



## Agriculture and Food Research Initiative



Audit Report 13601-0002-22

June 2023



# Agriculture and Food Research Initiative

## Audit Report 13601-0002-22

We determined whether NIFA designed and implemented adequate internal controls to properly select Agriculture and Food Research Initiative (AFRI) grant recipients and monitor AFRI projects' compliance.

### OBJECTIVE

Our objectives were to determine whether NIFA designed and implemented adequate internal controls to (1) properly select AFRI grant recipients based on a system of peer and merit review, and (2) monitor AFRI projects' compliance with grant agreement terms and conditions, and fulfillment of their stated objectives.

### REVIEWED

We reviewed laws, regulations, and other published guidance; reviewed and assessed NIFA's internal controls; interviewed NIFA officials; and reviewed and assessed NIFA's monitoring activities that occurred between October 2019 and July 2021.

### RECOMMENDS

We recommended NIFA: complete all required compliance reviews from 2019; establish a process to periodically review grants for timely close out and deobligation of funds; establish a process to document why any compliance review is not completed timely; and establish a process to document monitoring of grantees' progress reports and Federal Financial Reports.

### WHAT OIG FOUND

The National Institute of Food and Agriculture (NIFA), a Federal agency within the United States Department of Agriculture (USDA), was established by the 2008 Farm Bill to find innovative solutions to issues related to agriculture, food, and the environment. NIFA carries out its mission by providing financial assistance to partner institutions through three primary funding mechanisms: competitive grants, capacity grants, and non-competitive grants. NIFA is responsible for administering the AFRI, which is the Nation's flagship competitive grants program for research, education, and extension projects in the food and agricultural sciences.

We determined that NIFA designed adequate controls over the peer and merit review system when selecting AFRI grant recipients. We did not identify any issues during fieldwork to indicate that controls were not adequately implemented to properly select applicants based on merit.

We found that NIFA did not effectively monitor any of the 51 started AFRI grants we sampled, as the agency did not adequately review grantees' progress and financial reports, timely close out grants, or timely deobligate unused grant funding. In addition, NIFA did not timely complete required grantee compliance reviews. This occurred because NIFA did not have the processes in place to complete and document monitoring activities. As a result, NIFA cannot provide reasonable assurance that the more than \$80 million in active and closed AFRI grants we sampled fulfilled their stated objectives and complied with Federal regulations, agency policies, and the terms and conditions of the grants.

NIFA concurred with our five recommendations, and we accepted management decision for all recommendations.

**OFFICE OF INSPECTOR GENERAL**

United States Department of Agriculture

**DATE:** June 26, 2023**AUDIT****NUMBER:** 13601-0002-22**TO:** Dionne Toombs, Ph.D.  
Acting Director  
National Institute of Food and Agriculture**ATTN:** Brandon Levin  
Director, Financial Management Division  
Policy and Oversight Division  
Office of Grants and Financial Management**FROM:** Janet Sorensen  
Assistant Inspector General for Audit **JANET SORENSEN**Digitally signed by JANET  
SORENSEN  
Date: 2023.06.26  
15:44:23 -05'00'**SUBJECT:** Agriculture and Food Research Initiative

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 five 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 (<https://usdaoig.oversight.gov>) in the near future.

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# Background and Objectives

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## Background

The National Institute of Food and Agriculture (NIFA), a Federal agency within the United States Department of Agriculture (USDA), was established by the Food Conservation and Energy Act of 2008 (2008 Farm Bill) to find innovative solutions to issues related to agriculture, food, the environment, and communities.<sup>1</sup> The agency's mission is to invest in and advance agricultural research, education, and extension to solve societal challenges. NIFA carries out its mission by providing financial assistance to partner institutions through three primary funding mechanisms: competitive grants, capacity grants, and non-competitive grants.<sup>2</sup>

NIFA is responsible for administering the Agriculture and Food Research Initiative (AFRI), which is the Nation's flagship competitive grants program for research, education, and extension projects in the food and agricultural sciences. AFRI was established in the 2008 Farm Bill to support activities in six priority areas: (1) plant health and production and plant products; (2) animal health and production and animal products; (3) food safety, nutrition, and health; (4) bioenergy, natural resources, and environment; (5) agriculture systems and technology; and (6) agriculture economics and rural communities. In fiscal years (FY) 2020 and 2021, AFRI was funded at \$425 million and \$435 million, respectively.

