



United States Department of Agriculture
Office of Inspector General





FSIS' and AMS' Field-Level Workforce Challenges

Audit Report 50601-0002-31

What Were OIG's Objectives

Our overall objective was to determine if AMS' and FSIS' methods of compensating for a limited workforce, including succession planning, maximized staff resources for inspectors and graders and did not adversely affect program delivery at Federally-inspected plants.

What OIG Reviewed

We interviewed numerous AMS and FSIS officials, supervisors, and field personnel, observed operations for both agencies at slaughter or processing establishments, and analyzed data and reports related to either AMS grading or field personnel time charges from both agencies.

What OIG Recommends

We recommended that both AMS and FSIS improve how they manage overtime and billing of industry, plan for workplace succession, and cross-utilize each other's human capital resources. For AMS, we recommended that it take steps to improve its camera grading system and make the system transparent to the public.

OIG reviewed how FSIS and AMS manage their workforces—employees responsible for inspecting and grading food products—at a time when restricted budgets may impair the agencies' ability to carry out their missions.

What OIG Found

The Office of Inspector General (OIG) found that the Food Safety and Inspection Service (FSIS) and the Agricultural Marketing Service (AMS) generally managed their workforces effectively, but improvements were needed. OIG found that FSIS inspectors often worked far more hours than their AMS colleagues, a situation that could impair food safety. Both agencies could improve how they monitor or bill industry for their services. FSIS could not adequately reconcile reimbursable overtime charges to industry with the overtime recorded by field staff in its timekeeping system, which could potentially have resulted in up to an estimated \$10.6 million in under-billed overtime and up to an estimated \$4.7 million in overcharges to industry. AMS was unable to charge industry up to an estimated \$40,000 in monthly interest on overdue accounts.

Recently, AMS has allowed some beef plants to use an automated, camera-based system for grading meat. While the cameras can help AMS use its staff efficiently, we question if the new system was established in a way that is objective and transparent to all stakeholders. Additionally, both AMS and FSIS could also work to improve their succession planning to better reflect the best practices of the Federal government. Since AMS graders and FSIS inspectors often work in the same plants, the two agencies have a memorandum of understanding in place to cross-utilize their personnel. We found the agreement was out-of-date and needed to be revisited. The agencies generally agreed with our recommendations, and we were able to reach management decision on all recommendations.



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Office of Inspector General
Washington, D.C. 20250



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TO: Alfred V. Almanza
Administrator
Food Safety and Inspection Service
ATTN: Joseph L. Garcia

Anne L. Alonzo
Administrator
Agricultural Marketing Service
ATTN: Frank Woods

FROM: Gil H. Harden
Assistant Inspector General for Audit

SUBJECT: FSIS' and AMS' Field-Level Workforce Challenges

This report presents the results of the subject audit. Your written responses to the official draft report (dated July 09, 2013, and July 11, 2013, respectively) are included, in their entirety, at the end of this report. Your responses and the Office of Inspector General's position are incorporated into the relevant sections of the report. Based on your written responses, we are accepting your management decisions for all audit recommendations in the report, and no further response to this office is necessary.

In accordance with Departmental Regulation 1720-1, final action needs to be taken within 1 year of each management decision to prevent being listed in the Department's annual Agency Financial Report. Please follow your internal agency procedures in forwarding final action correspondence to OCFO.

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

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Background and Objectives

Background

The mission of the Department of Agriculture's (USDA) Agricultural Marketing Service (AMS) is to facilitate the competitive and efficient marketing of agricultural products. During 2012, AMS employed over 2,100 individuals and provided grading services of various types in over 1,000 establishments. A total of 20.1 billion pounds of red meat (beef, lamb, veal, and calf) were graded by AMS, which represents approximately 95 percent of the steers and heifers slaughtered in the United States (U.S.).

The Food Safety and Inspection Service (FSIS) is the public health regulatory agency of USDA. As such, the agency protects consumers by ensuring that meat, poultry, and egg products are safe, wholesome, and accurately labeled. Thousands of FSIS employees in about 6,200 Federally-inspected establishments verify that the processing of tens of billions of pounds of red meat and poultry and billions of pounds of liquid egg products comply with statutory requirements.

As with most Government agencies, these two agencies, while often servicing the same establishments, have unique workforce challenges that they face, due to increasing budget constraints. The Office of Inspector General (OIG) initiated this audit when we became aware of potential concerns related to the ability of USDA's in-plant workers to effectively carry out their mission.

FSIS' and AMS' Time and Billing Systems

FSIS provides inspection services to establishments with up to eight consecutive hours per shift, without charge, during a basic (40 hour) work week. FSIS also provides reimbursable overtime inspection for activities that require inspection outside its basic work week. The establishments fully reimburse FSIS for the inspectors' overtime that the establishments request, which FSIS calls reimbursable overtime. FSIS requires the requesting establishment to pay FSIS the amounts owed within 30 days, at which point the account becomes delinquent. Once an account becomes delinquent, FSIS has the option to no longer provide overtime inspection to the establishment.

Several factors ensure that FSIS inspectors' time and overtime are recorded and paid. According to the National Finance Center (NFC), an inspector's time must be entered, validated, and certified by the first Tuesday of the following pay period. FSIS directives also require any hours worked in reimbursable or voluntary activities to be recorded on FSIS Form 5110-1 (5110) for billing of the service.¹ The WebTA Phase 2 agreement between FSIS and the inspectors' union² states that, in order for inspectors to enter their own time in the WebTA,³ they must have their

¹ FSIS Directive 3530.4, Time and Attendance Reporting.

² National Joint Council of Food Inspection Locals, American Federation of Government Employees AFL-CIO.

³ WebTA is a web-based employee time tracking, attendance, and labor management solution designed exclusively for the Federal Government.

own computer with a consistent internet connection, and the inspector must be a grade 8 or above. Also, FSIS requires the original paper billing document, the 5110, to be mailed to FSIS' Financial Services Center (FSC) for all inspectors, regardless of grade. Each pay period, FSC manually enters over 5,000 Time and Attendance Reports (T&A) into WebTA and over 10,000 of the 5110s into their Feebill system.⁴ Once a month, the hours in Feebill are summarized by establishment and uploaded to the Financial Management Modernization Initiative (FMMI) accounting system for billing.⁵ To help in alleviating the burdensome manual re-entry of the inspectors' time, FSIS requested and received \$4 million in its Fiscal Year (FY) 2013 budget to study installing new time clocks to ensure accurate and direct recording of inspector time.

For AMS, its overtime policy only allows for its graders to work pre-approved overtime. AMS Grading and Verification Division's (GVD) instruction states that when overtime is approved, graders are not to work more than 10 hours in a single day, except in extreme emergencies.⁶ The instruction also notes that those graders working excessive hours risk becoming overworked and having their performance suffer. AMS services are "fee-for-service," meaning plants can request AMS grading services, but it is not required, and it is the prerogative of the establishment if they desire AMS services. Therefore, AMS charges establishments each month for the AMS graders' full time (regular time and overtime) for the prior month's services and requires payment when the bill is received.

AMS graders enter their time directly into both WebTA and their GVD's billing system, known as the Conformance Assessment Management System (CAMS). CAMS houses all the information needed to determine the rate to charge the establishments. On a monthly basis, the CAMS data are summarized for each establishment and uploaded to FMMI, where the bill for the graders' time is created and sent to the establishments. The establishments then have until the 25th day of the month in which the bill was sent to pay the full amount. According to GVD draft procedures, when an account becomes 61 days delinquent, the establishments are to be denied all grading and verification services.⁷

In order to reduce redundancy in Government, both AMS and FSIS have turned over their debt management and collections to the Animal and Plant Health Inspection Service (APHIS). APHIS is responsible for collecting money for both agencies and posting those collections in the financial system. APHIS is also responsible for debt collection on accounts more than 90 days overdue.

AMS Grading Services

The U.S. standards for grades of carcass beef were formulated in 1926 and inaugural grading operations were conducted in early 1927. These services provided the basis for uniformly reporting the quality of beef, according to grade, across the entire beef industry. The official

⁴ Feebill is an FSIS database that houses their billing information, such as Plant, Document Number, Hours, Dollars, and Program Code prior to billing the establishments.

⁵ In October of 2009, USDA agencies began switching accounting systems from the Foundation Financial Information System to FMMI. FSIS made the switch in June 2010 and AMS in October 2011.

⁶ Grading and Verification Division Instruction 100.

⁷ Grading and Verification Division Draft Instruction 1491.

U.S. standards for grades of beef carcasses were promulgated under the Agricultural Marketing Act of 1946,⁸ as amended, and related authority in the annual appropriation acts for USDA. Since their early days, grading specifications have evolved and improved, as experts continually increased their understanding of the many factors that affect beef quality.

AMS offers beef grading services to industry for yield and quality grades on a fee-for-service basis. Quality grades identify factors that affect the palatability or eating quality characteristics (i.e., tenderness, juiciness, and flavor) of meat and stratify carcasses into smaller, more homogeneous groupings through the use of grades such as USDA Prime, USDA Choice, and USDA Select. Yield grades, which are not as well known to the public, allow vendors to know how much lean muscle could be expected from an individual carcass.⁹

AMS graders must make numerous decisions in a short amount of time to properly apply these grades. For example, graders must consider such things as fat and fat marbling, color, age, and the rib eye area to determine the appropriate quality and yield grades. In the past, despite AMS' efforts to have a highly trained staff, this process was not as consistent as the agency wanted. The Government Accountability Office performed a review of AMS' grading activities in 1978 and determined that grading lacked consistency from one section of the country to another. The report recommended research into developing instrumentation that could accurately measure beef carcass characteristics, establish grading accuracy standards, and improve management programs.¹⁰ As a result, AMS began researching and developing instruments, which currently has resulted in an electronic imaging device that can measure certain characteristics of the carcass' rib eye¹¹ and determine several "scores" for that particular carcass. The most notable score is the "marbling score," which looks at certain characteristics, such as the fat marbling (or the concentration of white flecks of fat) to determine which USDA grading category the carcass belongs to. Beef carcass grades are classified by 10 degrees of marbling, ranging from the lowest—practically devoid, to the highest—very abundant. For more accurate and consistent evaluation and correlation purposes, since 1975, each degree of marbling is further delineated into 100 marbling points from 100 to 11,000. Minimum Prime is 700, minimum Choice is 400, and minimum Select is 300.

Electronic instrument grade augmentation was formally implemented in September 2009, which gave slaughter plants the option to purchase and use cameras or choose traditional (manual) AMS grading. These cameras provide the plants with several types of data for their own use; however, AMS uses the beef carcass marbling scores to assist in determining the official quality grade of beef carcasses. Currently, AMS has approved the use of camera grading systems from two equipment manufacturers. These instruments were used for official grading in 2011 in ten

⁸ 60 Stat. 1087; 7 U.S.C. 1621-1627.

⁹ Industry requests for AMS yield grading have decreased in recent years; therefore, for the purpose of this audit, OIG did not consider the effects of yield grading on the AMS workforce.

¹⁰ *Department of Agriculture's Beef Grading: Accuracy and Uniformity Need to Be Improved*, CED 78-141, July 21, 1978.

¹¹ At both traditional and camera grading establishments, a plant employee slices the carcass between the 12th and 13th rib to expose rib eye for grading purposes.

slaughter plants to assist in grading operations for approximately 40 percent of the beef carcasses graded each day by USDA.¹²

In the plants that officially use instrument grading systems, AMS meat graders provide the in-plant, day-to-day, carcass-to-carcass oversight to verify the accuracy of electronic outputs and proper instrument operation. AMS officials stated that they currently have a pilot program involving the use of cameras for grading that could lead to reducing their overall staffing needs. In the future, AMS is open to additional plants using the camera grading system, and the agency would like to see traditional graders operate more as quality control reviewers of the cameras' operations, and ultimately reduce the number of Federal graders in multi-grader plants. It is important to note that the grading instrument can only predict or measure some, but not all, of the specific carcass attributes necessary for a final grade determination. The instrument grading makes the AMS graders' activities more efficient; however, it will not eliminate the need for these highly trained and skilled employees. For example, AMS graders currently must determine maturity, class, and other quality grade attributes that cannot be assessed by the electronic equipment, and which are necessary to determine a final grade.

