



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

# **U.S. FISH AND WILDLIFE SERVICE DIVISION OF INTERNATIONAL CONSERVATION**




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**INSPECTOR GENERAL**  
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Memorandum

OCT 20 2010

To: Thomas L. Strickland  
Assistant Secretary for Fish and Wildlife and Parks

From: Mary L. Kendall   
Acting Inspector General

Subject: Inspection of the Fish and Wildlife Service Division of International Conservation  
(Assignment No. ER-IS-FWS-0017-2009)

This memorandum transmits the findings of our inspection of the Department of the Interior U.S. Fish and Wildlife Service Division of International Conservation (Division). The Division, which focuses on building the conservation capacity of countries with at-risk species, currently administers nine separate discretionary grant programs. It typically awards more than 250 grants each year to accomplish this mission. In fiscal year 2009, the Division awarded grants totaling approximately \$13.5 million.

We performed this inspection after a hotline complaint alleged inconsistencies in the Division's grants management practices. See Attachment 1 for the scope and methodology of this inspection, as well as related reports.

Our inspection confirmed a failure to address conflicts of interest, as well as a lack of objectivity and fairness in certain grant proposal review sessions. We also confirmed an insufficient separation of duties regarding the Chief's Account. In addition, we discovered that the Division has been using funds from its general appropriation to cover grant program costs in excess of those allowed by legislation. Our Office of General Counsel has determined this administrative practice to be improper.

These findings may reflect an underlying systemic problem. As a result of inadequate safeguards, the Division's structure, policies, and control environment all failed to prevent or detect the deficiencies discussed in this report.

We offer four recommendations designed to improve grants award procedures, prevent improperly charging administrative costs, and strengthen internal controls. We note that Division officials have already begun fixing a number of these deficiencies and we commend them for acting so quickly.

## **Background**

The Department of the Interior (Department) U.S. Fish and Wildlife Service (FWS) Division of International Conservation (Division) is one of three divisions in the FWS Office of International Affairs. Its mission is to support wildlife conservation initiatives around the globe through cooperation with domestic and foreign governmental agencies, national and international non-governmental conservation organizations, universities, and other interested parties.

The Division has evolved over more than 20 years and administers a total of nine grant programs. Five of these grant programs were legislatively established, are funded by the Multinational Species Conservation Fund (MSCF), and target individual species. The Division funds its four other programs from its general FWS appropriation. As a result, the budgets of the four regional programs can change yearly. To obtain the best return on investment, the Division has chosen to award large numbers of relatively small grants, which has, in turn, increased administrative costs.

## **Division Grant Guidance**

Many of the Division-administered grant programs operate using slightly different procedures because they developed independently. To address the resulting inconsistencies, the Division set forth standard practices for its programs in April 2009 by issuing a “Grants and Cooperative Agreements Handbook” (the Handbook). One of the Division’s grant officials stated, however, that despite the Division’s efforts to achieve consistency through the handbook, many employees were reluctant to use it or continued to do things their own way.

Further, we found some cases of inadequate guidance in the Handbook, as well as instances in which Division personnel chose not to comply with or undermined the guidance it provides. For example, the Handbook fails to address Departmental requirements regarding screening of grantees. Specifically, Departmental Manual (505 DM 2) requires that, prior to awarding a grant, Division staff determine whether grant recipients are on any suspension and debarment lists. It also requires that staff determine whether those receiving more than \$500,000 in Federal assistance per year meet the requirements of Office of Management and Budget (OMB) Circular No. A-133, Audits of States, Local Governments, and Non-Profit Organizations. The Department requires that these steps be taken to discourage the receipt of Federal assistance by high-risk grant applicants but no documentation exists to support the Division’s compliance with these requirements.