NIFA's Office of Grants and Financial Management (OGFM) supports the agency's mission by administering grants programs, including AFRI. OGFM's responsibilities include establishing policies in accordance with Federal guidelines, obligating funds, and providing oversight to ensure compliance with regulations and policies. Three OGFM divisions—Policy and Oversight Division, Awards Management Division, and Financial Management Division—manage awards from pre-award through closeout.<sup>3</sup>

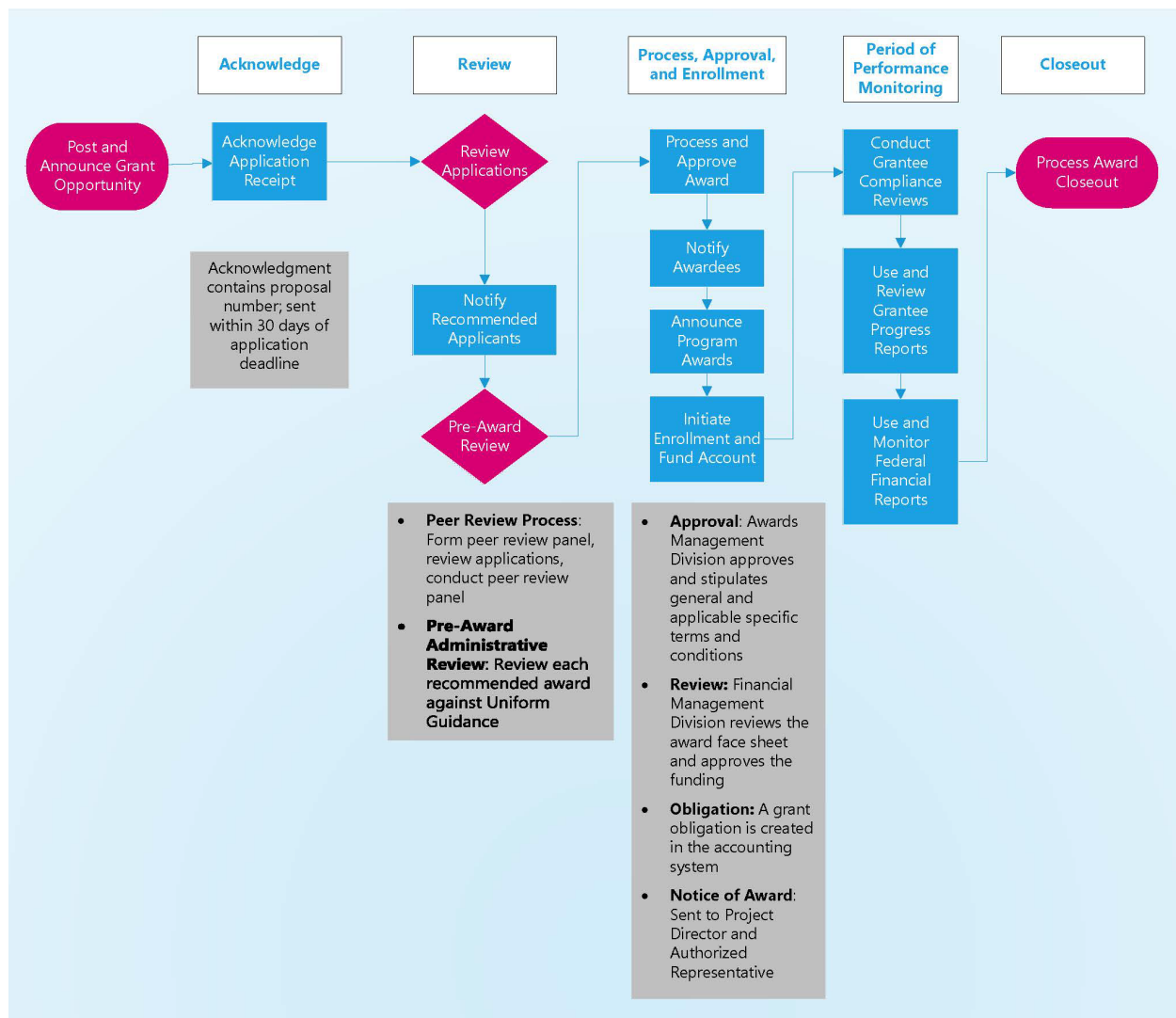
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<sup>1</sup> Food, Conservation, and Energy Act of 2008, Pub. L. No. 110-234, 122 Stat. 923 (2008 Farm Bill).

<sup>2</sup> Competitive grants, which are primarily funded with discretionary appropriations, are awarded using a peer-reviewed merit-selection process. Capacity grants, which are funded through a statutorily defined formula, are intended for land-grant institutions, schools of forestry, and schools of veterinary medicine to fund research and extension activities. Non-competitive grants are directed by Congress to support designated institutions for research, education, or extension activities on topics of importance to a state or region.

<sup>3</sup> The Policy and Oversight Division develops internal and external policy and regulatory guidance for grants, including ensuring grantee financial compliance with Federal regulations. The Awards Management Division performs grant pre-award processes, awards grants, and analyzes and approves post-award requests. The Financial Management Division ensures the integrity, timeliness, relevance, and transparency of financial accounting data and data analytics, which includes financially closing out grants.

NIFA's competitive grants process includes the following actions:



**Figure 1: NIFA's Competitive Grants Process (Infographic created by the Office of Inspector General (OIG))**

NIFA's Federal Assistance Policy Guide provides information about NIFA's grant and financial assistance process and associated authorities, and NIFA's responsibilities.<sup>4</sup> The guide is the central source of NIFA's administrative guidance for recipients of NIFA grants and assists in the interpretation of statutory and regulatory requirements.

