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Report To The Honorable Thomas F. Eagleton
And To The Honorable Lawton Chiles,
United States Senate

122817

USDA's Oversight Of State Meat And Poultry Inspection Programs Could Be Strengthened

Federal legislation requires that meat and poultry products sold for human consumption be inspected to ensure that they are safe, wholesome, and accurately labeled. The Department of Agriculture (USDA) must inspect all products sold in interstate and foreign commerce, but States are permitted to inspect intrastate products provided that USDA has certified that their inspection laws and programs are at least equal to those of the Federal Government. Twenty-seven States operated "equal to" inspection programs as of June 30, 1983.

Although USDA's procedures for certifying the equality of State programs are consistent with the discretion the Congress gave USDA, GAO recommends several changes to make the procedures more effective. These changes would improve existing measures of inspection effectiveness and provide a more objective basis for comparing State and Federal inspections. GAO also recommends expanding internal reviews to determine how well USDA's field offices oversee State programs.



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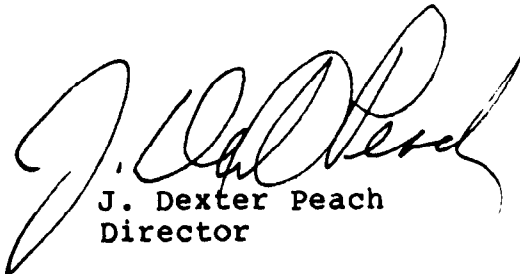
RESOURCES, COMMUNITY,
AND ECONOMIC DEVELOPMENT
DIVISION

B-213113

The Honorable Thomas F. Eagleton
The Honorable Lawton Chiles
United States Senate

As requested in your December 6, 1982, letter and subsequent discussions with your offices, this report discusses the Department of Agriculture's oversight of State meat and poultry inspection programs.

As arranged with your offices, unless you publicly announce its contents earlier, we plan no further distribution of this report until 30 days from the date of the report. At that time we will send copies to interested parties and make copies available to others upon request.



J. Dexter Peach
Director

D I G E S T

Twenty-seven States operate inspection programs under provisions of the Federal Meat Inspection Act and the Poultry Products Inspection Act. These acts require the U.S. Department of Agriculture (USDA) to inspect all meat and poultry products sold in interstate and foreign commerce, but they authorize States to inspect products in intrastate commerce if USDA has certified that their inspection laws and programs are "at least equal to" those of the Federal Government. In States that do not maintain equal to programs, USDA assumes responsibility for inspecting intrastate plants. In all cases, inspection is to ensure that meat and poultry products sold for human consumption are safe, wholesome, and accurately labeled.

Senators Thomas F. Eagleton and Lawton Chiles asked GAO to determine whether USDA's State program certification procedures conform to the authorizing legislation and to evaluate the methods used in special 1980 and 1981 USDA internal review studies of State inspection effectiveness. As requested, GAO also summarized the results of USDA's ratings of State-inspected plants to identify trends and the relative standings of State programs during the period 1980 through 1982. (See app. II.)

ALTHOUGH CONSISTENT WITH THE
LEGISLATION, CERTIFICATION
PROCEDURES COULD BE MORE EFFECTIVE

The Congress specifies detailed requirements for State programs but gives USDA discretion in judging whether State programs are equal to the Federal program. The Federal acts include two fundamental requirements for State programs. First, States must enact inspection requirements at least equal to those specified for the Federal program; second, they must effectively enforce the requirements. The

acts, through language authorizing Federal takeover of deficient State programs, leave to USDA's discretion how the equal to certifications will be made.

GAO believes that USDA's certification procedures are reasonable and consistent with the acts' requirements. USDA bases certification on overall professional judgments as to the adequacy of State inspection requirements and enforcement.¹ In making such judgments, USDA considers State laws and regulations; program staffing, funding, and administration; and quarterly evaluations of statistical samples of plants under State inspection. (See pp. 6 to 11.)

GAO, however, identified several ways of making the certification procedures more effective. USDA measures the effectiveness of State inspection efforts by assigning category ratings based on the percentage of unacceptable items that USDA finds in quarterly plant reviews. To compute this percentage, USDA counts the number of unacceptable items found at plants under regular State inspection (official plants), adds one-tenth the number of unacceptable items found in plants not subject to regular inspection (custom/exempt plants), and divides the resulting total by the number of items reviewed at both types of plants. Custom/exempt plants by law are not subject to regular inspection requirements because they slaughter or process products for an animal owner's personal use or because they conduct limited types of operations. These plants, however, are periodically inspected (normally quarterly) by States with USDA-certified programs.

¹In this report the term "enforcement" refers to the application of inspection requirements at slaughter and processing plants. (See pp. 7 and 8.) This should not be confused with what are called compliance activities-- monitoring the meat, poultry, and related industries to detect and investigate apparent violations of the meat and poultry acts. Compliance activities are carried out predominantly at firms which handle meat and poultry products after they have been inspected at slaughter/processing plants. (See p. 3.)

GAO believes that the current method of counting unacceptable items at custom/exempt plants has unduly improved many States' ratings. GAO's analysis showed that custom/exempt plants improved ratings over the period 1980 through 1982 by at least one category in 12 of the 27 equal to States. In some cases these types of plants made the difference between unacceptable and acceptable ratings. Custom/exempt plants conduct limited operations affecting very few people and are of minor importance in State inspection programs. Accordingly, GAO recommends that the rating system be revised to eliminate, or substantially reduce, the influence of such plants. (See pp. 11 to 15 and 23.)

When USDA finds unacceptable items during its reviews, it later follows up to see if the unacceptable items have been corrected. USDA, however, does not count items that remain unacceptable when computing State ratings. As a result, State inspection programs are penalized for allowing the original deficiency, but there is no penalty when the State does not ensure its correction. GAO believes that State action to ensure correction of identified deficiencies is an important indicator of inspection effectiveness. GAO recommends that USDA include uncorrected items found during followup plant visits when computing State ratings. (See pp. 15 to 17 and 23.)

GAO noted that the regional offices of USDA's Food Safety and Inspection Service have differing followup procedures--a problem stemming from a lack of specificity in current guidelines. Four regions made only one followup visit to deficient State-inspected plants, even if unacceptable items remained uncorrected. The fifth region, however, revisited deficient plants each quarter until all items were corrected. Some regions checked only for correction of previously unacceptable items, while others conducted a more thorough followup review. GAO recommends that the Inspection Service implement proposed policy changes which would require up to three followup visits (if necessary) and coverage of all basic inspection items. (See pp. 16, 17, and 23.)

Although USDA maintains that inspection efforts in States with certified programs should be as effective as Federal inspection efforts, it does not use available measures of Federal effectiveness when determining the equal to status of State programs. The Inspection Service makes supervisory reviews of plants under its jurisdiction every 18 months using the same procedures used in quarterly reviews of State-inspected plants. It does not, however, compare the rate of deficiencies found at plants under a State's jurisdiction with that found in federally inspected plants. GAO believes that the deficiency rate for federally inspected plants would provide a useful benchmark for assessing the relative effectiveness of State inspections. GAO recommends that USDA use comparisons of State and Federal deficiency rates in the certification process. To ensure that such comparisons are meaningful, GAO also recommends actions to correct an apparent favorable bias in data on federally inspected plant deficiencies which exists because Federal supervisors are in essence evaluating their own performance when reviewing plants under their jurisdiction. (See pp. 17 to 20 and 23 and 24.)

PENDING IMPROVEMENTS TO REVIEW PROCEDURES

The Inspection Service has proposed substantive changes to its State program review guidelines which are expected to be implemented during the first 3 months of 1984. The new guidelines would, if implemented, establish a specific policy regarding frequency and scope of State-inspected plant followup visits. As of August 1983, however, the Inspection Service was still analyzing a proposed new approach for rating State programs and had not decided whether to rate custom/exempt and official plant inspections separately or to continue with a single rating based on both plant types. Other proposed changes, including a plant review checklist cross-referenced to specific standards and a uniform format for quarterly reports on State programs, would, in GAO's opinion, strengthen Federal evaluations of State programs. (See pp. 13, 15, 16, 20, and 21.)

EVALUATION OF INTERNAL REVIEW STUDIES

In 1980 and 1981 an Inspection Service internal review group, which was not involved in normal State program certification, reviewed nationwide samples of State-inspected plants and compared the results with federally inspected plant review results. While State-inspected plants rated much lower than federally inspected plants in 1980, their ratings in 1981 improved and were comparable to historical federally inspected plant ratings. Because these studies are, to GAO's knowledge, the only direct comparisons of State and Federal inspection program effectiveness ever made, they are important to the question of Federal/State program equality and to deliberations on pending bills that would authorize State-inspected plants to market their products interstate. (See pp. 26 to 28.)

GAO believes the basic methods used in these studies were sound, but it could not determine with complete certainty that the results were valid. GAO found that the internal review staff used certain procedures in selecting statistical samples of State-inspected plants for review that, in theory, could have been used to intentionally bias the study results. However, the staff offered reasonable explanations for using the practices, and GAO found no evidence of intentional manipulation. (See pp. 28 to 32.)

INTERNAL REVIEWS SHOULD EVALUATE FEDERAL OVERSIGHT OF STATE PROGRAMS

The Review and Evaluation Staff, the Inspection Service's current internal review group established in July 1981, recently changed its basic internal review approach. Previously, it concentrated on independently reviewing and rating individual federally inspected plants. Now it focuses its efforts on more comprehensive reviews of the activities of the Inspection Service's field units (called circuits). The Review Staff also planned to test the feasibility of conducting similar reviews on a regional basis.

GAO noted that although the purpose of these reviews is to evaluate how well the field units and regions carry out their overall responsibilities, the reviews do not attempt

to completely assess the units' and regions' State program oversight functions. Personnel in regions and the field units, however, play a key role in State program certifications. Supervisors of the field units make the quarterly reviews of State-inspected plants which measure the effectiveness of State inspection programs and regional staff judge other factors bearing on State certification--the adequacy of State laws, regulations, staffing, funding, and general program administration. Accordingly, GAO recommends that the internal review staff evaluate State program oversight functions during field unit and regional reviews. (See pp. 32 to 34.)

AGENCY COMMENTS AND GAO'S EVALUATION

USDA agreed with the intent of GAO's recommendations and indicated that it would give them further consideration. It said that the Inspection Service had tentatively planned to begin a special project in 1984 that will assess the agency's effectiveness and uniformity in determining the equal to status of State inspection programs. USDA anticipated that this project would provide an additional basis for decisions on implementing GAO's recommended improvements. GAO believes that its recommendations, if implemented, would better ensure that State programs are equal to the Federal program, as required by law. (See pp. 24, 25, 34, and 35 and app. III.)

USDA also pointed out that the method GAO proposed in its draft report for incorporating a State's deficiency correction record into the rating system could result in inflated ratings. Because this would have been contrary to GAO's intent, GAO recommends a different method in this final report. (See p. 24.)

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**Letter dated August 26, 1983, from the
Acting Administrator, Food Safety and
Inspection Service, Department of
Agriculture**

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ABBREVIATIONS

FSIS	Food Safety and Inspection Service
GAO	General Accounting Office
R&E	review and evaluation
USDA	U.S. Department of Agriculture

CHAPTER 1

INTRODUCTION

On December 6, 1982, Senators Thomas F. Eagleton and Lawton Chiles asked us to examine certain issues related to the operation of State "equal to" meat and poultry inspection programs and the U.S. Department of Agriculture's (USDA's) oversight of these programs. Federal law authorizes States to inspect products in intrastate commerce, provided USDA has certified that their programs are at least equal to the Federal Government's program.

