

U.S. Department of the Interior Office of Inspector General



Framework Needed to Promote Accountability in Interior's Grants Management

August 2005
Report No. W-IN-MOA-0052-2004



United States Department of the Interior

Office of Inspector General
Washington, D.C.

August 24, 2005
7430

Memorandum

To: Secretary

From: Earl E. Devaney
Inspector General

Subject: Evaluation Report, *Framework Needed to Promote Accountability in Interior's Grants Management*, Report No. W-IN-MOA-0052-2004, August 2005

I am pleased to provide you with a framework for action to significantly improve the quality of grants management in the Department of the Interior. Our evaluation of Departmental grants management revealed serious deficiencies, such as the lack of competition, training, reliable data, and assurance that federal funds were being spent appropriately. Collectively, these deficiencies increased the susceptibility of grant programs to fraud, waste, and abuse and diminished the integrity of grants management. We based our framework on our knowledge of government operations and systems, audits conducted by other Inspectors General, the Government Accountability Office (GAO), and our evaluation of selected grants awarded by the Bureau of Reclamation (BOR), National Park Service (NPS), U.S. Fish and Wildlife Service (FWS), and U.S. Geological Survey (USGS) during fiscal years 2001 to 2003. The attached report identifies seven key processes, which together comprise a framework for grants management. When appropriate, we incorporated promising practices from both government and non-government entities. The seven key processes are:

- Producing Reliable Data
- Soliciting Competition
- Monitoring Grants Effectively
- Writing Effective Grant Agreements
- Providing Adequate Training
- Streamlining Policies and Procedures
- Establishing Measurable Goals

The framework represents a holistic approach to grants management that would include initiatives already underway in this area by Interior's Federal Assistance Working Group, which is chaired by your office and consists of representatives from Interior bureaus. We believe that this Group, in conjunction with the Office of Acquisition and Property Management, is the appropriate organization to assess and implement, as applicable, the actions suggested in this report.

We appreciate the cooperation shown Interior bureau staff during our evaluation. A response to this report is not required. However, if you have any questions regarding the report, please call me at (202) 208-5745.

Attachment

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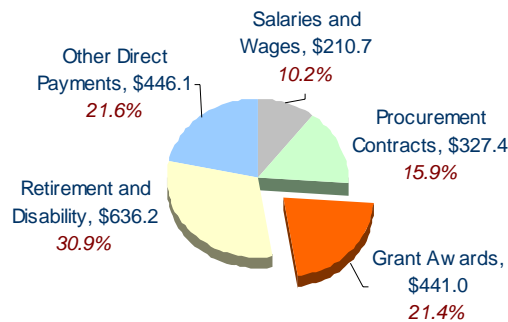
Abbreviations

BLM	Bureau of Land Management
BOR	Bureau of Reclamation
CFDA	Catalog of Federal Domestic Assistance
CFR	Code of Federal Regulations
DM	Departmental Manual
EPA	Environmental Protection Agency
FAADS	Federal Assistance Awards Data System
FFMIA	Federal Financial Management Improvement Act
FFS	Federal Financial System
FWS	Fish & Wildlife Service
GAO	Government Accountability Office
MMS	Minerals Management Service
NPS	National Park Service
OIG	Office of Inspector General, Department of the Interior
OMB	Office of Management and Budget
USGS	United States Geological Survey
U.S.C.	United States Code

Grants Management

The Challenge

In recent years, grants management has come under increased scrutiny as Congress, GAO, and federal agencies have sought to improve accountability for the millions of dollars in federal financial assistance awarded to various public and private entities¹ each year and ensure that these funds achieve the desired results. Financial assistance now accounts for about 21 percent of total annual federal expenditures. In fiscal year 2003, grant awards totaled about \$441 billion out of over \$2 trillion in federal expenditures (Figure 1).



Source: U.S. Census Bureau

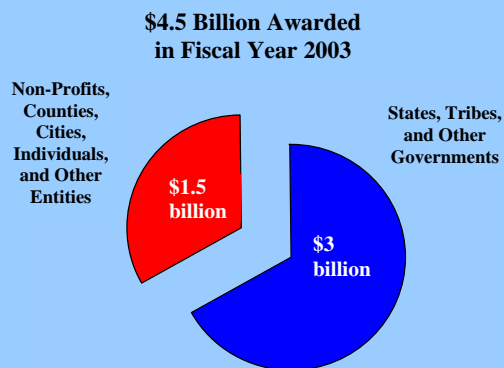
Figure 1

The scrutiny on grants management reflects the movement toward results-oriented policies that emphasize improved government services and efficient stewardship of public resources. The 1999 Federal Financial Assistance Management Improvement Act (Public Law 106-107),² for example, mandated simplifying grants application and reporting procedures for improved performance of federal grants programs. The 1993 Government Performance and Results Act emphasized performance-based management to measure and sustain high performance and make government more accountable. Likewise, strategic planning at Interior has focused on activities that achieve results and foster increased value and accountability to the American public.

