



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

Assessment of APHIS and FSIS
Inspection Activities to Prevent the
Entry of Foot and Mouth Disease
Into the United States



Report No.
50601-0003-CH
July 2001



UNITED STATES DEPARTMENT OF AGRICULTURE

OFFICE OF INSPECTOR GENERAL



Washington D.C. 20250

DATE: July 23, 2001

REPLY TO
ATTN OF: 50601-0003-Ch

SUBJECT: Assessment of APHIS and FSIS Inspection Activities to Prevent the
Entry of Foot and Mouth Disease Into the United States

TO: Craig A. Reed
Administrator
Animal and Plant Health Inspection Service

Thomas J. Billy
Administrator
Food Safety and Inspection Service

During the outbreaks of foot and mouth disease (FMD) in Europe and South America in 2001, the Animal and Plant Health Inspection Service (APHIS) and the Food Safety and Inspection Service (FSIS) assured the Secretary of Agriculture and the public that their controls at ports of entry were sufficiently stringent to protect U.S. commerce from the entry and spread of this disease. Because we were already engaged in two separate audits of these agencies and because the global prevalence of foot and mouth disease posed a grave threat to the American livestock industry, we reviewed the Department's controls to ensure that the Nation was adequately protected against the increased threat of an FMD outbreak from abroad.

Based on our limited review we determined the Department needed more stringent controls to ensure that meat products entering the United States were free of FMD. Communications between FSIS and APHIS were weak, particularly during the critical, initial stages of this emergency situation. For instance, a shipment of over 32,000 pounds of meat products from an FMD-restricted country arrived in the Port of Houston and was released by APHIS to FSIS. However, this product was discovered in a warehouse in San Antonio, Texas, 9 days after it was improperly released by APHIS. Neither agency was aware the shipment was missing. Over one-sixth of the shipment had to be destroyed because of the possibility that it had been exposed to FMD before entering the United States.

We also found that APHIS needed to improve its accountability over imported products from their arrival at U.S. ports of entry through their disposition by the respective agencies. The manual recordkeeping system employed by APHIS cannot reliably track the status of shipments on hold at the ports, and there is currently no central automated system to allow agency-wide access to information on such shipments. Neither we nor APHIS could ensure that the physical inventories that we conducted at the ports actually identified all products on hold from FMD-restricted countries. At the Port of Houston, for instance, APHIS officers could not locate over 213,000 pounds of meat products that their records indicated were on hold there. It required a review by APHIS' Investigative and Enforcement Services to determine the whereabouts of these three shipments.

We also found one instance in which APHIS approved prohibited meat products for entry into the United States. The health certificates on the shipment clearly showed the products had been packaged after Department restrictions went into effect. This prohibited product could have entered U.S. commerce if it had not been identified and held by the FSIS import inspector.

During the course of our audit, we issued three management alerts (on May 1, May 8, and May 24, 2001) to which the agencies responded in a generally positive manner. The agencies' response to the official draft report is attached to this report. Overall, APHIS and FSIS have made or are making improvements that will strengthen internal controls over FMD inspection activities. Based on these actions, we were able to reach management decisions on all recommendations.

BACKGROUND

APHIS has the primary responsibility to ensure that animal products do not enter the United States if they are contaminated by diseases. FSIS is responsible for performing reinspections of imported meat products. When meat products arrive at U.S. ports, APHIS Plant Protection and Quarantine (PPQ) officers review shipment documentation to determine whether the product originated in a country with animal disease restrictions. If the products are determined to be enterable, APHIS releases the products to FSIS for reinspection to determine the effectiveness of foreign countries' inspection systems to ensure that only wholesome, unadulterated, and properly labeled products enter U.S. commerce.

FSIS communicates to its field personnel at ports of entry through its Automated Import Information System (AIIS), its e-mail network, and by facsimile. The AIIS provides the reinspection assignment and should restrict assignments for prohibited products. Advice on restrictions should be timely forwarded through the FSIS e-mail network. APHIS communicates with its ports through an Animal Import Byproduct Manual, which is issued to each PPQ officer and is accessible on the Internet. During the current FMD emergency, APHIS has also used FMD Alerts to advise field units of new developments such as the addition of countries to the restricted list or new inspection procedures and requirements.

To protect U.S. livestock from an outbreak of FMD, the Department prohibited meat products from countries with FMD outbreaks from entering the United States. The prohibitions were date specific. Products prepared for shipment before this date were enterable, but products prepared after this date were not. APHIS procedures allowed shipments containing both enterable and prohibited product to be sorted by production date. This procedure was intended to accommodate so-called “mixed shipments” en route to the United States at the time APHIS issued the change in the country’s animal disease status. This sorting frequently occurred in an FSIS-regulated import facility (I-House) because of space, refrigeration, and product control needs. Product produced before the prohibition date was allowed to move routinely to be reinspected by FSIS. Restricted product was to be held at the facility under APHIS control until it was re-exported or destroyed.

