



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

U.S. FISH AND WILDLIFE SERVICE GRANTS AND COOPERATIVE AGREEMENTS IN HAWAII AND THE PACIFIC ISLANDS

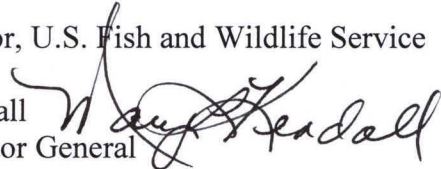


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U.S. DEPARTMENT OF THE INTERIOR

Memorandum

JUN 15 2011

To: Rowan Gould
Acting Director, U.S. Fish and Wildlife Service

From: Mary L. Kendall 
Acting Inspector General

Subject: Evaluation - U.S. Fish and Wildlife Service Grants and Cooperative Agreements
in Hawaii and the Pacific Islands
Report No. HI-EV-FWS-0001-2009

This report presents the results of our evaluation of grants and cooperative agreements administered by the U.S. Fish and Wildlife Service (FWS) through the Pacific Islands Fish and Wildlife Office (PIFWO). We conducted this evaluation to assess the extent to which FWS Pacific Regional Office and PIFWO control activities can be relied upon to prevent and detect fraud and wasteful spending.

We found that in administering grants and cooperative agreements, PIFWO did not meet its fiscal responsibilities while the Pacific Regional Office failed to provide effective oversight. Ineffective implementation of controls, together with numerous ethical concerns and fraud indicators, placed FWS at significant risk for favoritism and fraud. In this environment, undisclosed relationships between FWS grant administrators and recipients raised the appearance of conflicts of interest. In light of these concerns, we set out to determine what, if any, improper acts may have taken place and questioned whether nearly \$1.1 million of grant funds were awarded inappropriately as a result of breaches of ethical standards and a disregard for administrative requirements of financial assistance programs.

We made nine recommendations to help improve the grants and cooperative agreement processes, controls, and oversight practices at PIFWO and the Pacific Regional Office. Based on your February 25, 2011 response to the draft report, we consider Recommendations 1 and 3-9 to be resolved and implemented and Recommendation 2 resolved, but additional information is needed. These recommendations will be referred to the Office of Policy, Management and Budget for tracking (Appendix 5).

The legislation, as amended, 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 appreciate the cooperation shown by PIFWO and the Pacific Regional Office during our evaluation. A response to this report is not required. If you have any questions regarding this report, please call me at 202-208-5745.

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Results in Brief

We evaluated grants and cooperative agreements funded by the U.S. Fish and Wildlife Service (FWS) Pacific Islands Fish and Wildlife Office (PIFWO) in fiscal years 2007 to 2009 to assess the extent to which FWS Pacific Regional Office and PIFWO control activities can be relied upon to prevent and detect fraud and wasteful spending. A combination of limited Federal land ownership and the high number of threatened and endangered species drives PIFWO to develop partnerships and award financial assistance to private landowners and conservation groups for projects in Hawaii and throughout the Pacific islands. Our evaluation found, however, that in administering financial assistance in the form of grants and cooperative agreements, PIFWO does not meet its fiscal responsibilities, and the Pacific Regional Office fails to provide effective oversight. Despite existing guidelines and policies, PIFWO is not adequately ensuring impartiality, transparency, and accountability in awarding and administering these funds.

Key controls developed by the Department of the Interior (Department), some in response to Office of Inspector General (OIG) recommendations, have been implemented ineffectively in the FWS Pacific Region. Many of the files we reviewed did not include the financial assistance review checklist, a preventive control tool designed to ensure that financial assistance awards are made in accordance with Office of Management and Budget policies and Departmental requirements. Further, the grants management review, which is to be performed to ensure proper oversight of assistance of programs, is not adequately documented and contains significant design flaws. More than three-quarters of the files we reviewed did not contain the standard assurance form signed by grant recipients to certify their intent to comply with critical Federal stipulations, including maintenance of a proper accounting system.

We also identified ethical concerns relating to conflicts of interest and favoritism toward preferred recipients that put FWS' credibility at risk. Currently, FWS has no requirement for PIFWO grant administrators to disclose relationships, memberships, or positions held with outside organizations — even those that are recipients of FWS grants or cooperative agreements. In addition, we found that non-governmental organizations acting as fiscal agents could be used to bypass Federal and State procurement systems. In one such instance, these issues converged and lead us to question nearly \$1.1 million awarded to a grant recipient.

Although partnership with non-Federal landowners is essential to conserving threatened and endangered species and their habitats in Hawaii and other Pacific islands, corrective action is needed to address the ineffective implementation of controls and the numerous ethical concerns and indicators of potential fraud that we have found. If these issues are not addressed properly, millions of taxpayer dollars will continue to be at significant risk for favoritism and fraud.

Introduction

Objective

Our objective for this evaluation was to assess the extent to which U.S. Fish and Wildlife Service's (FWS) Pacific Regional Office and Pacific Islands Fish and Wildlife Field Office (PIFWO) control activities can be relied upon to prevent and detect fraud and wasteful spending in the award and management of grants and cooperative agreements in Hawaii and the Pacific islands.

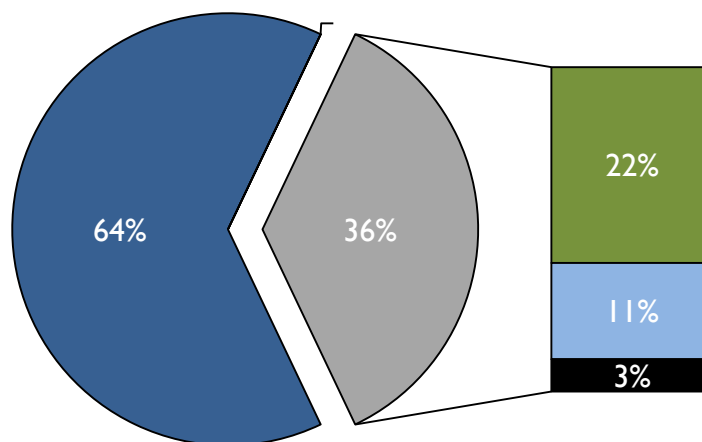
Background

The FWS mission is to “work with others to conserve, protect, and enhance fish, wildlife, plants, and their habitats for the continuing benefit of the American people.” The Pacific Region encompasses the states of Hawaii, Idaho, Oregon, and Washington as well as U.S. territories and outlying islands across the Pacific. The Regional headquarters is located in Portland, Oregon, and each state within the Region hosts a field office. Located in Honolulu, Hawaii, PIFWO is an Ecological Services field office with responsibility for FWS activities in the Hawaiian Islands, American Samoa, Guam, the Commonwealth of the Northern Mariana Islands, and other U.S. islands and atolls — approximately 2,300 islands distributed over 5 million square miles of ocean. The office is organized into three major divisions: Endangered Species, Habitat Conservation, and Invasive Species.

Hawaii and the Pacific islands have a range of unique habitat that supports more than 300 species listed as threatened or endangered and 1,000 other species of concern. Hawaii alone is home to a quarter of the nation's listed species, and over 90 percent of the land is in private or State ownership. Thus, developing partnerships with non-Federal landowners is essential to conserving at-risk species and their habitats. To support the FWS mission, PIFWO awards grants and cooperative agreements to private landowners and other groups for conservation projects, conservation research, and related activities including training, conferences, and public outreach.

Over three fiscal years, PIFWO officials have dedicated about one-third of the field office's budget to financial assistance for endangered species, habitat conservation, and other purposes. With the authority to spend Federal funds comes a responsibility to ensure accountability for the use of these funds in delivering program results. We evaluated PIFWO and the Pacific Regional Office to assess the extent to which their control activities can be relied upon to prevent and detect fraud and wasteful spending.

**Percent of Budget Directed to Grants and
Cooperative Agreements
FY 2007 - 2009**



- Direct Spending (Salaries, Travel, Contracts, Supplies)
- Grants and Cooperative Agreements
- ...for Endangered Species
- ...for Habitat Conservation
- ...for Other Purposes

Figure I. Percent of Budget Directed to Grants and Cooperative Agreements. This is for the Fiscal Years 2007-2009. Information presented is a result of the Office of Inspector General's analysis of FWS data.

