Ongoing Monitoring and Reporting Suspected Fraud

Writing an organic fraud prevention plan is the first step. The plan protects your operation only while the monitoring behind it stays active and the plan itself stays current. This article covers what happens after the plan is in place: how to put monitoring on a schedule so problems surface before an inspection, what to do in the hours and days after a credible concern emerges, and how to report suspected fraud so investigators have something they can act on. These actions protect your operation, your customers, and the organic market.

What You'll Learn

- What ongoing monitoring means in practice and why it must be documented
- How to build a monitoring schedule that keeps your fraud prevention plan current between annual inspections
- The signals in your own records and from outside sources that a problem may be emerging
- Planning for your response when fraud is suspected
- What to include in a fraud complaint to the NOP to support an investigation

A fraud prevention plan doesn't catch fraud, monitoring does. The Organic Fraud Prevention Plan (OFPP) that you have built is a description of intent. It says what you'll watch and how. But a plan that sits in a binder between inspections protects nothing. A supplier's organic certificate that lapsed last month, a shipment whose volume isn't supported by the seller's production capacity, an operation that showed up on an NOP enforcement notice while you weren't looking; none of that surfaces on its own. Someone has to be watching.

This article bridges the gap between having a plan and running one. And the gap matters, because organic fraud doesn't stay put. Once a mislabeled ingredient enters your facility as organic, everything you make from it is implicated too. The handler who catches it at receiving loses one shipment. The handler who catches it at inspection has a much larger problem, on someone else's timeline.

The good news is that closing the gap is not costly. Monitoring for fraud is done with records you already keep and public databases you can readily check. What it requires is a schedule, a named owner for each task, and a clear protocol for the day a check turns up something wrong. This article walks through all three: the monitoring that keeps your plan current, the signals that something in your supply chain has changed, and the response when a concern turns out to be real.

THE PLAN IS ONLY AS GOOD AS THE MONITORING BEHIND IT

Your fraud prevention plan must describe how you will verify that its mitigation measures are working. The USDA organic regulations require every organic system plan to include "a description of the monitoring practices and procedures to be performed and maintained, including the frequency with which they will be performed, to verify that the plan is effectively implemented."[1]

For handlers, that description must cover how you verify suppliers in your supply chain and the organic status of the products you receive, and how you prevent organic fraud at a level of detail appropriate to your operation's activities, scope, and complexity.[1]

The Organic Trade Association's Organic Fraud Prevention Solutions Guide defines monitoring as "a planned sequence of measurements and observations taken in real-time that reflect the proper functioning of the Organic Fraud Prevention Plan."[2] The definition rules out improvised checking. Monitoring happens on a schedule set in advance, and each activity produces a record you can show an inspector.

BUILDING A MONITORING CALENDAR

The USDA organic regulations require your OSP to describe monitoring practices and the frequency with which you perform them.[1] A written schedule is the simplest way to meet that requirement, and it gives your inspector a document to verify your practices against. It is good practice to assign monitoring activities to the Organic Control Points (OCPs) identified in your vulnerability assessment, the specific points in your supply chain where fraud is most likely to occur.[2] An ingredient that your assessment flagged as high vulnerability should appear on the calendar more often than an ingredient that your assessment deemed low-risk, such as a sealed, tamper-evident packaged ingredient from a long-term domestic supplier.

Your OSP should describe:

- How often it is reviewed and updated;
- What methods are used to verify that your plan is implemented, such as:
  - regular internal reviews,
  - staff training,
  - record review, or
  - other methods.

Annual Monitoring Schedule

An example schedule. Set frequencies and activities that match your own suppliers, volumes, and risk.

		1	2	3	4	5	6	7	8	9	10	11	12
Monthly	Review the OID for supplier status changes Check NOP enforcement announcements	1	2	3	4	5	6	7	8	9	10	11	12
Quarterly	Internal traceback exercise on one randomly selected finished product Internal mass-balance check	1			4				8				12
Semiannual	Compliance check on new suppliers and new certificates	1					6						
Annually	Full supplier document renewal Fraud prevention plan review and OSP update if needed	1											

Monitoring Supplier Documents

Verify that every supplier's organic certificate is current at least once a year.[2] Recertification does not automatically carry forward every product. Your supplier's product list can change from year to year. After a supplier renews certification, check that the specific ingredients you source still appear on the updated certificate addendum.