¹ Grants are awarded through federal departments to such entities as governments, universities, non-profit organizations, businesses, and individuals.

² 113 Stat. ' 1486

Interior awarded an estimated \$4.5 billion in grants in fiscal year 2003. Of this amount, \$3 billion was managed by State, Native American and other government recipients, and \$1.5 billion was managed by Interior bureaus from grant application through close-out.



We focused on the \$1.5 billion managed by Interior bureaus to determine whether they promoted public participation and benefit when awarding grants. We evaluated 92 grants awarded during fiscal years 2001 to 2003 by BOR, NPS, FWS, and USGS.

Bureau	No. of Grants	Estimated Dollars (millions)
BOR	10	\$2.4
NPS	22	11.8
FWS	54	12.9
USGS	6	0.5
Total	92	\$27.6

See Appendix 1 for a detailed discussion of our scope and methodology.

In keeping with Interior's emphasis on better stewardship, the Assistant Secretary for Policy, Management and Budget asked us to include a review of the accuracy and reliability of grant financial and program information in our evaluation of grants management within Interior. Although Interior has not identified grants as a Department-wide problem, grants accounted for nearly a third of Interior's \$13.9 billion budget in fiscal year 2003.

Interior Efforts to Date

As presently administered, Interior's grant programs do not ensure that federal dollars are used as intended, promote fair treatment for both grant applicants and recipients, or reduce the risk of fraud, waste, and abuse—conditions that limit rather than promote the public participation and benefit in grant programs intended by Congress. We attributed these conditions primarily to the decentralization of the grants process, which allows bureaus to manage their programs without sufficient controls and fails to provide an overall Interior vision.

An Interior Federal Assistance Working Group is participating in several government-wide interagency work groups and other forums³ to address grant management issues within Interior. Group accomplishments to date include an initiative to develop a grants training program with the Department of the Interior University, creation of a Best Practices Team to share and implement best practices across federal assistance programs, and work on a common electronic portal at Grants.gov for grantees to find and apply for Interior grant programs. These initiatives, while advancing grants management in the right direction, are not sufficient alone to correct the deficiencies identified during our evaluation.

³ Forums include the Inter-Agency Electronic Grants Committee, the E-Grants Technology Demonstration Review Team, and the E-Grants stakeholder meetings.

Needed Actions

A framework is needed for holistic management of grants within Interior. We developed such a framework, based on our knowledge of government operations and systems and on audits conducted by our office, other Inspectors General, and GAO. This framework encompasses seven key processes, which we identified as essential to effective grants management.

In our research of best practices related to grants management, we did not find a holistic approach to grants management in other government agencies, but did identify several promising practices in both the governmental and non-governmental sectors. We incorporated these practices into our suggested framework as appropriate.

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A Framework for Excellence



The seven processes comprising this framework describe the internal controls necessary to effectively manage grants and create a culture of accountability and stewardship for grants programs within Interior. The framework is generic in that it embodies the core principles and guidance critical to the successful implementation of any management system. Where applicable, we included promising management practices identified by other entities. We believe that implementation of this framework would not only provide effective grants leadership within Interior but also could position Interior as a best practice for the rest of government.

Producing Reliable Data

Grants data generated by Interior's information systems were unreliable. Without extensive reconstruction of records, we could not determine the amounts obligated or expended annually for grants or the grant recipients. We traced the source of the unreliability to (1) the lack of an integrated system that managed both financial and program information for grants and (2) the lack of or inaccurate entries of grant obligations into two computerized systems—Interior's Federal Financial System (FFS) and the Federal Assistance Awards Data System (FAADS), a database maintained by the U.S. Census Bureau.

Bureaus use alternative information systems in lieu of integrated financial and program information. This necessitates the manual entry of transactions and increases the potential for error. In addition, data cannot be tracked across systems. For example, we could not find obligation information in FAADS for about 38 percent of the grants reviewed and noted a \$253 million difference in gross obligation summary data between FFS and FAADS over a 3-year period. We attributed the difference to the failure to enter data or inaccurate data entry.

Interior recognizes the deficiencies in its data collection systems. In a January 16, 2003 memorandum, the Assistant Secretary for Policy, Management and Budget stated:

The Department relies heavily on data to provide or improve services, evaluate programs, and support decision making. . . . We cannot expect to make prudent decisions and manage well if we are indifferent to the credibility of the data used to support our management actions. . . . Accurate and reliable information is essential.

Interior is also implementing a new automated, integrated Financial and Business Management System. The system will include a grants management module. However, complete and accurate entry of data will be essential to ensure the effectiveness of this module.