Succession Planning

Congress recognized the importance of succession management when it passed the Federal Workforce Flexibility Act of 2004. This Act requires the establishment of a comprehensive management succession program for developing future managers and agency leadership. The program should involve the development of a competent succession plan that would assure an agency has a systematic approach to develop and promote diverse, well-prepared individuals for future leadership roles. For the benefit of an agency's future, the plan should address how the agency intends to meet the challenge of passing on to its workforce the skills, knowledge, abilities, and other dynamic characteristics leadership roles demand. The Office of Personnel Management (OPM) has developed the following steps for agencies to consider as they implement a successful succession planning process:¹³

1. Establish Strategic Alignment—the plan should support the agency's mission;
2. Identify Succession Targets and Talent Pool—the plan should identify competency gaps and deficiencies, including current and future competency needs and losses due to voluntary attrition;
3. Develop a Succession Management Plan—the plan should ensure that first-line supervisors have the competencies to direct the day-to-day work of the agency;
4. Implement a Succession Management Plan—the plan should hold people accountable for performance results and meeting their commitments; and
5. Evaluate Succession Strategies—the plan should ensure results are used to improve human capital programs and the human capital accountability system.

¹² Currently there are only nine establishments officially using cameras for grading. A tenth establishment closed in February 2013. Other establishments choose to use instrument grading systems for unofficial purposes, such as gathering production data, but AMS officials are not to use the data from these systems for grading assistance.

¹³ OPM, *A Guide to the Strategic Leadership Succession Management Model*, March 2009.

FSIS and AMS Cross-Utilization of Staff

In 1982, FSIS and AMS entered into a Memorandum of Understanding (MOU) to set forth policy concerning cross-utilization of employees between the two agencies. The two agencies originally designed cross-utilization to provide efficient and effective use of their workforce, especially at facilities where the demand for personnel from both agencies was not needed. The MOU would allow for cross-trained inspectors or graders to provide services for the other agency in lieu of assigning additional personnel.

Objectives

Our overall objective was to determine if USDA's methods of compensating for a limited workforce, including succession planning, maximized staff resources for its inspectors and graders and did not adversely affect program delivery at Federally-inspected plants. Specifically, we evaluated whether: (1) overtime hours were justified and if the agencies properly recorded and charged industry for these additional costs, (2) AMS properly employed grading imaging software to maximize staffing resources, and (3) FSIS and AMS fully explored opportunities to cross-utilize their staffs.

Section 1: Overtime Management

Finding 1: FSIS Needs to Better Manage and Bill Overtime Hours Worked by Inspectors

Despite the argument that overworked employees are more likely to commit errors, some FSIS inspectors are working many hours above a normal 80 hour per two-week pay period—more than 400 of FSIS’ approximately 10,000 inspectors averaged more than 120 hours each pay period for the entire FY 2012. Our analysis showed that 1 inspector averaged 179 hours, 3 inspectors averaged over 160 hours, and 14 averaged over 150 hours. When OIG brought this issue to the attention of FSIS officials, they stated that they were unaware of this fact, and doubted that this extended overtime would negatively affect the agency’s inspectors. In addition, due to FSIS’ outdated systems that require manual data entry processes, FSIS cannot efficiently reconcile the hours of overtime billed to industry to the overtime hours recorded in its timekeeping system. Officials explained that, although FSIS has set limits on the number of hours an inspector can work in one day, FSIS has not limited inspectors working overtime hours for extended periods of time. OIG maintains that overworked FSIS inspectors may be risking their own and the public’s health, especially if they are tired or fatigued while performing crucial food safety-related tasks. Additionally, industry should be properly billed for inspection services performed during overtime hours.

According to the Occupational Health and Safety Administration, extended or unusual work shifts may be stressful physically, mentally, and emotionally. These effects lead to an increased risk of operator error, injuries, or accidents. Federal regulations state that Departments, such as USDA, shall schedule the basic work week so as to consist of five consecutive 8-hour days, although the Department may depart from the basic work week in those cases where maintaining such a schedule would seriously handicap the Department in carrying out its function.¹⁴

Reducing Excess Overtime

Many studies, including those detailed in a report by the Centers for Disease Control and Prevention,¹⁵ have shown that not only is working long hours detrimental to the health and well-being of employees, but that it decreases employee productivity while on the job. The FSIS union contract stipulates that field inspectors are generally not to work more than 10 or 12 hours in one day, depending on their duties. However, we found that some inspectors are working these hours six and even seven days a week. Because of these extended hours, OIG believes FSIS inspectors could have decreased productivity, which might impair their ability to perform functions that are critical to public food safety.

¹⁴ 9 CFR 307.4c.

¹⁵ *Overtime and Extended Work Shifts: Recent Findings on Illnesses, Injuries, and Health Behaviors*, published by the Department of Health and Human Services, Centers for Disease Control and Prevention, National Institute for Occupational Safety and Health.

We note that AMS does not allow its graders, who are exposed to the same type of plant environment and working conditions as FSIS inspectors, to work excessive hours.¹⁶ From our analysis of the same time period for AMS, we found that the most any grader averaged working in a pay period was nearly 95 hours. In contrast, our analysis showed that almost 2,600 FSIS inspectors averaged working over 95 hours in a pay period. OIG maintains that since FSIS inspectors are concerned with ensuring food safety, it makes sense not to require them to work longer hours than AMS graders, whose responsibilities pertain primarily to enabling commerce.

When we spoke to FSIS officials about the long hours some of their inspectors are working, they stated that they were not aware inspectors were working such long hours each pay period. While the FSIS officials disagreed that the hours were affecting their field staff's work, they stated that they needed to better understand the effects of these long hours on their employees. If the results of their inquiry into this issue, based on our audit work, shows that employee fatigue was contributing to worker problems, they would be willing to make changes.

Additionally, we interviewed 19 inspectors (both union and non-union) who averaged more than 120 hours of work during a pay period. Five inspectors, all of them non-union, stated that they do not like working as much overtime as they do and approached their supervisors about working fewer hours—all five were told they had no option but to work the hours. The other 14 inspectors (both union and non-union) stated that they knew how long the hours would be when they took the job, and they liked working the hours or they liked the compensation that comes with working the hours.

Billing Reimbursable Overtime

When we reviewed how FSIS was billing industry for reimbursable overtime, we found that the agency can improve how it collects and records its field-level inspectors' time, and how it bills and collects revenue from industry. Based on union agreements or limited access to computers, many FSIS field inspectors are required to manually prepare and mail timesheet forms to account for their time, instead of being allowed to enter their time directly into WebTA.¹⁷ Additionally, manual FSIS form 5110s are prepared and mailed by all inspectors to initiate the billing process for the reimbursable overtime. Both the inspectors' timesheet and the 5110 are sent to the FSIS FSC, where the forms are manually entered into either WebTA or the FSIS Feebill system. Because FSIS does not have an automated system that all its field-level inspectors can use for timekeeping and recording purposes, the FSC staff must process over 5,000 timesheets into WebTA and over 10,000 billing documents into Feebill every pay period.

Because of staffing limitations due to manual data entry and other problems, FSIS does not have the resources to perform an efficient reconciliation between the hours entered

¹⁶ Although AMS graders and FSIS inspectors have different work requirements, both agencies' personnel work in industrial slaughter and processing conditions.

¹⁷ The union's agreement with FSIS requires that some FSIS inspectors use manually prepared forms to record their time.

into WebTA and Feebill, which caused OIG to question the propriety of the overtime amounts billed to industry or the employee time charges. Using the data¹⁸ available to FSIS at the time of our review, we did an hour-to-hour analysis of the employee time charge hours, compared to those billed to industry, for fiscal years (FY) 2011 and 2012. Our analysis showed that for the two fiscal years, over 162,000 hours originally recorded in WebTA could not be accounted for as being billed in Feebill, which means that the agency potentially did not bill industry for up to an estimated \$10.6 million. Additionally, our analysis showed that during the same time period, over 72,000 hours recorded in Feebill could not be accounted for in the original WebTA data, which means that the agency potentially overbilled industry up to an estimated \$4.7 million.¹⁹ This analysis makes the assumption that the WebTA data are correct when, in fact, the WebTA data could be incorrect, meaning the hours representing the field-level staffs' time would be in error. Compounding the problem with reconciling the two systems is the fact that the form 5110 does not have a deadline for its submission; whereas the WebTA hours must be submitted for each pay period. This means a form 5110 could arrive at the FSC weeks and months after the corresponding WebTA hours were submitted.

After we issued this report in draft to FSIS, agency officials provided to OIG the results of their own review in which they analyzed data from 1 pay period in FY 2013 (pay period 25). FSIS concluded from this analysis that the net effect of this pay period showed a potential of FSIS underbilling industry about \$1 million annually for inspectors' overtime. We did not receive the original data supporting the FSIS review, which limited our ability to timely analyze the data and, therefore, we do not draw any conclusions about their review.

When we presented the significant inconsistencies between the two systems and asked the FSIS officials about potential hour-by-hour reconciliation, we were told that the FSC staff were already working at capacity and the amount of detailed work necessary to determine which system had the error would be too much for the FSC staff to undertake at their current staffing level. OIG believes this is also an indicator that FSIS needs an updated automated system that would allow field staff to input their time and possibly generate the corresponding billing.

¹⁸ According to FSIS officials, the time and billing data we received were from FSIS internal databases and contain uncorrected data. The officials stated that corrections to time charges are made directly in WebTA and are not made in the internal database of WebTA data that we received, and when billing corrections are made, they are made directly in FMMI and not in Feebill. In order for FSIS to do an accurate hour by hour analysis, they would also have to make time and billing corrections to their internal databases. However, FSIS uses these databases for their own variance analysis, so we believe comparing databases is reasonable.

¹⁹ Our analysis of each fiscal year's data showed the following: (1) for the estimated amounts potentially not billed to industry, we calculated \$5 million in FY 2011 and \$5.6 million in FY 2012 for over 80,000 and 82,000 hours (respectively) recorded in WebTA that were not accounted for in Feebill (we estimated the combined total equaled \$10.6 million); (2) for the estimated amounts potentially overbilled to industry, we calculated \$2.4 million in FY 2011 and \$2.3 million in FY 2012 for over 37,000 and 35,000 hours (respectively) recorded in Feebill that were not accounted for in WebTA (we estimated the combined total equaled \$4.7 million). However, the data system, WebTA, does not include plant identifiers; therefore, some of these amounts could be offset in calculating the effect on the amount owed or due to a given plant.

FSIS officials stated that they were looking for ways to automate this cumbersome, manual system. In the 2013 budget, FSIS asked for and received \$4 million to begin the evaluation process for an automated system, which the field inspectors could use and would more precisely collect and record their time. We believe that an automated system would be more efficient and could result in additional savings for the agency and potentially the industry.

Although FSIS does not reconcile the WebTA hours with the Feebill data on an hour-by-hour basis, it has begun a validation check to monitor that FSC receives a corresponding form 5110 billing document when an inspector charges reimbursable overtime in WebTA. This validation check began as a result of the agency's own internal audit for FY 2011, which looked at the prevalence of significant variances in financial records for reimbursables and the amount of unrecognized receivables. Because of the new validation check, FSIS determined there were \$1.1 million in missing form 5110s that did not get billed to industry in FY 2012. OIG notes that the validation check is only designed to identify when a form 5110 is not received when reimbursable overtime is charged. The validation check is not designed to compare reimbursable overtime hours charged to the amount of hours charged on the form 5110.

Finally, we noted that, since FSIS bills industry for overtime, the agency is often forced to collect overdue payments. At present, APHIS performs debt servicing for FSIS; however, APHIS employees do not have access to some FSIS systems they need to properly service the debts because they are on different computer networks.²⁰ Without access to FSIS systems, APHIS cannot monitor the status of the accounts. We spoke to the FSIS Chief Information Officer (CIO) about this problem, and he stated that FSIS was looking into how APHIS employees could be given access to the relevant systems. Overall, FSIS officials were receptive to ways to increase the efficiency with which they billed industry for overtime hours.

OIG concluded that FSIS needs to better manage the overtime hours its inspectors work, so that FSIS employees are not working hours that may impair their ability to perform their critical food safety responsibilities. When inspectors do work overtime, the agency should develop automated tools to ensure that the agency is collecting the agreed upon reimbursement from industry and to improve efficiencies in both its timekeeping and debt servicing operations.

