



REPORT HIGHLIGHTS

PERFORMANCE AUDIT

Our Conclusion

The Department of Agriculture (Department) helps ensure the safety and quality of Arizona's dairy products, meat and poultry, eggs, and fresh produce. Because the dairy industry benefits from the Department's oversight, the State should share more costs—which the State General Fund bears almost entirely—with the industry, as some other states do. Similarly, the Legislature should consider transferring responsibility for meat and poultry inspections to the U.S. Department of Agriculture (USDA), who would conduct these inspections at no cost to the State, or require the industry to pay the costs of operating a state program. The Department should also continue shifting its produce program emphasis from quality to safety and take additional actions to promote food security.



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Dairy industry should share in safety program costs

The Department regulates the safety of milk and milk products by enforcing the federal grade "A" pasteurized milk ordinance, which the State has adopted. This allows Arizona dairies to sell their products in other states. The Department inspects sanitation and other specific processes and conditions at dairy farms and processing plants, and tests samples of milk and milk products.

The State General Fund pays for almost all of the program's \$390,000 in annual

costs, partly because licensing fees have not increased for over 50 years except for temporary increases in fiscal years 2009 and 2010.

The dairy industry in other states pays more of the costs. In four of the ten states surveyed, the industry pays the majority of the inspection costs. In four of the other six states surveyed, the industry paid from 5 to 17 percent of the costs. Arizona dairy industry fees have generally contributed less than 1 percent of costs.

Consider transferring meat and poultry inspections to USDA

The USDA has ultimate responsibility for meat and poultry inspection. The USDA must inspect any slaughter or meat processing plant that sells meat and poultry out of state. However, states may enter into agreements with the USDA to inspect establishments that do not sell in interstate commerce.

Inspections, whether federal or state, ensure that animals are disease-free, facilities are clean and sanitary, and meat and poultry products are wholesome and properly labeled. In Arizona, 27 establishments are federally inspected, and 34 are state inspected. However, the federally inspected establishments account for over 99 percent of all cattle slaughtered in Arizona.

Many states do not have state inspection programs—Twenty-three states, including states that produce large amounts of red meat like Colorado and Nebraska, do not conduct state inspections. Only 4 of 13 western states, including Arizona, have state inspection programs.

The USDA and the State each pay half of the program's costs, and transferring meat and poultry inspection to the USDA would save the State about \$400,000 a year. The State General Fund pays nearly all of the State's share of program costs except a small amount from fees and overtime inspection charges. If the program is transferred, some establishments may incur facility modification costs, but it does not appear that modifications should be extensive. Industry costs for overtime inspections could also increase because the federal overtime rate is higher, but overtime use appears to be limited.

As an alternative, the State could increase fees so the industry covers the inspection program's costs. However, with only 34 state-inspected facilities, each could have to pay an average of more than \$10,000 per year to cover the inspection program's costs, which could place a burden on the establishments.

Department helps ensure egg safety and quality

State inspectors inspect eggs and egg products at laying facilities, wholesalers, and retail stores. Eggs are a common source of foodborne illness outbreaks caused by *Salmonella Enteritidis*.

The risk is reduced by properly handling, washing,

and refrigerating eggs during processing, transportation, and storage.

The cost of inspections is covered by industry fees. The frequency of wholesaler and retailer inspections depends on the volume of eggs they sell.

Promoting produce safety

Produce is particularly susceptible to contamination because it is typically grown in a natural environment. In addition, unlike animal products, it is usually consumed raw rather than cooked.

The USDA introduced a program in 1999 to promote voluntary produce safety audits, which the industry pays for. These audits examine growing and handling practices at farms, packing facilities, and warehouses. In some states, the produce industry has worked to develop marketing agreements addressing produce safety. For example, Arizona and California have voluntary leafy

green product agreements where participants agree to specific safety standards and annual audits.

Historically, department inspections focused on quality standards such as color, shape, and size. However, the Department is focusing more on promoting produce safety. It is training inspectors to do USDA food safety audits and promoting the audits.

The Department could use more of its federal grant monies to fund projects to promote food safety audits, such as helping small farmers prepare for and receive audits.

Better promotion of food defense

Food defense refers to protecting food products from intentional contamination. Although reported cases are sporadic, experts believe the threat is plausible and the effects could be far-reaching.

Although the USDA and U.S. Food and Drug Administration have written federal food defense guidelines, these guidelines are voluntary. Department meat and poultry inspectors look for potential security vulnerabilities—such as water systems, receiving and shipping areas, and access to sensitive areas—when inspecting, but they cannot require or enforce security measures. Dairy and produce inspectors' roles are even more limited.

Currently, food defense rests largely with the industry, and industry efforts vary primarily based on size, with larger facilities focusing more on security. The Department should take more steps to promote food defense at all of the facilities it regulates. For example, as it has done with meat and poultry facilities, the Department could provide all facilities it regulates with a voluntary self-assessment tool that would help identify security risks. The Department could also educate the public and industry about food defense through its Web site. In addition, the Department should seek additional opportunities to collaborate with federal, state, and local government agencies to promote food security by preventing intentional contamination.

Department of Agriculture—

Food Safety and Quality Assurance
Inspection Programs

A copy of the full report is available at:

www.azauditor.gov

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