



United States Department of Agriculture

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Food Safety and  
Inspection Service

1400 Independence  
Avenue, SW.  
Washington, D.C.  
20250

October 25, 2023

Honorable Anson Tebbetts, Secretary  
Vermont Agency of Agriculture Food & Markets  
116 State Street  
Drawer 20  
Montpelier, VT 05620-2901

Dear Secretary Tebbetts:

The scheduled Fiscal Review of the Vermont Agency of Agriculture Food & Markets (VAAFMM), Meat & Poultry Inspection Program was conducted the week of May 8, 2023. The review encompassed VAAFMM's Base Program under Award Number 12-37-A-291, Cross Utilization Cooperative Agreement Number under 12-37-A-279 and Cooperative Interstate Shipment (CIS) Program under Award Number 12-37-A-108 for Federal Fiscal Years (FFYs) 2020, 2021, and 2022. The review was conducted virtually by Ugo Emeaba, Lead Auditor, for the Financial Reviews and Analysis Section (FRAS).

FRAS has determined that the VAAFMM is operating in full compliance with the financial and administrative provisions of **FSIS Directive 3300.1, Rev. 2**, "*Fiscal Guidelines for Cooperative Inspection Programs*", dated March 2004, and with Component 9, Financial Accountability, outlined in the FSIS "*At Least Equal To*" *Guidelines for State Meat and Poultry Cooperative Inspection Programs*, dated November 2016.

Attached under a separate cover, please find our team's Final Review Report for VAAFMM. We have also included a Progress Report outlining our findings and recommendations. Please complete the form by providing the **State's Corrective Action** for each finding identified. Provide the name of the individual (by position) responsible for the implementation of corrective action.

Please submit the form to our office no later than 45 days from the date of this email. You may email the completed soft copy to: [Ugo.Emeaba@usda.gov](mailto:Ugo.Emeaba@usda.gov)

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Please feel free to contact me at (301) 837-7770, or at [Leslye.Beswick@usda.gov](mailto:Leslye.Beswick@usda.gov), should you need any assistance.

Thank you.

Sincerely,

*Leslye Beswick*

**Leslye Beswick, Branch Chief**  
Financial Review & System Branch  
Financial Management Division  
Office of the Chief Financial Officer (OCFO)

Enclosures (2)

cc:

Dr. Kristin M. Haas, Director Vermont Meat Inspection Service  
Dr. Katherine McNamara, DVM, Assistant Veterinarian Vermont Meat Inspection Service  
Amy Mercier, Financial Director  
Julie Boisvert, Meat Programs Section Chief  
Christine Turner, Director, Financial Management Division, OCFO, OA, FSIS  
Brian Fong, Deputy Director, Financial Management Division, OCFO, OA, FSIS  
Keith Gilmore, Chief, Federal State Audit Branch, Management Controls & Audit Division  
Michelle Cox, Program Auditor Federal State Audit Branch, OIEA  
Lucas Thomsson, Financial Management Specialist, OCFO, OA, FSIS

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**DATE:** October 24, 2023

**PREPARED FOR:** Honorable Anson Tebbetts, Secretary  
Vermont Agency of Agriculture Food & Markets  
116 State Street  
Drawer 20  
Montpelier, VT 05620-2901

**PREPARED BY:** Ms. Ugo Emeaba  
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Food Safety and Inspection Service  
Financial Reviews and Analysis Section (FRAS)  
5601 Sunnyside Avenue  
Beltsville, MD 20705

**SUBJECT:** Final Review Report  
Vermont Agency of Agriculture Food & Markets (VAAFMM)

**MPI PROGRAM  
MANAGER:**

Dr. Katherine McNamara  
Assistant Veterinarian Vermont Meat Inspection Service

<b><u>CONTENTS:</u></b>	<b><u>PAGE</u></b>
SUMMARY	2
OBJECTIVES	2
SCOPE AND METHODOLOGY	3
BACKGROUND	3
STATEMENT ON INTERNAL CONTROLS	4
PRIOR ONSITE REVIEWS	5
FINDINGS AND RECOMMENDATIONS	5
ONSITE REVIEW CONCLUSION	6
TABLE OF EXHIBITS	7

**SUMMARY:**

This report presents the results of the financial review and analysis (the virtual review) of the VAAFM for the Federal Fiscal Years (FFYS) 2020-2022, and its Meat and Poultry Inspection (MPI) Program’s financial accounting system and procedures.

