



Investigative Report of Alleged Improper Award of FWS Grant to Partner Impact, LLC

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SYNOPSIS

We investigated a \$256,100 single-source cooperative agreement that the U.S. Fish and Wildlife Service's (FWS) International Affairs (IA) program awarded to a private company, Partner-Impact, LLC, in June 2015 to build a "partnership coalition strategy, development, and marketing communication plan to reduce demand for illegal wildlife and wildlife products." Our investigation focused on determining whether FWS adhered to Federal and U.S. Department of the Interior (DOI) procurement requirements when it awarded this agreement, and whether Partner-Impact completed the agreement's requirements. We also investigated external influences that may have caused procurement policy violations in the agreement's preaward stage.

We found that FWS did not adhere to Federal and DOI procurement requirements, and that it improperly awarded the cooperative agreement to Partner-Impact. Assistant IA Director Bryan Arroyo acknowledged that he preselected Partner-Impact and improperly influenced his staff to disregard procurement policy and award a single-source cooperative agreement to the company. We also found that Partner-Impact did not perform most of the requirements of the cooperative agreement. Arroyo acknowledged that Partner-Impact did not complete the work specified in the agreement because he redirected Partner-Impact's work to assist another wildlife-trafficking initiative soon after the agreement was executed.

In addition, we learned that Arroyo was introduced to Partner-Impact by an attorney he knew who had facilitated over \$700,000 in donations to FWS-related initiatives, and that this attorney influenced Arroyo to award funds to Partner-Impact.

RELEVANT REGULATIONS AND POLICIES

1. **5 C.F.R. § 2635.101(b)(8)**: “Employees shall act impartially and not give preferential treatment to any private organization or individual.”
2. **5 C.F.R. § 2635.702(a)**: “An employee shall not use or permit the use of his Government position or title or any authority associated with his public office in a manner that is intended to coerce or induce another person, including a subordinate, to provide any benefit, financial or otherwise, to himself or to friends, relatives, or persons with whom the employee is affiliated in a nongovernmental capacity.”
3. **U.S. Department of the Interior’s (DOI) Departmental Manual (DM), Part 505, Section 2.13, “Competition for Federal Financial Assistance Awards”**: “Competition in making awards through cooperative agreements is strongly encouraged, and is expected . . . unless otherwise directed by Congress.”
4. **505 DM 2.14, “Single Source Determinations”**: When demonstrable criteria, such as a potential partner’s unique expertise in a specific field, can be proven, a bureau may authorize a single-source award, but the decision to do so must be able to withstand scrutiny.
5. **505 DM 2.6, “Policy”**: DOI bureaus are encouraged to seek advice from DOI’s Office of the Solicitor if they have questions on selecting the appropriate award instrument.
6. **U.S. Fish and Wildlife Service (FWS) manual, Part 516, Chapter 2, “Issuing Discretionary Grant and Cooperative Agreement Awards Without Competition”**: FWS “must give members of the public who meet the eligibility requirements [for discretionary awards] the opportunity to compete” for them.
7. **505 DM 2.8, “Responsibilities”**: DOI bureaus must develop procedures to review potential financial assistance awards at an organizational level separate from the level where the determinations are made in order to ensure objectivity in the decisionmaking process and to ensure that assistance instruments are not being used to circumvent applicable Federal procurement laws or regulations.

DETAILS OF INVESTIGATION

The Office of Inspector General initiated this investigation on November 17, 2015, based on evidence obtained during an investigation into alleged ethical violations by David Hayes, a former DOI Deputy Secretary, pertaining to his involvement in a White House Advisory Council (WHAC) formed to combat wildlife trafficking. We found no wrongdoing by Hayes in that case, but we learned that in June 2015, FWS’ International Affairs (IA) program awarded a single-source cooperative agreement to a private marketing firm, Partner-Impact, LLC, of New York, NY, to develop a partnership coalition strategy and marketing communication plan to reduce demand for illegal wildlife and wildlife products.

