



United States Department of Agriculture

AMS Oversight of the Farmers Market and Local Food Promotion Program



Audit Report 01601-0001-24

March 2020

OFFICE OF INSPECTOR GENERAL

IMPORTANT NOTICE

This audit report contains sensitive information that has been redacted for public release, due to privacy concerns.

AMS Oversight of the Farmers Market and Local Food Promotion Program

Audit Report 01601-0001-24

OIG reviewed AMS' oversight of the grants it issued through its Farmers Market and Local Food Promotion Program.

OBJECTIVE

We determined the effectiveness of AMS' oversight of FMLFPP, including AMS' outreach activities to promote program participation. In addition, we determined if AMS implemented policies and procedures to ensure grant recipients complied with program requirements.

REVIEWED

We reviewed actions AMS took to promote farmers markets and local foods and also reviewed FMLFPP grant management procedures. Our sample covered 40 grants awarded between FYs 2015–2017, totaling approximately \$6.8 million of \$78.8 million.

RECOMMENDS

We recommend that AMS modify its oversight procedures to include the development and implementation of a schedule for conducting site visits and a sampling methodology and appropriate tests to conduct reviews of grant documentation.

WHAT OIG FOUND

The Agricultural Marketing Service's (AMS) Farmers Market and Local Food Promotion Program (FMLFPP) provides a competitive grants process to expand access to locally-produced agriculture products and to develop new market opportunities for farmers, ranchers, and local/regional food businesses. We found that AMS officials effectively conducted program outreach and appeared cognizant of grant requirements. Additionally, during our site visits, grant recipients successfully worked with AMS on grant objectives.

However, none of the 40 grants we tested, including 18 site visits, for fiscal years (FY) 2015–2017 fully complied with grant terms and conditions or Federal grant regulations. We found that:

- AMS did not maintain sufficient documentation for any of the 40 pre-award decisions and 3 of the 18 grant recipients we visited did not maintain sufficient records post-award;
- 4 of the 18 grant recipients we visited submitted unsupported requests for advances or reimbursements;
- 11 of the 18 grant recipients we visited were not aware of suspension and debarment policies; and
- 1 fiscal sponsor we visited did not appropriately document or perform sponsor oversight responsibilities.

AMS did not identify or address these issues because it did not conduct adequate documentation reviews and did not have an official policy in place for conducting onsite reviews of grant recipients. As a result, AMS did not ensure that FMLFPP grant recipients effectively used Federal funding to achieve the objectives outlined in their grant agreements.

AMS officials generally agreed with our findings and stated that they began conducting recurring site visits during the FY 2019 grant cycle. AMS officials also stated that ezFedGrants will help address insufficient documentation. As of October 2019, AMS is only using this system for the post-award process and not the pre-award process.



United States Department of Agriculture
Office of Inspector General
Washington, D.C. 20250



DATE: March 19, 2020

AUDIT
NUMBER: 01601-0001-24

TO: Bruce Summers
Administrator
Agricultural Marketing Service

ATTN: Frank Woods
Chief, Internal Audits
Compliance Safety & Security Division
Agricultural Marketing Service

FROM: Gil H. Harden
Assistant Inspector General for Audit

SUBJECT: AMS Oversight of the Farmers Market and Local Food Promotion Program

This report presents the results of the subject review. Your written response to the official draft is included in its entirety at the end of the report. We have incorporated excerpts from your response, and the Office of Inspector General's (OIG) position, into the relevant sections of the report. Based on your written response, we are accepting management decision for all 3 audit recommendations in the report, and no further response to this office is necessary. Please follow your internal agency procedures in forwarding final action correspondence to the Office of the Chief Financial Officer (OCFO).

In accordance with Departmental Regulation 1720-1, final action needs to be taken within 1 year of each management decision to prevent being listed in the Department's annual Agency Financial Report. For agencies other than OCFO, please follow your internal agency procedures in forwarding final action correspondence to OCFO.

We appreciate the courtesies and cooperation extended to us by members of your staff during our audit fieldwork and subsequent discussions. This report contains publicly available information and will be posted in its entirety to our website (<http://www.usda.gov/oig>) in the near future.

