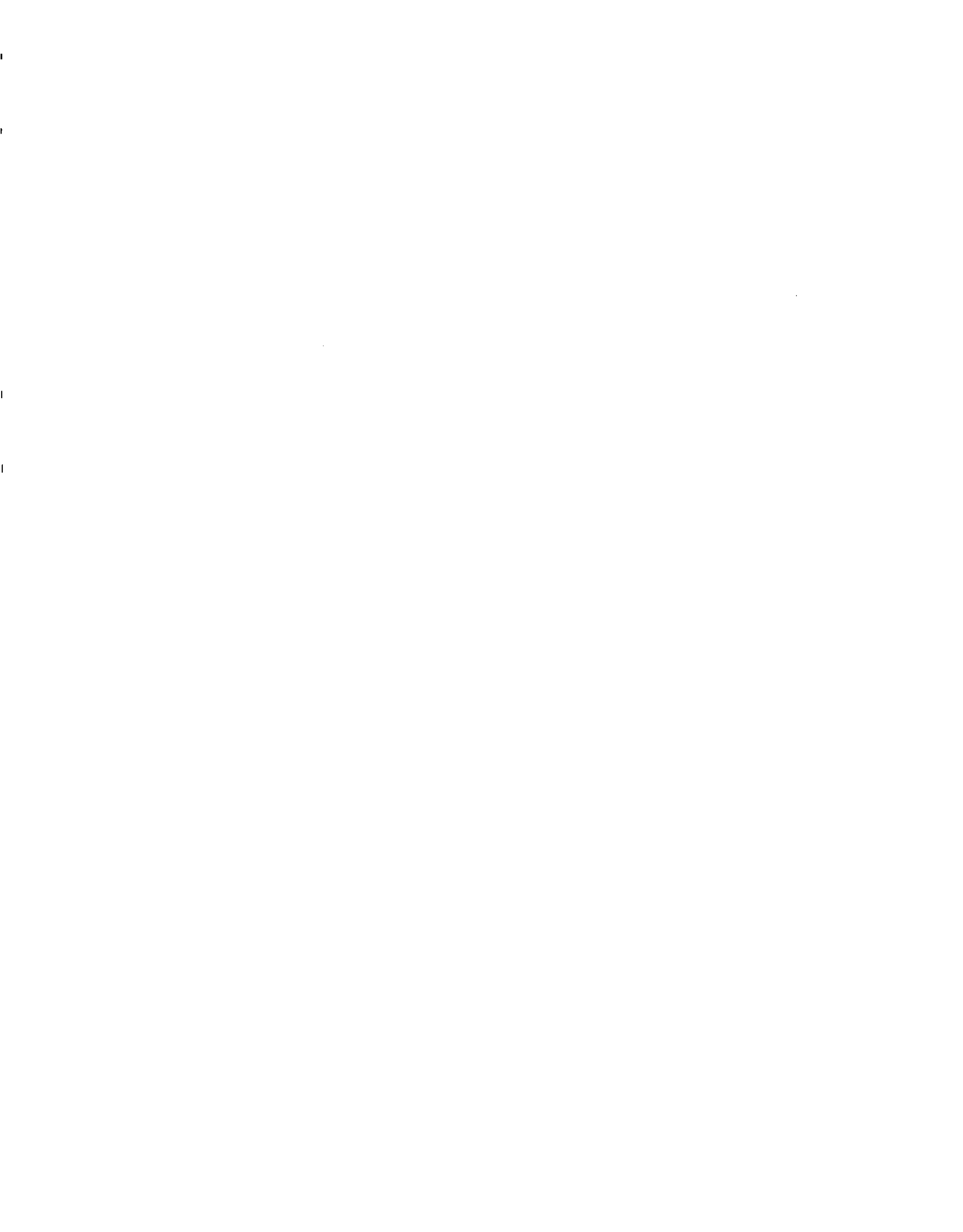


## **PERFORMANCE AUDIT REPORT**

**Assessing Whether State Regulation of Meat  
Processing Plants Is More Stringent and Costly  
Than Federal Regulations Require**

***Executive Summary***  
*with Conclusions and Recommendations*

**A Report to the Legislative Post Audit Committee  
By the Legislative Division of Post Audit  
State of Kansas  
March 1998**



# ***Legislative Post Audit Committee***

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## ***Legislative Division of Post Audit***

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LEGISLATURE OF KANSAS  
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March 16, 1998

To: Members of the Kansas Legislature

This executive summary contains the findings and conclusions, together with a summary of our recommendations and the agency responses, from our completed performance audit, *Assessing Whether State Regulation of Meat Processing Plant Is More Stringent and Costly Than Federal Regulations Require*.

