



OFFICE OF
INSPECTOR GENERAL
U.S. DEPARTMENT OF THE INTERIOR

U.S. DEPARTMENT OF THE INTERIOR'S CLIMATE CHANGE PROGRAM: LANDSCAPE CONSERVATION COOPERATIVES




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INSPECTOR GENERAL**
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Memorandum

To: Rachel Jacobson
Acting Assistant Secretary, Fish and Wildlife and Parks

Michael L. Connor
Commissioner, Bureau of Reclamation

From: Mary L. Kendall 
Deputy Inspector General

Subject: Final Audit Report – U.S. Department of the Interior's Landscape Conservation Cooperatives
Report No. ER-IN-MOA-0015-2011

This memorandum transmits the results of our audit of the U.S. Department of the Interior's landscape conservation cooperatives (LCCs). LCCs are largely managed and funded by the U.S. Fish and Wildlife Service (FWS) and serve as the front line for activities related to climate change. Bureaus, chiefly FWS, work through the LCCs to distribute Federal dollars as discretionary grants and cooperative agreements. We performed our audit to determine if financial assistance awards, specifically grants and cooperative agreements, for LCCs are being properly awarded and effectively managed.

Specifically, we found areas of concern with respect to the management of grants and cooperative agreements at FWS that could potentially place millions of dollars at risk and jeopardize future funding and support for the LCCs' activities. For example, we identified issues related to the effective implementation of internal controls, the selection and awarding of financial agreements through fair and open competition, as well as oversight and control of LCCs.

In our report we provide 15 recommendations to FWS to strengthen the management of grants and cooperative agreements associated with LCCs. Based on FWS' response to the draft report (see Appendix 6), we made modifications to a number of our original recommendations. We consider one recommendation resolved and implemented and the other 14 resolved but not implemented (see Appendix 7). No further response to the Office of Inspector General on this report is necessary.

The legislation creating the Office of Inspector General requires that we report to Congress semiannually on all audit reports issued, actions taken to implement our recommendations, and recommendations that have not been implemented.

We appreciated the cooperation and assistance of the FWS and Bureau of Reclamation staff. If you have any questions regarding this report, please call me at 202-208-5745.

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Results in Brief

The U.S. Department of the Interior (DOI) oversees a Nationwide network of 22 landscape conservation cooperatives (LCCs) that collaborate across National and international jurisdictions. LCCs were created to leverage resources and encourage science-based inquiries to respond to landscape-level stressors, including climate change. DOI set aside \$88.3 million for fiscal years (FYs) 2010 and 2011 to support LCC staffing, science, and operational needs. A major vehicle for addressing science needs is financial assistance in the form of grants and cooperative agreements. These financial assistance awards are subject to the same requirements as other financial assistance awards made by DOI.

The Office of Inspector General (OIG) audited 6 of the 22 LCCs, based on operational maturity and logistical considerations. For the six selected LCCs, OIG reviewed all grants and cooperative agreements completed after their establishment and covering FYs 2010 and 2011.

We found areas of concern that place millions of dollars at risk. These findings may raise public concern, which could impact support for this valuable work. These areas included the selection and awarding of financial agreements through LCCs; ineffective implementation of internal document controls; inadequate public notice; questionable relationships between LCC coordinators and grant recipients; insufficient training of key personnel responsible for grants management and operational aspects of LCCs; and questioned costs. These issues were primarily limited to LCCs managed by the U.S. Fish and Wildlife Service (FWS). Our audit did not assess the quality of the science, decision support tools, and other products resulting from the financial assistance processes, and we found LCCs to be a highly valuable conservation approach to addressing large-scale challenges and stresses to our natural resources. These findings represent the conditions at the time of our fieldwork and do not reflect any corrective actions taken after that time.

Our audit provides FWS with significant opportunity to take an early look at administrative practices associated with grant management activities. The findings from this audit should help FWS increase awareness of areas for potential improvement.

We provided 15 recommendations in our draft report to improve the management of financial assistance awards. In its response to the draft report, FWS generally concurred with the recommendations and provided information on actions taken after our fieldwork was completed to partially address the issues identified in our report. We modified or clarified several recommendations from our draft report based upon FWS's responses. We consider one recommendation resolved and implemented and the other 14 resolved but not implemented.

Introduction

Objective

Our objective for this audit was to determine if funding for landscape conservation cooperatives (LCC) is being properly managed (see Appendix 1).

Background

Overview of Climate Change Program

The U.S. Department of the Interior (DOI) has an obligation to work with its partners to address climate change and other landscape scale impacts on America's natural and cultural resources. Secretary Salazar signed Secretarial Order 3289 on September 14, 2009, and amended it February 22, 2010, titled, "Addressing the Impacts of Climate Change on America's Water, Land, and Other Natural and Cultural Resources." The document coordinated the application of scientific tools to increase understanding of climate change and determine an effective response to its impact on tribes and on land, water, ocean, fish and wildlife, and cultural heritage resources managed by DOI.

In support of the Secretarial Order, as the largest land manager in the United States, DOI has established and uses 8 climate science centers (CSCs) and 22 landscape conservation cooperatives (LCCs) as vehicles through which to address climate change and other ecological stresses. The CSCs and LCCs were created to collaborate across organizational boundaries to address different aspects of climate change. The CSCs are primarily funded by the U.S. Geological Survey (USGS), whereas the LCCs are largely managed and funded through the U.S. Fish and Wildlife Service (FWS).¹

CSCs provide tools and techniques that natural and cultural resource managers may use to anticipate, monitor, and adapt to climate-driven change at all ecological levels, including National, regional, and local. CSCs provide LCCs with climate change data impacting natural and cultural resources.

Paired with CSCs, the 22 LCCs focus on the landscape level that involves broad-scale interconnected ecological systems. These systems cross Federal, State, local, private, and tribal boundaries. LCCs are applied conservation science partnerships with two main functions. The first is to provide the science and technical expertise needed to support conservation planning at levels beyond the reach or resources of any one organization. The second function is to promote collaboration among their membership to define shared conservation goals. With these goals in mind, partners (Federal, State, local, tribal, and nonprofit organizations; private landowners; and educational institutions) can identify where and how they will

¹ FWS is the lead for 18 LCCs, U.S. Bureau of Reclamation for 2 LCCs, Bureau of Land Management for 1 LCC, and USGS for 1 LCC. In FY10, the first 9 LCCs were initiated. In FY11, another 8 LCCs initiated operations..

take action, within their own authorities and organizational priorities, to best contribute to the larger conservation effort.

Each LCC is guided by a steering committee with members drawn from all partnership levels. The size and composition of steering committees vary, and additional committees and groups are established by LCCs as needed (e.g., technical committees to review proposed research projects). LCC permanent staff, however, includes an LCC coordinator and a science coordinator at a minimum. DOI generally funds operational costs (e.g., office space and equipment) and staff salaries.

Bureaus work through the LCCs to distribute Federal dollars as discretionary grants² and cooperative agreements³ to educational institutions, State agencies, tribes, and nongovernmental organizations conducting climate change research and data support initiatives.

Grants Management Performance Problems

The issues we identified during our audit regarding FWS grant management are not new. Historically we have found grant management to be an area of concern, particularly with FWS grant processes. Previous internal FWS reviews, as well as previous Office of Inspector General (OIG) reports, have identified similar problems.⁴

In August 2010, FWS issued a report titled “Financial Assistance Internal Control Management Review for FY 2010” that summarized its annual review findings at three of its nine regions. The report, which included an analysis of performance areas such as organizational alignment and leadership, policies and procedures, human capital, and knowledge and information management, indicated that regional offices handle most transactions during the pre-award and funds obligation stage, but do not communicate with programs during post-award and closeout. The report noted that there was a lack of coordination between program and financial assistance staff.

The FWS review also found “critical documentation” missing from official grant files. The management report stated that these findings reveal a “lack of transparency in awarding financial assistance.” We noted instances where the lack of transparency was readily apparent.

²A discretionary grant is a financial award for which the Federal awarding agency selects the recipient from among all eligible recipients; decides to make or not make an award based on the programmatic, technical, or scientific content of an application; and decides the amount of funding to provide.

³ A cooperative agreement is an award of financial assistance that is used to enter into the same kind of a relationship as a grant. It is distinguished from a grant in that it provides for substantial involvement between the Federal agency and the recipient in carrying out the activity contemplated by the award.

⁴ Previous OIG reports include: HI-EV-FWS-0001-2009, “U.S. Fish and Wildlife Service Grants and Cooperative Agreements in Hawaii and the Pacific Islands” (June 2011); ER-IS-FWS-0017-2009, “U.S. Fish and Wildlife Service Division of International Conservation” (October 2010); and W-IN-MOA-0052-2004, “Framework Needed to Promote Accountability in Interior’s Grant Management” (August 2005).

The management report indicated that while regions have adequate staff to manage financial assistance awards, experience and training in this area is often limited. Our audit revealed similar findings, echoing FWS' management report findings as well as previous OIG reports. FWS did not require corrective action plans for identified deficiencies, primarily due to various organizational changes and the anticipated transition to a new financial management system.

Our current findings, as well as previous OIG findings and those identified in the FY 2010 FWS management review, illustrate an ongoing problem with grants management activities at FWS. Our audit focused on FYs 2010 and 2011 grants and cooperative agreements (financial assistance awards) managed by six LCCs—

- Appalachian, North Pacific, and South Atlantic LCCs, managed by FWS;
- Southern Rockies LCC, comanaged by FWS and U.S. Bureau of Reclamation (USBR);
- Great Northern LCC, comanaged by FWS, National Park Service (NPS), and U.S. Geological Survey, but with FWS as the source of its financial assistance awards; and
- Desert LCC, comanaged by FWS and USBR, but with USBR as the source of its financial assistance awards.

We reviewed 47 grants and cooperative agreements totaling \$6.8 million for FYs 2010 and 2011, an amount representing 7.7 percent of the total LCC funding for both fiscal years (\$88.3 million) (see Appendices 2 and 3).

While all of our findings dealt with FWS grants administration and management, we note that USBR, comanager of two LCCs, funded projects separately and had much stronger controls over the financial assistance awards it managed than did FWS. Of the 47 total awards we reviewed, USBR managed 9.

