EVALUATION OF DOI’S TRACKING OF DATA FOR LAND PURCHASES MADE WITH GRANT FUNDS

This is a revised version of the report prepared for public release.
Memorandum

To: Megan Olsen  
   Director, Office of Acquisition and Property Management

From: Mary L. Kendall  
       Deputy Inspector General

Subject: Reissuing Final Evaluation Report – Evaluation of DOI’s Tracking of Data for Land Purchases Made With Grant Funds  
         Report No. 2016-ER-016

This memorandum transmits an update to the results of our evaluation of whether the U.S. Department of the Interior (DOI) tracked information about land purchases made with Federal grant funds. We revised our final report after it was brought to our attention that a duplication existed in one grant program that we reviewed.

This version reflects our revisions, which include updates to the number of programs that met our scope, the total number of grants for land purchases in fiscal years 2014 and 2015, the total land value, and the percentage of grantees reporting inventory to the awarding agency. While we revised the numbers in this version of the report, our findings and recommendations did not change.

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

If you have any questions regarding this report, please call me at 202-208-5745.
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Results in Brief

The U.S. Department of the Interior (DOI) does not centrally track information about grants awarded for the purpose of acquiring land. As such, DOI is unable to identify how much grant money has been used to purchase land, how much land has been purchased, and whether that land is being used for its intended purpose.

Because DOI could not provide us a dataset for analysis, we surveyed 108 DOI programs that award grants for the purchase of land to determine how much land was purchased and how the programs operated.

We found that in fiscal years 2014 and 2015 alone, these programs awarded 561 grants to purchase land valued at a total of about $574 million. We also found that the methods of tracking these purchases varied across programs, from bureau-maintained databases to reliance on “institutional knowledge.” Finally, according to respondents, only 56 percent reported their land inventories to the awarding agencies, as required by 2 C.F.R. § 200.329.

Without an adequate process in place to monitor funds used to purchase land, DOI is potentially exposed to significant risk of wasted funds.

In this evaluation, we make two recommendations to help improve monitoring of DOI programs that award grants for the purchase of land.
Introduction

Objective
Our objective was to determine whether the U.S. Department of the Interior (DOI) was tracking information about grants awarded for land purchases.

See Appendix 1 for our scope and methodology.

Background
Multiple DOI programs award grants for the purchase of land. Unlike direct Federal acquisitions, land purchased using grant funds does not become Federal land; rather, the title is held by the grantee, who is also responsible for honoring the specific purpose of the grant, such as conservation or public access. The grantee is also typically responsible for selecting a real estate appraiser to determine the value of the property, which is then provided to the awarding agency as support for the value of the land. Awarding agencies review and accept the appraisal as adequate. This process varies widely by program; some programs have realty specialists review appraisals for adequacy, but many simply have a grant specialist deem an appraisal sufficient to release grant funds.

Appraisals are conducted following either the Uniform Standards of Professional Appraisal Practices (USPAP) or the Uniform Appraisal Standards for Federal Land Acquisitions (UASFLA). USPAP are the national standards for appraisals performed by licensed appraisers. UASFLA are the more strict rules for Federal appraisals, but there is no Departmentwide requirement that UASFLA be used for land purchases using grant funds.

We initiated this evaluation because in two prior audits of the Coastal Impact Assistance Program (CIAP), we identified 17 separate land purchases using Federal grant funds that were acquired using appraisals that did not meet one or both of these appraisal standards.

All 17 were referred for review to the Office of Valuation Services (OVS), which serves as DOI’s in-house office of appraisal specialists. OVS reviewed the appraisals used for these properties and found each of them to be deficient—overall, OVS determined that the appraisals failed in nearly 75 percent of the categories checked, and that most appraisals overvalued the properties in question. These OVS reviews, while separate from our audit reports, confirmed


2 This figure is based on the summary in Appendix 2, which does not include a review conducted by OVS for an OIG investigation.
our prior findings of more than $14 million in questioned costs in those reports (see Appendix 2 for a summary of the deficiencies OVS identified).