The report includes a number of recommendations for improving the Meat and Poultry Inspection Program. We recommend that the Department encourage plant owners to obtain training in Hazard Analysis and Critical Control Point (HACCP) systems as soon as possible. We also recommend that the Department take steps to ensure that notices of regulatory changes are provided to inspectors before they are provided to plant owners. Finally, to ensure that State meat and poultry inspectors are enforcing State regulations as consistently and fairly as possible, we recommend that the Department provide standardized training for all its inspectors and find out from plant owners what specific types of differences they think exist between inspectors, or from one region of the State to another.

If you would like a copy of the full audit report, please call our office and we will send you one right away. We would be happy to discuss these recommendations or any other items in the report with you at your convenience.

A handwritten signature in black ink that reads "Barbara J. Hinton". The signature is fluid and cursive.

Barbara J. Hinton  
Legislative Post Auditor



**Assessing Whether State Regulation of Meat Processing  
Plants Is More Stringent and Costly Than  
Federal Regulations Require**

**EXECUTIVE SUMMARY**

**LEGISLATIVE DIVISION OF POST AUDIT**

**Question 1: What Do Meat Processing Plants Have To Do Under New  
Federal Laws and Regulations Relating to Food Safety Requirements,  
And How Is This Information Being Communicated to Them?**

**The new federal regulations adopted in July 1996 require meat processing plants to do less than the draft regulations initially proposed in 1995.** ..... page 4  
*In 1993, four children died and more than 500 people became sick from an outbreak of a particular strain of E. coli. In response, the federal Food Safety Inspection Service decided to revamp its inspection program. After receiving nearly 7,000 written comments in response to the proposed regulations issued in 1995, the Inspection Service dropped two of the proposed requirements that would have had a significant cost impact on plants—time and temperature requirements and antimicrobial treatments for carcasses. Ultimately, the final regulations were less stringent on meat and poultry plants than the proposed regulations, and appeared to take small plants' concerns into account. The final regulations adopted at the State level required plant owners to implement sanitary operating procedures and testing requirements by September 1997, and will require them to develop food safety systems by January 2000.*

**A number of factors contributed to some anxiety and uncertainty about implementing the new requirements for State-inspected meat and poultry plants.** ..... page 7  
*To maintain its own meat and poultry inspection program, Kansas must impose and enforce requirements that are at least equal to federal requirements. The House Agriculture Committee received conflicting testimony about the impact the new requirements could have on small meat plants in Kansas. In 1997 and again in 1998, the Department of Commerce and Housing estimated the new requirements would cost Kansas' State- and federally inspected plants \$25,000-\$200,000 to implement, and would cause 20%-30% of all State-inspected plants to close or convert their operations to custom slaughter plants. However, an official with the Food Safety Inspection Service testified the new requirements shouldn't have a significant impact on meat plant operators' costs, or on their ability to stay in business.*

**We found the Department of Commerce and Housing's cost estimates weren't reliable because Department employees hadn't read the regulations and weren't sure whether their estimates were based on the final or proposed regulations.** ..... page 8  
*In addition, the Department's high-end cost estimate was based on a loan amount for three steam pasteurization units that aren't required by the new federal regulations.*

**Other factors that contributed to the anxiety included multiple changes to the implementation dates at the State level, and meat inspectors' inability to answer plant owners' basic questions about some of the new requirements.** ..... page 9

**It's hard to know exactly how the new Hazard Analysis and Critical Control Point (HACCP) requirement will affect small meat plants in Kansas.** ..... page 10  
*This is the last of the four programs called for by the new regulations, but it seems to have the most concern and costs associated with it. Small, State-inspected plants must have HACCP systems in place by January 25, 2000. We found that it's difficult to project what it will cost to develop and implement HACCP plans in State-inspected plants. Two costs estimates we reviewed suggested those costs could range from \$2000 per HACCP plan to a minimum of \$6,000 for implementing a HACCP system, but these cost estimates were for plants much larger than the typical Kansas State-inspected plant.*

*In our survey of State-inspected plants, we asked plant owners to provide cost estimates for items that might be HACCP-related. Most owners thought they would incur employee-related costs of up to \$2000, and their plant structure and equipment costs would be more than \$5,000. Owners who'd had HACCP training provided lower cost estimates in the training category and higher cost estimates for plant structure and equipment costs.* ..... page 12