Findings

Our findings revealed several areas of concern regarding grants management that warrant immediate attention and action by FWS.

In administering grants and cooperative agreements, FWS did not fully meet its fiscal responsibilities to ensure that climate change funds were used in accordance with the Office of Management and Budget (OMB) and DOI guidance and regulations on financial assistance (see Appendices 4 through 7). We identified problems in key areas, including—

- selection and awarding of financial assistance agreements;
- internal controls and documentation; and
- FWS oversight of LCCs.

We believe that the issues we have identified leave DOI vulnerable not only to questions of unfair or inadequate public notice but also to issues of favoritism.

Selection and Awarding of Financial Assistance Agreements

Inadequate Public Notice and Competition

Public competition for Federal funds is intended to help ensure that the U.S. Government receives the best value for taxpayer dollars, whether such monies are disbursed through procurement contracts or awarded as financial assistance. Public notification of competitive funding opportunities also promotes fairness (both perceived and real) and combats the appearance of favoritism. With only limited exceptions, OMB memorandum M-04-01 and Departmental Manual (DM) 505 § 2.12 require that synopses of discretionary cooperative agreements and grant funding opportunities be posted on Grants.gov. The announcement must contain or reference the requirements for the application and the criteria by which applicants will be evaluated. When Federal funds are not awarded competitively, 505 DM § 2.14 requires notice of the award to be posted on Grants.gov, including justification for this decision.

We found that FWS did not comply with their notification and competition requirements for 36 of the 38 awards we reviewed. In 23 cases, FWS did not post the funding opportunity on Grants.gov, and in 13 cases, in our judgment, FWS neither provided sufficient time for applicants to apply, nor sufficiently specified criteria by which applicants would be evaluated (see Figure 1).

LCCs	Not Posted on Grants.gov	Inadequate Time and Criteria
Southern Rockies	7	0
Great Northern	15	0
Appalachian	1	0
South Atlantic	0	4
North Pacific	0	9
Totals	23	13

Figure 1. Inadequate public notice and competition.

Failure to comply with these requirements and to provide reasonable, sufficient time for public response diminished FWS' ability to demonstrate transparent actions and ran counter to customer service mandates prescribed in OMB and DOI guidance. For example, rather than posting funding opportunity announcements to Grants.gov, the Great Northern and Southern Rockies LCCs used their Web sites to notify the public or provided email notification to alert interested parties. Once their grant selections had been made, however, they posted the specific award notifications on Grants.gov.

Public notification of funding opportunities was also problematic at the Appalachian LCC. FWS awarded a cooperative agreement without competition to Wildlife Management Institute (WMI), a nonprofit organization, to administer the Appalachian LCC grants. Under this single agreement with WMI, the Appalachian LCC posted six funding opportunities on its Web site as contracts. Four of the six were awarded as grants instead of contracts, totaling \$671,801, while the remaining two opportunities were not funded. None of the six funding opportunities were posted on Grants.gov. As a result, there was no public competition for these four awarded grants.

Such a change in identification from contract to grant could have impeded competition, particularly since potential applicants might have been excluded from competing because of the absence of a public notice. Because of substantial FWS involvement and the use of FWS funds, we believe that the funding opportunities should have been posted on Grants.gov in the interest of competition and transparency.

The FWS grants officer overseeing this LCC did not consider posting the four projects on Grants.gov because she regarded them as subgrants and, therefore, excluded from the Grants.gov posting requirement. Also, the LCC coordinator, as well as FWS management, could not explain why the projects were posted as contracts on the LCC site and then funded as grants without public notice when none of the projects met the Departmental Manual exceptions.

We identified other problems with respect to postings on Grants.gov. Although 505 DM § 2 does not mandate a specific time period for posting award announcements on Grants.gov, the average posting time across the Government is 30 days according to the Health and Human Services (HHS) Grants.gov Project Management Office, which oversees Grants.gov.

Even where notifications of funding opportunities were made on Grants.gov, sufficient response time was not always provided. For example, nine projects funded through the North Pacific LCC were only open for 8 days. Similarly, four projects funded through the South Atlantic LCC for FY 2011 were only open for 11 days, raising questions about fairness. Although the amount of time available was more than the minimum of 5 days specified in FWS internal guidance, in our judgment, the time provided was insufficient, considering the level of detail required by the application and the Government average of 30 days on Grants.gov.

Incorrect or Questionable Procurement Activities

According to 31 U.S.C. § 6303, a contract should be used when the primary purpose of the award is to obtain services for the direct benefit of the Government. FWS entered into a \$2 million sole-source cooperative agreement with WMI, a private, nonprofit, scientific and educational organization, to support conservation efforts for the North Atlantic and Appalachian LCCs. FWS used WMI for scientific advice and management of FWS grant agreements.

In fact, more than 98 percent of the costs of this agreement covered grant administration, a service that is of direct benefit to the Government. Under its cooperative agreement, WMI distributed grant money after the LCCs had selected the awardees. WMI did not participate in the selection and acted only as a pass-through for funds.

We question all indirect costs charged by WMI in this agreement. WMI charged an indirect, overhead cost rate of 10 percent of the direct grant costs, in the amount of \$182,947 (see Appendix 5). WMI's approved provisional indirect cost rate agreement (by DOI's National Business Center as the cognizant or financially responsible agency) for the relevant period was 67 percent of direct salaries and fringe benefits only. As direct salaries listed in WMI's budget were zero, the related indirect costs to the Government also would be zero.

In addition, the Appalachian LCC awarded Virginia Polytechnic Institute and State University (Virginia Tech) an \$84,174 cooperative agreement for support services, which included office space, computer support, and other administrative activities. We question the use of a cooperative agreement for service-related activities. Considering 31 U.S.C. § 6303, this award appears to be more in keeping with a contracting action.

The Southern Rockies LCC awarded the University of California-Davis a \$99,875 cooperative agreement for a project related to adaptive management capacity on

Navajo Nation lands. Since no substantial Federal involvement appeared in the statement of work, this agreement would have been more appropriately funded as a grant.

FWS performed no legal reviews prior to awarding any of these financial assistance agreements. Had FWS performed an appropriate legal review, these issues very likely would have been identified and corrected.

Potential Conflict of Interest and Absence of Sole-Source Justification

At the Southern Rockies LCC, we found that FWS reported five awards to State agencies on Grants.gov as having been competed through the LCC but that were, in fact, awarded without competition. No sole-source justification was prepared for these awards.

These five award recipients regularly partner with Southern Rockies and hold positions on the LCC's steering committee. Members of this steering committee also have responsibility for recommending awards. This creates the appearance of a conflict of interest since the agencies represented by these steering committee members received Federal grant funds without competition and without public posting of a sole-source justification. Our interviews indicated that the grants officer was unaware that the five agreements had been awarded without competition. These awards to State agencies, which support the agencies' participation in the LCCs (e.g., capacity grants), should be appropriately justified and documented as sole-source awards.

In addition, we uncovered a similar situation in the Great Northern LCC. Again, we identified that two agreements were awarded without competition, even though the Grants.gov notice identified them as competitive awards. No sole-source justification was posted or prepared.

Inaccurate or Poorly Determined Risk Analyses

To determine the level of risk associated with awarding Federal funds to a grantee, OMB guidelines (2 C.F.R. § 180.425) require agencies to confirm that the recipient of Federal funds has not been suspended or debarred. In accordance with 505 DM § 2.11 (E) and 43 C.F.R. § 12.914, bureaus are responsible for assessing the level of risk associated with an award to the grantee. Risk assessment is based on a variety of factors, including, but not limited to, single audit results, past experience, and review of the Excluded Parties List System (EPLS). A high level of risk can result in conditions being imposed to mitigate the risk.

Although FWS generally documented the single audit and EPLS results, FWS did not document its conclusions on the level of risk ascribed to the grantee. Without such documentation, reviewers cannot determine whether FWS considered all appropriate factors before awarding the grants. Also, without full documentation

that includes some notation of all the steps in the process, the possibility of inconsistent risk assessments is increased.

During our audit, we identified at least one occurrence of inconsistent risk assessments, where the same grantee was given two different risk assessments. The Great Northern LCC awarded a \$25,000 cooperative agreement to Montana State University, identifying it as a “high-risk” recipient. Then, in a separate cooperative agreement valued at \$230,417 with the same grantee, the Great Northern LCC identified the institution as a “low-risk” recipient.

In both instances, the LCC used the same criteria to determine risk—

- the Federal Audit Clearinghouse (FAC) report for the State of Montana for the fiscal year ending June 30, 2009;
- EPLS results; and
- the Central Contractor Registration (CCR) and Online Representations and Certifications Application (ORCA) database.⁵

The file we reviewed contained no evidence that the grants officer or the LCC coordinator notified the grantee of its “high risk” status prior to making the award, even though the file did contain a memorandum to the LCC project officer, noting the grantee’s status and stating: “According to the Federal Audit Clearinghouse, the 2009 audit rated this Cooperator as high risk, in areas such as reporting, allowable activities, matching funds, period of availability of federal funds, and reporting.” For the same grantee, a second file contained an undated project officer memorandum using the identical FAC year data, but identifying the recipient as low risk and adding the following qualifying statement: “According to the Federal Audit Clearinghouse, the (2009) audit rated this Cooperator as Low Risk, however, areas such as reporting, allowable costs and activities, sub-recipient monitoring, and cash management, should still be monitored.”

Inadequate review and analysis of existing documentation contributed to the assignment of an inappropriate risk level to the grantee. Although award files contained documentation, including the EPLS and CCR/ORCA records, we found only a portion of the FAC report in both files, and this portion did not contain data relevant to the grantee.

Inadequately identifying the risk status of grantees clearly indicates a lack of due diligence by grants officers and review officials. Inappropriate designations may potentially lead to an inadequate level of control over a questionable recipient and may further place DOI funds in jeopardy for fraudulent activity.

⁵ The CCR database is a central source for managing entities that receive Federal funds, as either contractors or grantees. ORCA is used to perform representations and certifications online.. In August 2012, CCR and ORCA were combined into the System for Award Management.