<sup>4</sup> USDA NIFA, *Federal Assistance Policy Guide*, NIFA-21-002 (Apr. 2021).

## Objectives

Our objectives were to determine whether NIFA designed and implemented adequate internal controls to (1) properly select AFRI grant recipients based on a system of peer and merit review, and (2) monitor AFRI projects' compliance with grant agreement terms and conditions, and fulfillment of their stated objectives.

For objective 1, we determined that NIFA designed adequate controls over the peer and merit review system when selecting AFRI grant recipients. We did not identify any issues during our fieldwork and sample review of 19 awarded grants to indicate that controls were not adequately implemented to properly select applicants based on merit.



## Finding 1: NIFA Needs to Improve Monitoring of AFRI Grants

We found that NIFA did not effectively monitor any of the 51 active and closed AFRI grants we sampled, as the agency did not adequately review grantees' progress and financial reports, timely close out grants, or timely deobligate unused grant funding.<sup>5, 6</sup> In addition, NIFA did not timely complete required grantee compliance reviews. These conditions occurred because NIFA did not have adequate processes in place to complete and document post-award and closeout monitoring activities. Additionally, according to NIFA, the agency experienced significant personnel turnover, substantial training needs, and coronavirus disease 2019 (COVID-19) pandemic-related challenges.<sup>7</sup> As a result, NIFA does not have reasonable assurance that its active and closed AFRI grants, including the more than \$80 million OIG sampled, fulfilled their stated objectives and complied with Federal regulations, agency policies, and the terms and conditions of the grants.

The Federal Managers' Financial Integrity Act (FMFIA) requires agencies to establish internal controls over their programs, financial reporting, and financial management systems.<sup>8</sup> USDA's Departmental Regulation 1110-002, *Management's Responsibility for Internal Control*, which complies with the requirements of FMFIA, calls for continuous monitoring of internal controls based on the U.S. Government Accountability Office's (GAO) Green Book.<sup>9</sup> Finally, 2 Code of Federal Regulations (C.F.R.) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, requires Federal agencies to monitor grantee performance to show achievement of program goals and objectives, share lessons learned, improve program outcomes, and foster adoption of promising practices.<sup>10</sup>

### NIFA's Post-Award Grant Monitoring Was Insufficient

We identified three issues with NIFA's post-award monitoring of AFRI grants, as illustrated in Figure 2.



Figure 2: Monitoring Issues Identified Within AFRI's Post-Award Process

<sup>5</sup> The 51 sampled AFRI grants include 35 active and 16 closed grants.

<sup>6</sup> A deobligation is the cancellation, downward adjustment, or deletion of a previously recorded obligation.

<sup>7</sup> On January 31, 2020, the Secretary of Health and Human Services declared COVID-19 a public health emergency for the United States. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic.

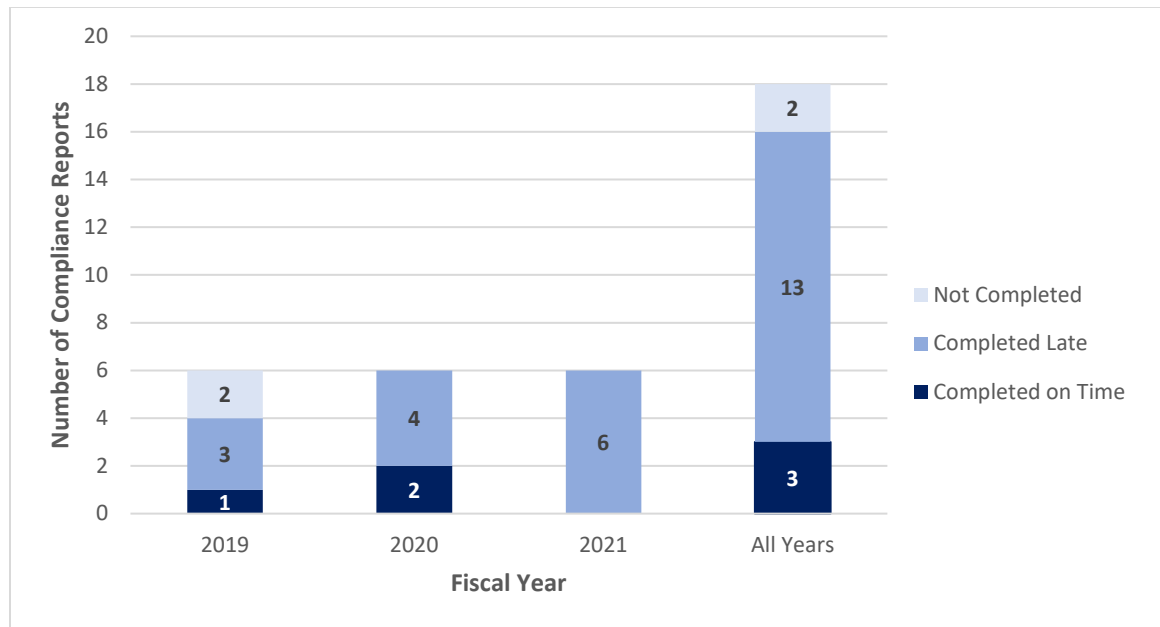
<sup>8</sup> *Federal Managers' Financial Integrity Act of 1982*, Pub. L. No. 97-255, 96 Stat. 814.