Findings

We found that in administering grants and cooperative agreements, PIFWO does not meet its fiscal responsibilities, and the Pacific Regional Office fails to provide effective oversight. Ineffective implementation of controls, together with ethical concerns, has resulted in numerous indicators of potential fraud. Millions of dollars are at significant risk for favoritism and fraud. Key controls are not properly implemented, placing resources, and the mission to which these resources are applied, at risk. Ethical concerns and indicators of potential fraud put FWS' resources at risk. That is, undisclosed relationships between PIFWO grant administrators and recipients raise the appearance of conflicts of interest. While partnerships are essential to conserving threatened and endangered species and their habitats, following established guidelines and policies to ensure impartiality, transparency, and accountability is equally important.

Controls Implemented Ineffectively

Key controls developed by the Department of the Interior (Department), some in response to the Office of Inspector General's (OIG) recommendations, have been implemented ineffectively in the FWS Pacific Region. Specifically, we found that the Pacific Region's Contracting and General Services (CGS) did not properly implement existing policies on two key controls: the financial assistance review checklist and the grants management review (GMR). Additionally, FWS has not ensured that program outcomes are protected by long-term agreements. At the same time, PIFWO has failed to maintain proper documentation of funded projects and to provide adequate training for those with grants administration responsibilities.

Financial Assistance Review Checklist

The financial assistance review checklist is an important control to ensure compliance with applicable regulations. We found, however, that many PIFWO files either lacked the checklist in its entirety, or were missing the CGS signature page. Further, we found guidance in effect at the Pacific Regional Office that raises questions about the validity of this control as currently implemented.

In response to a 2005 OIG recommendation, the Department took steps to strengthen controls over grants and cooperative agreements. The Office of Acquisition and Property Management (PAM) issued Financial Assistance Communication Liaison Policy Release 2007-1, "Enhancing Quality Assurance in the Award and Administration of Financial Assistance Transactions." This policy required the use of the financial assistance review sheet as a preventive control tool that is designed to ensure that financial assistance awards are made in accordance with Office of Management and Budget (OMB) policy and 505 Departmental Manual (DM) 2 requirements.

The financial assistance review applies to all assistance awards and modifications. In completing the review, a staff member in the Pacific Region CGS should screen a proposed agreement file for required elements such as citation of the appropriate statutory authority, documentation of pre-award solicitation, and collection of particular information from the proposed recipient based on the type of project to be funded. As designed, this review is an important control to ensure compliance with applicable regulations. We found, however, significant shortcomings in the implementation of this control. Many of the files did not include the financial assistance review checklist. Of those files that did include the checklist, many were missing the CGS signature page.

General Process for Grants and Cooperative Agreements

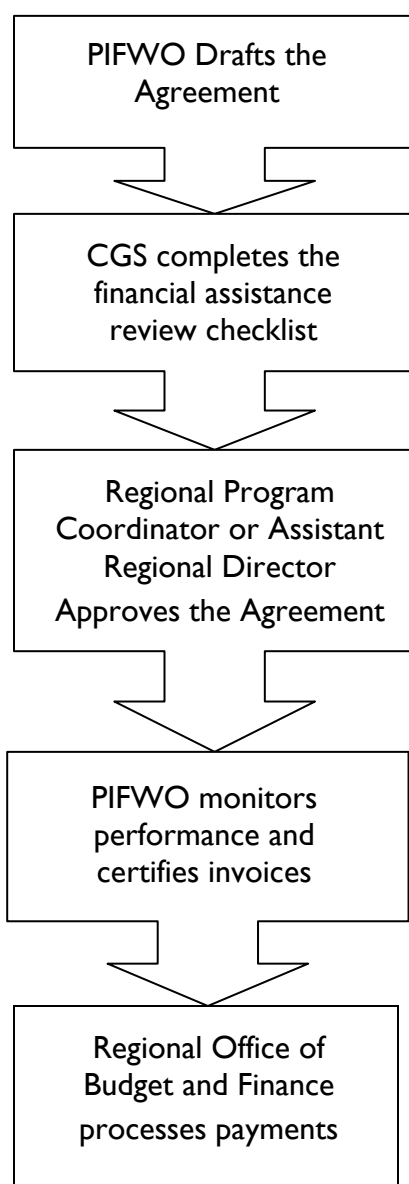


Figure 2. A general overview of the process for grants and cooperative agreements.

Guidance about implementing this control heightens our concern regarding the missing checklists and signature pages. Currently, field office personnel prepare agreement packages and route them through field management to CGS for the financial assistance review. A “clarification” of policy at the Pacific Region instructs the reviewer, usually a Contracting Officer (CO), to sign off during their review of grants and cooperative agreements merely by qualifying their signature, even if they have identified a proposed action that violated federal law, OMB regulations, or agency policies and procedure:

“If...the CO determines a proposed action appears to be in violation of federal law, OMB regulations or agency policies and procedures, the CO will qualify their signature. The CO will include a brief written addendum stating that their signature merely indicates contract sufficiency of the proposed action at hand (i.e. the action itself is complete and includes all the necessary elements) and does not approve the taking of that action, or other aspects of the assistance administration they feel is inappropriate.”

Those whom we interviewed knew of no instance in which a CO qualified his/her signature on a grant or cooperative agreement that included a proposed action with violations, but without the signature page, or without the review document in its entirety, we as independent observers are unable to determine whether CGS staff raised any concerns with the agreements we examined. Decentralized decision-making in FWS reduces the likelihood of a proposed agreement being scrutinized, as Regional officials are prone to defer to program managers in the field. This policy “clarification” suggests that the level of deference extends all the way to violations of law and regulation, rendering the control meaningless.

Grants Management Review

We found that the GMR is not adequately documented and contains significant design flaws. The purpose of the GMR is to ensure proper oversight of assistance programs by periodically reviewing and correcting controls. Despite assertions that a CGS staff member performed a GMR of PIFWO in 2008 and prepared a report of her findings, officials — both in Portland and in Honolulu — could not locate a copy of the report. Several PIFWO staff were interviewed for the GMR, but none could tell us what the findings were. Thus, follow-up cannot be conducted.

We contacted the employee who performed the GMR. She did not recall any specific findings except for a general concern about inadequate documentation. She acknowledged a design flaw in the GMR process as implemented by the Pacific Region. Specifically, there is no segregation of duties, in that the same person who completed most of the financial assistance review checklists then went on to perform the GMR, effectively reviewing her own work.

Landowner Agreements

We found weaknesses in PIFWO landowner agreement practices that could place project outcomes at risk of reversal. When FWS provides funds for work on private lands, the public investment and resulting conservation benefits should be protected by a landowner agreement or wildlife extension agreement. Such agreements typically bind the landowner to protect project outcomes for a period of time, perhaps 10 years or more. In examining PIFWO records, we found eight projects totaling more than \$1 million that either lacked the landowner agreement altogether, or included only the signature of an intermediary and not that of the landowner. This clause, found in funding documents, requires recipients to repay FWS in the event a landowner reneges on an agreement. An internal review by the Pacific Regional Office found that as few of 1 in 10 of the projects evaluated had the proper language. A PIFWO supervisor acknowledged that this “mechanism for recovery” clause was missing from recent agreements and assured us that PIFWO would work to include this language in the future.

We are also concerned that the use of intermediary entities may be shielding partners from fulfilling their long-term obligations to FWS. A conservation worker collaborating with landowners and PIFWO explained to us that a “virtual NGO” can be established as a fiscal agent with legal standing for the receipt of funds. Such an NGO — or non-governmental organization — might have no assets other than the flow of moneys from FWS (and, perhaps, other funding agencies). Money for conservation projects passes through the NGO to project performers. As the official recipient of the financial assistance, the NGO, in the words of one grants coordinator we interviewed, “absorbs the responsibility” for meeting the terms and conditions of the grant or cooperative agreement. Unfortunately, there simply may be no practical means to recoup funds from a virtual entity of this kind. FWS interests are left unprotected in the absence of a binding agreement with the landowner, and either no repayment clause or a clause accepted by an entity that exists only as a pass-through.

Documentation

In examining grant and cooperative agreement files provided to us by PIFWO, we found an overall lack of documentation that raises transparency and enforcement concerns. Adequate documentation and ready access to that documentation are important controls that should be useful in verifying compliance with policies and procedures, and in preventing or detecting potential fraud. Although many files included checklists indicating that all required documents were in place, we did not find this to be valid.

In addition, we observed a lack of centralized access to project information. Project biologists who monitor grant performance maintain files separately from the Grants Assistant, and each grants administrator has his or her own approach to tracking deadlines, payment status, and results of monitoring activities. Such disparate handling of project information could hamper supervision or outside evaluation of the progress of given programs, projects, or recipients.