Recommendations to the Administrator of FSIS:

Recommendation 1

Conduct an internal review of the safeguards FSIS currently has in place that limit the number of overtime hours an inspector is required to work and determine their effectiveness. Using available data and studies (for example, publications from the Occupational Health and Safety Administration and the Centers for Disease Control), perform an analysis to determine how

²⁰ APHIS employees stated that they need access to data, such as vendor lists, bills, and accounts receivable tracking in order to service FSIS debt properly.

many hours field staff can reasonably be expected to work for an extended period of time, while still maintaining appropriate mental and physical acuity. Implement any additional safeguards that are identified by the review and analysis of available information on the effects of working excessive hours, and in conjunction with the inspectors' union, take appropriate action to set limitations on extended overtime hours.

Agency Response

FSIS agrees to conduct an internal review to examine the management controls in place to address excessive overtime hours or to approve exceptions to the limits in the Labor Management Agreement. The outcome of this review of the control process will determine if an internal audit should be conducted to include effects of extended hours of work when reviewing employee fitness for duty. It is important to note that while FSIS makes efforts to provide inspection program personnel with sufficient relief from overtime work, if overtime is required, it is the responsibility of the employee covering the assignment (per the current Labor Management Agreement). In addition, in certain situations, the agency must make exceptions to overtime limits in order to meet its statutory obligations.

In response to this recommendation, FSIS' Accounts Payable Management Branch at the FSC has generated overtime reports for each pay period beginning with 2013 Pay Period 09, which include employees who posted over 56 overtime hours in a pay period. These overtime reports are sent to all District Managers, Deputy District Managers, and Supervisory Resource Management Analysts for their oversight and regular review. In addition, procedures will be developed for these managers to provide the appropriate action to take, within the limitations of the Labor Management Agreement, in an effort to address excessive overtime hours worked in a pay period. FSIS expects to complete its review by March 14, 2014.

OIG Position

We accept management decision for this recommendation.

Recommendation 2

Determine the best method to better automate or facilitate the function of the Financial Services Center so that it can perform all necessary reconciliations of FSIS' time and attendance reporting system to its system for billing overtime to ensure industry is accurately billed for inspection services.

Agency Response

FSIS agrees with the recommendation. The agency has made a determination to use, and is in process of implementing, the Actual Time Automation (ATA), which is an initiative that will perform all necessary reconciliations of the FSIS' time and attendance reporting system to its system for billing overtime to ensure industry is accurately billed for inspection services. The determination to use this system was provided to OIG in the FSIS response dated July 2013.

OIG Position

We accept management decision for this recommendation.

Recommendation 3

Reconcile unexplained discrepancies, of up to an estimated \$10.6 million, in employee overtime hours recorded that were potentially not billed to industry for FY 2011 and 2012; and establish receivables for any valid payments owed to FSIS.

Agency Response

FSIS agrees to bill industry for collection of the reimbursable inspection charges already identified for FY 2012, but reconciling and identifying potential hour-by-hour discrepancies for under billing industry during FY 2011 and 2012 is not a viable option because FSIS does not have the necessary supporting documentation to validate and produce a legitimate billing statement. FSIS will complete billing tasks associated with FSIS' reconciliation process and implement WebTA enhancements and the paperless billing solution by July 31, 2014.

OIG Position

We accept management decision for this recommendation.

Recommendation 4

Reconcile unexplained discrepancies, of up to an estimated \$4.7 million, in overtime hours billed to industry for FY 2011 and 2012 that were potentially not entered into employee time-keeping records, and establish payables for any valid payments due to establishments.

Agency Response

FSIS agrees to bill industry for collection of the reimbursable inspection charges already identified for FY 2012, but reconciling and identifying potential hour-by-hour discrepancies for under billing industry during FY 2011 and 2012 is not a viable option because FSIS does not have the necessary supporting documentation to validate and produce a legitimate billing statement. FSIS will complete billing tasks associated with FSIS' reconciliation process and implement WebTA enhancements and the paperless billing solution by July 31, 2014.

OIG Position

We accept management decision for this recommendation.

Recommendation 5

Bill industry for collection of the additional \$1.1 million in reimbursable inspection charges from missing form 5110s that FSIS identified for FY 2012 from its new validation procedures.

Agency Response

FSIS agrees and has already billed and collected \$2 million for services rendered in FY 2012 and anticipates collecting an additional \$1 million for FY 2013 services rendered. They intend to continue this reconciliation process until the enhancements to the WebTA timekeeping system to pay inspection program personnel and collect billing data are implemented by December 31, 2013, and the paperless billing solution has been implemented by July 31, 2014.

OIG Position

We accept management decision for this recommendation.

Recommendation 6

Develop a plan with reasonable timeframes and milestones to implement a timekeeping system that will allow inspectors to track their time electronically for general timekeeping and billing purposes.

Agency Response

As stated in Recommendation 2, FSIS is in the process of implementing the ATA system. The implementation will occur in several phases that will directly affect FSIS' Inspection Program Personnel (IPP) payroll as well as fees charged to industry. FSIS will develop a plan to implement an electronic timekeeping and billing system. The project has three major phases: (1) enhancements to the webTA timekeeping system to pay IPP and collect billing data by December 31, 2013; (2) implement a paperless billing solution and create an electronic billing for industry by July 31, 2014; and (3) implement an electronic device that will replace the current paper timekeeping and billing processes for IPP by December 31, 2014.

OIG Position

We accept management decision for this recommendation.

Recommendation 7

Direct the FSIS CIO to work with APHIS to develop a plan with reasonable timeframes and milestones to give appropriate increased access to FSIS automated systems, so that APHIS debt servicing operations can be performed efficiently.

Agency Response

FSIS agrees and is working with APHIS to design and implement a Secure Socket Layer proxy solution by which APHIS employees can easily operate within the FSIS network so that APHIS debt servicing operations can be performed efficiently. Both agencies are involved in piloting this solution while working through any issues that may impact its timely implementation. FSIS will complete the implementation of the Secure Socket Layer proxy solution by January 31, 2014.

OIG Position

We accept management decision for this recommendation.

Finding 2: AMS Can Improve How It Charges Industry for its Grading Services

When AMS graders work with private industry, the agency charges companies for its grading services; however, sometimes plants do not reimburse the agency on time. When this happens, AMS should be charging the delinquent plants interest on the amounts past due, but we found that the agency was not always doing so. This occurred because, when AMS moved to the FMMI accounting system, problems with prepaid accounts caused NFC to turn off the interest function to prevent errors when calculating interest. AMS has been trying to resolve this problem for more than a year, but the issue has not yet been corrected. As a result, AMS had not collected estimated interest of up to an estimated \$40,000 on overdue amounts totaling \$1.3 million from delinquent plants.²¹

According to the agreement between plants and AMS, if a plant fails to pay its bill on time, its delinquent account is subject to a 1.25 percent interest charge per month for all amounts not received by the due date.²²

When we brought this issue to the attention of AMS officials, they stated that they thought the amount of interest would be small, and questioned if fixing this problem would be cost-effective. After our exit conference, AMS provided OIG a spreadsheet with a calculation of interest due to be over \$40,000 for the same due date period. However, AMS officials later disagreed with OIG's use of the amount and explained that the data used for its support came from a draft aging report that had not been validated or tested to ensure the underlying data was reliable. AMS officials reported that historical data from another system indicated that interest due on delinquent accounts was approximately \$1,000 per month. Due to the timing of the information and the unreliability of the system, we did not attempt to validate the figures AMS provided. However, the focus of this issue needs to be on getting the accounting system problems corrected to charge the appropriate interest, not only for the Grading Verification Division, but for any other division experiencing the same problem.

Also, like FSIS, AMS has an agreement that it must turn accounts over to APHIS for collection if the accounts are more than 90 days delinquent; however, we found that AMS was not always following its agreement to do so. AMS procedures state that the agency may turn delinquent accounts over 90 days over to APHIS, or may opt to continue collection efforts. AMS officials stated that they are reluctant to turn accounts over, as they would no longer have direct control over the account or the amounts past due; they also stated that there were issues when it came to properly applying payments in the FMMI accounting system. These technical problems made them reluctant to turn delinquent accounts over because they needed to verify that all payments had been properly credited. Since we found 28 delinquent accounts totaling about \$76,000 that had not been turned over, OIG maintains that AMS should follow its agreement with APHIS to avoid duplication of administrative efforts for collecting these debts. Otherwise, AMS should revisit the terms of the agreement with APHIS.

²¹ This amount was estimated by calculating interest on the \$1.3 million in delinquent payments as of December 12, 2012, using a 1.25 percent monthly interest rate. Overdue charges include amounts owed to both the Grading and Verification Division as well as the Seed Division. The amount overdue to the Seed Division is around \$5,000.

²² Grading and Verification Division Instruction 100.

We also noticed another problem with how AMS handles billing errors. When plants believe there is an error in their bills, AMS looks into the issue and may adjust the account, if appropriate. An AMS management analyst should adjust the amounts due in both FMFI and in AMS' CAMS, an agency system used for billing and timekeeping. We found, however, that some management analysts are only correcting billing changes in FMFI, instead of correcting it in both FMFI and CAMS. This problem occurred because the CAMS procedural manuals have not been updated to reflect that the audit service billing is now accomplished within FMFI, and because AMS was not doing any kind of verification to make sure information was being updated in both systems. Unless both systems are updated, the agency's overall revenues may not agree between the two systems. Additionally, when conducting cost analysis for services provided, if CAMS revenue information does not include all data relative to revenue, then the cost analysis will not be accurate. According to AMS, analysis of service costs plays a part in the decision process to determine if fees for services should be increased.

OIG concludes that AMS should take several steps to improve how it bills and accounts for the grading fees it charges industry.

Recommendations to the Administrator of AMS:

Recommendation 8

AMS should work with NFC to develop a plan with reasonable timeframes for correcting the accounting system to allow AMS to automatically charge interest on overdue accounts.

Agency Response

AMS will continue working with the Office of the Chief Financial Officer (OCFO)/NFC FMFI Development Team to resolve the interest accrual and other related billing issues; however, until the programming corrections are made and tested by the Team, it will remain beyond the direct control of AMS. The agency will document the results of its efforts to prioritize the issue with the OCFO team by July 2014.

OIG Position

We accept management decision for this recommendation.

Recommendation 9

In the interim, AMS needs to work with NFC to identify and bill establishments for ongoing uncollected monthly interest charges, and identify and recover the estimated \$40,000 in interest charges that should have accrued on delinquent establishments with past due accounts, as of December 12, 2012, and those amounts uncollected forward to the present date.

Agency Response

For the reasons cited in the agency's response, AMS disagrees with the recommendation. Rather, AMS believes its resources should be devoted to working with OCFO/NFC to resolve the FMMI deficiencies, and not devote agency resources to recalculating and rebilling customers. Once programmatic fixes are instituted, the agency will use its authority to charge interest on past due accounts going forward. The agency will document the results of its efforts to prioritize the issue with the OCFO team by July 2014.

OIG Position

We accept management decision for this recommendation.

Recommendation 10

AMS should determine the impact of uncollected interest on other divisions within the agency and make necessary changes to correct the accounting problem.

Agency Response

AMS will work with OCFO/NFC to implement system enhancements, but as stated previously to Recommendation 9, we do not intend to pursue potential amounts of uncollected interest given the inherent system problems and historically low interest levels for this program. The agency will document the results of its efforts to prioritize the issue with the OCFO team by July 2014.

OIG Position

We accept management decision for this recommendation.

Recommendation 11

AMS should either revise current procedures to turn over any accounts that are more than 90 days delinquent to APHIS, according to the agreement AMS has with that agency, or AMS needs to meet with APHIS to address the terms of the agreement. The procedures should include detailed communication with APHIS to address AMS' concerns with not being able to collect payment from plants once the overdue account is turned over to APHIS, and AMS' plans to keep track of plants that have not paid and should not receive AMS grading services.

Agency Response

AMS will work with APHIS to revise procedures, if deemed necessary, to more accurately reflect the management of accounts past due for greater than 90 days. We will document the resolution of that work by June 2014.

OIG Position

We accept management decision for this recommendation.

Recommendation 12

AMS should update the CAMS procedure manual to reflect changes in billing and timekeeping procedures following the transition to FMMI.

Agency Response

AMS is updating the CAMS procedure manual in regards to the accounting/billing processes to assure that the manual reflects FMMI procedures. AMS expects to complete the updates by October 2013.

OIG Position

We accept management decision for this recommendation.

Recommendation 13

AMS should conduct a thorough analysis of billing and timekeeping changes made in FMMI that were not also included in CAMS. AMS should maintain documentation of the changes for financial accountability.

