



## CARES Act Flash Report

The DOI received

**\$909.7 million**

under the CARES Act to  
respond to impacts from  
COVID-19:

- **\$453 million** for the Bureau of Indian Affairs
- **\$157.4 million** for DOI operations (Office of the Secretary)
- **\$69 million** for the Bureau of Indian Education (BIE)
  - **\$153.7 million** for the BIE transferred from the U.S. Department of Education
- **\$55 million** for the Office of Insular Affairs
- **\$12 million** for the Bureau of Reclamation (BOR) water resources
- **\$8.1 million** for the BOR policy and administration
- **\$1 million** for the Office of Inspector General
- **\$500,000** for the BOR Central Utah Project Completion Act

## Lessons Learned From Oversight of the Coastal Impact Assistance Program Grants

On March 27, 2020, the President signed into law the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). To date, the CARES Act has provided the U.S. Department of the Interior (DOI) with \$909.7 million, which includes direct apportionments of \$756 million to support the needs of DOI programs, bureaus, Indian Country, and the Insular Areas, and a \$153.7 million transfer from the U.S. Department of Education (ED) to the BIE.

In this report, we present lessons learned from and the risks identified in our earlier audit and investigation work related to the Coastal Impact Assistance Program (CIAP). Under CIAP, the DOI disbursed \$1 billion in grant funds across six States—Alabama, Alaska, California, Louisiana, Mississippi, and Texas—to respond to impacts from offshore drilling. We particularly highlight our [2013 CIAP audit report](#) because, like the CARES Act, CIAP provided significant funding to recipients through a series of grants that were primarily managed from afar. Our findings in that report detailed the impact of the mismanagement that occurred because of ineffective oversight. We believe that many of the same risks present themselves today and that careful attention to our earlier work can help the DOI avoid some of the mistakes that occurred then.

As of August 31, 2020, the DOI has obligated nearly \$522 million of its CARES Act funding—in addition to more than \$102 million in CARES Act funding the DOI received from the ED—using grants, cooperative agreements, and direct payments. Our previous CIAP-related work demonstrated that grant awards can present substantial risks. For example, our 2013 audit of funds provided to Mississippi questioned almost \$30 million, which represented 27.4 percent of the total funding the State expected to receive. In addition to the inherent risks associated with using grants as a funding mechanism, emergency situations have the potential to grow rapidly in size, scope, or complexity, thus exacerbating these concerns.

Using our earlier work to illustrate areas of particular risk, we highlight the following factors as essential to successful oversight of the DOI's CARES Act funds:

- Review grant applications to ensure proposals seek to use grant funds for the intended purposes
- Conduct risk assessments of potential recipients to understand grant recipient backgrounds
- Ensure the grant recipients have proper internal controls, such as segregation of duties and conflict-of-interest policies
- Maximize competition when awarding contracts using grant funds
- Monitor the grant recipients' documentation and use of grant funds
- Review the grant recipients' performance and financial reports

## **Review Grant Applications To Ensure Proposals Seek To Use Grant Funds for the Intended Purposes**

The CARES Act appropriated funds to the DOI to support the needs of territories and tribal governments to prevent, prepare for, and respond to the coronavirus, both domestically and internationally. The Act further suggests specific uses of the funds, some of which include providing for major water programs; the safety and welfare of and social assistance to Indian Country; DOI cleaning costs and law enforcement activities; overtime for DOI employees; assistance to the territories; and oversight activities.

Similarly, the Energy Policy Act of 2005 required CIAP grant recipients to use all funds for specifically authorized uses, which included conservation and protection of coastal areas; mitigation of damage to fish, wildlife, or natural resources; implementation of conservation plans; mitigation of the impact of Outer Continental Shelf activities; or administrative costs of complying with the requirements.

We found in our CIAP audit, however, that the DOI approved several grant projects in which the applications themselves did not meet the established criteria and should not have been allowed. We found that these projects wasted more than \$1.2 million dollars and led to another \$4.6 million in funds to be put to better use. CARES Act funds could be subject to a similar risk if the DOI does not ensure that grant applications meet criteria established by the Act and that grant recipients use the funds for the intended purposes.

Recipients are awarded funds to carry out the goals and objectives of the CARES Act. Improper use of these resources diminishes their impact, creates public distrust, and could indicate intentional misuse.

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**Key Action:** The DOI's successful planning, administration, and monitoring of awards will be critical to promote compliance with CARES Act requirements. Grants managers must scrutinize grant applications to ensure the applications meet the proper uses established by the Act.

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## Conduct Risk Assessments of Potential Recipients To Understand Grant Recipient Backgrounds

To ensure effective monitoring, the DOI should conduct thorough risk assessments of potential CARES Act grant recipients to understand recipient backgrounds. Such risk assessments help awarding agencies identify grantees or grant activities that require additional monitoring to ensure accountability for Federal funds. Risk assessments also help ensure that agencies focus their limited monitoring resources on grantees requiring the most oversight.