The State programs' effectiveness is of particular importance because legislative amendments have been introduced that would authorize wider distribution of State-inspected products. Similar House and Senate bills introduced earlier this year (H.R. 1795, Mar. 2, 1983, and S. 593, Feb. 24, 1983) would authorize interstate shipment of State-inspected products as well as their use in preparing products at federally inspected plants. If enacted, these amendments would grant State-inspected products the same privileges now afforded federally inspected products, except for sale or transportation in foreign commerce.

USDA's Food Safety and Inspection Service (FSIS), which administers the Federal meat and poultry inspection laws, has endorsed these proposals based on its belief that the State programs are equal to the Federal program. Testifying on July 21, 1983, in support of S. 593, FSIS' Administrator summarized FSIS' position as follows:

"We now believe that the States with inspection systems have proven over a long period of time that they are able to operate sophisticated programs equal to the Federal. Thus, meat and poultry products from State-inspected plants should be allowed to be distributed in interstate commerce or to federally-inspected establishments for further processing, as S. 593 provides."

MEAT AND POULTRY INSPECTION PROGRAMS

The Federal Meat Inspection Act, as amended by the Wholesome Meat Act (21 U.S.C. 601 et seq.), and the Poultry Products Inspection Act, as amended by the Wholesome Poultry Products Act (21 U.S.C. 451 et seq.), are intended to ensure that meat and poultry products sold for human consumption are safe, wholesome, and accurately labeled. The acts require that USDA inspect all meat and poultry products sold in interstate and foreign commerce.

Individual States are authorized to inspect meat and poultry products sold solely within their boundaries, provided they enact and enforce inspection laws and requirements that are at least equal to those of the Federal Government's program. Thus, States with USDA-certified inspection programs would inspect plants

engaged solely in intrastate commerce to ensure that the meat and poultry products produced by those plants are safe, wholesome, and accurately labeled.

Amendments to the meat act approved December 15, 1967, and to the poultry act approved August 18, 1968, which authorized the State equal to inspection programs, allowed States up to 3 years to develop and implement such programs and authorized USDA to assist in this effort. USDA must review approved programs at least annually to determine their continued equal to status. USDA also is authorized to provide assistance for equal to programs in the form of technical expertise, laboratory services, training, and funding. Federal financing, however, cannot exceed 50 percent of the estimated total annual cost of a State's program.

If a State does not maintain an equal to meat and/or poultry inspection program, USDA must designate the State for Federal inspection. USDA assumes responsibility for inspecting intrastate plants in designated States and bears the full inspection costs. When this occurs, all intrastate plants must apply to, and be approved by, USDA for Federal inspection in order to sell their products.

As of June 1983, 27 States had USDA-approved equal to inspection programs, 23 of which covered both meat and poultry and 4 of which covered meat only. (See app. I.) As of January 1983, these programs were providing inspection services at about 6,200 plants. The programs varied in size from Delaware's program, with 12 plants, to Texas' program, with 685 plants. There were 7,470 federally inspected plants as of September 30, 1982, with Hawaii and Wyoming having the fewest (2 plants each) and California having the most (767 plants).

Staffing of the States' programs totaled 1,985 full-time positions (as of January 1983) as compared with almost 8,500 full-time employees in the Federal program (as of September 30, 1982). Federal funding for the States' programs totaled about \$29 million in fiscal year 1982 and an estimated \$32.5 million for fiscal year 1983. Appropriations for the Federal program were about \$304 million in fiscal year 1982 and an estimated \$283 million for fiscal year 1983.

Only a minor portion of the domestically produced meat and poultry products sold in the United States is State-inspected. According to USDA, about 97 percent (about 155 billion pounds) of the meat and poultry slaughtered and processed in the United States during fiscal year 1982 was inspected under the Federal program. State inspection programs accounted for the remaining 3 percent (about 4 billion pounds).

USDA ORGANIZATION FOR MEAT AND POULTRY INSPECTION

FSIS' Meat and Poultry Inspection Operations has primary responsibility for carrying out the Federal inspection program and

for direct oversight of State programs. Inspection Operations consists of a headquarters office in Washington, D.C.; 5 regional offices (Alameda, Atlanta, Dallas, Des Moines, and Philadelphia); 27 area offices; and about 200 subordinate units (called circuits), each headed by a circuit supervisor.

Inspection Operations' Federal-State Relations Staff in Washington is the focal point for fostering cooperation between Federal and State inspection efforts and for maintaining effective State programs. It provides technical support and direction to State governments and oversees the process of selecting quarterly statistical samples of State-inspected plants for onsite reviews by circuit supervisors which serve as a check on the effectiveness of State inspections.

Inspection Operations' Compliance Division is responsible for enforcement activities designed to ensure that the meat and poultry industries operate in accordance with Federal laws and regulations. This division, among other things, systematically monitors businesses--such as wholesalers, distributors, warehouses, salvagers, renderers, and transporters--engaged in transporting, storing, and distributing meat and poultry products. The primary purpose of this monitoring is to prevent adulterated or misbranded¹ foods from reaching consumers.

The Review and Evaluation (R&E) Staff is an FSIS internal review unit established in July 1981 that monitors the effectiveness of FSIS' inspection programs and carries out special studies and evaluations designed to improve program effectiveness. It is not routinely involved in FSIS' review and certification of State programs. R&E's predecessor organization made special studies during 1980 and 1981 involving nationwide samples of plants under State equal to inspection programs.

OBJECTIVES, SCOPE, AND METHODOLOGY

In accordance with agreements reached with the Senators' offices, we focused our review on (1) determining the requirements

¹The meat and poultry products inspection acts specify a number of circumstances under one or more of which the terms "adulterated" or "misbranded" would apply to a carcass, part thereof, meat, or meat or poultry product. An item would be considered adulterated if, for example, it contained any added poisonous or deleterious substance that might make it injurious to health, or if it consisted in whole or in part of any filthy, putrid, or decomposed substance or was for any reason unsound, unhealthful, unwholesome, or otherwise unfit for human consumption. An item would be considered misbranded if, for example, its labeling was false or misleading in any particular or if it was offered for sale under the name of another product.

for State programs as set forth in authorizing legislation and the degree to which USDA's State program certification procedures conform to authorizing legislation and congressional intent and (2) evaluating the methods (particularly statistical sampling methods) used in the special 1980-81 internal review studies of State programs.

To evaluate certification procedures, we reviewed applicable provisions of the meat and poultry products inspection acts and the acts' legislative histories and compared these with information on current (and proposed) certification procedures obtained through review of applicable agency directives and interviews of cognizant officials on FSIS' Federal-State Relations Staff. Our evaluation of the special internal review studies included tracing plant review results and plant selections to source documents, interviewing selected internal review staff members involved in the plant selections and reviews, comparing the study results with quarterly review results during the same period, and evaluating the statistical sampling procedures used. As requested by the Senators' offices, we also compiled and analyzed the results of FSIS' regular quarterly reviews of State-inspected plants for the 3 most recent complete years (1980 through 1982) to identify trends and the relative standings of individual State programs. (See app. II.)

We did our work in accordance with generally accepted government auditing standards and coordinated our work with USDA's Office of the Inspector General and FSIS' R&E Staff. We did our audit work between December 1982 and May 1983.

We did most of our work at FSIS' headquarters in Washington, D.C., but also visited R&E's Program Review Office in Lawrence, Kansas, where we interviewed individuals involved in selecting and reviewing plants for the special 1980-81 studies. In addition, we visited four plants to familiarize ourselves with the basic inspection procedures used in Federal and State programs. During these visits, we observed Federal and/or State inspectors making ante mortem, post mortem, and processing inspections. We also observed Federal supervisory inspectors demonstrating the procedures they use to evaluate inplant inspections at both federally inspected and State-inspected establishments. We relied on FSIS to select plants that would provide us with a cross-section of the various sizes and types of plants characteristic of both Federal and State programs. The plants visited were a very small State-inspected beef slaughter plant in Delaware, a large federally inspected poultry slaughter and processing plant in Delaware, and two federally inspected meat processing plants in Maryland.

OUR RECENT REPORTS DEALING WITH MEAT AND POULTRY INSPECTION

In December 1982 we issued a report to Senator Chiles entitled "Changes Underway To Correct Inadequacies in Florida's Meat and Poultry Inspection Program" (GAO/RCED-83-70, Dec. 30, 1982).

We also issued three recent reports to the Congress on various aspects of Federal inspection efforts: "Improving Sanitation and Federal Inspection at Slaughter Plants: How To Get Better Results for the Inspection Dollar" (GAO/CED-81-118, July 30, 1981), "Federal Regulation of Meat and Poultry Products--Increased Consumer Protection and Efficiencies Needed" (GAO/RCED-83-68, May 4, 1983), and "Improved Management of Import Meat Inspection Program Needed" (GAO/RCED-83-81, June 15, 1983).

CHAPTER 2

PROCEDURES FOR JUDGING THE EQUAL TO STATUS OF STATE PROGRAMS SHOULD BE STRENGTHENED

Although the meat and poultry inspection acts specify the type of inspection requirements a State must enact, the acts leave judgments about the adequacy of the State's enforcement of these requirements to USDA's discretion. USDA's current procedures for certifying the equal to status of State programs are a reasonable use of such discretion and are consistent with the legislation. We believe, however, that the procedures should be strengthened in several ways to better assess and ensure the equal to status of State programs.

USDA's ratings would better measure the effectiveness of State inspection efforts if the ratings put less emphasis on custom/exempt plant¹ inspections. These plants are a relatively minor part of States' inspection responsibilities and discounting deficiencies found at these plants tends to distort ratings under USDA's system. The ratings also could be improved by counting uncorrected deficiencies that USDA finds when it revisits plants having previously unacceptable items because a State's performance in correcting these deficiencies is an important indicator of its program's effectiveness. USDA also should establish a more specific policy for revisiting deficient State plants to achieve uniform followup procedures among its five regions.

Although USDA conducts periodic, indepth reviews of its federally inspected plants (using the same criteria as in State plant reviews), it has not used the Federal plant review results in judging the equal to status of State programs. We believe that although numerical equivalence with federally inspected plants should not be the governing criterion for equal to status, comparing the rate of deficiencies found in State-inspected plants with the rate in federally inspected plants would be a useful means of measuring the relative effectiveness of a State's inspection efforts. For these comparisons to be meaningful, however, FSIS needs to improve the data on Federal plant reviews to more accurately reflect actual conditions.

¹plants which slaughter or process products on a custom basis (for an animal owner's personal, household, nonpaying guest, or nonpaying employee use) or which sell a limited amount of a product directly to retail customers are exempt from normal inspection. These plants, however, are subject to periodic surveillance to ensure compliance with the meat and poultry acts' sanitation, misbranding, and adulteration provisions.

As of late August 1983, FSIS had proposed, but not implemented, changes to its State program review and certification procedures. These proposed changes include a number of features that we view as improvements, such as requirements for additional information on key program components, more stringent criteria for warning States of deficient programs, a specific policy on the frequency and scope of revisits to deficient State plants that should correct the variance in procedures among regions, and limitations on the number of custom/exempt plants to be included in quarterly reviews of State-inspected plants. As of that time, FSIS had proposed a new rating approach based on the cumulative (rather than quarterly) rate of deficiencies found at State-inspected plants, but it had not worked out the details of such a system. Also, it had not decided whether to have separate ratings for official and custom/exempt plants or to continue with a single rating including both plant types.