Catalog of Federal Domestic Assistance (CFDA)

As we reported in our November 2009 Recovery Oversight Advisory, titled “Concerns About Catalog of Federal Domestic Assistance Numbers” (Report No. ROO-ROA-MOA-1013-2009), CFDA numbers are “...perhaps the most essential component for identifying, reporting, and tracking Federal financial assistance activities.” Transactions examined for that report indicated that more than a quarter of the Department’s programs were noncompliant in the use of CFDA numbers.

In our evaluation of PIFWO documentation and Grants.gov, we found CFDA coding for more than half of the financial assistance actions to be blank, “N/A,” or a generic “00.000.” This practice could lead to misreporting of financial assistance awards and difficulty in identifying and enforcing specific program stipulations.

“The CFDA number promotes transparency and accountability, and helps ensure that only qualified recipients receive federal assistance funds.”

- OIG, 2009

Recipient Assurances

More than three-quarters of the PIFWO files did not contain the standard assurance form signed by grant recipients to certify their intent to comply with critical Federal stipulations, including maintenance of a proper accounting system and safeguarding against conflicts of interest. Indeed, we found one recipient organization in which FWS staff holds office that allows any two board members to make binding decisions, even when one has a known conflict.

Invoices and Support for Payments

We found that PIFWO grant administrators rarely collect supporting documentation for recipient expenditures before certifying payment requests. Though PIFWO maintains the authority to require recipients to provide this documentation, the files we reviewed did not contain much, if any, support for invoices. Some of PIFWO grant administrators readily admitted that they would not know what to look for even if they requested such documentation. Inadequate documentation not only makes fraud detection more difficult, it can — particularly when coupled with no up-front cost analysis — significantly raise the risk of overpayment. In the limited sample of recipients we contacted, supporting documents were, in fact available, although some of this information led to further concerns that we discuss in the “Ethical Concerns and Fraud Indicators” section of this report.

Proper Training

In our 2007 report, “Proper Use of Cooperative Agreements Could Improve Interior’s Initiatives for Collaborative Partnerships,” we highlighted a general lack of training across the bureaus in the area of grants administration. Although the Department concurred with OIG’s recommendation to implement a financial assistance training program, the grant administrators and support staff we interviewed reported receiving little or no training in topics we would consider crucial to a successful financial assistance program. The employees are highly dedicated individuals who work hard to advance the FWS mission and we believe they have the enthusiasm and the capability to produce even greater results if given the proper training and guidance.

Recommendations

1. Assess other Regions to determine whether the problems we identified in the Pacific Region/PIFWO are common or isolated.
2. Revise assistance policies and practices to clearly delineate responsibilities and improve controls.
3. Strengthen landowner agreement practices to better protect long-term outcomes.
4. Improve records management to ensure centralized access to key information for each grant/cooperative agreement.
5. Require a CFDA citation for all announcements of Federal assistance to ensure full reporting of financial assistance awards.
6. Provide the necessary training and support to the Regional and Field Offices to ensure that staff has the capacity to properly administer Federal assistance.

Ethical Concerns and Fraud Indicators

Employees of FWS represent the United States Government and have positions of trust and responsibility that require them to uphold the highest ethical standards. In an environment of weakened controls, we identified several issues at PIFWO that expose FWS to considerable risk. Firstly, FWS has been lax in implementing the annual ethics disclosure process in PIFWO. Secondly, the appearance of conflicts of interest, lack of competition, and appearance of favoritism put PIFWO program credibility at risk, while frequent modifications and arrangements to circumvent established procurement controls reduce transparency and hinder enforcement. Lastly, the use of multiple avenues for payment put funds at risk for fraud or erroneous disbursement. Together these indicators point to underlying problems

especially when compounded by grant recipients who do not abide by the administrative requirements of Federal financial assistance programs. In one such instance, these issues converged and lead us to question nearly \$1.1 million of grant funds awarded by PIFWO.

Annual Ethics Disclosure

At the time of our evaluation, there was no obligation for PIFWO grants administrators to disclose outside relationships, memberships, or positions held with outside organizations — even those that are recipients of FWS grants or cooperative agreements.

Federal employees are subject to conflict of interest restrictions and, depending on their duties, may be required to file a financial disclosure report (usually using OGE Form 450). These disclosure reports are among the primary tools used by ethics personnel to determine whether employees comply with Federal standards of conduct and to provide assurance of impartiality in the performance of official duties. PIFWO has more than a dozen biologists and several supervisors with grant administration responsibilities, yet the Pacific Region's Ethics Counselor informed us that only one employee — the PIFWO Field Supervisor — is required to file an annual ethics disclosure. This appears to be in contravention to the requirements of Title 5 § 2634 of the Code of Federal Regulations (CFR) and related FWS policy. Departmental guidance and 5 CFR 2634.904 does allow an exemption for employees below the GS-15 level if they are subject to “substantial supervisory review,” but we believe that this exemption is too broadly applied in PIFWO and millions of dollars are awarded in circumstances that merit greater scrutiny.

Appearance of Conflicts of Interest

During the course of our evaluation, we discovered that government employees and their family members participate in the management of organizations that are the recipients of FWS grants. In one example, a PIFWO project biologist signed a request to fund a \$350,000 noncompetitive grant to a nonprofit entity. Her husband later became President of the recipient entity, yet she failed to recuse herself from grant administration responsibilities. The same organization has received nearly \$1.1 million in agreements noncompetitively from FWS and all members of its Board of Directors are Federal or State of Hawaii employees, including two from FWS.

“The appearance of a conflict of interest arises when an employee is involved in an official duty capacity with specific outside parties and there are circumstances that would cause a reasonable person with knowledge of the relevant facts to question the employee's impartiality in the official matter.”

- 212 FWS 2

The appearance of conflicts of interest is clearly defined in executive orders, regulations, and policies governing FWS. These codes clearly state that employees shall act impartially and not give preferential treatment to any private organization or individual and shall endeavor to avoid any actions creating the appearance that they are violating the law or the ethical standards.

Lack of Competition

Competitive procedures, implemented properly, can help to ensure that the government will receive the best value for taxpayer dollars, whether disbursed through procurement contracts or awarded in the form of financial assistance. The Department, through policy at 505 DM 2, encourages competition in the award of grants and cooperative agreements. This policy should help to assure that financial assistance will be awarded fairly. We found, however, that the common practice for soliciting grant recipients entails PIFWO biologists contacting their preferred recipients to let them know funding is available, then working with the prospective recipient to develop the scope of work and project budget before submitting the grant package for approval. Only then, if required, does PIFWO advertise funding opportunities. Despite the official policy, we found that there is little incentive for grant administrators to implement competitive procedures, as there are no performance standards associated with the use of competition in the awards process.

Appearance of Favoritism

Even in the limited circumstances under which PIFWO advertises funding opportunities, observers have cause to question whether the competition is legitimate and the selection impartial.

In one instance, we found a PIFWO grant administrator extending to a prospective recipient (who did ultimately receive the grant) a line of communication that she knew to be inappropriate:

“I am sending this [e-mail] from [someone else’s] computer because technically I am not suppose[d] to talk to you once the grant is listed on the web so do not call or email me at work. But, if you have questions, you can call me at home after 4 pm [phone number] or email me [personal email address].”

In another instance, a former FWS employee and her associate received a \$20,000 grant within a few months of her departure from PIFWO. Competitive procedures were nominally followed, but we found that the grant administrator had contacted the prospective applicant and even suggested how much she should charge FWS for her services. Further, her services should have been procured by a contract and not through financial assistance.

We also found that even though a project deliverable could not be met, a grant recipient was allowed to purchase a laptop and receive training rather than returning the remaining funds. This recipient is now part of the PIFWO staff.

Frequent Modifications

What are initially small awards can become quite substantial over time, as PIFWO has a history of extensively modifying agreements to extend timeframes and to provide additional funding. One major agreement has been in place, noncompetitively, for more than a decade and amounts to several million dollars on a cumulative basis. Another agreement, initially \$35,000, was modified 10 times and stands now at more than \$700,000. While our evaluation of PIFWO was in progress, the FWS Hawaiian and Pacific Islands Refuge Complex Office, which oversees wildlife refuges throughout the Pacific, awarded a \$1 million grant — without competition — to initiate work that is expected to cost millions more.

Arrangements to Circumvent Procurement Controls

We found that Federal and State procurement systems could be easily bypassed. Processes for the use of Federal funds generally include many checks and balances, yet these can be by passed when the funds are passed through non-Federal partners.

