U.S. Department of Agriculture

Office of Inspector General
Western Region

Audit Report

Agricultural Research Service
Management Controls
Over Research Agreements

Report No. 02601-1-SF
July 2009

UNITED STATES DEPARTMENT OF AGRICULTURE

OFFICE OF INSPECTOR GENERAL

Washington, D.C. 20250

July 15, 2009

REPLY TO
ATTN OF: 02601-1-SF

TO: Edward B. Knipling
Administrator
Agricultural Research Service

ATTN: Steven Helmrich
Director
Financial Management

FROM: Robert W. Young /s/
Assistant Inspector General
for Audit

SUBJECT: ARS Management Controls Over Research Agreements

This report presents the results of the subject audit. Your written response to the official draft report, excluding the attachments, is included as exhibit D. Excerpts from the response and the Office of Inspector General's (OIG) position are incorporated into the relevant sections of the report. Based on the information in your written response, we accepted your management decision on Recommendations 1 and 2. Please follow your internal agency procedures in forwarding final action correspondence to the Office of the Chief Financial Officer.

Management decision has not been reached on Recommendation 3. The information needed for management decision is set forth in the OIG Position section for this recommendation. In accordance with Departmental Regulation 1720-1, please furnish a reply within 60 days showing the actual or planned timeframe for implementing this recommendation. Please note that the regulation requires a management decision to be reached on all findings and recommendations within a maximum of 6 months from report issuance, and final action to be taken within 1 year of each management decision.

We appreciate the courtesies and cooperation extended to us by members of your staff during the review.

Executive Summary

Agricultural Research Service—Management Controls Over Research Agreements (Audit Report No. 02601-1-SF)

Results in Brief

The Agricultural Research Service (ARS) serves as the U.S. Department of Agriculture's in-house research agency responsible for ensuring high-quality food, assessing the nutritional needs of Americans, and fostering a competitive agricultural economy. It also funds research projects through cooperative agreements with other organizations, such as colleges and universities. During fiscal years (FYs) 2005 and 2006, ARS had 2,018 open agreements with average annual obligations of $134 million, or about 10 percent of the agency's annual budget.[1] To ensure that cooperative agreements were properly administered, we reviewed ARS' management controls over them and assessed whether cooperators (1) timely managed research project milestones, and (2) complied with their agreements' provisions, such as using funds for their intended purpose.

Nationwide, we reviewed ARS' management controls over deobligations on all 121 agreements that expired with unused funds in FYs 2005 and 2006. We also sampled 31 open agreements at 2 of 8 ARS area offices to determine if the cooperators timely managed their research projects.[2] In addition, we reviewed cooperators' internal financial reports and supporting documents, such as invoices, for 10 of the 31 agreements to ensure ARS reimbursed cooperators for allowable costs.

Overall, we found that ARS properly administered its agreements. Although we identified unused funds totaling $2.75 million that should have been deobligated, the agency has since strengthened its controls over the agreement close-out process. We also found one cooperator that ARS reimbursed for unallowable costs totaling nearly $51,000. (See exhibit A for a summary of monetary results.)

ARS Did Not Timely Deobligate $2.75 Million from Expired Agreements

When an agreement expires, ARS' procedures require that any funding not used by the cooperator be deobligated by the agency within 6 months.[3] After analyzing ARS' agreements databases, we determined that the agency did not timely deobligate unused funds from 32 of 121 agreements that expired in FYs 2005 and 2006. Area offices told us that this occurred because they lacked the staff to close out all expired agreements within 6 months of the agreements' expiration dates, as prescribed by agency procedures. As a result, unused funds totaling $2.75 million were not made available for other

[1] The agreements can last as long as 5 years with ARS obligating funding on a year-by-year basis through amendments to the original agreement.
[2] There were 464 open agreements with $180 million in funding at the 2 selected area offices. The 31 sampled agreements represented $72 million.
[3] Extramural Agreements Manual 280.0, sec. 2104, dated Apr. 1994.

research projects. Further, the unused funds were vulnerable to abuse because the cooperators had access to the funds after the agreements expired.