We intended to review a sample of appraisals used to acquire land purchased with Federal funds, but DOI was unable to provide comprehensive data on grants used to purchase land. Processes for the collection and tracking of these purchases vary from program to program, and no method for tracking at the Department level exists. We shifted our focus to gathering critical data around the number of land purchases made and the processes for managing the acquisitions.
Findings

We found that DOI does not have a centralized tracking system and that grantees are not consistently meeting 2 C.F.R. § 200.329, which tasks each awarding agency with requiring grantees to report land inventories in which the Federal Government retains an interest.

Overall, our survey demonstrated both the massive amount of grant funding that DOI programs award for land purchases and the inconsistency with which these programs track data on grants used to purchase land. Given the problems reported in prior audits (such as the failure to meet the most basic requirements of appraisals, resulting in the land likely being overvalued), as well as the breadth of these types of awards, we are concerned that DOI is exposed to serious risk of wasted funds.

DOI Does Not Centrally Track Awards Used for Land Purchases

We found that DOI does not have a standardized method of tracking data on grants awarded for land purchases, such as number of grants or value of land, and therefore could not provide us with a comprehensive universe of grants awarded for this purpose.

Thus, to accomplish our objective, we issued a survey to 108 DOI grant programs to attempt to quantify the extent of these types of awards (further described under “Methodology” in Appendix 1). While our data are likely incomplete, we identified 12 programs that met our scope. These programs awarded a total of 561 grants for land purchases in fiscal years 2014 and 2015, with a total land value of nearly $574 million3 (see Appendix 3 for further detail on these programs’ responses to our survey).

We asked these programs how they tracked data related to land purchases. The most frequent response was via bureau-maintained grant files, and while many programs used multiple methods, several relied on grantee-maintained physical files or simply “institutional knowledge.” This highlights the need for a comprehensive, standardized system to maintain consistency and uniformity in grant administration across bureaus, as required by the Departmental Manual at 505 DM 3.3.

With no standardized means of tracking land purchase information, a significant vulnerability could exist, putting grant funds at risk of waste and abuse.

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3 This amount represents both the Federal obligation and any matching funds provided by grantees.
**Recommendation**

We recommend that the Office of Acquisition and Property Management (PAM):

1. Standardize the tracking of grants awarded for land purchases to ensure consistency and uniformity across bureaus.

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**Grantees Are Not Consistently Reporting Land Inventories to Awarding Agencies**

Our survey also revealed that only a small percentage of grantees are reporting their land inventories to the awarding agencies. Per 2 C.F.R. § 200.329, awarding agencies must require grantees to submit reports on real property in which the Federal Government retains an interest. According to data provided by respondents, only 122 of the 219 grantees that received funds to purchase land (approximately 56 percent) had reported to the awarding agency as required.

According to 2 C.F.R. § 200.329, which took effect in December 2014, reports on status of real property are required annually in certain cases. The awarding agency can set a longer interval if the interest extends beyond 15 years. While not all 219 grantees necessarily purchased land in which the Government retains an interest, with only 56 percent of grantees reporting to our survey recipients, we are concerned that both the awarding agencies and the grantees are either unaware or noncompliant.

The reported failure of grantees to provide real property data to their awarding agencies, coupled with the fact that DOI is not tracking the awards centrally, could hamper monitoring efforts to ensure that land is being used properly. As we have found in several audits of wildlife and sport fish programs in the U.S. Fish and Wildlife Service, these factors can also lead to use of land contrary to its stated purpose (for example, development of land originally slated for conservation). In some of the most egregious cases that we identified, conservation lands were found to have structures on them such as swimming pools or a bar. In another case, a reservoir designated for breeding fish stock had been completely drained.