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Background and Objectives

Background

The Farmers Market and Local Food Promotion Program (FMLFPP) is an Agricultural Marketing Service (AMS) grant program with outreach components intended to expand access to locally produced agriculture products and to develop new market opportunities for farmers, ranchers, and local/regional food businesses. FMLFPP accomplishes these goals through two competitive grant program components: (1) Farmers Market Promotion Program (FMPP) and (2) Local Food Promotion Program (LFPP).



Figure 1. Local produce displayed at a farmers market. *OIG photo.*



Figure 2. Local corn for sale at a farmers market. Photo by OIG. Image obscured to protect the privacy of program participants.

FMLFPP is an expanded version of FMPP, which was originally authorized in the 2002 Farm Bill. FMPP was amended by the Agricultural Act of 2014 to include LFPP.¹ The FMPP component develops new market opportunities for farm and ranch operations serving local markets by providing, developing, improving, and expanding outreach and training. Additionally, FMPP provides technical assistance and assistance in developing, improving, and expanding domestic farmers markets, roadside stands, community-supported agriculture programs, agritourism activities, and other direct producer-to-consumer market opportunities. The LFPP component offers grant funds with a 25 percent match requirement to support the development and expansion of local and regional food business enterprises.² These grants should increase domestic consumption of locally and regionally produced agricultural products and develop new market opportunities for farm and ranch operations serving local markets. AMS accepts two types of project applications under LFPP—planning grants³ and

¹ The Agricultural Act of 2014 (H.R. 2642; Pub.L. 113-79).

² LFPP grant participants are required to provide an amount equal to 25 percent of the total cost of the project in the form of cash and/or in-kind non-Federal resources.

³ LFPP planning grants are used in the planning stages of establishing or expanding a local or regional food business enterprise. Activities can include, but are not limited to, market research, feasibility studies, and business planning.

implementation grants.⁴ Applicants can apply for either but will receive only one type of grant per grant cycle.

AMS implemented policy changes to the FMPP and LFPP components beginning in FY 2016. Therefore, FY 2015 grants had different policies than FY 2016. These changes were also in effect for FY 2017 grants. AMS officials stated that these policy changes allowed FMLFPP staff to manage a more reasonable number of grants. These changes included separating FMPP grants into two tiers, increasing the period of performance for FMPP and LFPP grants and increasing the amount of funding per grant. Please see tables 1 and 2 below:

Table 1. FMPP FY 2015 and FY 2016 award policies.

FMPP 2015	FMPP 2016
Award size: \$15,000–\$100,000	Capacity building award size: \$50,000–\$250,000
Period of performance: 2 years	Community development, training, and technical assistance award size: \$250,000–\$500,000
Estimated awards per fiscal year: 160	Period of performance: 3 years
Agreements managed by each Grants Management Specialist per fiscal year: 53	Estimated awards per fiscal year: 50–100
	Agreements managed by each Grants Management Specialist per fiscal year: 12–25

Table 2. LFPP FY 2015 and FY 2016 award policies.

LFPP 2015	LFPP 2016
Planning grants award size: \$5,000–\$25,000	Planning grants award size: \$25,000–\$100,000
Planning grants period of performance: 1 year	Planning grants period of performance: 18 months
Implementation grants award size: \$25,000–\$100,000	Implementation grants award size: \$100,000–\$500,000
Implementation grants period of performance: 2 years	Implementation grants period of performance: 3 years
Estimated awards per FY: 160	Estimated awards per FY: 50–100
Agreements managed by each Grants Management Specialist per fiscal year: 53	Agreements managed by each Grants Management Specialist per fiscal year: 16–33

During our audit scope period, from FYs 2015–2017, AMS issued 529 FMLFPP grants totaling approximately \$78.8 million. AMS administered FMLFPP with seven grant management staff between FY 2015 and FY 2017. FMLFPP staff were responsible for preparing requests for applications for FMLFPP grants, establishing the panel review process, and awarding FMLFPP grants. FMLFPP staff were also responsible for reviewing payment requests and conducting grant recipient monitoring and closeout of activities for each project. To accomplish this process, both AMS and grant recipients must adhere to Office of Management and Budget

⁴ LFPP implementation grants are used to either establish a new local or regional food business enterprise or to improve or expand an existing local or regional food business enterprise. Activities can include, but are not limited to: training and technical assistance for the business enterprise and/or for producers working with the business enterprise, outreach and marketing to buyers and consumers, and non-construction infrastructure improvements to business enterprise facilities or information technology systems.