In contrast, USBR developed its own specific form on which to detail the risk level for specific grantees. All USBR-awarded grant and cooperative agreement files that we reviewed contained—

- adequate risk assessment determinations;
- clear analysis and conclusion statements that indicated the ability of the awardee;
- a recommendation to award the grant or agreement; and
- key demographic data, including the agreement number, recipient, anticipated award amount, type of instrument, audit review findings and compliance with OMB Circular A-133, as well as a “recipient responsibility determination” assessment and a grants officer review.

All applicable portions of the form had been completed. We noted no deficiencies with USBR’s process for risk assessment determinations.

Inadequate Budget Analysis and Proposals

A thorough budget analysis assesses an applicant’s financial strength and management capability. Generally, the extent of the analysis completed by the awarding organization depends on the amount of the grant, the nature of the project, the costs involved, and past experience with the grantee.

At a minimum, the analysis should determine how realistic the proposed budget is in comparison to the potential grantee’s technical proposal. Also, the indirect cost rate should compare with the rate approved by the cognizant agency. Otherwise, the recipient’s method of computing this rate should be analyzed.

We found that FWS budget analyses often appeared inadequate, relying on standard language rather than modifying that language to allow for differences among specific agreements, and offered no evidence of actual review. For example, the Great Northern LCC budget certifications of project officers all contained identical language, changing only the name of the grantee. These documents began with a statement: “The costs were developed jointly between the [grantee] and the FWS Program Officer,” but the costs were not jointly developed. Rather, they were submitted by the grantee in the proposal submission.

We also found that applicants’ budget information often appeared insufficiently detailed for a proper analysis. For example, a grant agreement for \$50,000 cited salaries of \$20,246 and contractual costs of \$10,500 without any further details. Indirect cost rates and fringe benefit rates also went undocumented. A cooperative agreement for \$156,985 contained no indication that review of indirect costs had occurred.

In contrast to the findings we noted concerning FWS, we found that USBR performed more thorough budget analyses, using an “Application Budget Review” form to document their reviews. The form includes cost categories, such

as indirect costs, and space for questions, such as whether the applicant has an approved indirect rate and whether that rate has been correctly applied. We noted that USBR's files contained correspondence with the applicants regarding their budgets as well as changes to those budgets when USBR identified issues.

Recommendations

We recommend that FWS:

1. Ensure that public notice and competition are performed in accordance with applicable laws, regulations, and DOI guidance;
2. Ensure postings of grants and cooperative agreements on Grants.gov are available to the general public commensurate with fair and open competition;
3. Limit use of sole-source awards to increase competition and transparency;
4. Resolve the questioned costs;
5. Use the appropriate legal instrument for funding financial awards;
6. Consider whether legal reviews are needed before committing funds;
7. Ensure that appropriate procedures are in place to address potential conflicts of interest;
8. Develop and fully employ an appropriate USFWS risk assessment form; and
9. Guarantee and independently verify that appropriate budget analyses and risk assessments are performed and accurately documented in the award file and, where applicable, that proper notifications are made and documented.

Internal Controls and Documentation

Inconsistent and Ineffective Use of DOI Financial Assistance Agreement Review Sheet

We found that key grants management controls developed by DOI have not been adequately implemented by FWS at the LCC level. In response to a 2005 OIG

recommendation,⁶ DOI issued its “Financial Assistance Communication Liaison Policy Release 2007-1,” dated December 28, 2006, mandating that a standard process be followed by grants management offices overseeing DOI financial assistance awards. The policy release provides a standardized financial assistance agreement review sheet to be used as a quality assurance tool and reiterates the requirements found in 505 DM §§ 2.2, 2.3, 2.9, 2.12, and 2.13 regarding—

- selection of the appropriate award instrument (e.g., grant, contract, or cooperative agreement);
- need for clear legal authority for entering into financial assistance agreements; and
- increased competition, where appropriate, and transparency in all financial assistance transactions.

DOI’s review sheet helps bureaus comply with grants management requirements by providing a checklist to which grant managers can refer. We found that weaknesses exist in the FWS LCCs’ application and use of this review sheet. We believe that this inconsistency contributed not only to the absence of required documentation but also to the varying degree of completion of required documents. In 16 of the FWS LCC grant agreements we analyzed, the review sheet either was not used or only partially used, or the version in the grant file did not cover all of the requirements established by DOI. In addition, we noticed that the degree of attention paid to the accuracy and completion of the checklists varied among LCCs.

For example, five of the eight grant files we reviewed at the Southern Rockies LCC contained incomplete review sheets. Many files did not have the required initials showing that checklist items had been reviewed, or contained a circle with no annotation, suggesting that the item needed review but remained unverified. Similarly, five of the fifteen files we reviewed for the Great Northern LCC had either incomplete or missing checklists. The remainder were associated with the Appalachian LCC (two awards) and the South Atlantic LCC (four awards). In fact, the FWS-managed South Atlantic and Appalachian LCCs’ review sheets contained fewer details than the DOI checklist required.

In contrast, we found that the FWS-managed North Pacific LCC provided award document review sheets that were complete for nine awards and corresponded precisely with DOI’s review sheet. We noted no deficiencies in the use of this form. We also found the same degree of completeness with the nine USBR-managed award files at the Desert and Southern Rockies LCCs.

Insufficient Documentation

Appropriate completion of the review form and inclusion of key documentation in the grant file are controls that verify compliance with policies and procedures.

⁶ OIG report W-IN-MOA-0052-2004, dated August 2005: “Framework Needed to Promote Accountability in Interior’s Grant Management.”

They also help to prevent or detect potential fraud when awarding financial agreements. The grant and cooperative agreement files that we reviewed contained insufficient documentation, raising concerns related to enforcement of OMB and DOI requirements.

Even though in some cases checklists had been completed, we identified areas of concern with respect to internal controls. Overall, we found problems with documentation for all of the 38 financial assistance awards made by FWS. Figure 2 summarizes the documentation problems we found and the number of awards associated with each problem.

Documentation Deficiency Description	Number of Agreements with a Deficiency
Review checklist lacks conformity with DOI checklist	16
Inadequate/incomplete budget analysis	36
Inadequate business risk analysis	37
Incorrect program authority	33
Inadequate or missing sole-source justification	9
Funding opportunity not posted to Grants.gov	23
Inadequate response time for funding opportunities	13
Incomplete/inaccurate determination and findings statements	23
Inadequate justification for financial vehicle used	3

Figure 2. Summary of deficiencies.

The deficiencies we found could have been identified by a grants officer or a higher level review. These files showed little evidence of such examination and correction. In contrast, we did find that USBR had much stronger controls over financial assistance awards than FWS. USBR files contained information on deficiencies detected during internal reviews and actions taken to correct them. USBR routinely used a second-level, independent reviewer, which contributed to the quality of their documentation. This practice could be readily adopted by FWS.

Incorrect Program/Funding Citations

Federal agencies do not have legal authority to enter into grants and cooperative agreements unless specifically authorized by legislation (referred to as program authority). The program authority also indicates who is eligible for awards, the purpose for which they can be made, and any other constraints. An agency is required to cite the legal authority it uses in the final award agreement.

We found the LCCs included irrelevant citations or incorrectly cited laws in 33 of their 38 awards. This indicates that FWS staff do not have a clear understanding of the various program authorities under which their awards are being made. As a result, there is an increased risk that awards will be made for an incorrect purpose, to an ineligible recipient, or without proper requirements.

One LCC consistently included a reference to the Federal Grant and Cooperative Agreement Act of 1977 (31 U.S.C. §§ 6301-6308), which contains no grant-making authority. Also, 505 DM § 2.10 explicitly states that this act will not be cited as authority. Another LCC incorrectly cited the Land and Water Conservation Fund Act of 1965, which also has no authority associated with financial assistance entered into by an LCC.

Inadequate Determination and Findings Statements

We further identified instances where determination and findings statements did not clearly indicate whether a grant or a cooperative agreement was the delivery instrument for Federal awards. “Determination and Findings” is a special form of written approval by an authorized official that is required by statute or regulation as a prerequisite to taking certain actions. The “determination” is a conclusion or decision supported by the “findings.” The findings are statements of fact or rationale essential to support the determination and must cover each requirement of the statute or regulation. Even though such statements could be located in the file, they did not always cite the type of financial instrument used by FWS.

According to 505 DM § 2.6: “[B]ureaus and offices will determine and use the appropriate instrument (i.e., procurement contract, grant agreement, or cooperative agreement) when acquiring property and services or in providing financial assistance. Files should be documented, with justification of the appropriate financial assistance instrument.” Overall, 61 percent of the FWS awards we reviewed did not clearly specify the type of financial assistance to be used. The problem was most prevalent in the Great Northern and Southern Rockies LCCs.

Appendix 4 provides a breakdown of the documentation deficiencies we identified during our audit.

Recommendations

We recommend that FWS:

10. Direct the use of the FWS' checklist, which incorporates all elements of the DOI standardized checklist across all LCCs;
11. Require all noncompetitive discretionary grant awards be reviewed at a level above awarding officials; and
12. Perform periodic management reviews of financial assistance processes to ensure that controls are properly enforced and effective.

Oversight and Control of LCCs

Insufficient Coordination between Program and Grant Officers at LCCs

Many of the FWS LCCs' issues can be attributed to poor coordination between some LCC coordinators and grants officers at the sites that we visited. Our interviews with various LCC coordinators and grants officers indicated less-than-satisfactory coordination to ensure competition, evaluate proposals, and monitor performance of grantees.

For example, we determined that there was miscommunication regarding award competition at the Southern Rockies LCC. The grants officer believed that eight financial assistance awards were competed through the LCC when, in fact only three were competed. The LCC coordinator confirmed that these were sole-source selections, but this was not communicated to the grants officer.

At the Great Northern LCC, the coordinator maintained files separate from those maintained by the grants administrator. The coordinator prepared and sent to the grants officer an overarching funding opportunity announcement for FY 2011, which the grants officer never posted to Grants.gov. The LCC coordinator did not know that the announcement had not been posted.

