

**ARKANSAS LEGISLATIVE AUDIT  
REPORT ON:  
DEPARTMENT OF AGRICULTURE  
FOR THE YEAR ENDED JUNE 30, 2021**

**Finding:**

The Department of Agriculture did not adequately monitor all subrecipients for the Arkansas Meat and Poultry Processing Grant Program, funded by the federal CARES Act and approved for a 90/10 cost-share by the Arkansas CARES Act Steering Committee. We reviewed expenditures totaling \$7.8 million for 16 of 31 subrecipients who received funding under the grant; of these 16 subrecipients, 11 did not submit adequate documentation to the Department to prove the cost-share had been achieved. According to the Department, this cost-share was intended to be used to determine the maximum distribution of funds to each applicant. However, the written rules state, "A grant award can be used to reimburse up to 90% of eligible expenses." As a result of this rule and in combination with other questionable expenditures noted below, subrecipients were overpaid \$1.0 million.

- Two subrecipients made payments totaling \$343,548 with grant funding to related parties. These payments from one subrecipient included \$60,000 for a two-year lease of land and \$30,000 for consulting services. Additionally, one year of the land lease (\$30,000) was for dates outside the period of performance of the federal CARES Act and, therefore, was not an allowable cost. For the other subrecipient, a \$253,548 payment was made to a related-party construction company without an associated itemized invoice.
- Two subrecipients purchased real estate totaling \$376,044 with grant funds, although real estate was not listed as an eligible expense category in the grant guidelines issued by the Department. Additionally, based on federal guidance, the acquisition of real estate must be "necessary" in that the need cannot be met "in a cost-effective manner by leasing property...or by improving property already owned..." As both subrecipients already owned land and stated on their grant applications that they intended to use that land to build facilities, the real estate purchase does not meet the definition of "necessary."
- One subrecipient submitted a \$10,000 invoice for "equipment" that did not contain sufficient detail to verify the eligibility of the expense.

**Recommendation:**

We recommend the Department strengthen its monitoring of subrecipient expenses to ensure compliance with all grant criteria.

**Agency Response:**

The Department agrees to strengthen the monitoring of subrecipient expenses to ensure compliance with all grant criteria. The Department will revise its control self-assessment on subrecipient monitoring. The Department made extensive efforts to correctly implement and monitor the Arkansas Meat and Poultry Processing Grant Program despite the short timeframe between the selection of awardees and the CARES Act deadline for expenditures. In addition to numerous calls, emails, and meetings with all awardees, the Department has more than 200 emails between the Department and the three plants referenced in the audit finding. Department staff also made a site inspection of each of the three facilities.