety systems are acceptable by U.S. standards and that exporters are certified as meeting those standards. FSIS is also responsible for reinspecting imported meat and poultry products at ports of entry to ensure that only safe, wholesome, unadulterated, and properly labeled products enter U.S. commerce.

FSIS administers its imported meat and poultry reinspection program primarily through the Office of Policy, Program Development and Evaluation and the Office of Field Operations.

- The Office of Policy, Program Development and Evaluation**,** through the Import and Export Policy Section of the International Policy Staff**,** is responsible for (a) developing methods, policies, and procedures that inspection personnel will use when performing import reinspection activities, (b) maintaining liaison with other agencies within the Department, the U.S. Customs Service, the import and export industry, and foreign country representatives, (c) coordinating import policy development with the domestic program, and (d) providing expertise in dispute resolutions involving import issues.

- The Office of Field Operations is responsible for planning, providing leadership, coordinating policies, and directing the administration of inspection programs and activities to ensure that imported product is safe, wholesome, properly labeled, and unadulterated. The Office of Field Operations accomplishes these responsibilities primarily through its District Inspection Operations and 17 district offices. The district offices**,** through their circuit supervisors, are to exercise supervisory control of the import reinspection process performed by import inspectors at inspection houses within their jurisdictions. The Field Automation and Information Management Division within the Office of Field Operations operates, maintains, and supports the Automated Import Information System (the information system).

The Technical Service Center, also within the Office of Field Operations, is responsible for (a) providing technical assistance, guidance, and advice for import inspection personnel and the industry, (b) providing technical assistance and guidance in the implementation of programs, systems, and procedures, and (c) serving as a feedback mechanism for the Office of Planning, Program Development, and Evaluation relating to changes and refinements in existing systems and procedures.

The reinspection of imported meat and poultry products at U.S. ports of entry provides FSIS with a means of assessing the effectiveness of a foreign government's inspection system while ensuring that only safe, wholesome, unadulterated, and properly labeled products enter U.S. commerce. A description of each lot arriving at any of the 146 official U.S. import inspection establishments is entered into the information system. Lots are routinely reinspected for transportation damage, labeling, proper certification, general condition, and accurate count. Further, indepth reinspection is directed by FSIS' information system, which stores reinspection results from all ports of entry for each country and plant. The system may, for example, generate residue and microbiological laboratory test assignments based on the compliance histories of the plants, countries, and products being presented for reinspection. Products that pass reinspection are allowed to enter U.S. commerce; products that do not pass are stamped "U.S. Refused Entry" and must be exported, destroyed, relabeled or converted to animal food within 45 days.

During 2000, the United States imported about 3.7 billion pounds of meat products and about 75 million pounds of poultry products. Although 37 countries met eligibility requirements to ship these products to the United States, about 3.4 billion pounds (92 percent) of these products came from Canada, Australia, New Zealand, Argentina, and Denmark. All shipments received a routine inspection, as described above. About 18 percent of the 3.7 billion pounds presented for FSIS reinspection were also subjected to further examinations such as laboratory analyses, product examination, condition of containers, and incubation of shelf-stable containers. Less than 1 percent of the product was rejected. Some of the reasons included contamination, processing defects, unsound condition, violative net weight, pathological or labeling defects, missing shipping marks, and residues.

During the completion of our fieldwork, the outbreaks of foot and mouth disease (FMD) occurred in Europe and South America in 2001. Because the global prevalence of FMD posed a grave threat to the American livestock industry, we reviewed the Department's controls to ensure that the Nation was adequately protected against the increased threat of an FMD outbreak from abroad. Based on our limited review, we determined the Department needed stringent controls to ensure that meat products entering the United

States were free of FMD. FSIS and the Animal and Plant Health Inspection Service (APHIS) took action to positively respond to many of the conditions noted in this part of our review. These results were reported in Audit Report No. 50601-3-Ch, Assessment of APHIS and FSIS Inspection Activities to Prevent the Entry of Foot and Mouth Disease Into the United States, issued July 23, 2001.

During the first phase of our audit, we evaluated FSIS controls at the management level for ensuring that imported meat and poultry entering the U.S. consumer channels was safe and wholesome. Overall, we found that FSIS' management control over the import inspection program needed to be enhanced. This included enhancement of FSIS' documentation of approved foreign food safety systems. In addition, we concluded that the import reinspection process did not ensure that ineligible importers were properly identified and that recognized pathogen violations were responded to promptly. These results were reported in Audit Report No. 24099-03-Hy, Food Safety and Inspection Service Imported Meat and Poultry Inspection Process Phase I, issued June 21, 2000.

OBJECTIVES

The purpose of our review was to determine if the FSIS foreign meat and poultry reinspection process has effective procedures and controls to provide FSIS with assurance that only wholesome, unadulterated, and properly labeled products enter U.S. commerce. We also followed up to determine the extent to which FSIS implemented recommendations from our June 2000 audit report. In addition, we evaluated the applicable performance measures and controls governing the validity of data FSIS reported in the Government Performance and Results Act annual plan.

SCOPE

To determine if the FSIS reinspection process has effective procedures and controls, we focused our review on operations and statistical information for 2000 and 2001 and included information from 1999 and 2002 as deemed necessary.

We performed work at:

- FSIS Headquarters in Washington, D.C.;
- FSIS' Technical Service Center in Omaha, Nebraska;
- FSIS District Offices in Beltsville, Maryland and Albany, New York; and
- FSIS import inspection houses in Dundalk, Maryland; Jessup, Maryland; Elizabeth, New Jersey; Woodstown, New Jersey; Mullica Hills, New Jersey; and Buffalo, New York. We also toured an import inspection house in Wilmington, Delaware.

We judgmentally selected the import inspection houses to visit based, for the most part, on the volume of products presented for FSIS reinspection by a variety of countries during 1999. Using a download of data from FSIS' information system, we analyzed information on shipments presented for reinspection from January 1, 1999 to March 9, 2001.

Our work was initiated in August 2000 and was conducted in accordance with generally accepted Government auditing standards.

METHODOLOGY

To fulfill our objectives, we discussed current operations with FSIS staff and reviewed supporting documentation. At FSIS Headquarters, we concentrated on the responsibilities of the Office of Policy, Program Development, and Evaluation; the Office of Field Operations; and the Office of Management's Internal Control Staff. Our review included analysis of records and other documents and discussions with responsible officials to determine if agency responsibilities are being carried out as intended by regulation.