Guidance related to periods of performance is also inadequate. We uncovered several cases in which conference or travel grant funds were available to be expended almost a year after the relevant scopes of work had passed. While no specific legal criteria exist for setting such periods, a period of performance that extends well beyond the scope of a grant can create unnecessary complications. For instance, we found one grant that provided \$11,500 for travel to a week-long conference but had a period of performance ending 11 months after the last day of travel. More than 6 months after the travel dates, nearly half of the awarded grant amount, or \$5,447, had yet to be disbursed (see Attachment 2 for monetary impacts). We could not determine from the files whether this money had yet to be drawn down by the grantee or whether

it should have been de-obligated. In either case, the unusually long period of performance allowed these funds to remain obligated but unspent when the money could have been made available to other grant applicants.

Most of the grant program managers skip a crucial step in the certification process by not requiring reviewers to certify their independence with regard to each grant application review session. Review sessions of grant applications are performed by a cadre of subject matter experts who review and rank each application. The failure to give proper consideration to potential conflicts of interest, however, can create the appearance that the reviewers awarded Federal funding based on personal preference rather than on how well a given proposal meets the criteria outlined in the notice of funding availability (notice). For example, we found an instance in which the Division's Director served on the Standing Committee of an intergovernmental treaty, the Ramsar Convention, at the same time that his office awarded grants in support of the Convention. This situation — which could have been avoided simply by complying with the Handbook — gives the appearance of a conflict of interest, which, in turn, can bring into question the integrity of the grant process.

In another example, the Division uses several different proposal scoring systems, depending on the individual program manager's preference. In compliance with 505 DM 2, grant program managers require reviewers to fill out numerical score sheets for each proposal to ensure that grant applications are scored on the basis of announced criteria. We found, however, that some program managers add a second step to the scoring process: after applications are scored, they are sorted into a three-tiered model based on factors not addressed in the grant announcement.

Those proposals in the first tier are grants that will be funded, those in the second tier require alterations by the potential grantees, and those in the third tier will not be funded. Often, this tiered list does not match the list formed by numerical scoring. The disparity between the lists indicates either that score sheets or criteria are not robust enough to fully incorporate program goals or that projects are ranked based on inappropriate criteria. Either way, this practice reduces transparency and makes it difficult or impossible to determine—based on documentation alone—why a certain proposal was selected for funding.

## **Chief's Account**

We also found a number of deficiencies associated with what is called the Chief's Account. The Division typically uses the Chief's Account to cover costs such as building space and local travel and other expenditures that are not directly related to a specific grant program. It has also been used, however, to fund several grants each year. According to program officials, such Chief's Account-funded grants have most often been associated with conferences on international treaties supported by the Division.

We reviewed all eight grants funded by the Chief's Account in fiscal years 2008 and 2009 and found that the Division neither justified its selections nor adequately separated duties. For two grants, Division officials selected grantees without competition or proper justification. The other six grants were for amounts under \$25,000 and did not require competition in

accordance with 505 DM 2. However, officials failed to properly document the justification for these single-source awards as required by the Departmental Manual.

One Division staff member informed us that the same person served as both program officer and grant specialist on at least one of these grants. Although the roles of program officers and grants specialists are not clearly defined in legal terms, a program officer typically plays a role much like the primary point of contact for a contract recipient, while a grant officer plays a role similar to that of a contracting officer. To ensure adequate separation of duties, these roles should be performed by two different people.

These Chief's Account deficiencies present serious potential for funding abuses. Fortunately, Division managers are taking actions, such as instituting single source requirements and separating duties, to resolve them.

### **Multinational Species Conservation Fund Appropriations**

During our inspection, Division officials informed us that they have been supplementing MSCF appropriations with funding from their regional budgets. The MSCF programs have budgets directed by congressional appropriations. Included in such appropriations are caps on the amount of money that can be spent on grants administration. Four of the MSCF programs are allowed 3 percent or \$100,000 — whichever is more. The fifth program, the Marine Turtle Conservation Fund, is allowed 3 percent or \$80,000. According to program officials, actual administrative expenses well exceed these statutory limitations and typically fall in the 8 to 12 percent range. As stated previously, the Division awards large numbers of relatively small grants, which has led to these increased administrative costs.

Our Office of General Counsel has determined that such supplementation of costs is inappropriate. As stated by the Comptroller General, when an agency has overlapping appropriations, it must use the more specific of the two. Charging the more general appropriation (or any other appropriation) or using it as a "back up" is improper. For the Division, the appropriation specific to the MSCF is clearly the only one from which the costs of administering the MSCF may properly be paid.

