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U.S. DEPARTMENT OF THE INTERIOR'S CLIMATE SCIENCE CENTERS



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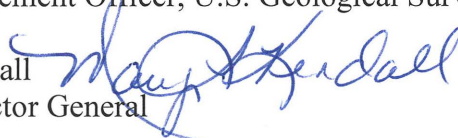
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Memorandum

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Subject: Final Audit Report – U.S. Department of the Interior’s Climate Science Centers
Report No. ER-IN-GSV-0003-2014

This memorandum transmits the results of our audit of the U.S. Department of the Interior’s climate science centers (CSCs). CSCs are managed and funded by the U.S. Geological Survey (USGS) and provide scientific information and tools that natural and cultural resource managers can use to anticipate and address the impacts of climate change. CSCs fund climate-focused scientific research through financial assistance awards, specifically discretionary grants and cooperative agreements.

We audited the financial assistance awards made by CSCs to determine whether they are being properly awarded and effectively managed. We found areas of concern in the management and oversight of financial awards that could potentially jeopardize public funds and support for CSC activities. Specifically, we identified issues related to the selection and awarding of financial assistance agreements, documentation and internal controls, inaccurate or poorly determined risk assessments, and oversight and management of financial award processes.

In our report we provide nine recommendations to USGS to strengthen the management of grants and cooperative agreements associated with CSCs. We also describe three operational efficiencies that we identified in the management and oversight of CSCs. Based on USGS’ response to the draft report, we consider five recommendations resolved but not implemented, one recommendation resolved and implemented, and three recommendations unresolved (see Appendix 7).

We will send the eight recommendations that are unresolved or resolved but not implemented to the Assistant Secretary for Policy, Management and Budget to track their resolution and implementation.

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.

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) operates eight climate science centers (CSCs) managed by the National Climate Change and Wildlife Science Center at the U.S. Geological Survey (USGS). CSCs provide scientific information, tools, and techniques that natural and cultural resource managers can use to anticipate and address the impacts of climate change.

CSCs fund climate-focused scientific research through financial assistance awards, specifically grants and cooperative agreements. These awards are subject to the same requirements as other financial awards made by DOI.

We audited the financial assistance awards made by four of the eight CSCs to determine whether they are being properly awarded and effectively managed. For the four selected CSCs, we reviewed 48 agreements totaling more than \$13.7 million in financial assistance awards from fiscal years 2010 through 2013.

We found areas of concern in the management and oversight of financial awards that, if uncorrected, could place public funds at risk and raise questions about whether funds are being used appropriately and spending is transparent. Overall, we found problems with—

- selection and awarding of financial assistance agreements;
- documentation and internal controls;
- inaccurate or poorly determined risk assessments; and
- oversight and management of financial award processes.

We provide nine recommendations that we believe will help USGS in the management and oversight of CSCs and their financial management practices. We also describe three operational efficiencies in the management and oversight of CSCs that could make it easier for USGS to make needed changes.

Our audit provides USGS with a significant opportunity to address problems associated with financial assistance awards.

Introduction

Objective

Our objective for this audit was to determine whether the financial assistance awards made by region-specific climate science centers (CSCs) are being properly awarded and effectively managed.

See Appendix 1 for our scope and methodology. Appendix 2 contains a list of the sites and offices we visited or contacted during our audit.

Background

Overview of Climate Science Centers

As the largest land manager in the United States, the U.S. Department of the Interior (DOI) works with its partners to address climate change issues, which it does through its network of CSCs and landscape conservation cooperatives (LCCs).¹ In accordance with Secretarial Order No. 3289 (“Addressing the Impacts of Climate Change on America’s Water, Land, and Other Natural and Cultural Resources”) and the Consolidated Appropriations Act of 2008 (Pub. L. No. 110-161), CSCs are regional partnerships that provide data and analyses on climate change impacts to assist natural and cultural resource managers. CSCs are hosted by universities and use grant and cooperative agreement funds for climate-focused scientific research.