The Pacific West Area Office Reimbursed a Cooperator $50,740 in Unallowable Costs

For 10 agreements, we reviewed cooperators' internal financial reports and supporting documents for $1.7 million in total expenses to determine if the cooperators' reimbursements were allowable.[4] Overall, we found that ARS' controls over cooperators' use of funds were adequate. However, we identified one agreement in the Pacific West area office where the agency reimbursed a cooperator for $50,740 in unallowable costs. Those costs included $39,667 for tuition reimbursement, which is not permitted under Federal law when the cooperator is a State cooperative institution. The remaining $11,073 in unallowable costs was for laboratory equipment that had been purchased but was later returned to the seller without crediting ARS.

Recommendations In Brief

We recommend that the ARS Administrator:

- Direct the appropriate area offices to deobligate any remaining unused funds on their expired agreements, and emphasize at the next scheduled training that the agreements specialists must follow close-out procedures for deobligating any unused funds within 6 months of the agreement's expiration date.

- Recover from the cooperator $50,740 in unallowable costs.

Agency Response

In its written response, dated April 3, 2009, ARS concurred with the reported findings and recommendations. ARS' response, excluding one enclosure, is included in exhibit D of this report.

OIG Position

We accept ARS' management decision for Recommendations 1 and 2. The actions needed to reach management decision on Recommendation 3 are provided in the OIG Position section after this recommendation.

[4] We reviewed cooperators' expenditures for 10 of the 31 sampled agreements and, depending on the results, we planned to either expand or limit our review. Since we only identified one agreement with unallowable costs totaling $50,740, we did not expand our review.

Abbreviations Used in This Report

ACL	Audit Command Language (software)
ADODR	Authorized Departmental Officer's Designated Representative
ARS	Agricultural Research Service
C.F.R.	*Code of Federal Regulations*
EAD	Extramural Agreements Division
FY	Fiscal Year
HHS	U.S. Department of Health and Human Services
OCFO	Office of the Chief Financial Officer
OIG	Office of Inspector General
OMB	Office of Management and Budget
P.L.	Public Law
REE	Research, Education, and Economics
SF	Standard Form
U.S.C.	*United States Code*

Table of Contents

Background and Objectives

Background

ARS is the principal in-house research agency of the U.S. Department of Agriculture.[5] The agency's mission is to conduct research that develops solutions to agricultural problems of high national priority. Its research ensures high-quality food; assesses the nutritional needs of Americans; and sustains a competitive agricultural economy. The agency had an average annual budget of $1.4 billion in FYs 2005 and 2006, and it performed research on about 1,000 projects during those years.

In addition to its in-house projects, ARS funds research through cooperative agreements with other organizations, such as colleges and universities.[6] Cooperative agreements specify, among other things, what research objectives are to be accomplished and how those objectives should be met by each party. The agreements' objectives are intended to augment in-house research projects.

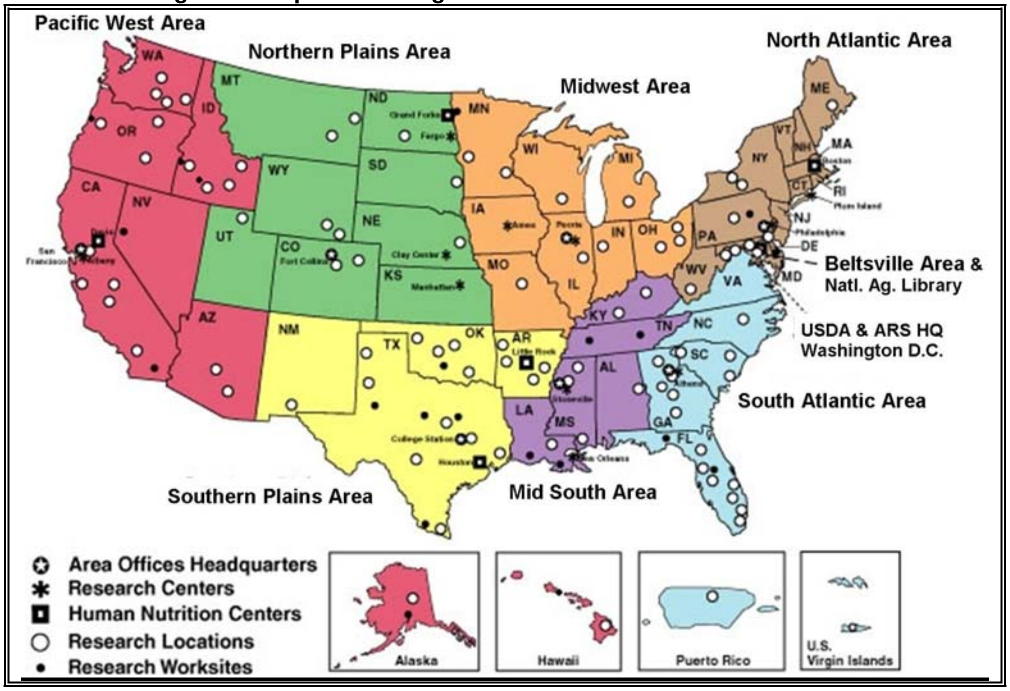
In FYs 2005 and 2006, ARS provided $134 million in funds to cooperators annually to perform research through cooperative agreements. Under these agreements, ARS and cooperators jointly plan, fund, and execute research projects to the mutual benefit of both. The agreements can last as long as 5 years with ARS providing funding on a year-by-year basis through amendments to the original agreement.