Guidance for Grants and Agreements, as outlined in 2 Code of Federal Regulations (C.F.R.) Part 200.⁵

2 C.F.R. 200 includes sections for pre-award⁶ and post-award⁷ grant requirements. To fulfill pre-award requirements, AMS places its request for applications for FMLFPP grants on the grants.gov website. Potential grant recipients then use this website to submit applications. Next, grant management specialists are responsible for screening and removing incomplete applications and applications that do not clearly meet requirements.⁸ FMLFPP uses a panel review process to score the applications. AMS officials select panel reviewers—Federal and non-Federal panelists with relevant experience—based on factors such as experience level and geographic location. These panelists review and score FMLFPP applications. AMS staff compile all application scores, sort them from highest to lowest, and consider only the highest ranking scores for funding. Then, AMS staff administratively review each high-ranking proposal to ensure that it meets FMLFPP requirements. Upon completion, AMS staff prepares a list of potential grant recipients, which FMLFPP grants management specialists submit to AMS management for approval. Once AMS management approves the list of grants, FMLFPP grant management specialists begin preparing official grant documentation, including the grant agreement.

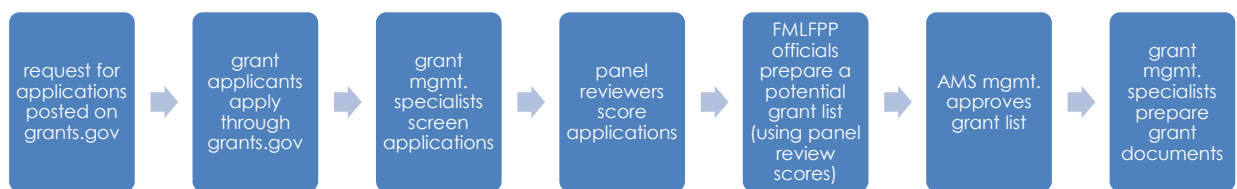


Figure 3. AMS' FMLFPP grant application and selection process.

In general, grant recipients sign their grant agreements and begin working on grant-funded activities around September 30, and generally have a grant period of performance of up to 3 years.⁹ Following each full year of grant performance, recipients must submit a financial report¹⁰ and a performance report.¹¹ Federal regulations require recipients to maintain source documentation pertinent to a Federal award for a minimum of 3 years following the date of final expenditure submission. To ensure these post-award requirements are met, AMS assigned grant management specialists specific grant recipients to monitor. Grant management specialists'

⁵ 2 C.F.R. 200, Jan. 1, 2018.

⁶ 2 C.F.R. 200 Subpart C 200.200(a) describes pre-award activities as those performed in the grant announcement and grant application processes.

⁷ 2 C.F.R. 200 Subpart D 200.300(a) describes post-award activities as those performed in the management and administration of the grant recipient.

⁸ Applications that do not clearly meet requirements include, but are not limited to: applications that do not include all required documents, late applications, and duplicate applications.

⁹ The period of performance for LFPP planning grants was no more than 1.5 years.

¹⁰ The SF-425 (Federal Financial Report) captures the obligations and disbursements the grant recipient made during the grant reporting period.

¹¹ Performance reports are used by grant management specialists to monitor project performance during the reporting period.

post-award monitoring efforts include providing grant recipients with technical assistance, conducting periodic group calls highlighting grant requirements, and reviewing recipients' advance and reimbursement requests, financial reports, performance reports, and closing packages. AMS had not conducted site visits prior to our audit, but the agency initiated a new onsite grant monitoring effort in April 2018. AMS created guidance to follow when performing these site visits, including a checklist identifying the documents and procedures the grant management specialists use to review grant recipients.

Objectives

For this audit, we determined the effectiveness of AMS' oversight of FMLFPP, including AMS' outreach activities to promote FMLFPP program participation. In addition, we determined if AMS implemented policies and procedures to ensure grant recipients complied with program requirements.

We did not identify any concerns with the objectives relating to AMS' outreach activities and its grant policies and we did not issue any recommendations relative to these objectives in our report.