In executing a grant or cooperative agreement, a nonprofit entity can be used to serve as the fiscal agent. The fiscal agent receives the grant moneys and keeps the records while the bulk of the funding is passed through to other partners for performance. In concept, this approach allows for one entity to focus on fiscal and procurement control while other entities specialize in on-the-ground conservation work, outreach activities, and the like. By regulation, the principles of fiscal and procurement control extend to recipients of Federal funds. We found, however, an environment in which Federal and State employees join together with prospective partners to discuss how available funds can be executed to accomplish work that they believe would not be approved through established procurement channels. A grant is made to a third party that is functioning as a superficially legitimate fiscal agent, and purchases are then executed outside the view of procurement officials.

In one such instance, a recipient organization with two FWS employees on its board of directors and a State of Hawaii employee who was acting as its grants manager, received a substantial grant, noncompetitively, from PIFWO to execute a conservation project on State land. Rather than granting the funds directly to the State of Hawaii, officials agreed to channel the funds through the nonprofit entity. A State official told us that part of the rationale for this was that State procurement officials would not likely approve the planned procurement of materials and expertise from foreign countries. To date, we have not found adequate documentation of market research to determine whether this planned procurement is in conformance with the Buy American Act, and we have alerted a cognizant management official at the Pacific Regional Office to this situation.

Multiple Avenues for Payment

In examining two other financial assistance agreements awarded by PIFWO to this same recipient, we found that one had an inordinate number of payment transactions that seem to create redundant avenues for funds to change hands. Disbursing moneys through multiple avenues can impede transparency and raise the risks of fraud, embezzlement, and erroneous payments.

FWS processes have, at least by design, some degree of control over the use of Federal resources. For example, there is a reimbursement process for employees to be repaid when they use personal funds to cover official expenses. Also, there is an interagency agreement process for the proper transfer of funds from one bureau to another, or from a Department bureau to another Federal agency. This is illustrated by Figure 3.

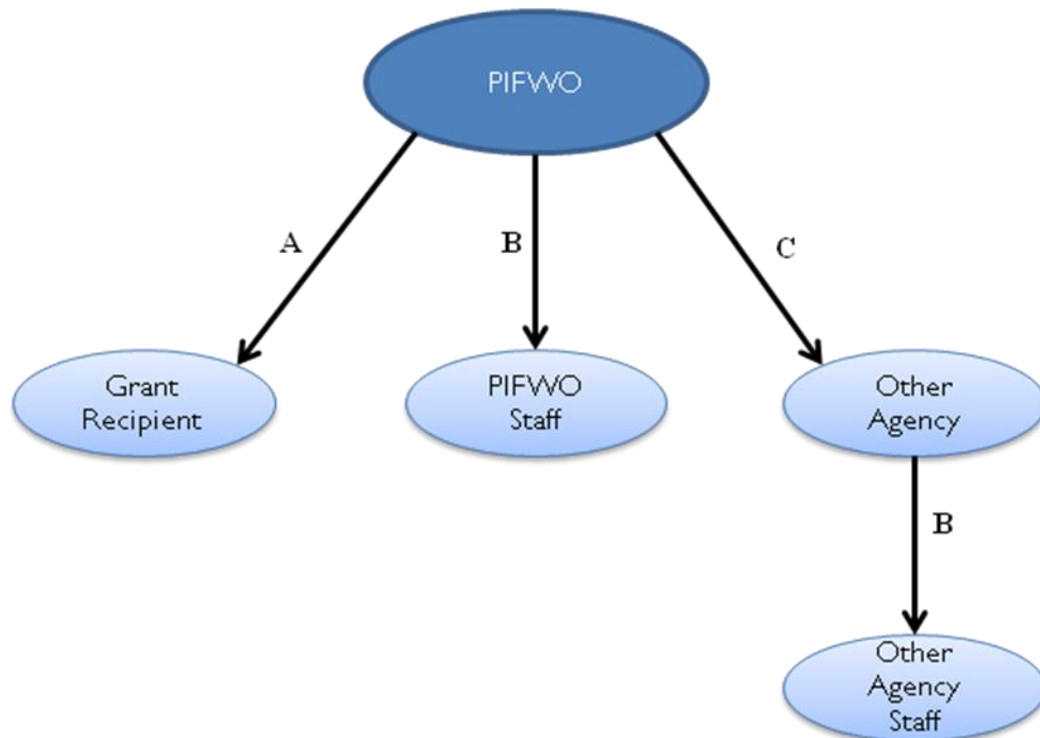


Figure 3. There are controlled processes in place to (A) award assistance to grant recipients, (B) reimburse staff for official expenses, and (C) transfer funds to other agencies.

Yet, as illustrated in Figure 4, we found Federal employees receiving reimbursements from grants awarded to this recipient instead of (or in addition to) utilizing established procedures in their respective agencies. In one especially troubling instance, we discovered transactions totaling over \$750,000 that the PIFWO grant administrator had approved from the grant recipient's account, including reimbursements to himself and at least two other Federal employees. A number of such requests for reimbursement are "substantiated" by simple lists of vendors and dollar amounts — without adequate itemization and, in at least one instance, without any receipts or other supporting documentation. This grant administrator was also found to be passing funds through a "coordinating committee" to this grant recipient to pay for services rendered by staff of other Federal agencies in support of PIFWO-funded projects — creating a parallel process where an interagency agreement might have been a more appropriate and accountable mechanism.

When we discussed Federal procurement and financial administrative rules with the recipient's grant manager, we found that he did not understand the guidelines outlined in the FWS agreements that he had signed. We were told that their role as a fiscal agent was only to provide a mechanism for FWS to pass funds through and that it was not his responsibility to understand, or follow, any rules outlined in the FWS. He felt that understanding the rules was the obligation of the FWS employee

who awarded the grant. He added that if the OIG were to find anything wrong with the way the grant had been handled, he would just plead ignorance.

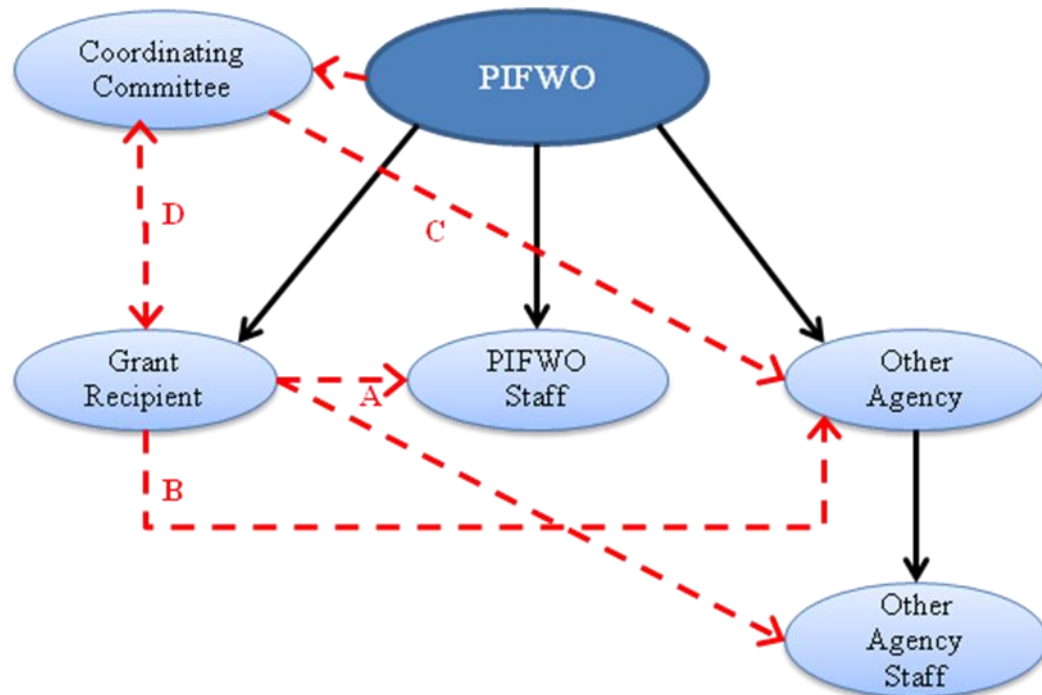


Figure 4. The complex system that exists due to multiple avenues of payment. The red lines show (A) A PIFWO grant administrator directing reimbursements to himself and other Federal employees from the grant recipient's account, (B) Funds passing through a grant recipient to reach another Federal agency, (C) A coordinating committee used to pass funds to another Federal agency, and (D) funds passing between the grant recipient and the coordinating committee.