<sup>9</sup> GAO, *Standards for Internal Control in the Federal Government*, GAO-14-704G (Sept. 2014). The GAO Green Book notes that management should establish and operate monitoring activities to monitor the internal control system, as it is essential in helping internal control remain aligned with changing objectives, environment, laws, resources, and risks.

<sup>10</sup> 2 C.F.R. 200.301.

### *NIFA Needs to Timely Complete Compliance Reviews*

NIFA is required to review six grantees each year to ensure compliance with Federal regulations, program laws, and grant terms and conditions.<sup>11</sup> However, we found that NIFA either did not complete or timely complete 15 of the 18 required compliance reviews in FYs 2019 through 2021. Specifically, in FY 2019, NIFA did not complete two compliance reviews and completed three compliance reviews late.<sup>12</sup> In FY 2020, NIFA completed four compliance reviews late and in FY 2021 NIFA completed all six compliance reviews late.<sup>13</sup>



**Figure 3: Number of Compliance Reviews Completed on Time, Completed Late, or Not Completed at All, FYs 2019–2021**

### *NIFA Needs to Monitor AFRI Grantee Progress Reports*

At the end of each annual reporting period, and after the grant expires, grantees are required to submit progress reports to NIFA. Through these reports, grantees document their progress and any issues they encountered in accomplishing their grant’s stated objectives. NIFA’s *Federal Assistance Policy Guide* notes that NIFA “will monitor grants to identify potential problems and areas where technical assistance might be needed,” and that progress reports assist NIFA with monitoring and overseeing grants.

<sup>11</sup> NIFA’s Grants Policy and Procedure Transmittal 2019-003 (*NIFA’s Post-Award Compliance Reviews as Part of a Site Visit*), dated September 20, 2019, notes that as part of a management decision on a recommendation in Audit Report 13601-0001-Ch, *Improper Payments Information Act (IPIA) of 2002*, NIFA must perform transaction testing for the post-award phase of the grant process at a minimum of six land-grant institutions each year.

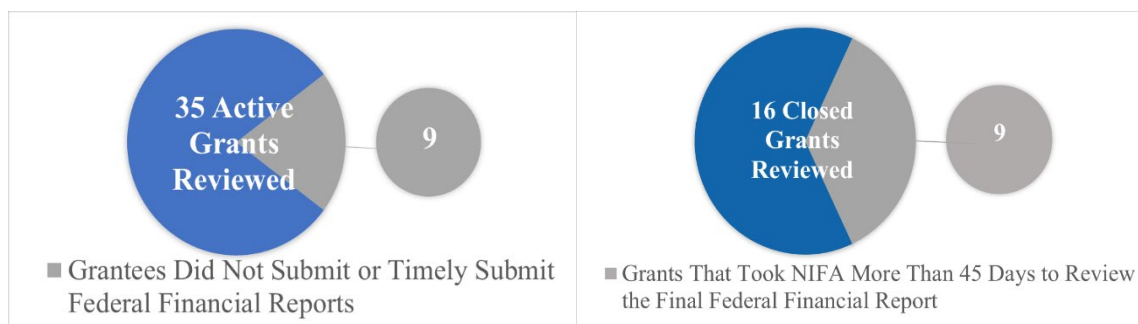
<sup>12</sup> We found that NIFA had not documented the reasons why the two FY 2019 compliance reviews were not completed; but after inquiring, we learned that NIFA rescheduled these reviews for FY 2022.

<sup>13</sup> NIFA officials noted that the agency transitioned from an on-site to a virtual compliance review process during the COVID-19 pandemic that caused unforeseen delays because remote processes had to be established for both NIFA and the selected grantees.

Progress reports include information such as accomplishments and, if applicable, reasons why established grant goals/objectives were not met during the period.<sup>14</sup> In our sample review of 51 active and closed AFRI grant files, we found no evidence that NIFA evaluated or documented a review of the progress reports to determine whether the grant fulfilled its goals/objectives.