During this emergency response situation, APHIS and FSIS officials assured the Secretary and the public that their controls were sufficiently stringent to protect U.S. commerce from the threat of an FMD outbreak. According to the Department’s press release, these controls included prohibiting shipments of products from high-risk countries; increasing personnel and surveillance at ports of entry, tightening regulatory enforcement; and strengthening Federal, State, and industry coordination. We performed a review to determine whether these steps had been initiated.

OBJECTIVE

We assessed the Department’s accountability and control over meat products from countries with FMD restrictions that were arriving at U.S. ports of entry.

SCOPE

We performed the fieldwork between April 23 and May 24, 2001. Two other separate OIG audits of APHIS and FSIS were underway in April, but we interrupted work on those audits to perform this review and present APHIS and FSIS with our assessment of the effectiveness of the controls in place to stop products contaminated with FMD from entering the United States and thereby prevent an outbreak of the disease in this country. The conditions noted in this report have already been communicated to APHIS and FSIS in the three management alerts mentioned above.

For this review, we visited five FSIS Inspection Houses (I-Houses) in Dundalk and Jessup, Maryland; and Elizabeth, Woodstown, and Mullica Hills, New Jersey. Based on the review of information in FSIS’ AIIS database, we determined that these I-Houses traditionally reinspected a significant amount of product from countries which are currently under FMD restrictions. We also visited the three APHIS regional offices located at Raleigh, North Carolina; Brownsville, Texas; and Sacramento, California; and the ports of Miami, Florida; Houston, Texas; Long Beach, California; Philadelphia, Pennsylvania; and Detroit, Michigan.

This audit was performed in accordance with generally accepted government auditing standards.

METHODOLOGY

We assessed the controls over meat products arriving from countries with FMD restrictions by interviewing appropriate officials, observing activities, reviewing the agencies procedures and instructions, and examining key records, such as the FSIS Form 9540-1, Import Inspection Application and Report, and conducting physical inventories. We also had discussions with Customs officials concerning their Automated Manifest System.

AUDIT RESULTS

FINDING NO. 1 - COMMUNICATION NEEDS TO BE IMPROVED BETWEEN APHIS AND FSIS

FSIS and APHIS officials at the ports of entry were not clear on their respective roles and responsibilities for product received from restricted countries. This occurred because, at the time of our review, there was no centralized communication by APHIS and FSIS to field units. Also, neither APHIS nor FSIS had issued clear procedures identifying the separate roles of port personnel and the areas in which coordination was necessary. As a result, there was an increased risk that prohibited product could enter U.S. commerce. (See Findings 2, 3, and 4.)

During the week of April 23, 2001, we visited I-House No. 44 in Elizabeth, New Jersey, to confirm FSIS' procedures and controls for preventing products from restricted countries from entering U.S. commerce. The FSIS inspector alerted us to almost 260,000 pounds of prohibited products stored in an unsecured area of the I-House. The products were part of mixed shipments that were released by APHIS at the port of entry between March 20 and April 10, 2001. These mixed shipments were accompanied by health certificates with production dates that ranged from prior to the product restriction date (qualifying the shipment as enterable) to on or after the restriction date (identifying the shipment as prohibited). The FSIS inspector advised us that the product was still at the I-House facility because it had not been presented for reinspection by the broker (import certificates were processed directly through APHIS to the broker, who was then responsible for presenting them to FSIS by way of the warehouse management). Also, until April 23, 2001, the FSIS inspector had not received specific guidance about how to handle this product.

Our discussions with FSIS and APHIS officials in New Jersey revealed confusion regarding their respective roles and responsibilities for this product. We noted a lack of centralized communication by APHIS/FSIS to field units on changes in country status and inspection procedures. Each agency independently communicated with its respective field units, resulting in a lack of coordinated effort, delays in communication,

confusion in instructions, and the lack of an effective way to clarify the Department's expectations. For example, note in the following the lack of clarity in each agency's direction for sorting and processing mixed shipments.