The complexities introduced by these multiple avenues for payment, compounded by grant recipients who do not abide by administrative requirements, hamper the ability of FWS officials to positively assert control of the flow of Federal funds, prevent duplicate payments, and detect fraudulent billing.

In light of the issues outlined in this report, we question whether \$1,096,388 was awarded inappropriately by PIFWO to this grant recipient, and believe that costs of \$1,091,946 are ineligible as a result of breaches of ethical standards and a disregard for administrative requirements of financial assistance programs. See Appendix 4 for summary.

Recommendations

7. Revise ethics policies and practices to ensure that grant administrators file disclosure statements at least annually and provide clear guidance to employees when they must terminate outside relationships or recuse themselves from particular matters.
8. Establish specific performance targets to increase the use of competitive procedures in awarding Federal assistance.
9. Ensure that recipients acting in a fiduciary role have the capacity to administer federal financial assistance.

Conclusion and Recommendations

Conclusion

There are many dedicated employees who work hard to advance the FWS mission. Much of their success is due in part to relationships forged with conservation partners, including State and local government agencies, nonprofit groups, and private landowners. Historically, financial assistance programs have been subject to fraud and mismanagement throughout the Government. Poor oversight, lax controls, and ethical concerns make PIFWO vulnerable to grant fraud.

Until those charged with grant duties receive adequate training and guidance, the Department is putting itself at continued risk for favoritism and fraud. Those involved in grants administration and oversight need to fully understand, adhere to, and enforce the regulations and other controls that are designed to minimize the risk of fraud and wasteful spending.

We offer nine recommendations, together with supporting suggestions, to help FWS bring PIFWO grant programs into control and reduce the risks of future fraud.

Recommendations

1. Assess other Regions to determine whether the problems we identified in the Pacific Region/PIFWO are common or isolated.
 - PIFWO is but one of many FWS field offices that award financial assistance. Given the vulnerabilities we have identified in this report, FWS should examine practices in other regions and field offices to assess and validate the implementation of fiscal and procurement controls.

FWS Response: FWS is in the process of reviewing controls over grants and cooperative agreements as part of the A-123 Appendix A, Management's Responsibility for Internal Control Over Financial Reporting. The results of the A-123 review will provide insight as to whether the issues identified in the Pacific Region/PIFWO are common or isolated.

OIG Reply: We are encouraged that FWS is reviewing controls over grants and cooperative agreements to accurately assess and validate that fiscal and procurement controls are implemented and functioning as intended to meet management's responsibility. We consider this recommendation resolved and implemented.

2. Revise assistance policies and practices to clearly delineate responsibilities and improve controls.

- Consider using the regional/field structure as a way to reinforce segregation of duties:
 - The Field Office be responsible for pre-award needs assessment and prioritization.
 - The Regional Office be responsible for solicitation and award.
 - The Field Office be responsible for performance monitoring.
 - The Regional Office be responsible for fiscal controls, including periodic review of random sample of invoices and supporting documentation.
 - The Grants Management Review be completed by staff from other Regions (peer review).
- Consider whether the Pacific Region's CGS, the Pacific Region's Program Offices, and PIFWO are staffed appropriately to implement the revised procedures and whether assignment of a Grants Specialist would better assure access to financial assistance expertise.

FWS Response: In response to this report, FWS provided changes to the regional/field procedures that will segregate duties and improve controls.

OIG Reply: We commend the PIFWO and CGS for taking action. The processes outlined in the response, however, do not address how the solicitation of financial assistance will change. Further, it allows for the status quo of the awards effectively being determined by the field offices during the "pre-award needs assessment, prioritization and recommendations of awards" process. We emphasize that the changes in processes must occur to ensure impartiality and transparency. To ensure that appropriate corrective actions are taken, we request that FWS provide a revised plan for implementing the recommendation. This plan should include a revised target date if applicable for completion, or evidence of any actions taken, and the responsible official(s).

3. Strengthen landowner agreement practices to better protect long-term outcomes.
 - Consider requiring clear maintenance commitments directly from landowners rather than relying on performance agreements with intermediary agents.

FWS Response: The Program Supervisor and the Field Supervisor instructed project officers to ensure that landowner agreements be signed by landowners rather than intermediary agents/recipients, in compliance with existing FWS policy.

OIG Reply: We commend supervisors for taking action to ensure that landowner agreement practices are in compliance with existing policy. This practice will

better protect long-term outcomes. We consider this recommendation resolved and implemented.

4. Improve records management to ensure centralized access to key information for each grant/cooperative agreement.
 - Consider requiring that each financial assistance file contains, at a minimum, the following items:
 - agreement and all modifications,
 - recipient contact information and assurances,
 - monitoring report(s),
 - deliverable/reporting deadlines, and
 - funding/payment status and supporting documentation.

FWS Response: The field office has taken action to improve records management and CGS will issue guidance that will include the need for the assurances form.

OIG Reply: We commend the field office for taking action to improve records management and that the CGS will issue guidance that will reiterate the need to obtain the assurances form. We consider this recommendation resolved and implemented.

5. Require a CFDA citation for all announcements of Federal assistance to ensure full reporting of financial assistance awards.
 - In our evaluation of PIFWO documentation and Grants.gov, we found CFDA coding for over half of the financial assistance actions to be blank, “N/A,” or a generic “00.000.” Consider reforming policies and practices, and regularly examining transactions, to ensure compliance with CFDA requirements.

FWS Response: CGS will ensure correct CFDA numbers in the Federal Assistance Award Data System. In November 2010, all agreements were converted into the Financial Business Management System which requires a valid CFDA number.

OIG Reply: We are encouraged that field and regional offices will coordinate efforts to ensure full reporting of financial assistance awards and consider this recommendation resolved and implemented.

6. Provide the necessary training and support to the Regional and Field Offices to ensure that staff has the capacity to properly administer and monitor Federal assistance.
 - Consider a training regimen that addresses each of the following topics:

- Ethical Standards,
- Competitive Procedures and Systems,
- Cost Analysis,
- Financial Controls,
- Cost Principles,
- Fraud Awareness,
- Property Accountability
- Records Management,
- Compliance Monitoring, and
- Assessing Recipient Capacity.

FWS Response: During 2010, a total of 148 staff from the Pacific Region and PIFWO participated in courses on grants and cooperative agreements. The FWS response concluded that this corrective action is now complete and no further action was required.

OIG Reply: The recent actions taken by the Pacific Region and PIFWO to train staff is exemplary. Ongoing training, however, is essential as staff rotate and rules and regulations change. While we consider this recommendation resolved and implemented, we suggest that FWS take the opportunity to build on these foundations and make continued education an ongoing effort.

7. Revise ethics policies and practices to ensure that grant administrators file disclosure statements at least annually, and provide clear guidance to employees when they must terminate outside relationships or recuse themselves from particular matters.
 - Consider requiring employees to disclose relationships if they, their spouses, or members of their households, hold ownership interest in, serve as officers of, hold management positions in, or receive compensation from recipient organizations, or are identified as individual recipients.
 - Consider more stringent controls (higher scrutiny) in situations where such a relationship is found to exist.

FWS Response: The PIFWO has taken action to provide clear guidance on matters relating to conflicts of interest.

OIG Reply:

The field office has taken action to educate employees regarding conflicts of interest and we consider this recommendation resolved and implemented. .

8. Establish specific performance targets to increase the use of competitive procedures in awarding Federal assistance.

- Consider measuring the percentage of Federal assistance dollars awarded through competitive procedures. As with other performance measures, clearly define exceptions to the measure, if any, and tie targets to performance plans/evaluations where appropriate.

FWS Response: FWS agreed with the report's conclusion that competitive procedures help to ensure that the government will receive the best value for taxpayer dollars but does not feel specific targets is a productive mechanism to ensure competitive procedures are followed.

OIG Reply: While FWS agrees with the report's conclusion that competitive procedures help to ensure that the government will receive the best value for taxpayer dollars, they do not feel specific target dates are a productive mechanism to ensure competitive procedures are followed. We consider this recommendation resolved and implemented and reiterate that there is a need to use competitive procedures in awarding Federal assistance and encourage FWS to determine a means to ensure that this process occurs.