We identified possible procurement policy violations related to the award during our interview of Assistant IA Director Bryan Arroyo, a witness in the Hayes case, so we opened this investigation. In it, we focused on how the funds for the Partner-Impact agreement were awarded, including whether Arroyo was influenced by outside parties to violate procurement policy in the agreement’s preaward stage, and on determining whether Partner-Impact completed its work under the agreement.

Details of the Cooperative Agreement

FWS awarded Cooperative Agreement No. F15AC00480 to Partner-Impact on June 30, 2015. The 1-year, \$256,100 award's main deliverable was for Partner-Impact to build an FWS-led coalition of organizations to help find ways to reduce demand for wildlife-trafficked products in the United States.

The award included two phases of performance. During the first phase, Partner-Impact agreed to establish the coalition, develop a communication strategy, and develop a request for proposal for a future marketing campaign. In the second phase, Partner-Impact was to develop a plan that would incorporate all facets of the campaign, including launch, advertising and media, public relations, and events. FWS allowed Partner-Impact to make three equal drawdowns for the full amount of the agreement, and the company had received all funds by September 4, 2015.

The grants officer and technical officer who were primarily responsible for this award both worked in IA. In addition, all of the members of the panel convened in May 2015 to review Partner-Impact's project proposal reported to Arroyo. The review panel consisted of the technical officer, the chiefs of IA's Divisions of International Conservation and Management Authority, and Arroyo's deputy. The grants officer also served on the panel as an advisor.

Arroyo Preselected Partner-Impact

We interviewed Arroyo and the IA employees who served on the Partner-Impact review panel, and all admitted that Arroyo was the driving force behind the award. The employees on the panel all said that Arroyo wanted to award the funds to Partner-Impact.

The technical officer, for example, told us that from the time Partner-Impact presented an early sales pitch for its services to Arroyo and his staff in 2014, she felt that "this was a done deal [and] Partner-Impact was going to get the money." She explained that Arroyo wanted to finish the coalition project and that he felt Partner-Impact was the best company to receive the funds. She also said that in April 2015, during the announcement period for the Notice of Funding Opportunity (the period during which the decision to award funds was publicly announced), several interested parties asked to be considered for the award, but at the grants officer's direction she told them FWS had already selected a recipient.

In addition, we reviewed an email dated June 1, 2015, in which one of the IA division chiefs wrote to the grants officer: "Bryan made clear that he wants [the award to Partner-Impact] to happen. I agree, despite a very imperfect plan and a sub-optimal approach to the whole deal. I would have done it differently, but I can't say that I have the time or staff to do it properly." In an interview, the division chief told us he believed that before engaging a company like Partner-Impact, IA should have spent more time researching the potential needs and requirements of the project.

Arroyo said that he wanted to make an award quickly because of self-imposed pressure to begin implementing a July 1, 2013 Executive Order (EO 13648, "Combating Wildlife Trafficking"). He explained that as the assistant director of IA, he was closely involved in implementing EO

13648 (which created a task force to develop strategies for Federal agencies to fight wildlife trafficking), and in implementing the WHAC's recommendations to the task force (which included forming a coalition to help reduce wildlife trafficking in the United States).

Arroyo explained that he was introduced to Partner-Impact by a private attorney in Washington, DC. The attorney was interested in animal conservation and had been directly responsible for facilitating several donations totaling more than \$700,000 to FWS-related initiatives in the last few years.

Arroyo Decided To Award the Funds as a Single-Source Cooperative Agreement

Despite several instances in which the grants officer and Arroyo's deputy told him that FWS needed to use a competitively bid procurement contract to award funds to Partner-Impact, Arroyo disregarded their guidance and continued to ask for a single-source cooperative agreement.

Arroyo admitted that he had no experience or training in procurement and said that he followed the private attorney's advice on how to proceed with the award to Partner-Impact. Our review of emails between Arroyo and the attorney showed that the attorney asked Arroyo not to compete the award, offered Arroyo specific suggestions on how to expedite the award, and repeatedly asked Arroyo for status updates during the award process. The attorney told us, however, that he had little involvement with the award other than introducing Partner-Impact to IA employees. He later declined to answer questions about his emails to Arroyo. We found no direct financial benefit to the attorney from his involvement in the award process.