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**Recommendation**

We recommend that PAM:

2. Develop guidance to inform awarding agencies and grantees of their responsibilities under 2 C.F.R. § 200.329.
Conclusion and Recommendations

Conclusion
The absence of a Departmentwide system to standardize and centralize the collection and maintenance of data on land purchases made with grant funds, coupled with the fact that grantees are not consistently reporting data to DOI programs, creates a major monitoring gap. As demonstrated by OVS reviews of CIAP appraisals, the opportunity for significant waste exists in programs awarding grant funds for the purchase of land, which totaled almost $574 million in purchases over two recent fiscal years. Furthermore, the number of grants and land value could be substantially higher than what we were able to determine through our survey, and without the ability to identify and track land purchases, a significant vulnerability will continue to exist across DOI.

Recommendations Summary
We issued a draft version of this report for PAM to review and respond to our findings and recommendations. PAM responded to our draft report on May 25, 2017. In that response, PAM did not concur or only partially concurred with our recommendations. We then met with PAM to discuss the response and we subsequently adjusted two recommendations and removed one; the analysis presented below is based on the results of that meeting.

We removed our recommendation to create a policy requiring land purchases with grant funds to be appraised under UASLFA. We understand that while OVS officials consider this a best practice, implementing new policy not required by law is prohibitively difficult.

For the full text of PAM’s response, see Appendix 4. Appendix 5 contains a table summarizing the current status of our recommendations.

We recommend that PAM:

1. Standardize the tracking of grants awarded for land purchases to ensure consistency and uniformity across bureaus.

   **PAM response and OIG analysis:** Based on our conversation with PAM officials, we removed the suggestion of using the Financial and Business Management System (FBMS) as a possible Departmentwide system, since it is not the only means of tracking grant information PAM acknowledged the utility in having these data available in a centralized database.

   We consider this recommendation unresolved and will refer it to the Assistant Secretary for Policy, Management and Budget for resolution.
2. Develop guidance to inform awarding agencies and grantees of their responsibilities under 2 C.F.R. § 200.329.

**PAM response and OIG analysis:** PAM explained the difficulty presented with creating any policy that adds an additional burden for a non-Federal entity, such as a grantee. PAM suggested different approaches to ensuring compliance with 2 C.F.R. § 200.329, including training on the C.F.R. for grants management officers as well as grantees.

We consider this recommendation unresolved and will refer it to the Assistant Secretary for Policy, Management and Budget for resolution.
Appendix 1: Scope and Methodology

Scope
Our objective was to determine whether the U.S. Department of the Interior (DOI) was tracking information about grants awarded for land purchases. To accomplish this, we issued a survey to 108 DOI grant programs seeking information on the number of grants awarded for the purchase of land, the value of the land purchased, the standards appraisals were held to, the qualifications of those reviewing the appraisals, and other information to further our understanding of these programs.

We conducted our evaluation in accordance with the Quality Standards for Inspection and Evaluation as put forth by the Council of the Inspectors General on Integrity and Efficiency. We believe that the work performed provides a reasonable basis for our conclusions and recommendations.

Methodology
To accomplish our objectives, we:

- Reviewed prior audit work conducted by the Office of Inspector General
- Reviewed the Uniform Standards of Professional Appraisal Practices, the Uniform Appraisal Standards for Federal Land Acquisitions, 2 C.F.R. § 200.329, and other relevant criteria
- Analyzed 17 appraisal reviews conducted by OVS to determine whether there was a pattern of findings
- Assembled a judgmental list of programs that could award grants for land purchases based on a search of the Catalog of Federal Domestic Assistance (CFDA) at CFDA.gov
- Constructed and disseminated a survey to 108 programs to gather information on each program’s use of grant funds for the purchase of land as well as the review and tracking of that data

We relied on user-supplied responses to our survey for our information. As such, our dataset is likely incomplete. In this report, we have provided a summary of responses received, which have not been verified. The data have not been manipulated except to provide aggregate statistics for those responses.
Appendix 2: Summary of Deficiencies in Appraisals Reviewed By the Office of Valuation Services

In two prior audits of the Coastal Impact Assistance Program, we identified 17 separate land purchases using Federal grant funds that were acquired using appraisals that did not meet the Uniform Standards of Professional Appraisal Practices or the Uniform Appraisal Standards for Federal Land Acquisitions.

