



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

INTERNAL CONTROL REVIEW OF STUDENT CONSERVATION ASSOCIATION, INC.



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

MAY 3 1 2016

Memorandum

To: Jennifer Fleming
Northeast Region Agreements Officer, National Park Service

From: Nicki Miller *Nicki Miller*
Regional Manager, Audits, Inspections, and Evaluations

Subject: Inspection Report – Internal Control Review of Student Conservation
Association, Inc.
Report No. 2015-ER-056

This memorandum transmits the results of our inspection of the National Park Service's (NPS) management of a cooperative agreement and three associated task agreements it entered into with the Student Conservation Association, Inc. (SCA), to assist in the cleanup of damage from Hurricane Sandy in New York and New Jersey. We found several issues with the NPS Northeast Region Grants Office's management of the agreements, including unclear classifications of awards, inadequate competition and communication, incomplete grant files, missing risk assessments, missing or inadequate final reports, and noncompliance with Digital Accountability and Transparency Act of 2014 (DATA Act) requirements for posting financial data. We offer six recommendations to help NPS better manage its agreements and to help prevent fraud, waste, and mismanagement.

Objective

Our objective was to determine whether NPS' Northeast Region Grants Office internal controls were adequately designed and effective for managing financial agreements with SCA, involving the coordination and cleanup of the damage caused by Hurricane Sandy. We included the scope of our review and our methodology as an attachment to this memorandum.

Background

On October 29, 2012, Hurricane Sandy ravaged the eastern seaboard of the United States, with the States of New York and New Jersey receiving the full force of the storm. The storm affected 15 NPS sites in the New York/New Jersey metropolitan area, including all 3 units of Gateway National Recreation Area as well as the Statue of Liberty and Ellis Island, the Governors Island National Monument, and the Manhattan sites that make up the National Parks of New York Harbor.

In response to this disaster, Congress passed the Disaster Relief Appropriations Act of 2013, appropriating \$829.2 million (\$786.7 million post sequester) for the U.S. Department of

the Interior (DOI) to rebuild and repair its assets and to strategically invest in future coastal resilience. NPS received \$377.3 million of these funds. As part of the response and recovery from Hurricane Sandy, NPS committed some of its Disaster Relief Appropriations Act resources to provide young people with educational and work opportunities in the National Parks of New York Harbor through coordination and cleanup of affected sites.

To accomplish this goal, NPS used an award process that relied on a preexisting agreement, known as a master cooperative agreement, and funded coordination and cleanup projects through three task agreements.¹ The master agreement, which was publicly competed and issued in 2009, is 1 of 18 national agreements between NPS and various nonprofit organizations. It is broadly designed to facilitate educational and work opportunities for young people so that they can gain a better understanding of and appreciation for NPS' natural and cultural resources. From this master agreement, three task agreements, totaling approximately \$1.65 million, were issued:

- Agreement 1 (P13AC00279) was used to launch the project, with program planning, development, and recruitment. This \$90,050 agreement had a completion date of December 31, 2013.
- Agreement 2 (P13AC01094) was used to further recruit and then place volunteers in order to begin the project. This \$921,101 agreement had a completion date of December 31, 2013.
- Agreement 3 (P14AC00445) was used to continue the project into 2014. A modification created for this \$638,945 agreement extended the completion date from September 30, 2014, to December 31, 2014.

Findings

Unclear Classification of Awards

NPS' classification of SCA's three awards as "task agreements" affects how they should be handled throughout their lifecycles. NPS guidance states that a task agreement is issued to authorize work and obligate funds for a project that falls within the scope of an established master cooperative agreement. Task agreements are subject to, and must reference, the initial agreement's terms and conditions.

The NPS Grants Office provided us with documentation indicating that the Office considered Agreements 1 to be a single-source award. Classifying task agreements as single-source awards requires NPS to hold them to higher public disclosure standards. Single-source awards are subject to the requirements of the Departmental Manual (505 DM 2.14), which obliges bureaus to publicly post notice of and justification for awards over \$25,000 on Grants.gov or in the Federal Register. By contrast, previous NPS guidance stated that task agreements did not have to be posted on Grants.gov since they funded a component of their

¹ A master cooperative agreement is an agreement with a recipient in which more than one project is anticipated. This type of cooperative agreement includes a detailed description of all types of work that can be done under the agreement. The master cooperative agreement, itself not funded, would also establish the overarching terms and conditions agreed to by NPS. Projects based on master agreement terms are funded through task agreements, which are issued under the applicable legal authority documented in the master agreement.

original master agreement. In addition, task agreements allow NPS to commit funds to projects without competition, regardless of when the master agreement was signed.