LEGISLATIVE REQUIREMENTS FOR EQUAL TO PROGRAMS

The Federal meat and poultry inspection acts are quite specific on the type of inspection requirements a State must impose. The acts specifically require States to enact inspection laws that impose mandatory ante mortem (before slaughter) and post mortem (after slaughter) inspection, reinspection (processing inspection), and sanitation requirements that are "at least equal to" those that the acts prescribe for the Federal program. Basically, this means that States must:

- Examine each animal before slaughter and set those showing symptoms of disease aside for separate slaughter and subsequent special inspection.
- Examine carcasses and parts of slaughtered animals, pass and mark those that are not adulterated, condemn and mark those that are adulterated, and ensure that the condemned carcasses/parts are properly controlled so as to prevent their use as human food.
- Examine all food products prepared from the carcasses/parts, similarly pass and mark unadulterated products, condemn and mark adulterated products, and ensure proper disposition of condemned products.
- Ensure that products are properly packaged and labeled (i.e., that packages/labels are not false or misleading or otherwise do not meet the numerous conditions defined as "misbranded").
- Ensure that plants are sanitary.

Neither the acts nor their legislative histories, however, set forth specific criteria for approving the State enforcement of program requirements. Rather, the acts' language indicates

the Congress' intent to rely on USDA's judgment in this area. This intent is expressed primarily through the language granting USDA authority to "designate" (take over) poorly run State programs.

More specifically, USDA can take over a State program whenever it "has reason to believe . . . that a State has failed to develop, or is not enforcing, . . . requirements at least equal to those imposed" under the acts for the Federal program. This language, and the absence of more specific criteria, indicate that the Congress intended to leave to USDA's discretion the development of specific approval criteria and procedures; i.e., those needed to assess the adequacy of a State's enforcement of inspection requirements.

DESCRIPTION OF QUARTERLY REVIEW AND RATING PROCEDURES FOR STATE PROGRAMS

Once each quarter, FSIS circuit supervisors review a statistically selected, random sample of State-inspected plants in each State with a certified inspection program. The number of plants reviewed in each State is governed by the number of plants under the State's program and the State's prior review record. In the quarterly reviews, the circuit supervisors judge the adequacy of compliance with the same seven basic inspection requirements that apply to federally inspected plants. These requirements are:

1. Ante mortem and post mortem inspections must effectively detect and remove any unwholesome carcass, part, or organ from human food channels.
2. Inspection and control of products during further processing (reinspection) must ensure that only sound, wholesome, and properly labeled products are distributed for human consumption.
3. Sanitation of facilities, equipment, and personnel must be such as to permit production of wholesome products and to prevent exposure of products to contaminants.
4. Potable water must be used in areas where edible products are slaughtered, handled, or stored.
5. Sewage and waste disposal systems must be effective and they must be approved by local or State health authorities.
6. Pest control measures must be capable of preventing product contamination and must reasonably prevent entry of rodents, insects, or animals into product-handling areas.

7. Condemned and inedible products and material must be controlled so as to prevent their diversion into human food channels.

For each State-inspected plant reviewed, the circuit supervisors prepare a report which includes a rating of either acceptable or unacceptable in each of the seven basic inspection requirements that apply to that plant. For example, all seven categories normally would apply to a plant that both slaughters animals and processes the product, whereas six would normally apply to a plant that only processes meat or poultry. In the latter case, the ante mortem and post mortem category would not apply because the plant does not have slaughter operations.

FSIS area offices compile the quarterly review results and give each State program a rating ranging from category 6 (the best) to category 1 (the worst). These State ratings are based on the percentage of basic inspection requirements (referred to as "items") that are rated as unacceptable during the quarter. Each basic requirement reviewed at each plant would be one item. The percentages of unacceptable items corresponding to each category in the FSIS rating system are as follows:

<u>Category</u>	<u>Percentage of unacceptable items</u>
6	0 through 1.0
5	1.1 through 2.5
4	2.6 through 5.0
3	5.1 through 7.0
2	7.1 through 10.0
1	10.1 and greater

FSIS averages a State's rating for the current quarter with its ratings from the preceding three quarters. This average category rating (rounded to the nearest whole number) is FSIS' primary basis for judging the effectiveness of State inspections. FSIS also uses this rating to determine how many State plants to review the next quarter and as the basic criterion for deciding when to warn States of program deficiencies.

Under current procedures, FSIS must apprise the State inspection agency's head in writing of program deficiencies whenever FSIS' average four-quarter rating of the State falls in either category 1 or 2. If the State receives a single-quarter rating in either of these categories the following quarter, USDA notifies the Governor in writing that it will take over the State's program after 60 days unless corrective actions are taken. FSIS' Director of Federal-State Relations told us that FSIS would consider a State program to be not equal to the Federal program if the State's rating met the criteria requiring a notification to the Governor.

The FSIS regional directors also must notify the State inspection agency head by letter whenever a State's average four-quarter category is 3, or whenever its category for a single quarter is 1. FSIS' Director of Federal-State Relations told us that FSIS would view a State program with an average rating of category 3 or a single-quarter rating of category 1 or 2 as a marginally acceptable program needing immediate improvement by the State. Ratings above category 3 are considered to be acceptable under current procedures.

CURRENT CERTIFICATION PROCEDURES
ARE CONSISTENT WITH THE LEGISLATION

In our opinion, USDA's current certification procedures represent a reasonable method to determine whether State inspection programs are equal to the Federal program and are consistent with the legislative requirements. Current certification procedures focus on the two basic legislatively mandated criteria for State programs--adequacy of inspection requirements and adequacy of enforcement. USDA bases its certifications on an overall judgment as to whether a State's requirements and enforcement efforts effectively accomplish the basic objective of the Federal acts--preventing adulterated or misbranded products from being consumed as human food.

In judging the State programs' overall effectiveness, USDA considers several factors--inspection laws and regulations, program staffing and funding, program administration, and adequacy of State inspection efforts. (The last is determined through the FSIS circuit supervisors' quarterly reviews at randomly selected samples of State-inspected plants.) Deficiencies in any one or more of these factors, depending on the seriousness, could lead USDA to conclude that the State is not maintaining an equal to program, in which case USDA would take over the program.

Under current certification procedures, FSIS' area offices prepare a quarterly report on each equal to State program which (1) gives information on State laws, regulations, staffing, and funding, (2) summarizes the quarterly plant review results, (3) rates the effectiveness of State inspection efforts, and (4) makes a recommendation to the regional office on continuing the State's equal to status. The regional offices, in turn, forward the reports and their recommendations to the Director of Federal-State Relations.

Although FSIS reviews State programs quarterly, USDA certifies each State's equal to status annually via the Secretary's annual report to the Congress on meat and poultry inspection. Most of the factors relating to a State's equal to status (laws, regulations, staffing, and funding) usually do not change significantly from year to year. Therefore, the effectiveness of State inspections, as measured by FSIS quarterly reviews, is

normally the key factor considered in USDA's annual certification. According to FSIS' Director of Federal-State Relations, a sufficiently low rating of a State's inspection efforts could, in itself, lead FSIS to conclude that the State is not maintaining an equal to program.

CERTIFICATION PROCEDURES COULD
BE MADE MORE EFFECTIVE

We identified several ways in which we believe FSIS' current State program review and certification procedures should be modified to better assess and ensure the effectiveness of State equal to programs. These changes would:

- Make State ratings better measures of inspection effectiveness by putting less emphasis on custom/exempt plant inspections--a relatively minor aspect of a State's inspection responsibilities--and by including data on how effectively States ensure correction of plant deficiencies that FSIS identifies in its reviews of State-inspected plants.
- Help ensure that FSIS regions follow uniform procedures when revisiting State-inspected plants to determine whether previously identified deficiencies have been corrected.
- Provide a firmer basis for judging State inspection effectiveness by using the results of periodic reviews of federally inspected plants as general benchmarks.

Ratings should put less emphasis
on custom/exempt plants

The Federal meat and poultry acts exempt certain types of operations from regular official inspection under both Federal and State programs. Although the exemption criteria are rather detailed and differ slightly between meat and poultry, in general, custom operations (those that slaughter and/or process meat or poultry furnished by an individual for his or her personal use), retail establishments conducting limited types of operations, and small poultry slaughter/processing operations are considered exempt from official inspection. Such operations, however, are subject to the acts' adulteration and misbranding provisions and are periodically inspected (normally quarterly) by FSIS or the States, as appropriate. FSIS' quarterly reviews of such operations concentrate primarily on sanitation and identification of conditions that could endanger public health, such as use of nonpotable water, presence of diseased carcasses or parts, use of unsound meat/poultry, and presence of harmful chemicals and preservatives in excess of permitted tolerances.

These plants conduct very limited types of operations and only small amounts of their products reach consumers through normal commercial channels. For these reasons, inspection of custom/exempt plants is of relatively minor importance to a State's overall inspection program. Nevertheless, because of FSIS' current method for counting deficiencies in these plants, they can have a significant positive effect on a State's rating. In the case of some States, the effect has been great enough to raise otherwise poor ratings to acceptable ones.

In computing the percentage of unacceptable items for a State's rating, FSIS counts the number of unacceptable items found in official (other than custom/exempt) plants and adds one-tenth of the number of unacceptable items found in custom/exempt plants. The resulting total is then divided by the total number of items reviewed in both types of plants.

FSIS discounts custom/exempt unacceptable items because the plants are not subject to all requirements or to frequent State inspections. As a result, FSIS believes that States should be penalized less for deficiencies at these plants than for deficiencies at official plants, which are subject to full requirements and are inspected regularly. Before July 1979 FSIS discounted the unacceptable items at custom/exempt plants by about one-third (i.e., divided them by 3 instead of 10). It began using the larger discount factor based on the recommendation of a March 1979 report prepared by a joint USDA-National Association of State Departments of Agriculture task force on meat and poultry inspection. The task force, established to identify ways of reducing State and Federal inspection costs, concluded that the one-third discount factor was not large enough and caused States to place too much emphasis on inspecting custom/exempt plants in an effort to keep their ratings up.

Custom/exempt plants have a significant effect on State ratings

We agree that deficiencies in custom/exempt plants should not weigh as heavily as those in official plants when rating State inspection efforts. On the other hand, because custom/exempt plants are of minor importance in a State's overall inspection program, they should not have a significant influence on a State's rating. Ironically, however, the current discounting technique has had that very effect.

We analyzed the results of FSIS' quarterly reviews over the 3 most recent complete years (1980 through 1982) to determine the degree to which custom/exempt plants had influenced the ratings of equal to State programs. We found that they had made a significant difference in almost half the States.

To measure the effect, we computed annual and 3-year ratings for each State (based on the percentage of unacceptable

items for each period) both with and without custom/exempt results. In computing ratings with custom/exempt plants included, we divided unacceptable items at these plants by 10, as FSIS does in computing its quarterly ratings. When we excluded the custom/exempt plants, we found that the 3-year ratings for 12 of the 27 equal to States were at least one category lower (worse). The effect was even more dramatic on some States' annual ratings. (See table on p. 14.) No State's annual or 3-year rating was improved by excluding custom/exempt results.

The significance of these differences becomes even more apparent when considered in light of FSIS' criteria for warning States of program deficiencies. Although FSIS has no formal criteria for equating ratings to equal to status, it generally considers a State program to be deficient when its four-quarter average rating² is category 3 or lower. As the table on page 14 shows, excluding custom/exempt plants from FSIS' ratings would have dropped three States in 1980 and two States in 1981 from an acceptable category 4 to either category 1 or category 2. States in categories 1 and 2 are considered to have deficient programs that USDA may take over if the States do not take satisfactory corrective actions. In addition, ratings for nine States (Alabama, Arizona, Florida, Indiana, Mississippi, Ohio, Utah, Vermont, and Wyoming) would have dropped from category 4 to category 3 in 1 or more of the 3 years. FSIS views State programs in category 3 as being marginally acceptable and in need of immediate improvement.