- On April 17, 2001, APHIS issued guidance to its PPQ port offices to clarify procedures for handling mixed shipments, stating that it was allowable to separate enterable product from prohibited product shipped in one container, but that this separation of product had to be supervised by PPQ. The guidance stated that the need to move the product to an FSIS-approved facility was eliminated. APHIS guidance was also provided on shipments where production dates were missing from the inspection certificates: the importer/broker was to be given a maximum of 5 days to provide the specific production data, and the imported/broker was to be contacted if any shipment had been on hold for longer than 2 weeks.
- On April 23, 2001, FSIS issued guidance to its inspectors that stated for mixed shipments, the prohibited product was not to be refused entry by FSIS inspectors. The lots could be sorted by the import establishment under FSIS or APHIS supervision. When prohibited product was sorted, FSIS inspectors were to notify the local APHIS-PPQ office and provide them the details (e.g., importer name, location, amount of product, etc.) and document the file.

We reported these deficiencies to APHIS and FSIS in a management alert dated May 1, 2001, based on our work in Elizabeth, New Jersey. (We also found these deficiencies during subsequent work in I-Houses in Woodstown and Mullica Hills, New Jersey, and Jessup, Maryland.) In response, both agencies explained their methods of communication. FSIS said that it communicated with its ports via e-mail and faxes; APHIS said it communicated through a product manual that was accessible on the Internet. However, we found that these methods of communication (fax, e-mail, and Internet) were not always available at the ports. For example, at two I-Houses we visited, FSIS inspectors had access to only one telephone line. The inspectors did not have access to FSIS' e-mail system to obtain instructions or restrictions while the AHS was being accessed for an inspection assignment.

Both FSIS and APHIS noted that when APHIS develops its operating procedures, it clears those procedures through FSIS prior to field implementation. However, there is no manual or directive that ties FSIS and APHIS procedures into a single document.

We concluded that FSIS and APHIS need to develop joint procedures that specifically identify the roles and responsibilities of each agency at U.S. ports. We also concluded that each agency needs to coordinate its communications to field units so field inspectors are up to date on all new instructions or restrictions. Timely notification of these instructions and restrictions is essential since product quickly moves out of the I-House into U.S. commerce.

Recommendation No. 1:

Centralize communication/coordination with FSIS/APHIS field units on country restrictions and inspection procedures.

Agencies' Response:

The agencies agreed that operational procedures for handling meat and poultry involving both FSIS and APHIS are not well documented. Both FSIS and APHIS will develop a Memorandum of Understanding (MOU) to enhance communications in situations involving animal disease restrictions. The MOU will be completed by December 1, 2001.

OIG Position:

We accept management decision on this recommendation. We believe that the MOU may help to address some future situation, as long as it answers the need for coordination and centralizes communication at the field level in an emergency situation like the recent one involving FMD.

Recommendation No. 2:

Develop a joint APHIS/FSIS procedure that specifically identifies the roles and responsibilities of personnel at the U.S. ports of entry regarding products received from restricted countries. This procedure should detail the required coordination and followup required by the respective APHIS/FSIS field units.

Agencies' Response:

In the response to the official draft report, the agencies agreed to amend their existing Memorandum of Understanding to specifically define the roles and responsibilities of both agencies at the U.S. ports of entry regarding products received from restricted countries. The amended MOU will address the two agencies' respective functional responsibilities and requirements for coordination at Headquarters and in the field. The MOU is scheduled to be completed in December 2001, and instructions will be provided to field personnel by the end of February 2002.

OIG Position:

We accept the agencies' management decision.

Recommendation No. 3:

Coordinate the disposition of the prohibited product at the I-House in Elizabeth, New Jersey.

Agencies' Response:

Both APHIS and FSIS concurred with our finding and recommendation. The prohibited product was destroyed or exported.

OIG Position:

We accept the agencies' management decision.

FINDING NO. 2 - THE DEPARTMENT NEEDS IMPROVED ACCOUNTABILITY AND CONTROL OVER IMPORTED PRODUCT FROM COUNTRIES WITH FMD RESTRICTIONS

Neither APHIS nor FSIS had adequate accountability and control of product from countries with FMD restrictions. This primarily occurred because APHIS did not independently notify FSIS about product entering the United States and could not readily track shipments released to FSIS. APHIS officials acknowledged that their agency was responsible for the control of the product and agreed that there were inadequate controls to ensure proper disposition of the product. Under these circumstances, prohibited product could enter U.S. commerce without either FSIS' or APHIS' knowledge. In one case, 32,000 pounds of imported sheep, beef, and hog casings en route from APHIS to FSIS at Houston were transported instead to a commercial warehouse in San Antonio. After the product was discovered by the broker, FSIS and APHIS inspected the shipment and destroyed over one-sixth of it as unallowable for entry.

