



**Livestock and Seed Program
Audit, Review, and Compliance Branch
Quality System Audit Report**

AUDIT INFORMATION

Applicant Name:	Australian Certified Organic (ACO)
Est. Number:	N/A
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Auditor(s):	Steve Ross
Program:	USDA National Organic Program
Audit Date(s):	June 17-18, 2005
Audit Identifier:	NP4340DDA
Action Required:	No
Audit Type:	Corrective Action Audit
Audit Objective:	To verify that corrective actions adequately address the non-compliances identified during the on-site audit conducted in December 2004
Audit Criteria:	<ul style="list-style-type: none">USDA, AMS 7 CFR Part 205, National Organic Program (NOP), Final Rule, Dated December 21, 2000
Audit Scope:	Submitted corrective actions
Location(s) Audited:	Desk

ACO submitted corrective actions to the on-site audit that was conducted during December 2004 which included the following:

- Letter from the CEO detailing the corrective actions to each non-conformance identified;
- ACO Action list for each non-compliance;
- New ACO NOP Certification Procedure for the application, document review, inspection, decisions, and certification granting; and
- New ACO organic farm plan, handling plan, and livestock management plan. These plans are used by the ACO client to inform ACO of how the different products are grown or processed according to the NOP Rule.

FINDINGS

A review of the corrective action submitted by ACO determined that the six (6) major and eight (8) minor non-compliances identified were adequately addressed.



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NP4340DDA.NC1 - Major – Adequately Addressed – NOP §205.404(a) Within a reasonable time after completion of the initial on-site inspection, a certifying agent must review the on-site inspection report, the results of any analyses for substances conducted ... the certifying agent shall grant certification. *ACO certified the Berndt crop facility without conducting an on-site inspection. ACO had only received the organic system plan and had reviewed the plan. ACO had delayed the on-site inspection until crops were in production, however ACO issued a NOP certificate to the client before the inspection based on a past Berndt onsite inspection to Biological Farmers of Australia Standards.* **Corrective Action:** ACO submitted a new NOP Certification Procedure for how applications, document review, inspections, decision making, and granting certification which now strictly follows the NOP Rule § 205.400 – 205.406. This new procedure identifies that granting certification can only happen after all appropriate measures are followed. The Berndt crop facility was again inspected in December 2004 and ACO granted continuance of NOP certification.

NP4340DDA.NC2 - Major – Adequately Addressed – NOP §205.236(a) Livestock products that are to be sold, labeled, or represented as organic must be from livestock under continuous organic management from the last third of gestation... *One livestock client, Glenbye, had purchased and brought in 464 cattle and 463 lambs as feeder animals to the Glenbye property. ACO failed during the review of the organic system plan or the on-site inspection to determine if the animals were purchased from an NOP organic livestock operation. ACO granted certification to the Glenbye livestock operation for livestock and did not require any determination of the origin of the animals.* **Corrective Action:** The new NOP Certification Procedure and the new Livestock Management Plan require all NOP livestock to be identified from point of origin through harvest and the livestock must be traceable. The new Livestock Management Plan now also requires more detail to be in compliance to the NOP Rule. The Glenbye operation was required to provide additional information for source of animals, record keeping, properties, and certification details of suppliers to maintain organic livestock certification.

NP4340DDA.NC3 - Major – Adequately Addressed – NOP §205.404(a) Within a reasonable time after completion of the initial on-site inspection, a certifying agent must review the on-site inspection report, the results of any analyses for substances conducted ... the certifying agent shall grant certification. *A review of the Weewondilla livestock operation found that non-certified NOP animals were commingled with NOP Certified animals. Further review found that the client purchased supplements that were not NOP certified. The supplement was fed to the non-certified animals. ACO's review of the OSP and the inspector's checklist/report failed to verify that records kept by the client identified non-certified animals. ACO granted certification to the client without any conditions for the animals or records to be kept.* **Corrective Action:** The new NOP Certification Procedure and the new Livestock Management Plan requires new records to be kept, determination of how separate classes of animals are identified and traced, and that feed records are to be kept identifying all feed fed to animals. ACO client Weewondilla withdrew from certification when ACO requested additional information. ACO will advise USDA separately in accordance with existing ACO procedures.