Decision To Use a Cooperative Agreement Instead of a Procurement Contract

The grants officer indicated during his first interview that in April 2015, he emailed an FWS contracting chief to ask whether the award should be a procurement contract or a cooperative agreement. In her email response, the contracting chief told him how to get a legal review from DOI's Office of the Solicitor to answer his question. The grants officer told us that he and Arroyo's deputy discussed the option of a legal review, but he decided against getting one; when asked why, he said he did not recall.

Arroyo's deputy explained that she and the grants officer initially wanted to use a procurement contract to make the award, but after reviewing FWS policy, the two came to believe that a cooperative agreement was acceptable. When asked whether she felt any pressure from Arroyo to use a cooperative agreement, she said he "had no influence" over her decision. She said that Arroyo made the final decision to award the agreement to Partner-Impact.

Our review showed that FWS should have used a procurement contract to make the award because Partner-Impact was a for-profit entity working on behalf of FWS to meet FWS' needs under the implementation plan for the President's wildlife trafficking task force. Specifically, Partner-Impact was to help FWS create a new coalition that FWS would chair, or play a similarly important role in, and then advise that coalition according to the FWS agreement. Therefore, the

Partner-Impact agreement primarily benefitted FWS, rather than a non-Federal entity fulfilling a public purpose, and so a procurement contract was the proper instrument.

Decision To Award Funds Noncompetitively

Regarding the decision to make a single-source award to Partner-Impact (rather than soliciting competitive bids), the grants officer wrote the division chief an email dated May 1, 2015, stating that he was expected to “just magically give [Partner-Impact] the money and it will work itself out.” He told us during his second interview that Arroyo and his deputy gave him a “directive” to do a single-source award to Partner-Impact.

The grants officer said that while he initially disagreed with this directive, he followed the deputy’s guidance when she told him a single-source award was justified. He explained that because she and Arroyo had authority over him (as his second- and third-line supervisors) and because he considered them technical experts in international conservation given their backgrounds as trained field biologists, he relied on their assertions that Partner-Impact had unique abilities that justified a single-source award. He acknowledged that he had limited contracting training and no procurement contracting experience, but said that he had completed a series of courses and obtained a grant management certificate through a company called Management Concepts, Inc.

Arroyo’s deputy said she believed that Partner-Impact was uniquely qualified to do the agreement’s work, meaning that a single-source award was therefore justified. She said that she concluded this after she reviewed Partner-Impact’s website and heard its sales pitch to IA. She acknowledged, however, that no IA employee researched Partner-Impact’s past performance or experience to determine its capability to do the work required in the cooperative agreement, nor did anyone conduct market research into the services that FWS was requesting from Partner-Impact. She also noted that she was the senior employee on the review panel, and she admitted that the panel was not independent from her supervision and that its members may not have felt they could voice any disagreement.

Despite her statement about Partner-Impact’s unique qualifications, our review showed that FWS’ justification for the single-source award was insufficiently supported. Although the justification claimed that Partner-Impact was uniquely qualified to complete the work required under the agreement, it failed to reasonably identify what made the company’s qualifications genuinely unique.

We also conducted an audit of the award and found, in addition to the insufficient single-source justification, several other significant issues, including the following:

- IA did not properly assess potential risks that might have affected the project’s success.
- IA failed to consider the other interested applicants during the Notice of Funding Opportunity announcement period.
- IA provided insufficient justification for Partner-Impact’s billing rate.
- Partner-Impact, by its principals’ own admission, did not have any financial systems or accounting tools to track the award funds it received and spent.

We interviewed Partner-Impact's principals, who admitted that Partner-Impact had no contractual or financial assistance experience with the Federal Government. In fact, they admitted that their agreement with FWS was Partner-Impact's first commitment, as a company, with the Government. They said that their background was in building communication strategies and that they had done sales and marketing for companies such as NBC. They explained that their focus now was building communication campaigns through funding from corporate donors. They said they each had individual experience with communication campaigns because they had worked as independent subcontractors for Microsoft to develop the strategy for a U.S. Department of Education campaign.