Suggested Actions

To ensure the production of reliable data from Interior's current systems and the new integrated system, we urge the Assistant Secretary for Policy, Management and Budget to establish:

- Processes, such as edit checks, analytical techniques, and reconciliations, to ensure complete and accurate entry of all grant financial and program information,
- Mechanisms to detect and correct inaccurate grant financial and program information.

Soliciting Competition

Interior's grant managers and administrators did not solicit competition to the greatest extent possible. Congress encourages competition (31 U.S.C. 6301.3), as does Interior (Part 505, Chapter 2.11 of the Department Manual (DM)). Chapter 2.11 also states: "Bureaus and offices shall establish procedures for ensuring competition when awarding discretionary grant agreements . . . in consonance with program objectives."

Of the discretionary grants evaluated, nearly half were not awarded competitively. For example, noncompetitive grants were often awarded as "sole" source; that is, on the presumption that the desired results could be obtained only from a specific source.

Interior employees told us that they did not always solicit competition because it was time-consuming, expensive, burdensome and that existing grantees had already proven to be the best at delivering the goods or services identified in the grants.

Promising Practices

Source	Practice
<i>Department of Agriculture</i>	► The Department's Natural Resources Conservation Service policy makes exemptions to competition the exception, not the rule.
<i>Department of Health and Human Services</i>	► The Department's National Institute of Health makes a weekly guide for grants policies, guidelines, and funding opportunities available to the public via e-mail.
<i>Department of Labor</i>	► The Department's Veterans Employment and Training Service regulations require 80 percent of funds to be allocated competitively.
<i>Environmental Protection Agency</i>	► All noncompetitive awards for applicable assistance programs must be agreed to by the Grant Competition Advocate. ► Final decisions for noncompetitive awards must be posted on the grants competition Web site.
<i>National Research Council</i>	► The Council cites fairness as the keystone of any successful competitive grants process and encourages soliciting applications from as wide a variety of applicants as possible to ensure fairness.

Suggested Actions

To broaden public participation, we urge Interior to require:

- Bureaus to develop or update their procedures to comply with the intent of DM 505, Chapter 2.11 and to list all discretionary grants in the Catalog of Federal Domestic Assistance (CFDA), a listing of current federal assistance programs available to the public on the CFDA Web site, and other electronic sites as applicable.
- Awarding officials to justify all noncompetitive grants, with justifications reviewed at a level above that of awarding officials, such as the Environmental Protection Agency's Grant Competition Advocate.

Monitoring Grants Effectively

Over half of the monitoring officials we interviewed lacked an understanding of their stewardship responsibilities over federal funds; specifically, the commitment to ensure the use of grant funds for their intended purposes. Monitoring officials, in fact,

often did not complete the most basic monitoring step—that of requiring grantees to submit performance and financial status reports. Of the grant files evaluated, nearly half did not contain the performance and financial status reports required by the Code of Federal Regulations (Parts 12.951 and 12.952).

This lapse in monitoring was noted in a July 22, 2003 memorandum from the Deputy Assistant Secretary for Budget and Finance, which emphasized the importance of the timely submission of financial status reports, their use in determining whether grant requirements were met, and the need to address past due reports. Interior’s independent financial auditors likewise focused on the need for timely submission of reports and developing controls to monitor grantees, as reported in the *Fiscal Years 2003 and 2004 Annual Reports on Performance and Accountability* (see Appendix 2).

Promising Practices

Source	Practice
<i>Department of Commerce</i>	<p>► The Department's National Telecommunications and Information Administration established on-line grants management and performance reporting systems to help grantees and program officials document project start-up, operation, and progress and measure the effect of grant projects on the public. These systems are also valuable tools in helping grantees assess and monitor their own effectiveness.</p>
<i>Department of Health and Human Services</i>	<p>► The Department's Health Resources and Services Administration conducts about 500 performance reviews each year to ensure that over 3,000 grantees are accomplishing grant purposes.</p> <p>► The Department's Head-Start Bureau of the Administration on Children, Youth, and Families implemented a Head-Start Program Review Instrument for Systems Monitoring to ensure that each grantee receives a full on-site review at least once every 3 years.</p>
<i>Department of Labor</i>	<p>The Department's Occupational Safety and Health Administration established the following practice:</p> <p>► Visiting grantees by Regional Office program staff at least twice during the first year of grant award and once each subsequent year.</p> <p>The Department's Veterans Employment and Training Service established the following practices:</p> <p>► Holding a Post-Award Conference with grantees to discuss general and special provisions, applicable federal regulations, reporting requirements, corrective action plans, fiscal and programmatic goals, and staff roles.</p> <p>► Monitoring to (1) compare current program information with goals in the grant agreement, (2) review the quality and effectiveness of the grant program, (3) review the reliability of program and financial information reported by the grantee.</p>
<i>National Research Council</i>	<p>► Program managers at the Department of Energy's Office of Biological and Environmental Research regularly visit grantees and bring grantees together at regularly scheduled meetings.</p>

Suggested Actions

To effectively monitor grant agreements, we urge Interior to:

- Develop a "hands-on-approach" to monitoring grant awards, including visits to project sites, periodic meetings with grant recipients to review the work and address problems, attendance at meetings or events associated with the project, photographic or digital records of progress, and assessments of actions needed if the grantee is unable to complete the work.