Agency Response

AMS has generated a report that identifies all billing activity in FMMI which will be maintained for financial accountability. Based on the reference information identified in the file, we were able to identify select individuals (i.e., management analysts) who entered the billing information directly into FMMI rather than through CAMS. Immediate controls were implemented to prevent this from recurring. Since CAMS is fully implemented, all staff below the management level will no longer need or be permitted access to FMMI for entry of billing information. Cancellation of access rights for specific billing entry functions within FMMI by management analysis will be completed by October 2013.

OIG Position

We accept management decision for this recommendation.

Section 2: AMS Use of Camera Grading System

Finding 3: AMS Needs to Better Utilize its Camera-Based Grading System

When U.S. consumers purchase beef, they are familiar with selecting meat based on grade classifications such as “Select,” “Choice,” and “Prime.” These classifications are not required, but for marketing purposes, slaughter plants' managers can request AMS graders to work at their plant to determine these grades for carcasses of beef. Before 2009, all such grades were determined by AMS graders, but since then, AMS has approved the industry's use of cameras that can photograph and automatically assign a grade.²³ Grading using these cameras is a promising development, because it can help AMS improve its staffing efficiency and it has the potential to make grading more consistent. At present, approximately 40 percent of beef carcasses slaughtered in the U. S. are graded in establishments that use cameras to assist in grading. As long as AMS relies on and encourages the use of these cameras to assist AMS graders, the methodology used to define the cameras' grading classifications must be established in a way that is objective and transparent to all interested stakeholders. When AMS initially established these classifications, industry objected that the cameras' grading did not conform to what the graders were doing in the plants; ultimately, AMS agreed to lower the grades. The new lower grading classifications meant more beef would receive higher grades, which may be correct. If these classifications are not correct; however, and the marbling scores originally determined by the agency were more accurate, then, comparatively, consumers may be overpaying more than \$375 million²⁴ a year for their beef products.

AMS is responsible for offering grading services to industry that provide the basis for uniformly reporting the quality of beef across the entire beef industry. For many years, industry and AMS have noted that human graders can be subjective, and that their grading decisions can be affected by a wide variety of non-objective considerations. When AMS began researching cameras, it recognized that using camera grading can minimize subjectivity and bring consistency to beef quality grading, and also that AMS graders could essentially become auditors of the effectiveness of the camera, changing their role from one of directly grading to reviewing the quality of the camera's operation. OIG believes that this is a feasible and possible direction for this service, and that it will certainly offer the agency more flexibility in handling its staffing needs. We maintain, however, that the cameras must be set up so that they are providing consistent and accurate grades, and the camera-based grading system must be transparent to the public.

²³ The camera determines the amount of fat marbling (the white flecks of fat in a rib eye), along with other characteristics and gives the carcass a marbling score and a quality grade, based on established marbling score thresholds set for each grade. However, AMS personnel make the final grade determination based on a range of factors other than the marbling score, such as color, age, and rib eye area.

²⁴ The \$375 million was based on a 2008 AMS report, titled *Transitioning Towards Augmented Instrument Grading*. The report justified the \$375 million amount as being the loss of \$14.33 per carcass for 26.2 million carcasses graded in 2006 if the standard for the instrument grading was not changed.

Review Methodologies and Transparency

When AMS started this process in 2006, it convened a panel of AMS grading experts, who looked at thousands of images of carcasses and assigned those carcasses grades based on their experience. The cameras were then set up to reflect the grading scores of the AMS panel of experts and subsequent testing of the cameras showed that the grades given by the cameras and the expert panel were similar. Based on this process, AMS determined that a Prime carcass was one rated 695 or higher, a Choice carcass was graded from 395 to 694, and a Select carcass was graded from 295 to 394.

Industry then reviewed the camera grading system, but it objected to where the grades had been set, stating that the grades did not correspond to the grades that were given out by human graders. Working with the camera manufacturers, the beef industry analyzed its own data and proposed a grading system with different, and lower, scores for the various grades of beef. AMS reviewed this data and commissioned a third study, in which experts reviewed images from industry's study and assigned grades. However, our review of this study showed that AMS graders were shown the value assigned by the camera prior to assigning their value, which we believe potentially biased this study. Eventually, AMS assigned values for the various grades that resembled, but did not exactly correspond to, the values arrived at in any of these three studies. AMS and industry finally began using cameras calibrated to a score of 638 for a Prime carcass, 381 for a Choice carcass, and 283 for a Select carcass.

OIG acknowledges that the lines between the grades must be established and that judgments about grades are, to some extent, subjective. However, we maintain that, since industry has a great deal invested in how these grades are assigned, AMS should establish an independent third party system to review the camera grading system. Moreover, we believe that it is vital that the system be transparent to all stakeholders, and be open to public comment.

Overriding Camera Scores

In the plants, after carcasses pass through the cameras, AMS graders review carcasses for factors other than marbling, and also check the camera's marbling score. If they believe that the camera's score is off by 100 or more points, then they can override the camera. Many of the graders we spoke to expressed frustration that they could not override scores of less than 100 points. Even one industry representative agreed that the graders should have more flexibility in overriding these scores. These kinds of grading decisions are especially important when a grader believes that the incorrect score changes the grade of beef from one quality grade to another.

Defining Unacceptable Performance Checks

In order for the cameras to function correctly, plant employees must present a carcass so that the camera can photograph the meat in a way that facilitates grading. AMS graders evaluate carcass presentations at camera plants through acceptable quality level

verifications,²⁵ but the guidance does not clearly define when a plant has failed a check. The guidance states that graders should perform more verifications when they note problems, but we found that AMS employees were, in essence, told not to perform more verifications. AMS officials stated that they asked their graders to hold off on performing more verifications because the system was new. OIG notes that the system is now several years old and that these verification checks should be serving a more useful purpose.

Limiting Requests for Regrading

We also learned that AMS permits the plants to request re-grading of the carcasses when they question whether the carcass has been graded incorrectly. AMS officials said that with traditional grading, sometimes plants have requested that each of the graders review a carcass (or a number of carcasses), which could mean up to six re-grades. Additionally, with the cameras, plants might re-image a carcass numerous times, hoping for a higher score and therefore a higher grade. The officials told us the plants always take the highest score, judging a carcass as “Prime,” even after five other graders or numerous camera images have called it “Choice.” AMS has taken the position that only three camera re-images can be taken because of the time burden it puts on their graders. OIG questions whether these efforts for multiple re-grading of carcasses are an efficient use of AMS’ staffing resources and whether re-grading is in the best interests of consumers.

Regrading of Certified Angus Beef

One of the requirements for the Certified Angus Beef Program²⁶ is that the carcass receives a marbling score of 500 or higher, which is essentially the upper two-thirds of Choice and all of Prime. However, for this program, OIG notes that some plants within the industry are benefiting from a double grading standard. These plants use a camera to determine if a carcass is Choice, but then they ask a human grader to re-score carcasses for the certified Angus beef program. One AMS official estimated that the plants operating in this manner get a 2 to 3 percent increase in carcasses qualifying for the more lucrative Angus beef program. Essentially, these plants are relying on the subjectivity of the human grader to approve carcasses that the camera method would not. In addition, according to AMS officials we interviewed, in plants where this request has been granted, AMS was required to increase the number of traditional graders, which is contrary to AMS’ goal of reducing staff by using cameras. OIG maintains that AMS should decide between these competing systems. If the camera is more accurate and used by the plant for normal grading purposes, then AMS and industry should also rely on that same camera grading score, even when certifying Angus beef.

²⁵ GVD Instruction 515 Section 4.2.1 and Exhibit C state that when normal sampling is in effect, tightened sampling will take place when 2 samples within the last 5 indicated an unacceptable performance. If a plant is at a tightened verification level and 2 of the last 10 samples indicate unacceptable performance, additional AMS personnel will be scheduled until unacceptable performance has been corrected. AMS can discontinue a plant’s approval for camera grading if the plant remains at the tightened level for at least two consecutive weeks.

²⁶ To meet the specifications for the Certified Angus Beef brand, the carcass must have come from a black hided animal (typical of the Angus breed), and must be graded as the best Choice, or Prime, while meeting other specifications for marbling, size, and uniformity.

Maintaining Consistent Grade Levels

Finally, we noted that there may be issues with the accuracy of some of the cameras industry is using. In the past, AMS stated that its graders are 94 percent accurate, but since the agency has begun using cameras, AMS has taken the position that the cameras are more consistent. While this may be correct, we noted that data AMS has collected showed that some cameras are consistently grading high or low. For example, at one slaughter plant, one camera consistently graded 20 points higher than the validation test, which is how the camera is calibrated each morning before use. These 20 points were considered within tolerance, and so the camera error was not corrected over several months of use. An agency official stated, however, that a camera that scores consistently high or low should be corrected.

Monitoring Camera Performance

In order for AMS to evaluate how well industry cameras are functioning, the agency needs to develop a plan for monitoring camera performance and requiring maintenance when a camera departs from the norm. AMS officials stated that they needed their own camera, so that they could compare the variation between industry cameras; they could also use the camera to compare the grades made by human graders at plants not using cameras. At present, the agency lacks its own camera to perform this important role.

OIG concluded that, although the cameras hold promise for a more consistent grading system and a more efficient use of staff, AMS needs to improve the consistency with which the cameras are being used. Additionally, AMS must take steps to inform the public about how the grades that consumers rely on are being set. Above all, we maintain that this process must be transparent to the public.

Recommendations to the Administrator of AMS:

Recommendation 14

Form an ad hoc committee of independent and objective third party experts (such as academics, scientists, and consumer advocates) to review current methodologies and propose improvements to the image grading systems, relating to instrument performance, grader performance, and appropriateness of grading standards; and publish for public review and comment, the major milestones (thought process, studies, data, etc.) the committee used to determine proposed changes to the automated grading system.

Agency Response

AMS will use independent and objective third party experts to review current methodologies and propose improvements to the image grading systems. AMS will make publicly available a summary of the areas reviewed and of the proposed modifications or changes to the protocols for

the image grading systems. AMS will identify the third party organization of experts by September 2013, and initiate the review of current methodologies by December 2013.

OIG Position

We accept management decision for this recommendation.

Recommendation 15

Consult with the committee of independent experts to reassess when human graders should override cameras and how far out of tolerance the grading score should be before the graders can intervene. Implement recommended changes in relevant policies and procedures.

Agency Response

AMS will engage the experts to review and evaluate current procedures and protocols for determining when graders should override the cameras and evaluate the grading score tolerance range that determines grader intervention. Any recommended changes to policy/procedure will be accomplished by July 2014.

OIG Position

We accept management decision for this recommendation.

Recommendation 16

Clearly define in current policies and procedures what it means to fail an acceptable quality level verification check. Then clarify for supervisory personnel that if plants have a series of unacceptable performance checks, additional AMS personnel should be scheduled to perform increased oversight until the situation has been corrected or the agency will discontinue allowing camera grading.

Agency Response

AMS will provide the experts with research data and analyses for establishing verification check levels and the appropriate corrective response. The review and amendment of procedures will be completed by July 2014.

OIG Position

We accept management decision for this recommendation.

Recommendation 17

Consult with the committee of independent experts to determine whether to limit the number of times industry can request that a carcass be re-graded for both traditional grading and image grading systems. Implement recommended changes in relevant policies and procedures.

Agency Response

AMS will consult with experts to determine whether to limit the number of times a carcass can be re-graded for traditional and instrument grading. Relevant policies and procedures will be updated accordingly by July 2014.

OIG Position

We accept management decision for this recommendation.

Recommendation 18

Consult with the committee of independent experts to determine whether establishments using camera grading systems should be allowed to request traditional grading for certified programs, like Certified Angus beef. The results of this evaluation should be available for public review and all comments should be considered before a final determination is made by the agency.

Agency Response

AMS will engage the experts to review and evaluate certification programs and the use of image-based grading systems for these programs. Proposed procedures and changes will be made available to industry for review and comments. The comments will be provided to the experts for final recommendations to AMS by July 2014.

OIG Position

We accept management decision for this recommendation.

Recommendation 19

Develop a plan to monitor and report variations in plant grading cameras to assure that any cameras that consistently grade high or low get proper maintenance by the company.

Agency Response

AMS will engage experts in the development of a measurement assurance program based on the National Institutes of Standards and Technology's Good Laboratory Practice for the Quality Assurance of the Measurement Process. AMS will finalize the protocols and procedures for a measurement assurance program by April 2014.

OIG Position

We accept management decision for this recommendation.