We observed that LCC coordinators did not have access to full grant files even though, in most cases, they served as the grants officers' technical representatives. The lack of coordination we observed contributes to the ineffective grants management we have noted thus far. In contrast, we noted that the North Pacific LCC used SharePoint™ (a collaborative software) to ensure that the grants administrator and the LCC coordinator had access to all information for awarding and monitoring grants, including grantee financial and performance reports.

Absence of Adequate Grants Management Training

LCC coordinators or science coordinators who function as grants officers' technical representatives appear to have limited background in grants and cooperative agreements. Based upon our interviews and observations, we found that at least three of the six LCCs we visited lacked coordinators with sufficient background and training to complete the necessary work efficiently and accurately.

It was also apparent that lack of training in financial assistance for both grants officers and their technical representatives contributed to the problems we identified. FWS has no training requirements for either grants officers or their technical representatives beyond a basic grants management course. Lack of training was identified as a problem in FWS' own financial assistance reviews.

In contrast, USBR requires both its grants officers and their technical representatives to complete initial training, plus refresher training at least every other year.

Recommendations

We recommend that FWS:

13. Encourage closer coordination and communication of financial assistance requirements between LCC coordinators and grants management personnel;
14. Provide LCC coordinators access to full grant files; and
15. Develop and standardize training for appropriate FWS staff who serve as the grants officers' technical representatives.

Promising Practices

Although this report focuses on deficiencies in financial assistance management practices, we also observed what we consider to be promising practices at specific LCCs:

- The Appalachian LCC developed a database that listed more than 180 regional experts in various fields pertinent to the LCC's mission. The catalogue provides project officers a quick reference to locate expertise on technical and scientific issues when designing awards, ensuring accuracy, and advocating for necessary scientific needs. Other LCCs could benefit from a similar database or, better yet, a shared database.
- The South Atlantic LCC and the Great Northern LCC created databases listing active projects conducted by partners within and around their LCC

borders, facilitating knowledge sharing among the partners and the creation of unique projects without regional duplication.

- The North Pacific LCC had an experienced staff member onsite who is knowledgeable in grants management to ensure that there was coordination in the financial award process between the LCC and the FWS regional office.
- USBR, in its role as the Desert LCC lead agency and the Southern Rockies LCC co-lead, demonstrated the most efficient management practices for financial assistance awards. A high degree of collaboration existed between program and financial assistance staff. USBR required cost sharing on their financial assistance agreements, often a requirement of grant-making organizations, which allowed the Bureau to better leverage its funds.

These represent an opportunity for the LCCs to identify practices that could benefit the LCC network and the program as a whole if adopted nationally. Idea exchange is of fundamental importance to the success of the LCCs, in that it prevents duplications of effort and redundancies within the program. We encourage LCC leadership to share concepts that improve management of this initiative.

Conclusion and Recommendations

Conclusion

We evaluated 47 grants and cooperative agreements worth \$6.8 million administered through the LCCs in support of DOI's climate change initiative. We noted that DOI policies designed to strengthen internal control mechanisms developed in response to previous OIG recommendations were inadequately implemented and ineffectively enforced. This leaves DOI open to possible allegations of insufficiently supporting competition and transparency in the Federal award process, in addition to increasing the potential for fraudulent activity. Failing to adequately address these issues creates an ongoing concern.

We offer 15 recommendations, together with promising practices, to help the bureaus and DOI bring LCC grants management activities into conformance with regulations and DOI policies. Because the intention behind the creation of the LCCs is so critical to the future of DOI resources, we believe that these steps are necessary to reinforce the continued value of LCCs to the American public.

Recommendations Summary

We recommend that FWS:

1. Ensure that public notice and competition are performed in accordance with the applicable laws, regulations, and DOI guidance.

FWS Response: FWS concurred with the recommendation. In its response, FWS indicated that on May 11, 2012, FWS released "U.S. Fish and Wildlife Service, Issuing a New Financial Assistance Award Guidance." FWS indicated that the guidance provides mandatory steps to be completed before a new award is released. In addition, FWS issued a memo on May 31, 2013, which re-emphasized existing FWS guidance; introduced a new requirement for regional directors to identify personnel who will be responsible for both financial and programmatic aspects of the LCCs and; instituted a requirement for all personnel involved with reviewing, negotiating, approving, monitoring and closing LCC grants and cooperative agreements to attend the Basic Financial Management Course before December 31, 2015 and complete refresher training every three years.

OIG Analysis of FWS Response: Based on FWS' response, we consider this recommendation resolved but not implemented.

2. Ensure postings of grants and cooperative agreements on Grants.gov are available to the general public commensurate with fair and open competition.

FWS Response: FWS concurred with the recommendation. In its response, FWS indicated that on May 11, 2012, it issued a memorandum titled “U.S. Fish and Wildlife Service, Issuing a New Financial Assistance Award Guidance,” which provides mandatory steps to be completed before a new award is released. FWS indicated that the memorandum addresses this topic and provides guidance on postings of grants and cooperative agreements on Grants.gov to ensure procedures are in place encouraging both fair and open competition. In addition, FWS issued a memo on May 31, 2013, titled, “Strengthening Financial Assistance Controls In Response to the Office of Inspector General’s Evaluation of the Department of the Interior’s Climate Change program: Landscape Conservation Cooperatives (ER-IN-MOA-0015-2011).” which re-emphasized existing FWS guidance; introduced a new requirement for regional directors to identify personnel who will be responsible for both financial and programmatic aspects of the LCCs and; instituted a requirement for all personnel involved with reviewing, negotiating, approving, monitoring and closing LCC grants and cooperative agreements to attend the Basic Financial Management Course before December 31, 2015 and complete refresher training every three years. FWS is also waiting for OMB to issue guidance on Grants.gov postings as part of the Reform of Federal Policies Relating to Grants and Cooperative Agreements (OMB-2013-0001-0001) and intends to comply fully with OMB’s guidance when it is released.

OIG Analysis of FWS Response: Based on FWS’ response, we consider this recommendation resolved but not implemented.

3. Limit use of sole-source awards to increase competition and transparency.

FWS Response: FWS partially concurred with the recommendation. In its response, FWS indicated that in some instances, sole-source awards are the only option for LCC projects (e.g., awards to States). Therefore, FWS does not concur with the portion of the recommendation to limit the use of sole-source awards. FWS does concur with the portion of the recommendation to increase competition, where feasible, and increase transparency—that awards should be competed where possible and when in the best interest of FWS. On May 11, 2012, FWS issued a memorandum titled: “U.S. Fish and Wildlife Service, Issuing a New Financial Assistance Award Guidance,” which provides mandatory steps to be completed before a new award is released. FWS indicated that the memorandum addresses the justification of sole-source awards and states that the FWS’ “program office must make sure that all discretionary financial assistance awards that will be issued without competition (also known as sole source awards) are justified according to the Department policy (505 DM 2, Section 2.14).” The memorandum further states: “For discretionary awards to be issued without competition, the program office

must document in writing all sole source determinations, regardless of award amount, and post funding opportunities for sole source awards for \$25,000 or more on Grants.gov.” In addition, FWS issued a memo on May 31, 2013, titled, “Strengthening Financial Assistance Controls In Response to the Office of Inspector General’s Evaluation of the Department of the Interior’s Climate Change program: Landscape Conservation Cooperatives (ER-IN-MOA-0015-2011).” which re-emphasized existing FWS guidance; introduced a new requirement for regional directors to identify personnel who will be responsible for both financial and programmatic aspects of the LCCs and; instituted a requirement for all personnel involved with reviewing, negotiating, approving, monitoring and closing LCC grants and cooperative agreements to attend the Basic Financial Management Course before December 31, 2015 and complete refresher training every three years.

OIG Analysis of FWS Response: OIG’s recommendation stands as written since we believe the recommendation does allow FWS discretion in the use of sole-source awards. We recognize that circumstances exist when the use of sole-source agreements is necessary; therefore we consider this recommendation resolved but not implemented.

4. Resolve the questioned costs.

FWS Response: FWS partially concurred with the recommendation. FWS stated that the Wildlife Management Institute (WMI), Virginia Tech, and University of California-Davis (UC-Davis) agreements were correctly classified as “financial assistance” rather than contracts, because their purposes meet the public good of supporting the mission of the LCCs, a group broader than FWS, which is made up of Federal agencies, State governments, and nonprofit organizations. The mission and targets of the LCCs are not solely those of FWS. Therefore, FWS stated that the agreements with WMI, VT, and UC-Davis were not funded in order to meet agency-specific needs.

FWS agreed that the budget documentation with WMI indicates that indirect cost was inaccurately assessed. FWS is coordinating with WMI to get detailed information about the 10 percent surcharge to determine whether payback is required and will communicate corrective action, if required, by December 31, 2013.

OIG Analysis of FWS Response: We still have concerns regarding the vehicles chosen for the Virginia Tech and University of California-Davis agreements, particularly the phrasing of the justifications, but we feel that any changes to the vehicle would not be in the best interest of the Government. Therefore, we do not view the amounts for these two agreements as questioned costs. Based on FWS addressing the questioned

indirect costs associated with WMI, we consider this recommendation resolved but not implemented.

5. Use the appropriate legal instrument for funding financial awards.

FWS Response: FWS concurred with the recommendation. FWS issued a memo on May 31, 2013, titled, “Strengthening Financial Assistance Controls In Response to the Office of Inspector General’s Evaluation of the Department of the Interior’s Climate Change program: Landscape Conservation Cooperatives (ER-IN-MOA-0015-2011)”, which re-emphasized existing FWS guidance with respect to the use of appropriate legal instruments for funding financial awards (memorandum dated May 11, 2012 titled: “U.S. Fish and Wildlife Service, Issuing a New Financial Assistance Award Guidance”). The May 31, 2013 memorandum introduces a new requirement for regional directors to identify personnel who will be responsible for both financial and programmatic aspects of the LCCs and; instituted a requirement for all personnel involved with reviewing, negotiating, approving, monitoring and closing LCC grants and cooperative agreements to attend the Basic Financial Management Course before December 31, 2015 and complete refresher training every three years.

OIG Analysis of FWS Response: Based on FWS’ response, we consider this recommendation resolved but not implemented.