At the Office of Field Operations' Field Automation and Information Management Division, we familiarized ourselves with the current information system and this Division's responsibilities for maintaining it. We also familiarized ourselves with the new information system that FSIS began implementing in April 2002.

At the Technical Service Center, we held discussions with the staff responsible for providing technical assistance, advice, and guidance to brokers, district personnel, circuit supervisors, and import inspectors. We focused particular attention, during these discussions and related documentation reviews, on the range of activities associated with the FSIS imported meat and poultry reinspection process.

At the import inspection houses, we became familiar with the responsibilities of import inspectors and the oversight role of the circuit supervisor and other district personnel. We also examined the supporting documentation for a judgmental sample of 284 shipments. In total, these inspection houses typically process about 11,000 shipments per year. The size of our sample at each inspection house was based on (a) the quantity and variety of products reinspected, (b) the type, timing, and results of reinspections performed, and (c) other circumstances that affected specific shipments reinspected at the individual inspection house. At the inspection houses visited, we also examined all 676 shipments (that arrived up to the time of our visit) from foreign countries that were affected by Bovine Spongiform Encephalopathy (commonly referred to as "mad cow" disease) and Foot and Mouth Disease in 2001. This examination was performed to determine

whether these shipments were eligible to enter the United States according to Department requirements.

FINDINGS AND RECOMMENDATIONS

CHAPTER 1	FSIS MUST IMPLEMENT RECOMMENDATIONS FROM OUR PRIOR REPORT

FINDING NO. 1

FSIS did not complete the indepth assessment of its import inspection operations or improve its management oversight even though the agency agreed to take these actions in response to recommendations in our June 2000 audit report. The inaction occurred because no one was held accountable for implementing these recommendations and no mechanism was established to alert top FSIS management officials that this work was not being done. Without effective oversight and control, FSIS reduces its ability to ensure the safety and wholesomeness of imported products entering the United States.

Recommendations we made in our June 2000 audit report were aimed at improving controls over the reinspection portion of FSIS' import inspection operations. Strengthening these controls would also enhance the validity of data that FSIS reports in the Government Performance and Results Act annual plan. During discussions in April 2002, FSIS officials acknowledged the need to ensure their import reinspection process was being effectively supervised and managed.

- Indepth Assessment. In response to our prior recommendation, FSIS documented an assessment of the equivalence portion of import inspection operations that included the management controls for major functions (e.g., equivalence determinations and onsite audits). However, no similar assessment was performed for the reinspection portion of the operations. This assessment would have provided the agency with the opportunity to ensure the effectiveness of its operations and to address other material weaknesses.

- Management Oversight Functions. FSIS did not prepare a summary of its management oversight functions and procedures even though the agency agreed to do so. FSIS officials claimed that reinspection activities were controlled through a multi-tiered supervisory and management oversight structure. Further, they stated that they relied on the district offices to ensure reinspection activities were well managed and properly functioning. Through discussions with district officials, we

learned that district office oversight was minimal, which we confirmed at the import inspector level. Circuit supervisors were not always fully engaged in their oversight responsibilities for import reinspection operations.

- Management Control Training. FSIS did not provide management control training to all its managers responsible for the reinspection process, as it agreed to do. This training would have given agency managers tools for enhancing their oversight capabilities.

- Independent Assessments. FSIS did not conduct independent assessments of reinspection activities. In response to our prior recommendation, FSIS' Executive Steering Committee for Management Controls was charged with identifying and prioritizing selected processes for independent assessment. Members of this committee include FSIS management officials (e.g., Associate Administrator and Associate Deputy Administrators). By September 1, 2000, the committee was to provide guidance on the assessments to be performed. This guidance was not prepared until September 2001. The initial focus was to assist agency managers who requested assessments and to review programs that changed during the 1997 reorganization. The guidance also requested quarterly status reports of progress. We found that no reviews had been scheduled or performed and that no status reports had been provided to the Committee.

- Entry of Test Results into the Information System. In response to our prior recommendations, FSIS agreed to institute procedures to streamline the entry of residue and microbial test results into the information system. FSIS established these procedures, but did not document them. Further, no supervisory reviews were conducted.

The implementation of these recommendations would have provided FSIS a means to identify weaknesses disclosed as part of our current review. The lack of effective FSIS management control and oversight of reinspection operations is the underlying reason for the conditions highlighted below.

- Over 7.7 million pounds of product entered U.S. commerce from establishments whose eligibility status recorded in the information system was contradicted by documentation in FSIS' files (see Finding No. 2).

- Reinspection data in the current information system is questionable because import inspectors can unilaterally request deletion of a particular inspection assignment without providing an explanation (see Finding No. 3).

- FSIS personnel have not addressed weaknesses in the new information system, which will lead to questions about the integrity of this system and its data (see Finding No. 4).

As we reported in our June 2000 audit report, the material weaknesses in FSIS' import inspection process should be included in the agency's annual management control report required by the Federal Manager's Financial Integrity Act. FSIS has not yet agreed to do this.

Prior to FSIS' reorganization in 1997, the import inspection process operated more effectively because it was managed by one office, FSIS' International Programs. The reorganization scattered the import inspection process among different offices (e.g., field operations; policy, program development, and evaluation; public health and science; and management) and diffused the operations among a number of districts. For import inspection operations to succeed under this structure, FSIS needed to implement and maintain an effective system of management control. This has not occurred.

We concluded that FSIS management must implement a proactive plan for addressing weaknesses in its system. The plan should prioritize tasks to be performed, identify responsible parties for overseeing and completing the tasks, and establish timeframes for completing the work. There should also be a mechanism for periodically apprising FSIS management of progress.

RECOMMENDATION NO. 1

Immediately assign responsibility for conducting an indepth assessment of the reinspection portion of import inspection operations.

FSIS Response

FSIS accepts this recommendation. The Acting Assistant Administrator, Office of Program Evaluation, Enforcement and Review, has been assigned responsibility for assuring that an indepth assessment is conducted of the reinspection portion of import inspection operations. As indicated in response to Recommendation No. 2, the indepth assessment will be completed by December 2003.