Finding 1: AMS Oversight of FMLFPP Grant Recipients Needs Improvement

While AMS had policies in place to monitor grant recipients' performance, AMS could implement additional controls to more effectively ensure that grant recipients meet program requirements. Specifically, all 40 grant files we reviewed for FYs 2015–2017 (22 closed and 18 open¹²) lacked the documentation necessary to show that AMS officials reviewed and approved applicants for FMLFPP grant funding. In addition, 13 of the 18 open grant recipients we visited did not always document or follow key post-award activities, such as documenting support for grant expenses. The grant file lacked documentation because AMS officials did not include processes in AMS' application review (pre-award) procedures to document AMS management's approval of FMLFPP grants. In addition, AMS' procedures for overseeing grant recipients did not include procedures for either effective grant documentation reviews or official policy for conducting onsite reviews of grant recipients. While AMS had approved procedures for onsite reviews of grant recipients through site visits, AMS had only conducted one site visit as of April 2018. As a result, FMLFPP grant recipients did not always effectively use Federal funding for its intended purpose: to achieve the objectives outlined in grant agreements. For example, one of the grant recipients could not provide evidence that it developed a marketing and outreach plan, as required in its grant agreement with AMS. During our site visit, nearly 11 months into the first year of this grant, the recipient had requested only \$15,767 out of the \$166,024 budgeted for that year.¹³ Another recipient requested three cash advances for office supplies, totaling \$3,185, but only used \$188 on supplies, even though recipients were required to spend advances only for amounts needed to meet actual and immediate cash needs.

2 C.F.R. 200, Subparts C through E, set forth the uniform administrative requirements for grants, including pre- and post-award requirements for Federal awarding agencies as well as the principles for determining the allowable costs incurred by non-Federal entities under Federal awards. Specifically, Subpart D, paragraph 200.300, states that the Federal awarding agency must manage and administer the Federal award in a manner so as to ensure that Federal funding is expended and associated programs are implemented in full accordance with U.S. statutory and public policy requirements.

While we identified grant performance concerns with one of the sites we visited (see Grantee Performance Concerns section below), we generally observed evidence that grant recipients had successfully completed or were working towards achieving grant objectives as described in their grant applications. [REDACTED]

[REDACTED] FMLFPP grant recipients also adequately supported that they fulfilled its 25 percent match requirement. In addition, AMS officials we spoke with were cognizant of grant requirements. However, AMS could improve its

¹² The 18 open grant case files were grants that had not yet completed their grant period of performance. The 22 closed grant case files were grants that had completed their grant period of performance.

¹³ AMS also identified errors in one of this recipient's payment requests in April 2018, and by August 2018 the recipient had not corrected its payment request.

existing oversight activities to ensure that both program officials and grant recipients work towards meeting all grant and program requirements. We visited 18 active grant recipient sites to determine whether the recipients followed grant requirements. In addition, we conducted a document review of 22 closed grants for the same purpose. Our review of these 40 grants (18 open grants and 22 closed grants) revealed weaknesses in AMS' pre-award processes as well as in its oversight of awardees after awards were issued.

Grant Documentation (Pre-award and Post-award)

The Government Accountability Office requires that documentation concerning internal controls and all transactions are properly maintained and easily available.¹⁴ AMS did not sufficiently document its approval of potential FMLFPP awards during the pre-award phase of the grant cycle. According to AMS procedures, external panel reviewers score applicants' proposals. AMS staff compile all application scores and sort them from highest to lowest and consider only the highest ranking scores for funding. AMS staff then administratively reviews each high-ranking proposal to ensure that it meets FMLFPP requirements. AMS management then approves this final award list. However, we found that although AMS management appropriately signed the individual grants in our sample, they did not document approval of the final award list in the grant files for any of the 40 grants we reviewed. In addition, AMS officials did not always complete grant checklists or ensure panel reviewers signed off on their reviews. AMS officials agreed to add procedures to address these concerns.

In addition, we found that grant recipients were not keeping sufficient records post-award. We attempted to verify the accuracy of grant documents by tracing reported data to supporting documentation. However, 3 of the 18 recipients we visited could not support amounts on project budgets, financial reports, or performance reports. For example, one of our sample recipients did not maintain documentation to support the amounts it budgeted in its application and also did not report program income on the Federal Financial Report (SF-425), even though the entity budgeted program income in its initial project budget. A second site underreported a USDA Food and Nutrition Service program redemption amount at a farmers market by \$180 on its annual performance report that it sends to AMS. Finally, a third site could not provide documentation to support the amounts it budgeted in its initial application to AMS. Federal regulations require Federal award records and supporting documentation be maintained for at least 3 years following the last transaction pertinent to the grant.¹⁵ AMS agreed that these recipients should have supported the amounts on project budgets, financial reports, or performance reports and will work with grant recipients to ensure it is accomplished.