The relatively minor importance of custom/exempt plant inspections also raises questions about the need for the current level of coverage that FSIS gives such plants in the quarterly review process. At present, instructions for selecting random samples of plants for quarterly reviews require selection of a proportionate number of custom/exempt plants; that is, if one third of the plants in a State program are custom/exempt plants, one third of the plants in the sample must be custom/exempt plants.

Pending changes to the rating system and plant selection procedures

We discussed the current rating system and the degree to which ratings are influenced by custom/exempt plants with FSIS' Director of Federal-State Relations. He said that official plant inspection is by far the most important factor in assessing the overall effectiveness of State inspection efforts. He also agreed that under the current rating system, custom/exempt plants have an unduly large positive effect.

²Although computed in a slightly different manner, the FSIS four-quarter average ratings would roughly equate to our annual ratings.

Effect of Custom/Exempt Plants on Selected State Ratings
Over the Period 1980 Through 1982

<u>State</u>	<u>Percent of unacceptable items</u>		<u>Category rating</u>	
	<u>Custom/exempt included</u>	<u>Custom/exempt excluded</u>	<u>Custom/exempt included</u>	<u>Custom/exempt excluded</u>
----- (Based on entire 3-year period) -----				
Vermont	3.6	8.4	4	2
Wyoming	5.0	9.2	4	2
Virginia	2.2	6.4	5	3
South Dakota	2.1	5.5	5	3
Florida	4.8	5.9	4	3
West Virginia	2.9	5.3	4	3
Iowa	1.6	2.7	5	4
Wisconsin	2.2	3.3	5	4
Utah	2.0	3.9	5	4
New Mexico	1.6	2.8	5	4
North Carolina	2.4	3.4	5	4
Kansas	1.0	1.3	6	5

----- (Based on individual years) -----				
Virginia (1980)	4.6	10.4	4	1
Wyoming (1980)	8.3	14.5	2	1
Vermont (1980)	4.5	10.0	4	2
Vermont (1981)	4.1	9.2	4	2
South Dakota (1981)	3.4	9.3	4	2
West Virginia (1980)	4.1	7.1	4	2

As of late August 1983, FSIS had proposed a new approach to rating State programs, but it had not worked out implementing details. Essentially, the proposed approach would continue rating programs in one of six categories, determined by a percentage of unacceptable items. This percentage, however, would be based on the cumulative sum of unacceptable items found in past quarterly reviews, as opposed to the current practice of averaging four quarterly ratings that are determined by quarterly percentages of unacceptable items. The proposed approach left open the question of whether the ratings would continue to be based on a combination of review results from official and custom/exempt plants or whether there would be separate ratings for the two types of plants.

According to an FSIS statistician, the proposed approach would allow FSIS to standardize and reduce the number of plants selected for quarterly reviews. The statistician proposed randomly selecting 12 official plants plus a maximum of 6 custom/exempt plants in each State. Up to 4 custom/exempt plants would be selected in States having 100 or fewer of such plants and 6 would be selected in States having more than 100 custom/exempt plants.

According to its Director, FSIS' Federal-State Relations Staff was analyzing these proposed changes and awaiting comments on them from its field offices and from State inspection agencies as of late August 1983. The Director was not sure which, if any, aspects of the proposed approach his office would endorse and send forward. (These potential changes are part of extensive revisions to State program certification procedures that FSIS was considering at the time this report was written. See pp. 20 and 21.)

Ratings should reflect States' performance in ensuring correction of plant deficiencies

Although FSIS circuit supervisors must now revisit State-inspected plants that are found to have unacceptable items during a quarterly review, the results of their followup visits are not used in computing State ratings. Accordingly, a State's record in ensuring correction of identified deficiencies plays no part in its rating.

We believe a State's performance in this regard is an important indicator of State inspection effectiveness. FSIS agrees and has proposed a system of warning letters to States when they fail to ensure correction of unacceptable items at individual plants. Although we have no objection to this proposal, we believe that State ratings would be better measures of overall inspection effectiveness if they included data on the States' followup performance.

Under FSIS' quarterly review procedures, FSIS circuit supervisors must, by the end of the next quarter, revisit all

plants rated unacceptable in one or more of the seven basic categories. The basic purpose of this followup visit (called a resurvey or rereview) is to determine whether adequate corrective action was taken on the unacceptable item(s). As discussed in the following section, FSIS regions have been using somewhat different followup procedures due to a lack of specificity in current policy.

As previously explained, FSIS' rating system penalizes the State's inspection system for the original unacceptable item. However, because the rating system does not provide for counting uncorrected unacceptable items found during followup visits, no penalty ensues when a State does not ensure correction of identified deficiencies.

We tried to determine what effect including uncorrected items would have had on past State ratings but were unable to do so because a number of FSIS' quarterly summary reports did not contain the necessary information. In our recent review of the Florida program, however, we determined that 14 of 68 Florida plants (about 21 percent) that FSIS revisited during 1980, 1981, and the first quarter of 1982 were found to be still unacceptable in one or more basic categories.

According to the Director of Federal-State Relations, FSIS believes that the States have primary responsibility for ensuring that plants under their jurisdiction correct unacceptable items that FSIS finds in its quarterly reviews--a policy that he acknowledged is not clearly reflected in FSIS' guidelines for reviewing State programs. He noted, however, that FSIS had proposed, but not implemented, policy revisions to address this shortcoming.

The proposed revisions would make it clear that States are responsible for initially resurveying all plants with unacceptable items and for reporting the results to FSIS. Should any items remain unacceptable, FSIS would revisit the plant a second and, if necessary, a third time. In each case, FSIS also would issue a letter to the State warning it of inadequate followup.

The Director of Federal-State Relations agreed with us that the adequacy of followup on unacceptable items is an important indicator that should be considered in judging a State inspection program's overall effectiveness. He said that once the new policy was put into effect, FSIS would consider a State's performance in this regard when making its overall equal to decisions. According to the Director, however, FSIS did not plan to count uncorrected unacceptable items in computing State ratings.

Although we do not fault FSIS' proposed approach, we see no logical reason for not also counting uncorrected deficiencies when computing State ratings. Given the premise that the ratings are supposed to measure the overall effectiveness of State enforcement efforts, we believe they should be based on all

available relevant data. It makes little sense to spend time and money revisiting deficient plants and then fail to fully use resultant relevant information.

FSIS should establish a more specific followup policy

FSIS' directive on review of State programs is very general regarding followup procedures, specifying only that plants "deficient in one or more of the seven basic items . . . be resurveyed no later than before the end of the succeeding quarter."³ The directive provides no guidance on the number of times a plant should be revisited (if unacceptable items remain) or on what the followup visits should cover.

According to information that FSIS' Federal-State Relations Staff obtained at our request, FSIS' five regions have been following somewhat different followup procedures--an inconsistency that the Director attributed to a lack of clarity in the current directive. Four of the regions were making only one followup visit, even if the same or additional basic items were found to be unacceptable. The remaining region, however, revisited plants each succeeding quarter until the unacceptable items were corrected. When revisiting plants, three regions checked only for correction of the previous unacceptable items. Another also made a cursory review of the other basic items. Only one region thoroughly covered all basic items.

As discussed on page 16, FSIS has proposed revising its followup policies to require a specific number of followup visits. According to FSIS' Director of Federal-State Relations, followup visits should cover all basic items and this will be made clear in the revised policy. We believe these proposed changes, if implemented, should result in adequate and uniform followup procedures.

Evaluations of federally inspected plants should be considered in assessing State inspection efforts

Although FSIS circuit supervisors make periodic, indepth reviews of federally inspected plants using the same criteria used in their quarterly reviews of State-inspected plants, the Federal plant results play no part in FSIS' equal to certification process. Given USDA's basic premise that State inspection efforts should be as effective as Federal efforts, we believe that the relative rates of deficiencies found during reviews of Federal and State plants should play a role in FSIS' overall

³The directive specifies a different time frame (5 working days) for resurveying plants that are endangering public health.

equal to decisions. Although not advocating exact numerical equivalence to federally inspected plants as the governing criterion for State program certification, we believe the deficiency rate for federally inspected plants would provide a useful benchmark for assessing the relative effectiveness of State inspection efforts.

To make comparisons of State and Federal deficiency rates meaningful, however, FSIS will have to emphasize the need for accurate review reports on federally inspected plants. An acknowledged bias exists in reports on federally inspected plants because circuit supervisors are in essence evaluating their own performance when reviewing plants under their jurisdiction--a problem that should be correctable with appropriate management attention.

FSIS circuit supervisors are required to make indepth reviews of each federally inspected plant under their jurisdiction at least every 18 months. As in their quarterly reviews of State-inspected plants, they must rate each federally inspected plant as either acceptable or unacceptable in the seven basic inspection items. The overall results of the federally inspected plant reviews, however, are neither compiled nor used in the State program certification process.

As discussed previously, FSIS bases its certification of State programs on an overall judgment as to whether State requirements and enforcement are as effective as its own. Although FSIS weighs numerous factors in making this overall judgment, the effectiveness of State enforcement, as measured by the rate of deficiencies found through quarterly reviews of State-inspected plants, plays an important role. It therefore seems logical that FSIS should make use of similar data on federally inspected plants to help it assess the relative effectiveness of State inspections.

Although key FSIS management officials generally endorsed the concept of comparing Federal and State plant review data, they expressed some reservations about using this data in the certification process. The Associate Administrator, for example, said that such comparisons would be useful but cautioned against using them as the sole basis for determining a State's equal to status. The Director of Federal-State Relations said that he believed that developing the necessary data would be a complex process and that the comparisons may not be fair in light of differences in the size and complexity of plants characteristic of the respective programs. (In general, plants under Federal inspection tend to be large, corporate operations, while State-inspected plants tend to be small, family-owned businesses.)

We agree that a State deficiency rate equal to or better than the Federal rate should not be the governing factor in certifying State programs. On the other hand, because comparisons

of the respective rates would provide useful measures of the relative effectiveness of the States' programs, it seems appropriate to include them in the decisionmaking process. This could be done either by using the rate comparisons as another general "factor" to be considered in the certification process or by using the Federal deficiency rate as a basis for periodically evaluating and adjusting the ranges of unacceptable item percentages that FSIS uses as the basis for State ratings.

Either of these approaches should give FSIS flexibility to make appropriate adjustments for differences in characteristic plant types. Regarding FSIS' concern about directly comparing State and Federal plant review data, however, we found that FSIS used direct comparisons of Federal and State plant review results in special internal review studies. (See ch. 3.) Also, we question the complexity of developing the necessary data. As noted previously, FSIS' Federal-State Relations Staff already compiles the necessary State review data. Reports on Federal plant reviews are now filed with FSIS' regional and area offices, which need only to total the results of individual plant reviews in similar fashion. On the basis of our experience in doing this for plants in FSIS' Southeastern Region, we believe the necessary Federal data could be compiled without incurring a great cost.

Potential bias in Federal plant reviews

During our recent review of the Florida program, we found indications of a potential bias in the results of Federal plant reviews made in FSIS' Southeastern Region. For example, in several States (Alabama, Mississippi, North Carolina, and South Carolina), virtually no unacceptable items were reported at federally inspected plants over a 2-1/2-year period. Also, in North and South Carolina circuit supervisors, in accordance with area office policy, reported only those unacceptable items that were not subsequently corrected rather than reporting those found on the day of their review as is normally reported in reviews of State-inspected plants.