OIG Position

We accept FSIS' management decision.

RECOMMENDATION NO. 2

Develop and implement a plan to address the weaknesses in the reinspection process that were identified by the indepth assessment and our prior recommendations. This plan should

identify the overall project manager plus the officials responsible for leading the implementation of each part of the plan, establish reasonable timeframes for completing the project as well as the individual tasks, and include periodic progress reports (i.e., 3, 9, and 18 months) addressing each part of the plan. FSIS management should establish a mechanism that apprises them of progress.

FSIS Response

FSIS accepts this recommendation. By December 2003, FSIS will complete the indepth reassessment identified in Recommendation No. 1 and will implement a plan to address any weaknesses in the reinspection process that are identified by the reassessment. The plan will designate an overall project manager, identify specific tasks and task managers, outline a schedule for completion of tasks, and include requirements for status reports.

OIG Position

To reach management decision, FSIS needs to designate the timeframe in which it expects to implement the plan to address weaknesses in the reinspection process.

CHAPTER 2	FSIS NEEDS TO ADDRESS WEAKNESSES IN ITS INFORMATION SYSTEMS

All shipments entering the United States and presented for reinspection receive a routine inspection for shipping marks, general shipment condition, product count, and paperwork accuracy. FSIS inspection personnel use the current information system to obtain reinspection assignments for these shipments. These assignments are based on sampling plans as well as product and establishment history.

The current information system tells inspectors when an establishment is eligible to import product into the United States and when it is delisted. If an establishment is ineligible to import product, the information system will not allow the inspector to obtain an assignment for any of the establishment's product. If, however, the establishment produced product before becoming ineligible, that product may be processed into U.S. commerce. In such a case, FSIS provides temporary access to the system so the import inspector may obtain an assignment.

We found that FSIS needed to address two material weaknesses in the current system:

- The system contained inaccurate certification and delistment information. Furthermore, for shipments from delisted establishments, there was no tracking data to verify that assignments obtained through temporary access to the system were warranted.

- Changes could be made to information in the system without any explanation or review. Supervisors did not validate the reasonableness of inspectors' requests to delete inspection assignments.

These deficiencies in the current information system raised questions about the effectiveness of the import reinspection process. Our audit showed that during the 27-month period we reviewed, over 7.7 million pounds of product entered U.S. commerce from 37 establishments whose eligibility status as recorded in the information system was contradicted by documentation in FSIS' files.

FSIS has developed a more user-friendly information system, but weaknesses remain in the new system's design and development due to the lack of management oversight of the project. As a result, FSIS has no assurance that the new system will improve program operations as intended.

FINDING NO. 2

FSIS NEEDS TO ENSURE THAT THE ELIGIBILITY STATUS OF FOREIGN ESTABLISHMENTS IS ACCURATELY RECORDED IN THE CURRENT INFORMATION SYSTEM

The current information system contained inaccuracies about the eligibility status of foreign establishments and the products they exported to the United States. This occurred because FSIS was allowing foreign countries to submit eligibility information on an irregular basis rather than by a fixed date each year. Further, FSIS neither established sufficient procedures to ensure the integrity of the data in the information system nor fully implemented recommendations from our prior report. Consequently, FSIS had reduced assurance that only eligible product from eligible establishments entered U.S. commerce.

We briefed FSIS management officials on the results of our work in March 2002. Our audit tests identified that over 7.7 million pounds of product entered U.S. commerce between January 1999 and March 2001 from 37 establishments whose eligibility status as recorded in the information system was contradicted by documentation in FSIS' files. The documentation included foreign countries' certifications, as well as FSIS' records and verifications of establishment eligibility. Some of these 37 establishments were located in Argentina, Uruguay, the United Kingdom, and Italy, countries that had outbreaks of foot and mouth disease in 2001. FSIS officials worked with us to examine detail information regarding each of the shipments comprising the over 7.7 million pounds of product. In April and May 2002, FSIS provided evidence to support that all but 823,632 pounds of the 7.7 million pounds of product had been eligible to enter U.S. commerce. The documentation also showed that of the 823,632 pounds of product, 66,299 pounds were shipped by ineligible foreign establishments. FSIS provided either insufficient documentation or no documentation for the remaining 757,333 pounds; consequently, we could not determine what its status should have been. FSIS personnel claimed that shipment documentation prior to 2000 was no longer available at their import inspection houses, which related to 602,698 pounds of the 757,333 pounds of product identified. FSIS needs to take the appropriate actions on the 823,632 pounds of product.

The information system did not provide inspectors with an accurate record of the eligibility status of foreign establishments in three situations: (1) when a country did not submit its annual certifications of establishments in a timely manner, (2) when an establishment produced product before becoming ineligible, and (3) when an establishment became delisted.

(1) Annual Certifications

We compared the foreign establishment eligibility status recorded in the information system with the foreign countries' annual certifications for 2000 and 2001 that were on file with FSIS. We identified five Canadian establishments whose eligibility status in the information system was not supported by the annual certification. Using data recorded in the information system, we found that two of the establishments exported 3.4 million pounds of product to the United States.

In April 2002, we brought this to the attention of agency officials who then provided documentation to support that these establishments and their products were eligible to enter the United States. Due to a breakdown in communications between divisions within FSIS, the information system did not have accurate information on the eligibility status of these two establishments. Using data recorded in the information system, we identified that 36,967 pounds of product entered U.S. commerce from the remaining three establishments. We also brought this to the attention of agency officials in April 2002; however, they did not provide documentation to support the eligibility of these establishments or this product.

Our further comparison with the annual certifications identified another 113 establishments whose eligibility status in the information system differed from the data reported on the annual certification. This occurred because FSIS did not hold countries accountable for submitting their annual certifications according to the annual due dates. Even though no product was imported from these 113 establishments, it demonstrates the extent to which the accuracy of the information system depends on timely annual certifications.

Regulations[1] state that only those establishments certified by foreign meat inspection officials as meeting U.S. requirements are eligible to import product into the United States. According to FSIS procedure, dated May 2001, countries are to provide their annual lists of eligible establishments by a deadline, which has generally been January 15. FSIS personnel reconcile these lists to the information system to ensure the system includes only eligible establishments. After discussion of this requirement with FSIS officials in April 2002, they provided a revised procedure. According to this revised procedure, dated April 3, 2002, no deadline is set for countries to provide their annual lists of eligible establishments. Since the listings are used to ensure that data in the information system is accurate, FSIS should hold countries accountable for submitting the listings by a certain date each year.