### **Recommendations**

We recommend that the Assistant Secretary for Fish and Wildlife and Parks ensure that the Division:

1. Revise the Grants and Cooperative Agreements Handbook to require:
  - a. mandatory checking of suspension and debarment lists and review of OMB Circular No. A-133 requirements, where appropriate;
  - b. appropriate periods of performance for grants;
  - c. completion of mandatory conflict of interest forms before every proposal review session;
  - d. inclusion of all selection criteria and information used to select grantees on reviewer score sheets; and

- e. standardization across all programs of the proposal review and scoring process.
2. Establish a periodic review process to ensure adherence to published policies and regulations — to include the Handbook.
3. Institute a policy on the operations of the Chief's Account so that any grants given out of this account are properly advertised, competed, reviewed, and monitored.
4. Limits administrative costs associated with the MSCF to the levels set by law.

Please provide us with your written response to this report, number ER-IS-FWS-0017-2009, within 30 days. The response should provide information on actions taken or planned to address the recommendations, as well as target dates and titles of the officials responsible for implementation. Please address your response to:

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

If you have any questions about this report, please do not hesitate to contact me at 202–208–5745.

Attachments (2)

## **Scope, Methodology, and Related Reports**

### **Scope**

We performed our inspection in accordance with the President's Council on Integrity and Efficiency "Quality Standards for Inspections." The inspection focused on the Department of the Interior U.S. Fish and Wildlife Service Division of International Conservation's (Division) administration of its grant programs. We believe that the work performed provides a reasonable basis for our conclusions and recommendations.

As part of our inspection, we:

- reviewed grants policies and regulations;
- reviewed the Division's "Grants & Cooperative Agreements Handbook";
- reviewed prior reports issued by our Office, the Department of Justice (DOJ) Office of Inspector General (OIG), and the National Procurement Fraud Task Force (NPFTF);
- interviewed Division personnel; and
- reviewed grants issued and administered by the Division.

### **Methodology**

Specifically, we reviewed 20 grants that the Division issued during fiscal years 2008 and 2009 (through October 2009). We reviewed each grant to determine whether the Division properly administered it in the pre-award, award, and post-award processes. We ensured that proper grants procedures were followed and that the grants files complied with their internal checklists. We also reviewed an additional seven grant files and various travel-related expenditures from the Chief's Account, as well as resolved any question of improper relationships between Division personnel and grant recipients. Finally, we analyzed the Division's use of discretionary funds, compared the Division's Handbook to various regulations, and reviewed promising practices, including those presented in the reports listed below.

### **Related Reports**

February 2009 — "A Guide to Grant Oversight and Best Practices for Combating Grant Fraud" (NPFTF, Grant Fraud Committee)

Report addresses examining ways to enhance information sharing related to grant fraud; coordinating efforts among agencies to train auditors, agents, and prosecutors on detecting, investigating, and prosecuting grant fraud; and conducting outreach to agency program managers who oversee Federal grant programs and grantees to coordinate prevention, detection, and investigation of grant fraud and to communicate best practices in these areas.

February 2009 — "Improving the Grant Management Process" (DOJ OIG)

In response to DOJ's responsibilities in awarding and overseeing \$4 billion in funding contained in the American Recovery and Reinvestment Act of 2009, DOJ OIG developed a set of practices

that granting agencies should consider adopting to minimize opportunities for waste, fraud, and abuse. The list includes practices that could be implemented in the short term (within 30 days), the mid-term (within 1 year), and the long term (over 1 year). It contains recommendations for improvements in grant program development, grant applications, award process, monitoring, performance, training, and communications.



**Schedule of Monetary Impacts**

<b>Issue</b>	<b>Funds To Be Put to Better Use</b>
The Division awarded a grant for travel to a conference. More than 6 months after the travel dates, nearly half of the awarded grant amount had yet to be disbursed.	\$5,447

# **Report Fraud, Waste, and Mismanagement**



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



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