Writing Effective Grant Agreements

The grant agreements evaluated were not well written; that is, they did not clearly inform grantees of their responsibility to complete grant terms and conditions or the consequences for failing to do so, as prescribed in the Code of Federal Regulations (43 CFR 12.960). Some agreements were so abbreviated they did not adequately define the purpose of the grant through a clear statement of work or require grantees to submit performance and financial reports, as required by 43 CFR 12.951-12.952.

Interior guidance (DM 505, Chapter 2.8-2.10) and other internal memoranda address the structure and contents of grant agreements, but are silent on the importance of standardizing grant agreements to require a clear statement of work defining the purpose of the grant and penalty clauses specifying the consequences of noncompliance with grant terms. In the absence of comprehensive Interior grant guidance, bureaus have developed their own guidance, which we concluded was also incomplete because the guidance did not include all of the requirements for (1) a well-defined statement of work describing the grant's purpose and actions planned to accomplish that purpose; (2) grantee performance and financial status reports; (3) administrative and enforceable terms and conditions, such as compliance with various Office of Management and Budget (OMB) circulars; (4) standard provisions, such as nondiscrimination clauses; and (5) penalties for noncompliance with grant terms and conditions.

Promising Practices

Source	Practice
<i>Department of Agriculture</i>	► The Department's Food Safety Training and Education Alliance has developed resources for proposal and grant writing, including guidelines for helping recipients write specific statements of work.
<i>Department of Health and Human Services</i>	► The Department's Substance Abuse Mental Health Services Administration has developed a grant writing manual that includes helping recipients write specific statements of work.

Suggested Actions

Based on our research, the need for well-written grant agreements has not been fully addressed by any agency and is an area that Interior, by developing a prototype grant agreement, could demonstrate a best practice applicable government-wide. We suggest that Interior:

- Develop a prototype grant agreement which standardizes and streamlines, to the extent possible, the requirements of a well-written agreement and which could be easily modified by individual bureaus to meet specific bureau or grantee needs.

Providing Adequate Training

Grant managers and administrators generally lacked sufficient training to effectively award and monitor grants. Over two-thirds of grants managers and administrators surveyed stated they had not received any grant-related training within the last 4 years. Interior does not require formal training⁴ for employees who manage and administer grant awards, and without such training, simple, but important, procedures can be overlooked. For example, five grant project officers from one bureau said they were unaware of the existence of a list of parties that have been debarred from doing business with the federal government.⁵ The list is easily accessible from the Web site <http://www.epls.gov>.

The lack of training was also supported by an August 2004 survey of about 2,000 Interior employees conducted by the Department's Office of Acquisition and Property Management in conjunction with the Department of the Interior University. Twenty-one percent of respondents, for example, stated they had not received any training in financial assistance, and 83 percent stated that they learned their job from on-the-job training. The University recommended developing a core curriculum and training program for federal financial assistance to ensure that all financial assistance employees met core competency requirements in policy, administration, and program management. The Office of Acquisition and Property Management, however, has yet to develop this curriculum for financial assistance.

⁴ The only reference to formal training is in Interior's Contracting Officers Warrant System Manual, which states: "Individuals authorized to sign assistance and cooperative agreements need to have specific training in these instruments."

⁵ The Excluded Parties List System is a Web database maintained by the General Services Administration that identifies parties excluded throughout the federal government from receiving federal contracts, certain subcontracts, and financial and non-financial assistance and benefits. 43 CFR, Volume I, Part 12.300-12.325, provides Interior the authority to list excluded parties.

Promising Practices

Source	Practice
<i>Environmental Protection Agency</i>	<p>The Agency has developed or proposed:</p> <ul style="list-style-type: none"> ▶ A Project Officer Training Manual. ▶ On-line training for grants project officers, including materials on pre-application review, competition, post-award monitoring, and environmental outcomes. ▶ A certification program for grants specialists, based on an examination of skills and core competencies required to manage grants.
<i>Department of Health and Human Services</i>	<p>The Department has developed:</p> <ul style="list-style-type: none"> ▶ A Grants Management Professional Development Program and a Grants Management Professional Certification Program. ▶ A Grants Orientation Desk Reference for new professionals, which includes a statement of the Department's vision of what constitutes quality grants management and covers the roles and responsibilities of grants management specialists. ▶ On-line training, including KnowNet, a training and orientation Web site for grants management personnel; Web casts; and on-line tutorials.
<i>Department of Agriculture</i>	<ul style="list-style-type: none"> ▶ The Department's National Research Initiative has implemented an initiative that conducts annual "grantsmanship" workshops to familiarize applicants and administrators with grant management procedures.