[1] Title 9 CFR, Part 327.2 (a) (3), dated January 1, 2001.

FSIS officials stated that they have recognized that foreign countries do not timely provide establishment eligibility information to FSIS and that the annual certifications are often the only means used by foreign countries to communicate information about delisted establishments. To address this, FSIS officials plan to reiterate to foreign countries the need to timely provide information about changes in the eligibility status of establishments exporting product into the United States.

Although FSIS recognized a problem with its annual certifications, its actions to address the problem do not resolve the matter. In a cable sent to countries on November 30, 2001, for the 2002 annual certifications, FSIS officials requested that countries submit their list by March 1, 2002. In a followup email, dated February 14, 2002, FSIS officials again requested that countries provide the 2002 certifications by March 1, 2002. This email also requested that countries "provide the date of delistment for any establishments that were eligible to export to the United States for calendar year 2001, but will not be eligible to export to the United States as of January 1, 2002." This 2-month timeframe for providing information would potentially allow product to be reinspected and passed into U.S. commerce from ineligible establishments. Until effective controls are in place, FSIS should continue to receive annual certifications from countries of their eligible establishments. Countries should be held accountable for submitting this information by the same date each year.

(2) Temporary Access (Open Windows)

In reconciling the annual certifications with data in the information system, we noted that in cases where the information system indicated that establishments were not eligible, inspectors requested temporary access to the information system so they could reinspect products from these establishments. There was no documentation on file to show that the establishments in question had in fact lost their eligibility.

Regulations[2] state that the information system will be used to assign reinspection procedures based on sampling plans as well as the product and establishment history. When a foreign establishment is not eligible to export product to the United States, its eligibility status is changed in the information system to prevent import inspectors from being able to pull a reinspection assignment. This is FSIS' control to ensure that product from an ineligible establishment is not inadvertently reinspected and passed into U.S. commerce. However, if an establishment's product was produced prior to when the establishment lost its eligibility, the product may still be eligible. Personnel within FSIS' information

[2] Title 9 CFR, Part 327.6 (a) (3), dated January 1, 2001.

management division change the establishment's status for a short period of time within the information system to allow the import inspector to reinspect the shipment. Giving the import inspector this temporary access to pull a reinspection assignment is called "opening a window." After an appropriate period, FSIS information management personnel must once again close the window to prevent inspectors from inadvertently reinspecting shipments that were produced after the establishment became ineligible.

Because there are no procedures for approving and tracking the open window access to the system, the eligibility of the product passed by this means is indeterminable. We found that the documentation of temporary access to the information system was unreliable. In the cases we encountered in which windows may or may not have been properly opened, we found that FSIS personnel reinspected and passed into U.S. commerce over 3 million pounds of product from 19 foreign establishments located in 4 countries with unclear eligibility. Using data recorded in FSIS' information system through February 16, 2001, we identified the product whose eligibility was uncertain.

Country	Number of Questionable Establishments	Pounds of Product with Questionable Eligibility	Type of Product
Argentina	9	2,192,306	Beef
Uruguay	8	741,195	Beef
United Kingdom	1	89,654	Fresh Pork
Italy	1	71	Pork
Total	**19**	**3,023,226**	

In April 2002, FSIS officials provided documentation to show these establishments exported their product to the United States at a time when they were eligible (except for the 139,686 pounds from one Argentine establishment). However, FSIS must establish and implement controls to approve, track, resolve, record, and monitor open window requests by inspection personnel.

The 19 establishments were located in 4 countries that had outbreaks of foot and mouth disease in 2001. The product from Argentina and Italy entered U.S. commerce prior to the time trade with these countries was prohibited due to foot and mouth disease. FSIS also provided documentation that the product from Uruguay and the United Kingdom was produced prior to dates of foot and mouth disease prohibitions for these countries.

(3) Delistment

In response to our prior recommendation, FSIS agreed to coordinate the efforts of agency personnel to verify that all delisted establishments have been timely entered into the information system. However, on January 26, 2000, Canadian officials informed FSIS personnel that 84 of its establishments were not eligible to export products to the United States because the establishments failed to meet FSIS product safety requirements. This information was not entered into the information system until December 14, 2000, nearly 11 months later. This occurred because the information had not been shared with personnel who are charged with updating the information system.

Using data in the information system, we identified 642,399 pounds of mainly poultry products that were reinspected and passed into U.S. commerce during the 11-month period from 11 of the 84 ineligible establishments. During May 2002, FSIS personnel provided certifications from Canadian officials that supported the eligibility of 629,583 of these pounds. These certifications were not on file with personnel responsible for updating the information system when we did our review in March 2001. Furthermore, evidence provided by FSIS personnel was not sufficient to resolve whether the remaining 12,816 pounds was eligible to enter U.S. commerce.

In response to our June 2000 audit report, FSIS committed to certain corrective actions. However, the agency neither ensured that establishments met annual certification requirements nor established a system for tracking delistments. Our prior report included eight recommendations to address these weaknesses. FSIS took adequate action to address two of these recommendations; however, the agency's actions were insufficient on the remaining six.

In response to one prior recommendation, FSIS implemented a procedure (i.e., quarterly crosschecks) to validate the accuracy of foreign establishment eligibility status in the information system. We noted that while completing the quarterly crosscheck in May 2000, FSIS personnel identified ineligible product that had already passed into U.S. commerce, but it did not take steps to recall the product. FSIS identified 634,163 pounds of product (lamb, goat, and mutton) that had been exported by two ineligible Australian establishments. One of these establishments had been ineligible since September 1998, and the other since August 1999. During May 2000, when these errors were discovered, FSIS personnel corrected the information system but did not perform any followup work regarding these shipments. FSIS personnel claimed that shipment documentation prior to 2000 was no longer available at their import inspection houses. Shipments prior to 2000

accounted for 602,698 pounds of the product identified. Regarding the remaining 31,465 pounds, FSIS provided documentation that verified that 21,337 pounds entered U.S. commerce from an ineligible establishment. FSIS could not find the documentation for the remaining 10,128 pounds.