Eight region-specific CSCs are managed by the National Climate Change and Wildlife Science Center (NCCWSC) at the U.S. Geological Survey (USGS); see Figure 1 for a master list. NCCWSC and CSCs are integral parts of a climate science planning enterprise. Together, the NCCWSC-CSC enterprise, LCCs, and other partners make up a broad climate science and conservation planning initiative.

¹ LCCs are applied conservation science partnerships with two main functions. The first is to provide the science and technical expertise needed to support conservation planning at landscape scales—beyond the reach or resources of any one organization. The second function is to promote collaboration among LCC members to define shared conservation goals.

CSC	Location
Alaska CSC	University of Alaska (Fairbanks, AK)
Northwest CSC	Oregon State University (Corvallis, OR)
Southwest CSC	University of Arizona (Tucson, AZ)
North Central CSC	Colorado State University (Fort Collins, CO)
South Central CSC	University of Oklahoma (Norman, OK)
Northeast CSC	University of Massachusetts (Amherst, MA)
Southeast CSC	North Carolina State University (Raleigh, NC)
Pacific Islands CSC	University of Hawaii (Honolulu, HI)

Figure 1. The eight region-specific CSCs and their locations.

Funded primarily by USGS, CSCs operate with a consortium of institutes of higher education, nongovernmental organizations, and Government agencies. Since their establishment, CSCs have managed and supported local, regional, and landscape-scale research projects, while NCCWSC has focused on addressing broader national and multi-region climate science priorities.

CSC coordinators are Federal employees responsible for overseeing and managing each center, with university staff providing administrative and research support. The science produced through these centers helps design conservation policy by directing research and monitoring of habitats that fish and wildlife depend on. CSC priorities include—

- developing standardized approaches to monitoring, data management, modeling, and decision support;
- creating and using high-resolution climate information and derivative products to produce information needed to forecast ecological responses at national, regional, and local levels;
- integrating physical climate models with ecological-, habitat-, and population-response models;
- developing models to predict fish and wildlife population and habitat changes; and
- developing methods to assess the vulnerability of species and their habitats.

CSCs award Federal dollars in the form of discretionary grants² and cooperative agreements³ to educational institutions, State agencies, and nongovernmental

² A discretionary grant is a financial award for which the Federal awarding agency selects the recipient from among all eligible recipients; decides to make or not make an award based on the programmatic, technical, or scientific content of an application; and decides the amount of funding to provide.

³ A cooperative agreement is an award of financial assistance, like a grant, but differs from a grant in that it provides for substantial involvement between the Federal agency and the recipient in carrying out the activity contemplated by the award.

organizations conducting climate change research. After an award decision is made, USGS' Office of Acquisition and Grants (OAG) handles all administrative duties associated with the primary research awards given through the program. Host universities manage and oversee subawards.

Problems With Grants Management Performance

Historically, Office of Inspector General (OIG) audits and internal reviews have found grants management⁴ to be an area of concern, identifying problems that include insufficient presolicitation planning and competition, selection of inappropriate award type, and inadequate administration and oversight.⁵ These deficiencies, individually and collectively, could increase fraud, waste, and abuse and diminish the integrity of grants management. (For more detail on prior audit coverage, see Appendix 3.)

The issues we identified during our audit are not new to OAG. Internal management reviews conducted in 2012 and 2014 pertaining to administrative oversight performed by OAG noted a number of deficiencies, including—

- missing or inadequate determination and findings statements;
- no synopses posted on Grants.gov;
- missing or incorrect authorization and appropriation citations;
- missing or inadequate cost or budget analyses;
- missing Excluded Parties List System (EPLS) determinations;
- absent or inadequate risk determinations;
- missing justifications for noncompetitive awards;
- missing technical evaluations;
- missing SF-425s (Federal Financial Reports); and
- missing final technical reports.

Our current findings, as well as those identified by OAG internal management, illustrate an ongoing problem with grants management activities at USGS.

