

Office of the Auditor General
Preliminary Survey Summary

Fruit and Vegetable Inspection Program
Michigan Department of Agriculture and Rural Development

September 2022

The auditor general shall conduct post audits of financial transactions and accounts of the state and of all branches, departments, offices, boards, commissions, agencies, authorities and institutions of the state established by this constitution or by law, and performance post audits thereof.

The auditor general may make investigations pertinent to the conduct of audits.

Article IV, Section 53 of the Michigan Constitution



OAG

Office of the Auditor General

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Doug A. Ringler, CPA, CIA
Auditor General

September 9, 2022

Mr. Charlie Meintz, Chair
Michigan Commission of Agriculture and Rural Development
and
Mr. Gary McDowell, Director
Michigan Department of Agriculture and Rural Development
Constitution Hall
Lansing, Michigan

Dear Mr. Meintz and Mr. McDowell:

This is our preliminary survey summary of the Fruit and Vegetable Inspection Program, Michigan Department of Agriculture and Rural Development. Because we did not identify significant concerns that would warrant the additional use of our audit resources, we have decided to terminate this performance audit.

We appreciate the courtesy and cooperation extended to us during our preliminary survey. If you have any questions, please call me or Laura J. Hirst, CPA, Deputy Auditor General.

Sincerely,

Doug Ringler
Auditor General

PRELIMINARY SURVEY SUMMARY

FRUIT AND VEGETABLE INSPECTION PROGRAM

RESULTS

Our preliminary survey did not identify significant concerns that would warrant the additional use of our audit resources to complete a performance audit. Therefore, we terminated this project and did not conduct sufficient testing to conclude on the Fruit and Vegetable Inspection Program's overall effectiveness and efficiency.

FACTORS IMPACTING AUDIT TERMINATION

The Michigan Department of Agriculture and Rural Development's (MDARD's) Fruit and Vegetable Inspection Program:

- Maintained an accurate log of 1,056 market inspections, 1,830 shipping point inspections, and 239 audits. Also, 81% of market inspections and 88% of shipping point inspections were completed in a timely manner and within 2 days of request. Lastly, 82% of audits were completed within 5 days of the request.
- Received U.S. Department of Agriculture (USDA) approval of the audits MDARD conducted.
- Ensured invoices were issued and fees were collected in a timely manner for inspections and audits.
- Employed 3 inspectors with unrestricted licenses, enabling them to appropriately review all types of produce.
- Ensured all inspections were completed by an appropriately licensed inspector.
- Was in the process of acquiring a new Web-based application by January 2023 to track inspections, audits, and their associated fees.

BACKGROUND

Description: The Program protects buyers, brokers, and consumers from receiving poor quality produce or produce that does not meet the promised grade or condition from anywhere in the world. The Program also protects farmers by providing an unbiased third-party inspection ensuring they are paid fairly for their produce. Further, the Program protects processing facilities from receiving poor-quality produce in processed goods.

The Program conducts the following types of inspections and audits:

- Market inspections evaluate produce grown outside of Michigan that has already entered commerce. Typically, these occur when there is a dispute between a buyer and a seller regarding the fruit or vegetable grade.
- Shipping point inspections evaluate produce grown in Michigan and are conducted at the point of shipment. These inspections are voluntary unless the produce is used for a government program (e.g., military or school nutrition) or required by the buyer. Most shipping point inspections in Michigan are conducted on apples and potatoes; however, inspections of blueberries, carrots, celery, cucumbers, onions, peppers, and tomatoes are also performed.
- Process inspections involve inspecting the commodity before being delivered to a processing plant. These inspections are used to base payment to the grower for the produce received.
- Good Agricultural Practices (GAP) and Good Handling Practices (GHP) audits evaluate farm operations by reviewing safe food handling, packing and packaging, and other pertinent documentation. These voluntary practices are offered to the fruit and vegetable industry to verify an operation's efforts to minimize the risk of contamination of fresh fruits, vegetables, and nuts by microbial pathogens. The practices do not guarantee the produce is free from microbial contamination but verifies the participant has taken proactive measures to reduce the risk of contamination by adhering to generally recognized industry best practices. Exhibit 1 provides examples of items reviewed during a GAP audit.