ARS' agreement specialists and technical representatives are responsible for managing the agreements. Agreement specialists, located at each of ARS' eight area offices, authorize funding, approve budget changes, and maintain agreements' official files. Nationwide, ARS has about 800 technical representatives in 100 locations. These research scientists, officially referred to as the "Authorized Departmental Officer's Designated Representative" (ADODR), are responsible for overseeing cooperators' research to ensure compliance with agreements' terms. ADODRs' role includes collecting and reviewing cooperators' performance and financial reports, which are then sent to ARS' agreement specialists who authorize additional annual funds as appropriate.

Figure 1 shows a map of ARS' area offices and other locations.

[5] ARS was established under 5 U.S.C. 301 and the Reorganization Plan No. 2 of 1953.
[6] These colleges and universities include those designated as "State cooperative institutions," commonly known as land-grant colleges and universities.

Figure 1: Map of ARS' Eight Area Offices and Other Locations



Congress specifically excluded the agreements from coverage under the Federal Grants and Cooperative Agreement Act of 1977,[7] which put them outside the scope of assistance regulations of the Department.[8] In doing so, Congress intended to foster partnerships between public and private agencies that conduct research in the agricultural sciences by reducing the regulatory requirements.

However, to promote effective controls, ARS implemented parts of these regulations within its policies and agreement terms, such as requiring financial and progress reports from the cooperator and requiring that cooperators follow the Office of Management and Budget's (OMB) principles for determining reimbursements under the agreements.

Objective

To ensure that cooperative agreements were properly administered, we reviewed ARS' management controls over them and assessed whether cooperators (1) timely managed research project milestones, and (2) complied with their agreements' provisions, such as using funds for their intended purpose.

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[7] P.L. 95-224; 31 U.S.C. 63

[8] Departmental assistance regulations include 7 C.F.R. 3015 (titled "Uniform Federal Assistance Regulations") and 7 C.F.R. 3019 (titled "Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations"), dated Jan. 1, 2006.

Findings and Recommendations

Section 1 Financial Controls

Finding 1

ARS Did Not Timely Deobligate $2.75 Million from Expired Agreements

Nationwide, ARS did not timely deobligate unused funds from 32 of 121 agreements that expired in FYs 2005 and 2006. Area offices told us that this occurred because they lacked the staff to close out all expired agreements within 6 months of the agreements' expiration dates, as prescribed by agency procedures. As a result, unused funds totaling $2.75 million were not made available for other research projects. Further, the unused funds may be vulnerable to improper spending because the cooperators have access to the funds after the agreements expire.

According to ARS' manual, agreement specialists are responsible for closing out expired agreements and have "primary responsibility for initiating action to deobligate any unused funds remaining in [an expired] agreement" within 6 months of the agreement's expiration date.[9] The deobligated funds may be obligated under another agreement when it "is substantially identical in scope and purpose" to the expired agreement.[10]

We reviewed ARS' databases and found that 121 agreements had expired with unused funds in FYs 2005 and 2006. In total, ARS did not deobligate 71 of these agreements within the 6-month period. Although the agency eventually deobligated 39 of the agreements, it did not deobligate the remaining 32, which had unused funds totaling $2.75 million (see exhibit C for a list of the 32 agreements). As a result, the unused funds were not made available for other research projects.

We discussed the issue with agreement specialists at the Pacific West and Mid-South area offices, which had the highest numbers of expired agreements past the 6-month deobligation deadline. They told us that the backlog existed because they lacked the staff to close out all expired agreements within 6 months of the agreements' expiration dates, as prescribed by agency procedures. ARS Headquarters officials were aware of the backlogs and explained that expired agreements are put on the "backburner" in order for area offices to focus on servicing existing agreements and issuing new ones.