We concluded from our current review that inaccuracies in the information system needed to be addressed. Even though FSIS was able to subsequently support the eligibility of most of the 7.7 million pounds of products we questioned, the agency still needs to implement controls to ensure that accurate information is recorded in the system regarding the eligibility of foreign establishments and the products they export to the United States.

RECOMMENDATION NO. 3

Take the appropriate actions on the 823,632 pounds of product identified as coming from foreign establishments with questionable eligibility.

FSIS Response

FSIS agrees with the intent of this recommendation, which is to strengthen the reliability of establishment eligibility data in the Automated Import Information System (AIIS). However, FSIS no longer has records on shipments presented prior to the year 2000 because Agency recordkeeping procedures require documents to be kept only for the current year plus two previous years. Consequently, additional action on the 823,632 pounds of product that entered commerce between January 1999 and March 2001, is neither necessary nor feasible at this time.

At the time this product was presented for reinspection, it was accompanied by a certificate from a foreign inspection official attesting that it was produced in an establishment certified for export to the United States. All of the 823,632 pounds in question was subsequently reinspected by an FSIS import inspector and passed for entry into U.S. commerce. FSIS also notes that the OIG identified other shipments totaling over 7.7 million pounds, which were described as coming from establishments with questionable eligibility. However, FSIS has provided the OIG documentation showing that virtually all of the 7.7 million pounds were eligible for export to the United States.

OIG Position

Review of the data from FSIS' information system disclosed 602,698 pounds of this product was imported into the United States prior to 2000. FSIS no

longer maintains records for these shipments. Accordingly we accept FSIS' management decision to take no action regarding this product.

FSIS reinspected and passed the remaining 220,934 pounds of product into U.S. commerce in 2000 and 2001. During the course of our work, FSIS provided documentation to show that 66,299 pounds of this product was ineligible to enter the United States. To reach management decision, FSIS needs to specify the actions it intends to take for the product that was determined to be ineligible.

During the course of our work, FSIS provided insufficient documentation to show that the other 154,635 pounds of product was eligible to enter the United States. To reach management decision, FSIS needs to specify the actions it intends to take for this product.

RECOMMENDATION NO. 4

Revise FSIS procedures to establish a certain date each calendar year to be the deadline for receiving foreign countries' annual lists of eligible establishments. These procedures should also specify the actions to take when annual certifications are not received timely by FSIS.

FSIS Response

FSIS accepts this recommendation. FSIS has completed and implemented new procedures for receiving foreign country establishment recertification lists including actions to be taken when annual certifications are not received. These procedures are enclosed.

OIG Position

To reach management decision, FSIS needs to specify that the steps for the calendar year 2003 recertification of establishments will be applicable to future years.

RECOMMENDATION NO. 5

Document and implement procedures for approving, tracking, resolving, and recording open windows. The procedures should also address how supervisory personnel, both in the field and in the information management division, should monitor these requests.

FSIS Response

This recommendation is no longer applicable. The new AIIS does not permit "Open Windows" to allow entry of product for delisted plants or countries.

OIG Position

To reach management decision we need additional information about the alternative processes FSIS will use to replace the "open window" process.

Please provide details about how the agency will handle the following situation, under the new AIIS, to include the related management controls. Foreign establishment A is delisted for product produced on or after June 1, 2003. On June 15, 2003, product from foreign establishment A is presented at a U.S. port of entry for reinspection by FSIS. The product is accompanied by a foreign health certificate dated May 25, 2003. The health certificate shows that the product was produced in establishment A from May 20-22, 2003, a point in time when product from this establishment was eligible for export to the United States.

RECOMMENDATION NO. 6

Validate the completeness and accuracy of open window request information received by the information management division since January 1, 2001, to ensure that no product from ineligible foreign establishments entered U.S. commerce. Initiate appropriate actions for any ineligible product identified.

FSIS Response

By September 2003, FSIS will validate the completeness and accuracy of open window request information received by the Field Automation Information Management Division (FAIM) from January 1, 2001 to December 31, 2002.

OIG Position

We accept FSIS' management decision.

RECOMMENDATION NO. 7

Establish procedures for resolving discrepancies resulting from quarterly crosschecks. These procedures should establish a process for taking appropriate actions regarding ineligible product.

FSIS Response

FSIS will establish procedures that provide guidance for supervisory personnel for monitoring the AIIS, including resolving discrepancies resulting from quarterly crosschecks. These procedures will include a process for taking appropriate action regarding ineligible product. The new procedures will be developed by September 2003.

OIG Position

We accept FSIS' management decision.

FINDING NO. 3

FSIS NEEDS OVERSIGHT OF DATA ENTERED IN THE INFORMATION MANAGEMENT SYSTEM

Import inspectors can unilaterally request deletion of a particular inspection assignment from the information system without providing an explanation. These requests are usually made via email, without supervisory review, directly to the staff that maintains the system. FSIS does not have written procedures for validating inspectors' requests. As a result, the integrity of reinspection data in the information system is questionable.

Regulations[3] state that the information system will be used to assign reinspection procedures based on sampling plans as well as product and establishment history. During 2000, only 18 percent (about 688 million pounds) of shipments were selected by the information system for detailed reinspection, underscoring the importance of completing all tests and accurately reporting the results. The percentage of the amount of product that received detailed reinspection in 2000 was consistent with the percentage of product that received detailed reinspection in 1998 and 1999.

Our review found that import inspectors did not always perform all of the inspections assigned and that reinspection assignments remained incomplete for as long as two years in the information system. Supervisory personnel did not followup to determine why the assignments were not done nor did they review to validate the reasonableness of inspectors' requests to delete assignments. We reviewed over 1,000 emails from import inspectors in 12 of FSIS' 17 districts. Information management staff used these emails as the basis for deleting reinspection assignments.

- Inspectors requested laboratory tests be deleted because overnight shipping services were not available or the samples would not reach laboratories for testing before Federal holidays. In one case, the inspector requested that inspection assignments for listeria and

[3] Title 9 CFR, Part 327.6 (a) (3), dated January 1, 2001.

salmonella be deleted "since we do not have shipping cartons large enough to fit an intact sample unit which is required for this type of analysis."