Changing Requirements for Grants Management

Requirements for grants management are becoming more stringent. In December 2013, the Office of Management and Budget (OMB) issued final guidance titled "Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards." This new guidance, often referred to

⁴ The overall management of grants and cooperative agreements is generally referred to simply as "grants management." For the purposes of this report, the terms "grants management" and "grantee" should be understood to refer to both grants and cooperative agreements.

⁵ Previous reports include "U.S. Department of the Interior's Climate Change Program: Landscape Conservation Cooperatives" (Report No. ER-IN-MOA-0015-2011, June 2013); "U.S. Fish and Wildlife Service Grants and Cooperative Agreements in Hawaii and the Pacific Islands" (Report No. HI-EV-FWS-0001-2009, June 2011); "U.S. Fish and Wildlife Service Division of International Conservation" (Report No. ER-IS-FWS-0017-2009, October 2010); and "Framework Needed to Promote Accountability in Interior's Grant Management" (Report No. W-IN-MOA-0052-2004, August 2005). Also see U.S. Department of the Interior Agency Financial Report, FY 2014, p. 7.

as the “Super-Circular,” significantly affects the daily management and administration of Federal awards. The new guidance increases competition for Federal funds and improves transparency. Specific requirements that will affect DOI and its bureaus include—

- **Public notice for grants and cooperative agreements.** Federal awarding agencies must notify the public of Federal programs through the Catalog of Federal Domestic Assistance. The Digital Accountability and Transparency Act (DATA Act) of 2014 has added more transparency by requiring agencies to submit accurate and complete financial data to USASpending.gov.
- **Merit-based review of applications.** Federal awarding agencies must design and execute a merit review process for all grant and cooperative agreement applications. The review process must be described or referred to in the corresponding funding opportunity announcement.
- **Risk analysis of potential grantees.** Prior to making a Federal award, an agency must have a framework in place to determine the eligibility and risks of applicants. Risk factors include financial stability, quality of management systems, performance history, audit findings, and the applicants’ effectiveness in implementing statutory and regulatory requirements.
- **Standardized information.** To reduce variation between Federal agencies, the Super-Circular requires each Federal award to include 15 uniform datasets, including the timing, scope, and expected performance and outcomes.

These new OMB requirements increase the importance that USGS resolve the identified internal management review issues.

Audit Focus

To determine whether the financial assistance awards made by CSCs are being properly awarded and effectively managed by USGS, we reviewed 48 grants and cooperative agreements totaling more than \$13 million for fiscal years (FYs) 2010 through 2013, or 16 percent of the total CSC funding (\$85 million) for these years (see Appendix 4). The grants and cooperative agreements we reviewed were associated with these four CSCs:

- Northwest CSC at Oregon State University, Corvallis, OR.
- Southwest CSC at the University of Arizona, Tucson, AZ.
- South Central CSC at Oklahoma State University, Norman, OK.
- Southeast CSC at North Carolina State University, Raleigh, NC.

Findings

Our findings revealed several concerns regarding the management of grants and cooperative agreements. USGS did not fully meet its fiscal responsibilities to ensure that climate change research funds were awarded in accordance with OMB and DOI guidance and regulations on financial management, as well as the USGS Manual. We identified problems in key areas, including—

- selection and awarding of financial assistance agreements;
- documentation and internal controls;
- inaccurate or poorly determined risk assessments; and
- oversight and management of financial award processes.

We believe that the issues we have identified leave DOI vulnerable to questions about not only unfair or inadequate public notice, but also preferential treatment.

Selection and Awarding of Financial Assistance Agreements

Inadequate Competition and Public Notice

According to Departmental Manual (DM) 505 § 2.13, competition in making awards through cooperative agreements is strongly encouraged, and is expected in awarding discretionary grants, unless otherwise directed by Congress. Also, with only limited exceptions, OMB memorandum M-04-01 and 505 DM § 2.12 require that synopses of discretionary grant and cooperative agreement funding opportunities be posted on Grants.gov. The announcement must include the requirements for application and the criteria by which applicants will be evaluated. When Federal funds are not awarded competitively, 505 DM § 2.14 and the USGS Survey Manual, Chapter 406.1 § 7(A), require notice of the award to be posted on Grants.gov, including justification for this decision.