6. Consider whether legal reviews are needed before committing funds.

FWS Response: FWS concurred with the recommendation. It agreed that awards meeting the definition laid out in 505 DM 2 are good candidates for legal review. FWS reinforced the guidance for legal review as stated in the its memorandum, “U.S. Fish and Wildlife Service, Issuing a New Financial Assistance Award Guidance,” issued May 11, 2012, with an additional memorandum released on May 31, 2013 titled, “Strengthening Financial Assistance Controls In Response to the Office of Inspector General’s Evaluation of the Department of the Interior’s Climate Change program: Landscape Conservation Cooperatives (ER-IN-MOA-0015-2011).” The Director’s memorandum requires regional directors to identify regional solicitor points of contact for LCC matters by December 31, 2013. In addition, this memo institutes a requirement for all personnel involved with reviewing, negotiating, approving, monitoring and closing LCC grants and cooperative agreements to attend the Basic Financial Management Course before December 31, 2015 and complete refresher training every three years.

OIG Analysis of FWS Response: Based on FWS’ response, we consider this recommendation resolved but not implemented.

7. Ensure that appropriate procedures are in place to address potential conflicts of interest.

FWS Response: FWS concurred with the recommendation. FWS indicated the need to use a variety of appropriate approaches to manage LCC-related financial assistance awards, depending on the need. For example, in its response, FWS indicated that awards made to State agency partners in support of their ability to effectively participate in an LCC (i.e., capacity grants) will likely be sole-source grants. In such cases, FWS indicated that appropriate justification will need to be developed and included in the grant files. FWS also indicated a need to develop and issue guidance on these procedures, including the identification of situations that pose potential conflicts of interest. In its response, FWS indicated it will encourage LCC participants to seek review from their regional ethics official when faced with a situation that may pose a potential conflict of interest. The target date for implementation is December 31, 2014.

OIG Analysis of FWS Response: Based on FWS' response, we consider this recommendation resolved but not implemented.

8. Develop and fully employ an appropriate USFWS risk assessment form.

FWS Response: FWS did not concur with the recommendation as originally stated, which proposed that the agency adopt USBR's risk assessment form. The agency did not agree for the following reasons: DOI released DIG 2011-03, "Financial Assistance Monitoring Protocol" on September 13, 2011. Although the policy provided a DOI wide checklist and risk assessment form, bureaus commented that the risk assessment form required major modifications. DOI agreed to revise the policy to incorporate bureau input. DOI anticipates that the revised risk assessment tool will be ready for bureau use by fiscal year 2014. FWS will use DOI's risk assessment tool when it becomes available. The target date for implementation of this tool is December 31, 2015.

OIG Analysis of FWS Response: Based on FWS' response, we have changed our original recommendation to the language provided by FWS and noted in the current recommendation. Since the target date is December 31, 2015, we consider this recommendation resolved but not implemented.

9. Guarantee and independently verify that appropriate budget analyses and risk assessments are performed and accurately documented in the award file and, where applicable, that proper notifications are made and documented.

FWS Response: FWS concurred with the recommendation. In its response, FWS indicated that on May 11, 2012, the agency issued a

memorandum titled “U.S. Fish and Wildlife Service, Issuing a New Financial Assistance Award Guidance,” which provides mandatory steps to be completed before a new award is released and addresses this topic. FWS indicated that it plans to develop its own Financial Assistance Risk Assessment Checklist. In addition, FWS will require recipients to submit a budget sheet with sufficient information for project officers to make a determination on costs and benefits of the project. FWS’ responses to Recommendation 10 (checklist), Recommendation 11 (second-level review), and Recommendation 15 (training), below, will also strengthen this corrective action. In addition, FWS issued a memo on May 31, 2013, titled, “Strengthening Financial Assistance Controls In Response to the Office of Inspector General’s Evaluation of the Department of the Interior’s Climate Change program: Landscape Conservation Cooperatives (ER-IN-MOA-0015-2011).” which re-emphasized existing FWS guidance; introduced a new requirement for regional directors to identify personnel who will be responsible for both financial and programmatic aspects of the LCCs and; instituted a requirement for all personnel involved with reviewing, negotiating, approving, monitoring and closing LCC grants and cooperative agreements to attend the Basic Financial Management Course before December 31, 2015 and complete refresher training every three years.

OIG Analysis of FWS Response: Based on FWS’ response, we consider this recommendation resolved but not implemented.

10. Direct the use of the FWS’ checklist, which incorporates all elements of the DOI standardized checklist across all LCCs.

FWS Response: FWS partially concurred with the recommendation. DOI’s Financial Assistance Agreement Review Sheet outlines general categories of actions, which have been found to be too vague for FWS staff responsible for reviewing grant and cooperative agreements as a collateral duty or who are new to financial assistance. To respond to these concerns, FWS indicated that it has expanded the general actions in the DOI checklist and created its own Checklist for New Financial Assistance Awards. FWS indicated that its checklist incorporates the items in the DOI checklist and more clearly describes the authorities behind and expectations for pre-award actions. In this way, FWS believes the checklist is tailored to better meet its business and operational needs for administering financial assistance awards and that it may be useful to other bureaus within DOI. FWS issued a memo re-emphasizing this guidance on May 31, 2013, titled, “Strengthening Financial Assistance Controls In Response to the Office of Inspector General’s Evaluation of the Department of the Interior’s Climate Change program: Landscape Conservation Cooperatives (ER-IN-MOA-0015-2011).”

OIG Analysis of FWS Response: Based on FWS' response, we have changed our original recommendation, which suggested using DOI's standardized checklist across all LCCs, and incorporated language provided by FWS. Since FWS has issued updated guidance we consider this recommendation resolved and implemented.

11. Require all noncompetitive discretionary grant awards be reviewed at a level above awarding officials.

FWS Response: FWS concurred with the recommendation. On May 11, 2012, the FWS issued a memorandum titled "U.S. Fish and Wildlife Service, Issuing a New Financial Assistance Award Guidance," which provides mandatory steps to be completed before a new award is released and addressed. In addition, on October 11, 2012, FWS released a signature authority policy that requires a second-level review, thereby acknowledging that the reviewing official and signatory should not be the person who administers the grant. FWS will develop a single, standard methodology that its headquarters and regional staff will follow. This will be communicated through a memo from the Director, mandating use of this methodology. The target date for implementation is December 31, 2013.

OIG Analysis of FWS Response: Based on FWS' response, we consider this recommendation resolved but not implemented.

12. Perform periodic management reviews of financial assistance processes to ensure that controls are properly enforced and effective.

FWS Response: FWS concurred with the recommendation. The Division of Policy and Directives Management will perform targeted internal control reviews on a 4-year cycle beginning FY 2015. Results will be reported to the Director and to the DOI Division of Financial Management. In addition, the Branch of Financial Assistance Policy and Oversight is conducting a Bureauwide A-123 Appendix A review of cooperative agreements. FWS has identified a target date of September 30, 2015, for completion of these actions.

OIG Analysis of FWS Response: Based on FWS' response, we consider this recommendation resolved but not implemented.

13. Encourage closer coordination and communication of financial assistance requirements between LCC coordinators and grants management personnel.

FWS Response: FWS concurred with the recommendation. In a May 31, 2013 memorandum titled: "Strengthening Financial Assistance Controls In

Response to the Office of Inspector General's Evaluation of the Department of the Interior's Climate Change program: Landscape Conservation Cooperatives (ER-IN-MOA-0015-2011)", the Director requires that each region has a memorandum of understanding that outlines responsibilities for project officers and support staff. It will include responsibilities associated with access to files for both program and fiscal and administrative staff. Regional directors are to submit memorandums of understanding to the Director by December 31, 2013. FWS did recommend replacing the phrase, "LCC coordinator," with "appropriate FWS LCC staff," because not all LCC coordinators are DOI personnel.

OIG Analysis of FWS Response: We retained the phrasing of our original recommendation because we do believe it is critical that closer coordination exist between LCC coordinators, regardless of their affiliation, and grants management personnel. FWS' proposed actions adequately address the spirit of our recommendation. Therefore, based on FWS' response, we consider this recommendation resolved but not implemented.

14. Provide LCC coordinators access to full grant files.

FWS Response: FWS partially concurred with the recommendation. FWS recommended changing the phrase, "LCC coordinator," to "appropriate FWS LCC staff," because not all LCC coordinators are DOI personnel, and some might be outside the Government. FWS also indicated the need to be mindful of confidentiality and Privacy Act requirements as appropriate. The Bureau indicated that each region would determine its best process for file sharing while considering the Privacy Act and confidential information. FWS estimates this to be completed by December 31, 2014.

OIG Analysis of FWS Response: We agree that appropriate LCC staff should have access to full grant files, but since the issues we observed during our audit focused on LCC coordinator issues, the recommendation will remain as is. We consider this recommendation resolved but not implemented.

15. Develop and standardize training for appropriate FWS LCC staff who serve as the grants officer's technical representatives.

FWS Response: FWS concurred with the recommendation but proposed changing the phrase, "LCC coordinator," to "appropriate FWS LCC staff" because not all LCC coordinators are DOI personnel. Signature authority policy requires training for signatories of the notice of award letter. FWS will also require that project officers, reviewers, and approving authorities attend basic financial assistance training provided by the Wildlife and

Sport Fish Restoration Training group no later than December 31, 2015. The “Basic Financial Assistance / Service-Wide Basic Grants and Cooperative Agreements Course” is available throughout the year in various locations. On May 31, 2013, the Director issued memorandum titled, “Strengthening Financial Assistance Controls In Response to the Office of Inspector General’s Evaluation of the Department of the Interior’s Climate Change program: Landscape Conservation Cooperatives (ER-IN-MOA-0015-2011)”, to headquarters and the regions mandating that (1) training be received by December 31, 2015, and (2) refresher training be completed every 3 years.

OIG Analysis of FWS Response: We recognize that in some instances FWS LCC staff other than the LCC coordinator may need to serve as technical representatives; therefore, we have changed the wording of our recommendation. We consider this recommendation resolved but not implemented.

Appendix I: Scope and Methodology

Scope

The scope of our audit covered landscape conservation cooperatives (LCC) financial assistance agreements that used fiscal years (FYs) 2010 and 2011 funds. Operational status and maturity of the LCCs varied among those examined. We only included agreements awarded once the LCC was fully in operation. Accordingly, FY 2010 agreements were not reviewed for the South Atlantic, the North Pacific, or the Appalachian LCCs.