¹⁴ Government Accountability Office 14-740G Federal Internal Control Standards Principle 10—Design Control Activities requires management to clearly document internal control and all transactions and other significant events in a manner that allows the documentation to be readily available for examination.

¹⁵ 2 C.F.R. 200.333, Jan. 1, 2018.

Overall, AMS officials generally agreed with the issues presented in this section. They stated that they will begin using ezFedGrants, a web-based grants management system, to manage grants from beginning to end. As of October 2019, AMS used this system for the post-award part of the grant process and not the pre-award. Internal controls, such as grant approvals and documentation submissions by the grant recipients, will be completed electronically using ezFedGrants. AMS officials stated that they believe this system will address the documentation concerns we identified in this section. In the meantime, AMS officials stated that they will use a document created by the agency to record management's approval

Advance and Reimbursement Requests (Post-award)

Additionally, 4 of the 18 open grant recipients we visited did not accurately request advances or reimbursements from AMS for grant expenses. Recipients can either request cash advances (which must be limited to amounts needed to meet actual and immediate cash needs) or expense reimbursements (recipients must collect and maintain source documentation so it is available to AMS upon request at any time during the performance period). At any point during the performance period, AMS may require the recipient to submit source documentation, including documentation needed to support grant expenses. However, we found that:

- One of the recipients informed us during our site visit that it claimed \$5,255 more in reimbursement amounts than it actually spent. The recipient identified these errors while preparing documentation for our review ahead of our site visit. The recipient stated that it will correct these errors on future requests for reimbursement. However, we believe this example demonstrates the need for AMS to more closely monitor grant recipients.
- One of the recipients we visited submitted three cash advance requests for office supplies, totaling \$3,185, which are limited to amounts needed to meet actual and immediate cash needs. However, the recipient could not provide support it spent this funding within 90 days of receiving it. As of the date of our site visit (nearly 9 months after the initial request), this recipient only spent \$188 of \$3,185 in the cash advances it requested.
- During another site visit, we reviewed documentation to support expense reimbursement requests and determined that the recipient underreported a request amount by \$7. While this amount is minor, this recipient did not correctly support its request for reimbursement. The recipient stated that it would be more cognizant of this in the future. This example demonstrates the need for AMS to conduct onsite reviews and more effective document reviews.
- AMS identified errors with one grant recipient's documentation to support a \$16,008 reimbursement request in April 2018, and required the recipient to correct the errors before it would issue the grant recipient a payment in this amount. However, at the time of our August 2018 visit, the recipient had neither corrected those errors nor submitted another request for reimbursement.

AMS agreed that site visits may identify issues such as these. In June 2017, AMS finalized post-award site visit guidance and, as of April 2018, it had visited its first site and plans to visit more. In addition, we believe AMS should implement sampling methodology to conduct more comprehensive reviews of payment requests to ensure it identifies all potentially erroneous payment requests.

Grantee Performance Concerns

We visited a recipient's farmers market to evaluate the grant's performance and review records. [REDACTED]

[REDACTED] We asked the grant recipient multiple times during our visit to provide this plan and the grantee could not do so. In addition, we asked the grant program manager to show us [REDACTED], but he could not.

Additionally, AMS' site visit guidance that it plans to use when conducting future site visits contains provisions to review financial records prior to the visit, which could have marked this grant as an area of concern. For example, while this site's grant began on September 30, 2017, as of August 21, 2018, with only 40 days left in the fiscal year, it had only requested and received a total of \$15,767 (9.4 percent) out of the \$166,024 in FY 2018 it budgeted towards this goal. As noted in the section above, this grantee submitted an erroneous request for an additional \$16,008 from AMS, but did not correct the request as of the date of our visit. We believe that performing site visits would help AMS hold grant recipients accountable for the objectives outlined in their grant agreements.