The summary results of the fiscal review are as follow:

Vermont Agency of Agriculture Food & Markets (VAAFM)			
Fiscal Review			
For Federal Fiscal Years 2020-2022			
<b>Base Program</b>			
FY	Per Review	Federal Payments	Variance
2020	780,219	780,219	-
2021	807,660	807,660	-
2022	834,945	834,945	-
<b>CIS Program</b>			
FY	Per Review	Federal Payments	Variance
2021	6,209	6,209	-
2022	47,931	47,931	-

Except for the finding summarized below, our determination is that the VAAFM is operating its MPI Program efficiently providing both effective control and accountability.

- VAAFM charged July 2020 Cost of Living Adjustment expenditures to Federal Fiscal Year 2021 rather than FFY 2020.

**OBJECTIVES:**

The **Federal Meat Inspection Act (FMIA)** and the **Poultry Products Inspection Act (PPIA) (21 USC 454)** provide for FSIS to cooperate with State Agencies (SA) in developing and administering their Meat and Poultry Inspection (MPI) Programs. The SA’s are required to operate in a manner complying with the “*at least equal to*” standard, a concept requiring State MPI Programs to operate under standards not less effective than those of the Federal Inspection Program.

Participants receiving Federal financial assistance are required to submit their self-assessment to FSIS’ Federal State Audit Branch (FSAB) by November 1st of each year. In their annual self-

assessment, State MPI Program Directors are to address each of the nine program components required to demonstrate that the State's MPI Program constitutes an inspection program "at least equal to" the Federal Program.

## **SCOPE AND METHODOLOGY**

VAAFM's virtual review was conducted the week of May 8, 2023. Financial Review and Analysis Section (FRAS) under FSIS' Financial Review and Systems Branch (FRSB) performed the review.

According to **FSIS Directive 5720.3, Rev. 2**, "*Methodology for Performing Scheduled and Targeted Reviews of State Meat and Poultry Inspection Programs, dated November 10, 2016*, FRAS is charged with the responsibility for Component 9 – Financial Accountability. Our team determined the accuracy and efficiency of the financial systems, records, reports, and procedures employed by the VAAFM in accounting for the Federal/State Program. Our financial review and analysis included tests deemed appropriate to verify that VAAFM is operating in accordance with **FSIS Directive 3300.1, Rev 2**, *Fiscal Guidelines for Cooperative Inspection Programs*, dated March 2004, and in compliance with the "**At Least Equal To**" *Guidelines for State Meat and Poultry Cooperative Inspection Programs, November 2016*.

The financial review and analysis was conducted in accordance with the U.S. Government Auditing Standards (GAS) issued by the Comptroller General of the United States of America, **FSIS Directive 3300.1, Rev 2**, *Fiscal Guidelines for Cooperative Inspection Programs*, dated March 2004, **FSIS Directive 5720.3, Rev. 2**, "*Methodology for Performing Scheduled and Targeted Reviews of State Meat and Poultry Inspection Programs, dated November 10, 2016*, "**At Least Equal To**" *Guidelines for State Meat and Poultry Cooperative Inspection Programs, November 2016*, and **2 CFR Part 400** *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, "*this part adopts the OMB guidance in subparts A through F of 2 CFR part 200, as supplemented by this part, as USDA policies and procedures for uniform administrative requirements, cost principles, and audit requirements for Federal awards. It thereby gives regulatory effect for the USDA to the OMB guidance, as supplemented by this part.*"

## **BACKGROUND**

Cooperative agreement number 12-37-A-291 covers Federal-State cooperation on meat and poultry inspection, Cross Utilization under Cooperative agreement number 12-37-279 and Cooperative Interstate Shipment Program under Cooperative Agreement number 12-37-A-108 for the VAAFM. The latest Base Program agreement signed on November 1, 2021 covered the period October 01, 2021 through September 30, 2022. VAAFM also provided the renewal for FFY 2020 to 2021.