In direct contradiction to these policies, USGS elected to advertise awards solely through its internal network and primarily made sole-source awards. Of the 48 agreements we reviewed, 4 were the hosting agreements with the university where those CSCs are located, and the other 44 were grants or cooperative agreements for research. We found that across CSCs, all 44 scientific research awards in our sample were awarded to the host university or universities via sole-source agreements and announced only within the CSC network. USGS justified its bypassing of requirements for competition and public notice for these awards based on language in the CSC implementation documents that state project proposals must be submitted by the host university and that “USGS cannot enter into a cooperative agreement with an entity other than the submitting organization.”

USGS used sole-source determinations in selecting the scientific research awardees, yet it did not publish a “notice of intent to award” on Grants.gov for any of the 44 projects, as required by 505 DM § 2.14 and USGS’ internal guidance. The only exceptions among the awards we reviewed were the publicly competed CSC hosting agreements. We believe that a failure to adequately notify the public of award opportunities diminishes program transparency while potentially limiting the number of parties interested in working with USGS on climate change related issues. We note, however, that effective October 1, 2014, USGS has new guidance that, once fully implemented, should allow the bureau to fully comply with the requirements of 505 DM § 2.14 and USGS Survey Manual, Chapter 406.1 § 7(A).

Inadequate or Missing Sole-Source Justifications

Out of 48 award documents reviewed, we found that 28 (58 percent) had inadequate or missing sole-source justifications (see Appendix 5). We believe this occurred for the reasons stated above. As previously noted, awarding agencies are required by 505 DM § 2.14 to prepare a detailed written justification that explains why competition is not feasible and provide supporting criteria: “The justification will include a discussion of the program legislative history, unique capabilities of the proposed recipient, and cost-sharing contribution offered by the proposed recipient, as applicable.” The majority of award statements (the 28 out of 48 cited above) did not contain the supporting justification required by the Departmental Manual.

Recommendations

We recommend that USGS:

1. Ensure that public notice and competition are conducted in accordance with applicable laws, regulations, and DOI guidance;
2. Ensure that postings of grants and cooperative agreements on Grants.gov are available to the general public commensurate with fair and open competition; and
3. Limit use of sole-source awards to increase competition and transparency, or provide appropriate, supportable justification.

Documentation and Internal Controls

Insufficient or Incorrect Documentation

The 48 grant and cooperative agreement files that we reviewed contained insufficient documentation, raising concerns about compliance with OMB and DOI requirements. We found instances of both missing documents and insufficiently completed documentation. We also identified numerous areas of concern with respect to internal controls. The inclusion of key documentation in

the award file and use of an internal review process serve as controls that aid in verifying compliance with policies and procedures. They also help prevent or detect potential fraud when awarding financial agreements. Figure 2 summarizes the documentation deficiencies we found and the number of awards associated with each. A more detailed analysis of the identified discrepancies is provided in Appendix 5.

Documentation Deficiency	No. of Agreements With This Deficiency
Missing or incomplete determination and findings statement	3
Missing standardized review sheet	47
Sole-source justification missing or incomplete	28
SF-425 (Federal Financial Report) missing, incomplete, or inaccurate	22
Missing risk assessment	48
Missing Excluded Parties List System (EPLS) documents for principal investigator	44*
No Grants.gov synopsis	45
SF-424 (Application for Federal Assistance) missing, incomplete, or inaccurate	5

* The four hosting agreements are ineligible for principal investigator EPLS determinations because they are not research projects. The remaining 44 research projects lacked the EPLS documents for the principal investigators.

Figure 2. Summary of documentation deficiencies.