Recommendation 20

Consult with the committee of independent experts to determine the necessity and feasibility of acquiring a portable grading camera system that AMS can use to evaluate the grading (instrument and non-instrument) occurring in all beef grading plants.

Agency Response

AMS will consult with experts to determine the need for a USDA-owned portable camera system to evaluate instrument and non-instrument grading in all beef plants that use AMS grading service by April 2014.

OIG Position

We accept management decision for this recommendation.

Section 3: Succession Planning

Finding 4: AMS and FSIS Need to Improve Their Succession Planning

The Federal Workforce Flexibility Act of 2004 requires that agencies have succession programs in place so that employees are prepared to fill critical positions as other employees retire or leave their positions for other reasons. OIG found, however, that AMS' succession plan is limited in scope in that it only covers some mission critical areas, while FSIS' succession plan is outdated. While both agencies did have a basic plan in place, those plans did not build upon "best practices" described by the Government Accountability Office (GAO), OPM, or USDA. In addition, officials from both agencies told us they received little or no direction from USDA on performing succession planning. Without a detailed succession plan, including training for managers and supervisors, agencies may lack the leaders and other key employees with the necessary competencies to successfully administer the agency's responsibilities.

The Federal Workforce Flexibility Act of 2004 requires that agency heads, in consultation with OPM, establish a comprehensive management succession program that includes training employees so that they can fill future leadership roles. USDA has not issued any specific guidance regarding the preparation and format of succession planning documents for the agencies in the Department. However, Federal regulations require that the head of each agency is to provide, at least every 3 years, each supervisor and manager additional training to (1) mentor employees, (2) improve employee performance and productivity, (3) conduct employee performance appraisals, and (4) identify and assist employees with unacceptable performance.²⁷

We noted that GAO, OPM, and USDA had provided relevant "best practices" that could be followed by USDA agencies as they perform general human resource planning and succession planning. Specifically, we found the following examples where AMS and FSIS succession planning documents could be improved by following these "best practice" guidelines:

- Both agencies' succession plans should have been signed, dated, and linked to the agency's strategic plan;
- Both agencies' succession plans should have included information on how the plan was developed, as well as a work plan that clearly defined terms and processes for conducting succession planning and preparing a succession planning document;
- Both agencies' succession plans were established without a formal period of effectiveness, and there are no established timelines that ensure routine issuance of future succession plans;
- AMS' plan did not cover some mission-critical positions. Agency officials told us that the agency intends to "extend this plan to all occupations with leadership positions in the agency and at all grade levels;"
- AMS' succession plan set "gap closure strategies" for continuing to fill mission critical occupations; however, there was no documentation on how the process would be achieved, and the succession plan did not discuss how to retain employees;

²⁷ CFR Title 5 subpart B 412.202 (b).

- AMS' succession plan did not (a) discuss how this plan would be implemented and communicated to the AMS workforce, (b) identify who was accountable for implementing the strategies outlined in the plan, (c) establish milestones for reporting progress in implementing the plan, and (d) discuss how the success of the plan would be evaluated; and
- FSIS' human resources staff told us that they were not aware of the training requirements for managers and supervisors required by CFR Title 5 and did not provide any ongoing supervisory training.

When we spoke to AMS about our concerns, AMS officials cited many specific things they do to maintain a well-qualified workforce and build a workplace that attracts and retains talented people. The agency feels it is unfair for us to cite potential gaps in its succession planning document in the absence of clear USDA requirements, particularly in light of the fact that AMS has won awards for its human capital management efforts. Nevertheless, the agency made changes to its current succession plan that addressed many of our comments, and revised the document in March 2013.²⁸ AMS officials also explained that they were expecting guidance from USDA's Office of Human Capital Management to come out shortly to all agencies on the development of Human Capital Plans. Once this guidance is received, AMS officials expect to update their plan again to reflect the new requirements.

FSIS officials stated that, regardless of whether USDA comes out with requirements for succession planning documents, they are receptive to considering any "best practices" that OIG can offer. Further, once we brought the lack of supervisory training issue to FSIS' attention, agency officials have been working with the Department to fast track a training program that all agencies in USDA could use to meet this requirement.

USDA agencies have reported that they have taken extraordinary measures to generate cost-savings in recent years; however, these measures may not attain the level of staff reduction required to meet future sequestration targets. Neither AMS' nor FSIS' current succession plans fully detail how their respective agencies will meet the workforce planning challenges that may arise if sequestration or general budget reductions necessitate the furlough of agency personnel in the future. Specifically, these workforce planning documents do not outline how the need for furloughing mission-critical in-plant staff could be mitigated or eliminated and the effects furloughs might have on developing and retaining leadership talent.

OIG concluded that both AMS and FSIS could improve their succession planning to include the best practices recommended by GAO, OPM, and USDA. We maintain that succession planning is especially important during a time of reduced budget expectations, such as the present. The importance of performing farsighted succession planning was highlighted when in March 2013, Congress was compelled to amend budgetary legislation²⁹ in order to provide additional funding to FSIS to avoid the furlough of meat inspection personnel and avert the temporary closure of food production facilities across the country.

²⁸ AMS did not fully address some of OIG's comments when they revised their succession plan, including the need to clearly establish a formal schedule for updating the plan in the future and provide detailed information on how the succession plan was developed.

²⁹ This legislation is referred to as the "Consolidated and Further Continuing Appropriations Act, 2013," now Public Law No: 113-6.

Recommendations to the Administrator of FSIS:

Recommendation 21

Revise the agency's succession plan and consider addressing the concerns we noted, and establish and adhere to timelines that will ensure issuance of future succession plans.

Agency Response

FSIS agrees to revise its succession plan and will establish timelines to ensure the issuance of future succession plans. To have a successful succession plan and to meet the requirements of USDA and the Office of Personnel Management, FSIS has partnered with the USDA/Office of Human Resource Management to take the necessary steps to complete the overall human capital planning process. This process consists of three components: human capital planning, workforce planning, and succession planning. FSIS will implement the actions stated above by May 31, 2014.

OIG Position

We accept management decision for this recommendation.

Recommendation 22

Develop a plan and implement a program for providing appropriate ongoing training to every supervisor in the agency at least every 3 years.

Agency Response

FSIS agrees to plan and implement a program to provide the appropriate ongoing supervisor training. In support of Title 5; (Code of Federal Regulations); §412.202, *“to provide training at least once every three years, by providing each supervisor and manager additional training on the use of appropriate actions, options, and strategies to:(1) Mentor employees;(2) Improve employee performance and productivity;(3) Conduct employee performance appraisals in accordance with agency appraisal systems; and(4) Identify and assist employees with unacceptable performance,”* FSIS launched a training program in FY 2012 and is currently exploring yet another option consistent with agency resources for FY 2014.

“The FSIS Gateway: A Supervisors' Path to Continual Learning” is a training program that offers all supervisors on-going training and resources to help them successfully manage, mentor, and coach their employees. Through a series of interactive training sessions, newsletters, and a SharePoint repository, the FSIS Gateway program serves as a resource for supervisors to access critical information designed and developed by FSIS subject matter experts.

Effective FY 2014, FSIS supervisors will certify subordinate supervisors' completion of any combination of four FSIS Gateway webinars, and/or AgLearn modules by the end of each

performance rating year as part of the annual performance review process, in each of the categories below:

- Mentoring employees
- Improving employee performance and productivity
- Conducting employee performance appraisals in accordance with agency appraisal systems
- Identifying and assisting employees with unacceptable performance

FSIS will implement the actions stated above and establish a plan for ongoing supervisor training by May 31, 2014.

OIG Position

We accept management decision for this recommendation.

Recommendation to the Administrator of AMS:

Recommendation 23

Establish and adhere to timelines that will ensure issuance of future succession plans. Update, if AMS receives guidance from USDA's Office of Human Capital Management, the agency's human capital associated documents (Human Capital Plan, Strategic Plan, and Succession Plan) to reflect USDA's new requirements. If AMS does not receive this guidance timely, then the agency should evaluate whether a further revision to its succession plan is necessary to bring it into compliance with the "best practices" recommended by GAO, OPM, and USDA.

Agency Response

AMS will adhere to guidance provided by the Department and Marketing & Regulatory Programs (MRP) to keep pace with best practices in this arena. We will re-assess the agency's succession plan by June 2014 if no earlier guidance is promulgated by the Department or our Mission Area.

OIG Position

We accept management decision for this recommendation.

Section 4: Cross Utilization

Finding 5: AMS and FSIS Need to Update Procedures for Cross-Utilizing Each Other's Employees

Because FSIS inspectors and AMS graders are often in the same plants performing different functions, the two agencies have long acknowledged that there exists the possibility for the two agencies to “cross-utilize” each other’s employees, both to maximize staff resources and to fill in when an employee is unavailable. To this end, AMS and FSIS have a MOU in place, which sets the basic framework for cross-utilization of AMS graders and FSIS inspectors; however, OIG found that this MOU is 30 years old and out-of-date. The procedures set forth in the MOU do not reflect current agency organization and field operations, take into consideration new technology, or consider new ways of inspecting, such as the Hazard Analysis and Critical Control Points (HACCP) system.³⁰ Since the two agencies have not regarded cross-utilization as a high priority (and, in fact, have rarely cross-utilized each other’s employees after the implementation of HACCP), they have not revisited this MOU and their procedures. As a result, we observed one instance of cross-utilization where AMS and FSIS did not follow their established (and out-of-date) reimbursement procedures, which resulted in a facility being overcharged for the services by about \$5,000.

In 1982, AMS and FSIS entered into a MOU to address the possibility of cross-utilizing their staffs. In the MOU, agency managers noted that it was their responsibility to provide inspection and grading services in the most efficient and effective way possible. These managers determined that one way to achieve this goal was to cross-utilize employees “to the fullest extent possible, consistent with good management, efficiency, and effective use of personnel.” The agreement provided USDA personnel the opportunity to perform both inspection and grading services at the same facility, when feasible.

However, we determined the agreements relating to cross-utilization are out-of-date. The most recently published procedures for implementing the MOU between the two agencies dates to 1992 for FSIS³¹ and 2005 for AMS.³² In both cases, the procedures do not consider HACCP and refer to forms and agency organization that are no longer applicable. When we brought this matter to the attention of AMS and FSIS officials, they stated that they agreed with our concerns and that the MOU and guidance needed to be updated. Both agencies agreed there were specific instances in which cross-utilization could be effective, such as small remote plants where inspectors might have additional time to perform grading tasks as well. However, both agencies also stated that those instances occurred less frequently than when the MOU and procedures were initially written and signed. Officials with AMS expressed the desire to establish a specific

³⁰ FSIS HACCP regulations were established under 9 CFR Part 417, which essentially require every official establishment to develop and implement a HACCP plan covering each product produced by that establishment when the establishment’s hazard analysis reveals that one or more food safety hazards are reasonably likely to occur in the process of producing the product.

³¹ FSIS Directive 5110.2, Cross-Utilization of Poultry Graders and Food Inspectors and Directive 5110.3, Cross-Utilization of Meat Graders and Food Inspectors.

³² AMS MGC Instruction 301, Cross-Utilization.

WebTA time charge code that could be used by FSIS inspectors to directly charge AMS for their time, which should streamline the billing process.

OIG concluded that both AMS and FSIS could benefit by revisiting their cross-utilization activities.

Recommendation to the Administrators of AMS and FSIS:

Recommendation 24

AMS and FSIS should evaluate the use of cross-utilization and identify the circumstances in which it could be used, considering current and anticipated future staffing levels and workloads and draft and approve a new MOU.

AMS Response

AMS has prepared a draft Memoranda of Understanding (MOU) for the Food Safety Inspection Service (FSIS) to review and comment on. To date however, opportunities for cross-utilization have been very limited, and we do not envision any significant change in that model given our unique missions and services provided. We will however, maintain open communications with FSIS, where potential opportunities may arise. AMS and FSIS will confer and update the existing MOU, or if mutually agreed upon, will formally document the expiration of the MOU, by September 2013.

OIG Position

We accept management decision for this recommendation.

FSIS Response

FSIS agrees to evaluate the use of cross-utilization with AMS to determine whether there are circumstances where it would be beneficial. However, the possibility exists that this evaluation may result in FSIS determining that the few instances where cross-utilization may be feasible do not outweigh the expected obstacles FSIS faces. If the evaluation results in a determination that an MOU for cross-utilization is not an efficient option for FSIS, the MOU will be cancelled. If the evaluation results in a decision to revise the MOU, FSIS will draft a plan with appropriate milestones and timelines for the MOU revision as well as update the appropriate directives. FSIS will complete the cross-utilization evaluation and, if necessary, draft a plan for revising the MOU with AMS by June 30, 2014.