In our CIAP audit, we found that, while the Bureau of Ocean Energy Management, Regulation, and Enforcement (BOEMRE), which was originally directed to manage the program, conducted risk assessments, the FWS did not independently conduct its own assessments.<sup>1</sup> The FWS had no prior experience with most of the recipients, yet, rather than applying closer scrutiny, it instead relaxed monitoring requirements established by BOEMRE as a result of the weaknesses identified in those risk assessments.

Specifically, Mississippi's Department of Marine Resources (DMR), which received 65 percent of the State's CIAP funds, did not respond to questions regarding conflict-of-interest policies. It moreover stated it had procurement policies in place to promote competition when it awarded contracts, but we found it still inappropriately awarded sole-source contracts. More generally, all four of the State's grant recipients had a history of failing to conform to required conditions in past awards. All four recipients also had consistently submitted required audit reports late.

Even though FWS officials had no prior experience with three of the four grant recipients in Mississippi, the FWS still did not independently assess grantee risk. In addition, we learned from FWS officials that the FWS did not believe any one grantee presented greater risks than any other but did not develop or apply tools that would allow it to actually assess risk levels for the various recipients.

In addition, FWS officials waived an important monitoring option that should have been considered only after independently determining grantee risk. Specifically, officials allowed grantees to submit financial and performance reports annually, the lowest frequency of available monitoring. While the performance of many grantees supported this frequency of reporting, if the FWS had conducted its own risk assessments, it would have recognized that some of the CIAP-eligible entities in Mississippi required closer monitoring and should have been required to submit these reports more frequently. Therefore, the FWS should have conducted its own risk assessments and put monitoring requirements in place instead of solely relying on the risk assessments BOEMRE had performed.

Without conducting risk assessments and adjusting compliance requirements accordingly, agencies cannot effectively monitor grant projects to prevent fraud, waste, and mismanagement. Because the DOI will award, and has already awarded, some of its CARES Act funding through grant agreements, it must conduct risk assessments and institute appropriate monitoring mechanisms to safeguard CARES Act funds.

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**Key Action:** The DOI must conduct thorough risk assessments and review the grantee's background to ensure it assigns the appropriate level of monitoring. The DOI can mitigate any risks discovered during its assessment of the recipients by using more frequent reporting or other monitoring mechanisms.

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<sup>1</sup> The Secretary of the Interior delegated oversight of these funds to the Minerals Management Service, which had initial responsibility of approving State plans and the continuing responsibility of reviewing, approving, and monitoring grants. In June 2010, the Minerals Management Service reorganized into BOEMRE. On October 1, 2011, the DOI transferred the responsibility to manage the ongoing grants and award the balance of the funds to the FWS.

## Ensure the Grant Recipients Have Proper Internal Controls

Internal controls are the plans, methods, policies, and procedures an entity uses to fulfill its mission, strategic plan, goals, and objectives and are essential to the proper management of Federal funds. Internal controls are crucial to grant management because they safeguard funds from misuse, abuse, and fraud; help ensure financial reliability; promote program effectiveness; and help ensure that recipients adhere to Federal statutes, regulations, and terms and conditions.

In our 2013 audit of CIAP funds awarded to Mississippi, we found that the DMR did not have such controls in the form of policies pertaining to conflicts of interest or defining segregation of duties. The DMR and county officials placed CIAP funds at risk by allowing individuals with apparent or actual conflicts of interest to apply for, evaluate, manage, or benefit from CIAP funding. We found that 23 grants totaling roughly \$16 million of the almost \$39 million we reviewed implicated a variety of undisclosed actual and potential conflicts of interest between a DMR CIAP official, a DMR senior official, the Mississippi Gulf Coast National Heritage Area, and their family members and friends.

We reported these conflicts to our Office of Investigations, which, in a joint investigation with the FBI, uncovered a fraud scheme by the DMR senior official. We determined that the senior official and a family member misused Federal funds, including DOI funds, as part of a conspiracy to defraud the Government. They both pleaded guilty to Federal program fraud, mail fraud, and conspiracy to commit fraud and were ordered to pay joint restitution to multiple Federal agencies. Because the DMR did not have proper internal controls, such as conflict-of-interest policies, the FWS, as the awarding bureau, should have monitored these awards more closely. If CARES Act recipients do not have proper internal controls—and cannot put controls in place before the award—the DOI must carefully monitor those awards.

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**Key Action:** The DOI needs to ensure grant recipients have proper internal controls in place and needs to understand the design, implementation, and effectiveness of those internal controls to safeguard Federal funds.