However, since cooperators can withdraw the funds until they are deobligated, the unused funds may be vulnerable to improper spending.

[9] Extramural Agreements Manual 280.0, sec. 2104, dated Apr. 1994.
[10] ARS Policy No. 323.8, sec. 2, dated Sep. 16, 1999.

Agreement terms allow cooperators to make their final withdrawals of funds for a period of 90 days after the agreements' expiration date. Although our review did not identify any misuse of the funds, we identified one cooperator in our sample who continued to make withdrawals after the 90-day period.

A recent GAO report stated, "If even a small fraction of total [agreement] funding is not spent in a prudent and timely fashion, it can create potential problems [such as] preventing the reallocation of scarce resources to address other needs, or making federal funds more susceptible to improper spending or accounting as monitoring diminishes over time."[11] Therefore, in accordance with agency procedures, ARS should deobligate the $2,745,276 on the 32 expired agreements to (1) make the funds available for other research projects, and (2) prevent the potential misuse of funds.

Subsequent to our fieldwork, the agency strengthened its administrative controls by expanding its management review program in June 2008 to monitor the close-out process. We reviewed the new procedures and believe they will be effective in monitoring area offices' progress in timely deobligating funds from expired agreements.

Also, the Pacific West and Mid-South area offices have hired additional staff to assist in closing out expired agreements. While this should eliminate the backlogs, ARS should still emphasize at the next scheduled training for agreements specialists that close-out procedures must be followed.[12]

Recommendation 1

Direct the appropriate area offices to deobligate any remaining unused funds on their expired agreements.

Agency Response.

In its April 3, 2009, response, ARS agreed with the recommendation. ARS provided (1) a detailed list of the amounts and dates of the deobligations for all expired extramural agreements identified in the audit report and (2) documentation supporting each deobligation that was listed.

OIG Position.

We accept ARS' management decision for this recommendation.

[11] "Grants Management," GAO-08-432, dated Aug. 2008.
[12] Agreements Specialists must complete periodic training to maintain their signatory authority.

Recommendation 2

Emphasize at the next scheduled training that the agreements specialists must follow close-out procedures for deobligating any unused funds within 6 months of the agreement's expiration date.

Agency Response.

In its response, dated April 3, 2009, ARS agreed with the recommendation. ARS stated that its Extramural Agreements Division held a bi-monthly Authorized Departmental Officer teleconference on March 12, 2009. During this teleconference, the findings of the audit report, the close-out procedures, and requirements to deobligate unused funds within 6 months of the agreement's expiration date were discussed with added emphasis on eliminating any backlog of expired agreements that were not officially closed out.

OIG Position.

We accept ARS' management decision for this recommendation.

Finding 2 — Pacific West Area Office Reimbursed a Cooperator $50,740 in Unallowable Costs

For 1 of our 10 sampled cooperators, the Pacific West area office reimbursed $50,740 in unallowable costs.[13] This occurred because the ADODR charged with oversight of the agreement mistakenly overlooked these costs in the cooperator's detailed expense reports. As a result, ARS overpaid the cooperator for the research.

Federal law states that, "no indirect costs or tuition remission [i.e., tuition reimbursement] shall be charged against funds in connection with cooperative agreements between the Department of Agriculture and State cooperative institutions."[14] ARS' cooperative agreements acknowledged this rule by listing tuition reimbursement as an unallowable expense.

In reviewing expenditures totaling $208,578 by a State cooperative institution, we found that ARS paid the cooperator $39,667 for tuition reimbursement costs between October 2005 and April 2007. The cooperator listed the cost on its expense report, but the ADODR responsible for the agreement mistakenly overlooked the cost. We discussed the issue with the ADODR who concurred that tuition reimbursement was unallowable based on the terms of the cooperative agreement.

Also, during a physical review of equipment for the same cooperator, we found that two pieces of laboratory equipment had been returned to the vendor, but not credited against ARS' reimbursement to the cooperator. Even though the equipment was returned over a year before our review, the cooperator had never credited its agreement account for the equipment costs, which totaled $11,073. Federal cost principles state that costs charged to the agreement should be adjusted for "applicable credits."[15]

The cooperator agreed to refund the $50,740 in unallowable charges made to the agreement. After identifying these unallowable costs, we reviewed nine other cooperators but did not find any other such reimbursements.