Our scope did not include a detailed review of contracts or interagency agreements. We did, however, perform a cursory review of some contracts and interagency agreements as part of gaining an understanding of the LCCs' operations. During our survey phase, we reviewed the involvement of LCCs with the Bureau of Land Management, U.S. Geological Survey, National Park Service, and Bureau of Indian Affairs. These bureaus, however, did not have any financial assistance awards at the LCCs we reviewed. Accordingly, they were not covered in our audit fieldwork.

Methodology

To accomplish the audit's objectives, we—

- gathered general, administrative, and background information to provide a working knowledge of the U.S. Department of the Interior's (DOI) climate change program and the grants management processes;
- interviewed DOI and bureau personnel responsible for overseeing the LCCs;
- reviewed relevant Office of Inspector General and U.S. Government Accountability Office reports;
- identified and reviewed policies and procedures related to LCCs and to the award and monitoring of financial assistance agreements;
- selected a judgmental sample of LCCs for site visits to cover LCCs in differing stages of maturity and operated by different bureaus;
- conducted site visits to interview LCC program coordinators and grants management personnel;
- reviewed all financial assistance agreements for each LCC site visited; and
- used the DOI checklist provided in the "Financial Assistance Liaison Policy Release 2007-1" memorandum to determine compliance with established guidelines; and
- performed tests of internal controls relevant to our audit objectives.

As part of our audit, we performed tests to detect fraud and illegal acts and to ensure that funds were used for their intended purpose. Nothing came to our attention to indicate that fraud actually occurred.

Our methodology did not rely on any computer generated data.

We conducted this 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's objectives. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Limitations

Many of the financial assistance agreements we reviewed had been awarded shortly before the time of our audit. Therefore, we had limited opportunity to review LCC controls over the monitoring of work performed.

Appendix 2: Sites and Office Visited or Contacted

U.S. Department of the Interior

Deputy Secretary, Washington, DC
Office of Policy, Management and Budget
Office of Policy Analysis, Washington, DC
Office of Budget, Washington, DC

U.S. Fish and Wildlife Service

Washington Office
Office of Policy Analysis, Arlington, VA
Office of the Science Advisor, Arlington, VA
Division of Policy and Directive Management, Arlington, VA

Region 1 – Pacific, Portland, OR
North Pacific LCC (site visit), Lacey, WA
Region 4 – Southeast, Atlanta, GA
South Atlantic LCC (site visit), Raleigh, NC
Region 5 – Northeast, Hadley, MA
Appalachian LCC (site visit), Blacksburg, VA
Region 6 – Mountain-Prairie, Lakewood, CO
Southern Rockies LCC (site visit), Lakewood, CO
Great Northern LCC (site visit), Bozemann, MT

U.S. Bureau of Reclamation

Policy and Administration Office, Lakewood, CO
Basin Studies, Lakewood, CO
Desert LCC (site visit), Lakewood, CO
Southern Rockies LCC (site visit), Lakewood, CO

Survey Phase Only

U.S. Geological Survey
Climate and Land Use Change, Reston, VA

Bureau of Land Management
Plant Conservation Program, Denver, CO

National Park Service
Natural Resource Stewardship and Science, Washington, DC

Appendix 3: Grants and Cooperative Agreements Reviewed

#	Agreement	Recipient	Bureau	Type	LCC	Amount
1	FIIAP00125	Colorado State University	FWS	Grant	Southern Rockies	\$91,028
2	FIIAP00121	Nature Conservancy	FWS	Grant	Southern Rockies	\$50,000
3	FIIAP00126	Arizona Department of Fish and Game	FWS	Grant	Southern Rockies	\$95,000
4	FIIAP00130	New Mexico Department of Fish and Game	FWS	Grant	Southern Rockies	\$95,000
5	FIIAP00127	Utah Division of Wildlife Resources	FWS	Grant	Southern Rockies	\$20,000
6	FIIAP00131	Wyoming Game and Fish Department	FWS	Grant	Southern Rockies	\$20,000
7	FIIAP00132	Colorado Department of Natural Resources	FWS	Grant	Southern Rockies	\$20,000
8	RIIAC81525	Colorado State University	USBR	CA	Southern Rockies	\$105,755
9	RIIAP81524	Conservation Biology Institute	USBR	Grant	Southern Rockies	\$200,000
10	FIIAC00393	University of California-Davis	FWS	CA	Southern Rockies	\$99,875
11	FIIAC00223	Wildlife Management Institute	FWS	CA	Appalachian	\$2,032,418
12	FIIAC00224	Virginia Tech	FWS	CA	Appalachian	\$84,174
13	FIIAP00032	National Wildlife Foundation	FWS	Grant	North Pacific	\$68,108
14	FIIAP00033	Point Reyes Bird Observatory	FWS	Grant	North Pacific	\$95,000
15	FIIAP00034	Conservation Bird Institute	FWS	Grant	North Pacific	\$99,500
16	FIIAP00036	Ecotrust	FWS	Grant	North Pacific	\$95,000
17	FIIAP00037	The Nature Conservancy	FWS	Grant	North Pacific	\$76,000
18	FIIAC00080	University of Washington	FWS	CA	North Pacific	\$99,424
19	FIIAC00081	University of Washington	FWS	CA	North Pacific	\$72,915
20	FIIAC00082	University of Montana	FWS	CA	North Pacific	\$41,243
21	FIIAC00084	University of Alaska SE	FWS	CA	North Pacific	\$74,600

#	Agreement	Recipient	Bureau	Type	LCC	Amount
22	FIIAC00184	Orianne Society	FWS	CA	South Atlantic	\$95,760
23	FIIAC01121	University of Central Florida	FWS	CA	South Atlantic	\$156,985
24	FIIAC01185	University of South Carolina	FWS	CA	South Atlantic	\$42,925
25	FIIAC01120	Wildlands Network	FWS	CA	South Atlantic	\$91,145
26	F10AP00288	Washington Department of Fish and Wildlife	FWS	Grant	Great Northern	\$467,417
27	F10AP00300	Idaho Department of Fish and Game	FWS	Grant	Great Northern	\$280,000
28	FIIAP00129	The Wilderness Society	FWS	Grant	Great Northern	\$39,068
29	FIIAP00128	Ducks Unlimited	FWS	Grant	Great Northern	\$50,000
30	F10AP00289	Montana Fish, Wildlife and Parks	FWS	Grant	Great Northern	\$100,000
31	F10AP00299	Wyoming Game and Fish Department	FWS	Grant	Great Northern	\$130,000
32	FIIAP00120	Oregon Department of Fish and Wildlife	FWS	Grant	Great Northern	\$20,000
33	F10AC00597	University of Montana	FWS	CA	Great Northern	\$77,000
34	F10AC00605	Montana State University	FWS	CA	Great Northern	\$25,000
35	F10AC00586	University of Calgary	FWS	CA	Great Northern	\$86,225
36	F10AC00594	University of Washington	FWS	CA	Great Northern	\$116,583
37	FIIAC00385	Montana State University	FWS	CA	Great Northern	\$230,417
38	F10AC00587	Oregon State University	FWS	CA	Great Northern	\$75,000
39	FIIAC00392	The University of Washington	FWS	CA	Great Northern	\$95,000
40	FIIAP0122	Province of British Columbia	FWS	Grant	Great Northern	\$70,000
41	RIIAP81526	World Wildlife Foundation	USBR	Grant	Desert	\$161,285
42	RIIAP81529	Texas Tech University	USBR	Grant	Desert	\$94,839
43	RIIAC81531	Kansas State University	USBR	CA	Desert	\$187,152

#	Agreement	Recipient	Bureau	Type	LCC	Amount
44	R11AC81532	Arizona Board of Regents for and on the behalf of Northern Arizona University	USBR	CA	Desert	\$179,209
45	R11AP81527	The University of Texas at Austin	USBR	Grant	Desert	\$90,640
46	R11AP81528	Sky Island Alliance	USBR	Grant	Desert	\$99,042
47	R11AP81530	University of Arizona	USBR	Grant	Desert	\$86,567
					Total	\$6,782,299

Appendix 4: Listing of Documentation Deficiencies

Documented Deficiencies (see Table Key)																
LCC	Bureau	#	Agreement	A	B	C	D	E	F	G	H	I	J	K	L	M
SRLCC	FWS	1	FIIAP00125		X	X	X		X				X			
SRLCC	FWS	2	FIIAP00121	X	X	X	X		X				X			X
SRLCC	FWS	3	FIIAP00126		X	X	X	X	X		X		X			X
SRLCC	FWS	4	FIIAP00130	X	X	X	X	X	X		X		X			
SRLCC	FWS	5	FIIAP00127		X	X	X	X	X		X		X			
SRLCC	FWS	6	FIIAP00131	X	X	X	X	X	X		X		X			
SRLCC	FWS	7	FIIAP00132	X	X	X	X	X	X		X		X			
SRLCC	USBR	8	RIIAC81525													
SRLCC	USBR	9	RIIAP81524													
SRLCC	FWS	10	FIIAC00393	X	X	X	X					X	X			
APPLCC	FWS	11	FIIAC00223	X	X	X	X	X	X			X				
APPLCC	FWS	12	FIIAC00224	X	X	X	X	X				X			X	
NPLCC	FWS	13	FIIAP00032		X	X	X			X					X	
NPLCC	FWS	14	FIIAP00033		X	X	X			X				X	X	
NPLCC	FWS	15	FIIAP00034		X	X	X			X				X	X	
NPLCC	FWS	16	FIIAP00036		X	X	X			X				X	X	
NPLCC	FWS	17	FIIAP00037		X	X	X			X				X	X	
NPLCC	FWS	18	FIIAC00080		X	X	X			X				X	X	
NPLCC	FWS	19	FIIAC00081		X	X	X			X				X	X	
NPLCC	FWS	20	FIIAC00082		X	X	X			X				X	X	
NPLCC	FWS	21	FIIAC00084		X	X	X			X				X	X	
SALCC	FWS	22	FIIAC00184	X	X	X				X	X		X	X		
SALCC	FWS	23	FIIAC01121	X	X	X				X				X		
SALCC	FWS	24	FIIAC01185	X	X	X				X	X			X		
SALCC	FWS	25	FIIAC01120	X	X	X				X	X			X		
GNLCC	FWS	26	F10AP00288	X	X	X	X		X				X	X		X
GNLCC	FWS	27	F10AP00300		X	X	X		X				X	X	X	
GNLCC	FWS	28	FIIAP00129	X	X	X	X		X				X		X	
GNLCC	FWS	29	FIIAP00128	X	X	X	X		X				X			
GNLCC	FWS	30	F10AP00289	X	X	X	X		X		X		X			X
GNLCC	FWS	31	F10AP00289		X	X	X		X				X			X
GNLCC	FWS	32	FIIAP00120			X	X	X	X				X			
GNLCC	FWS	33	F10AC00597						X							
GNLCC	FWS	34	F10AC00605		X	X	X		X				X			

