

# Food Industry Watch



**AIB International**

**2010**

## Food-safety Auditing Firm Focuses on Research, Education & Protecting the Food Supply

### Watch List

- United States Food and Drug Administration (FDA) inspectors, overwhelmed by the task of auditing food production sites across the country, are becoming more dependent on third-party food-safety inspectors such as AIB.
- Controversy over the value of third-party auditing will create additional pressure on the FDA to certify and more closely monitor private auditors like AIB.
- A bill passed in July of 2009 by the US House of Representatives grants the FDA more power to regulate food safety. Similar legislation has been approved by the Senate Health, Education, Labor and Pensions Committee, but has not been introduced to the full Senate.
- The company was heavily criticized in 2009 when a peanut-processing plant it had audited and given a "Superior" rating was implicated in a salmonella contamination scandal that resulted in the largest food product recall in US history.
- Critics of AIB and other third-party food-safety auditors claim that there are serious weaknesses in the auditing process. Problems include: Inexperienced auditors; one-day site visits; potential conflict of interest between auditors and those being audited; advance notice given prior to audits, enabling management to hide problems; no requirement for plants to fix problems uncovered in audits.

### Key Takeaways

- AIB International is the largest private food-safety auditing organization in the United States and a leading provider of food-related educational and technical services.
- Founded in 1919 as the American Institute of Baking, AIB now serves a global customer base that includes food processing, distribution, service and retail companies.
- In addition to performing a full range of food-safety audits, AIB evaluates many other aspects of the food business including sanitation programs, production quality, and workplace safety. AIB is also licensed to perform certification audits for organizations such as the International Organization for Standardization (ISO) and the British Retail Consortium (BRC).
- Proponents of third-party audits say the process is an important aspect of a comprehensive food-safety program. They view the audit as an educational opportunity for plant employees and a way for organizations to meet their customers' requirements, achieve competitive advantage and strengthen their reputations.
- While auditing services contribute to more than half of its revenues, AIB also conducts food-safety education programs, operates a baking school and runs a food-related research and technical services organization.

### Related Reports

- FDA Compliance
- Food Laws & Regulations
- Managing Food Quality



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## Executive Summary

AIB International was founded in 1919 as the American Institute of Baking. Designed as a research and technology transfer center—not a baking school—AIB’s aim was to “put science to work for the baker.” Today the organization is a major player in the food-safety auditing business and a leading provider of food-related research and educational services. It is guided by a mission that includes “protecting the safety of the food supply chain ... delivering high-value technical and education programs ... and empowering clients to lower their business risk and strengthen their reputations.”

Headquartered in Manhattan, Kansas, the company serves food producers, distributors, service providers and retailers in more than 80 countries. Although AIB was initially focused on the baking sector, the majority of today’s business comes from other food sectors.

AIB’s primary business is food-safety auditing. The company conducts Good Manufacturing Process (GMP) audits, mandated by the FDA, as well as a full range of other agricultural, allergen and food-security evaluations. AIB auditors also assess manufacturing efficiency, quality systems, safety programs and other aspects of the food business.

Despite being recognized as a national leader in food-safety auditing, AIB suffered a major blow in early 2009 when a salmonella outbreak linked to peanut products swept the United States. The source of the contaminated products, Peanut Corporation of America, (PCA), had been audited by AIB in 2008 and received a “Superior” rating. The media, Con-

gress and the general public were highly critical of AIB’s auditor and auditing processes. AIB leadership defended its people and processes vigorously. The company is currently using new auditing standards which were developed prior to the contamination scandal but had not been released when the peanut-processing plant was audited. The new standards reflect the organization’s ongoing commitment to continuous improvement.



AIB Online 2009



## AIB at a Glance

- **Business profile:** Global food-safety, education and technical services organization.
- **Mission:** Protect food safety, deliver high-value technical and educational programs, help clients reduce risk and strengthen reputations.
- **Primary services:** Auditing, food-safety education, professional baking and maintenance education, research and technical services.
- **Size:** Largest third-party food-safety auditing firm in the United States.
- **Customer base:** 25% bakery sector; 75% other foods, packaging and distribution.
- **In the news:** Criticized for giving a “Superior” rating to a peanut-processing plant which was later implicated in a salmonella outbreak.

## AIB Audit Services

Auditing is AIB International’s core business. The company reports that it audited more than 10,000 sites in 2008. About 120 auditors performed the service, and clients included some of the world’s top food and beverage producers and distributors, as well as national leaders in food service and food packaging. Companies pay AIB to conduct the audits, often because regular audits are required by their customers. In other cases, audits are not mandatory, but are viewed as a way to demonstrate commitment to food safety and achieve differentiation. Audit fees range from about \$1,000 to more than \$20,000.

AIB defines an audit as:

- A systematic evaluation to determine if programs and related activities achieve planned expectations.
- The review or challenging of written programs; documentation of activities; corrective actions; trends.

- An aid to determine the correlations between documented procedures and activities and actual execution.
- A potential assistance in identifying root cause, which can lead to long term corrective action.

The company offers the following types of audits.