[13] We reviewed cooperators' expenditures for 10 of our 31 sampled agreements. Depending on the results, we planned to either expand or limit our review. For these 10 agreements, we reviewed expenditures totaling $1.7 million. Since we only identified one agreement with unallowable costs totaling $50,740, we did not expand our review.
[14] 7 U.S.C. 3319, dated Jan. 24, 2002.
[15] OMB Circular No. A-21, "Cost Principles for Educational Institutions," dated May 10, 2004, sec. C.1. and C.5(a).

Recommendation 3

Direct the Pacific West area office to recover the $50,740 in unallowable costs from the cooperator.

Agency Response.

In its response, dated April 3, 2009, ARS agreed with the recommendation. ARS stated that it is working with the cooperator to recover $50,740 in unallowable and recoverable costs identified in the finding. The agency plans to forward documentation after receipt of the repayment.

OIG Position.

We agree with ARS' corrective action. To achieve management decision, ARS needs to provide OIG with a copy of the bill for collection and documentation that an account receivable for $50,740 was established or a justification for not recovering the questioned amount.

Scope and Methodology

We conducted a nationwide review of ARS' management controls over its cooperative agreements for performing research. Our scope period was FYs 2005 and 2006. We performed fieldwork at ARS' Headquarters in Beltsville, Maryland; two ARS area offices in Albany, California, and College Station, Texas; and seven cooperator sites (see exhibit B for a complete list of audit sites). We conducted audit fieldwork from January 2007 through July 2008, and performed the following procedures:

- *Reviewed Laws, Policies, and Procedures*. We reviewed both the laws governing ARS' agreements, and the current policies and procedures established by its Extramural Agreements Division as guidance for those agreements.

- *Interviewed ARS Personnel*. We interviewed Headquarters officials, agreement specialists, and ADODRs to obtain information about pertinent policies and procedures.

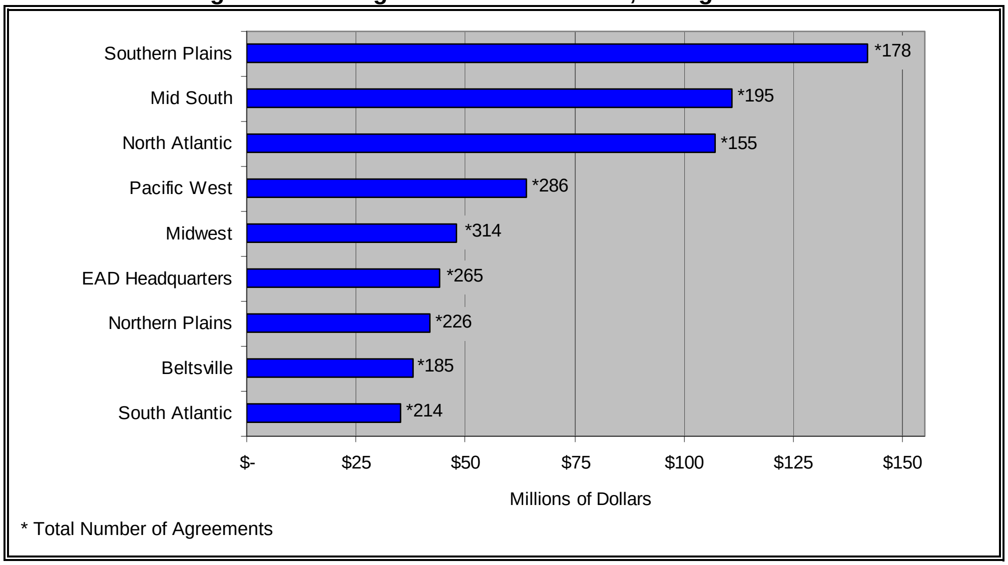
- *Reviewed Management Reports*. We reviewed ARS' Extramural Agreement Management Reviews, and ARS' Consolidated Assistance, Review, and Evaluation Reports to identify any issues related to agreements.

- *Analyzed Obligations on Expired Agreements*. We used Audit Command Language (ACL) software to compare obligation reports with agreement data to identify agreements that expired in FYs 2005 and 2006.

To identify agreements for our scope period, we used ACL to analyze ARS' agreements database (dated January 10, 2007). We determined that ARS had 2,018 agreements in its 8 area offices in FYs 2005 and 2006. In total, the agency provided $652 million to fund the 2,018 agreements over their life—$134 million in FYs 2005 and 2006.