Documented Deficiencies (see Table Key)																
LCC	Bureau	#	Agreement	A	B	C	D	E	F	G	H	I	J	K	L	M
GNLCC	FWS	35	F10AC00586		X	X	X		X				X	X		X
GNLCC	FWS	36	F10AC00594		X	X	X		X				X			
GNLCC	FWS	37	F11AC00385		X	X	X	X	X				X			
GNLCC	FWS	38	F10AC00587		X	X	X		X				X			
GNLCC	FWS	39	F11AC00392	X	X	X	X		X				X		X	
GNLCC	FWS	40	F11AP0122		X	X	X		X				X			
DLCC	USBR	41	R11AP81526													
DLCC	USBR	42	R11AP81529													
DLCC	USBR	43	R11AC81531													
DLCC	USBR	44	R11AC81532													
DLCC	USBR	45	R11AP81527													
DLCC	USBR	46	R11AP81528													
DLCC	USBR	47	R11AP81530													

Key

A	Review checklist missing, incomplete, or less extensive than DOI Checklist.
B	Inadequate/incomplete budget analysis.
C	Inadequate business risk analysis.
D	Incorrect program authority.
E	Inadequate or missing sole source justification.
F	Funding opportunity not posted to Grants.gov.
G	Inadequate time and criteria.
H	Deliverables and schedules missing or inadequate.
I	Inadequate justification for vehicle chosen.
J	Determination to use grant or cooperative agreement not clearly stated.
K	Inconsistent CFDA numbers between agreement and proposal.
L	SF-424 out of date, missing information, or having incorrect information.
M	Monitoring related issues, such as missing progress and financial reports.
SRLCC	Southern Rockies Landscape Conservation Cooperative
APPLCC	Appalachian Landscape Conservation Cooperative
NPLCC	North Pacific Landscape Conservation Cooperative
SALCC	South Atlantic Landscape Conservation Cooperative
GNLCC	Great Northern Landscape Conservation Cooperative
DLCC	Desert Landscape Conservation Cooperative

Appendix 5: Questioned Costs

Agreement No.	Agreement Amount	Questioned Cost
FIIAC00223	\$2,032,418	\$182,947

Appendix 6: U.S. Fish and Wildlife Service Response

The U.S. Fish and Wildlife Service response follows on page 37.



United States Department of the Interior

FISH AND WILDLIFE SERVICE
Washington, D.C. 20240



In Reply Refer To:
FWS/SCI-MIB/054333

APR 26 2013

Ms. Kimberly Elmore
Assistant Inspector General for Audits, Inspections, and Evaluations
U.S. Department of the Interior
Office of the Inspector General
1849 C Street, NW, MS 4428
Washington, DC 20240

Dear Ms. Elmore:

Thank you for providing the U.S. Fish and Wildlife Service the opportunity to respond and comment on the draft audit report: *U.S. Department of the Interior's Climate Change Program: Landscape Conservation Cooperatives*.

You will find our response to the findings and our plan to address those findings attached to this document.

Sincerely,

Rachel Jacobson
Principal Deputy Assistant Secretary for
Fish and Wildlife and Parks

Enclosures

**U.S. Fish and Wildlife Service
Response to Recommendations
May 6, 2013**

**Office of the Inspector General
U.S. Department of The Interior's Climate Change Program: Landscape Conservation
Cooperatives DRAFT Report No.: ER-IN-MOA-0015-2011**

Overall Comments

Please insert the following statement in both the Results in Brief (Page 1) and Introduction (Page 2) to provide the proper context for the findings presented, and to reflect the current practices in place.

Insert the following text in italics in both places cited: This audit focused on financial assistance transactions that occurred in fiscal years 2010 and 2011. Since that timeframe, and in response to the DOI Financial Assistance Management Review of August 2009, the Service has made significant progress in enhancing its internal controls over financial assistance (see Attachment 1, DOI FAMR CAP, and Attachment 2, "U.S. Fish and Wildlife Service, Issuing a New Financial Assistance Award Guidance"). Many of the findings and recommendations, therefore, pertain to this earlier timeframe and are not reflective of current, more rigorous practices in place.

Also, in order to respond to several of the recommendations as noted below (Recommendations 1, 2, 3, 5, 6, 9, and 10), the Director will send a memo to Regional Directors and Assistant Directors re-emphasizing to staff the requirement to follow the grant and cooperative agreement regulations, policies, and guidance issued as a result of the August 2009 Department of the Interior Financial Assistance Management Review corrective action plan. The memo will be sent on May 31, 2013.

Recommendation-specific Comments

Recommendation 1: Ensure that public notice and competition are performed in accordance with the applicable laws, regulations and DOI guidance.

Response: We concur with this recommendation. On May 11, 2012, the Service released "U.S. Fish and Wildlife Service, Issuing a New Financial Assistance Award Guidance" (Attachment 2). The guidance provides mandatory steps to be completed before a new award is released and addresses this topic in Steps 3 and 5. See Overall Comments above.

Target Date: May 31, 2013 to issue memo re-emphasizing existing Service guidance, including “U.S. Fish and Wildlife Service, Issuing a New Financial Assistance Award Guidance” (Attachment 2).

Responsible Official: Dan Ashe, Director of the U.S. Fish and Wildlife Service

Recommendation 2: Ensure postings of grants and cooperative agreements on Grants.gov are available to the general public commensurate with the Government average enabling fair and open competition.

Response: We concur with this recommendation. On May 11, 2012, the Service issued “U.S. Fish and Wildlife Service, Issuing a New Financial Assistance Award Guidance” (Attachment 2) which provides mandatory steps to be completed before a new award is released and addresses this topic in Step 5. Step 5 provides guidance on postings of grants and cooperative agreements on Grants.gov, specifically in Step 5B pertaining to “Discretionary Programs” (applicable in the case of LCCs), Step 5C pertaining to “Cooperative Agreements,” and Step 5D pertaining to “Application Package and Notice of Funding Availability (NOFA)/Application Instructions.” These specific procedures are in place to ensure both fair and open competition. In addition, see Overall Comments above.

Also, the Service awaits OMB’s final policy on Grants.gov posting as part of the Reform of Federal Policies Relating to Grants and Cooperative Agreements (OMB-2013-0001-0001) and intends to comply fully with that OMB policy when it is released. Although the Service does not have in place at this time a 30-day Grants.gov posting policy, posting of certain relevant grant information far exceeds the 30 day timeframe. For example, a year-long national funding opportunity, F12AS00184 (see Attachment 3), posted on June 4, 2012 for CFDA 15.669 (Cooperative Landscape Conservation) and CFDA 15.670 (Adaptive Science) remains open today and will be renewed annually.

Target Date: May 31, 2013 to issue memo re-emphasizing existing Service guidance.

Responsible Official: Dan Ashe, Director of the U.S. Fish and Wildlife Service

Recommendation 3: Limit use of sole-source awards to increase competition and transparency.

Response: We partially concur with this recommendation. In some instances single source awards are the only option for LCC projects (e.g., awards to States). Therefore, we do not concur with the portion of this recommendation to limit the use of single source awards. We do concur with the portion of the recommendation to increase competition, where feasible, and increase transparency – that awards should be competed where possible and when in the best interest of the Service. On May 11, 2012, the Service issued “U.S. Fish and Wildlife Service, Issuing a New Financial Assistance Award Guidance” (Attachment 2) which provides mandatory steps to be completed before a new award is released. This topic is addressed in Step 4. Step 4 addresses the

justification of single source awards and states the Service's "program office must make sure that all discretionary financial assistance awards that will be issued without competition (also known as single source awards) are justified according to the Department policy (505 DM 2, Section 2.14)." Step 4 states further, "For discretionary awards to be issued without competition, the program office must document in writing all single source determinations, regardless of award amount, and post funding opportunities for single source awards for \$25,000 or more on Grants.gov." Step 5B in Attachment 2 also further addresses the posting requirements for single source awards. In addition, see U.S. Fish and Wildlife Service, Notice of Intent (NOI) to Award to a Single Source without Competition form (Attachment 4) and the Overall Comments above.

Target Date: May 31, 2013 to issue memo re-emphasizing existing Service guidance.

Responsible Official: Dan Ashe, Director of the U.S. Fish and Wildlife Service

Recommendation 4: Resolve the questioned costs.

Response: We partially concur with this recommendation. The Wildlife Management Institute (WMI), Virginia Tech (VT), and University of California-Davis (UC-Davis) agreements were correctly classified as "financial assistance" (not contracts) because their purposes meet the public good of supporting the mission of the LCCs, a group broader than the Service which is made up of Federal agencies, State governments, and non-profits (see Attachments 5 and 6). The mission and targets of the LCCs are not solely those of the Service's. Therefore, the agreements with WMI, VT, and UC-Davis were not funded in order to meet Service-specific needs.

Subsequent to the OIG's visit to the Region 5 office, DOI solicitor review was obtained on the issue of using contracts versus cooperative agreements. The DOI solicitor response, dated July 11, 2012, (see Attachment 7) upheld the determination by the Service that the cooperative agreement was the correct award instrument.