We found that neither APHIS nor FSIS had adequate control over product that arrived at ports of entry and was placed on hold. Warehouse management retained control of shipments that were stored in I-Houses, usually in unsecured areas, until they were presented to FSIS for reinspection. Although procedures varied from port to port, we found that at some ports APHIS-PPQ officers did not independently notify FSIS of product entering the United States but rather processed the FSIS Form 9540-1, Import Application and Report, directly with the brokers. At two ports, the warehouses provided the FSIS Form 9540-1 to the FSIS inspectors after receiving them from the brokers, when product was to be reinspected. Until the warehouses presented shipments for reinspection, the FSIS inspectors did not know they were coming. Under these circumstances, product released by APHIS can potentially be diverted, and control over it depends on the relationship and coordination between the warehouse and FSIS.

We noted this condition at I-Houses in New Jersey and Maryland. The FSIS inspector did not have a record (FSIS Form 9540-1) of product released to the I-House by APHIS until it was provided by the warehouse. At the I-Houses, we found mixed shipments in unsecured areas that had been released by APHIS-PPQ to the warehouse. According to APHIS and FSIS instructions, (dated April 17, 2001, and April 23, 2001, respectively) these shipments could be sorted so that only enterable product was presented to FSIS

for reinspection and later moved into U.S. commerce. We found that the remaining (prohibited) portions of the shipments were being held at the I-Houses in unsecured storage and could have easily been mixed with enterable product.

We found other instances in which product had not been properly accounted for and controlled, as noted below.

- During the week of April 30, 2001, we visited FSIS I-Houses in Woodstown and Mullica Hills, New Jersey. We found conditions similar to those in Elizabeth, New Jersey. (See Finding 1.) Sixteen shipments totaling 341,798 pounds of prohibited product from Argentina and Uruguay that arrived at the ports of entry between March 13 and April 27, 2001, were in unsecured storage at the I-Houses. The FSIS inspector in Woodstown, New Jersey, contacted local APHIS officials in late March to attempt to determine how the product should be disposed of. However, an APHIS-PPQ officer did not visit the I-House until April 25, almost a month later, to conduct a joint inventory of the prohibited product with the FSIS inspector. As of May 4, the Woodstown shipments were still in storage at the I-House. The FSIS inspector informed us that disposition of the product would be resolved by the warehouse, the broker, APHIS, and Customs.
- At the request of the FSIS inspectors in Woodstown and Mullica Hills, New Jersey, we visited the I-House in Mullica Hills to review the circumstances surrounding the disposal of two shipments totaling about 15,400 pounds of beef from Argentina that arrived at the I-House in mid-March. We interviewed the warehouse owner who expressed frustration in his attempts to find out how this product should be disposed of. The owner stated he did not want this product at his warehouse and made numerous attempts to contact APHIS officials, to no avail. Therefore, he made the decision in consultation with the broker to ship the product back to Argentina on a vessel that would soon arrive at the port of entry. The FSIS official discovered the product being loaded on a truck and stopped the shipment until the proper APHIS clearance could be obtained. A local APHIS veterinary officer worked quickly with the FSIS inspector to process the required paperwork so that the product could be shipped back. This situation, while controlled by the local FSIS inspector, demonstrates the potential that product could be easily diverted by unscrupulous individuals if not properly controlled by the Department.
- A mixed shipment totaling over 32,000 pounds of sheep, beef, and hog (sausage) casings from Finland, an FMD country, were removed from the Port of Houston and transported to San Antonio, Texas, without authorization. This shipment arrived in Houston on March 12, 2001, and was approved by APHIS for transport to the FSIS I-House on April 23. When APHIS approved the transfer of the shipment to the I-House, they improperly released the hold on the shipment in violation of agency procedures. Because of a lack of coordination between APHIS and FSIS, neither agency was aware that the

product was instead sent to a commercial warehouse in San Antonio. It was not until May 2, 2001, that the broker discovered the error and informed APHIS of the improper transport. APHIS directed the product be returned to Houston. This was subsequently done, and 5,580 pounds out of the 32,000 in the original shipment were determined to be non-enterable and were incinerated. However, because APHIS depends on the brokers to inform FSIS of product on its way to the I-Houses, no controls existed to prevent this shipment from entering commerce within the United States after it left the port facility in Houston.

We notified the agencies of these deficiencies in three management alerts issued on May 1, May 8, and May 24, 2001. Generally both APHIS and FSIS concurred with our findings and took corrective actions in accordance with the recommendations we had made. These actions are noted below.

Recommendation No. 4:

Discontinue the policy of allowing shipments containing both prohibited and enterable product to move from the port to I-House for sorting.