Of the 2,018 agreements, we determined that 121 expired with unused funds totaling $6 million in FYs 2005 and 2006. We reviewed these to determine whether or not they were timely deobligated. Figure 2 shows the funding and location of the 2,018 agreements.

Figure 2: Funding and Location of the 2,018 Agreements



Of ARS' eight area offices, we selected the Southern Plains area office for review because it had a high amount of agreement funding, and the Pacific West area office because it had the second largest number of agreements. The two offices administered a total of 464 agreements. We judgmentally selected 31 of the 464 agreements that represented high, medium, and low funding amounts, and included some agreements that started or expired during our scope period. The 31 sampled agreements represented $72 million of $180 million in funding for the 2 selected areas. To review the sampled agreements, we:

- *Analyzed Agreement Files*. We analyzed sampled agreement files to determine whether ARS' oversight of the cooperators' research progress (including research milestones and targets) and its management of funds were adequate. We also evaluated if (1) indirect costs were budgeted appropriately, (2) the amounts of the cooperators' contributions were adequate, and (3) cooperators made withdrawals more than 90 days after the agreements' expiration.

- *Reviewed Cooperators' Performance and Financial Reports*. We reviewed sampled agreement files to determine whether or not required performance and financial reports had been obtained timely from cooperators.

- *Analyzed Cooperator Cost-Share Amounts*. We examined 8 of 31 sampled agreements to determine whether or not cooperators met their cost-share requirements. Our review was limited to eight agreements because ARS does not require cooperators to report their cost-share contributions on the financial status reports. Only eight cooperators did so voluntarily.

- *Reviewed Cooperators' Expenses and Equipment*. We reviewed cooperators' internal financial reports and supporting documents, such as invoices, for 10 of 31 sampled agreements to ensure ARS reimbursed cooperators for allowable costs. Depending on the results, we planned to either expand or limit our review. Since we only identified one agreement with unallowable costs, we did not expand our review.

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.

Exhibit A – *Summary of Monetary Results*

FINDING NUMBER	RECOMMENDATION NUMBER	DESCRIPTION	AMOUNT	CATEGORY [a]
1	1	ARS' area offices did not deobligate unused funding from 32 agreements that expired during FYs 2005 and 2006.	$ 2,745,276	FTBPTBU - Deobligations
2	3	ARS' Pacific West area office reimbursed a cooperator for unallowable costs.	$ 50,740	Questioned Costs – Recovery Recommended
TOTAL MONETARY RESULTS			**$2,796,016**	

[a] FTBPTBU means "Funds To Be Put To Better Use"

Exhibit B – Audit Sites

ORGANIZATION	LOCATION
ARS Headquarters:	
Extramural Agreements Division	Beltsville, Maryland
Office of Technology Transfer	Beltsville, Maryland
ARS Pacific West Area Office	Albany, California
Cooperators:	
University of California, Berkeley*	Albany, California
University of California, Davis*	Davis, California
Washington State University*	Pullman, Washington
ARS Southern Plains Area Office	College Station, Texas
Cooperators:	
Baylor College of Medicine	Houston, Texas
Texas A&M University	College Station, Texas
Curators of the University of Missouri	Columbia, Missouri
Arkansas Children's Hospital Research Institute	Little Rock, Arkansas
* We reviewed two cooperative agreements at these sites.	