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## Maximize Competition When Awarding Contracts Using Grant Funds

The Federal Government encourages competition when awarding contracts to reduce costs, and entities should maximize competition whenever possible. Notwithstanding these general principles, sole-source contracting can be a useful tool when there is a lack of available vendors or when funds need to be awarded quickly in emergency situations, but entities should be mindful of over relying on this tool. The risks associated with sole-source awards are exacerbated in emergency situations, because these awards may have a higher purchase threshold than other acquisitions and have the potential to grow rapidly in size, scope, or complexity. When entities decide a sole-source award is appropriate, they should provide proper justifications to demonstrate they did not use a sole-source award to circumvent competition and, as a result, award funds to less-qualified bidders or related parties, potentially leading to waste and inadequate accountability.

In our audit of CIAP funds awarded to Mississippi, we found that four grant recipients circumvented Federal and State procurement rules by continually awarding sole-source contracts without adequate justifications. The recipients avoided dollar thresholds and other procurement requirements by using purchase orders (POs) for services that should have been charged directly to existing contracts. The four grant recipients issued sole-source contracts and POs totaling nearly \$1.4 million and paid more than \$1 million for associated goods and services.

Excessive reliance on sole-source contracting provides little assurance that grantees paid the optimal price for services or that Federal funds were equally available to all potential contractors. As recipients begin to award contracts to assist with carrying out grant objectives, the DOI should ensure these recipients are adhering to Federal and other applicable procurement regulations.

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**Key Action:** The DOI should ensure its recipients maximize competition when awarding contracts using CARES Act funds to ensure reasonable prices and promote accountability for results and justify the use of sole-source contracting when they cannot.

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## Monitor the Grant Recipients' Documentation and Use of Funds

Federal grant regulations require specific and accurate accounting of all grant transactions to ensure that funds are fairly spent and accurately recorded. In addition, agencies awarding Federal funds must ensure that expenditures are allowable, allocable, and reasonable. We identified several mishandled accounting and financial issues with CIAP grant funds in Mississippi, including an improper recording of transactions in the financial management system, unsupported payroll expenses, unsupported indirect costs, and unreported program income.

We also found the DMR and its subgrantees charged a variety of supplies, services, and equipment items to CIAP grants. To be eligible for Federal reimbursement, such expenses must be adequately supported by price quotations, invoices, receipts, and similar documentation. We found, however, that the DMR spent \$23,967 on unallowable promotional items, incurred \$2,229 in unallocable and unreasonable registration costs for a conference, and awarded a subgrant that resulted in \$203,847 in unsupported costs.

Further, the DMR expended \$195,743 of CIAP grant funds on equipment for employees who did not charge work hours to CIAP grants. We also identified instances in which DMR staff misused CIAP equipment, leading us to question \$107,443 of these costs.

Given these types of risks, State personnel and DOI employees overseeing CARES Act awards will be instrumental in ensuring proper oversight. Both have a role in deterring, detecting, and disclosing wrongdoing and mismanagement at the DOI.

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**Key Action:** The DOI must ensure that personnel overseeing awards made under the CARES Act understand Federal grant regulations and know how to report any wrongdoing. Federal guidelines detail the techniques to thoroughly monitor recipient use of funding to ensure that expenditures are allowable, reasonable, and have been appropriately documented. The DOI OIG has resources [on its website](#) available for reporting concerns.

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## Review the Grant Recipients' Performance and Financial Reports

Grant recipients must provide the awarding agency with their financial and performance information through reports to assist the agency with its oversight of the grant. These reports are a key monitoring tool, especially absent site visits. In a review of DMR files during our audit of CIAP funds awarded to Mississippi, however, we found nearly 28 percent of the required financial reports were submitted late or were absent, and in one instance, the grant recipient unilaterally changed the scope of a grant in a performance report, resulting in \$293,748 that may not have supported the original purpose of the grant. Grant officials must preapprove any scope changes. FWS personnel should have identified the change in scope as a clear violation of the grant agreement, but it went unnoticed. In addition, the FWS did not conduct site visits, which could have detected or

prevented these types of problems, making timely submission and careful review of these reports even more important.

While site visits permit more effective monitoring of grant funds, the DOI may manage a large percentage of the CARES Act funds from afar. To do so effectively, the DOI must ensure it carefully reviews performance and financial reports to monitor grant progress and spending. Regulations require at least annual reporting, but the DOI could require quarterly reporting requirements for higher risk recipients to ensure more oversight.

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**Key Action:** The DOI should review performance and financial reports to successfully manage CARES Act awards and consider if recipients should be subject to more frequent reporting.

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The DOI has a large responsibility to award more than \$900 million in CARES Act funds quickly to combat the impact of the COVID-19 pandemic. Strong implementation plans and oversight are instrumental to protect taxpayer interests, as well as to ensure that expenditure of these funds leads to desired outcomes. The DOI should carefully manage and monitor CARES Act recipients to ensure funds are used for their intended purposes and expenditures maximize the benefits to all recipients, the Federal Government, and the public.