- Inspectors claimed that test assignments were inappropriate for the type of product presented for reinspection. For example, messages stated that tests could not be performed because the product did not have enough fat, muscle, or target tissue. However, other inspectors stated that they submitted samples for testing regardless of designated sample sizes.

- Other messages cited no reason for deleting inspection assignments such as testing for species, listeria, salmonella, arsenic, and other unidentified residues.

- In one case, the inspector stated, "only one piece was examined because it was fresh duck liver from France and very expensive." One message directed another inspector to "mark it (the laboratory results) as passed" in the information system because testing on different product from the same establishment had "passed."

To ensure the integrity of reinspection data in the information system, FSIS needs to implement effective oversight procedures.

RECOMMENDATION NO. 8

Establish and implement procedures for FSIS officials at all appropriate levels to validate inspector requests for modifying reinspection assignments directed by the information system and to ensure that all assignments are timely and completely resolved.

FSIS Response

FSIS agrees with this recommendation. FSIS will develop procedures that provide guidance for supervisory personnel for monitoring the AIIS, including requests for modification of entries. Justification for modifying a reinspection assignment is limited to correcting incorrect data input. The new procedures will be developed by September 2003.

OIG Position

We accept FSIS' management decision.

FINDING NO. 4

FSIS NEEDS TO ADDRESS WEAKNESSES IN THE NEW INFORMATION SYSTEM

FSIS has developed a more user-friendly information system. However, due to the lack of management oversight of the project, weaknesses remain. For example, the agency has not documented how the new system was developed. As a result, FSIS had reduced assurance that the new system will improve program operations as intended.

Regulations[4] state that the information system will be used to assign reinspection procedures based on sampling plans as well as product and establishment history. FSIS officials recognized the need to modernize the information system because of the dramatic change in technology since the system was brought online in 1978. FSIS officials expect that migrating the system onto current hardware and software will increase the system's efficiency and effectiveness while decreasing the cost of ownership.

During a demonstration of the new information system in January 2002, we observed that the system would be more user friendly because, for example, it uses a series of drop-down menus and allows inspectors to review test results online. However, the integrity of the new information system and its data is questionable given the lack of management oversight and involvement in the system design and development. According to FSIS officials, oversight of the development of the new information system did not track such things as project cost or whether the work was on schedule. Before full implementation of the new system, FSIS should evaluate and test that it will operate as intended and adequately address shortcomings of the prior system. In our discussion with FSIS officials in April 2002, they did not articulate how they would resolve weaknesses in the new system pointed out by the questions we raised. The following items, which we discussed with FSIS officials, indicate the need for better management oversight and control of this project.

- FSIS officials have not documented how they developed the new information system. This is critical for understanding the agency's approach and methodology for planning, designing, and evaluating the new system.

- FSIS officials have not clearly communicated the information to be used to support entries in the "production date" field. Further, this field in the system has been programmed to default to the current date if no information is entered. The entry in this field is critical to determining whether product from foreign establishments is eligible to enter U.S. commerce.

[4] Title 9 CFR, Part 327.6(a) (3), dated January 1, 2001.

- FSIS officials have not formally notified foreign countries or the companies that import products from foreign establishments that the new information system relies on process categories, rather than product codes, to identify and describe the product being reinspected by import inspectors. This is a major change in the coding of information in the new system. The current system uses over 365 product codes to identify product; whereas, the new system will use only 8 process categories. In discussions during April 2002, FSIS officials stated that this was communicated in the agency's June 2001 public meeting on the new information system. The meeting's official transcript only supported that the use of process categories was an idea under consideration.

- FSIS officials have not programmed edit checks in the new system to test the reasonableness of data entered. For example, in the current system an ad hoc analysis is done to check that excessive shipment weights are not entered into the system. The new information system is not programmed to perform a similar type of check.

- FSIS officials did not include a daily process control report in the new information system even though the agency agreed to do so in response to our June 2000 audit report. This report would enable FSIS first-line supervisory personnel to timely verify the accuracy of information entered into the system. The examples of management control reports provided by FSIS personnel in April 2002 represent different ways of monitoring the system but do not provide a means of verifying the accuracy of information entered into the system.

To increase the effectiveness and capability of the new information system, FSIS management needs to evaluate and test that the new system will operate as intended and adequately address shortcomings of the prior system before the new system is implemented.

RECOMMENDATION NO. 9

Document the development of the new information system, which should include FSIS' approach and methodology for planning, designing, and evaluating the system.

FSIS Response

By September 2003, FSIS will document the development of the new information system, including the approach and methodology for planning, designing, and evaluating the system.

OIG Position

We accept FSIS' management decision.

RECOMMENDATION NO. 10

Develop and implement a plan to evaluate and test the new system. This plan should identify the officials responsible for leading the implementation of this plan, establish reasonable timeframes for the project as well as the individual tasks to be performed to evaluate and test the design and development of the new system. The plan should also include periodic progress reports (i.e., 1, 3, and 5 months) addressing each part of the plan. FSIS management should establish a mechanism that apprises them of progress.

FSIS Response

By September 2003, FSIS will develop and implement a plan to evaluate and test the new system including assignment of responsibilities for planning and leading the implementation as well as for appropriate management oversight.

OIG Position

We accept FSIS' management decision.

CHAPTER 3	FSIS NEEDS TO CLARIFY AGENCY AUTHORITY OVER IMPORTED PRODUCT

FINDING NO. 5

After release by the Animal and Plant Health Inspection Service (APHIS) and prior to the formal presentation to FSIS, a private party retained control of certain shipments that were likely to include adulterated product. This occurred because agency procedures did not clearly explain FSIS' authority with respect to this product. As a result, the Department does not have adequate accountability and control to ensure that potentially hazardous product does not enter domestic commerce.

All shipments of meat and meat products arriving at a U.S. port of entry are subject to oversight by several Federal agencies (e.g., the U.S. Customs Service, APHIS, and FSIS). Based on animal disease restrictions in the country of origin, APHIS determines whether the shipment can be released into the United States. Once APHIS requirements have been met, FSIS has regulatory authority[5] for product in each shipment. However, in some cases the handoff is not direct from APHIS to FSIS; instead, the meat or meat product is released to a private party[6] who then is responsible for presenting the product to FSIS for reinspection and approval to enter domestic commerce. The "gap" between APHIS acceptance and presentation to FSIS for reinspection imposes a limitation on the Department's accountability for the product.