Agencies' Response:

Both APHIS and FSIS concurred there was a need to tighten this procedure. On May 7, 2001, APHIS issued an FMD-Notice which banned the entry of all mixed shipments from FMD-restricted countries effective June 30, 2001.

OIG Position:

We accept management decision on this recommendation.

Recommendation No. 5:

Develop a system that requires the APHIS-PPQ officers to independently transmit a copy of the FSIS Form 9540-1, Import Inspection and Application Report, to the applicable FSIS inspector.

Agencies' Response:

In their response to the official draft report, the agencies stated that they expect to complete the system for communicating Form FSIS 9540-1 to applicable FSIS Inspectors by December 2001. They also stated that FSIS would report all pink juice meat testing results to APHIS since all cooked meats are moving under a cautionary hold.

OIG Position:

We accept the agencies' management decision.

Recommendation No. 6:

Establish a timeframe for disposing of prohibited products disclosed by the planned inventory of shipments being held at the ports.

Agencies' Response:

The inventory of prohibited product has been completed. The results of the inventory and product disposition were included in the agencies' June 25, 2001, summary report to the Secretary's office and OIG.

OIG Position:

We accept the agencies' management decision.

Recommendation No. 7:

Develop controls to identify product that has not been presented for reinspection within a specified timeframe.

Agencies' Response:

In the response to the official draft report, the agencies stated that they would develop requirements and controls for identifying product that has not been presented for reinspection. These controls will incorporate a requirement that APHIS be notified when product has been improperly moved. This process should be completed by March 2002. A decision will also be rendered by June 2002 on whether statutory changes are necessary in the areas of bonding and redelivery authority for APHIS. Additionally, APHIS is initiating review functions to ensure that prohibited meat does not enter the country.

OIG Position:

We accept the agencies' management decision.

FINDING NO. 3 - APHIS' SYSTEM TO TRACK PRODUCTS ON HOLD AT EACH PORT DID NOT RELIABLY ACCOUNT FOR THOSE PRODUCTS

APHIS did not adequately keep track of imports that were on hold and awaiting release from ports. This occurred because port personnel kept manual records of imports; there was no central automated system that controlled imports entering U.S. ports of entry through to the point of disposition, and there was no reconciliation performed between APHIS and FSIS records to ensure that all shipments recorded as having been sent to FSIS I-Houses were identified. As a result, APHIS could not be certain of accurately identifying the amount, type, or location of product on hold at the I-Houses or port container yards; for example, APHIS officials at the port of Houston could not account for 3 of the 14 shipments that their records showed to be on hold as of May 7, 2001.

We conducted physical inventories of product on hold by APHIS at the container yards of the ports we visited, as well as product transported to the FSIS I-Houses for sorting, reinspection, or retention. However, we were unable to ensure that all such shipments were included in the inventories because neither FSIS nor APHIS maintained an adequate system of controls or records to track shipments through to final disposition of the prohibited product. To identify these shipments, APHIS port officials had to conduct a search of manual records. APHIS officials could not demonstrate that they had adequate controls to track and follow up on the disposition of these shipments, and at some ports FSIS would only know that product had been released to them if the broker or warehouse told them.

Officials at the APHIS regional offices stated that there was no centralized recordkeeping system which would allow them to quickly collect information on the number, type, and location of shipments on hold from FMD countries other than to contact the director of each individual port. We, therefore, asked APHIS officials at each port for a listing of products they had on hold with emphasis on those products that were held due to FMD restrictions. Upon our arrival at the ports, we attempted to verify the information provided to us and found that the ports could not readily identify all shipments placed on hold during a given time period or whether shipments sent to FSIS I-Houses while still on APHIS hold were presented for reinspection or tracked to disposition.

For instance, APHIS officials at Houston's maritime port informed us that they had 14 shipments on hold as of the date of our visit, based on a manual review of their records. However, in our preliminary reconciliation, three of these could not be located by the auditors or APHIS officers at either the container yard or the FSIS I-House. The three shipments were meat products totaling 213,385 pounds. Some of these shipments had been on hold since November 2000, prior to the FMD crisis. Such delays can increase the chances of product being improperly moved into commerce. In addition, while at the FSIS I-House, we found another shipment on hold that had not been identified by APHIS in its own search.

As a result of our review, APHIS-PPQ port officials brought in officers from the Investigations and Enforcement Services (IES), to determine the status of the missing shipments. IES officials advised us that two of the three shipments, which had initially arrived at the port in November 2000, were immediately re-exported.