- **Good Manufacturing Processes (GMP):** This audit determines the extent to which a manufacturer meets GMP regulations issued by the Food and Drug Administration (FDA). GMP regulations are designed to ensure the safety of the food supply. Failure to comply with them can result in product recalls, fines and criminal charges. During a GMP audit, all aspects of the manufacturing system are evaluated, including food safety programs, management systems, pest control activities, operational issues, personnel practices, maintenance and cleaning.
- **Agricultural:** Validating the safety of agricultural food products is the purpose of this audit. It includes an assessment of the farm or ranch’s land-use history, plus a review of adjacent land use, fertilizer use, water quality, pest control, employee procedures, cleaning practices and other factors.
- **Allergen:** The allergen audit looks at how primary allergenic ingredients (milk, eggs, peanuts, tree nuts, fish, shellfish, soy and wheat) are stored, handled and labeled to prevent contact with non-allergenic ingredients. The review also covers the use of chemical-sensitive ingredients such as sulfites, plus factors such as cleaning processes, training programs and supplier allergen-control activities.
- **Food Security:** This audit evaluates how effectively a company is protecting its food products from tampering, theft and other threats to human and environmental safety. The assessment rates an organization’s security systems, employee and



visitor access procedures, materials receiving processes, and other areas of vulnerability.

- **Retail:** Retail food establishments can better understand their food safety risks by undergoing a retail audit. It consists of a complete review of the operation, including receiving, handling, storage, maintenance and cleaning processes, as well as personnel practices, management systems, pest control and other factors.
- **Grocery Manufacturers Association:** Supplier Assessments for Food Excellence (GMA-SAFE): AIB is certified to provide GMA-SAFE assessments, considered by some to be the most comprehensive food quality and protection audits available today. The results of a GMA-SAFE assessment are not score-based, but are presented in narrative form, which allows an assessment to be tailored to the needs of the customer or regulatory body. Reports are delivered over the Internet and maintained in secure online databases. Clients can access the data to manage and compare their performance against industry standards.
- **Sanitation:** Because sanitation practices can have a profound effect on food safety, sanitation audits can be very valuable. This audit includes a review of the overall sanitation program and budget, as well as an evaluation of factors such as sanitation tools; environmental cleaning processes; chemical handling, storage and usage processes; Cleaning-in-Place (CIP) and Cleaning-out-of-Place (COP) methods for tools and equipment; and building and grounds conditions.
- **Hazardous Analysis & Critical Control Point (HACCP) Accreditation:** HACCP is a preventive strategy for ensuring food safety. It involves identifying potential food-safety hazards (physical, biological and chemical), then taking steps to prevent those hazards from occurring. The FDA and US Department of Agriculture (USDA) mandate the use of an accredited HACCP plan in the meat, seafood and juice businesses. Other sectors participate voluntarily. AIB is licensed to evaluate companies' HACCP plans, audit their use on site and grant accreditation.
- **Quality Systems Evaluation:** This audit typically begins with a customer complaint about a quality issue (e.g., bottles arriving at a beverage production operation damaged). The auditor reviews the entire quality system to determine why the problem is occurring and identifies steps that must be taken to correct it. Corrective action typically involves process changes and employee training.
- **Production Quality:** This audit examines the factors that affect quality, efficiency and cost in a production operation. Areas covered in the audit include control of incoming ingredients; product handling, package and storage procedures; and control of products that do not conform to specifications.
- **Occupational Safety:** The focus of this audit is workplace safety. The auditor conducts a mock Occupational Safety and Health Administration (OSHA) inspection, identifying potential areas of non compliance and recommending corrective actions.
- **Feed Materials Assurance Scheme (FEMAS):** Protecting the integrity of ingredients used in animal feeds—thereby safeguarding the human food supply—is the purpose of this audit. Companies that supply ingredients to animal feed producers can request a FEMAS assessment, which evaluates all aspects of the operation against internationally accepted standards developed in Europe.
- **Certification-related Audits:** AIB is accredited to perform audits required for various certification programs such as the British Retail Consortium (BRC) Global Standard for Food, the International





Organization for Standardization (ISO) 22000 Food Safety Management System Standard, and the Safe Quality Food (SQF) 1000 and 2000 Standards.

## The Value of Third-party Auditing

There are three fundamental players in the food-safety auditing arena: Government inspectors (from local health departments, the USDA and the FDA) who assess compliance with local, state and federal regulations; internal auditors who are company employees with auditing responsibilities; and third-party service providers like AIB who are hired by companies to conduct audits.

There are not enough government inspectors to protect the entire food chain, and adding more would strain public budgets. As for internal auditors, many companies do not have the resources to hire and retain them. As a result, demand for third-party food-safety auditing has grown rapidly, especially since the September 11 terrorist attacks. However, third-party auditors have been criticized by the media, Congress and the general public since a peanut-processing plant that had received a "Superior" rating from AIB was implicated in a salmonella outbreak early in 2009.