These services are voluntary and requested by the buyer, seller, or other interested party. The Program relies on its inspectors and auditors, who are licensed through the USDA, to provide these services. Each inspector must be licensed by the USDA for each type of produce they examine. MDARD works on the USDA's behalf and must adhere to USDA policies and procedures for inspections and audits.

Most states have cooperative agreements with the USDA to perform fruit and vegetable inspections. Inspection fees are collected by MDARD for each of the services, and a portion of the revenue is sent to the USDA.

Expenditures: From January 2021 through May 2022, the Program expended \$1.46 million and received \$688,723 in fees from services. Expenditures in excess of the user fees

are paid by the General Fund. See Exhibit 2 for revenue by source.

Employees: As of June 2022, the Program had 9 full-time employees and 1 seasonal employee. The Program consisted of 8 inspectors, a departmental technician, and the Program manager.

SCOPE

Our preliminary survey generally covered January 2021 through June 2022 and included a limited review of the following Program activities:

- Inspection and audit procedures and tracking.
- Inspector licensing.
- Inspector training.
- Fee collection.

PURPOSE

Within a performance audit, we design the preliminary survey to obtain an understanding of the core activities within an entity or a program and to identify potential program improvements and/or deficiencies that could impair management's ability to conduct its operations in an effective and efficient manner. If the results of a preliminary survey do not identify significant concerns, our practice is to terminate the planned performance audit.

Preliminary survey procedures are limited in nature and should not be considered a completed performance audit in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States. In addition, our preliminary survey procedures would not necessarily disclose the presence or absence of any material conditions and/or reportable conditions. Given that the procedures we employed did not constitute a performance audit, we will not issue a performance audit report and we do not express conclusions regarding the Program's effectiveness or efficiency.

SUPPLEMENTAL INFORMATION

UNAUDITED
Exhibit 1

FRUIT AND VEGETABLE INSPECTION PROGRAM Michigan Department of Agriculture and Rural Development

Photographs Taken During a GAP Audit

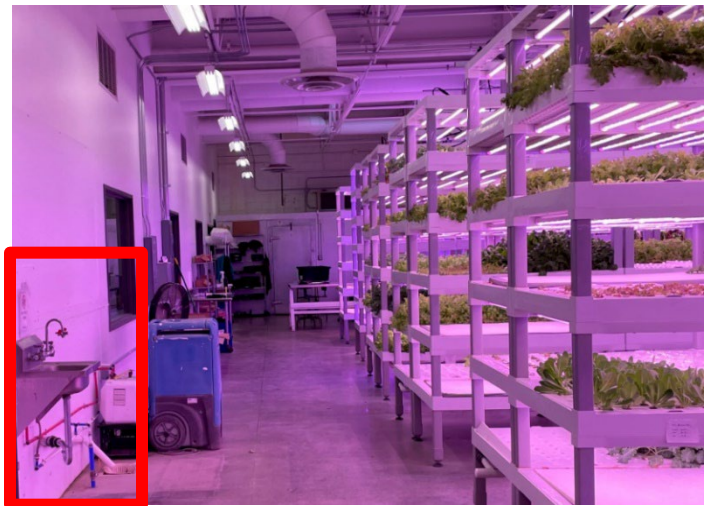
First Aid Station

The MDARD auditor observed the first aid station to ensure it contained all items included in the grower's policies and procedures.