Our audit identified a situation where beef from Argentina, adulterated with metal contamination, was not promptly labeled as "U.S. Refused Entry" because FSIS personnel believed that they did not have authority to do so until the beef was formally presented for reinspection. As a result of our audit inquiries, this particular product was eventually destroyed under the supervision of FSIS personnel.

Although Federal regulations confer responsibility for product on FSIS once it has cleared APHIS, we found that FSIS operating policies and procedures did not address this at all. The widespread lack of understanding was documented, in part, by the series of email messages requesting assistance and clarifying guidance from several different levels of FSIS management.

A similar situation involving the "gap" in the Department's accountability was reported in our July 2001 report (Audit Report No. 50601-3-Ch). During

[5] Title 9 CFR 327.6, 327.7, and 327.13, dated January 1, 2001.
[6] A private party could include such entities as importers and warehouse managers.

visits to FSIS Inspection Houses in New Jersey and Maryland, we found that neither APHIS nor FSIS had adequate control over product that arrived at ports of entry and was placed on hold. A private party retained control of shipments that were stored in Inspection Houses, usually in unsecured areas, until they were presented to FSIS for reinspection. Under these circumstances, product could have been diverted. Control over the product depended on the relationship and coordination between the private party and FSIS. In response to our recommendations, the agencies agreed that operational procedures for handling meat and poultry involving both FSIS and APHIS were not well documented. The agencies further agreed to develop requirements and controls for identifying product that was not presented for reinspection.

To ensure that the transfer of accountability for product is seamless between APHIS and FSIS, FSIS should clarify its procedures to explain that FSIS has control over all imported product once APHIS has completed its review.

RECOMMENDATION NO. 11

Amend FSIS procedures for presenting imported product for reinspection to clarify that FSIS has control over all product once the APHIS review is completed.

FSIS Response

FSIS will clarify the authority over imported product before it is presented to FSIS for inspection. FSIS will amend the Import Inspection Procedural Manual accordingly. This action will be completed by September 2003.

OIG Position

We accept FSIS' management decision.

EXHIBIT A – FSIS RESPONSE TO THE DRAFT REPORT

United States Department of Agriculture | Food Safety and Inspection Service | Washington, D.C. 20250

TO: Richard D. Long
Assistant Inspector General for Audit
Office of Inspector General

JAN 28 2003

FROM: Dr. Garry L. McKee
Administrator

SUBJECT: Office of Inspector General (OIG) Official Draft Report – Food Safety and Inspection Service, Imported Meat and Poultry Reinspection Process, Phase II, Audit No. 24099-4-HY

We appreciate the opportunity to review and comment on the subject draft report. The Food Safety and Inspection Service (FSIS) offers the following responses to the recommendations.

General Comments

FSIS generally agrees with the recommendations outlined in the report. FSIS is continuing its efforts to enhance import operations by strengthening policies and controls, addressing resource issues, enhancing import training for inspection personnel, as well as making other systems improvements.

Key Recommendations

FSIS needs to take the appropriate actions on the 823,632 pounds of product identified as coming from foreign establishments with questionable eligibility. The agency also needs to implement controls to ensure that the eligibility of foreign establishments is accurately recorded in its information system and that inspectors can rely on the information in the system.

Concerning our prior report, FSIS should develop a plan to implement the recommendations to correct deficiencies in the import reinspection program. This plan should identify the overall project manager as well as the officials responsible for leading the implementation of each recommendation. It should also establish reasonable timeframes for the project as well as the individual tasks, and include periodic progress reports (i.e., 3, 9, and 18 months) addressing each part of the plan. FSIS management should establish a mechanism that apprises them of progress.

Overall, Agency officials need to commit themselves to resolving weaknesses in the import reinspection process.

Agency Response

FSIS agrees with the OIG recommendations regarding the import reinspection process. FSIS officials are committed to improving the import reinspection process. FSIS has demonstrated a commitment to make program and policy adjustments including implementing additional management controls to ensure that the import reinspection program is operating effectively

FSIS has implemented the appropriate corrective actions for the majority of the 35 recommendations outlined in the June 2000 audit report regarding import reinspection. Final action has been accepted by the Office of the Chief Financial Officer on 27 of the 35 recommendations. FSIS continues to submit the documentation to bring closure to the remaining recommendations where management decision has been reached. FSIS expects closure of the recommendations by March 2003.

Below are the Agency's responses and planned corrective actions for each of the recommendations outlined in the subject report.

1. **Recommendation No. 1**

   Immediately assign responsibility for conducting an in-depth assessment of the reinspection portion of import inspection operations.

   Agency Response

   FSIS accepts this recommendation. The Acting Assistant Administrator, Office of Program Evaluation, Enforcement and Review, has been assigned responsibility for assuring that an in-depth assessment is conducted of the reinspection portion of import inspection operations.

2. **Recommendation No. 2**

   Develop and implement a plan to address the weaknesses in the reinspection process that were identified by the in-depth assessment and our prior recommendations. This plan should identify the overall project manager plus the officials responsible for leading the implementation of each part of the plan, establish reasonable timeframes for completing the project as well as the individual tasks, and include periodic progress reports (i.e., 3, 9, and 18 months) addressing each part of the plan. FSIS management should establish a mechanism that apprises them of progress.

Agency Response

FSIS accepts this recommendation. By December 2003, FSIS will complete the in-depth reassessment identified in Recommendation No.1 and will implement a plan to address any weaknesses in the reinspection process that are identified by the reassessment. The plan will designate an overall project manager, identify specific tasks and task managers, outline a schedule for completion of tasks, and include requirements for status reports.

3. **Recommendation No. 3**

Take the appropriate actions on the 823,632 pounds of product identified as coming from foreign establishments with questionable eligibility.

Agency Response

FSIS agrees with the intent of this recommendation, which is to strengthen the reliability of establishment eligibility data in the AIIS. However, FSIS no longer has records on shipments presented prior to the year 2000 because Agency recordkeeping procedures require documents to be kept only for the current year plus two previous years. Consequently, additional action on the 823,632 pounds of product that entered commerce between January 1999 and March 2001, is neither necessary nor feasible at this time.