Suggested Actions

We agree with the Department of the Interior University's recommendation to develop a core curriculum and training program for grants employees and would go a step further to suggest a *certification program* for employees awarding grants similar to the program for assigning warrant authority to contracting officers. To provide adequate training to grant managers and administrators, we urge the Department to:

- Develop a core curriculum in policy, administration, and program management, including the processes identified in our framework, as well as a training program to ensure that all grant managers and administrators meet core competency requirements.
- Develop a certification program for all employees who award grants.

Streamlining Policies and Procedures

Grants managers and administrators and grantees alike face a confusing maze of public laws, regulations, and Executive Orders in interpreting and determining grant responsibilities. Although some bureaus developed handbooks, these handbooks do not fully explain or simplify bureau and grantee legal responsibilities. Grant managers and administrators do not always know and therefore did not always fully inform grantees of their responsibilities. For example, we found grant agreements that lacked some of the certifications, assurances, and responsibilities required by law or provided the grantee with only a list of the titles of applicable laws. As a result, grantees were treated inconsistently and potentially held to differing legal standards. The failure to delineate responsibilities for both granting bureaus and grantees can also adversely affect grant performance. Clear and understandable policies and procedures will improve the efficiency and effectiveness of grants administration.

Promising Practices

Source	Practice
<i>Department of Health and Human Services</i>	► The Department consulted with recipient community as part of its grants program simplification effort and published comments on streamlining and improvements on GrantsNet Web site.
<i>Department of Housing and Urban Development</i>	► The Department's Office of Departmental Grants Management and Oversight has streamlined grants management by providing grantees access to an application demonstration, policies, procedures, and grant forms, and OMB Circulars and cost principles.

Suggested Actions

To simplify requirements, including Departmental policies and procedures, we urge Interior to:

- Develop an Interior-wide electronic grants handbook that standardizes and simplifies crosscutting legal and Interior requirements for both granting bureaus and grantees.

Establishing Measurable Goals

Our evaluation of 12 grant programs revealed that results could not be demonstrated because program goals were not measurable. The Government Performance and Results Act requires federal agencies to set outcome-focused goals and report to Congress annually on progress toward meeting these goals. Grants are a

major source of funding to public organizations that, in turn, help Interior accomplish its mission. Interior's *Strategic Plan for Fiscal Years 2003-2008* recognizes grants as a critical component of accomplishing Interior's mission. To report on progress toward meeting the goals of its grant programs, Interior must be able to demonstrate results achieved under grants and link the results to Interior's mission.

Measurable goals enable Interior, its bureaus, OMB, and Congress to establish performance expectations and then assess actual performance against these expectations. We acknowledge that while establishing measurable goals for grant programs can be difficult, such goals are essential for Interior to demonstrate results.

Promising Practices

Source	Practice
<i>Department of State</i>	► The Department's Fullbright Senior Scholarship Program established clear Program goals and outcomes—SMART (Specific, Measurable, Attainable, and Results-oriented), expected to be achieved within a reasonable time frame.
<i>National Research Council</i>	► The Council develops well-defined milestones, including a clearly defined end, for all programs. ► The Council defines a relevant grants program as one that funds the projects that most effectively further the goals of the program and meet national needs.

Suggested Actions

To ensure that grant managers work towards establishing measurable goals, we urge Interior to require that:

- Goals for grant programs established by bureau and Interior Office heads be specific, measurable, attainable, and results-oriented and met within a reasonable time frame.
- Grants managers and administrators use these goals to monitor grant performance and incorporate results into performance ratings.

Conclusions

Establishing a grants management framework that embodies these seven key processes is essential for effective grants management. The suggested actions are designed to help establish the guidance and direction necessary to create a culture of accountability and stewardship for grant programs within Interior. We believe

Interior's Federal Assistance Working Group, in conjunction with the Office of Acquisition and Property Management, is the appropriate organization to oversee implementation of a grants management framework and to establish procedures for evaluating grant performance under the framework. To ensure an overall Interior vision for grants management, the Working Group should require that bureaus periodically review their grants management processes and identify opportunities for improvement. As the Federal Assistance Working Groups continues its work to improve grants management, we will extend our cooperation and assistance in this effort.