Arroyo's Involvement in the Award Process

The two division chiefs and the technical officer who served on the review panel said that Partner-Impact's project proposal did not include enough details for them to determine the company's ability to perform the agreement's requirements. One division chief and the technical officer stated that Partner-Impact should not have received any funds through this noncompetitive process. The division chief said that during the review panel he felt he was not in a position to decide whether to award funds to Partner-Impact, but that if it had been his decision, he would not have funded Partner-Impact's proposal. The technical officer said she did not voice her opinion because of Arroyo's strong support of Partner-Impact; she also stated that the grants officer told her he had been given direct orders to get the proposal funded.

The technical officer said Arroyo's personal involvement in the review process included establishing a strict timeline for the panel to complete their review and asking Partner-Impact to revise the proposal within a specific timeframe after the review was complete. She said that the panel could not review Partner-Impact's proposal objectively because of Arroyo's involvement.

Arroyo acknowledged that given his authority over the review panel members, his vocal support for Partner-Impact, and his repeated inquiries about the status of the award, he influenced his employees to award the agreement to Partner-Impact. His actions appear to violate 5 C.F.R. § 2635.101(b)(8), which prohibits Federal employees from giving preferential treatment to private organizations or individuals.

Arroyo told us that after he reviewed a draft of our audit report, he realized that he should not have been so involved in the award process. He said he realized that his staff saw his involvement as a sign that he wanted to award funds to Partner-Impact, so they complied with what they believed were his wishes. Arroyo acknowledged that instead of telling his staff which company to award funds to, he should have simply explained FWS' needs and then allowed the procurement experts to decide who should receive the award and what procurement instrument to use for it.

Partner-Impact Did Not Complete the Agreement's Requirements

In addition to the issues noted above, our investigation found that Partner-Impact failed to complete most of the work specified in the agreement. The division chief, Arroyo's deputy, the technical officer, and Arroyo all said that at the end of the agreement's period of performance,

Partner-Impact had not met its objective of building an FWS-led coalition against wildlife trafficking.

We learned that soon after Partner-Impact was awarded the cooperative agreement, Arroyo redirected the company's work away from its original requirements. Arroyo asked Partner-Impact to instead assist David Hayes, who at the time was the director of the U.S. Wildlife Trafficking Alliance (an independent alliance with similar coalition-building goals). In working to assist the Alliance, Partner-Impact's efforts went toward developing a coalition that was independent from FWS and outside its control. Arroyo and his staff acknowledged that this redirection might have caused Partner-Impact's nonperformance.

Arroyo said that the idea to have Partner-Impact work with the Alliance came from FWS Associate Director Robert Dreher. Arroyo confirmed that he told Partner-Impact not to work on the original proposal, but rather to assist Hayes in his efforts. He also admitted that IA failed to properly modify Partner-Impact's award to account for the change.

When we interviewed Hayes, he said that he, not Partner-Impact, did most of the work to secure partners to join the Alliance. Hayes acknowledged that Partner-Impact did many things to support the Alliance, such as developing a marketing campaign architecture, developing potential leads for members of the Alliance, and creating the content for the Alliance's website. Arroyo, his deputy, and the technical officer acknowledged that Partner-Impact did many hours of work in support of the Alliance, but they explained that FWS did not have any control, oversight, or input into the Alliance's structure or activities.

Arroyo admitted that despite Partner-Impact's failure to meet the performance objectives of the award, he told his staff in the fall of 2015 to award the company an additional \$300,000 to help it meet its requirements. He said, however, that he canceled the additional funding after his first interview with us, when we told him about the possible procurement violations in the original award.

SUBJECT

Bryan Arroyo, Assistant IA Director, FWS.

DISPOSITION

We referred this case to the U.S. Attorney's Office for the Eastern District of Virginia, which declined to prosecute. We provided this report to Michael Bean, Principal Deputy Assistant Secretary for Fish and Wildlife and Parks, for review and action.