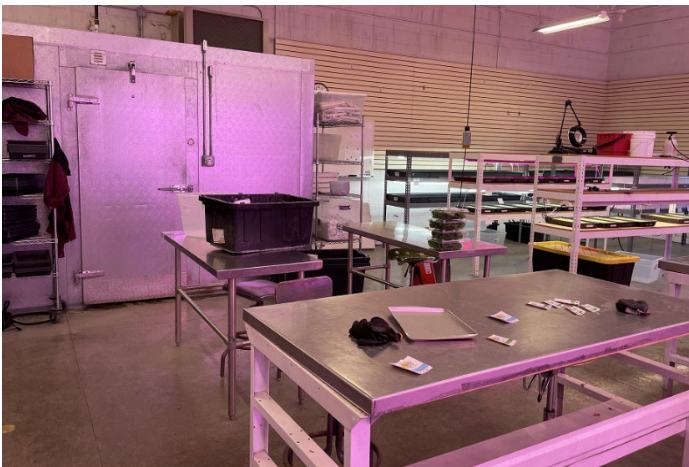
Handwashing Station

The MDARD auditor observed the handwashing station. Any marked handwashing station is required to include soap.



Produce Cooler

This is where the produce is packaged into containers for the client. A cooler provides produce storage prior to shipment.



Monitoring System

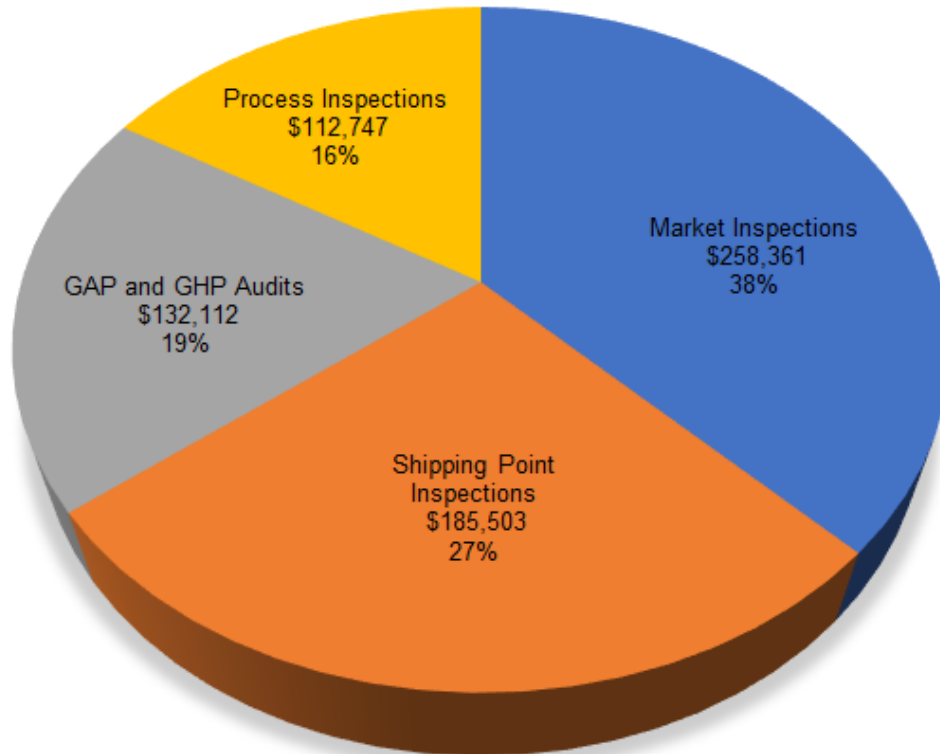
The audit checklist requires the MDARD auditor to observe the pH level monitoring system shown here.



Source: Photographs were taken by OAG staff.

FRUIT AND VEGETABLE INSPECTION PROGRAM
Michigan Department of Agriculture and Rural Development

Revenue by Source
January 21, 2021 Through May 31, 2022



Source: The OAG prepared this exhibit using the inspection log documentation provided to us by the Fruit and Vegetable Inspection Program.



Report Fraud/Waste/Abuse

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