The third missing shipment, 48,525 pounds of meat product (pre-FMD period) from Uruguay, was determined by IES to have been transported from Houston to Los Angeles. IES officials told us that although the shipment was still officially on hold status in Customs' database, the shipping line informed the Houston Port Authority that the hold had been released. According to Customs officials at Houston, unauthorized removals can happen without the knowledge of either APHIS or Customs because the Houston Port Authority depends on the shipping line to inform it when a shipment has received all necessary clearances and may be removed from the port. APHIS needs to assess this control weakness and its impact on APHIS inspection activities. IES is continuing to perform its review to determine how this occurred.

Although it should be possible to trace individual shipments manually, if needed, the sheer volume of manual records and the lack of an automated database would make it impractical to perform tasks such as tracking the status and disposition of all shipments from a country with an identified FMD problem over a period of weeks. Although USDA modified its import restrictions to ban all mixed shipments from countries having FMD, including shipments en route to the United States at the time the ban was declared, mixed shipments from these countries have already been admitted into the United States in significant numbers and may pose a threat of spreading the disease if not properly accounted for and controlled.

These conditions demonstrate the need for APHIS to improve its recordkeeping system to track product being held at the ports. In its response, APHIS officials stated that the agency had requested funding from the Department to develop and implement an automated tracking system that PPQ officers can reference at ports of entry to analyze cargo manifests directly from the Customs database. Such a system would, according to APHIS officials, have the capability of flagging problem areas and items of interest to PPQ.

We reported these deficiencies in our three management alerts issued on May 1, May 8, and May 24, 2001. Generally both APHIS and FSIS concurred with our finding and took corrective actions in accordance with the recommendations we had made. These actions are noted below.

Recommendation No. 8:

Perform an assessment of the controls in place to prevent shipments listed as being on hold in Customs' database from exiting ports of entry without proper authorization. Coordinate with Customs as necessary.

Agencies' Response:

APHIS agreed to assess how this problem occurred and to complete its assessment by the end of the fiscal year. It also agreed to adopt corrective measures to ensure the situation is not repeated.

OIG Position:

We accept management decision on this recommendation.

Recommendation No. 9:

Develop an automated system that provides control and accountability of imports entering U.S. ports of entry through disposition by the respective agencies.

Agencies' Response:

APHIS and FSIS agreed that electronic transmission of information between agencies would enhance communications. Currently, APHIS is developing its Port Information Network Operations (PINOPS) database to track meat and animal product shipments. PINOPS will track the shipment by bill and disposition. It is expected that PINOPS will be fully implemented in about 1 year. Also, APHIS is working on their own system called Automated Manifest System, which is being designed to set up rules that automatically target shipments for holds. Full implementation of the system is anticipated in about 2 years.

OIG Position:

We accept the agencies' management decision.

Recommendation No. 10:

Develop controls that require followup when the broker does not provide requested information lacking on import certificates within specified timeframes.

Agencies' Response:

APHIS has notified PPQ personnel, brokers, and importers that if meat shipments are not submitted for entry with the necessary meat inspection certificates, the shipment is to be refused entry. This action was implemented effective July 1, 2001.

OIG Position:

We accept the agencies' management decision.

Recommendation No. 11:

Require all APHIS ports of entry and FSIS I-Houses to identify the amount, type, and location of all shipments currently on hold, from countries identified as having FMD. This effort should be coordinated between the two agencies.

Agencies' Response:

Both APHIS and FSIS concurred with this recommendation and responded on June 25, 2001, that the inventory had been completed. All shipments recorded as having been sent to the I-Houses have been identified.

OIG Position:

We accept the agencies' management decision on this recommendation.

Recommendation No. 12:

Maintain an audit trail (both APHIS and FSIS) so that the assurances provided in the report on product inventory and disposition can be independently validated by agency compliance officials and/or OIG.

Agencies' Response:

Both APHIS and FSIS concurred with this recommendation. PPQ will maintain records of the inventory, surveillance, and disposition of all meats. Records will document the release of enterable products and the destruction or return of prohibited products to the country of origin.

OIG Position:

We accept the agencies' management decision on this recommendation.

Recommendation No. 13:

Perform reconciliations between APHIS and FSIS records to ensure that all shipments recorded as having been sent to FSIS I-Houses are identified as part of the inventory process. This process should include shipments from restricted countries going back to the beginning of the current FMD outbreak, including those no longer on hold at the I-Houses.

Agencies' Response:

FSIS compiled an inventory from some of the I-Houses holding products from countries with FMD, and APHIS is continuing the inventory of the remaining I-Houses. APHIS will investigate any discrepancies to ensure records are reconciled.

OIG Position:

We accept the agencies' management decision on this recommendation.

Recommendation No. 14:

Resolve the status of the missing third shipment of meat products at the port of Houston.