Determining whether these awards were single-source awards or task agreements presented some confusion for NPS. Although NPS classified one of the three as single-source awards, the Grants Office's own guidance for the master agreement states that 505 DM 2.2 "encourages competition in making grant agreements and cooperative agreements," and that "NPS complied with . . . this guidance when we competed and awarded the 18 national agreements. *The national agreements are not single source awards* and task agreements written against them do not require posting on Grants.gov" [emphasis added]. This language suggests that because these three were developed from the national master agreement, they should have been classified as task agreements.

NPS' confusion over the status of these awards was also apparent in the Grants Office's documentation for the three agreements. Agreements 1 and 2 followed NPS guidance and were not posted publicly, even though Agreement 1 had been classified in their grant files as single source, whereas Agreement 3 (the agreement that had not been classified as single source) contained the "notice of intent to award" documentation required for a single-source award and had been posted on Grants.gov.

In interviews, NPS Grants Office staff indicated that after fiscal year 2013, they received guidance directing them to post the task agreements on Grants.gov. They provided policy, titled "Youth Agreements – Standard Operating Procedures [SOP]," that stated: "If the recipient selected is a single source and not one of the National Agreements, and is over \$25K, a Notice of Intent announcement must be published on Grants.gov by the Contracting Officer." Since this guidance specifically refers to single-source awards that are not part of master agreements, under this previous guidance, NPS should not have applied it to the agreements we reviewed; however, NPS posted Agreement 3 online as if it were a single-source agreement. The fact that the Grants Office handled two of the three awards in exactly the opposite way from how the guidance instructed suggests that the Grants Office either did not understand the guidance or chose not to follow it.

After we completed our fieldwork for this inspection, we learned that the "Youth Agreements" SOP has been rescinded. On November 13, 2015, NPS issued new guidance, titled "Youth Agreements: Overview and FA Guidance for the National Park Service," dealing specifically with youth conservation programs. In it, NPS states: "[W]hen anticipating a task agreement award for \$25,000 and above, the Awarding Officer must, prior to award, publish a notice of its intent to issue a task agreement under an existing master [cooperative agreement] on Grants.gov." This policy better aligns with 505 DM 2.14 requirements for notifying the public about financial awards.

Inadequate Competition and Communication

NPS' master cooperative agreement with SCA states that "all projects will be competed among qualified recipients on a project basis. A qualified recipient includes organizations

selected through announcement NPS-09WAS0-0001² and other organizations determined qualified by past performance or current project operations within the individual parks” (Section 1729, Part 2). Because task agreements must reflect their master agreements’ requirements for competition, and the three agreements we reviewed for this report are no exception, NPS should have considered other organizations that do work similar to SCA’s. According to a report by the National Parks of New York Harbor, this includes the following entities:

- Groundwork;
- GW Restoration Corps;
- Wilderness Stewards;
- Environmental Adventurers NYC Youth Corps;
- United Activities Unlimited;
- Youth Intern Program; and
- the New York City Department of Education.

NPS Grants Office staff indicated, however, that they did not know of any other such organizations.

When asked, Grants Office staff confirmed that little to no direct communication takes place between their office and staff at the parks where the projects actually took place. Grants Office staff indicated that they rely on an “agreements technical representative” to communicate among the Grants Office, the parks, and SCA. If more direct communication had taken place, Grants Office personnel may have learned that other potential candidates could have done the work. By neglecting to make these opportunities available to a more diverse network of potential project participants, NPS went against the terms of the original master agreement.

Incomplete Grant Files

To ensure that DOI’s financial assistance awards are made in accordance with Office of Management and Budget policy and DM requirements, all financial assistance awards must include a completed checklist, the “Financial Assistance Agreement Review Sheet,” which lists the key documentation required to be kept in the grant file. This checklist must also be used when conducting management reviews of financial assistance transactions.