9. Ensure that recipients acting in a fiduciary role have the capacity to administer Federal financial assistance.
 - Consider developing protocols that validate a recipient's capacity to abide by administrative requirements outlined in 43 CFR 12, at a minimum to include:
 - codes of conduct,
 - procurement procedures, and
 - an accounting system that provides effective control and accountability.

FWS Response: The Pacific Region Contracting and General Services Office and programs plan to coordinate existing monitoring efforts to provide better and more efficient reviews of financial assistance administration in field offices. Grantee monitoring site visits will include an evaluation of compliance with all administrative requirements outlined in 43 CFR 12 [2 CFR] such as codes of conduct, procurement procedures, and accounting system that provides effective controls and accountability.

OIG Reply: We acknowledge that efforts by CGS and the programs to coordinate existing monitoring efforts in combination with training and revised policies will strengthen grant monitoring. In addition, the grantee monitoring site visits will increase compliance and accountability. We consider this recommendation resolved and implemented.

Appendix I: Scope and Methodology

Scope

We performed our evaluation in accordance with the President’s Council on Integrity and Efficiency “Quality Standards for Inspections.” Our evaluation focused on grants and cooperative agreements funded by the Pacific Islands Fish and Wildlife Office (PIFWO) during fiscal years 2007 through 2009. Though we contacted officials of the National Wildlife Refuge System and the Wildlife Sport Fish Restoration program for information, these programs are not included in the scope of this evaluation report. We believe that the work performed provides a reasonable basis for our conclusions and recommendations.

Methodology

For the purposes of conducting our evaluation, we interviewed the U.S. Fish and Wildlife Service (FWS) officials and grant recipients, reviewed FWS grant files and other documentation, and performed site visits of several grant projects.

- We reviewed prior audit and evaluation reports pertaining to Federal grants administration. See Appendix 2 for selected summaries.
- We reviewed laws and regulations, Office of Management and Budget (OMB) circulars, and the Department of the Interior (Department) and FWS policies related to grants administration and ethical standards.
- We reviewed FWS web pages and publications, including PIFWO and Pacific Island Conservation Partnership annual reports.
- From a list of 85 grants and cooperative agreements issued between fiscal years 2007 and 2009, we judgmentally selected 50 for file review. We looked at FWS review checklists, fiscal information, progress reports, and other related documents in PIFWO files.
- We interviewed FWS officials in Portland and Honolulu, and also contacted a small (judgmentally selected) subset of recipient/sub-recipient organizations for interviews and document collection. See Appendix 3 for a complete list of sites visited or contacted.
- Based on concerns outlined within this report, we investigated to determine what, if any, improper acts (administrative or criminal) may have taken place.

Limitations

Our fieldwork focused on FWS Pacific Regional Office in Portland, Oregon, and the associated field office — PIFWO — in Honolulu, Hawaii. While our discussion often refers to Departmental and Service-wide policies, we caution the reader that specific observations regarding lapses in controls at PIFWO may or may not be applicable to other regional or field offices.

While we reviewed PIFWO files pertaining to agreements throughout Hawaii and the Pacific islands, we limited our visits to locations on the islands of O‘ahu and

Maui.

Though we comment on certain indicators of potential fraud and the appearance of conflicts of interest in regard to FWS employees and recipients of Federal financial assistance, we caution the reader that these indicators do not in all cases definitively identify criminal activity or administrative misconduct. Rather, this report helps to identify vulnerabilities that FWS should address as part of a comprehensive risk management strategy.

Appendix 2: Selected Prior Coverage

January 2007

“Proper Use of Cooperative Agreements Could Improve Interior’s Initiatives for Collaborative Partnerships” (Report No. W-IN-MOA-0086-2004). The report reviewed 119 (total) cooperative agreements which were administered by FWS, U.S. Geological Survey, U.S. National Park Service, U.S. Bureau of Land Management, or U.S. Bureau of Reclamation.

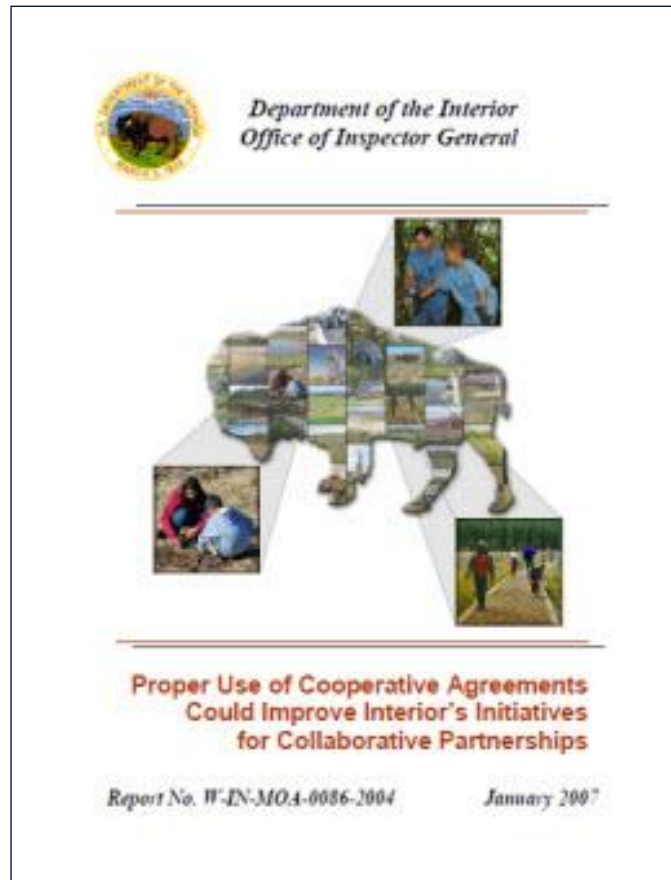


Figure 5. Cover of Report No. W-IN-MOA-0086-2004.

In our 2007 report, we concluded that Interior lacked a fundamental understanding as to how and for what purpose cooperative agreements should be awarded. To resolve this misunderstanding, we provided a guide delineating the decision points to determine whether a grant, cooperative agreement, or procurement contract was the appropriate legal instrument and made the following five recommendations:

1. Establish an Interior-wide policy to require, in conjunction with bureau solicitors, reviews of all proposed cooperative agreements to ensure that (a) the bureau has the legal authority, (b) there is substantial involvement by

both parties to the agreement, (c) the correct legal instrument is used, and (d) all authorities and responsibilities, deliverables, cost budgets, and time frames for completing agreement objectives are clearly delineated.

2. Establish an Interior-wide policy to require periodic management reviews of all processes related to awarding and administering cooperative agreements. These processes should, at a minimum, include determining whether (a) required legal reviews were completed, (b) competition was solicited, (c) substantial involvement occurred from both parties, (d) goods and services were obtained at allowable and reasonable costs, and (e) transactions were properly coded to all financial and program systems.
3. Develop competition guidelines and metrics to evaluate and annually report the use of competition in awarding cooperative agreements to maintain the transparency consistent with the customer service mandates prescribed in Public Law 106-107.
4. In conjunction with DOI's University, establish and implement a training program for all acquisition and program personnel. This training program should provide instruction on how to use applicable [Office of Management and Budget] circulars to conduct thorough cost reviews of budgeted and actual expenditures.
5. Require cost reviews during the cooperative agreement's performance period to monitor billed costs and matching requirements. This would include comparing cost estimates developed during the application process to incurred costs.

August 2005

“Framework Needed to Promote Accountability in Interior’s Grants Management” (Report No. W-IN-MOA-0052-2004). The report identified several issues related to stewardship over grants and cooperative agreements.