We found one instance where the award files contained incorrect documentation. Specifically, we identified that the financial award file for the Southwest CSC (Agreement No. G11AC90008) contained a copy of the sole-source justification for the Alaska CSC, even though the solicitation for award (for the Southwest CSC) was posted on Grants.gov and competed in accordance with departmental and bureau requirements. Although this may be an inadvertent error, it does point to inattentiveness to detail in ensuring that award files are complete and accurate.

We tested USGS' internal process and found that key grants management controls developed by DOI have not been adequately implemented by USGS for CSC grants and cooperative agreements. Specifically, we found inadequate use of DOI's "Financial Assistance Communication Liaison Policy Release 2007-1," dated December 28, 2006, which mandates that a standard process be followed by grants management offices that oversee DOI financial assistance awards. The policy release provides a standardized financial assistance agreement review sheet to be used as a quality assurance tool and reiterates the requirements found in 505 DM §§ 2.2, 2.3, 2.9, 2.12, and 2.13 regarding—

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

DOI's review sheet helps bureaus comply with grants management requirements by providing a checklist to which grant managers can refer. We found that USGS rarely used this review sheet. Of the 48 award files we reviewed, we found that only 1 (Agreement No. G10AC00624, for the Southeast CSC) contained a completed review sheet. We found little evidence supporting USGS' use of the departmental checklist, or even a bureau-specific checklist that includes DOI's requirements, to ensure that files were complete and contained the required documentation.

In our discussions with OAG staff, we noted that on one occasion a grant specialist indicated that a checklist was not needed since this individual had years of experience and knew what documents were needed in the files. Other grant specialists had no knowledge that such a checklist even existed or was required. We believe that this inconsistency contributed to the observed absence of required documentation within the award files.

The deficiencies that we noted could have been identified by a grants officer or a higher level review. In fact, deficiencies that we identified had also been previously noted by USGS's own internal reviews. It was not until we requested copies of the missing award documents that USGS uploaded the information into PRISM (the acquisition and grants management system).⁶ In total, we identified 32 documents that were added for 13 awards following the date of our request.

⁶ Our Forensics and Analysis Unit (which recovers and examines digital evidence) was able to determine the dates that award documents were physically entered into PRISM.

Recommendations

We recommend that USGS:

4. Institute and appropriately document the use of the DOI financial assistance agreement review sheet or develop a bureau-level equivalent; and
5. Institute a second-level review process to ensure accuracy and completeness of award files.

Inaccurate or Poorly Determined Risk Assessments Noncompliance With Departmental Requirements

We found that USGS did not comply with departmental guidance in assigning an appropriate level of risk (low, moderate, or high) prior to awarding funds associated with CSC research. Risk assessments and verification of eligibility status were not adequately performed, and required documentation was missing.

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. Determining the level of risk is based on various factors that include, but are not limited to, single audit reports, past experience, and a review of the debarment list via the Excluded Parties List System (EPLS) or System for Award Management (SAM).⁷ To help bureaus fulfill their responsibilities under DIG, DOI developed a checklist to be used by bureaus in developing an overarching monitoring strategy (i.e., oversight) for financial assistance awards. DOI requires that the checklist be used by bureaus before making any awards, including modifications. As part of the monitoring strategy, the checklist is designed to assess the relative risk level of grantees.

During our interviews with OAG staff, we noted that personnel were aware of the DOI requirement to perform risk assessments but offered no definitive explanation for why they were not being performed. We found that none of the award files contained a clearly identifiable risk assessment determination and therefore did not comply with DIG requirements. Discussions with OAG personnel as well as the OAG director confirmed that risk assessments have not been performed in accordance with departmental guidance. As a result, USGS has not adequately determined the level of monitoring for its grantees.

⁷ The EPLS and SAM are Web-based systems that identify those parties excluded from receiving Federal contracts, certain subcontracts, and certain types of Federal financial and nonfinancial assistance and benefits. The EPLS has been replaced by SAM.