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Appendix 1

Objective, Scope, and Methodology

For the purposes of the report, we defined grants as all federal financial assistance that supports or stimulates accomplishing a public purpose. Grants include cooperative and other agreements in the form of money or property in lieu of money given by the federal government to eligible recipients.

Objective, Scope, and Methodology

We focused our evaluation on grant management processes and the \$1.5 billion annually managed by Interior's bureaus during fiscal years 2001 through 2003, with the objective of determining whether the bureaus promoted public participation and benefit in their administration of grant programs. As part of our evaluation, conducted from December 2003 through October 2004, we visited and contacted Departmental and bureau offices located throughout the country (see Sites Visited or Contacted).

We focused on grant management processes developed by FWS, BOR, USGS, and NPS⁶ to fully promote public participation in and benefit from grant awards, including soliciting competition, training of bureau employees, adequacy of grant agreements, monitoring grantees, accurate data, policies and procedures, and measurable grant goals. We also reviewed 92 grants totaling about \$28 million.

Our evaluation was conducted, as applicable, in accordance with the *Quality Standards for Inspections*, issued by the President's Council on Integrity and Efficiency, and, accordingly, included such tests and evaluation procedures that were considered necessary to accomplish our objective.

We interviewed numerous Interior and bureau officials about grants management. We also reviewed Congressional laws and regulations; OMB Circulars; Departmental and bureau specific policies and procedures, including selected bureau financial and program information; Comptroller Decisions; and past OIG, GAO,

⁶ We did not evaluate grants awarded by the Bureau of Land Management (BLM) or the Minerals Management Service (MMS) because these agencies primarily award cooperative agreements, which are the subject of a future Office of Inspector General (OIG) report. We also did not evaluate grants awarded by the Office of Surface Mining or the Bureau of Indian Affairs because these agencies primarily distribute funds to states and Native American governments in a "pass through" manner.

and other federal and non-federal reports related to grants management to find promising grant management practices (see Appendix 2). In addition, we developed an integrated management framework for grants management within Interior and summarized the critical grants management processes that should be included in this framework.

We also evaluated whether Interior bureaus had implemented a system of internal controls to have reasonable assurance that grant management processes fully promoted public participation and benefit, produced reliable performance and financial information, and complied with laws and regulations.

Sites Visited or Contacted

Sites	Location
Office of Acquisition and Property Management	Washington, D.C.
BLM	
California State Office	Sacramento, California
Washington Office, Audit Liaison*	Washington, D.C.
BOR	
Great Plains Region	Billings, Montana
Mid-Pacific Region	Sacramento, California
Lower Colorado Region*	Boulder City, Nevada
Pacific Northwest Region*	Boise, Idaho
Bureau-wide Audit Liaison*	Lakewood, Colorado
NPS	
Intermountain Region	Lakewood, Colorado
Contracting Support Office	Santa Fe, New Mexico
Contracting Support Office	Lakewood, Colorado
Northeast Region	Philadelphia, Pennsylvania
Pacific West Region	Oakland, California
Southeast Region	Atlanta, Georgia
Great Smoky Mountains National Park	Tennessee
Washington Office, Audit Liaison*	Washington, D.C.
FWS	
Mountain-Prairie Region	Lakewood, Colorado
Northeast Region	Hadley, Massachusetts
Southeast Region	Atlanta, Georgia
Asheville Ecological Services Field Office	Ashville, North Carolina
Athens Ecological Services Field Office	Athens, Georgia
St. Marks National Wildlife Refuge*	St. Marks, Florida
Mississippi Ecological Services Field Office*	Jackson, Mississippi
Southwest Region	Albuquerque, New Mexico
Division of Bird Habitat Conservation	Arlington, Virginia
Division of Fish & Wildlife Management Assistance and Habitat Restoration	Arlington, Virginia
Washington Office, Audit Liaison*	Arlington, Virginia
USGS	
Office of Acquisition and Grants Branch, Central Region	Lakewood, Colorado
Office of Acquisition and Grants, Eastern Region	Reston, Virginia
National Center for Earth Resources Observation and Science*	Sioux Falls, South Dakota
Washington Office Audit Liaison*	Washington, D.C.
MMS	
Washington Office, Audit Liaison*	Washington, D.C.

* Contacted only

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Appendix 2

References

We reviewed the following documents related to grants management.

Australian National Audit Office

- **May 2002** - *Administration of Grants – Better Practice Guide*. The Domestic Working Group, composed of representatives from federal, state, and city governments, is using this guide as an example of best practices in grant administration.