We discussed these indications of bias with a number of FSIS field officials and State program officials. Many of them believed that the Federal review data were biased to a certain degree because circuit supervisors are, in effect, rating their own performance when they evaluate federally inspected plants for which they are responsible. FSIS headquarters officials agreed with this view, adding that, because of their familiarity and close working relationship with federally inspected plants, circuit supervisors tend to put more emphasis on getting a deficiency corrected than on documenting it in the review report.

Although we agree that correcting deficiencies is of paramount importance, we believe Federal plant review reports should accurately reflect the conditions found. Otherwise the

reviews are of little value in measuring the effectiveness of Federal inspections. Accurate and unbiased reports will be essential if they are to be used as a factor in assessing State inspection efforts. We believe accurate reports can be obtained with proper emphasis and direction from FSIS management.

PROPOSED IMPROVEMENTS TO FSIS REVIEW
AND CERTIFICATION PROCEDURES

As of late August 1983, FSIS was consolidating and revising its procedures for reviewing and evaluating State programs and federally inspected plants. As of that time, it was evaluating comments made by FSIS field offices and State inspection agencies on a draft directive. FSIS' Director of Federal-State Relations estimated that the new directive would be finalized and implemented during the second quarter of fiscal year 1984 (Jan.-Mar.).

The proposed guidelines for evaluating State equal to programs include a number of changes that we view as improvements. Besides those relating to followup at plants with unacceptable items (see pp. 16 and 17) and to limiting the number of custom/exempt plants included in quarterly reviews (see pp. 13 and 15), the proposed improvements include the following:

- A detailed checklist of specific items to be reviewed which is cross-referenced to specific standards applicable to each item. Current guidelines provide no checklist and only very general guidance on basic areas to be covered, which is not cross-referenced to applicable standards. (The same checklist, standards, and report form are now being used for federally inspected plants.)
- A clear declaration of State responsibilities. Current guidelines do not address this area.
- A uniform format for quarterly reports on State programs. Unlike current guidance, the proposed directive specifies a format and calls for additional specific information (not currently reported) on key aspects of a State's program such as label approval procedures, laboratory testing arrangements, and inspector training. In past reports, regions used different formats and reported varying types of information.
- More stringent criteria for warning States of program deficiencies. In general, warning letters currently are required when a State's rating is category 3 or lower. Under the proposed guidelines, FSIS also would issue a warning letter if a State's rating declines from category 5 or 6 (the best) to category 4. In addition, FSIS would notify the Governor and require a meeting with State officials when 75 percent or more of a State's ratings

over 2 years are category 2 or 3. The purpose of the meeting would be to determine the State's ability to maintain an equal to program.

--Shortened procedures for Federal takeover of inspection jurisdiction at State-inspected plants that are endangering public health. Current guidelines specify criteria under which a plant is deemed to be endangering public health and set forth procedures for Federal takeover of jurisdiction at such plants if they fail to make timely corrections. Under the proposed guidelines, FSIS would assume jurisdiction at such plants after one (rather than two) reinspections showed adequate corrections had not been made. Both the current and the proposed guidelines require that a plant be considered as endangering public health if any of the following conditions exist:

1. Use of nonpotable water in edible products departments.
2. Improper sanitation that results in (1) bacterial growth/development in or on product, (2) foreign matter entering product, or (3) failure to control vermin and insects.
3. Presence of carcasses or parts showing sufficient evidence to identify a systemic diseased condition or containing evidence of bearing a disease transmissible to man.
4. Use of unsound meat/poultry in processing food products.
5. Presence of harmful chemicals and preservatives in excess of permitted tolerances.
6. Failure to properly treat or destroy trichinae (parasitic worms that infest the muscles and intestines).

CONCLUSIONS

Current procedures for certifying the equal to status of State meat and poultry inspection programs, although consistent with the legislative requirements of the meat and poultry inspection acts, should be strengthened and made more effective.

The current system for rating the effectiveness of State inspection efforts is too heavily influenced by custom/exempt plants. Because such plants conduct very limited types of operations and only small amounts of their products reach consumers through normal commercial channels, States inspect these plants infrequently and we believe such plants should have little if any bearing on a State's rating. Under current rating

procedures, however, these plants can have a significant positive effect, in some cases making the difference between acceptable and deficient ratings.

The current rating system also does not take into account a State's record in ensuring correction of plant deficiencies that FSIS identifies. Although FSIS revisits deficient plants to determine corrective actions, it does not use the results in rating overall State performance. Accordingly, States are penalized for permitting the original deficiency, but they are not penalized when they do not ensure that it is corrected.

FSIS could resolve these problems by basing ratings solely on reviews of official State-inspected plants and by counting uncorrected deficiencies identified during followup visits in the rating computations. We believe this approach would provide a better measure of inspection effectiveness than at present. If, however, FSIS believes it should include custom/exempt results, it should revise its rating system to substantially lessen the positive influence of these plants. Under either approach, however, FSIS should reconsider the need for, and cost effectiveness of, its current policy of including a proportional number of custom/exempt plants in each quarterly review of State-inspected plants.

Certification decisions on State programs, although appropriately involving professional judgments, should take all available relevant data into account. Given USDA's premise that State inspection efforts should be as effective as Federal efforts, we believe that FSIS should, as part of the certification process, compare the percentage of unacceptable items it finds through quarterly reviews of plants under a State's jurisdiction with the percentage it finds through similar periodic reviews of federally inspected plants. Recognizing that valid differences could exist between State and Federal results due to differing plant sizes, we do not advocate strict numerical equivalency as the governing criterion for certification. In our opinion, however, it would be both feasible and appropriate to use such comparisons either as a general factor considered in the process or as a basis for periodically adjusting the ranges of unacceptable item percentages that FSIS uses to rate State inspection effectiveness. Either approach should permit FSIS to make appropriate adjustments for inherent differences in the respective programs.

Meaningful comparisons, however, will require accurate reporting of Federal plant review results. Although an apparent bias exists in current Federal data, we believe FSIS should be able to achieve accurate reporting with appropriate management direction and oversight.

FSIS has proposed, but not implemented, substantive changes to its procedures for reviewing and certifying State equal to programs. As of late August 1983, FSIS statisticians had

proposed a new State program rating approach that was being analyzed further by FSIS' Federal-State Relations Staff. Among other changes, the proposed approach called for limiting the number of custom/exempt plants that FSIS would review each quarter, but it left open the question of how such plants would be treated in the rating process. Procedures proposed for followup at deficient plants, however, should correct the current variance among FSIS regions in frequency and scope of coverage. Other proposed changes would, in our opinion, also strengthen FSIS' oversight and evaluation of State programs and thus enhance the effectiveness of the certification process. These changes include (1) a detailed plant review checklist, cross-referenced to applicable standards, (2) a clear declaration of State responsibilities, (3) a uniform format for quarterly reports on State programs and a requirement for data on additional key program components, (4) more stringent criteria for warning States of declining/deficient programs, and (5) shortened procedures for Federal takeover of inspection jurisdiction at plants that are endangering public health.

RECOMMENDATIONS TO THE SECRETARY OF AGRICULTURE

We recommend that to improve the effectiveness of Federal oversight and certification of State equal to meat and poultry inspection programs, the Secretary of Agriculture direct the Administrator, Food Safety and Inspection Service, to:

- Eliminate, or substantially reduce, the influence of custom/exempt plant reviews on State program ratings. This should be done by either basing ratings solely on reviews of official State-inspected plants or, if the Secretary deems it more appropriate, making revisions to the present rating system.
- Include uncorrected items found during followup visits at State-inspected plants with unacceptable items when computing State ratings.
- Implement proposed policy changes that would specify the number of times a State-inspected plant with unacceptable items should be revisited and the number of basic inspection items that should be covered.
- Use comparisons of State and Federal plant deficiency rates when certifying State programs. This should be done by using the comparisons either as a general factor considered in reaching an overall judgment on a State's program or by using the Federal rate as a basis for periodically adjusting the ranges of unacceptable item percentages now used to rate State inspection efforts.

--Emphasize to circuit supervisors the importance of accurately reporting Federal plant review results and require that area supervisors place special emphasis on this area during their normal oversight of circuit supervisor performance.

AGENCY COMMENTS AND OUR EVALUATION

USDA said that it would reassess the positive influence that custom/exempt plant reviews have on State program ratings. (See app. III.) However, USDA said that it did not expect to totally eliminate such plants from consideration in the certification process unless the Federal meat and poultry inspection acts are amended to fully exempt these operations from Federal or equivalent State inspection.

USDA said that it would determine whether objective criteria could be developed for incorporating into the rating system a State's record in ensuring correction of plant deficiencies identified by FSIS' quarterly reviews. It noted, however, that treating followup results in the same manner as original review results (as proposed in our draft report) could result in inflated ratings.

As discussed previously (see p. 16), the information necessary to determine what effect followup results would have had on past ratings was not readily available in FSIS records. However, we believe it reasonable to assume that the percentage of unacceptable items found during followup visits likely would be lower than the percentage found originally. As USDA pointed out, including both total items covered and unacceptable items from followup visits in this case would raise rather than lower a State's rating, even if the State had not ensured correction of all previously unacceptable items. This would, in effect, reward a State for less than expected followup performance. Because this would be contrary to our intent, we modified our recommendation to provide that States could only be penalized for less than optimum followup by suggesting that FSIS count only uncorrected unacceptable items for rating purposes.

USDA agreed with our recommendation for a uniform policy on the frequency and scope of followup visits. It also agreed with the intent of our recommendation directed at accurately reporting the results of circuit supervisors' Federal plant reviews. Although stating that it would continue to emphasize to circuit and area supervisors the importance of accurate reporting, USDA pointed out that variations in individuals' judgments are inevitable and that flexibility in supervisory emphasis is often appropriate to address localized problems.

USDA said that it expected to study in the coming months our recommendation for comparing Federal and State plant review results as part of the State program certification process. However, USDA added that because of distinctions in the programs

and the purposes of the respective plant reviews, it may be difficult to devise a practical means to relate the results. It is not clear to us, however, how the distinctions that USDA cited would inhibit the implementation of our recommendation. (See GAO comment, p. 40.)

CHAPTER 3

INTERNAL REVIEW STUDIES SHOULD EVALUATE

FEDERAL OVERSIGHT OF STATE PROGRAMS

Two special FSIS internal review studies of State inspected meat and poultry plants made in 1980 and 1981 are, to our knowledge, the only ones ever made that directly compared the effectiveness of State inspections with that of Federal inspections. For this reason, the studies are important to the issue of equality between State and Federal programs and thus to deliberations on legislative proposals that, if enacted, would grant State-inspected products marketing privileges similar to those afforded federally inspected products. (See p. 1.) Senators Eagleton and Chiles therefore asked us to evaluate the study methods used and the validity of the results.

Although the basic methods used in these studies appear to be sound, we cannot confidently attest to the validity of the results. This is because in selecting the State-inspected plants that were reviewed, FSIS used certain procedures that theoretically could have been used to intentionally bias the study results. The person who made the selections, however, offered reasonable explanations for using the procedures and we found no evidence of intentional manipulation.

Except for the special 1980-81 studies, FSIS has confined its internal review efforts to the Federal inspection program. In 1982 FSIS' R&E Staff¹ began making broad reviews to determine how effectively FSIS circuits carry out their responsibilities, and it may expand this approach to the regional level. However, these reviews have not covered an important aspect of FSIS' responsibilities--oversight of State programs. We believe independent evaluation of FSIS' State program oversight is an important and logical part of the R&E Staff's internal review mission. In our opinion, R&E's new comprehensive approach offers an excellent opportunity to fulfill this mission without involving the unit in the actual certification of State programs.

