

National Organic Standards Board
Compliance, Accreditation & Certification Subcommittee (CACS)
Oversight Improvements to Deter Fraud -
Minimum Reporting Requirements Discussion Document
August 9, 2022

Introduction:

The administration of the National Organic Program (NOP) organic certification is a shining example of a public/private partnership going well. Freedom to collaborate, innovate, and truly understand the needs of organic producers has enabled the organic certifier community to build a strong foundation on which the trusted organic seal is based.

While the certifier's role has been consistent since the Organic Foods Production Act (OFPA) was published in 1990, the scale and complexity of the industry have changed drastically. Growing by double digits annually, the value, scale, and human capital necessary to maintain the whole system have exploded exponentially.

Initially designed for a different time and scale, systems are used to manage a larger and more complex globalized supply chain.

Background:

At the Spring 2022 NOSB meeting, the Compliance, Accreditation & Certification Subcommittee (CACS) brought forth a [discussion document](#) on “Oversight improvements to deter fraud: Modernization of organic supply chain traceability” for full board consideration. Informed by stakeholder input from across the supply chain, farmers, brokers, buyers, manufacturers, and organic certifiers all agreed that consistency is essential to creating a robust verification system to live up to the promise of total transparency. The discussion document also explored improving consistency in the commonly used bill-of-lading document.

The CACS noted several takeaways from the discussions. The first was that most commenters agreed consistency is the foundation of trust, and trust is the currency behind the organic seal. Stakeholder confidence is eroded by inconsistent expectations and the inability to identify and correct fraudulent behavior. The second highlight was that consistency is needed across all forms and procedures in the organic certification and enforcement process.

According to public comments by some organic certifiers (Oregon Tilth (OTCO) and Ohio Ecological Food and Farm Association (OEFFA), non-compliances for inadequate record-keeping are the most common non-compliances issued by their certification teams. These record-keeping issues do not reflect individual instances of fraudulent activity and take up the inspector's time, reducing a certifier's capacity to detect actual fraud. Are certifiers clearly communicating the minimum reporting elements? Are producers at a disadvantage due to the subjectivity of what constitutes sufficiency?

Consistency builds trust. Consistency allows organic farmers to trust the rules are being equally enforced.

In this current discussion document, the CACS is exploring ways to continuously improve the transparency of the record-keeping and audit systems of organic certification, by focusing on consistency and minimum reporting requirements.

Goals of Standardized Audit Forms:

With the pending release of the final rule on Strengthening of Organic Enforcement (SOE), the organic certification community is preparing for traceback audits, and mass-balance audits will become mandatory at every inspection. While these audits are common at most inspections, they are not universally conducted and, when conducted, are not always consistent. In addition, certifiers will also need to perform risk-based full supply chain audits.

When completing their basic training with the International Organic Inspectors Association (IOIA), organic inspectors are trained to conduct mass-balance and traceback audits. When inspectors go to work for a certifier, the templates or focus of the audit can vary from certifier to certifier. Some certifiers are hyper-prescriptive with the information they want inspectors to collect. At the other end of the spectrum, some provide no templates, leaving it to inspectors. This latter example places a very high expectation on inspectors to be able to construct and then execute the audits.

Suppose all certifiers collaborated and adopted a universal audit document for each scope (crop, livestock, handling). In that case, IOIA and certifiers could all focus on how to train inspectors to a consistent set of forms and free up mental space to focus on identifying red flags rather than just creating an audit that satisfies the different reporting requirements of the certifier.

We envision this move towards universal auditing documents as having the following impacts:

1. Allow certifiers to prepare for the coming SOE rule and establish a consistently agreed-upon standard for mass-balance/traceback and supply chain audits.
2. Create consistency for inspectors, allowing them to focus on audit techniques to identify fraud rather than worry about checking the right boxes on a form.
3. Empower the entire certification community to work collaboratively to improve these documents, develop best practices for training inspectors on forensic auditing, and make the certification decisions from the findings of these audits more consistent.
4. Provide relief to farmers, ranchers, and handlers, who could expect consistently thorough audits from their inspectors and adapt their record-keeping systems to make those audits more efficient and more transparent.
5. Create cost-savings while building a well-prepared pool of inspectors. By sharing the responsibility for creating and maintaining universal organic inspection audit forms, certifiers will save money by not having to create, revise, and retain staff for maintaining forms. Instead, they will be able to focus on substantive audit techniques.

In essence, by having a universal audit document, minimum reporting standards will in turn, need to be established.

Challenges of Standardized Audit Forms and Stakeholder Support:

One commenter at the Spring 2022 meeting mentioned, “right now, record-keeping systems vary widely across production and handling operations, with systems often specifically suited to the type of operation. Choosing any one system for all operators to adopt will inevitably be more or less burdensome for each operator depending on a host of variables.”

We, as a subcommittee, agree with this comment; however, there are core pieces of information that are or should be “standardized” to ensure better consistency. With the implementation of SOE, certifiers are aware that additional scrutiny will be placed on assessing whether record-keeping by an operation is

sufficiently auditable. Assessing what “sufficient” means will be a significant step forward in building a robust universal auditing system leading to a more robust traceability system. However, tackling this challenge leads the CACS to start the conversation surrounding the heart of the problem, as inconsistent audits make producers unsure of how to best keep records.

Closing:

The CACS would like to highlight a comment from a certifier who contributed the following, “The integrity and future success of the organic system are dependent on the awareness, collaboration, and cooperation of everyone involved--the regulators, the certifiers, and the certified operations. Similarly, the prevention, detection, and eradication of fraud must be a cooperative effort, endorsed and implemented equally by all.”

By using universal auditing documents (including consistent mass-balance and traceback templates), the organic industry will empower inspectors and certifiers to realize the opportunity to create trust, consistency, and fight fraud, all in the spirit of continuous improvement.

Questions from CACS:

1. How could the NOP engage, facilitate, and help inform certifier exploration of universal documents like mass-balance and traceback worksheets?
2. Is there any unforeseen downside to inspectors, reviewers, and certifiers all working with the same traceback and mass-balance templates?
3. Are there other forms (i.e., Dry Matter Intake (DMI) worksheet, Bills-of-Lading (BOLs), inspection report forms, etc.) that we can make universal to promote consistency for certifiers, inspectors, and operations?

Subcommittee Vote

Motion to accept the discussion document on Oversight Improvements to Deter Fraud - Minimum Reporting Requirements

Motion by: Nate Powell-Palm

Seconded by: Jerry D’Amore

Yes: 6 No: 0 Abstain: 0 Absent: 0 Recuse: 0