We do note, however, that effective May 1, 2014, USGS implemented new risk assessment guidance conforming to the DIG requirements, although OAG personnel indicated that they will not be able to complete their first risk-based assessment until sometime during FY 2015. As a result, the bureau currently does not have sufficient data to determine the appropriate level of risk and the appropriate level of monitoring for existing grantees.

Agencies are also required to assess the risk of nonperformance or fraud by a grantee. Federal regulations (2 C.F.R. § 180, “Government Debarment and Suspension, Nonprocurement”) require agencies to confirm that the recipient of Federal funds has not been suspended or debarred. For CSC research awards, this requirement applies to eligibility status of both the institution and the principal investigator. None of the award files that we reviewed fully complied with this requirement. Although 45 of the 48 award files did contain some of the required documentation, specifically the EPLS/SAM data for the applicant institutions, none of them contained EPLS/SAM determinations for individual investigators awarded funding for climate change research. Section F.2 of the award documents, associated with the financial agreements, specifically indicates that the award is subject to 2 C.F.R. § 180, yet our review found no documentation within the files to suggest that OAG enforced this requirement.

In addition, we noted that OMB A-133 single audit findings were reviewed; however, institutional risk assessments based on the OMB A-133 audit results had not been adequately considered as part of an overall risk assessment. For example, we noted that the host agreement for the University of Arizona (Agreement No. G11AC90008, for the Southwest CSC) contained an A-133 audit report review memorandum indicating that the university had a “significant deficiency” for failing to have adequate internal controls in place. The finding applied to all awards in the Research and Development Cluster, including USGS awards. As required by 2 C.F.R. § 215, entities receiving Federal awards must establish and maintain internal controls designed to reasonably ensure compliance with Federal laws and regulations and program compliance requirements. Also noted in the memorandum, the USGS Single Audit Act liaison determined that “the actions needed to resolve the negative finding [by the University of Arizona] have been completed” and that “proper action has or will be taken to prohibit such errors from recurring in the future.” In our review, we found no documentation in the agreement file indicating that follow-up corrective actions had actually been taken and reviewed by USGS. There is no indication that USGS incorporated this A-133 audit finding into an overall risk assessment for the grantee organization.

We believe that USGS’ inadequate review and analysis of required documentation, as well as its failure to adhere to departmental policy, contributed directly to the absence of an appropriate risk analysis and risk assignment. Failure to adequately identify the risk status of grantees indicates poor diligence by grants officers and review officials and may lead to insufficient control over a

questionable grantee. Consequently, the bureau is placing the Department at risk for potential fraud and misuse of Federal funds.

Recommendations

We recommend that USGS:

6. Ensure that appropriate risk assessment determinations are performed and accurately documented in the award file and, where applicable, that proper notifications are made and documented; and
7. Ensure that risk assessments are performed not only for institutions but also for principal investigators, in accordance with 2 C.F.R. § 180.425.

Oversight and Management of Financial Award Processes

Absence of Adequate Training in Grants Management

The CSC coordinators we interviewed each had limited backgrounds in administration of grants and cooperative agreements. Based on our interviews, we found that even though all four coordinators we visited were identified as technical officers on grants and cooperative agreements, each had insufficient background and training to adequately understand the rules and requirements of grants management policy.

USGS does not have specific training requirements in place for grants management specialists at OAG, even though the position description clearly states that these specialists must have “in-depth knowledge of financial assistance laws, regulations, and policy to award and administer grants and cooperative agreements.” Despite the fact that all financial assistance awards must be reviewed and issued by a warranted contracting officer,⁸ we noted that discrepancies exist in the current knowledge of grants management and oversight among OAG grant specialists. For example, we noted that they had conflicting understandings of roles and responsibilities regarding the assembling of grants and cooperative agreements. One specialist told us that all CSC grants and cooperative agreements were posted on Grants.gov and that the final determination of the award type is made by the grant specialist. Another specialist told us that the determination of grant versus cooperative agreement is made by the CSC program office prior to the requisition being forwarded to OAG—the specialist does not perform an independent assessment on the type of award determination.