New suppliers deserve a closer look while the relationship is still young. A six-month compliance check for new suppliers and new certificates before they move to the annual review cycle is best practice.[2]

Monitoring the OID and NOP Enforcement Announcements

When a certifying agent suspends or revokes an operation's certification, it must update the Organic Integrity Database (OID) within three business days.[3] The information appears quickly, but nothing pushes it to you. A monthly check of the OID for your active suppliers catches status changes you would otherwise learn about much later. Pair it with a routine watch of NOP enforcement announcements: fraudulent certificate notices, suspension actions, and revocation decisions all give early warning that a current supplier may have become a problem.[2] The NOP maintains a public list of fraudulent organic certificates for exactly this purpose.[4]

Conducting Internal Audits

Two internal audits are invaluable for detecting vulnerabilities and inconsistencies within your supply chain and processes. A traceability audit, also called a traceback, follows a finished product backward through production and receiving records to the last certified operation that handled each ingredient. A mass-balance audit verifies that the volume of organic product you sold corresponds to the volume of organic ingredients you purchased. A discrepancy in either one is a signal that something in the system warrants investigation.[2]

Running these audits on your own schedule means you find recordkeeping problems before your inspector does. It is a good practice for internal audit findings to be reviewed at the management level and used to update the fraud prevention plan as needed.[2]

"Weekly, we make sure that all of our organic certificates are up to date and all of the products that are on there … when they're recertified, have the ingredients that we actually get, because we've noticed in the past that sometimes things are missing on the organic certificate."

Michelle Pusateri
Owner
Nana Joes Granola

HANDLER TIP

The NOP maintains a list of fraudulent organic certificates. Check this list regularly to verify that none of your suppliers are included!

LEARN MORE

Check out the articles The Traceback Audit and The Mass-Balance Audit for more information on conducting internal audits.

Recognizing a Credible Concern

A credible concern is a specific, documented discrepancy regarding the integrity of an organic product. A vague worry about an unfamiliar supplier is a reason to look closer, but a discrepancy is a specific inconsistency that you can point to in a record and is a reason to act. Examples of discrepancies:

- A supplier's certificate does not match the record in the OID.
- An invoice shows a supplier name that differs from the certified entity name on the certificate.
- A volume of product is offered that cannot plausibly correspond to the supplier's production capacity.
- A price is significantly below the organic market rate with no explanation.

Internal monitoring is often how handlers first identify a problem: a mass-balance that does not close, a traceback that hits a documentation gap, an OID check that shows a supplier's status changed after the last certificate was filed. Findings like these mean the monitoring system is doing its job.

RESPONSE PROTOCOL

In the event that your monitoring activities identify a credible concern, you must activate the response protocol called for in your OFPP. The specific steps that you follow should be designed to fit your operation's structure and supply chain. A well-designed response protocol addresses the following four steps, and your fraud prevention plan should name who performs each one.

Step 1: Quarantine the Product

Prevent the product from being sold, processed, or used as organic while you investigate. Once a fraudulent product enters commerce as organic, everything made from it downstream is implicated too. A good practice is to follow a hold-and-release protocol modeled on food safety practice: product is held from organic use pending your investigation, and the release decision follows the findings.[2]

An Example: A mid-size organic grain processor receives a bulk railcar shipment of imported soybeans. At receiving, the clerk checks the NOP Import Certificate and notices that the certifying agent listed on it does not match the certifier named in the supplier's OID record. The soybeans go into a hold silo before any milling or processing begins, and the compliance manager notifies the certifier the same day.

Step 2: Document What You Observed

Before contacting your certifier or the NOP, write down which record raised the concern, what the specific discrepancy is, when you discovered it, and what product is involved. This becomes the basis of any report you file, and it shows you acted promptly. Then document the investigation itself: What lot is affected? Which supplier and shipment? Is the discrepancy isolated, or does it appear across multiple shipments? What is the likely source? Records of the hold, your investigation, and the final disposition are part of your operation's required records and will be reviewed at your next annual inspection.[5]