This summary of appraisal deficiencies, provided by the Office of Valuation Services to the U.S. Fish and Wildlife Service, does not include one review conducted separately as part of an Office of Inspector General investigation.

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Key
A Improper identification of property rights
B Unacceptable conclusion of highest and best use (not allowed by the Uniform Appraisal Standards for Federal Land Acquisitions)
C Unsupported highest and best use
D Improper use of extraordinary assumption, hypothetical condition, or jurisdictional exception
E Economically different comparable sales
F Unsupported adjustments to comparable sales
G Incomplete appraisal certification
H  Inadequate execution of appraisal scope of work (resulting in unreliable assignment results)
I  Inadequate identification and/or analysis of property use and restrictions
J  Inappropriate appraisal methods and techniques used in approach to valuation
K  Inadequate analysis of prior sale of subject
L  Inadequate summary of appraisal problem
## Appendix 3: Selected Data From Survey Responses

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<th># of Grants Awarded to Purchase Land</th>
<th>Total Value of Land Purchased in FYs 2014 and 2015</th>
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Source: Data pulled directly from spreadsheets provided by survey respondents.

CFDA = Catalog of Federal Domestic Assistance
FY = fiscal year
Appendix 4: Response to Draft Report

The Office of Acquisition and Property Management’s (PAM’s) response to our draft report follows on page 13.

See the “Recommendations Summary” on page 6 for discussion of actions taken to address this response. Note that in this final report we have removed the recommendation labeled as Recommendation 2 in the response; accordingly, PAM’s response to Recommendation 3 corresponds to the second recommendation presented in this report.
Memorandum

To: Mary L. Kendall  
Deputy Inspector General

From: Debra E. Sonderman, Director  
Office of Acquisition and Property Management

Subject: Response to Draft Evaluation Report – Evaluation of DOI’s Ability to Track Data for Land Purchases Made with Grant Funds (Report No. 2016-ER-016)

Thank you for the opportunity to review the Office of Inspector General (OIG) draft evaluation report entitled, Evaluation of DOI’s Ability to Track Data for Land Purchases Made with Grant Funds, Report No. 2016-ER-016, dated April 6, 2017.

The evaluation focused on Department of the Interior (DOI) programs that award grants for land acquisitions to determine how much land was purchased and how the programs operated. The OIG shared some of the source information for this report with the Office of Acquisition and Property Management (PAM), which we appreciate. Both the report and the supporting documentation indicate that available data are not sufficiently detailed to support the recommendations as written.

Recommendation 1. PAM should standardize the tracking of grants awarded for land purchases in a Departmentwide system, such as FBMS, to ensure consistency and uniformity across bureaus.

Response: Non-concur

Rather than focusing on a new method for tracking grant awards, we believe it would be more useful to ensure that recipients are informed of the conditions under which land purchased with grant funds may be used. We suggest revising the recommendation to communicate to awarding officials the provisions of OMB Omni-Circular 2 CFR § 200.311, which prescribe requirements for recipients concerning the use and disposition of real property acquired in whole or in part under awards; and include these requirements in terms and conditions for awards under which land acquisitions are permitted, as appropriate.

The report states that the OIG surveyed DOI financial assistance programs that award grants for the purpose of land acquisitions. However, the source information provided to PAM did not clearly identify the assistance programs that either had specific authority to acquire land or were specifically prohibited from acquiring land. The data did not identify which of the sampled grant
programs were established specifically for the purpose of land acquisition, and which programs authorized land purchases as an ancillary part of the program's objectives.