NP4340DDA.NC4 - Major – Adequately Addressed – NOP §205.404(a) Within a reasonable time after completion of the initial on-site inspection, a certifying agent must review the on-site inspection report, the results of any analyses for substances conducted ... the certifying agent shall grant certification. *The Mount Macquarie Pastoral livestock operation was granted NOP certification on April 2, 2004 for cattle.*



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On August 18, 2004 the livestock operation was issued an updated NOP Certificate for cattle, goats, and sheep. A review of the clients OSP and inspector's checklist did not reveal any indication of goats and sheep. Therefore the client was given additional certification without the other species being reviewed for compliance to the NOP Rule. **Corrective Action:** The updated certificate issued on August 18, 2004, was a result of an internal administrative error by ACO. Incorrect details were included on the certificated. In February 2005, ACO conducted an evaluation of Mt Macquarie Pastoral according to the new ACO Certification Procedure. A new farm and livestock plan were submitted and this time cattle, goats, and sheep were included. A new inspection was conducted and ACO granted continual certification on March 1, 2005. All appropriate dates were included on the new certificate.

NP4340DDA.NC5 - Major – Adequately Addressed – NOP §205.236(b)(1) the following are prohibited, Livestock that are removed from an organic operation and subsequently managed as non-organic may not be sold ... as organic. *The Mount Macquarie Pastoral livestock operation had 1000 cows and 400 calves that had been moved to a non-organic operation and subsequently brought back to the clients operation. The inspector had made note of this movement and the review committed also noted the movement. ACO granted certification to the client without conditions for the animals that were removed from the operation. There was no evidence of the traceability of the non-conforming cows and calves or the time-period of the gestating cows to determine if the offspring were in the last third of gestation.* **Corrective Action:** The new NOP Certification Procedure and the new Livestock Management Plan requires new records to be kept and determination of how separate classes of animals are identified and traced. Any operation with parallel livestock operations must be able to identify the separate classes of animals through this identification and traceability system. In February 2005, ACO conducted an evaluation of Mt Macquarie Pastoral according to the new ACO Certification Procedure. A new farm and livestock plan were submitted and this time cattle, goats, and sheep were included. A new inspection was conducted and ACO granted continual certification on March 1, 2005. All appropriate dates were included on the new certificate.

NP4340DDA.NC6 - Major – Adequately Addressed – NOP §205.201(a) the producer or handler of a production or handling operation ... must develop an OSP that is agreed to by the producer or handler and the certifying agent. An OSP must meet the requirements set forth in this section for organic production or handling ... *The OSP's reviewed for crops, livestock, and handler/processor systematically showed that the OSP's did not give detailed information to show compliance with the NOP Rule. The OSP's are not being reviewed by ACO to show compliance because the reviewers are using an ACO Organic Management Plan (OMP) developed by ACO to show compliance. The ACO OMP is not in total compliance with the requirements of the NOP Rule. One client was certified as NOP compliant with just an inspection performed before an OSP was developed by the client. The client had requested NOP certification during the normal ACO review and inspection. During the on-site inspection of the Rocky Point Sugar it was found that the OSP did not list all inputs used such as boiler additive Hydroxyethylidene and product profiles for the sugar, molasses or alcohol were not filled it. One substance used as a cleaning solution (hydrochloric acid) is not on the NOP approved list and was not listed on the OSP. One substance used as a processing aid for the sugar as the flocculent (Anionic Polyacrylamide) is also not on the NOP approved list as a processing aid. An interview with the manager of Rocky Point Sugar revealed that the client was not aware of the NOP requirements and was using the facilities Quality Manual as the bases for information.* **Corrective Action:** As of December 2004, ACO



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has utilized OFP and OHP templates that comply with USDA NOP requirements. All USDA NOP clients must complete these documents even if the client had previously completed an ACO Organic Management Plan. All plans are reviewed by ACO staff to determine compliance and any missing or unclear information is obtained from the client before inspections occur. Rocky Point Sugar was again reviewed during December 2004; and a result of the review was that Rocky Point Sugar ceased trading USDA NOP products. Their USDA NOP certification application is still under review at this time; and ACO has not issued an annual USDA NOP license agreement to Rocky Point Sugar.