During our virtual fiscal review, we met with officials from the SA's MPI Division that included the following individuals:

Dr. Kristin Haas has been in her position for 15 years and serves as the State Veterinarian. She offers support to the MPI Program's Managers and Field Staff on a day-to-day basis, and a

portion of her salary is allocated to the MPI Program. We are evaluating the technique for allocation.

Julie Boisvert has been in her position as Meat Inspection Section Chief since 2019 and previously served as the EIAO for 6 years. Julie has worked in areas including processing, slaughter, and field inspection and runs day to day operations for the MPI Program. Julie is in charge of Cross-Utilization activities to include billing rate proposal.

Amy Mercier serves as the Financial Director and began her involvement with the MPI Program in 2019. She prepares VAAFMs Indirect Cost Rate Proposal and the State Agency's Federal Financial Reports. She has served as a Finance Officer and has worked with Federal Grants bringing payroll experience and knowledge to VAAFMs.

Karen Mae Smith serves as the Financial Manager and has been with VAAFMs for 2 years. She and is involved with the preparation of accounting records, CU submissions, the yearly budget, MPI Program, monthly accounting reports, quarterly federal financial reports and coordinates fiscal review preparation. These individuals were available during the performance of our review and were present during our virtual Entrance and Exit Conferences.

## **STATEMENT ON INTERNAL CONTROLS**

2 CFR Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Award, Subpart D, Post Federal Award Requirements, §200.302(b)(4) Financial Management, states:

Effective control over, and accountability for, all funds, property, and other assets. The non-Federal entity must adequately safeguard all assets and assure that they are used solely for authorized purposes. See § 200.303.

Management is responsible for maintaining a sound system of internal control that supports the achievement and success of the MPI Program's policies and objectives. Management is also responsible for regularly reviewing and monitoring the effectiveness of that internal control system.

Our team performed limited procedures of internal control. These procedures included understanding, testing, verification of segregated duties, supervisory review, and completion of an Accounting System/Internal Control Questionnaire to facilitate discussion points during the Entrance Conference.

Based on our limited procedures over internal controls, we concluded that VAAFMs appears to have developed and implemented procedures sufficient to provide for effective control and financial accountability. Nonetheless, we express no opinion on the VAAFMs 's internal control structure taken.

## **PRIOR ONSITE REVIEWS**

The last onsite review for VAAFM was conducted the week of May 15, 2020. The Fiscal review covered FFYs 2016 to 2019. In the prior year finding, VAAFM did not submit, in a timely manner, 2 of 15 Federal Financial Reports. Based on observations made, testing conducted during the fiscal review, and discussions with SA personnel, no further action was needed related to this finding.

## **REVIEW FINDINGS AND RECOMMENDATIONS**

### **Finding 1**

VAAFM charged July 2020 Cost of Living Adjustment (COLA) expenditures to Federal Fiscal Year 2021 rather than FFY 2020.

### **Statement of Condition**

During the review of payroll, it was noted that VAAFM charged July 2020 COLA expenditures to Federal Fiscal Year 2021 rather than FFY 2020.

### **Criteria**

§ 200.430 Compensation—personal services.

(a) *General.* Compensation for personal services includes all remuneration, paid currently or accrued, for services of employees rendered *during the period of performance* under the Federal award, including but not necessarily limited to wages and salaries.

§ 200.405 Allocable costs.

(a) A cost is allocable to a particular Federal award or other cost objective if the goods or services involved are chargeable or assignable to that Federal award or cost objective in accordance with *relative benefits received*. This standard is met if the cost:

- (1) Is incurred specifically for the Federal award;
- (2) Benefits both the Federal award and other work of the non-Federal entity and can be distributed in proportions that may be approximated using reasonable methods; and
- (3) Is necessary to the overall operation of the non-Federal entity and is assignable in part to the Federal award in accordance with the principles in this subpart.

### **Cause**

Staffing challenges by VAAFM resulted in the omission, error, and delay in recording the COLA expenditures in the correct period.