Exhibit C – Obligated Funds on the 32 Expired Agreements

Agreement	Area Office	Deobligation Deadline	Elapsed Days Past Deobligation Deadline (As of Jan. 9, 2007) [b]	Funds Not Deobligated
1	Southern Plains	3/31/2006	284	$ 1,116,380
2	Mid-South	2/28/2006	315	$ 723,628
3	Mid-South	11/29/2005	406	$ 300,676
4	North Atlantic	1/29/2006	345	$ 142,031
5	Pacific West	3/15/2006	300	$ 139,209
6	Pacific West	3/29/2006	286	$ 72,581
7	Pacific West	5/1/2005	618	$ 69,508
8	Pacific West	3/25/2006	290	$ 59,370
9	South Atlantic	5/31/2005	588	$ 45,814
10	South Atlantic	3/31/2006	284	$ 35,163
11	Pacific West	3/15/2007	108 [c]	$ 10,872
12	EAD [a] Headquarters	12/24/2005	381	$ 7,809
13	Pacific West	3/1/2006	314	$ 6,895
14	EAD [a] Headquarters	3/31/2006	284	$ 4,944
15	Mid-South	11/28/2005	407	$ 3,000
16	Mid-South	12/29/2005	376	$ 1,803
17	EAD [a] Headquarters	3/30/2006	285	$ 1,251
18	Mid-South	10/29/2005	437	$ 1,003
19	Mid-South	3/31/2006	284	$ 1,000
20	Beltsville	3/31/2006	284	$ 791
21	Mid-South	7/1/2006	192	$ 392
22	Pacific West	10/29/2005	437	$ 384
23	Pacific West	6/1/2006	222	$ 315
24	Pacific West	3/26/2006	289	$ 239
25	Pacific West	3/31/2006	284	$ 79
26	Beltsville	3/31/2006	284	$ 56
27	Midwest	9/24/2005	472	$ 40
28	Pacific West	1/29/2006	345	$ 12
29	Pacific West	11/30/2006	40	$ 12
30	Pacific West	5/1/2006	253	$ 7
31	Beltsville	3/1/2006	314	$ 6
32	EAD [a] Headquarters	3/31/2006	284	$ 6
AVERAGE ELAPSED DAYS			**322**	
TOTAL OBLIGATED FUNDS ON THE 32 EXPIRED AGREEMENTS				**$ 2,745,276**

[a] Extramural Agreements Division (EAD).
[b] We reviewed a report of open obligations dated Jan. 9, 2007.
[c] As of July 1, 2007. This agreement passed its deobligation deadline after the date of the open obligation report, but we included the agreement here because it was in our sample.

Exhibit D – Agency Response

USDA

United States Department of Agriculture

Research, Education, and Economics
Agricultural Research Service

April 3, 2009

SUBJECT: OIG Audit 02601-1-SF
ARS Management Controls Over Research Agreements

TO: Ernest M. Hayashi, Director
Farm and Foreign Agricultural Division
Office of Inspector General, USDA

FROM: Sherri L. Carroll, Director
Extramural Agreements Division

Sherri L Carroll

In response to the subject audit, the Agricultural Research Service (ARS) submits the following:

Recommendation 1:
Deobligate unused funds on expired agreements.

ARS agrees with Recommendation 1.

Enclosure 1 is provided as documentation of the amounts deobligated and dates each deobligation was processed by the respective Headquarters/Area Office for all expired extramural agreements identified in the subject Audit report.

We respectfully request the OIG, Farm and Foreign Agricultural Division's final acceptance for Recommendation 1 based on the documentation provided.

Recommendation 2:
Emphasize close-out procedures for deobligating unused funds within 6 months of the agreement's expiration date.

ARS agrees with Recommendation 2.

The Extramural Agreements Division (EAD) held a bi-monthly Authorized Departmental Officer teleconference on March 19, 2009. The findings of the subject Audit report and the close-out procedures and requirements to deobligate unused funds within 6 months of the agreement's expiration date were discussed with added emphasis on eliminating any backlog of expired agreements that were not officially closed out.

afm

Administrative and Financial Management
5601 Sunnyside Avenue • Beltsville, MD 20705-5100

Exhibit D – *Agency Response*

Ernest M. Hayashi 2

Additionally, EAD is currently working on the following initiatives to facilitate the timely closeout of extramural agreements. The initiatives are projected to be completed by May 30, 2009.

- Development and issuance of a new closeout policy and procedures.
- Redesigning the Agency's Agreements Information Management System to facilitate the efficient closeout and deobligation of any remaining funding on ARS extramural agreements.

We respectfully request the OIG, Farm and Foreign Agricultural Division's final acceptance for Recommendation 2 based on the above response.

Recommendation 3:
Recover the $50,740 in unallowable costs.

ARS agrees with Recommendation 3.

EAD and the ARS, Pacific West Area Office are working with the cooperator to recover $50,740 in unallowable and recoverable costs identified in the audit findings. To achieve final acceptance of Recommendation 3, EAD will provide the OIG with documentation of an accounts-receivable entry into the Foundation Financial Information System after receipt of the repayment.