Including key documentation in the grant file and using an internal review process serve as controls that aid in verifying compliance with policies and procedures. They may also reduce the potential for fraud or mismanagement when awarding financial agreements. We tested NPS’ internal control process and found that for the agreements we reviewed, the Grants Office did not adequately implement key grant management controls.

We tested NPS’ internal control processes by applying DOI’s “Financial Assistance Communication Liaison Policy Release 2007-1,” dated December 28, 2006, to the task

² This figure is the funding opportunity number for the master agreement. It is derived from a funding opportunity announcement, a publicly available document by which a Federal agency makes known its intentions to award discretionary grants or cooperative agreements.

agreements, which provides bureau/office financial assistance programs with quality assurance tools to reiterate the requirements in 505 DM 2 regarding—

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

We noted a number of instances where the documentation in the files was incomplete. The missing documentation varies in importance, from simple absence of signatures to larger errors such as failing to perform risk assessments, all of which serve to illustrate the Grants Office’s need to improve its grant management and to institute effective internal controls. By failing to maintain accurate award files, the potential may exist for increased opportunities of fraud, waste, and mismanagement of Federal funds. Figure 1 details the documents missing from and errors we found in each file.

	A*	B	C	D	E	F	G	H	I	J	K	L
Agreement 1	X	X	X	X	X				X	X	X	X
Agreement 2	X	X	X	X	X	X	X	X	X		X	X
Agreement 3				X	X	X			X	X	X	
Total	2	2	2	3	3	2	1	1	3	2	3	2

Figure 1. Summary of document deficiencies.

*Column heading key:

- | | |
|---|--|
| A. No grants.gov synopsis. | H. Signatures missing on award document for recipient. |
| B. No A-133 review. | I. No risk assessment performed. |
| C. No “Notice of intent” to award posted on Grants.gov. | J. No posting on USAspending.gov. |
| D. No EPLS/SAM review. | K. PAM checklist not used. |
| E. No determination and finding statement. | L. Final/periodic performance reports not present. |
| F. No budget analysis documented. | |
| G. Timeframes for deliverables not clearly defined. | |

Risk Assessments Not Performed

According to DOI’s financial assistance monitoring protocol (Department of the Interior Guidance (DIG) 2011-03, dated September 13, 2011, and DIG 2011-03, Amendment 1, dated September 26, 2013), bureaus are responsible for assessing the level of risk associated with a grantee when providing financial awards. This determination of risk is based on various factors that include, but are not limited to, a review of the results of single audit reports, an assessment of the grantee’s experience, and a review of the debarment list via the Excluded Parties List

System (EPLS) or the System for Award Management (SAM).³ To help bureaus fulfill their responsibility under the DIG, DOI developed a checklist for bureaus to use to assess the relative risk level of grantees and to develop an oversight strategy for financial assistance awards.

DOI requires that bureaus use the DIG risk assessment checklist before making any awards, including modifications, but NPS failed to include a checklist and a risk determination in the files for Agreements 1 and 2. For Agreement 3, the checklist and risk determination was considered not applicable in a document completed in September 2014, several months after the agreement went into effect. Further, NPS neglected to include documentation of EPLS/SAM reviews for each agreement, and in the case of Agreements 1 and 2, NPS had no record of an A-133 single audit review on SCA. In each case, when we asked Grants Office staff why these documents were not included in the file, they called it an oversight.

In addition, when asked why risk assessments had not been performed, Grants Office staff indicated that they had only been directed to do risk assessments within the last year, and were only required to do the assessments on new cooperative agreements, not task agreements. This could leave NPS and DOI at risk for conducting business with organizations with inadequate financial histories. For example, because risk assessments were not conducted on the three task agreements in our review, NPS might not learn about potential new risks if SCA suffered any financial crises since 2009, when the master agreement was awarded.

NPS' November 2015 "Youth Agreements" guidance addresses this issue in part, stating that even if a master cooperative agreement exists, grants officers are still required to assess a grant applicant's risk levels before awarding funds under task agreements. This includes checking the SAM to ensure that the applicant is eligible to receive the award, but it still does not require a full risk assessment. We concur with the message of this guidance, but believe that conducting a full risk assessment of every award issued under a master agreement would better safeguard NPS and DOI against risk.