Department of the Interior

- **November 2004** - *Fiscal Year 2004 Annual Report on Performance and Accountability*. The Independent Auditors' Report (KPMG) on Interior's Consolidated Financial Statements recommended that Interior (1) establish a process to verify receipt of single audit reports within 9 months of award recipients' year-end, (2) issue management decisions on audit findings within 6 months after receiving single audit reports, and (3) verify that award recipients had taken the appropriate actions to resolve audit findings. The auditors stated Interior had not fully developed controls to monitor grantees and detect and prevent misuse of federal funds in the following areas:
 - Maintaining a grant proposal and award database with information on (1) proposals; (2) grantee name and number; (3) date of award; (4) amount; (5) funds expended; (6) a determination on whether grantee was subject to the Single Audit Act Amendments of 1996; and if so, (7) data on audit reports submitted under the Act, including date received, period covered, findings, and management decisions on findings.
 - Ensuring that grantees submitted financial status reports. Interior had not received the required reports for 20 of 32 transactions tested.
 - Ensuring that grantees completed single audits and submitted reports within 9 months of the grantees' year-end. Interior had not received timely reports for 19 of 30 grants tested and any reports from 20 organizations.

- Issuing management decisions on audit findings within 6 months after receipt of audit reports and ensuring that grantees took appropriate and timely corrective action.
- **November 2003** - *Fiscal Year 2003 Annual Report on Performance and Accountability*. The Independent Auditors' Report (KPMG) on Interior's Consolidated Financial Statements recommended that Interior (1) establish a process to verify receipt of single audit reports within 9 months of award recipients' year-end, (2) issue management decisions on audit findings within 6 months after receiving single audit reports, and (3) verify that award recipients had taken the appropriate actions to resolve audit findings. The auditors stated Interior had not fully developed controls to monitor grantees and detect and prevent misuse of federal funds in the following areas:
 - Ensuring that grantees completed single audits and submitted reports within 9 months of the grantees' year-end.
 - Issuing management decisions on audit findings within 6 months after receipt of audit reports and ensuring that grantees took appropriate and timely corrective action.
- **September 2003** - Interior's *Strategic Plan for Fiscal Years 2003-2008*. Prepared, in part, to meet requirements of the Government Performance and Results Act to make government agencies more accountable, this document states how the desired results of Interior programs will meet the agency's four mission areas.
- **July 2003** - This memorandum by Deputy Assistant Secretary for Budget and Finance set policy on Financial Status Report Requirements Related to Grants to address KPMG's statement that Interior's monitoring of grant recipients was insufficient.
- **October 2002** - *Citizen-Centered Governance: Customer Value through Accountability, Modernization, and Integration*. Second Edition: A Progress Report. Issued by the Assistant Secretary for Policy, Management and Budget, this report outlined Interior's progress toward meeting the President's Management Agenda for citizen-centered government.

Department of the Interior, OIG

- **July 2004** - *National Park Service Management of Selected Grants in Hawaii* (No. P-IN-NPS-0105-2003). By failing to require adequate and timely performance and financial status reports, NPS could not ensure that grants awarded under the Native Hawaiian Culture and Arts Program were fully executed. NPS also did not follow up on recommendations made by the Hawaii State Auditor to correct serious program and financial mismanagement of grants awarded under the Historic Preservation Fund. NPS agreed to be more proactive in managing these grants and enforcing reporting requirements, and the report's five recommendations were resolved and implemented.
- **September 2003** - *Report on Grants Administered by the Office of Insular Affairs* (No. 2003-I-0071). The report cited the (1) lack of a centralized grant-tracking system; (2) failure to obtain documentation to verify project progress or to impose consequences for not meeting grant requirements; and (3) lack of effective management leadership and oversight as weaknesses in Office of Insular Affairs monitoring that resulted in projects not being completed on time, delays in or the failure to provide essential services, and the waste of federal funds awarded to improve the economies and self-sufficiency of Insular Area governments. The eight recommendations were resolved and implemented.



- **October 2004** - *Financial Management - Improved Financial Systems are Key to FFMA Compliance* (GAO-05-20). The financial management systems of most agencies could not routinely produce the reliable and timely financial information essential for successful financial management under the Federal Financial Management Improvement Act. Interior's need to make over 180 financial adjustments to reconcile financial records at year end was cited as an example of the consequences of poor financial practices.
- **June 2004** - *Federal Budget, Agency Obligations by Budget Function and Object Classification, Federal Fiscal Year 2003* (GAO-04-834). The report presented quantitative data on fiscal year 2003 obligations from several perspectives and levels of detail that can be used to examine spending patterns against federal mission areas.