From our discussion with your staff, we understand that the OIG team asked bureaus to specify whether land acquisitions were easements, where the Federal Government retains an interest; or fee simple transactions, where the Federal Government does not. The majority of those that responded indicated that acquisitions were conducted as fee simple transactions. Only a small number of land acquisitions were identified as easements. It is unclear whether the OIG asked bureaus to identify the total purchase value of land acquired during the review period (appraisal value versus purchase price, and Federal versus non-Federal funds expended); the amount of funding expended for land purchases versus the total funds obligated for the grant program as a whole; or the purpose for which the land was acquired (e.g., conservation services).

Title for land acquired through fee simple land acquisitions is vested in the recipient and does not become part of the public land. This is reaffirmed on page three of the draft OIG report, which states "Unlike direct Federal acquisitions, land purchased using grant funds does not become Federal land; rather, title is held by the grantee, who is responsible for honoring the specific purpose of the grant, such as conservation or public access."

The Department tracks land acquisitions in the Financial and Business Management System (FBMS) property module using a specific transaction which creates a Real Estate record. However, Federal regulations do not require agencies to track land for which the Federal Government does not maintain an interest. The information contained in this report is not adequate to assess the risk versus benefit of collecting this information. Without detailed information about the individual grants, including transaction data pulled from the system of record, it is difficult to determine what level of risk, if any, this finding poses to the DOI financial assistance function. In addition, the ability to implement FBMS system enhancements to track these land acquisitions is constrained by budget reductions within the Business Integration Office, making this effort unlikely to be elevated to the priority required to effect system changes in the near term. As such, it is more practical for PAM to devote the limited available resources to improving the monitoring of all grant awards than to focus on improved monitoring of grants only awarded for land acquisition.

Recommendation 2. PAM should develop and implement policy to require that appraisals obtained for land purchases with grant funds follow UASFLA.

Response: Non-concur

Based on discussions with your staff and the Office of Valuation Services (OVS), it is apparent that there is a lack of clarity among the bureaus about who is authorized to conduct appraisal reviews. This poses a greater risk to grant programs than whether appraisers consistently use either the Uniform Standards for Professional Appraisal Practice (USPAP) or the Uniform Appraisal Standards for Federal Land Appraisals (UASFLA). Therefore, PAM recommends this recommendation be revised to focus on proper training for grantee employees or contract fee appraisers engaged by the grantee who are required to review appraisals, or changes in
procedures to require land appraisals to be reviewed by OVS appraisal staff. Policy and oversight of real property appraisals are the responsibility of OVS.

The OIG noted in its report and in discussions with PAM and OVS the inconsistencies in the standards used and quality of land appraisals submitted with grant applications for land acquisitions. The OIG also noted that there is a wide variability in the level of training received by the Federal employees who are responsible for assessing the adequacy of land appraisals. This is substantiated by the supporting documentation provided by the OIG, which indicates that awarding officials/grants administrators or realty specialists. It is of particular concern to OVS that grants officers or realty specialists are performing appraisal reviews without the necessary authority to do so.

Departmental Manual Part 212, Chapter 33 (212 DM 33) describes the delegation of authority for approval of appraisal reports. Within DOI, no bureau staff has authority to review and approve appraisals for grant purposes. This is a grantee responsibility. Only OVS review appraisers with delegated authority from the Chief Appraiser can approve appraisal reports on behalf of the Secretary and all OVS staff have sufficient training to accomplish this. To date, the only grant program in which OVS has participated in an oversight role is the Land and Water Conservation Fund Stateside Assistance program.

Recommendation 3. PAM should develop guidance to inform granting agencies and grantees of their responsibilities under 2 CFR § 200.329, and consider incorporating those responsibilities into grant terms.