#### *NIFA Needs to Improve Its Monitoring of AFRI Grantee Financial Reports*

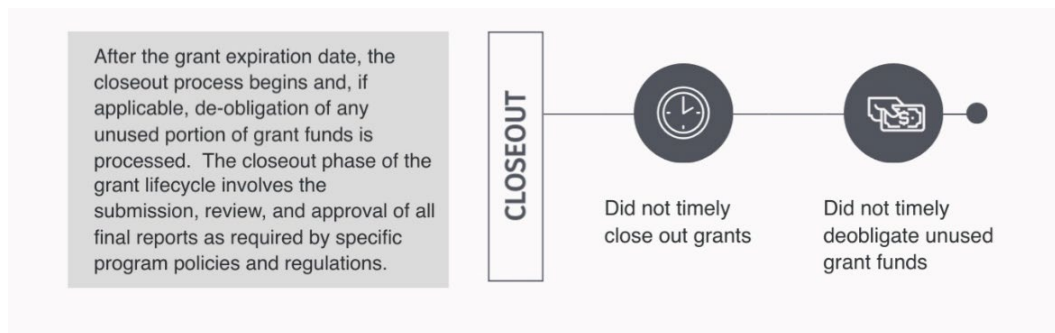
Grantees are required to submit a Federal Financial Report (SF-425) on an annual basis, and they must also submit a final SF-425 within 120 days of the end of the grant.<sup>15</sup> We reviewed 35 active and 16 closed-out AFRI grants and found that 18 grantees did not timely submit Federal Financial Reports or NIFA did not timely review grantees' report submissions.



**Figure 4: Number of Grants with Report Monitoring Issues**

#### *NIFA Did Not Timely Close Out and Deobligate AFRI Grants*

We identified two issues with NIFA's closeout of AFRI grants, as illustrated in Figure 5.



**Figure 5: Issues Identified Within AFRI's Closeout Process**

NIFA's *Federal Assistance Policy Guide* requires NIFA to make every effort to complete closeout actions within 1 year of the end of the grant.<sup>16</sup> Before grants can be closed out, NIFA is required to deobligate all unused grant funds. Of the 16 closed AFRI grants in our sample, we found that 8 grants were not closed out within 1 year. Additionally, 7 of

<sup>14</sup> USDA NIFA, *Federal Assistance Policy Guide*, NIFA-21-002 (Apr. 2021).

<sup>15</sup> *Ibid.*

<sup>16</sup> *Ibid.*

these grants had remaining funds totaling more than \$18,000 that were not deobligated within 1 year.<sup>17</sup> By not monitoring its grants to timely deobligate funds, NIFA delayed actions to return those remaining funds to the Department of the Treasury to ensure grantees could not use funds after the grant period had ended.

These conditions occurred because NIFA did not have adequate processes in place to complete and document post-award and closeout monitoring activities. Specifically, NIFA did not have a process in place to ensure the timely completion and submission of compliance reviews. Additionally, NIFA did not have a process to document the review of grantees' progress reports to determine if the grants are on track to accomplish their objectives. Finally, NIFA did not have a process in place to ensure the timely completion and submission of either financial reports or grant closeout actions.

NIFA generally agreed with our conclusions, and officials stated that these conditions also occurred because the agency experienced significant personnel turnover, substantial training needs, and pandemic-related challenges. In October 2019, USDA relocated most staff positions within NIFA from Washington, DC, to Kansas City, Missouri. NIFA officials stated that they have been unable to adequately complete all AFRI monitoring activities due to a loss of personnel resulting from the agency's relocation.<sup>18</sup> Figure 6 provides examples of NIFA's changes in staff capacity to implement internal controls, including AFRI grant monitoring.

<b>As of Date<sup>19</sup></b>	<b>Grants and Financial Management Employees</b>	<b>Grant Management Specialists</b>
<b>End of FY 2019</b>	55	18
<b>Beginning of FY 2020</b>	20	4
<b>Beginning of FY 2022</b>	83	34

**Figure 6: NIFA Grants and Financial Management Staff (Staffing Data Provided by NIFA)**

According to NIFA, many newly hired personnel did not have prior grants management experience, thus they required substantial training. NIFA officials also stated that the agency prioritized training new personnel over grant-monitoring activities. Furthermore, NIFA officials stated that the COVID-19 pandemic negatively impacted both the availability of personnel at grantee institutions and grantees' access to their physical offices, which impacted the timeliness of grantees submitting required documentation and reports.

While we recognize these obstacles, adequate grant-monitoring activities play a vital role in ensuring the integrity of AFRI grants. Without proper monitoring of post-award and grant closeout activities, NIFA does not have reasonable assurance that its active and closed AFRI

<sup>17</sup> Regarding the eighth grant, NIFA deobligated the remaining grant funds, but did not complete required closeout actions within 1 year.

<sup>18</sup> OIG detailed the effect of this relocation on NIFA and another USDA research agency in Inspection Report 84801-0001-22, *USDA Research Integrity and Capacity* (Dec. 2020).

<sup>19</sup> The end of FY 2019 data was as of pay period 19, dated September 15 through September 28, 2019. The beginning of FY 2020 data was as of pay period 20, dated September 29 through October 12, 2019. The beginning of FY 2022 data was as of pay period 20, dated September 26 through October 9, 2021.



grants fulfilled their stated objectives and complied with Federal regulations, agency policies, and the terms and conditions of the grants.

## **Recommendation 1**

Complete both unfinished compliance reviews from 2019.

