



March 22, 2012

Randall J. Meyer
Ohio Inspector General
Office of the Inspector General
30 East Broad Street
Suite 2940
Columbus, Ohio 43215-3414

**Re: Report of Investigation 2011-081
Aquaculture Assistance Grant**

Dear Mr. Meyer:

Enclosed are the responses of the Ohio Department of Agriculture (ODA) that reference the recommendations made regarding the Aquaculture Grant Program (AGP) in your report of January 24, 2012. This program was funded by the American Recovery and Reinvestment Act (ARRA) and funding was disbursed from ODA in 2009.

Summary

ODA signed a cooperative agreement in June 2009 between the Commodity Credit Corporation and the State of Ohio to distribute ARRA funding to eligible aquaculture producers. Eligible producers were identified as those producers that suffered financial losses associated with high feed input costs during the 2008 calendar year. ODA's work plan for the AGP was reviewed and approved before the agreement was signed. By signing the agreement, ODA became responsible for distributing payments to the eligible aquaculture producers. Eligibility requirements for aquaculture producers were included in the application materials and ODA was also responsible for enforcing all program requirements applicable to participating in the AGP. ODA did not receive any federal dollars to administer the program.

Inspector General Recommendation #1

ODA should follow-up with the applicants to determine if repayment is required in the instances identified by the Office of the Ohio Inspector General (IG).

ODA Response #1

After receiving the Inspector General's Report of Investigation for the Aquaculture Grant Program, ODA forwarded a copy of the IG Report to United States Department of Agriculture (USDA) and contacted USDA's Aquaculture Grant Coordinator for assistance. Since that time, ODA has been diligently working with USDA to address the recommendations that were listed in the IG Report. Specifically, ODA has been communicating with USDA about the formula

2012 MAR 23 AM 8:57
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used for funding and how changes to the formula may impact the amounts distributed to applicants under this program. USDA intends to issue a letter to ODA that will provide final guidance on how to appropriately and effectively address the relevant concerns raised in the IG Report. It is anticipated that ODA will receive this communication within the next 30 days and that ODA will then contact producers about any potential overpayments or underpayments after applying the new formula to our data.

Inspector General Recommendation #2

ODA should ensure future reimbursement requests include correct calculations and return requests to the vendor for correction when discrepancies are found.

ODA Response #2

USDA's Aquaculture Grant Coordinator has sent ODA the calculation procedure that was designed to be used when calculating a producer's payment for the 2008 Aquaculture Grant Program, and has also sent ODA a spreadsheet with the formula to recalculate all 15 applications that were received. Additionally, ODA will ensure that future calculations are based on program parameters that are less confusing and more clearly defined. In this case, errors in calculation had more to do with unclear protein categories than errors in data entry.

The recommendation on developing a clearer policy on application errors is particularly well taken. Unfortunately, ODA's original work plan did not address a course of action for incorrect application submittals. It is clear in hindsight that incorrect applications should have either been disallowed or returned to the producers for correction. To remedy this issue, all future programs will include explicit instructions that incorrect applications will be returned to the applicant for the opportunity to correct any mistakes. If the application deadline has passed, ODA's work plan will clearly indicate that the application will be denied for funding consideration due to an incorrect or incomplete application.

Inspector General Recommendation #3

ODA should develop clear instructions on allowable costs for inclusion in future reimbursement requests.

ODA Response #3

The AGP process was ODA's first effort in designing a reimbursement program for aquaculture producers. After implementing the program and reviewing the applications, it became evident that aquaculture feed invoices from different feed dealers were designed and displayed in many different formats. Some companies include a single per-unit feed price that implicitly includes a transportation component, while others do not.

For future programs, ODA will work with the feed suppliers to better understand their per-unit feed pricing that is listed on their invoices. Clearer application instructions in determining allowable costs and how to enter the per-unit feed cost on an applicant's application will also



provide a more consistent listing of feed costs across all feed suppliers. Again, any errors or inconsistencies with this process will cause an application to be returned for correction, or cause an outright rejection if the deadline for participation has passed.

Inspector General Recommendation #4

Ensure supporting documentation validates the reimbursement request.

ODA Response #4

To address the final recommendation, aquaculture feed invoice applicants will be compared with the re-calculated totals as described above. If the re-tabulation of an application does not match their original total, the applicant will be contacted to validate their submitted total. For future programs, unless an applicant's total identically matches their invoice totals, they will not be eligible for funding. To ensure this result, a statement for participation will be included in the program guidelines and procedures and must be accepted and signed by the applicant.

While ODA accepts that it must more thoroughly scrutinize supporting documentation, ODA must also be certain the funds are spent on approved products. A few applicants bought their feed in bulk and distributed/sold a portion of the purchased feed to other neighboring producers. While none of the applicants claimed any of these types of purchases, ODA must make explicit in the instructions that producers need to clearly label the feed that was not used in their production so as not to include receipts that are ineligible for program participation.

Conclusion

It is my hope that in reviewing ODA's responses you will agree that we have been attentive to each of the recommendations listed within your report. We greatly value your agency's input and oversight of taxpayer dollars, and appreciate your support in working with us to implement constructive and positive changes into this program. If you have any additional questions or comments, please contact our department's Acting Chief Legal Counsel, Michael Rodgers, at (614) 728-6204.

Sincerely,
OHIO DEPARTMENT OF AGRICULTURE



David T. Daniels
Director