Agencies' Response:

APHIS' IES found that the missing third shipment had been shipped to Los Angeles but has not yet determined the circumstances that caused this to occur. IES is continuing its review.

OIG Position:

We accept the agencies' management decision on this recommendation.

Recommendation No. 15:

Provide a weekly joint report to the Acting Under Secretary and the Inspector General on the status and disposition of prohibited product from restricted countries.

Agencies' Response:

APHIS and FSIS submitted an initial summary report on June 25, 2001, and agreed to provide semiannual updates until June 2002, unless results warrant a longer reporting period. A memo of explanation for terminating this reporting will be provided to OIG.

OIG Position:

We accept the agencies' management decision.

FINDING NO. 4 - NOT ALL RESTRICTED PRODUCTS HAVE BEEN REFUSED ENTRY

APHIS approved prohibited meat products for entry into the United States. This occurred because APHIS personnel did not thoroughly review import certificates that showed restricted dates. As a result, this prohibited product could have entered U.S. commerce if it had not been identified and held by the FSIS import inspector.

APHIS personnel at Baltimore, Maryland, allowed eight shipments of pork loin ribs from Denmark totaling 122,670 pounds to be moved on hold to the FSIS I-House in Jessup, Maryland, even though the product in these shipments was entirely produced after the restriction date. This product should have been refused entry because the health certificates for these shipments clearly showed the product was produced from

February 21, 2001, to March 16, 2001. On March 13, 2001, APHIS instructed its personnel to restrict pork and pork products from Denmark produced after February 19, 2001.

APHIS port personnel could not explain why this product was not refused entry as it should have been under APHIS procedures. These shipments were processed by APHIS between April 6 and April 19, 2001.

We notified APHIS of this condition in our management alert issued on May 24, 2001. However, on May 25, 2001, USDA removed import restrictions on European countries determined to be free of FMD. Meat products from these countries, which had been on hold, were eligible to be released.

Recommendation No. 16:

Require APHIS personnel to thoroughly review the documentation associated with shipments received from FMD-affected countries to ensure that prohibited product is refused entry, when appropriate.

Agencies' Response:

APHIS is examining the documentation. The results of the review will be included in the summary report to the Under Secretary which was to be issued on June 25, 2001.

OIG Position:

We accept APHIS' management decision.

Recommendation No 17:

Determine whether APHIS should refuse entry on the 122,670 pounds of pork loin ribs from Denmark at I-House No. 158.

Agencies' Response:

APHIS has determined that the product is now releasable because the Department has found Denmark to be FMD-free.

OIG Position:

We accept APHIS' management decision on this recommendation.

CONCLUSIONS AND REQUIRED AGENCY ACTIONS:

We accept your management decisions on all recommendations. The Office of the Chief Financial Officer (OCFO), U. S. Department of Agriculture, has responsibility for monitoring and tracking final action for the findings and recommendations. Please note that final action on the findings and recommendations should be completed within 1 year of each management decision. Follow your agency's internal procedures in forwarding final action correspondence to OCFO.

We appreciate the assistance and cooperation of your staffs during our audit.

/s/

ROGER C. VIADERO
Inspector General

-Attachment

ATTACHMENT - AGENCIES' RESPONSE TO THE DRAFT REPORT



United States
Department of
Agriculture

Food Safety
and Inspection
Service

Washington, D.C.
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JUL 17 2001

TO: Roger C. Viadero
Inspector General

FROM: Craig A. Reed
Administrator
Animal and Plant Health Inspection Service

Thomas J. Billy
Administrator
Food Safety and Inspection Service

SUBJECT: Animal and Plant Health Inspection Service (APHIS) and Food Safety and Inspection Service (FSIS) Response to the Office of Inspector General (OIG) Assessment Inspection Activities to Prevent the Entry of Foot Mouth Disease Into the United States, dated June 22, 2001

Thank you for bringing the subject issues to our attention. As you are aware, we have positively addressed many of the issues that you raised in recent management alerts. APHIS and FSIS are providing a supplemental response for those recommendations that did not achieve management decision.

1. **OIG Recommendation 2:**

Develop a joint APHIS/FSIS procedure that specifically identifies the roles and responsibilities of personnel at the U.S. ports of entry regarding products received from restricted countries. The procedure should detail the required coordination and follow-up required by the respective APHIS/FSIS field units.

OIG Position:

To reach management decision, APHIS and FSIS need to provide a further response providing details on their plans, including timeframes, to issue the recommended joint procedure.