### **Agency Response**

NIFA completed the remaining open compliance reviews from 2019 during December 2022. The University of Missouri final report was issued on 12/07/2022 and the final report for New Mexico State University was issued on 12/21/2022.

### **OIG Position**

We accept management decision for this recommendation.

## **Recommendation 2**

Establish a process to document and report on the reasons why any compliance review is not completed within the required year, including any plans to address those reasons in the future.

### **Agency Response**

NIFA developed a process to include additional supporting documentation for compliance reviews not completed during the required year in the Compliance Review Master Tracker. This additional documentation includes information on circumstances causing the delay in the issuance of the final report.

### **OIG Position**

We accept management decision for this recommendation.

## **Recommendation 3**

Establish a process to document the review and monitoring of grantees' annual and final progress reports, including sections related to grantees' progress to fulfill their stated objective(s).

### **Agency Response**

NIFA will require that the National Program Leader overseeing each award sign the awardee annual progress report to confirm they have reviewed the applicant's progress on the award relative to the award's stated objectives. The signed progress report will then be uploaded to the respective award folder in NIFA's Awards Document Repository. This approach is already currently in use for awardee final technical reports and will continue for those reports. NIFA will implement a process to document the review and monitoring of grantees'

annual and final progress reports by October 1, 2023.

#### **OIG Position**

We accept management decision for this recommendation.

### **Recommendation 4**

Establish a process to document the monitoring of all grantees' Federal Financial Reports to ensure they are submitted and reviewed within the required timeframes.

#### **Agency Response**

NIFA's Award Management Division (AMD) will develop a policy/process to document the monitoring of all grantees' Federal Financial Reports to ensure they are submitted and reviewed within the required timeframes. AMD will implement a process to document the monitoring of all grantees' Federal Financial Reports by April 27, 2024.

#### **OIG Position**

We accept management decision for this recommendation.

### **Recommendation 5**

Establish a process to periodically review all ended grants to ensure they were timely closed out and unused funds are deobligated.

#### **Agency Response**

NIFA's AMD will develop a checklist to track all aspects of the closeout process from grantee notification that the award is ready for closeout, through required document review, and notification to the Financial Management Division (FMD) for any deobligation activity and the subsequent award closeout. In 2017, FMD implemented the use of a scorecard to track the quarterly progress of unliquidated obligations completed by NIFA to ensure deobligations are timely. AMD will implement the use of a checklist to document the closeout steps completed by AMD for all NIFA awards by April 27, 2024.

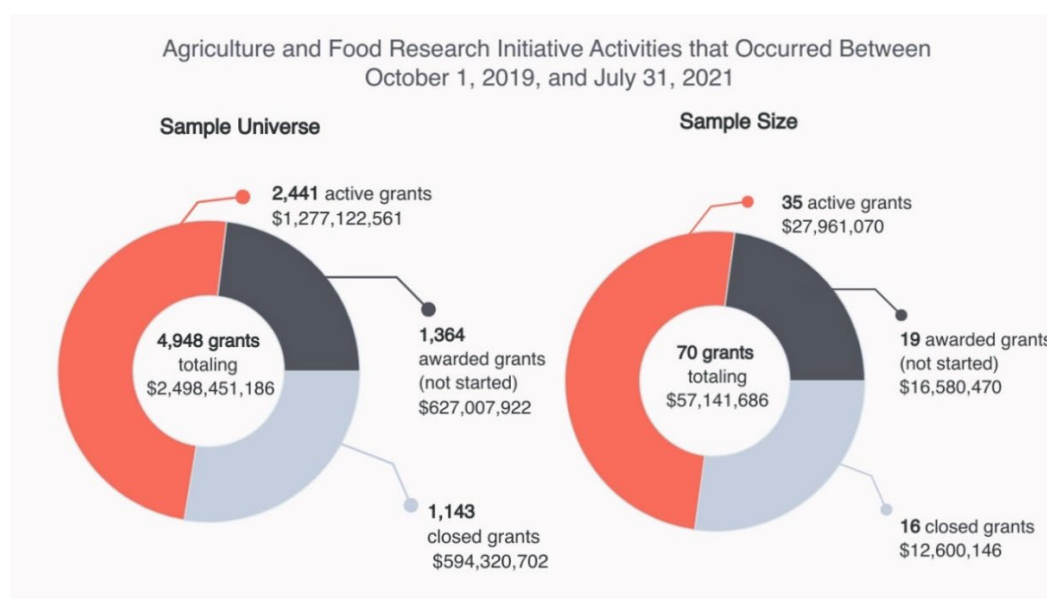
#### **OIG Position**

We accept management decision for this recommendation.

## Scope and Methodology

We conducted an audit of NIFA's internal controls over the selection and monitoring of AFRI grants. The scope of our audit covered NIFA's internal controls over the AFRI grant activities that occurred between October 1, 2019, and July 31, 2021. In certain instances, we expanded our scope to assess and report on NIFA's grant-monitoring activities related to compliance reviews, grant closeouts, progress reports and Federal financial reports. Due to health and safety concerns related to the COVID-19 pandemic, we performed our fieldwork remotely using digital copies of files obtained from the NIFA national office in Washington, DC, and the OGFM in Kansas City, Missouri. We conducted our audit fieldwork from August 2021 to February 2023.