OIG Position

We accept management decision for this recommendation.

Recommendation to the Administrator of AMS:

Recommendation 25

If the MOU is drafted and approved, AMS should evaluate and update, as necessary, the appropriate instructions, assess if a specific WebTA time code could be developed for the agency to use to reflect cross-utilization time to assist in the billing process, and implement any new codes, as applicable.

Agency Response

We agree to the extent cross-utilization opportunities present themselves on a more significant scale. As indicated in the agency response to Recommendation 24, we will document the outcome by September 2013. If a new Memoranda of Understanding is drafted with FSIS, AMS will update the appropriate instructions by July 2014.

OIG Position

We accept management decision for this recommendation.

Recommendation to the Administrator of FSIS:

Recommendation 26

If the MOU is drafted and approved, FSIS should evaluate, and update as necessary, the appropriate directive(s). Assess if a specific WebTA time code could be developed for the agency to use to reflect cross-utilization time to assist in the billing process, and implement any new codes, as applicable.

Agency Response

If the evaluation results in a decision to revise the MOU, FSIS will draft a plan with appropriate milestones and timelines for the MOU revision as well as update the appropriate directives. If necessary, FSIS also agrees to perform an assessment to determine whether specific WebTA time codes need to be developed for the agency to use in order to reflect cross-utilization time for billing purposes. FSIS will complete a draft plan for revising the MOU with AMS by June 30, 2014.

OIG Position

We accept management decision for this recommendation.

Scope and Methodology

To meet our audit objectives, we interviewed numerous agency officials, supervisors, and field personnel; observed operations for both agencies at slaughter or processing establishments; analyzed data and reports related to either AMS grading or field personnel time charges from both agencies; and reviewed documentation and procedures that supported all aspects of this audit. We interviewed officials from multiple offices within the AMS and FSIS national offices, as well as officials from AMS' GVD in Lakewood, Colorado, and FSIS' FSC in Urbandale, Iowa. In addition we conducted either personal interviews or telephone interviews with field-level AMS graders and supervisors or FSIS inspectors who worked at various slaughter or processing establishments described below.

During our audit, we determined instruments were used for official grading at 10 slaughter plants to assist in grading operations for approximately 40 percent of the beef carcasses graded each day by USDA. We judgmentally selected 3 of the 10 slaughter facilities that use instrument grading cameras for our review. We selected 1 of the 3 plants because the AMS camera grading expert was located in the same city as the plant and the other 2 plants because they were located in the same city where we were interviewing FSIS inspectors regarding overtime. We analyzed FSIS inspectors' and AMS graders' time charges and billing data from 2010 through 2012, as well as AMS grading data. We reviewed the laws, regulations, and agency procedures to determine agency compliance. We also reviewed the MOU between AMS and FSIS concerning cross-utilization of personnel performing inspection and grading services, and examined the agencies' succession planning documents.

Below are more details on those sources we interviewed, visited, or otherwise used to conduct our audit:

- **AMS National Office Representatives:** We discussed instrument grading machines, cross-utilization of AMS field personnel or grading positions with FSIS employees, overtime billing and payment, and succession planning. Besides personally interviewing these officials, the audit team also communicated with these officials on numerous occasions by phone or e-mail.
 - **Grading and Verification Division:** We discussed the instrument grading machines with GVD officials, who are responsible for ensuring that slaughter plants operate according to regulations, and ensuring the quality of USDA-graded beef.
 - **Standards and Technology Division:** With these officials, we discussed the studies of the instrument grading cameras that AMS used to support the implementation of the devices, and the numeric development of AMS grading classifications.
- **AMS Graders:** We conducted interviews with 16 AMS graders from 3 plants in 2 States, 2 of whom were supervisors. The purpose of these interviews was to gain an understanding of the effectiveness of the instrument grading cameras and how their use

impacts AMS grading and the graders themselves. We interviewed all 14 of the graders employed at 2 plants, and interviewed 2 graders based on recommendation by AMS management.

- **Industry Managers:** To help gain industry’s perspective on the instrument grading cameras, we interviewed executives from four large corporations who are responsible for beef grading in their slaughter plants. These executives represented both plants that have opted to continue with traditional grading and plants that use the grading cameras.
- **Slaughter and Processing Establishments:** We conducted fieldwork at three slaughter establishments. The establishments were visited to observe the grading cameras in operation. Also, we were able to interview plant personnel and AMS graders who monitor the cameras.
- **FSIS National Office Representatives:** We discussed cross-utilization of FSIS field personnel or inspection positions with AMS employees, overtime billing and payment, and succession planning. Besides personally interviewing these officials, the audit team also communicated with these officials on numerous occasions by phone or e-mail.
 - **Office of Field Operations:** We conducted interviews with the FSIS officials who manage FSIS inspectors, overtime billing and payment, or cross-utilization.
 - **Human Resource Management:** We conducted interviews with the FSIS officials who provide leadership and manage succession planning within the agency.
- **FSIS Financial Services Center (FSC):** We visited the FSC in Urbandale, Iowa, to discuss and observe the process for reporting and collecting field inspectors’ overtime, the billing of establishments for FSIS overtime services, and the controls related to the cross-utilization of AMS and FSIS workers.
- **FSIS Inspectors:** We conducted interviews with 19 judgmentally selected FSIS inspectors from 9 establishments in 5 States, whom we identified from the universe of 420 inspectors who worked an average of more than 120 hours a pay period in the past year. The inspectors were also judgmentally selected based on their proximity to the Kansas City, Missouri, and Lincoln, Nebraska, OIG offices. The interviews were to determine the inspectors’ attitudes towards such high amounts of overtime and whether it negatively affected their work.
- **Online Articles, Blogs, and Websites:** We reviewed sources such as FSIS and AMS websites and other commercial food and food safety-related websites.

- **AMS and FSIS Electronic Data:** We received electronic data from both AMS and FSIS relating to the billing and recording of hours worked by employees.³³ We examined these electronic data to identify employees working excessive amounts of overtime hours. Additionally, we analyzed the data to determine whether all the hours had been properly accounted for and billed. We were also given electronic records related to the implementation of the grading cameras. We verified only a small portion of the electronic data that we obtained from the two agencies' electronic information systems; therefore, we make no representation regarding the adequacy of their computer systems.

Our audit field work was conducted from November 2012 through February 2013. Our review concentrated on FY 2010 to FY 2012; however, we looked at information for earlier years related to the instrument grading machines used in slaughter establishments.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions, based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

³³ We obtained data from AMS' CAMS system, which records hours worked by graders. We obtained data from FSIS' Feebill system, which records employee billable time from the paper 5110-1 Services Rendered; SMEAD, which contains data scanned from the billing document or time and attendance records, such as employee social security number, pay period, and vendor; and data from WebTA, which records all employee time whether billable or not.

Abbreviations

AMS	Agricultural Marketing Service
APHIS	Animal and Plant Health Inspection Service
ATA	Actual Time Automation
CAMS	Conformance Assessment Management System
CIO.....	Chief Information Officer
FMMI.....	Financial Management Modernization Initiative
FSC	Financial Services Center
FSIS.....	Food Safety and Inspection Service
FY	Fiscal Year
GAO.....	Government Accountability Office
GVD.....	Grading and Verification Division
HACCP	Hazard Analysis and Critical Control Points
IPP.....	Inspection Program Personnel
MOU	Memorandum of Understanding
NFC.....	National Finance Center
OCFO.....	Office of the Chief Financial Officer
OIG	Office of Inspector General
OPM.....	Office of Personnel Management
TA	Time and Attendance Report
USDA.....	United States Department of Agriculture
5110	FSIS Form 5110-1 Services Rendered

Exhibit A: Summary of Monetary Results

Exhibit A summarizes the monetary results for our audit report by finding and recommendation number.

Finding	Recommendation	Description	Amount	Category
1	3	Potential lost revenue due to FSIS under-billing industry for FY 2011 and 2012	\$10,600,000 ³⁴	Unsupported Costs/Loans, Recovery Recommended
1	4	Potential overbilled amount that FSIS billed industry for FY 2011 and 2012	\$4,700,000 ³⁵	Other: Underpayments and overcollections
1	5	Lost revenue to FSIS due to unbilled amounts FY 2012	\$1,100,000 ³⁶	Questioned Costs and Loans, Recovery Recommended
2	9	Potential lost interest revenue to AMS due to unbilled amounts FY 2012	\$40,000 ³⁷	Unsupported Costs/Loans, Recovery Recommended
Total			\$16,440,000	

The table above is titled Exhibit A – Summary of Monetary Results. The table contains columns to identify the finding number, recommendation number, description of error, program dollar amount impacted, and OIG management tracking classification associated with the monetary results from the report’s findings.

³⁴ OIG identified hours indicating a billable time code in WebTA that exceeded the number of hours on the related form 5110 billing document. We estimated the dollar amount for these hours using the rate at which FSIS already billed the establishment.

³⁵ OIG identified hours billed on the form 5110 billing document that exceeded the related billable hours in WebTA. We estimated the dollar amount for these hours using the rate at which FSIS already billed the establishment.

³⁶ This amount was identified by FSIS as amounts recorded in WebTA, which did not have a corresponding form 5110 billing document.

³⁷ This amount is an estimate of the amount of interest due as of December 12, 2012. The actual amount of interest would have to be calculated monthly based on the number of days overdue.

**USDA'S
AMS' AND FSIS'
RESPONSES TO AUDIT REPORT**



1400 Independence Avenue, SW.
Room 3071-S, STOP 0201
Washington, DC 20250-0201

DATE: July 9, 2013

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

FROM: Rex Barnes /S/
Associate Administrator

SUBJECT: AMS' Response to OIG Audit #50601-0002-31: "FSIS' and AMS' Field-Level Workforce Challenges"

Attached is the response of the Agricultural Marketing Service to the official draft of the subject report. These responses address OIG's recommendations 8-13 under Finding 2, recommendations 14-20 under Findings 3, recommendation 23 under Finding 4, and recommendations 24 and 25 under Finding 5. The other recommendations pertain to FSIS; therefore, we did not provide a response to those items.

If you have any questions or need further information, please contact Frank Woods, Internal Controls and Audits Branch Chief, at 202-720-8836.

Attachment

**AMS Response to Office of Inspector General Audit #50601-0002-31:
“FSIS’ and AMS’ Field-Level Workforce Challenges”**

Agency Position on Exhibit A of the Report “Summary of Monetary Results”:

The Office of Inspector General’s (OIG) Exhibit A presents an estimate of \$40,000 of unbilled interest revenue which the Agricultural Marketing Service (AMS) is directed to initiate collections on. The dollar amount of this estimate is based on information extracted from an accounts receivable aging report dated December 12, 2012. We have serious concerns about the amount presented by OIG for the following reasons:

- The estimate is based on a “draft” aging report that had not been validated / tested to ensure the underlying data was reliable. In addition, the report was not being used in the production environment for those reasons. It is our understanding that OIG did not perform any substantive testing on the report’s component information.
- The Financial Management Modernization Initiative (FMMI) system has outstanding “trouble tickets” under review to correct the interest calculation and other issues related to the accounts receivable process. We share OIG’s view that systemic problems must be resolved as soon as possible; however, it is beyond the control of AMS. The Office of Chief Financial Officer (OCFO) and its FMMI development team have the responsibility to initiate the required programming corrections.
- AMS’ FMMI conversion created many billing and payment application issues that were not the fault of AMS’ customers. Billings were often delayed for an extended period of time and related payment postings (to customer accounts) were often delayed or erroneously applied. In many instances this led to confusion and the (false) assumption that accounts were “past due”.
- An analysis of previous Debt Management Aging Account reports used in the previous Foundation Financial Information System (FFIS) accounting environment, revealed a much lower incidence of past due balances and related interest charges; typically less than \$1,000 in any given month.

Given the unique and extenuating circumstances during this transition period to a new accounting system, it is the Agency’s position going forward, to work with OCFO to correct the outstanding system problems as soon as possible; and that devoting Agency resources to recalculating interest charges (for AMS user fee customers) during that problematic period is not warranted.

Finding 2: “AMS Can Improve How It Charges Industry for its Grading Services”

Recommendation 8

AMS should work with NFC to develop a plan with reasonable timeframes for correcting the accounting system to allow AMS to automatically charge interest on overdue accounts.