We agree that the budget documentation with WMI indicates that indirect cost was inaccurately assessed. We are coordinating with WMI to get detailed information about the 10% service surcharge to determine whether payback is required. (See Attachment 8, indirect cost rate and additional detailed budget and expenditure documentation.)

We do not concur with the recommendation regarding questioned costs in the cases of VT and UC-Davis. We find the VT agreement is correctly classified as a cooperative agreement through the Southern Appalachian Cooperative Ecosystems Studies Unit. We also find the UC-Davis agreement is correctly classified a cooperative agreement through the Cooperative and Joint Venture Agreement of the California Cooperative Ecosystems Studies Unit. Attachment 9 provides the Memorandum of Understanding (MOU) for the Cooperative Ecosystem Studies Units (CESU) Network among several federal government agencies, including the Service. The MOU (see Attachment 9) outlines the Service's substantial involvement through cited authorities for engagement, membership of the CESU Council for which the Service participates, and roles and responsibilities of

the CESU Council which includes not only a broad basis for the Service's substantial involvement, but also specific responsibilities of Working Groups to be "formed as needed to plan, coordinate, and facilitate the implementation of actions ..."

Target Date: December 31, 2013 – communicate corrective action, if any, required from WMI.

Responsible Official: Dan Ashe, Director of the U.S. Fish and Wildlife Service

Recommendation 5: Use the appropriate legal instrument for funding financial awards.

Response: We concur with this recommendation. On May 11, 2012, the Service issued "U.S. Fish and Wildlife Service, Issuing a New Financial Assistance Award Guidance" (Attachment 2) which provides mandatory steps to be completed before a new award is released. This topic is addressed in Steps 1 and 2. See Decision Diagram, Selection of Instrument Type (Attachment 10). Also, see Overall Comments above.

Target Date: May 31, 2013 to issue memo re-emphasizing existing Service guidance.

Responsible Official: Dan Ashe, Director of the U.S. Fish and Wildlife Service

Recommendation 6: Consider whether legal reviews are needed before committing funds.

Response: We concur with this recommendation.

Although we agree that awards that meet the definition laid out in 505 DM 2 /Service new award guidance are good candidates for legal review, it is not a requirement. The Director will require each Regional Director to identify a representative from the Regional Office of the Solicitor for consultation on all LCC-related matters, not only to provide financial assistance advice but programmatic advice as well.

We will also reinforce the guidance for legal review found in "U.S. Fish and Wildlife Service, Issuing a New Financial Assistance Award Guidance" issued May 11, 2012 (Attachment 2) which provides mandatory steps to be completed before a new award is released and addresses this topic in Step 6 E. See Overall Comments above.

Target Date:

May 31, 2013: to issue memo re-emphasizing existing Service guidance.

May 31, 2013: Director's memo requiring Regional Directors to identify Regional Solicitor points of contact for LCC matters.

December 31, 2013: Regional Directors identify a Regional Solicitor for LCC matters.

Responsible Official: Dan Ashe, Director of the U.S. Fish and Wildlife Service

Recommendation 7: Ensure that appropriate procedures are in place to address potential conflicts of interest.

Response: We concur with this recommendation. The Service needs to utilize a variety of appropriate approaches to managing LCC-related financial assistance awards depending on the need. For example, awards to state agency partners in support of their ability to effectively participate in the LCC (i.e., capacity grants), will likely be single source grants. In such cases, appropriate justification (Attachment 4) will need to be developed and included in the grant files. The Service will develop and issue guidance on these procedures, including the identification of situations that pose potential conflicts of interest. We will encourage Service LCC participants to seek review from their Regional ethics official when faced with a situation that may pose potential conflict of interest.

Target Date: December 31, 2014

Responsible Official: Gabriela Chavarria, Science Advisor to the Director

Recommendation 8: Adopt USBR's risk assessment form.

Response: We do not concur with this recommendation. The Department released DIG 2011-03, Financial Assistance Monitoring Protocol on September 13, 2011. Although the policy provided a Department-wide checklist and risk assessment form, bureaus commented that the risk assessment form required major modifications. The DOI agreed to revise the policy to incorporate bureau input. DOI anticipates that the revised risk assessment tool will be ready for bureaus to use by Fiscal Year 2014. The Service will use DOI's risk assessment tool when it becomes available.

Target Date: December 31, 2015

Responsible Official: Dan Ashe, Director of the U.S. Fish and Wildlife Service

Recommendation 9: Guarantee and independently verify that appropriate budget analyses and risk assessments are performed and accurately documented in the award file and, where applicable, that proper notifications are made and documented.

Response: We concur with this recommendation. On May 11, 2012, the Service issued "U.S. Fish and Wildlife Service, Issuing a New Financial Assistance Award Guidance" (Attachment 2) which provides mandatory steps to be completed before a new award is released and addresses this topic in Step 6 A-D, and I. The Service will develop its own Financial Assistance Risk Assessment Checklist. See Overall Comments above. We will require recipients to submit a budget sheet with sufficient information for project officers to make a determination on costs and benefits of the project. Our responses to Recommendation 10 (checklist), Recommendation 11 (second level review), and Recommendation 15 (training), below, will also strengthen this corrective action.

Target Date: May 31, 2013 to issue memo re-emphasizing existing Service guidance.

Responsible Official: Dan Ashe, Director of the U.S. Fish and Wildlife Service

Recommendation 10: Direct the use of the DOI standardized checklist across all LCCs.

Response: We partially concur with this recommendation and request it be re-stated as follows in italic text: *Direct the use of the Service's checklist which incorporates all elements of the DOI standardized checklist.*

DOI's Financial Assistance Agreement Review Sheet outlines general categories of actions which have been found to be too vague for Service staff that review grant and cooperative agreements as a collateral duty or are new in financial assistance. To respond to these concerns, we expanded the general actions in the DOI checklist and created our own Checklist for New Financial Assistance Awards. The Service checklist covers all of the items in the DOI checklist (Attachment 11), and more clearly describes the authorities behind and expectations for pre-award actions. In this way, the checklist is tailored to better meet our business and operational needs for administering financial assistance awards and may be useful to other bureaus within the Department. In addition, see Overall Comments above.

Target Date: May 31, 2013 to issue memo re-emphasizing existing Service guidance.

Responsible Official: Dan Ashe, Director of the U.S. Fish and Wildlife Service

Recommendation 11: Require all noncompetitive discretionary grant awards be reviewed at a level above awarding officials.

Response: We concur with this recommendation. On May 11, 2012, the Service issued "U.S. Fish and Wildlife Service, Issuing a New Financial Assistance Award Guidance" (Attachment 2) which provides mandatory steps to be completed before a new award is released and addresses this topic in Step 11. In addition, on October 11, 2012 the Service released a Signature Authority policy (Attachment 12) that requires a second level review acknowledging the reviewing official and signatory should not be the person who administers the grant. We will develop a single standard methodology that Headquarters and the Regions will follow that will be communicated through a memo from the Director to Headquarters and the Regions mandating its use.

Target Date: December 31, 2013

Responsible Official: Dan Ashe, Director of the U.S. Fish and Wildlife Service

Recommendation 12: Perform periodic management reviews of financial assistance processes to ensure that controls are properly enforced and effective.

Response: We concur with this recommendation. The Division of Policy and Directives Management (PDM) will perform targeted internal control reviews on a four-year cycle beginning FY 2015. Results will be reported to the Director and to the Division of Financial Management (PFM) in the Department. In addition, the Branch of Financial Assistance Policy and Oversight is conducting a Service-wide A-123 Appendix A review of cooperative agreements this year, testing samples Service-wide.

Target Date: September 30, 2015

Responsible Official: Denise Sheehan, Assistant Director, Budget, Planning and Human Capital

Recommendation 13: Encourage closer coordination and communication of financial assistance requirements between LCC coordinators and grants management personnel.

Response: We concur with this recommendation. However, we recommend changing “LCC coordinators” to “*appropriate FWS LCC staff*”. Not all LCC coordinators are DOI personnel.

The Director will require through a memo that each Region has a memorandum of understanding that outlines responsibilities for project officers and support staff similar to the one that exists in Headquarters (Attachment 13). The memo will outline responsibilities regarding access to files for both program and fiscal/administrative staff.

Target Date: Regional Directors will submit memorandum of understanding to Director by December 31, 2013.

Responsible Official: Dan Ashe, Director of the U.S. Fish and Wildlife Service

Recommendation 14: Provide LCC coordinators access to full grant files.

Response: We partially concur with this recommendation. We recommend changing “LCC coordinators” to “*appropriate FWS LCC staff*”. Because not all LCC coordinators are DOI personnel, and some might be outside the federal government, we must be mindful of confidentiality and Privacy Act requirements as appropriate.

See identified corrective action for Recommendation 13 above. Each Region will determine its best process for file sharing, while considering Privacy Act and confidential information, and report back to Headquarters upon completion.

Target Date: December 31, 2014

Responsible Official: Dan Ashe, Director of the U.S. Fish and Wildlife Service

Recommendation 15: Develop and standardize training for LCC coordinators who serve as the grants officer's technical representatives.

Response: We concur with this recommendation. However, we recommend changing "*LCC coordinators*" to "*appropriate FWS LCC staff*". Not all LCC coordinators are DOI personnel.

Signature authority policy requires training for signatories of the notice of award letter. We will also require that project officers, reviewers and approving authorities attend by no later than December 31, 2015 basic financial assistance training provided by the Wildlife and Sport Fish Restoration Training group. The "Basic Financial Assistance / Service-Wide Basic Grants and Cooperative Agreements Course" is available throughout the year in various locations." By May 31, 2013, the Director will send a memo to Headquarters and the Regions mandating that (1) training be received by December 31, 2015 and (2) refresher training be completed every 3 years.

Target Date: December 31, 2015

Responsible Official: Dan Ashe, Director of the U.S. Fish and Wildlife Service

Appendix 7: Status of Recommendations

Recommendations	Status	Action Required
1, 2, 3, 4, 5, 6, 7, 8, 9, 11, 12, 13, 14, 15	Resolved but not implemented	No further OIG action is required. The recommendations will be referred to the Assistant Secretary for Policy, Management and Budget for tracking and implementation.
10	Resolved and implemented	No further response to the OIG is required.

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