At the time this product was presented for reinspection, it was accompanied by a certificate from a foreign inspection official attesting that it was produced in an establishment certified for export to the United States. All of the 823,632 pounds in question was subsequently reinspected by an FSIS import inspector and passed for entry into U.S. commerce. FSIS also notes that the OIG identified other shipments totaling over 7.7 million pounds which were described as coming from establishments with questionable eligibility. However, FSIS has provided the OIG documentation showing that virtually all of the 7.7 million pounds were eligible for export to the U.S.

4. **Recommendation No. 4**

Revise FSIS procedures to establish a date certain each calendar year to be the deadline for receiving foreign countries' annual lists of eligible establishments. These procedures should also specify the actions to take when annual certifications are not received timely by FSIS.

Agency Response

FSIS accepts this recommendation. FSIS has completed and implemented new procedures for receiving foreign country establishment recertification lists including actions to be taken when annual certifications are not received. These procedures are enclosed.

5. Recommendation No. 5

Document and implement procedures for approving, tracking, resolving, and recording open windows. The procedures should also address how supervisory personnel, both in the field and in the information management division, should monitor these requests.

Agency Response

This recommendation is no longer applicable. The new Automated Import Information System (AIIS) does not permit "Open Windows" to allow entry of product for delisted plants or countries.

6. Recommendation No. 6

Validate the completeness and accuracy of open window request information received by the information management division since January 1, 2001, to ensure that no product from ineligible foreign establishments entered U.S. commerce. Initiate appropriate actions for any ineligible product identified.

Agency Response

By September 2003, FSIS will validate the completeness and accuracy of open window request information received by the Field Automation Information Management Division (FAIM) from January 1, 2001 to December 31, 2002.

7. Recommendation No. 7

Establish procedures for resolving discrepancies resulting from quarterly crosschecks. These procedures should establish a process for taking appropriate actions regarding ineligible product.

Agency Response

FSIS will establish procedures that provide guidance for supervisory personnel for monitoring the AIIS, including resolving discrepancies resulting from quarterly crosschecks. These procedures will include a process for taking appropriate action regarding ineligible product. The new procedures will be developed by September 2003.

8. **Recommendation No. 8**

Establish and implement procedures for FSIS officials at all appropriate levels to validate inspector requests for modifying reinspection assignments directed by the information system and to ensure that all assignments are timely and completely resolved.

Agency Response

FSIS agrees with this recommendation. FSIS will develop procedures that provide guidance for supervisory personnel for monitoring the AIIS, including requests for modification of entries. Justification for modifying a reinspection assignment is limited to correcting incorrect data input. The new procedures will be developed by September 2003.

9. **Recommendation No. 9**

Document the development of the new information system, which should include FSIS' approach and methodology for planning, designing, and evaluating the system.

Agency Response

Several of the OIG facts that support this recommendation are incorrect. First, the "production date" field in the new automated system is a voluntary field, so no default is necessary. Second, FSIS notified foreign countries (July), import establishments (August), brokers (May), and industry organizations (July) of the changes in the system including detailed information on the new product coding system. Third, edit checks have been programmed into the system to alert inspectors to excessive shipment weights.

By September 2003, FSIS will document the development of the new information system, including the approach and methodology for planning, designing, and evaluating the system.

10. **Recommendation No. 10**

Develop and implement a plan to evaluate and test the new system. This plan should identify the officials responsible for leading the implementation of this plan, establish reasonable timeframes for the project as well as the individual tasks to be performed to evaluate and test the design and development of the new system. The plan should also include periodic progress reports (i.e., 1, 3, and 5 months) addressing each part of the plan. FSIS management should establish a mechanism that apprises them of progress.

Agency Response

By September 2003, FSIS will develop and implement a plan to evaluate and test the new system including assignment of responsibilities for planning and leading the implementation as well as for appropriate management oversight.

11. **Recommendation No. 11**

Amend FSIS procedures for presenting imported product for reinspection to clarify that FSIS has control over all product once the APHIS review is completed.

Agency Response:

FSIS will clarify the authority over imported product before it is presented to FSIS for inspection. FSIS will amend the Import Inspection Procedural Manual accordingly. This action will be completed by September 2003.

If you have any questions, please contact Michelle Long, Internal Control Staff, at 202 690-5633.

Enclosure

Plan for Annual Recertification of Foreign Meat or Poultry Establishments Certified for Export to the United States

Requirement

Federal meat and poultry inspection regulations establish criteria for the importation of foreign meat and poultry products into the United States (9 CFR 327.2 for meat and 9 CFR 381.196 for poultry). One of those criteria is that foreign meat and poultry establishments must be certified by a responsible official of the foreign inspection system as fully meeting all USDA import requirements enumerated in the regulations cited above. Certifications of establishments must be renewed annually.

Discussion

Agency regulations require annual recertification of foreign establishments, but do not specify a renewal date during the calendar year. During the course of each year, foreign inspection systems routinely add or delete establishments from their annual recertification list. Thus, the list itself is quickly out-of-date and must be supplemented by change notices received from exporting countries. Consequently, the annual recertification list serves as a useful recompilation of changes made during the past year but is only one source of establishment eligibility information.

The primary source of establishment eligibility information is the official meat or poultry inspection certificate that accompanies every lot of product received for importation into the United States. Each foreign inspection certificate must bear the official seal of the national government agency responsible for inspection of the product and must be signed and issued by an official authorized to sign and issue such certificates by the national government of the foreign country in which the product is inspected.

Every foreign *meat* inspection certificate contains a statement that the product was prepared or processed "in plants certified for importation of their products into the United States." (9 CFR 327.4) While foreign *poultry* inspection certificates do not contain the specific language cited above, they do certify that the product is "in compliance with requirements at least equal to those in the Poultry Products Inspection Act and [U.S. Department of Agriculture] regulations." (9 CFR 381.197). One of those requirements is that product may only be exported from certified establishments.

Recertification Plan

The calendar year 2003 recertification of establishments authorized to export meat or poultry products will be carried out in three steps. A fourth decertification step will be added if necessary.

1. Initial notification to each exporting country. (Fall 2002; with due date of January 15)
2. Reminder notice. (Early January 2003)
3. Notice of impending decertification. (February 2003)

[4. Notice of decertification (May 15, 2003)]