Agency Response

AMS will continue working with the OCFO / NFC FMMI Development Team to resolve the interest accrual and other related billing issues; however, until the programming corrections are made and tested by the Team, it will remain beyond the direct control of AMS.

Recommendation 9

In the interim, AMS needs to work with NFC to identify and bill establishments for ongoing uncollected monthly interest charges, and identify and recover the estimated \$40,000 in interest charges that should have accrued on delinquent establishments with past due accounts, as of December 12, 2012, and those amounts uncollected forward to present date.

Agency Response

AMS disagrees with the recommendation. For the reasons cited in the Agency Position section, AMS believes its resources should be devoted to working with OCFO / NFC to resolve the FMMI deficiencies, and not devote agency resources to recalculating and re-billing customers. Once programmatic fixes are instituted, the agency will use its authority to charge interest on past due accounts going forward.

Recommendation 10

AMS should determine the impact of uncollected interest on other divisions within the agency and make necessary changes to correct the accounting problem.

Agency Response

AMS will work with OCFO / NFC to implement system enhancements, but as stated previously to recommendation #9, we do not intend to pursue potential amounts of uncollected interest given the inherent system problems and historically low interest levels for this program.

Recommendation 11

Either revise current procedures to turn over any accounts that are more than 90 days delinquent to APHIS, according to the agreement AMS has with that agency, or AMS needs to meet with APHIS to address the terms of the agreement. The procedures should include detailed communication with APHIS to address AMS' concerns with not being able to collect from plants once the overdue account is turned over to APHIS, and plans to keep track of plants that have not paid and should not receive AMS grading services.

Agency Response

AMS will work with APHIS to revise procedures, if deemed necessary, to more accurately reflect the management of accounts past due for greater than 90 days. We will document the resolution of that work by June 2014.

Recommendation 12

Update the CAMS procedure manual to reflect changes in billing and timekeeping procedures following the move to FMMI.

Agency Response

AMS is updating the Conformance Assessment Management System (CAMS) procedure manual in regards to the account/billing processes to assure that the manual reflects FMMI procedures. AMS expects to complete the updates by October 2013.

Recommendation 13

Conduct a thorough analysis of billing and timekeeping changes made in FMMI that were not also included in CAMS. AMS should maintain documentation of the changes for financial accountability.

Agency Response

AMS has generated a report that identifies all billing activity in FMMI which will be maintained for financial accountability. Based on the reference information identified in the file, we were able to identify select individuals (i.e., management analysts) who entered the billing information directly into FMMI rather than through CAMS. Immediate controls were implemented to prevent this from recurring. Since CAMS is fully implemented, all staff below the management level will no longer need or be permitted access to FMMI for entry of billing information. Cancellation of access rights for specific billing entry functions within FMMI by management analysis will be completed by October 2013.

Finding 3: “AMS Needs to Better Utilize its Camera-Based Grading System”**Recommendation 14**

Form an ad hoc committee of independent and objective third party experts (such as academics, scientists, and consumer advocates) to review current methodologies and propose improvements to the image grading systems, relating to instrument performance, grader performance, and appropriateness of grading standards; and publish for public review and comment, the major milestones (thought process, studies, data, etc.) the committee used to determine proposed changes to the automated grading system.

Agency Response

AMS will use independent and objective third party experts to review current methodologies and propose improvements to the image grading systems. AMS will make publicly available a summary of the areas reviewed and of the proposed modifications or changes to the protocols for the image grading systems. AMS will identify the third party organization of experts by September 2013, and initiate the review of current methodologies by December 2013.

Recommendation 15

Consult with the committee of independent experts to reassess when human graders should override cameras and how far out of tolerance the grading score should be before the graders can intervene. Implement recommended changes in relevant policies and procedures.

Agency Response

AMS will engage the experts to review and evaluate current procedures and protocols for determining when graders should override the cameras and evaluate the grading score tolerance

range that determines grader intervention. Any recommended changes to policy / procedure will be accomplished by July 2014.

Recommendation 16

Clearly define in current policies and procedures what it means to fail an acceptable quality level verification check. Then clarify for supervisory personnel that if plants have a series of unacceptable performance checks, additional AMS personnel should be scheduled to perform increased oversight until the situation has been corrected or the agency will discontinue allowing camera grading.

Agency Response

AMS will provide the experts with research data and analyses for establishing verification check levels and the appropriate corrective response. The review and amendment of procedures will be completed by July 2014.

Recommendation 17

Consult with the committee of independent experts to determine whether to limit the number of times industry can request that a carcass be re-graded for both traditional grading and image grading systems. Implement recommended changes in relevant policies and procedures.

Agency Response

AMS will consult with experts to determine whether to limit the number of times a carcass can be re-graded for traditional and instrument grading. Relevant policies and procedures will be updated accordingly by July 2014.

Recommendation 18

Consult with the committee of independent experts to determine whether establishments using camera grading systems should be allowed to request traditional grading for certified programs, like Certified Angus beef. The results of this evaluation should be available for public review and all comments should be considered before a final determination is made by the agency.

Agency Response

AMS will engage the experts to review and evaluate certification programs and the use of image-based grading systems for these programs. Proposed procedures and changes will be made available to industry for review and comments. The comments will be provided to the experts for final recommendations to AMS by July 2014.

Recommendation 19

Develop a plan to monitor and report variation in plant grading cameras to assure that any cameras that consistently grade high or low get proper maintenance by the company.

Agency Response

AMS will engage experts in the development of a measurement assurance program based on the National Institutes of Standards and Technology's Good Laboratory Practice for the Quality Assurance of the Measurement Process. AMS will finalize the protocols and procedures for a measurement assurance program by April 2014.

Recommendation 20

Consult with the committee of independent experts to determine the necessity and feasibility of acquiring a portable grading camera system that AMS can use to evaluate the grading (instrument and non-instrument) occurring in all beef grading plants.

Agency Response

AMS will consult with experts to determine the need for a USDA-owned portable camera system to evaluate instrument and non-instrument grading in all beef plants that use AMS grading service by April 2014.

Finding 4: “AMS and FSIS Need to Improve Their Succession Planning”**Recommendation 23**

Establish and adhere to timelines that will ensure issuance of future succession plans. Update, if AMS receives guidance from USDA’s Office of Human Capital Management, the agency’s human capital associated documents (Human Capital Plan, Strategic Plan and Succession Plan) to reflect USDA’s new requirements. If AMS does not receive this guidance timely, then the agency should evaluate whether a further revision to its succession plan is necessary to bring it into compliance with the “best practices” recommended by GAO, OPM, and USDA.

Agency Response

AMS will adhere to guidance provided by the Department, and Marketing & Regulatory Programs (MRP), to keep pace with best practices in this arena. We will re-assess the agency’s succession plan by June 2014, if no earlier guidance is promulgated by the Department or our Mission Area.

Finding 5: “Update Procedures for Cross-Utilization of Employees”**Recommendation 24**

AMS and FSIS should evaluate the use of cross-utilization and identify the circumstances in which it could be used considering the current and perceived future staffing levels and workloads and draft and approve a new MOU.

Agency Response

AMS has prepared a draft Memoranda of Understanding (MOU) for the Food Safety Inspection Service (FSIS) to review and comment on. To date however, opportunities for cross-utilization have been very limited, and we don’t envision any significant change in that model given our unique missions and services provided. We will however, maintain open communications with FSIS, where potential opportunities may arise. AMS and FSIS will confer and update the existing MOU, or if mutually agreed upon, will formally document the expiration of the MOU, by September 2013.

Recommendation 25

After the MOU has been drafted and approved, AMS should evaluate and update, as necessary, the appropriate instructions, assess if a specific WebTA time code could be developed for the

agency to use to reflect cross-utilization time to assist in the billing process and implement any new codes, as applicable.

Agency Response

We agree to the extent cross-utilization opportunities present themselves on a more significant scale. As indicated in the agency response to recommendation 24, we will document the outcome by September 2013.



United States
Department of
Agriculture

Food Safety
and Inspection
Service

Washington, D.C.
20250

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

FROM: Alfred V. Almanza / s / July 11, 2013
Administrator
Food Safety and Inspection Service

SUBJECT: Office of Inspector General (OIG) Official Draft Audit Report – FSIS’ and AMS’ Field-Level Workforce Challenges, Report number 50601-0002-31

The Food Safety and Inspection Service (FSIS) appreciates the opportunity to review and comment on the draft audit report: FSIS’ and AMS’ Field-Level Workforce Challenges. We have provided the following comment and responses to the eleven recommendations that address FSIS.

FSIS Comment

FSIS has concerns regarding the under-billed (\$10.6M) and over-charged amounts (\$4.7M) extrapolated by OIG for this audit report. FSIS uses a timekeeping system (WebTA) to pay employees for hours worked. Separately, the Agency uses another system (FeeBill) to bill industry for overtime user fees. Over the long term, our Actual Time Automation (ATA) initiative will automate and integrate both of these systems at the employee level. In the meantime, the Financial Services Center (FSC) developed several edit tools for review and control purposes. For example, we use an initial *payroll* scan program to check for inaccurate timekeeping codes, etc. This tool was never meant or designed to reconcile *billing* errors, yet in fact, the OIG used it for that purpose to extrapolate –under and –over *reimbursements*. The misassumption is that the payroll data at point of entry is always correct, when in fact, it is not. An inspector is more apt to concentrate on the payroll hour submission to meet the bi-weekly timesheet requirement and less so on recording accurately, the reimbursable codes and hours worked. Routinely, the FSC staff discovers that some of the billable hours recorded on the time sheet are in fact not billable. The real document of significance for plant billing purposes is the Form 5110. FeeBill and the FSIS access databases are not reconcilable due to the current lack of integration between the payroll and billing systems. As a result, OIG cannot accurately compute the amounts under-billed and over-billed with supportable analysis. Our recent hour-by-hour analysis (for one pay period) confirms our hypothesis. Discrepancies identified resulted in a net projection of \$1M *underbilling* for an annual period. This labor-intensive review is the most reliable analysis to extrapolate estimated amounts. Furthermore, our own reconciliation process initiated in FY12 has generated \$2M for underbilling and we project an additional \$1M for FY13. Both of these internal reconciliation reviews do not align with the OIG’s hypothesis of an estimated \$10.6M underbilling for FY12 and an estimated \$4.7M for overbilling for FY11 and FY12.

OIG Recommendation 1 Conduct an internal review of the safeguards FSIS currently has in place that limit the number of overtime hours an inspector is required to work and determine their effectiveness. Using available data and studies (for example publications from the

Occupational Health and Safety Administration and the Centers for Disease Control) perform an analysis to determine how many hours field staff can reasonably be expected to work for an extended period of time, while still maintaining appropriate mental and physical acuity. Implement any additional safeguards that are identified by the review and analysis of available information on the effects of working excessive hours and in conjunction with the inspectors union take appropriate action to set limitations on working extended overtime hours.¹

FSIS Response to Recommendation 1

The Agency agrees to conduct an internal review to examine the management controls in place to address excessive overtime hours or to approve exceptions to the limits in the Labor Management Agreement. The outcome of this review of the control process will determine if an internal audit should be conducted to include effects of extended hours of work when reviewing employee fitness for duty. It is important to note that while FSIS makes efforts to provide inspection program personnel with sufficient relief from overtime work, if overtime is required, it is the responsibility of the employee covering the assignment (per the current Labor Management Agreement). In addition, in certain situations, the Agency must make exceptions to overtime limits in order to meet its statutory obligations.

In response to this recommendation, FSIS' Accounts Payable Management Branch at the FSC has generated overtime reports each pay period beginning with 2013 Pay Period 09, which include employees who posted over 56 overtime hours in a pay period. These overtime reports are sent to all District Managers, Deputy District Managers, and Supervisory Resource Management Analysts for their oversight and regular review. In addition, procedures will be developed for these Managers to provide the appropriate action to take, within the limitations of the Labor Management Agreement, in an effort to address excessive overtime hours worked in a pay period.

Estimated Completion Date: March 14, 2014

OIG Recommendation 2 Determine the best method to better automate or facilitate the function of the Financial Services Center, so that it can perform all necessary reconciliations of FSIS' time and attendance reporting system to its system for billing overtime to ensure industry is accurately billed for inspection services.

OIG Recommendation 6 Develop a plan with acceptable timeframes and milestones to implement a timekeeping system that will allow inspectors to track their time electronically for general timekeeping and billing purposes.