*In addition, we found it's equally difficult to predict whether the requirement for implementing HACCP plans will drive any plants out of business. Of the 75 plant owners who responded to our survey, 15 (or 20%) thought the new regulations would force them out of business. However, 12 of these 15 owners hadn't had HACCP training, and we'd expect owners who've been through training to have a better understanding of how the new regulations may affect their plants. Officials with the Department, the federal Inspection Service, the Kansas Meat Processors Association, and Kansas State University all agreed that it will be difficult to predict whether a plant will go out of business because of the new regulations.* ..... page 13

**Most plant owners indicated they generally were satisfied with the fairness of their inspectors, but some expressed concerns about inspections being inconsistent across state regions.** ..... page 13  
*While we didn't conduct a complete review of the Department's inspection system, we did survey State-inspected plants to help determine whether inspectors were conducting fair and consistent inspections. Two of every three plant owners who responded to our survey thought inspections were fair and consistent, and the majority of written comments about inspectors said they were doing a good job. Plant owners who disagreed with this assessment said some inspectors weren't consistently enforcing regulations. Department officials acknowledged that inspectors don't always interpret regulations exactly the same way, and said they were trying to ensure that inspectors receive the same level of training.*

**Question 1 Conclusion:** *Recent changes in requirements that Kansas-inspected meat plants must follow have been the source of significant anxiety and uncertainty. As federal regulations were adopted at the State level, conflicting cost estimates and uncertain implementation dates left many unclear about how and when those new requirements might affect the plants. Complying with these new requirements probably will result in some increasing costs, and may have other impacts, but the nature and number of such changes are not likely to be significant as the Legislature initially was lead to believe. It's still difficult to predict the likely* ..... page 16

impact of the one remaining unimplemented aspect of the new requirements—developing Hazard Analysis and Critical Control Point systems. Nonetheless, training for plant owners in those new requirements will reduce uncertainty and help ensure effective implementation. In addition, while it may not be realistic to expect a group of inspectors spread over the State would have identical interpretations and viewpoints, further training of those inspectors in both new and existing requirements would help reduce any inconsistencies that may exist.

**Question 1 Recommendations:** To address problems found in this audit, we recommended actions that would help make the Department's inspectors an effective source of information to plant owners and ensure that inspectors are enforcing State regulations as consistently and fairly as possible. In addition, to ensure effective implementation of Hazard Analysis and Critical Control Point system requirements, we also recommended that the Department encourage plant owners to obtain training in those requirements as soon as possible. .... page 16

The Department's response indicated that it has and will continue to take action to ensure that its inspection program and employees aren't contributing to the anxiety and uncertainty about implementing the new requirements for State-inspected meat and poultry plants.

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**Question 2: Has Kansas Adopted More Stringent Requirements for Meat Processing Plants Than Those Imposed by the Federal Government, and if so, What is the Additional Cost of Those Requirements?**

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**Kansas hasn't adopted more stringent requirements than those imposed by the federal government.** Kansas has adopted the new federal regulations dealing with Pathogen Reduction and Hazard Analysis Critical Control Point (HACCP) systems. As a result, there weren't any additional costs to compute. .... page 18

**Even though state-inspected plants have to implement state requirements that are equal to federal requirements, those state-inspected plants can't sell meat in interstate commerce like federally inspected plants can.** Federal laws prohibit state-inspected plants from shipping their meat and poultry products across state lines. This restriction is a source of much frustration for state inspection programs and the plants under their supervision. Federally inspected plants and their trade associations still list product safety as the main reason they want the ban to continue. However, Kansas State University officials, the Department, and some trade associations told us product safety should no longer be an issue with the implementation of the new regulations. A recent proposal by the U.S. Department of Agriculture may start the process to eliminate the ban on interstate commerce for state-inspected plants. Federal officials proposed eliminating the ban on interstate commerce on January 26, 2001—exactly one year after small plants must implement the last of the new federal regulations. .... page 18

**Question 2 Conclusion:** Because the requirements for Kansas' meat-inspection program are at least equal to the federal requirements ..... page 20

*relating to sanitation and inspections, there are no additional costs for having more stringent requirements. Department officials and Kansas' State-inspected plant owners are frustrated with the federal prohibition against selling meat across State lines, but any changes in this area will have to be made at the federal level.*

**APPENDIX A: Summary of Survey Responses** ..... page 21

**APPENDIX B: Agency Responses** ..... page 24

This audit was conducted by Laurel Murdie and John McIntyre of the Division's staff. Randy Tongier was the audit manager. If you need any additional information about the audit's findings, please contact Ms. Murdie at the Division's offices. Our address is: Legislative Division of Post Audit, 800 SW Jackson Street, Suite 1200, Topeka, Kansas 66612. You also may call (785) 296-3792, or contact us via the Internet at: **LPA@mail.ksleg.state.ks.us**.