Missing or Inadequate Final Reports

Each of the agreements requires a final performance report that describes SCA's accomplishments, its expenses and income, and each entity to which it made any grant during the fiscal year. The report is due within 30 days of the end of the agreement's reporting period. The file for Agreement 3 included a brief, sparsely detailed final report, consisting of a short paragraph and a numbered list of achievements; the files for Agreements 1 and 2 contained no final reports. Moreover, the files for these same two agreements did not contain any identifiable evidence that NPS had attempted to determine whether the reports had ever been submitted, and if so, where they were.

When asked about the absence of detail in Agreement 3's final report and the missing reports for the other two agreements, Grants Office staff indicated that Agreement 3's report was typical and they found it acceptable, and that they did not know where the other two reports were located, if they existed at all.

³ EPLS and its replacement program, SAM, are web-based systems that identify parties that are excluded from receiving Federal contracts, certain subcontracts, and certain types of Federal financial and nonfinancial assistance and benefits.

The missing performance reports violate the terms of the agreements and indicate a lax review process for internal controls. Since these projects are labor based and disaster funds can increase Federal fiscal exposure to fraud risk, final reports represent the only available benchmarks for the Grants Office to chart project deliverables. The absence of detailed analysis in the reports from SCA makes it difficult to determine whether the goals of the agreements were adequately fulfilled.

DATA Act Posting Noncompliance

In addition to the requirement for posting information about grants on Grants.gov, the Federal agencies are required by the DATA Act to post accurate financial data at USAspending.gov. The DATA Act establishes a Governmentwide data standard that requires agencies to post accurate financial data, including information about the agreements we reviewed, online at USAspending.gov. During our review, we determined that Agreements 1 and 3 had not been reported to the website. When we asked NPS staff why, they informed us that they have no direct access to USAspending.gov and that the Federal Assistance Awards Data System (FAADS) is supposed to automatically post the information to the site. They could not explain why FAADS was only successful in one out of three attempts.

The failure to post these awards raises a concern about management oversight. If NPS grants staff had been monitoring the site, they most likely would have known that the awards had not been posted. In addition, the technical issues in the posting process prevents the Grants Office from meeting its DATA Act requirement to post financial data, limiting transparency into the Government's operations.

Conclusion and Recommendations

Our inspection of NPS' management of the cooperative agreement and three task agreements awarded to SCA found that NPS had inadequately implemented and ineffectively enforced DOI and NPS policies, as well as requirements of the cooperative agreement designed to strengthen internal control. Failure to adhere to these policies leaves DOI open to allegations of insufficiently managing its financial assistance programs, in addition to increasing the potential for risk and fraudulent activity. We offer six recommendations to help NPS conform to regulations and DOI policies. We recommend that:

1. NPS provide appropriate training to Grants Office staff to mitigate confusion over appropriate award classification;
2. The Grants Office comply with NPS and DOI requirements for competing awards and communicate with field offices working directly with recipients;
3. NPS use the "Financial Assistance Communication Liaison Policy Release 2007-1" checklist when managing grant and cooperative agreement awards;

4. NPS institute risk assessments following the DIG release and apply its findings to task agreements;
5. NPS educate its grant recipients and enforce its requirement for recipients to provide substantive final reports on their projects; and
6. NPS institute corrective actions to resolve technical issues when generating FAADS reports to ensure that award data is properly posted on USAspending.gov.

Please provide us with your written response to this report within 30 days. The response should provide information on the actions you have taken or planned to address the recommendations, as well as target dates and titles of the officials responsible for implementing these actions. Please send your response to aie_reports@doioig.gov. If you have any questions about this report, please contact me at 703-487-8029.

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

Scope and Methodology

We conducted our inspection 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. We performed our work between May and July 2015. To accomplish our objective, we—

- reviewed background information on Student Conservation Association, Inc.;
- reviewed the master agreement and task agreements between SCA and the National Park Service (NPS);
- reviewed NPS' relevant youth agreement guidance;
- reviewed relevant budgetary documentation;
- reviewed previous Office of Inspector General and U.S. Government Accountability Office reports related to grants management and disaster resilience;
- applied the "Financial Assistance Communication Liaison Policy Release 2007-1" checklist and the Department of the Interior Guidance; and
- interviewed NPS grants management personnel.