2 Enclosures
Deobligation Spreadsheet
Supporting Deobligation Information

cc:
S. Helmrich, ARS, FMD

Exhibit D – Agency Response

Audit No. 02601-1-SF

Enclosure 1

Agreement	Agreement Number	Area Office	Funds Not Deobligated	Start Date	End Date	Current Outstanding Amount	Date Deobligated	Amount Deobligated by ARS
1	58-6250-1-001	Southern Plains	1,116,380.19	2/1/2001	9/30/2005	0.00	1/24/2008	1,116,380.19
2	58-6402-0-111	Mid South	723,628.31	8/31/2000	8/30/2005	0.00	9/11/2007	723,628.31
3	58-6402-0-040	Mid South	300,675.70	6/20/2000	5/31/2005	0.00	2/2/2007	300,675.70
4	58-1907-0-032	North Atlantic	142,031.27	8/1/2000	7/31/2005	0.00	6/18/2007	142,031.27
5	58-5320-0-221	Pacific West	139,209.21	9/28/2000	9/14/2005	0.00	7/1/2008	139,133.93
6	58-5306-0-239	Pacific West	72,580.75	9/28/2000	9/28/2005	0.00	8/14/2007	72,580.75
7	58-5306-0-226	Pacific West	69,508.07	9/28/2000	10/31/2004	0.00	4/1/2008	69,508.07
8	58-5358-0-225	Pacific West	59,369.88	9/25/2000	9/24/2005	0.00	6/18/2007	59,369.88
9	58-6615-2-216	South Atlantic	45,814.08	12/1/2002	11/30/2004	0.00	8/1/2007	**20,144.74
10	58-6645-1-239	South Atlantic	35,163.00	10/1/2000	9/30/2005	0.00	2/11/2008	35,163.00
11	58-5325-1-534	Pacific West	10,871.50	9/28/2001	9/14/2006	0.00	6/26/2008	10,871.50
12	58-0790-2-072	EAD Headquarters	7,808.82	6/26/2000	6/25/2005	0.00	7/17/2007	7,808.82
13	58-5342-2-820	Pacific West	6,894.59	9/27/2002	8/31/2005	0.00	2/7/2008	6,894.59
14	58-8230-2-081	EAD Headquarters	4,943.85	3/1/2002	9/30/2005	0.00	10/12/2007	4,943.85
15	58-6435-5-014	Mid South	3,000.00	1/18/2005	5/30/2005	0.00	3/5/2008	3,000.00
16	58-6402-3-105	Mid South	1,803.27	9/12/2003	6/30/2005	0.00	3/7/2008	1,803.27
17	58-8201-4-193	EAD Headquarters	1,251.44	9/20/2004	9/29/2005	0.00	4/16/2008	1,251.44
18	58-6420-1-022	Mid South	1,002.85	5/3/2001	4/30/2005	0.00	3/7/2008	**1,002.85
19	58-6435-5-029	Mid South	1,000.00	1/28/2005	9/30/2005	0.00	12/21/2005	**999.96
20	58-1265-2-046	Beltsville	790.54	10/1/2002	9/30/2005	0.00	9/21/2007	790.54
21	58-6413-3-126	Mid South	391.59	9/23/2003	12/31/2005	0.00	3/7/2008	391.59
22	58-5354-2-692	Pacific West	383.70	9/16/2002	4/30/2005	0.00	9/26/2007	383.70
23	58-5344-3-282	Pacific West	315.31	9/25/2003	12/1/2005	0.00	4/18/2007	315.31
24	58-5344-0-219	Pacific West	238.57	9/29/2000	9/25/2005	0.00	4/20/2007	238.57
25	58-5310-3-310	Pacific West	79.00	9/27/2003	9/30/2005	0.00	4/18/2007	**79.38
26	58-1275-4-322	Beltsville	56.17	9/2/2004	9/30/2005	0.00	5/21/2007	56.17
27	58-3602-0-105	Midwest	39.67	3/27/2000	3/26/2005	0.00	6/1/2007	39.67
28	58-5354-2-795	Pacific West	11.54	9/20/2002	7/31/2005	0.00	9/26/2007	11.54
29	58-5366-1-422	Pacific West	11.93	9/25/2001	6/1/2006	0.00	9/26/2007	11.93
30	58-5325-5-627	Pacific West	7.22	5/24/2005	10/31/2005	0.00	3/27/2008	7.22
31	58-1265-2-035	Beltsville	6.26	9/1/2002	8/31/2005	0.00	6/6/2007	6.26
32	58-8201-5-056	EAD Headquarters	5.60	10/1/2004	6/30/2005	0.00	3/10/2008	5.60

** Amount Revised from OIG Audit Report 02601-1-SF