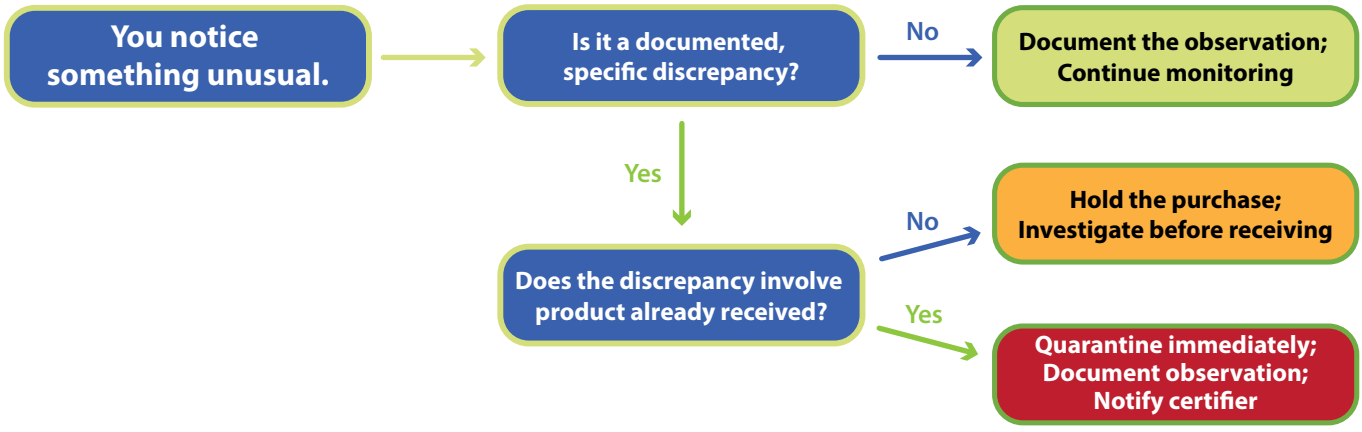
Step 3: Notify Your Certifying Agent

Make your certifier your first call. Your certifier has the authority to evaluate compliance on your certificate, the expertise to advise on next steps, and obligations of its own. Certifiers are required to have procedures in place for reporting credible evidence of organic fraud to the NOP.[6] Notifying your certifier alerts the oversight system that catches problems extending beyond your operation. Your fraud prevention plan should designate who makes this notification and on what timeline. Do not hold the call while you run a lengthy internal investigation. Call in a timely manner after you have completed documentation of the key information pertinent to your credible concern.

Step 4: Keep the Product Quarantined Until the Credible Concern is Resolved

Knowingly selling fraudulent product as organic may make your operation subject to civil penalties or criminal prosecution.[2] Depending on what your investigation shows, the product may be marketable as conventional, or it may need to be written off. Make that determination after the investigation, with your certifier's guidance.

Credible Concern Decision Tree



REPORTING SUSPECTED FRAUD TO THE NOP

Anyone can file a complaint of suspected fraud to the NOP. You do not need to be a certified operation, and you do not need to finish your own investigation before filing. You are providing information; the NOP determines how to pursue it.[2] The NOP treats complainant identities as confidential and protects them to the greatest extent permissible by law.[7]

An actionable complaint needs as much of the following information as you can provide:[2]

- Your contact information: company, name, title, date submitted, and your certifier.
- Whether you wish to remain confidential.
- The nature of the complaint or the type of violation suspected, such as fraudulent certificates, misrepresentation of conventional product as organic, labeling violations, excess volume, missing documentation, use of uncertified handlers, or below-market pricing, etc.
- The section of the regulation you believe was violated (7 CFR §205.xxx) and why.
- The source of the product: full business name, contact information, certifying agent, and certificate number.
- Other parties involved in the transactions.
- The type and variety of product, with lot numbers, shipment dates, and test results if available.

How to file. The NOP accepts complaints through several channels:[7]

- Online: NOP Online Complaint Portal
- Email: NOPCompliance@usda.gov
- Phone: (202) 720-3252; fax: (202) 205-7808
- Mail: NOP Compliance and Enforcement Branch, Agricultural Marketing Service, USDA, 1400 Independence Avenue SW, Mail Stop 0268, Room 2642-S, Washington, D.C. 20250-0268

What Happens After You File

The NOP reviews the complaint and determines how to proceed, which may include coordinating an investigation with the operation's certifying agent. If the violation is confirmed, the operation could face action including civil penalties, suspension, or revocation of its organic certificate.[7] Complaints involving operations in California are referred to the California Department of Food and Agriculture, which runs the California State Organic Program (CA-SOP). The CA-SOP can levy fines and embargo products.[2]

KEEPING YOUR ORGANIC FRAUD PREVENTION PLAN CURRENT

Review the fraud prevention plan at least annually, and any time your operation changes.[2] A plan that describes your supply chain accurately at certification but doesn't reflect your current configuration is a compliance problem in its own right. New suppliers, new ingredients, a new import relationship, or a change in your mitigation measures all warrant a review. Put the annual plan review on the same monitoring calendar as everything else in this article.

External events can change your risk picture between reviews. An NOP enforcement announcement naming a commodity you source, a major fraud case in the news, or a new supplier category added to your operation may each change the vulnerability profile of your supply chain and justify a targeted update to your monitoring procedures.[2]

"The intention of the Organic Fraud Prevention Plan is to identify where you have risk of fraud in your supply chain, and for you as a business to continuously assess what you need to manage and then to manage those activities."

Johanna Phillips
Director of Business Development and Regulatory Affairs
Strengthening Organic Systems

CONCLUSION

An active monitoring program shifts an operation from reactive firefighting to proactive quality control. Handlers who find and address supply chain problems on their own schedule walk into inspections with the investigation documented and corrective action already underway. A self-discovered problem can still result in a noncompliance finding, but the record shows an operation that caught it, contained it, and fixed it. Handlers who first encounter their problems at inspection start that same process under a deadline, with their certifier watching. Your monitoring program protects your own certificate first. Reporting extends that protection to the rest of the supply chain by putting what you found in front of the people who can act on it.

ACTION ITEMS

- Assign every monitoring activity in your fraud prevention plan to a calendar month, with a named owner for each.
- Verify each supplier's certificate at least annually, and confirm your specific ingredients appear on the renewed certificate addendum.
- Add a monthly OID check of active suppliers and a review of NOP enforcement announcements to your schedule.
- Run an internal traceback and a mass-balance each quarter on one randomly selected finished product.
- Write a hold-and-release protocol into your fraud prevention plan and train receiving staff to use it.
- Save the NOP complaint contact information and a copy of the OTA complaint template where your compliance team can find them.

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