### **Effect**

The error resulted in an understatement of FFY 2020 payroll expenditures and an overstatement of FFY 2021 payroll expenditures.

### **Recommendation**

We recommend that VAAFMM develop written procedures that would track and record expenditures within defined timelines to permit timely, accurate, and complete financial reporting required under its grant award. There is no monetary refund because the COLA payroll expenditure difference is offset between FFYs 2020 and 2021 and there was no change in the indirect cost rate between the two FFYs.

### **FISCAL REVIEW CONCLUSION**

FRAS has determined that the VAAFMM, except for the findings above, is operating in compliance with the financial and administrative provision of **2 CFR Part 400** *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and **FSIS Directive 3300.1, Rev. 2**, *Fiscal Guidelines for CIP's*, dated March 2004.

VAAFMM meets the “*at least equal to*” criteria for Component 9 Financial Accountability as defined in **FSIS Directive 5720.3, Rev. 2**.



**VERMONT AGENCY OF AGRICULTURE FOOD AND MARKETS  
FISCAL REVIEW  
FOR FEDERAL FISCAL YEARS 2020 - 2022**

**TABLE OF EXHIBITS**

<b>EXHIBIT</b>	<b>TITLE</b>	<b>PAGE</b>
A	Schedule SUM FFY 2020	8
B	Schedule SUM FFY 2021	9
C	Schedule SUM FFY 2022	10
D	CIS Schedule 2021-2022	11

## EXHIBIT A

**VERMONT AGENCY OF AGRICULTURE FOOD AND MARKETS  
COOPERATIVE MEAT & POULTRY INSPECTION PROGRAM  
RECONCILIATION OF FEDERAL SHARE OF COSTS TO FEDERAL PAYMENTS  
FOR FISCAL YEAR ENDED SEPTEMBER 30, 2020**

	<u>Oct. 2019- June 2020</u>	<u>July 2020- Sept. 2020</u>	<u>Totals</u>
A. Direct Costs Per Review			\$ 1,181,033
B. Indirect Costs Per Review:			
1. Direct Costs Base	788,099.78	284,872.33	
2. Fixed Rate	<u>36.9%</u>	<u>31.1%</u>	
3. Indirect Costs	\$290,809	\$88,595	<u>379,404</u>
C. Total Allowable Costs (A+B3)			1,560,437
Minus: Unreimbursable expenses (100% D. State)			<u>0</u>
E. Total Reimbursable Costs (C - D)			1,560,437
F. Less: T/A Overtime Costs (100% FED)			<u>0.00</u>
G. Costs To Be Shared 50/50			<u>\$1,560,437</u>
H. Federal Share:			
1. 50% of Line G		\$780,219	
2. T/A Overtime (Line F)		0.00	
3. Total Revised Federal Share		<u>780,219</u>	\$780,219
I. Federal Payments:			
1. PMS Drawdowns - Base		\$727,368	
2. PMS Drawdowns - T/A Overtime		56,436	
3. Direct Payment / (Refund)		<u>(3,586)</u>	
4. Total Federal Payments			<u>\$780,219</u>
J. BALANCE	**		<u>\$0</u>

**EXHIBIT B**

**VERMONT AGENCY OF AGRICULTURE FOOD AND MARKETS  
COOPERATIVE MEAT & POULTRY INSPECTION PROGRAM  
RECONCILIATION OF FEDERAL SHARE OF COSTS TO FEDERAL PAYMENTS  
FOR FISCAL YEAR ENDED SEPTEMBER 30, 2021**