We selected a non-statistical sample of AFRI grants awarded (not started), active, and closed out between October 1, 2019, and July 31, 2021, in order to evaluate NIFA's internal controls over the selection of AFRI grant proposals and to evaluate NIFA's internal controls over the monitoring of AFRI grants. Based on the OIG's desired coverage of samples and the size of the universe of grants in our scope period, we chose 70 of the 4,948 grant files to be part of our sample, representing 1.4 percent of all grants. For consistency, we chose 1.4 percent of individual grants in all three categories: awarded, active, and closed. Figure 7 shows the details of our AFRI grant sample universe and sample size.<sup>20,21</sup>



**Figure 7: AFRI Grant Sample Universe and Sample Size**

<sup>20</sup> Our total sample comprised 70 AFRI grants. We reviewed the 19 awarded grants to accomplish objective 1 related to NIFA's grant selection process. These grants were awarded, but work had not started. Our conclusion related to these 19 grants was described under the Objectives section of this report. We reviewed the remaining 51 active and closed grants to accomplish objective 2 related to NIFA's monitoring activities. Our conclusion related to these 51 grants was described in Finding 1 of this report.

<sup>21</sup> The 51 AFRI grants discussed in Finding 1 includes the 16 closed grants totaling more than \$12 million and 35 active grants totaling more than \$27 million. However, some of the grants in the sample spanned multiple years and received additional funding outside of our scope period. Factoring in the additional amounts for these grants, the total disbursements for the 16 closed-out grants were more than \$47 million and the total award amounts for the 35 active grants are more than \$33 million, for a total of more than \$80 million.

To accomplish our objectives, we:

- Reviewed laws, regulations, policies, procedures, and other published guidance to gain a sufficient knowledge and understanding of AFRI;
- Identified, reviewed, and assessed NIFA’s internal controls for administering and overseeing AFRI, including the controls related to the selection, awarding, and monitoring of AFRI grants;
- Interviewed NIFA officials from the OGFM and AFRI Coordination Team in order to gain an understanding of their roles and responsibilities regarding the administration and oversight of the AFRI program;
- Determined the information systems NIFA uses to administer, evaluate, monitor, and report AFRI program grant information and data;
- Reviewed and assessed NIFA’s peer review process for the selection of AFRI grants for an award;
- Determined and assessed NIFA’s monitoring activities over AFRI grants and the grant recipients, including compliance reviews, reporting, and grant closeout; and
- Analyzed AFRI program data, specifically various data elements related to the 70 AFRI grants non-statistically selected by the audit team for review and testing.

During the course of our audit, we assessed internal controls significant to the audit objective. In particular, we assessed the GAO Green Book’s internal control components—Control Environment, Control Activities, and Monitoring—and six of the underlying principles associated with these three internal control components. Specifically, we assessed:

Component	Principle
Control Environment	Management should establish an organizational structure, assign responsibility, and delegate authority to achieve the entity’s objectives.
Control Activities	Management should design control activities to achieve objectives and respond to risks.
Control Activities	Management should design the entity’s information system and related control activities to achieve objectives and respond to risks.
Control Activities	Management should implement control activities through policies.
Monitoring	Management should establish and operate monitoring activities to monitor the internal control system and evaluate the results.
Monitoring	Management should remediate identified internal control deficiencies on a timely basis.

Because our review was limited to these internal control components and underlying principles, it may not have disclosed all internal control deficiencies that may have existed at the time of this audit.

We also assessed the reliability of NIFA’s AFRI grant data during the course of our audit. We obtained written assurance from NIFA to certify that the AFRI data provided to OIG was



reliable, accurate, and complete. Along with the written assurance acknowledging the reliability, accuracy, and completeness of the AFRI program data, NIFA also provided the authorization to operate and the security accreditation decision for the information system that stores the AFRI program data. We performed additional reliability testing for the 70 AFRI grants non-statistically selected for review in our three samples. Specifically, we verified that the information in the grant files for the 70 AFRI grants in our sample corresponded with the AFRI grant data provided by NIFA. Overall, we determined that the AFRI program data NIFA provided were reliable for the purposes of this report.

We conducted this performance 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 objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

## Abbreviations

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AFRI .....	Agriculture and Food Research Initiative
AMD .....	Award Management Division
C.F.R. ....	Code of Federal Regulations
COVID-19.....	coronavirus disease 2019
FMD .....	Financial Management Division
FMFIA .....	Federal Managers' Financial Integrity Act
FY .....	fiscal year
GAO .....	U.S. Government Accountability Office
NIFA .....	National Institute of Food and Agriculture
OGFM .....	Office of Grants and Financial Management
OIG .....	Office of Inspector General
USDA.....	United States Department of Agriculture

## Exhibit A: Summary of Monetary Results

Exhibit A summarizes the monetary results for our audit report by finding and recommendation number.