⁸ A warranted contracting officer has the authority from the Federal Government to enter into contracts on behalf of a Government agency. The term “warranted” indicates that the individual meets experience and training criteria established by the Federal Acquisition Regulation (FAR).

Inconsistencies in the understanding of grants management processes indicate that deficiencies in training exist.

Recommendation

We recommend that USGS:

8. Develop or acquire more training for USGS staff who oversee and manage grants.

Poor Coordination Between Host Sites and OAG

We noted that there is poor coordination between OAG and university staff to ensure that funds for projects are being appropriately managed. Specifically with regard to subawards, our interviews with both OAG staff and the responsible university personnel indicated that the two offices have little to no routine contact. OAG personnel indicated that host-site (university) personnel are responsible for the oversight and management of subawards related to CSC activities, but we have concerns regarding the effectiveness of the oversight provided by host-site grant management personnel.

OMB Circular A-110 (“Uniform Administrative Requirements for Grants and Other Agreements With Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations”) and 43 C.F.R. § 12 Subpart F require universities to follow all Federal regulations concerning management of subawards, but OAG does not perform any type of verification to ensure that host universities are providing proper oversight of subawards. Our interviews with host-university financial officers revealed insufficient training with regard to grants management, calling into question their ability to fully know or follow Federal requirements for subaward oversight. Host-university staff also told us that opportunities for training in grants management are limited primarily due to budget constraints. Limited training places adequate oversight capabilities in doubt.

For example, Southwest CSC host-university staff told us that they have received no external training to ensure compliance with Federal requirements regarding management and oversight of subawards. The extent of their training consisted of reliance on experience at past jobs along with the use of an old manual passed down from previous university employees. These staff also expressed concern that they have difficulty keeping up with Federal requirements without adequate access to training. At the Southeast CSC, similar concerns were noted through our interviews with host-university staff responsible for the oversight and management of CSC subawards, who said that they have received little training on grants or cooperative agreements. We were informed that the university Office of Contracts and Grants does not maintain routine contact with OAG.

Although Federal agencies are not required to monitor the management of subawards or provide training to grantees, enhanced cooperation and increased interactions between OAG and host-university personnel would improve oversight.

Recommendation

We recommend that USGS:

9. Institute closer coordination between USGS and host-site university personnel responsible for oversight of subawards pertaining to CSC activities.

Operational Advantages

This report focuses primarily on deficiencies in grants management practices; however, we observed at least three operational efficiencies in the management and oversight of CSCs worth highlighting:

- USGS has a centralized operation that manages grants and cooperative agreements. Located in Reston, VA, OAG is responsible for all financial assistance awards. The centralized activity provides consistency in managing awards and allows for easier operational oversight and faster incorporation of changes in business practices. Although we did observe issues with OAG's management of the financial assistance awards, our findings show that these deficiencies were uniformly distributed across each of the CSCs we visited. We believe that the centralized OAG operational and management structure can facilitate across-the-board corrective actions for the deficiencies we identified. We have already noted that in response to our findings on the absence of risk assessments and transparency, OAG instituted immediate corrective actions that have been either partially or fully implemented.
- CSCs have instituted practices at the regional level to mitigate the duplication of research efforts. For example, the Northwest CSC maintains a database listing its active projects. This database functions as a tool to avoid redundancies in funding new research projects.
- Communication between CSC employees we visited and OAG, as well as with NCCWSC, is exceptional. CSC directors have a thorough understanding of climate science, as do NCCWSC personnel. We observed open communication and a willingness to work together as a team. The lines of authority were clearly articulated, and the communication between CSCs and NCCWSC appeared unimpeded. In addition, a high degree of collaboration existed between program personnel at CSCs and NCCWSC and the financial assistance staff within OAG.

Together these circumstances should make possible effective and efficient information-sharing and implementation of our recommendations. The current operational framework may provide USGS with an advantage in making improvements in CSC management and oversight, as recommended in this report.