NP4340DDA.NC7 - Minor – Adequately Addressed – NOP §205.303(a)(4) Agricultural Products in packages described in 205.301(a) and (b) may display on the principal display panel or information panel, and any other panel of the package and on any labeling or market information concerning the product, the following ... The USDA Seal. *ACO's license agreement with clients requires that the client use the NOP USDA seal on the package when in fact it is an option to use the USDA Seal.* **Corrective Action:** The ACO License Agreement template for USDA NOP certification is being amended to reflect the requirement of “may display” on the principal display panel. This will be fully implemented on July 1, 2005.

NP4340DDA.NC8 - Minor – Adequately Addressed – NOP §205.303(b)(2) Agricultural products in packages described in 205.301 (a) and (b) must ... On the information panel, below the information identifying the handler or distributor of the product, and preceded by the statement “Certified organic by” or similar phrase, identify the name of the certifying agent. *ACO has approved labels that do not have the statement “Certified organic by” on the label.* **Corrective Action:** As of December 2004, ACO has only approved labels that contain the statement “Certified Organic by...” In February 2005, ACO advised all clients to ensure their labels complied with the respective USDA NOP labeling rule.

NP4340DDA.NC9 - Minor – Adequately Addressed – NOP §205.501(a)(8) Certifying agent must ... provide adequate information to persons seeking certification to enable the client to comply with the NOP Rule. *ACO is giving clients a checklist and OSP to fill out. ACO has links to the NOP on their website, however not all clients have internet access and do not receive the NOP Rule in order to comply.* **Corrective Action:** As of May 2005, ACO has provided a copy of the USDA NOP Standards to all new clients. By July 15, 2005, copies of the Standards will be sent to all existing ACO USDA NOP certification clients.

NP4340DDA.NC10 - Minor – Adequately Addressed – NOP §205.662(f) A certified operation who's certification has been suspended under this section may at any time ... submit a request to the Secretary for reinstatement of its certification. *ACO procedures do not provide for suspended operations to apply to the Secretary for reinstatement. ACO reinstates clients as a procedure. This procedure is not in accordance with the Rule.* **Corrective Action:** The ACO Quality Manual is being revised. By July 1, 2005, the correct procedure for reinstatement of certification will be included and followed.

NP4340DDA.NC11 - Minor – Adequately Addressed – NOP §205.662(e)(1&2) If a certified operation fails to correct the non-compliance, to resolve the issue through rebuttal or mediation, or to file an appeal of the proposed suspension or revocation of certification, the certifying agent shall send the certified operation a written notification of suspension or revocation. A certifying agent must not send a



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notification of suspension or revocation to a certified operation that has requested mediation ... or filed an appeal...while final resolution of either is pending. *ACO procedures do not follow required procedures outlined in the NOP Rule.* **Corrective Action:** The ACO Quality Manual is being revised. By July 1, 2005, the updated procedure will include the correct statements and will be followed by the staff.

NP4340DDA.NC12 - Minor – Adequately Addressed – NOP §205.510(a) the annual update requires annual submission of performance evaluations. *ACO provided an AQIS review and not performance evaluations. ACO does an ongoing performance evaluation of inspectors but this review is not combined into an annual evaluation and these have not been submitted as part of the annual update.* **Corrective Action:** The performance evaluations were reviewed during the onsite review and showed competence. ACO will submit a revised annual update with performance evaluations to the USDA NOP Manager by August 1, 2005.

NP4340DDA.NC13 - Minor – Adequately Addressed – NOP §205.510(a)(1) An accredited agent must submit ... a complete and accurate update of information submitted pursuant to 205.503 and 205.504. *ACO had not submitted the most recent Quality Manual dated January 04.* **Corrective Action:** By July 3, 2005 ACO will supply the newly updated Quality Manual to the USDA NOP Manager and ACO will endeavor to supply an updated Quality Manual each subsequent three months.

NP4340DDA.NC 14 - Minor – Adequately Addressed – NOP §205.501(a)(18) The certifying agent will provide the inspector prior to each onsite inspection with previous on-site inspection report... *Until two (2) weeks ago ACO was not supplying inspectors with previous inspection reports.* **Corrective Action:** Since May 2005, ACO supplies its auditors with previous audit reports of the relevant client as well as any communication ACO has had with the client prior to the on-site audit.