Finding	Recommendation	Description	Amount	Category
1	3	Inadequate Monitoring of Active and Closed Grants in Sample	\$80,524,235	Questioned Costs, No Recovery
1	5	Untimely Deobligations	\$18,543	Funds To Be Put To Better Use, Deobligations
Total			\$80,542,778	

## **Agency's Response**

# **National Institute of Food and Agriculture Response to Audit Report**



**TO:** Mr. Steven Rickrode  
Acting Assistant Inspector General for Audit  
USDA Office of the Inspector General

**FROM:** Dr. Dionne Toombs  
Acting Director  
National Institute of Food and Agriculture (NIFA)

**DATE:** April 27, 2023

**SUBJECT:** NIFA Response and Request for Management Decision on OIG Report,  
“Agriculture and Food Research Initiative” [AFRI] (13601-0002-22)

The following is in response to the Office of Inspector General (OIG) memorandum issued on March 27, 2023, requesting the National Institute of Food and Agriculture’s (NIFA) written response to the official draft of the subject audit, specifying corrective actions taken or planned on each audit recommendation and proposed completion dates for implementing each action.

NIFA appreciates the work of the OIG in planning and conducting its review and issuing this report. As stated in the draft report, the review’s objective was to determine whether NIFA designed and implemented adequate internal controls to (1) properly select AFRI grant recipients based on a system of peer and merit review, and (2) monitor AFRI projects’ compliance with grant agreement terms and conditions, and fulfillment of their stated objectives. The draft report identified one (1) finding and included five (5) recommendations to address the finding.

NIFA concurs with the OIG recommendations. The agency has implemented many improvements to its oversight of AFRI grants since this audit began in November 2020 which is reflected in the responses below. NIFA will initiate the steps outlined below to implement the necessary program changes.

**Finding 1:** NIFA Needs to Improve Monitoring of AFRI Grants

**OIG Recommendation 1:** Complete both unfinished compliance reviews from 2019.

**NIFA Response:** NIFA completed the remaining open compliance reviews from 2019 during December 2022. The University of Missouri final report was issued on 12/07/2022 and the final report for New Mexico State University was issued on 12/21/2022.

**Estimated Completion Date:** NIFA requests that the OIG consider this recommendation resolved and closed.

**OIG Recommendation 2:** Establish a process to document and report on the reasons why any compliance review is not completed within the required year, including any plans to address those reasons in the future.

**NIFA Response:** NIFA developed a process to include additional supporting documentation for compliance reviews not completed during the required year in the Compliance Review Master Tracker. This additional documentation includes information on circumstances causing the delay in the issuance of the final report.

**Estimated Completion Date:** NIFA requests that the OIG consider this recommendation resolved and closed.

**OIG Recommendation 3:** Establish a process to document the review and monitoring of grantees' annual and final progress reports, including sections related to grantees' progress to fulfill their stated objective(s).

**NIFA Response:** NIFA will require that the National Program Leader (NPL) overseeing each award sign the awardee annual progress report to confirm that the NPL has reviewed the applicant's progress on the award relative to the award's stated objectives. The signed progress report will then be uploaded to the respective award folder in NIFA's Awards Document Repository (ADR). This approach is already currently in use for awardee final technical reports and will continue for those reports.

**Estimated Completion Date:** NIFA will implement a process to document the review and monitoring of grantees' annual and final progress reports by October 1, 2023.

**OIG Recommendation 4:** Establish a process to document the monitoring of all grantees' Federal Financial Reports to ensure they are submitted and reviewed within the required timeframes.

**NIFA Response:** NIFA's Award Management Division (AMD) will develop a policy/process to document the monitoring of all grantees' Federal Financial Reports to ensure they are submitted and reviewed within the required timeframes.

**Estimated Completion Date:** AMD will implement a process to document the monitoring of all grantees' Federal Financial Reports by April 27, 2024.

**OIG Recommendation 5:** Establish a process to periodically review all ended grants to ensure they were timely closed out and unused funds are deobligated.

**NIFA Response:** NIFA's AMD will develop a checklist to track all aspects of the closeout process from grantee notification that the award is ready for closeout, through required document review,

and notification to the Financial Management Division (FMD) for any deobligation activity and the subsequent award closeout.

In 2017, FMD implemented the use of a scorecard to track the quarterly progress of unliquidated obligations completed by NIFA to ensure deobligations are timely.

**Estimated Completion Date:** AMD will implement the use of a checklist to document the closeout steps completed by AMD for all NIFA awards by April 27, 2024.

Again, we appreciate the opportunity to review the OIG draft report. Please contact Shay Bracey, Audit Liaison, by email at [NIFAAuditTeam@usda.gov](mailto:NIFAAuditTeam@usda.gov) or at 703-716-3020 if you have any questions. We look forward to working with you again in the future.



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