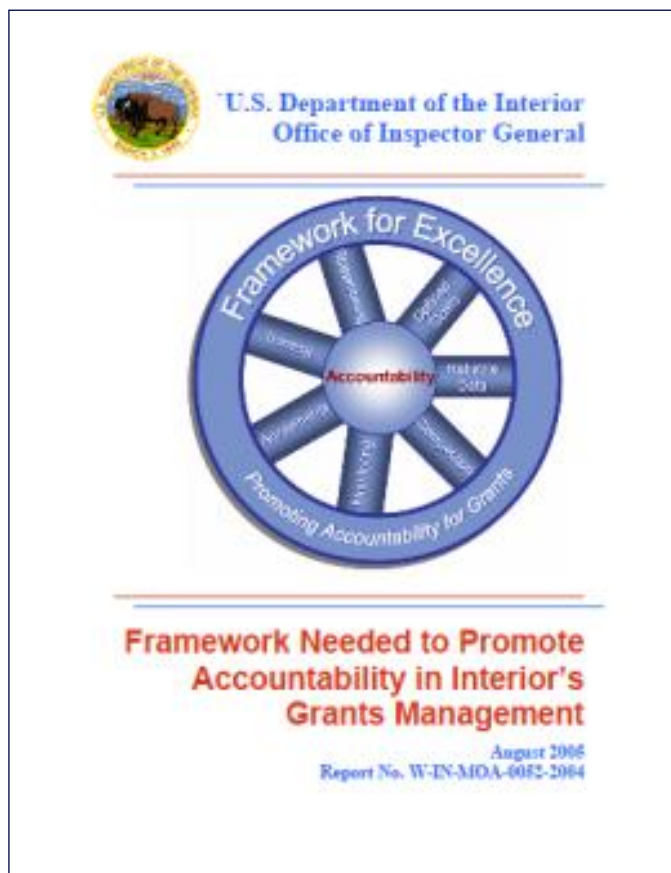


Figure 6. Cover of Report No. W-IN-MOA-0052-2004.

In our 2005 report, we provided a framework that incorporated seven key processes and suggested actions that would create a holistic approach to grants management. The seven processes and complementary suggested actions were:

1. Producing Reliable Data

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

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

- Mechanisms to detect and correct inaccurate grant financial and program information.

2. Soliciting Competition

To broaden public participation, we urged Interior to require:

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

3. Monitoring Grants Effectively

To effectively monitor grant agreements, we urged Interior to:

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

4. Writing Effective Grant Agreements

The need for well-written grant agreements had not been fully addressed by any agency and was an area that Interior, by developing a prototype grant agreement, could demonstrate a best practice applicable Government-wide. We urged Interior to:

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

5. Providing Adequate Training

To provide adequate training to grant managers and administrators, we urged the Department to:

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

6. Streamlining Policies and Procedures

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

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

7. Establishing Measurable Goals

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

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

Appendix 3: Sites Visited or Contacted

U.S. Fish and Wildlife Service
FWS Pacific Regional Office; Portland, Oregon
—Hawaii—
FWS Law Enforcement
FWS National Wildlife Refuge System
FWS Pacific Islands Fish and Wildlife Office
FWS Wildlife and Sport Fish Restoration Program Office
Other Federal Agencies
U.S. Department of Agriculture
U.S. Geological Survey
Assistance Recipients & Sub-Recipients —Maui—
Maui Coastal Land Trust at Nu‘u Pond
Maui Land & Pineapple Company
San Diego Zoological Society at Maui Bird Conservation Center
Tri-Isle Resource Conservation and Development
West Maui Mountain Watershed Partnership
—O‘ahu—
Bishop Museum

Hawaii Chapter, The Wildlife Society
Ko'olau Mountains Watershed Partnership
Plant Extinction Prevention Program
State of Hawaii Department of Land and Natural Resources

Appendix 4: Schedule of Monetary Impact

Grant Number	Grant Amount	Claimed Costs	Ineligible Costs *
I22003G003	\$711,738	\$711,738	\$711,738
I22007G002	350,000	350,000	350,000
I22008G013	34,650	30,208	30,208
	\$1,096,388	\$1,091,946	\$1,091,946

*Ineligible Costs are those that are questioned because of an alleged violation of a provision of a law, regulation, contract, grant, cooperative agreement, or other agreement or document governing the expenditure.

In light of the issues outlined in this report, we question that \$1,096,388 was awarded inappropriately, and deem the cost incurred of \$1,091,946 is ineligible as a result of breaches of ethical standards and a disregard for administrative requirements of financial assistance programs.

The appearance of conflicts of interest is clearly defined in Title 5 § 2635.101 of the Code of Federal Regulations (CFR) as well as in Executive Order 12674 and 212 FWS 2. These codes outline the Standards of Ethical Conduct for Employees of the Executive Branch and provide for the basics regarding the obligation of public service which state that employees shall act impartially and not give preferential treatment to any private organization or individual and shall endeavor to avoid any actions creating the appearance that they are violating the law or the ethical standards. While FWS staff was not required to disclose outside relationships, memberships, or positions held with outside organization, they are not absolved from following the regulations, executive orders, and policies concerning conflicts of interest.

In the same manner, grant recipients must comply with applicable regulations governing the program. This includes adherence to OMB circular A-110 as codified in 43 CFR 12, which establishes that a recipient must maintain “codes of conduct” similar to the standards of ethical conduct required of FWS staff, and abide by administrative requirements of financial assistance programs.

During our review, we found that three grants were awarded by PIFWO under circumstances that breached the standards for ethical conduct. These circumstances included:

- FWS employees serving on the Board of the recipient organization that was acting as a fiscal manager for PIFWO to pass funds through.

- All grants were awarded noncompetitively with a disregard for fair and open competition.
- A PIFWO grant administrator did not recuse herself of her oversight responsibility when her husband later became President of the recipient organization.
- A grant modified 10 times outside the original scope of work, increasing the amount from \$35,000 to \$711,738.
- A PIFWO grant administrator approved transactions totaling over \$750,000 from the grant recipient's account, including reimbursements to himself and at least two other Federal employees, bypassing internal controls.

We question the capacity of the recipient who was awarded these grants based on their disregard of codes of conduct and administrative requirements of financial assistance programs. These infractions include:

- Officers of the recipient Board who participated in the selection of Federal funds when an apparent conflict of interest would be involved.
- An officer of the recipient Board, while acting in his official FWS capacity, solicited a monetary "contribution" that was ultimately routed to the recipient.
- Lack of general oversight by the recipient's Board over their grants management which included an inadequate accounting system, procurement rules, and internal controls.

Appendix 5: FWS Response

(U.S. Fish and Wildlife Service's response to the draft report follows on page 34.)



United States Department of the Interior

FISH AND WILDLIFE SERVICE

Washington, D.C. 20240



In Reply Refer To:
FWS/ABHC-PDM/047451

FEB 25 2011

To: Assistant Inspector General for Audits, Inspections, and Evaluations
Acting
From: Director *Rouan W. Gould*
Subject: U.S. Fish and Wildlife Service response to Draft Evaluation - USFWS Grants and Cooperative Agreements in Hawaii and the Pacific Islands, Report No. HI-EV-FWS-0001-2009

This memorandum is in response to your January 21, 2011, memorandum that transmitted the findings of your draft evaluation of the Grants and Cooperative Agreements in Hawaii and the Pacific Islands. We have reviewed the draft report and have no recommended changes. The report offered nine recommendations for improving grants management functions in our Pacific Islands Fish and Wildlife Office and Pacific Regional Office. The attached corrective action plan provides our response and explanation of management actions that are planned or underway.

In addition to the recommendations, the report questioned costs related to three awards. We agree with the concerns articulated about these agreements, including poor attention to agreement modification requirements and inattention to the appearance of conflict of interest. I assure you the U.S. Fish and Wildlife Service (Service) is committed to thoroughly examining both the grant awarding processes and the grantees' recordkeeping and accounting practices. We stress that each project was scientifically sound, well designed, and appropriately vetted by the scientific community and through public review processes. After consideration, we have determined that the projects achieved high priority conservation goals identified by the Service and our partners and adequate value has been received for the grant funds expended.

Thank you for the opportunity to respond to the draft report and for the additional time allowed to prepare this response and corrective action plan.

Attachment



U. S. FISH AND WILDLIFE SERVICE
Pacific Region and Washington Office Response to OIG Evaluation
Draft Report – USFWS Grants and Cooperative Agreements in Hawaii and the Pacific
Islands
Report No. HI-EV-FWS-0001-2009

CORRECTIVE ACTION PLAN

RECOMMENDATIONS

1. Assess other Regions to determine whether the problems we identified in the Pacific Region/PIFWO are common or isolated.

Corrective Action: The policy and oversight function for grants and cooperative agreements Service-wide resides with the Assistant Director of Wildlife and Sport Fish Restoration Program (WSFR). WSFR is in the process of reviewing controls over grants and cooperative agreements as part of the A-123 Appendix A, Management's Responsibility for Internal Control Over Financial Reporting. This review will be completed this fiscal year. The results of the A-123 review will provide insight as to whether the issues identified in the Pacific Region/PIFWO are common or isolated.