Suspension and Debarment

Federal regulations require non-Federal entities entering into a contract with another entity to ensure that the entity is not excluded or disqualified from entering into a contract involving Federal funding. Therefore, grant recipients that participate in FMLFPP and use Federal funding to enter into a contract with another entity to complete work on their grants are required by Federal regulations to check the System for Award Management Exclusions,¹⁶ collect a certification from that entity, or add a clause or condition to the covered transaction with that entity. FMLFPP grant terms and conditions cite the suspension and debarment regulations. However, this was not effective enough to ensure all recipients were aware of suspension and debarment requirements. Of the 18 recipients we visited, 11 stated that they were not aware of the requirement to check potential vendors for suspension and debarment status. To address this issue, AMS officials

¹⁶ This system tracks persons who are excluded or disqualified from these types of transactions.

agreed to strengthen their oversight of grant recipient compliance with suspension and debarment policies. Additionally, in AMS' post-award site visit guidance, AMS has required grants management specialists to verify that the grant recipients are aware of their grant management responsibilities. We encourage AMS to also cover suspension and debarment requirements with recipients during the course of their site reviews.

Pass-through Entity/Fiscal Sponsor Responsibilities

Finally, one grant recipient we visited did not adequately include the applicable Federal award information in the subaward contract, as required by 2 C.F.R. 200. Occasionally, the grant recipient will work with a subrecipient to execute the grant. In such instances, the primary grant recipient serves as a pass-through entity, or fiscal sponsor, and is responsible for helping the sub-recipient meet the administrative responsibilities of the grant and ensure compliance with grant provisions. The subrecipient assumes the responsibility for executing the grant objectives of providing access to local and regional produce through farmers markets and related activities. In our sample of 40 grant recipients, 2 were fiscal sponsors with subaward contracts with subrecipients.

AMS' terms and conditions required the fiscal sponsor agreement to include the applicable AMS award terms and conditions, as well as the provisions required under Federal requirements for pass-through entities, also known as the grant recipients. Grant recipients that issue subawards are required to include the applicable AMS award terms and conditions, as well as the pass through entity provisions, required under 2 C.F.R. 200.331, in subaward agreements. However, instead of discussing how the subrecipient's project would comply with grant terms and conditions, the subaward agreement focused on the subrecipient's business needs, such as tax compliance, rather than addressing grant terms and conditions, including those necessary to ensure compliance with all applicable Federal regulations and policies.

AMS officials were unaware of this issue until we brought it to their attention and the primary grant recipient was unaware of its fiscal sponsor oversight responsibilities. When we presented this issue to AMS officials, they agreed that this was an issue that needed to be resolved. We encourage AMS to ensure its post-award site visit guidance includes specific provisions for subaward contracts. In the site visit guidance, AMS has required grant management specialists to verify that the grant recipients are aware of their grant management responsibilities. In instances where a grant recipient is a fiscal sponsor, this should include fiscal sponsor responsibilities. Additionally, as part of AMS' site visit guidance, AMS will request that recipients provide signed agreements with subrecipients for review during the site visits. We note that this also should include any subaward contracts.

AMS officials generally agreed with our findings. They stated they developed site visit methodology procedures and have begun conducting site visits during FY 2019. In addition, AMS officials stated that ezFedGrants will help streamline the grant approval process and will help AMS address the documentation issues we identified in this finding. However, as of October 2019, AMS was only using this system for the post-award process and not the pre-award

process. While we could not assess whether AMS' assertions would address the conditions noted in this finding, we believe that AMS should, at a minimum, implement a plan to effectively document pre-award requirements.

Recommendation 1

Develop and implement a plan to ensure FMLFPP effectively documents pre-award requirements, including AMS senior management's approval of the award list.

Agency Response

AMS updated the FMLFPP application checklist to capture the program's pre-award requirements, and grants management specialists are trained annually to reinforce the importance of completing and documenting the checklists. In 2018, AMS partnered with the U.S. Department of Health and Human Services to access GrantSolutions' pre-award functions and its associated services, ensuring proper approval controls and documentation in AMS' competitive process and the associated grant selection decisions. Application selections are included in a decision memorandum for the Under Secretary of the Marketing and Regulatory Programs, requesting approval of each set of grant awards. Once approved, the decision memorandum is saved in the Program's files. In addition, the Program's Deputy Administrator must approve each individual grant award in the ezFedGrants system for the grant offer to be issued, and that approval is recorded in the system.