Key criticisms include the following:

- **Auditor expertise.** It is difficult to ensure that every inspector is fully qualified to excel at the many types of inspections he or she must conduct. Sending a veteran meat inspector into a beverage packaging plant, for example, could compromise the quality of the audit.
- **Potential conflict of interest.** Auditing companies are paid by the organizations they audit, so some say it is in an auditor's best interest to deliver a good report, rather than an accurate one. In addition, some auditors serve as food-safety consultants and could therefore use the

inspection process as a means of building their own businesses.

- **Advance notice.** Audits are almost always scheduled in advance, giving plant personnel sufficient time to hide potential problems.
- **Brevity of inspection.** Many audits are completed in one day or less, which critics contend is not enough time for a comprehensive evaluation.
- **Limited scope.** Audits frequently focus only on the audited organization's facilities and processes, neglecting the rest of the supply chain, despite its potential impact on quality and safety.
- **Over-emphasis on scores.** A score-based orientation causes some companies to put too much emphasis on achieving numbers, rather than building and sustaining a culture of quality and safety.
- **Lack of follow-up.** Audited companies are often under no obligation to fix the problems identified during the inspection process.

Despite these criticisms, there are many proponents of third-party auditing services. Their primary arguments are as follows.

- **One element of comprehensive strategy.** Third-party audits are not designed to stand alone, but should be viewed as a critical aspect of a total food-safety strategy.
- **Cost-effective coverage.** Thousands of food-safety audits are completed every year, at no direct cost to taxpayers.
- **Supplement other inspections.** Results of third-party audits can clarify, confirm or even contradict the results acquired in regulatory audits or self-inspections.
- **Objectivity.** A third-party auditor can view an operation with a fresh set of eyes and may therefore spot problems an internal auditor might overlook.



- **Training opportunities.** Employees participating in third-party audits can acquire knowledge and skills that will make them more effective in the day-to-day execution of food-safety practices.
- **Transmission of best practices.** Third-party auditors often share best practices discovered in other facilities they have inspected, increasing food safety and quality across the entire industry.
- **Reputation, differentiation.** Companies that elect to undergo voluntary food-safety audits have the opportunity to enhance their reputations and demonstrate differentiation.

## Improving the Auditing Process

AIB began updating its auditing standards in 2007 in response to changes in the global food industry. The updated standards were released in late 2008 and implementation began in 2009. Now that the new standards are in use, many assume they were developed in response to the PCA scandal. However, the PCA audit took place in March of 2008, after the update had commenced, but before it had been completed. AIB leaders, who have defended their company vigorously since the scandal broke, insist that the organization has demonstrated a commitment to continuous improvement throughout its 90-year history.

Here are some of the latest improvements to the auditing standards which have been updated eight times since their initial release:

- **Longer audits.** Most audits take at least two days to complete, although there are exceptions for smaller or uncomplicated facilities.
- **Higher standards.** Any finding in a report considered “serious” prevents the facility from being referred to as “Superior.”
- **New language.** Inspection documentation is titled “Recognition of Achievement” rather than “Certificate of Achievement” to more clearly differentiate an AIB audit from a certification initiative.

- **More information.** Audit documentation clearly states whether the facility had prior knowledge of the audit date. The numerical score is also shown on the document.
- **More management involvement.** AIB managers “shadow” auditors more frequently to observe the auditing process. They have also increased the amount of time spent reviewing auditors’ reports.
- **Disclosure.** Auditors are required to verify and disclose whether facilities comply with state regulations and have HACCP accreditation.

These improvements, along with national changes proposed by the FDA, are expected to enhance the value of third-party auditing services and strengthen the entire food-safety system.

## Other AIB Services

In addition to food-safety auditing, AIB International provides three other major services:

- **Food-safety Education** is available for individuals and companies. Learning can take place through a training audit, in which an inspector works with company employees to evaluate an operation, identify strengths and weaknesses, and help develop an improvement plan. Online and correspondence courses are also available, as are professional seminars and customized training programs.
- **The School of Baking** delivers educational services. Two intensive residential programs prepare students for careers in baking and maintenance engineering. Certification programs are also offered for students seeking expertise in specialty areas such as bread and rolls, cake and sweet goods, and cookies and crackers. A certified maintenance technician program is also available. In addition to these focused programs, the School of Baking offers online and correspondence classes, books, DVDs and other training materials.



- **The research and technical arm** of the business is a scientific resource. The company operates two pilot plants for research and development of bread and cake products. Staff experts are available to help customers evaluate and test ingredients, assist with new product development, advise on production and quality issues, and offer other forms of technical support.

## Regulatory Environment

In the United States, responsibility for food-safety regulation is shared by the FDA and the USDA. Each segment of the food industry—from producers and distributors to food-service providers and retailers—is accountable for meeting a unique set of local, state and federal regulations.

## Acronyms

AIB: American Institute of Baking  
 BRC: British Retail Consortium  
 FEMAS: Feed Materials Assurance Scheme  
 FDA: Food and Drug Administration  
 GMA-SAFE: Grocery Manufacturers Association – Supplier Assessments for Food Excellence  
 GMP: Good Manufacturing Processes  
 HACCP: Hazardous Analysis and Critical Control Point  
 ISO: International Organization for Standardization  
 OSHA: Occupational Safety and Health Administration  
 PCA: Peanut Corporation of America

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