Target Date: September 30, 2011

Responsible Official: Hannibal Bolton, Assistant Director of Wildlife and Sport Fish Restoration Program

2. Revise assistance policies and practices to clearly delineate responsibilities and improve controls.

Corrective Action: In response to this report, PIFWO established a system whereby financial reports and invoices are reviewed by multiple employees involved in the agreement process prior to payment. Field offices will continue to be responsible for pre-award needs assessment, prioritization and recommendation of awards. In the Pacific Region, programs review and approve all grants and cooperative agreements at the Regional Office. The Contracting and General Services office and programs will conduct a combined monitoring site visit of finance assistance administration at PIFWO to determine compliance with new system. In addition, PIFWO has filled a vacant position for a grants and cooperative agreements technician.

Target Date: September 30, 2011

Responsible Officials:

Loyal Mehrhoff, Field Supervisor, Pacific Islands Fish and Wildlife Office, (808) 792-9400
Kristin Young, Chief of Contracting and General Services, Pacific Regional Office,
(503) 872-2827

Michael Roy, Ecological Services Program Supervisor, Pacific Regional Office, (503) 231-2013

3. Strengthen landowner agreement practices to better protect long-term outcomes.

Corrective Action: The Program Supervisor and the Field Supervisor instructed project officers to ensure that landowner agreements be signed by landowners rather than intermediary agents/recipients, in compliance with existing Service policy. Corrective action is complete and no further action required.

Responsible Officials:

Loyal Mehrhoff, Field Supervisor, Pacific Islands Fish and Wildlife Office, (808) 792-9400

Michael Roy, Ecological Services Program Supervisor, Pacific Regional Office, (503) 231-2013

4. Improve records management to ensure centralized access to key information for each grant/cooperative agreement.

Corrective Action: The field office has initiated a management and consolidation system to centralize all financial and program records for ease-of-use, accessibility and consistency for project officers. Budget personnel ensure routine audits are completed and records are properly managed. Regular audits by the field office utilize a standardized Financial Assistance Management Review checklist to ensure all required documents are included in project files. CGS will issue an improvements memo for FY11 that will include additional language in the templates along with information regarding the assurances form.

Target Date: August 31, 2011

Responsible Officials:

Loyal Mehrhoff, Field Supervisor, Pacific Islands Fish and Wildlife Office, (808) 792-9400

Kristin Young, Chief of Contracting and General Services, Pacific Regional Office, (503) 872-2827

Michael Roy, Ecological Services Program Supervisor, Pacific Regional Office, (503) 231-2013

5. Require a CFDA citation for all announcements of Federal assistance to ensure full reporting of financial assistance awards.

Corrective Action: The Program Supervisor and the Field Supervisor have directed project officers to send modifications through CGS to ensure correct CFDA numbers in the Federal Assistance Award Data System. In November 2011, all agreements converted into the Financial Business Management System, our new business system, will require a valid CFDA number.

Target Date: September 30, 2011

Responsible Officials:

Loyal Mehrhoff, Field Supervisor, Pacific Islands Fish and Wildlife Office, (808) 792-9400

Michael Roy, Ecological Services Program Supervisor, Pacific Regional Office, (503) 231-2013

6. Provide the necessary training and support to the Regional and Field Offices to ensure that staff has the capacity to properly administer and monitor Federal assistance.

Corrective Action: During 2010, a total of 119 staff from the Pacific Region's four Ecological Services State Offices (Honolulu, Portland, Lacey, and Boise) and the Regional Office participated in a three-day course titled, "Introduction to Grants and Cooperative Agreements for Federal Personnel" conducted on-site by Management Concepts, Inc., of Vienna, Virginia. The Regional Office requires this or similar training for field staff assigned as project or administrative officers for grants or agreements. Additionally, 29 staff members at PIFWO completed an additional two-day course titled, "Monitoring Grants and Cooperative Agreements for Federal Employees" provided by the same vendor. Corrective action is complete and no further action required.

Responsible Officials:

Loyal Mehrhoff, Field Supervisor, Pacific Islands Fish and Wildlife Office, (808) 792-9400
Kristin Young, Chief of Contracting and General Services, Pacific Regional Office,
(503) 872-2827

Michael Roy, Ecological Services Program Supervisor, Pacific Regional Office, (503) 231-2013

7. Revise ethics policies and practices to ensure that grant administrators file disclosure statements at least annually, and provide clear guidance to employees when they must terminate outside relationships or recuse themselves from particular matters.

Corrective Action: Starting in FY10, the Field Supervisor at PIFWO began requiring all PIFWO project officers, project managers, Budget and Finance personnel, administrative officers, and project leaders to complete a written statement recusing themselves from being involved as a project officer for any agreement where there is a perceived or apparent conflict of interest. A complete roster is kept with the Administrative Officer and the disclosure is updated annually or upon changes in position and/or affiliation status. It is the expressed intent that using this form will provide full disclosure of their affiliation with all outside entities to include their family and partners to avoid involvement in a real or apparent conflict of interest. This form is not the Confidential Financial Disclosure Report – OGE Form 450. The Service maintains a list of positions that are covered under the OGE Form 450 filing criteria and, therefore, subject to OGE-Form 450 filing requirements. The Supervisor/manager must identify the duties and responsibilities of the position in order for the determination to be made requiring filing an OGE-Form 450. A program may make the determination of what positions may meet the filing requirements based on their duties and responsibilities of their position. Corrective action is complete and no further action required.

Responsible Officials:

Loyal Mehrhoff, Field Supervisor, Pacific Islands Fish and Wildlife Office, (808) 792-9400

Michael Roy, Ecological Services Program Supervisor, Pacific Regional Office, (503) 231-2013

8. Establish specific performance targets to increase the use of competitive procedures in awarding Federal assistance.

Service Response: The Service agrees with the report's conclusion that competitive procedures help to ensure that the government will receive the best value for taxpayer dollars. We are

equally committed to procedures that promote open and transparent government, especially when funds support our mission to conserve, protect and enhance fish, wildlife, and plants and their habitats. However, we are not convinced that setting specific targets is a productive mechanism to ensure competitive procedures are followed. Setting ranking criteria and competitive procedure are the responsibility of each program and may vary widely to meet local goals.

The Service believes that actions taken to resolve other recommendation in this report will strengthen controls and awareness of all procedures, including competitive procedures. Therefore, the Service will not take actions to establish specific performance targets to increase the use of competitive procedures. No additional action required.

9. Ensure that recipients acting in a fiduciary role have the capacity to administer Federal financial assistance.

Corrective Action: The Pacific Region Contracting and General Services Office and programs plan to coordinate existing monitoring efforts to provide better and more efficient reviews of financial assistance administration in field offices. Cooperative reviews cover examinations of both fiscal and programmatic areas. The existing CGS review is a three-year cycle of performance reviews that include examining agreement files for compliance with 43 CFR 12 [2 CFR], the Excluded Parties List System, Central Contractor Registry, the Federal Audit Clearinghouse, etc. The program reviews concentrate on overall compliance with program rules and accomplishment reporting. Reviews will follow the DOI-Financial Reporting policy.

This effort, combined with training and revised policies mentioned elsewhere in this corrective action plan, will strengthen grant monitoring at the field offices. Increased and effective monitoring will ensure the Service is able to evaluate recipients' capacity and ability to administer Federal financial assistance. Grantee monitoring site visits will include an evaluation of compliance with all administrative requirements outlined in 43 CFR 12 [2 CFR] such as codes of conduct, procurement procedures, and accounting system that provides effective controls and accountability.

Because these comprehensive reviews will be an ongoing effort, we believe that the corrective action of planning the reviews is completed. No further action is required.

Responsible Officials:

Loyal Mehrhoff, Field Supervisor, Pacific Islands Fish and Wildlife Office, (808) 792-9400
Kristin Young, Chief of Contracting and General Services, Pacific Regional Office,
(503) 872-2827

Michael Roy, Ecological Services Program Supervisor, Pacific Regional Office, (503) 231-2013

Appendix 6: Status of Recommendations

Recommendation	Status	Action Required
2	Management concurs, but additional information needed.	Please provide a revised plan of action for implementing the recommendation, including a revised target date if applicable for completion or evidence of actions taken and the responsible official(s). We will refer this recommendation to the Assistant Secretary for Policy, Management and Budget for tracking of implementation.
1,3,4,5,6,7,8,9	Resolved and Implemented	No further action is required.

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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By Phone:	24-Hour Toll Free:	800-424-5081
	Washington Metro Area:	703-487-5435
By Fax:	703-487-5402	
By Mail:	U.S. Department of the Interior Office of Inspector General Mail Stop 4428 MIB 1849 C Street, NW. Washington, DC 20240	