¹The Review and Evaluation (R&E) Staff is FSIS' present internal review unit and was established in July 1981. Previously, the Program Review Branch of FSIS' Compliance Division made internal reviews, including the special 1980-81 studies of State-inspected plants. The Program Review Branch became a part of the R&E Staff when the staff was established.

STUDY METHODS AND RESULTS

From January through March 1980, FSIS' internal review staff made its first special nationwide study of State-inspected plants. The study was intended to provide an independent, objective comparison of inspection effectiveness at State-inspected and federally inspected plants. The internal review unit had been reviewing federally inspected plants on a routine basis since 1974.

The internal review staff selected random samples of State-inspected plants in 30 of the 32 States with equal to programs at that time. (Alaska and Hawaii were excluded because of travel fund restrictions and tight deadlines.) For most of the 30 States, the staff selected a random sample equivalent to 10 percent of the plants under official regular inspection. (Custom/exempt plants were excluded from the study.) Because specified minimum numbers of plants were needed in each State, however, the sample was greater than 10 percent in several States with very few official plants. Overall, 532 plants were reviewed--slightly more than 10 percent of the approximately 5,200 total official plants under State inspection. This sample was designed to be large enough to permit conclusions on a national, but not an individual State, basis.

The study was limited to reviewing and rating the sample plants and comparing the results to past results of the Federal plant reviews. Unlike FSIS' certification process, the special study did not cover other factors such as State laws and program staffing/administration.

In reviewing and rating the sample plants, the internal review staff applied the same techniques as in its normal reviews of federally inspected plants. (The staff's rating system, however, differed from the 6-category system FSIS uses to rate State programs based on quarterly review results.) The internal review staff rated plants on a scale from category 1 (worst) to category 4 (best) based on the likelihood that adulterated or misbranded products were being produced and leaving the plants. In general, a category 1 rating indicated that shipment of adulterated/misbranded products was certain, whereas a category 4 rating indicated no likelihood of this occurring. Plants in which such shipments were "likely" or "potential" normally fell into categories 2 and 3, respectively.

In the 1980 survey State-inspected plants nationally rated much lower (worse) than federally inspected plants. The survey report compared the percentage of sample plants in each category with similar data based on (1) internal reviews of Federal plants made during the previous year (fiscal year 1979) and (2) all internal reviews of Federal plants made since 1974 (when the internal review staff adopted the review procedures used in the study). The upper graph on page 29 shows the results.

The study report concluded that the greater percentage of State-inspected plants in the lower two categories (categories 1 and 2) indicated "a gap in effectiveness between Federal and State systems that needs further analysis." Accordingly, the report questioned the adequacy of FSIS' normal quarterly review system and called for continued, independent internal reviews of State-inspected plants to supplement the quarterly reviews.

As a result, the internal review staff made a second review of State-inspected plants during 1981, using essentially the same sample-selection strategy and plant review/rating/comparison procedures as before. During 1981 the unit reviewed 484 State-inspected plants in 29 States. (Maine had voluntarily discontinued its program in May 1980 because of funding problems.)

The 1981 study found a sizeable improvement in State-inspected plant ratings--only 16 percent of State-inspected plants fell into the lower two categories as compared with 30 percent in 1980. The 1981 State results also compared favorably with historical federally inspected plant results (20 percent in the lower two categories), as the lower graph on the next page shows.

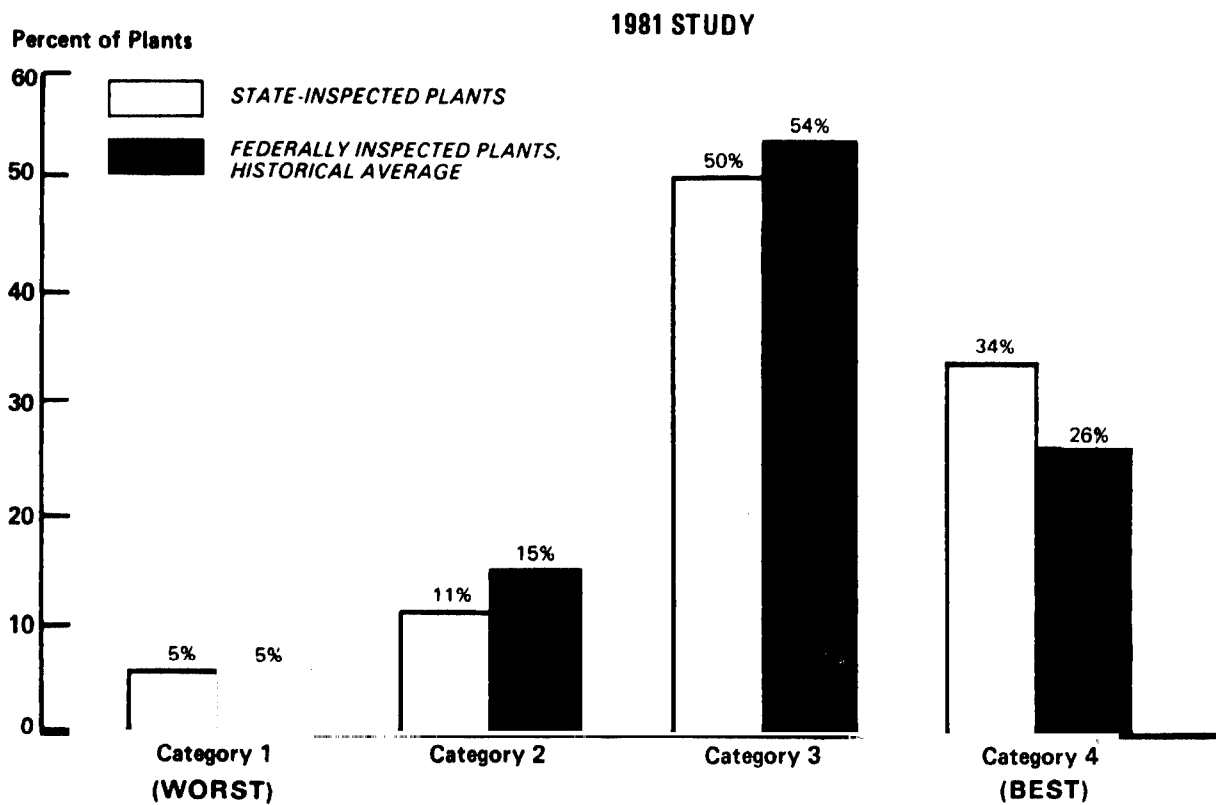
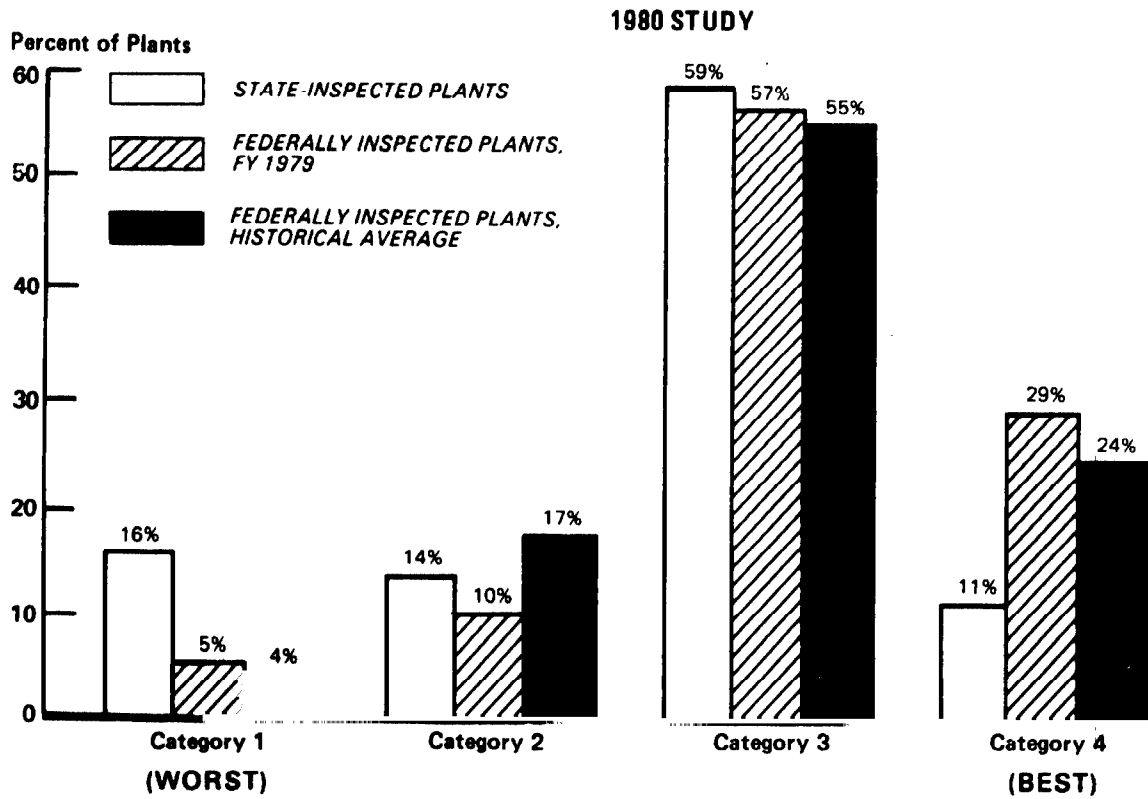
According to the R&E Staff's Director, the 1980-81 studies are the only known direct comparisons of the State and Federal programs. FSIS had not made any further internal review studies of State-inspected plants as of late August 1983. It suspended such reviews during 1982 so that it could develop uniform review procedures and rating criteria to replace the differing ones used by internal reviewers and FSIS circuit supervisors in the regular quarterly review process. The R&E Staff subsequently decided to change its basic approach from one of individual plant reviews to one of broad program reviews designed to evaluate the overall effectiveness of operations in individual FSIS circuits. (This new approach and R&E's planned coverage of State programs is discussed later in this chapter.)

OUR EVALUATION OF THE SPECIAL STUDIES

We reviewed the internal review staff's selection of plants and verified the accuracy of reported results for both the 1980 and 1981 studies. We also discussed plant selection and review procedures with several of the individuals involved.

We verified the accuracy of the reported results by comparing them with original reports filed by the plant reviewers. For 1980 we noted a minor error in the reported number of plants in categories 1 and 3 (one plant in each) but this did not

RESULTS OF FSIS SPECIAL STUDIES OF STATE-INSPECTED PLANTS



affect the reported percentages of plants in these categories (16 and 59 percent, respectively). For 1981 the reported results agreed with the reviewers' reports.

To verify the selection of the plants reviewed, we traced the selected plants to the source documents used in the selection process. To select the plants, the internal review staff used lists of plants for each State and a table of random numbers (the same table used by FSIS to select plants for normal quarterly reviews). It then was to assign numbers to individual official plants on each list, arbitrarily pick a starting point on the random number table, and then proceed through the table picking all numbers in the needed range until a sufficient number of plants (including alternates) was obtained. For example, if a State had 100 official plants, all numbers on the table from 1 through 100 would be selected until the required number of plants was obtained.

In tracing the selections we found that numerous minor errors were made. In some cases the selector skipped over numbers in the table that should have been picked. In some cases certain plants on the lists were not numbered, thereby excluding their possible selection. In other cases custom/exempt plants on the lists were assigned numbers, making them eligible for selection when such plants were supposed to be excluded. The individual who made the selections confirmed that these were errors when we brought them to his attention. However, because they apparently were unintentional, these errors would not affect the randomness of the samples.