OIG Position

We accept management decision on this recommendation.

Recommendation 2

Develop and implement a schedule and associated checklist for performing site visits on a recurring basis that ensures compliance with FMLFPP requirements, including 2 C.F.R. 200.

Agency Response

In FY 2018, AMS developed and initiated a grant recipient onsite document review protocol that includes FMLFPP. This protocol was based on the requirements provided under 2 C.F.R. 200, and it provides guidance and a standard checklist for grants management specialists. A sample of recipients with open agreements are selected annually and an annual site visit schedule is generated from this sample.

OIG Position

We accept management decision on this recommendation.

Recommendation 3

Develop and implement a sampling methodology and tests to conduct reviews of requests for payment, Federal financial reports, and performance reports that will support and complement site visits to ensure grant recipients comply with FMLFPP grant terms and conditions, including 2 C.F.R 200.

Agency Response

AMS drafted a monitoring plan in FY 2018 for sampling grant recipients based on financial and programmatic risk for oversight and monitoring. The plan is designed to conform to the oversight and monitoring requirements of 2 C.F.R. 200, as well as the “AMS Grants Division General Award Terms and Conditions.” The grants monitoring plan is currently being piloted by several grants management specialists to refine the methodology prior to full implementation.

OIG Position

We accept management decision on this recommendation.

Scope and Methodology

We conducted a survey phase from March through May 2018 at AMS headquarters in Washington, D.C. to gain an understanding of how AMS oversees FMLFPP. To accomplish this survey, we reviewed actions AMS took to promote farmers markets and local foods. We also reviewed FMLFPP grant management procedures. Based on our survey work, we narrowed the focus of our audit phase to AMS outreach and also pre-award and post award oversight. Our audit covered 529 grants awarded between FYs 2015–2017, totaling approximately \$78.8 million (see Table 3). We conducted fieldwork between March 2018 and June 2019.

Table 3. Total grants for FYs 2015–2017, which comprised of 529 LFPP and FMPP grants totaling approximately \$78.8 million.

Year Awarded	Program Type	Amount
2015	LFPP	\$11,865,444
2015	FMPP	\$13,348,800
2016	LFPP	\$13,406,200
2016	FMPP	\$13,409,581
2017	LFPP	\$13,390,187
2017	FMPP	\$13,398,333
Total	529 grants	\$78,818,545

We non-statistically selected 40 grants, totaling approximately \$6.8 million, for review based on program type (FMPP or LFPP), fiscal year, grant status (opened or closed grants), grant type, grant amounts, geographic location, and organization type. We conducted our audit at AMS headquarters in Washington, D.C. and also made 18 site visits to grant recipients. We visited recipients located in Alabama, Colorado, Connecticut, Massachusetts, Mississippi, North Carolina, Oregon, South Carolina, Washington, and Wisconsin. In total, we reviewed approximately 7.6 percent of the total grants and 8.6 percent of the total funding provided during our scope period.

We reviewed FYs 2015–2017 FMLFPP grant agreements to determine whether AMS complied with approval and monitoring requirements. We reviewed AMS’ policies and procedures for managing its grant process. We also reviewed AMS documentation supporting its outreach activities.

To accomplish our objectives, we:

- Reviewed laws, regulations, policies and procedures, LFPP and FMPP grant terms and conditions, and FMLFPP site visit guidance;
- Reviewed executive summary reports;
- Interviewed grant program officials and grant recipients;
- Performed a desk review of 22 closed FY 2015 grants, totaling approximately \$1.7 million;
- Conducted 18 site visits for FY 2015–2017 open grant recipients, totaling approximately \$5 million;
- Reviewed requests for applications, applications, and approvals in FYs 2015–2018;

- Selected a non-statistical sample of 40 grants (22 closed and 18 open) based on program type (FMPP or LFPP), fiscal year, application status, grant type, grant amounts, geographic location, and organization type;
- Reviewed supporting financial documentation for 40 grant awards (22 closed and 18 open);
- Reviewed documentation to support AMS outreach activities; and
- Assessed the reliability of the grant data by reviewing AMS system security roles documentation, interviewing system security staff, and testing whether system users had submitted access request documentation. We determined that the data were sufficiently reliable for the purposes of this report.