- **August 2003** - *Grants Management – EPA Needs to Strengthen Efforts to Address Persistent Challenges* (GAO-3-846). Despite efforts to improve grants management, the Environmental Protection Agency continues to face four key management challenges: (1) selecting the most qualified applicants, (2) monitoring effectively, (3) measuring results, and (4) effectively managing grants staff and resources.
- **April 2003** - *Testimony on Federal Assistance - Grant System Continues to be Highly Fragmented* (GAO-03-718T). Despite attempts to implement Public Law 106-107 by streamlining the flow of information on various grants and developing uniform application and reporting procedures, the federal grant system is highly fragmented, creating potentially significant duplication and overlap among federal programs. The increased number and dollar amounts of grants awarded since the 1960s has resulted in a complex system requiring federal grant recipients to navigate over 600 federal grant programs to find project financing funds. GAO suggested consolidating programs with overlapping missions and objectives by (1) combining multiple programs into block grants, (2) establishing performance partnerships, and (3) waiving authority of federal funding restrictions and program rules when sufficiently justified by state or local governments.
- **March 2001** - *Performance and Accountability*. The combined performance and accountability report assessed fiscal year 2000 accomplishments and outlined fiscal year 2001 and 2002 goals. The goals included a discussion of leveraging resources and services through collaboration.
- **May 1991** - *Management Practices: U.S. Companies Improve Performance through Quality Efforts* (GAO/NSIAD/91-190). An examination of the impact of formal total quality management practices on the performance of U.S. companies found these practices did have a beneficial effect on overall corporate performance and both employee and customer satisfaction.
- **September 1986** - *Discretionary Grants, Opportunities to Improve Federal Discretionary Award Practices* (GAO/HRD-86-108). Competition in discretionary grant programs identifies and funds the best projects proposed by applicants, thereby effectively achieving program objectives.

National Science Foundation, OIG

- **September 2003** - *Management Framework: Award Monitoring* (OIG 03-2-015). The report suggested principles and methods used by both federal and private grant-making organizations to implement a strategic management framework for monitoring award instruments.

Office of Management and Budget

- **February 2004** - *Agency Obligations by Object Class, Fiscal Year 2005*. The report cited \$4.5 billion as Interior's share of grants for fiscal year 2003.
- **February 2004** - *Budget of the United States Government- Analytical Perspectives for Fiscal Year 2005*. Interior's grants to states and other governments totaled \$3 billion.

Web Sites for Promising Practices

Soliciting Competition

- Department of Agriculture
http://policy.nrcs.usda.gov/scripts/lpsiis.dll/H/H_120_600_B.htm
- Department of Health and Human Services
<http://grants2.nih.gov/grants/oer.htm>
- Department of Labor
http://www.dol.gov/vets/grants/Final_VETS_Guide-linked.pdf
- Environmental Protection Agency
<http://www.epa.gov/cgi-bin/epaprintonly.cgi>
- National Research Council
<http://books.nap.edu/books/030907083X/html/index.html>

Monitoring Grants Effectively

- Department of Commerce
<http://www.ntia.doc.gov/top/granteeresources/handbooks/Handbook2004.html>
- Department of Health and Human Services
<http://www.hrsa.gov/grants/default.htm>
<http://www.headstartinfo.org/pdf/2005PRISMGuide.pdf>
- Department of Labor
http://www.osha.gov/pls/oshaweb/owadisp.show_document?p_table=DIRECTIVES&p_id=1887
http://www.dol.gov/vets/grants/Final_VETS_Guide-linked.pdf

- National Research Council
<http://books.nap.edu/books/0309089387/html/>

Writing Effective Grant Agreements

- Department of Agriculture
<http://www.fstea.org/resources/grantwriting.html>
- Department of Health and Human Services
<http://www.alt.samhsa.gov/grants/TAManual/Module5SAMHSA-06.htm>

Providing Adequate Training

- Department of Health and Human Services
<http://www.knownet.hhs.gov/grants/new.htm>
<http://www.samhsa.gov/grants/index.aspx>
<http://www.knownet.hhs.gov/grants/orientDR>
- Environmental Protection Agency
<http://www.epa.gov/ogd/EO/finalreport/pdf>
- National Research Council
<http://books.nap.edu/books/0309089387/html/>

Streamlining Policies and Procedures

- Department of Health and Human Services
<http://www.hhs.gov/grantsnet/>
- Department of Housing and Urban Development
<http://www.hud.gov/offices/adm/grants/dgms/index.cfm>

Establishing Measurable Goals

- Department of State
<http://www.exchanges.state.gov/education/rfgps/feb25rfgp.htm>
- National Research Council
<http://books.nap.edu/html/globalocean/>
<http://books.nap.edu/catalog/9844.html>

Report Fraud, Waste, Abuse, and Mismanagement



Fraud, waste, and abuse in government concerns everyone: Office of Inspector General staff, Departmental employees, and the general public. We actively solicit allegations of any inefficient and wasteful practices, fraud, and abuse related to Departmental or Insular Area programs and operations. You can report allegations to us in several ways.



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