FSIS Response to Recommendation 2 & 6

The Agency agrees and is in the process of implementing Actual Time Automation (ATA), which is an initiative that will perform all necessary reconciliations of the FSIS' time and attendance reporting system to its system for billing overtime to ensure industry is accurately billed for inspection services. The ATA implementation has several phases that directly affect FSIS' IPP payroll as well as fees charged to industry. In response to recommendation 6 to develop a plan to implement an electronic timekeeping and billing system the project has three major phases: (1) enhancements to the webTA timekeeping system to pay Inspection Program Personnel (IPP) and collect billing data (December 31, 2013); (2) implement a paperless billing

¹ Recommendation 1 was revised based on email communications with OIG on June 19, 2013 at 2:40 PM.

solution and create an electronic billing for industry (July 31, 2014); and (3) implement an electronic device that will replace the current paper timekeeping and billing processes for IPP (December 31, 2014). This system will resolve the business issues of disparate systems and processes for paying employees and billing industry and will result in an approach that will reconcile and confirm industry billing against inspector reimbursable hours.

Estimated Completion Date: FSIS will complete phases 1 and 2 of the actions stated above by July 31, 2014.

OIG Recommendation 3 Reconcile unexplained discrepancies, of up to an estimated \$10.6 million, in employee overtime hours recorded that were potentially not billed to industry for FY 2011 and 2012; and establish receivables for any valid payments owed to FSIS.

OIG Recommendation 4 Reconcile unexplained discrepancies, of up to an estimated \$4.7 million, in overtime hours billed to industry for FY 2011 and 2012 that were potentially not entered into employee time-keeping records; and establish payables for any valid payments due to establishments.

OIG Recommendation 5 Bill industry for collection of the additional \$1.1 million in reimbursable inspection charges from missing form 5110s that FSIS identified for FY 2012 from its new validation procedures.

FSIS Response to Recommendations 3-5

The Agency recognizes the potential amounts of over and under charges to industry OIG reported for FY 2011 and 2012 are only estimates. Since the net difference resulted in potential under billing, as a whole FSIS has not overbilled industry for FY 2011 and 2012. The Agency performed its own analysis for FY 2013 by pulling 1 pay period of data and performing a hour by hour analysis. We compared the FSIS Access database with the payroll data to FeeBill and, based on our analysis, our findings are as follows:

- Discrepancies were identified with a net difference of 591.5 hours potentially under billed. By using the average hourly rate of \$68.32 per hour we estimate that we are under billing \$40,000 per pay period. (591.5 hours X \$68.32)
- The estimated \$40,000 under billing per pay period equates to \$1 Million of under billing per year. (\$40,000 X 26 pay periods)
- Since the net difference resulted in potential under billings, as a whole FSIS has also not over billed industry for FY 2013.

The Agency agrees to bill industry for collection of the reimbursable inspection charges already identified for FY 2012, but reconciling and identifying potential hour by hour discrepancies for under billing industry during FY 2011 and 2012 is not a viable option because FSIS does not have the necessary supporting documentation to validate and produce a legitimate billing statement. However, the WebTA and PayTA systems allow us to identify T&As that include reimbursable time for which there is not a corresponding 5110 for the inspector during a pay period. FSIS has instituted a reconciliation process that links each employee's T&A to the Form 5110. This process has enabled the Agency to follow-up with IPP that fail to record reimbursable time on the 5110. FSIS has already billed and collected \$2 million for services rendered in FY 2012 and anticipates collecting an additional \$1 million for FY 2013 services rendered. We intend to continue this reconciliation process until the enhancements to the WebTA timekeeping system to pay inspection program personnel and collect billing data are implemented (December 31, 2013), and the paperless billing solution, which will create electronic billing for industry, has been implemented (July 31, 2014).

Estimated Completion Date: FSIS will complete billing tasks associated with FSIS' reconciliation process and implement WebTA enhancements and the paperless billing solution by July 31, 2014.

OIG Recommendation 7 Direct the CIO to work with APHIS to develop a plan with acceptable timeframes and milestones to give appropriate increased access to FSIS automated systems, so that APHIS debt servicing operations can be performed efficiently.

FSIS Response to Recommendation 7

The Agency agrees and is working with APHIS to design and implement a Secure Socket Layer (SSL) proxy solution by which APHIS employees can easily operate within the FSIS network so that APHIS debt servicing operations can be performed efficiently. Both agencies are involved in piloting this solution while working through any issues that may impact its timely implementation.

Estimated Completion Date: FSIS will complete the implementation of the SSL proxy solution by January 31, 2014

OIG Recommendation 21 Revise the agency's succession plan and consider addressing the concerns we noted, and establish and adhere to timelines that will ensure issuance of future succession plans.

FSIS Response to Recommendation 21

The Agency agrees to revise its succession plan and will establish timelines to ensure the issuance of future succession plans. To have a successful succession plan and to meet the requirements of USDA and the Office of Personnel Management, FSIS has partnered with the USDA/Office of Human Resource Management to take the necessary steps to complete the overall human capital planning process. This process consists of three components: human capital planning, workforce planning, and succession planning.

FSIS continues to engage managers in workforce planning that will lead to the development of agency's succession plan. Currently, each FSIS program area is involved in the workforce planning process of reviewing demographic data and identifying gaps that exist or will exist in the future because of retirements and attrition. FSIS wants to ensure that, through its succession planning efforts, it takes steps to identify key positions and to develop the workforce of today to be prepared to fill a vacant role in the future and continue the agency's mission. The FSIS succession planning activities will allow for a smooth transition of qualified employees from individual contributors to managers and leaders of the future. FSIS anticipates that initial succession steps will be identified by the end of the 2013 calendar year, and that the succession plan will be completed in FY 14.

Estimated Completion Date: FSIS will implement the actions stated above by May 31, 2014.

OIG Recommendation 22 Develop a plan and implement a program for providing appropriate ongoing training to every supervisor in the agency at least every 3 years.

FSIS Response to Recommendation 22

The Agency agrees to plan and implement a program to provide the appropriate ongoing supervisor training. In support of Title 5; (Code of Federal Regulations); § 412.202, “*to provide training at least once every three years, by providing each supervisor and manager additional training on the use of appropriate actions, options, and strategies to:(1) Mentor employees;(2) Improve employee performance and productivity;(3) Conduct employee performance appraisals in accordance with agency appraisal systems; and(4) Identify and assist employees with unacceptable performance,*” FSIS launched a training program in FY 2012 and is currently exploring yet another option consistent with Agency resources for FY 2014.

“The FSIS Gateway: A Supervisors’ Path to Continual Learning” is a training program that offers all supervisors on-going training and resources to help them successfully manage, mentor, and coach their employees. Through a series of interactive training sessions, newsletters, and a SharePoint repository, the FSIS Gateway program serves as a resource for supervisors to access critical information designed and developed by FSIS subject matter experts.

The FSIS Gateway program launched its first webinar in January 2012. The Gateway program provides supervisors on-going training and resources to help them successfully manage, mentor, and coach their employees. This program also provides supervisors with ongoing development opportunities to refresh and strengthen their core competencies.

In addition to the FSIS Gateway program, the Agency is currently exploring a 3-day FY 2014 FSIS Supervisor Refresher Training pilot, with an emphasis on: *Managing People and their Performance; Managing Difficult Employees; Providing Coaching and Feedback; and Conflict Management and Resolution*. The training pilot would be offered to up to 40 supervisors with over three years of supervisor experience.

Estimated Completion Date: FSIS will implement the actions stated above and establish a plan for ongoing supervisor training by May 31, 2014.

OIG Recommendation 24 AMS and FSIS should evaluate the use of cross-utilization and identify the circumstances in which it could be used considering the current and perceived future staffing levels and workloads and draft and approve a new MOU.

OIG Recommendation 26 If the MOU is drafted and approved, FSIS should evaluate, and update as necessary, the appropriate directive(s). Assess if a specific WebTA time code could be developed for the agency to use to reflect cross-utilization time to assist in the billing process and implement any new codes, as applicable.²

FSIS Response to Recommendations 24 & 26

FSIS agrees to evaluate the use of cross-utilization with AMS to determine whether there are circumstances where it would be beneficial. However, the possibility exists that this evaluation may result in FSIS determining that the few instances where cross-utilization may be feasible do not outweigh the expected obstacles FSIS faces. If the evaluation results in a determination that an MOU for cross-utilization is not an efficient option for FSIS, the MOU will be cancelled. If the evaluation results in a decision to revise the MOU, FSIS will draft a plan with appropriate milestones and timelines for the MOU revision as well as update the appropriate directives. If

² Recommendation 26 was revised based on email communications with OIG on June 19, 2013 at 2:40 PM.

necessary, FSIS also agrees to perform an assessment to determine whether specific WebTA time codes need to be developed for the Agency to use in order to reflect cross-utilization time for billing purposes.

Estimated Completion Date: FSIS will complete the cross-utilization evaluation and, if necessary, draft plan for revising the MOU with AMS by June 30, 2014.

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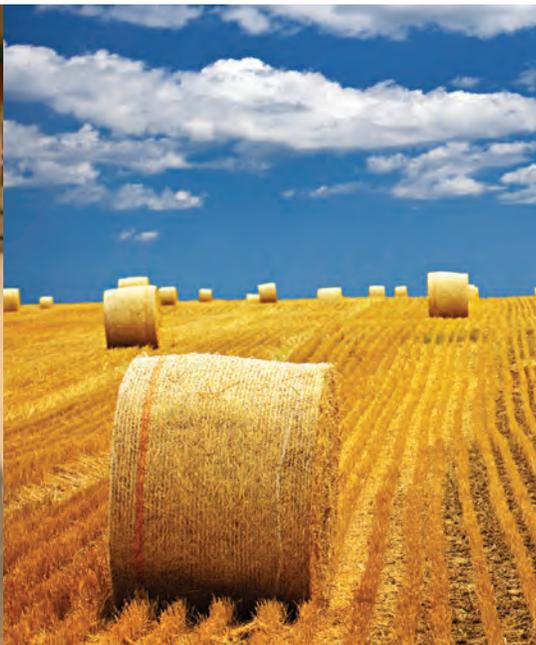
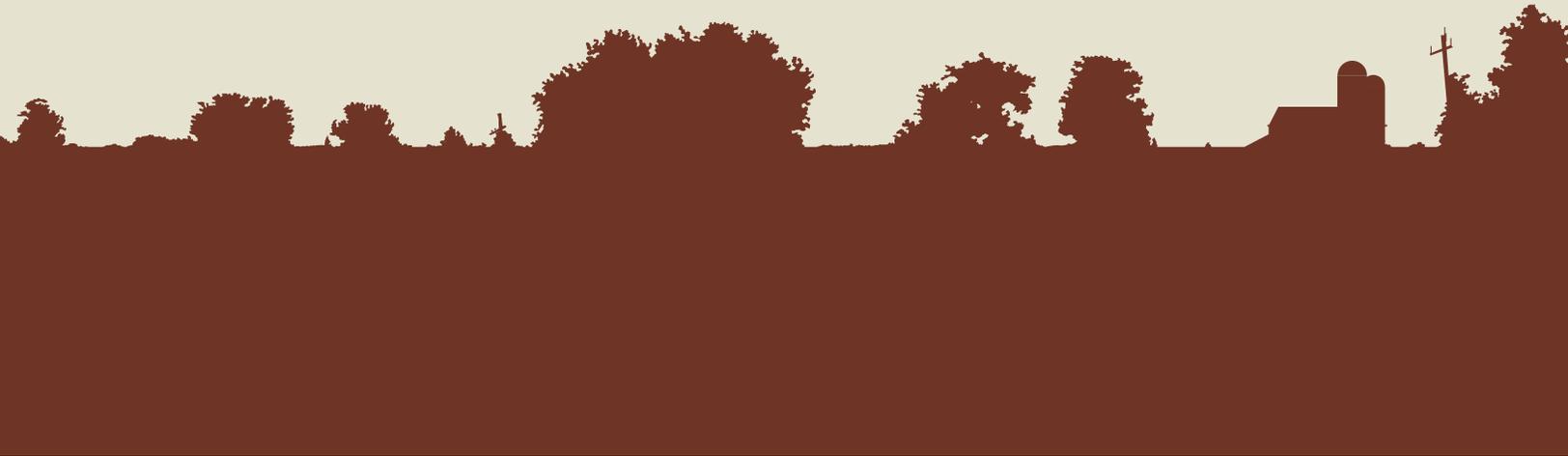
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