As mentioned above, we obtained the FYs 2015–2017 grant data for open and closed grants. We reviewed these data for inconsistency errors and completeness. When we found discrepancies, we brought them to the attention of FMLFPP officials and worked with them to correct the discrepancies before conducting our analyses. From these efforts, we determined that the grant data were sufficiently reliable for the purposes of this report.

We conducted our audit in accordance with Generally Accepted Government Auditing Standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

Abbreviations

AMS	Agricultural Marketing Service
C.F.R.	Code of Federal Regulations
FMPP	Farmers Market Promotion Program
FMLFPP	Farmers Market and Local Food Promotion Program
FY	fiscal year
LFPP	Local Food Promotion Program
OIG	Office of Inspector General

**AGENCY'S
RESPONSE TO AUDIT REPORT**



1400 Independence Avenue, SW
Room 3071-S, STOP 0201
Washington, D.C. 20250-0201

TO: Gil H. Harden
Assistant Inspector General for Audit
Office of Inspector General

FROM: Bruce Summers /s/
Administrator

SUBJECT: Agricultural Marketing Service (AMS) Response to Office of Inspector General
Audit #01601-0001-24: AMS Oversight of the Farmers Market and Local Food
Promotion Program

We have reviewed the subject audit report and agree with the recommendations. Our detailed response, including actions to be taken to address the recommendations, is attached.

If you have any questions or need further information, please contact Frank Woods, Internal Audits Branch Chief, at 202-720-8836.

Attachment

**Agricultural Marketing Service (AMS) Response to Office of Inspector General (OIG)
Audit #01601-0001-24: AMS Oversight of the Farmers Market and Local Food Promotion
Program**

The U.S. Department of Agriculture's (USDA) AMS agrees with the OIG findings in the "AMS Oversight of the Farmers Market and Local Food Promotion Program" audit. Please find the Program's response to OIG's finding and recommendations below.

Finding 1: AMS Oversight of Farmers Market and Local Food Promotion Program (FMLFPP) Grant Recipients Needs Improvement

Recommendation 1

Develop and implement a plan to ensure FMLFPP effectively documents pre-award requirements, including AMS senior management's approval of the award list.

Agency Response:

AMS updated the FMLFPP application checklist to capture the program's pre-award requirements, and grants management specialists are trained annually to reinforce the importance of completing and documenting the checklists. In 2018, AMS partnered with the U.S. Department of Health and Human Services to access GrantSolutions' pre-award functions and its associated services, ensuring proper approval controls and documentation in AMS' competitive process and the associated grant selection decisions. Application selections, based on the competition conducted in GrantSolutions, are compiled for inclusion in a decision memorandum for the Under Secretary of the Marketing and Regulatory Programs, requesting approval of each set of grant awards. Once approved, the decision memorandum is saved in the Program's files. In addition, the Program's Deputy Administrator must approve each individual grant award in the ezFedGrants system for the grant offer to be issued, and that approval is recorded in the system.

Actual Completion Date: October 2019

Recommendation 2

Develop and implement a schedule and associated checklist for performing site visits on a recurring basis that ensures compliance with FMLFPP requirements, including 2 C.F.R. 200.

Agency Response:

In fiscal year (FY) 2018, AMS developed and initiated a grant recipient on-site document review (site visit) protocol that is inclusive of FMLFPP. This protocol was based on the requirements provided under 2 C.F.R. 200, and it provides guidance and a standard checklist for grants management specialists. A sample of recipients with open agreements are selected annually for reasons that include, but are not limited to: risk assessment results, geography, indication of

problems, recipient point of contact experience level, Agency priority, and/or crises. An annual site visit schedule is generated from this sample.

Actual Completion Date: January 2019

Recommendation 3

Develop and implement a sampling methodology and tests to conduct reviews of requests for payment, Federal financial reports, and performance reports that will support and complement site visits to ensure grant recipients comply with FMLFPP grant terms and conditions, including 2 C.F.R. 200.

Agency Response:

AMS drafted a monitoring plan in FY 2018 for sampling grant recipients based on financial and programmatic risk for oversight and monitoring. The plan is designed to conform to the oversight and monitoring requirements of 2 C.F.R. 200, as well as the “AMS Grants Division General Award Terms and Conditions.” The grants monitoring plan is currently being piloted by several grants management specialists to refine the methodology prior to full implementation.

Estimated Completion Date: October of 2020

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