	<u>Oct. 2020</u> <u>June 2021</u>	<u>July 2021-</u> <u>Sept. 2021</u>	<u>Totals</u>
<b>A. Direct Costs Per Review</b>			<b>1,252,499</b>
<b>B. Indirect Costs Per Review:</b>			
1. Direct Costs Base	\$810,925	\$333,202	
2. Fixed Rate	31.1%	33.2%	
3. Indirect Costs	<b>\$252,198</b>	<b>\$110,623</b>	<b>362,821</b>
<b>C. Total Allowable Costs (A+B3)</b>			<b>1,615,320</b>
<b>D. Less: Unreimbursable expenses (100% State)</b>			<b>0.00</b>
<b>E. Total Reimbursable Costs (C – D)</b>			<b>1,615,320</b>
<b>F. Minus: T/A Overtime Costs (100% FED)</b>			<b>0.00</b>
<b>G. Costs To Be Shared 50/50</b>			<b><u>\$1,615,320</u></b>
<b>H. Federal Share:</b>			
1 50% of Line G		\$807,660	
2 T/A Overtime (Line F)		0.00	
3 Total Revised Federal Share		<u>807,660</u>	<b>\$807,660</b>
<b>I. Federal Payments:</b>			
1. PMS Drawdowns – Base		\$799,862	
2. PMS Drawdowns – T/A Overtime		7,797.97	
3. Direct Payment / (Refund)		<u>0.00</u>	
4. Total Federal Payments			<u><b>\$807,660</b></u>
<b>J. BALANCE</b>			<b><u>(\$0)</u></b>

**EXHIBIT C**

**VERMONT AGENCY OF AGRICULTURE FOOD AND MARKETS  
COOPERATIVE MEAT & POULTRY INSPECTION PROGRAM  
RECONCILIATION OF FEDERAL SHARE OF COSTS TO FEDERAL PAYMENTS  
FOR FISCAL YEAR ENDED SEPTEMBER 30, 2022**

	<u>Oct. 2021- June 2022</u>	<u>July 2022- Sept. 2022</u>	<u>Totals</u>
<b>A. Direct Costs Per Review</b>			\$ 1,259,595
<b>B. Indirect Costs Per Review:</b>			
1. Direct Costs Base	\$ 841,326	\$ 317,130	
2. Fixed Rate	33.2%	41.3%	
3. Indirect Costs	<u>\$279,320</u>	<u>\$130,975</u>	<u>410,295</u>
<b>C. Total Allowable Costs (A+B3)</b>			1,669,890
<b>D. Less: Unreimbursable cost (100% State)</b>			
<b>E. Total Reimbursable Costs (C - D)</b>			1,669,890
<b>F. Less: T/A Overtime (100% FED)</b>			<u>-</u>
<b>G. Costs To Be Shared 50/50</b>			<u><u>\$ 1,669,890</u></u>
<b>H. Federal Share:</b>			
1. 50% of Line G		\$ 834,945	
2. T/A Overtime (Line F)		0	
3. FAIM		0	
4. Total Revised Federal Share		<u>0</u>	\$ 834,945
1. PMS Drawdowns - Base		\$ 834,945	
2. PMS Drawdowns - T/A Overtime		0	
3. Direct Payment (Refund)		<u>0</u>	834,945
<b>J. BALANCE</b>			\$ <u>(0)</u>

Exhibit D <b>VERMONT AGENCY OF AGRICULTURE FOOD AND MARKETS</b> <b>COOPERATIVE MEAT &amp; POULTRY INSPECTION PROGRAM for CIS</b> <b>RECONCILIATION OF FEDERAL SHARE OF COSTS TO FEDERAL</b> <b>PAYMENTS</b> <b>FOR FISCAL YEARS ENDED SEPTEMBER 30, 2022 AND 2021</b>		
Cost Category	Oct. 2020- Sept. 2021	Oct. 2021- Sept. 2022
2020, 2021, 2022		
A. Direct CIS Costs Per Review	8,084	59,867
B. Indirect Costs Per Review *	2,264	20,018
C. Total Allowable Costs (A+B)	10,348	79,885
D. Deduct:	-	
E. Costs To Be Shared 60/40 (C-D)	<u>10,348</u>	<u>79,885</u>
F. Federal Share:		
1. 60% of Line E	6,209	47,931
2. 100% Federal (Line D)	-	
3. Total Revised Federal Share	<u>6,209</u>	<u>47,931</u>
G. Federal Payments:		
1. PMS Drawdowns	6,209	31,000
2. Direct Payment / (Refund)	-	16,931
3. Total Federal Payments	<u>6,209</u>	<u>47,931</u>
H. Balance	<u>0</u>	<u>(0)</u>