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Supplemental Response:

APHIS and FSIS will amend our existing Memorandum of Understanding (MOU) to specifically define the roles and responsibilities of both agencies at the U.S. ports of entry regarding products received from restricted countries. The amended MOU will address our respective functional responsibilities and requirements for coordination at Headquarters and in the field. The MOU is scheduled to be completed in December 2001. Instructions will be provided to field personnel on this matter by the end of February 2002.

2. OIG Recommendation No. 5:

Develop a system that requires the APHIS-PPQ officers to independently transmit a copy of the FSIS 9540-1, Import Inspection and Application Report, to the applicable FSIS inspector.

OIG Position:

To reach management decision, APHIS needs to provide a timeframe for initiating the requirement that APHIS-PPQ officers at the ports will provide the form to the inspectors.

Supplemental Response:

APHIS and FSIS expect to complete the system for communicating form FSIS 9540-1 to applicable FSIS inspectors by December 2001. The FSIS 9540 will be sent to applicable FSIS inspectors. FSIS will report all pink meat juice testing results to APHIS. PPQ needs to be informed of pink meat juice test, as cooked meats are moving under a cautionary hold.

3. OIG Recommendation No. 7:

Develop controls to identify product that has not been presented for re-inspection within a specified timeframe.

OIG Position:

We cannot accept management decision on this recommendation. While we agree that the Customs bond provides a deterrent to the removal of product, it cannot do so in the absence of an accountability system that informs APHIS when product has been improperly moved. The sausage castings at Houston were apparently moved to San Antonio by accident, and it was in fact the broker who discovered the mistake and informed APHIS; however, during the intervening time, this product could potentially have entered commerce. Also, at Houston, APHIS routinely removes its hold on shipments when they are placed en route to an I-House. In such instances, APHIS would have no grounds to ask Customs to take action to enforce the bond.

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Supplemental Response:

APHIS and FSIS will develop requirements and controls for identifying product that has not been presented for re-inspection. These controls will incorporate a requirement that APHIS be notified when product has been improperly moved. This process should be completed by March 2002. A decision will be rendered by June 2002 whether statutory changes are necessary in the areas of bonding and redelivery authority for APHIS. Additionally, APHIS is initiating auditing functions to ensure prohibited meat products do not enter the country.

4. OIG Recommendation No. 9:

Develop an automated system that provides control and accountability of imports entering U.S. ports of entry through disposition by the respective agencies.

OIG Position:

To reach a management decision, the agencies need to provide an additional response updating us on the plans, including timeframes, for implementing the automated system.

Supplemental Response:

APHIS and FSIS agree that electronic transmission of information between Agencies would enhance communications. Currently, APHIS is developing its Port Information Network Operations (PINOPS) database to track meat and animal product shipments. PINOPS will track the shipment by bill and disposition. It is expected that PINOPS will be fully implemented in about one year. Also, APHIS is working on a system called Automated Manifest System (AMS). This system is being designed to set up rules that automatically target shipments for holds. Full implementation of the system is anticipated in about two years.

5. OIG Recommendation No. 10:

Develop controls that require follow-up when the broker does not provide requested information lacking on import certificates within specified timeframes.

OIG Position:

We cannot reach management decision because the response did not fully address the problem noted in the finding. As illustrated by the situation in Houston, shipments which remain on hold at the port for extended periods of time are susceptible to being moved without authorization. The fact that one shipment was transported from Houston to Los Angeles without the knowledge

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of PPQ personnel clearly illustrates the loss of control that can occur without periodic follow-up to verify the status of such shipments. It also underscores the need for APHIS to ensure that importers provide missing documentation within required timeframes. To reach a management decision, APHIS and FSIS need to provide a response, including timeframes for implementation, which addresses this control deficiency.

Supplemental Response:

APHIS has notified PPQ personnel, brokers, and importers that if meat shipments are not submitted for entry with the necessary meat inspection certificates, the shipment is to be refused entry. This action was implemented effective July 1, 2001. This information was provided in the summary report dated June 25, 2001.

6. OIG Recommendation No. 15:

Provide a weekly joint report to the Acting Under Secretary and the Inspector General on the status and disposition of prohibited product from restricted countries.

OIG Position:

To reach management decision on this recommendation, the agencies need to specify a timeframe for periodically issuing follow-up reports.

Supplemental Response:

A semiannual update of the summary report will be provided until June 2002, unless results warrant a longer reporting period. A memorandum of explanation for terminating this reporting will be provided to the OIG.

If you have any questions, please have your staff contact Mr. William J. Hudnall, APHIS at (202) 720-5213 or Vincent Fayne, FSIS at (202) 720-4425.

cc:

J. Hogan, FS

B. Hawks, MRP-BS