We noted, however, that the selector employed two procedures that, theoretically, could have biased the samples and thus the study results--nonsequential numbering of plant lists and following unusual patterns on the random number tables. Most of the State plant lists used in both 1980 and 1981 did not have the plants numbered sequentially. Although the numbering of plants on some of these lists followed an apparent pattern, the numbering pattern on others was not apparent. For example, on certain pages of some lists, plants were numbered top to bottom; while on other pages on the same lists plants were numbered bottom to top. In other cases, however, plants listed consecutively were numbered in no apparent pattern; e.g., 2, 9, 10, 6, 4, 3.

The selector also followed unusual paths on the random number table to select plants in several States for 1980. Although numbers on the table are arranged in 15 columns, in some cases the selector went part way down one column and then jumped to another column, rather than following the normal practice of proceeding entirely through a column and then moving to the top of the next column. In one case, a diagonal pattern, which cut across the columns, was used.

Theoretically, either of the above procedures could be used to intentionally bias the study results by including in or

excluding from the sample plants that are known to be either good or bad. For example, assume the selector knows that plant A is a problem plant. He could easily ensure that plant A will not be selected by first picking the required random numbers from the table and then assigning plant A a number that was not picked. Likewise, plant A could be excluded by simply skipping to another column in the random number table when the number assigned to plant A is about to come up.

It should be noted, however, that neither of the procedures would affect the validity of results if the selector decided on them before actually selecting the sample. In other words, any method of numbering the plants would be acceptable, as long as the plants were numbered before the random numbers were chosen from the table. Likewise, one could take any path on the random number table as long as he decided on the path in advance, rather than deciding to skip to another column to avoid (or ensure) selection of a particular plant.

To verify whether the selector decided on the two procedures in advance or used them to intentionally bias the sample, one would have to witness the actual selection, which we obviously could not do. We did, however, discuss these procedures with the individual who made the selections.

The selector told us that he used the procedures so that the States would not be able to duplicate the sample selections and thus know in advance the specific plants that would be reviewed. He said that he believed this would have been possible because the States had supplied the internal review staff the plant lists used in the selection process and they also had access to the random number table used. (The table is published as part of FSIS' directive on reviewing and certifying State programs and is routinely used to select sample plants for regular quarterly reviews.) The selector acknowledged that the procedures created the appearance that the samples may have been intentionally biased, but he assured us that such was not the case.

The selector noted that the review staff had no motive for biasing the study because it was an independent internal review group with no direct responsibility for the programs. He also pointed out that because the staff had never reviewed State plants before, it did not have the information on the relative quality of individual plants that would have been necessary to intentionally bias the samples.

We pursued several other possible indicators of the studies' validity. We statistically evaluated the sample sizes for the two studies and concluded they were adequate. At the 95-percent confidence level, the maximum potential sampling error for any of the four rating categories would be +4 percent, which would not materially affect the comparisons of State and Federal results. We also discussed the improvement in State ratings

with several personnel involved in the studies, including three of the plant reviewers. These personnel attributed the improvement to a concerted effort by the State inspection agencies that was sparked by the added Federal emphasis of the special studies. None of these individuals knew of any change in review procedures between 1980 and 1981 or any effort to be more lenient in the 1981 study.

We noted that FSIS' regular quarterly reviews also indicated an overall improvement in State programs between 1980 and 1981, although not as great or widespread as in the internal review studies. In quarterly reviews, the average rate of unacceptable items nationally improved almost a full percentage point during this period (3.3 percent in 1980 to 2.4 percent in 1981). However, every State showed improvement between 1980 and 1981 in the internal review studies (i.e., their average plant ratings increased), whereas seven States got worse according to the quarterly reviews (i.e., their percentages of unacceptable items increased).

FSIS OVERSIGHT OF STATE PROGRAMS SHOULD BE A FACTOR IN INTERNAL REVIEWS

FSIS' R&E Staff recently changed its basic internal review approach from one of reviewing and rating individual federally inspected plants to one of general reviews of circuit operations, supplemented by special projects to examine functional issues across circuit boundaries. Because of its success with the circuit approach, the R&E Staff may expand it to the regional level. Neither the circuit reviews nor the planned regional reviews, however, seek to evaluate FSIS' normal State program oversight responsibilities. Although we do not advocate R&E involvement in the routine State program certification process, we believe oversight of State programs is an important aspect of circuit and regional duties that cannot logically be omitted from what are intended to be comprehensive evaluations of their operations.

FSIS' R&E Staff (and predecessor organizations) has traditionally focused its internal review efforts on evaluating the adequacy of the Federal meat and poultry inspection program. Until 1982, it did so primarily by reviewing and rating individual federally inspected plants. At that time, however, it began carrying out general circuit reviews and special projects. Circuit reviews are intended to be broad, comprehensive evaluations of how effectively individual FSIS circuits are carrying out their overall responsibilities. Special projects, on the other hand, are studies of specific functional areas or potential problems (such as sanitation, labeling, or control of inedible material) across circuit boundaries.

Although circuit reviews cover other aspects of circuit operations, they still rely heavily on reviews of individual federally inspected plants to judge the effectiveness of FSIS'

inplant inspections. However, rather than rating and reporting on individual plants, as done previously, circuit reviews seek to address the general effectiveness of Federal inplant inspections throughout a circuit. The one exception is that R&E will issue an individual plant report (called an Inspection Location Report) when it finds serious problems at a given plant.

As of late April 1983, R&E had used the circuit approach for about a year. It had completed an estimated 40 circuit reviews through the end of calendar year 1982. According to the Director of the R&E Staff, the circuit approach has worked well and, because of this success, FSIS' Administrator had decided to test expanding the approach to the regional level. (As discussed previously, FSIS has five regions that manage and direct about 200 circuits nationwide.)

According to the Director, the regional reviews would better enable the R&E Staff to identify larger, more widespread problems not possible with the circuit approach, such as problems with FSIS' basic regulations, inspection procedures, or standards. On the other hand, regional reviews could tie up the R&E Staff for long periods, preventing other work, and may disrupt normal regional operations. Accordingly, the R&E Staff planned to test the approach (beginning in late June or early July 1983) in FSIS' Southwest Region before deciding whether to implement it on a regular basis.

According to the Director, the R&E Staff's circuit reviews do not address administration of State equal to programs. At the request of FSIS' Southwest Regional Director, R&E was to look at the consistency and adequacy of circuit supervisors' quarterly reviews of State-inspected plants in the regional review test. The staff did not, however, plan to review other aspects of State program oversight (e.g., approval of State requirements, staffing, and funding levels) in either the test or any subsequent regular regional reviews.

The Director said that she believed that the R&E Staff's proper role regarding State programs is monitoring the consistency of FSIS' equal to certifications and the adequacy of FSIS' oversight of these programs, rather than involvement in the actual certification process. According to the Director, R&E can carry out that role better through periodic nationwide special reviews than through its circuit and regional reviews. Although we agree that this is an appropriate R&E role, we see no basis for excluding an important aspect of circuit and regional duties from what are supposed to be comprehensive evaluations of the units' overall operations.

CONCLUSIONS

FSIS' special 1980 and 1981 internal review studies of State-inspected plants are, to our knowledge, the only direct comparisons of State and Federal meat and poultry inspection

programs. As such, the studies provide key information pertinent to the question of whether the State programs are as effective as the Federal program. This question is a central issue in deliberations on pending legislation that would authorize interstate shipment of products by State-inspected plants--a privilege now reserved only for federally inspected plants. (See p. 1.)

In the special studies, FSIS judged the relative effectiveness of State and Federal inplant inspections by directly comparing review results of a nationwide sample of State-inspected plants with historical federally inspected plant review results. Although we believe the study methods were basically sound, we are not in a position to say that the study results are completely valid because certain procedures were used to select the State plants reviewed which, in theory, could have been used to intentionally bias the results. The person who made the selections, however, offered reasonable explanations for using the procedures and we found no evidence to indicate that intentional manipulation occurred.

FSIS' R&E Staff had begun making more comprehensive evaluations of circuit operations and it planned to test this approach at the regional level. Although this internal review approach is potentially more effective than the previous individual plant reviews, it excludes FSIS oversight of State programs.

Certification and general oversight of State programs are important parts of FSIS' regional and circuit responsibilities. Although not advocating R&E involvement in the actual certification process, we believe evaluating FSIS' execution of the process, to monitor general consistency and adequacy, is a legitimate internal review function. Accordingly, we see no logical reason for excluding this area from what are intended to be comprehensive evaluations of regional and/or circuit operations.

RECOMMENDATION TO THE SECRETARY OF AGRICULTURE

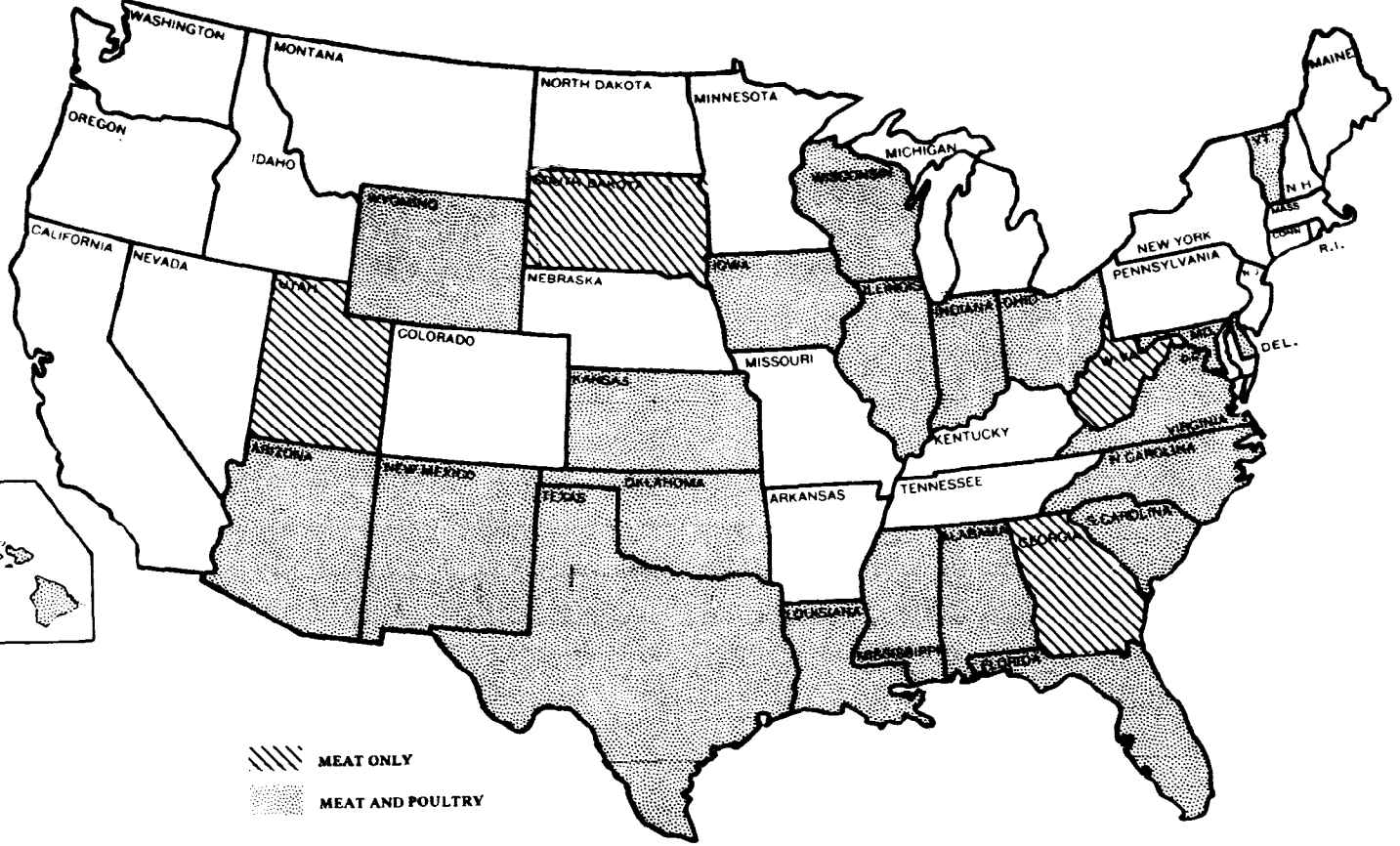
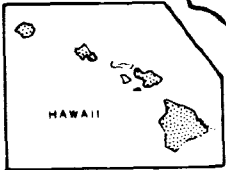
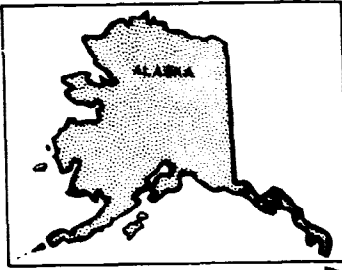
We recommend that to provide for more appropriate internal review coverage of FSIS' certification and general oversight of State meat and poultry inspection programs, the Secretary of Agriculture instruct the Administrator, FSIS, to include this area in all regular reviews of circuit operations made by the R&E Staff. The Administrator likewise should include this area in similar reviews of regional operations should such reviews be implemented on a regular basis in the future.