Response: Partially concur

PAM partially concurs with this recommendation. The OIG report stated that only a small percentage of grantees are reporting their land inventories to the granting agencies, and cited the requirements of 2 CFR § 200.329, which states that "granting agencies must require recipients to submit reports on real property in which the Federal Government retains an interest." However, most of the programs identified in the OIG source data did not indicate whether land was purchased, and of those that did respond, the majority of acquisitions were conducted as fee simple transactions. As the government retains no interest in fee simple transactions, many of these acquisitions are not subject to 2 CFR 200.329 requirements. It would not be practical or efficient to analyze the Department's 287 financial assistance programs to identify to which this requirement would apply.

PAM agrees that it is important for awarding officials to be aware of the provisions of 2 CFR § 200.329. We will schedule time to discuss this reporting requirement during an upcoming meeting of the Financial Assistance Manager's Partnership (FAMP), and will ask the FAMP to communicate this requirement to bureau awarding officials for application as appropriate.

In addition to our formal comments on the recommendations, we offer the following technical comments about the information displayed in Appendix 3 of the report and referenced in the Results in Brief and in the Findings on page 4:
There appears to be a discrepancy between the data reported in Appendix 3 of the draft report and award data pulled from FBMS. Appendix 3 provides information on the number of grants awarded to purchase land, and the total value of land purchased in Fiscal Years (FY) 2014 and 2015, for selected Catalog of Federal Domestic Assistance (CFDA) Numbers. The OIG reports the source of this information is "data pulled directly from spreadsheets provided by survey respondents." The implication of the table and the discussion about the data in Appendix 3 is that the Federal government paid the full amount that equals the total land value. This is not the case.

The FBMS is the system of record for DOI financial assistance transaction information. PAM compared data shown in Appendix 3 for CFDA Number 15.623, the North American Wetlands Conservation Fund, with data from FBMS for CFDA 15.623, and found the following:

**FY 2014 – CFDA # 15.623**
- Number of Actions: 265
- Dollar Value of Awards: Federal - $62.8 million
  Non-Federal - $50.0 million

**FY 2015 – CFDA # 15.623**
- Number of Actions: 258
- Dollar Value of Awards: Federal - $73.5 million
  Non-Federal - $46.5 million

**FBMS Total for FY 2014 and 2015 – CFDA # 15.623:**
- Number of Actions: 523
- Dollar Value of Awards: Federal - $136.3 million
  Non-Federal - $96.5 million

**OIG Draft Report – Appendix 3**
- Number of Grants Awarded to Purchase Land – CFDA # 15.623: 280
- Total Value of Land Purchased – CFDA # 15.623: $482.2 million

It is unclear how the "Total Value of Land" reported in the OIG draft report was calculated. Based on the data from FBMS, even if we assume that the 280 awards reported in Appendix 3 account for 100 percent of the Federal funds awarded under CFDA 15.623, one could conclude that the Department leveraged $136.3 million in Federal funds to purchase land valued at $482.2 million. Without detailed information about the individual grants, including transaction data pulled from the system of record, it is difficult to determine what level of risk, if any, this finding poses to the DOI financial assistance function. To help clarify the information presented in Appendix 3, we suggest adding a column with data from FBMS to display the total value of Federal funding used for the awards summarized for each CFDA Number listed.
Thank you for the opportunity to discuss this draft with your staff and to comment. We will be happy to meet with you to discuss this response. If you have questions or require additional information, please contact me at (202) 513-7554 or Debra_Sonerman@ios.doi.gov.

cc: Director, Office of Financial Management
   Attention: Chief, Division of Internal Control and Audit Follow-up
## Appendix 5: Status of Recommendations

<table>
<thead>
<tr>
<th>Recommendations</th>
<th>Status</th>
<th>Action Required</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 and 2</td>
<td>Unresolved</td>
<td>We will refer these recommendations to the Assistant Secretary for Policy, Management and Budget for resolution.</td>
</tr>
</tbody>
</table>
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Washington, DC 20240