AGENCY COMMENTS AND OUR EVALUATION

USDA agreed with the overall intent of our recommendation and said that FSIS tentatively planned to begin a special project in 1984 to assess the effectiveness and uniformity of its State program equal to determinations. (See app. III.)

Although noting that the project was in the planning stage, USDA said that the methodology would meet the intent of our recommendation and provide an additional basis for decisions on implementing our other recommendations. We believe that our recommendations, if implemented, would better ensure that State programs are equal to the Federal program, as required by law.

STATES WITH EQUAL TO INSPECTION PROGRAMS
APPROVED BY USDA AS OF JUNE 30, 1983



MEAT ONLY
MEAT AND POULTRY

SUMMARY OF QUARTERLY REVIEW RESULTS, 1980 THROUGH 1982

State ^a	1980		1981		1982	
	Percent unacceptable items	Relative standing ^b	Percent unacceptable items	Relative standing ^b	Percent unacceptable items	Relative standing ^b
Alabama	3.7	19	2.2	17 ^c	1.8	12
Alaska	0.9	4	0.0	1	0.1	3 ^c
Arizona	4.7	25	3.5	24	2.2	16
Delaware	3.6	18	1.3	8	0.0	1 ^c
Florida	5.4	26	4.2	27	5.0	27
Georgia	0.8	3	0.6	6	3.3	25
Hawaii	1.7	8 ^c	0.5	3 ^c	0.0	1 ^c
Illinois	1.8	10	2.0	14 ^c	2.1	14 ^c
Indiana	3.0	15	3.7	25	4.7	26
Iowa	2.6	13	1.2	7	1.4	10
Kansas	0.5	2	0.5	3 ^c	2.7	18 ^c
Louisiana	3.2	16 ^c	1.9	13	3.2	24
Maryland	2.4	11 ^c	1.8	12	1.3	8 ^c
Mississippi	4.5	22 ^c	1.6	9 ^c	2.9	22 ^c
New Mexico	1.4	5 ^c	1.6	9 ^c	1.7	11
North Carolina	1.4	5 ^c	3.1	22	2.7	18 ^c
Ohio	4.3	21	2.9	20 ^c	1.1	6
Oklahoma	0.2	1	0.4	2	0.1	3 ^c
South Carolina	1.7	8 ^c	2.1	16	2.1	14 ^c
South Dakota	1.6	7	3.4	23	1.2	7
Texas	2.9	14	2.3	19	2.6	17
Utah	3.2	16 ^c	1.7	11	1.3	8 ^c
Vermont	4.5	22 ^c	4.1	26	2.8	21
Virginia	4.6	24	0.5	3 ^c	0.1	3 ^c
West Virginia	4.1	20	2.0	14 ^c	2.7	18 ^c
Wisconsin	2.4	11 ^c	2.2	17 ^c	1.9	13
Wyoming	8.3	27	2.9	20 ^c	2.9	22 ^c
National average	3.3		2.4		2.4	

^a Includes only the 27 States that maintained equal to meat and/or poultry inspection programs over all 3 years, 1980 through 1982.

^b We assigned relative standings on the basis of percentage of unacceptable items in each year, with custom/exempt unacceptable items counting one-tenth the value of those at official plants. Standings range from 1 (the lowest percent of unacceptable items) to 27 (the highest percent of unacceptable items). Because groups of States may have very nearly the same percentage of unacceptable items, the assigned standings are not precise indicators of the relative effectiveness of the State programs.

^c Indicates two or more States tied for the indicated standing.



United States
Department of
Agriculture

Food Safety
and Inspection
Service

Washington, D.C.
20250

AUG 26 1983

Mr. J. Dexter Peach
Director, Resources, Community and
Economic Development Division, GAO
4th and G Streets, NW.
Washington, D.C. 20548

Dear Mr. Peach:

Thank you for the opportunity to comment on your draft report, "USDA's Oversight of State Meat and Poultry Inspection Programs Could Be Strengthened." We are pleased that you concluded the Food Safety and Inspection Service's annual State certification procedures are consistent with the Acts' requirements and appreciate your bringing to our attention areas in which we could make the certification process more effective.

Your report points out that the Department supports proposed legislation which would authorize interstate shipment of State-inspected products. This support is not based solely on one or two studies. Rather we have assessed the cumulative progress of States in the years since enactment of the Wholesome Meat Act and the Wholesome Poultry Products Act. In the recent hearing on S.593 conducted by the Senate Committee on Agriculture, Nutrition and Forestry, the Department traced the evolution of State inspection programs leading up to the conclusion that States are equivalent to the Federal program. We pointed out that, to assure this equivalence, our field supervisors review State programs on a quarterly basis and have done so for 15 years. As in any large program, there are occasional problems, but we work closely with the States as necessary to improve their inspection systems. The States with inspection systems have proven that they are able to operate sophisticated programs equal to the Federal program. For this reason, and to correct inequities between movement of State inspected and imported products, the Department supports the proposed legislation.

[GAO COMMENT: Our draft report contained a statement, attributed to a knowledgeable FSIS official, that the special 1980-81 internal review studies were the primary basis for FSIS' support of the proposed legislation. In light of the above clarification by USDA, we deleted the statement from the final report.]

Recently, we had the opportunity to comment informally on your report and provided factual clarifications and updates.

GAO NOTE: We made appropriate revisions to the final report to reflect the factual clarifications and updated information that FSIS provided.

The following comments respond more generally to the report's conclusions and recommendations. The response reflects the views of the Assistant Secretary for Marketing and Inspection Services and USDA's Office of Budget and Program Analysis.

To improve the effectiveness of Federal oversight and certification of State equal to meat and poultry inspection programs, we recommend the Secretary of Agriculture direct the Administrator, FSIS, to:

- Eliminate, or substantially reduce, the influence of custom/exempt plant reviews on State program ratings. This should be done by either basing ratings solely on reviews of official State-inspected plants or, if the Secretary deems it more appropriate, making revisions to the present rating system.

The report states that certification procedures could be more effective "by putting less emphasis on custom/exempt plant inspections--a relatively minor aspect of a State's inspection responsibilities--and. . . plants." Custom exempt operations are subject to the Acts' adulteration and misbranding requirements and must be regulated by the States maintaining equivalent programs. In the absence of legislative change to fully exempt these operations from Federal or equivalent State coverage, we do not expect to eliminate consideration of exempt operations in certification of State programs. However, we appreciate the report's findings in this regard and are reassessing the influence of these reviews on State ratings.

- Include the results of followup rereviews at State-inspected plants with unacceptable items when computing State ratings.

We will consider this recommendation and determine if objective criteria can be developed. A balance must be maintained between verifying the State's record in correcting deficiencies and not allowing the followup reviews to give an undue positive influence to the category status of the State program. Deficiencies that are corrected by the time of the followup review may be prevalent elsewhere in the State system. If the items reviewed on the followup are added to those items reviewed for the current quarter and divided into the deficiencies, an inflated category rating could result.

[GAO COMMENT: As explained on page 24, we revised this recommendation based on USDA's comments.]

- Implement proposed policy changes which specify the number of times a State-inspected plant with unacceptable items should be rereviewed and the number of basic inspections items that should be covered.

We agree that a consistent approach is needed and appreciate the report's pointing out the need for a uniform policy. Each State is responsible for conducting an "equal-to" program, and FSIS is responsible for monitoring that program to assure that it is "equal to."

The plants being reviewed are a sample of the whole. Our approach assumes that if deficiencies are found in the sample, these same deficiencies are present elsewhere in the program. Our followup review policies should determine if deficiencies are corrected throughout the program and not just in the individual plants in the sample.

- Consider comparisons of State and Federal plant review results when certifying State programs. This should be done by using the comparisons either as a general factor considered in reaching an overall judgment on a State's program or as a basis for periodically adjusting the ranges of unacceptable item percentages now used to rate State inspection efforts.

State and Federal plant review programs are performed for different reasons. Federal plant reviews are supervisory in nature and geared toward directing any needed corrective actions. They cover all plants under each circuit's supervision. In State reviews, we look at a sample as part of the process of assessing the total program. Given these distinctions, we may find it difficult to devise practical means to relate the Federal review results and State review results. We expect to study this recommendation in the coming months, keeping in mind that our objective is to assess the effectiveness of States in carrying out equivalent programs and not a strict comparison to Federal results.

[GAO COMMENT: We believe that the fundamental purpose of both the Federal and State plant reviews should be the same-- assessing the effectiveness of inplant inspection efforts. FSIS' samples should provide a reasonable approximation of inspection effectiveness throughout a State's program. As USDA points out in comments on the preceding recommendation, the sampling approach assumes that deficiencies found at the sample plants are present elsewhere. As stated in the report, we recognize that different deficiency rates for State and Federal programs are to be expected because of inherent differences in the plants typical of each program. It is not clear to us, however, how the distinctions cited here would inhibit FSIS' making the recommended comparisons.]

- Emphasize to circuit supervisors the importance of accurately reporting Federal plant review results and require that area supervisors place special emphasis on this area during their normal oversight of circuit supervisor performance.

We agree with the intent of this recommendation and will continue to emphasize to circuit and area supervisors the importance of accurate documentation of plant review results. Your report refers to potential bias in Federal reviews. While we continue to correlate and emphasize review standards, with over 200 Federal circuit supervisors, we accept that variations in judgment will arise. Flexibility in supervisory emphasis is often appropriate to address localized problems and does not substantially affect national results.

To provide for more appropriate internal review coverage of FSIS' certification and general oversight of State meat and poultry inspection programs, we recommend that the Secretary of Agriculture instruct the Administrator, FSIS, to include this area in all regular reviews of circuit operations conducted by the R&E Staff. The Administrator likewise should include this area in similar reviews of regional operations should such reviews be implemented on a regular basis in the future.

The Agency agrees with the overall intent of this recommendation and has tentatively planned a special project to begin in 1984 which will assess FSIS effectiveness and uniformity in determining "equal to" status of State inspection programs. As indicated, the project is in the planning stages. However, the methodology will meet the intent of this recommendation and will provide an additional basis for decisions on other improvements suggested by the report.

We trust the information provided will be helpful and look forward to receiving your final report.

Sincerely,



L. L. Gast
Acting Administrator

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