Conclusion and Recommendations

Conclusion

We reviewed 48 grants and cooperative agreements administered by USGS through region-specific CSCs and totaling more than \$13.7 million for FYs 2010 through 2013. We noted that DOI and USGS policies designed to strengthen internal control mechanisms were inadequately implemented and ineffectively enforced, required documentation was insufficient or incorrect, and CSC personnel had insufficient background and training in grants management. Together, these factors leave the Department open to potential fraud and allegations of mismanagement of financial assistance awards.

We offer nine recommendations, and highlight three operational advantages, to help USGS bring CSC grants management activities into compliance with Federal regulations and DOI policies.

Recommendations Summary

We issued a draft version of this report to USGS and received responses to our recommendations. Summaries of USGS' responses, as well as our analysis, are below. See Appendix 6 for the full text of the response; Appendix 7 lists the status of each of our recommendations.

We recommend that USGS:

1. Ensure that public notice and competition are performed in accordance with applicable laws, regulations, and DOI guidance.

USGS response: USGS partially concurred with this recommendation. USGS indicated that it had originally established seven of its eight host CSC agreements with competitive program announcements (with the CSC hosted at the University of Alaska as the single noncompetitive host agreement, using authority at 43 U.S.C. § 36d). USGS also indicated that the CSC program is structured to allow for a single host site in each region, while also allowing for consortium partners to foster the maximum access to scientific resources. Science projects identified through an internal peer review process are awarded to the appropriate CSC as follow-on components of the original competitive hosting awards. USGS indicated that it documents the competitive relationship of follow-on awards to initial awards. USGS stated that it is now planning for recompetition of the hosting agreements, to establish CSC sites for the next 5-year period. USGS indicated that prior to solicitation for new awards, it will engage OIG to help develop a follow-on strategy that more clearly documents the competitive process. USGS has established a target date of September 30, 2016, for completion of this action.

OIG analysis: Based on USGS' response, the recommendation remains as-is and we consider this recommendation resolved but not implemented.

2. Ensure that postings of grants and cooperative agreements on Grants.gov are available to the general public commensurate with fair and open competition.

USGS response: USGS concurred with this recommendation. USGS acknowledged that postings of grants and agreements on Grants.gov is required by 505 DM § 2.14 for those that are supported by a noncompetitive determination. USGS also indicated that it had failed to issue appropriate and timely guidance for implementing departmental requirements. USGS has instituted a policy for financial assistance single-source awards in its "Acquisitions Operating Procedures," effective March 1, 2015, that requires all single-source financial assistance awards over \$25,000 to have a "notice of intent to award" published on Grants.gov.

OIG analysis: Based on USGS's response, we consider this recommendation resolved and implemented.

3. Limit use of sole-source awards to increase competition and transparency, or provide appropriate, supportable justification.

USGS response: USGS partially concurred with this recommendation. USGS agreed that every award should be either competed or documented with supportable justification. In addition, USGS indicated that it is currently planning for recompetition of the hosting agreements, to establish CSC sites for the next 5-year period. USGS also indicated that prior to solicitation for new awards, it will engage the OIG to help develop a follow-on strategy that more clearly documents the competitive process. USGS has identified a target date of September 30, 2016, for completion of this action.

OIG analysis: Based on USGS' response, the recommendation remains as-is and we consider this recommendation resolved but not implemented.

4. Institute and appropriately document the use of the DOI financial assistance agreement review sheet or develop a bureau-level equivalent.

USGS response: USGS partially concurred with this recommendation. USGS indicated that it implemented an electronic filing system in a phased process beginning with awards and modifications issued in FY 2011 (the date that USGS converted to the Financial and Business Management System, or FBMS). USGS indicated that for these awards,

under the Supporting Documents tab of PRISM (the acquisition system within FBMS), each specialist uses a standard set of folders that serves as a financial assistance agreement review sheet. USGS considers this set of folders as the “bureau-level equivalent” of the DOI financial assistance agreement review sheet.

USGS concurred that the phased approach to electronic file documentation was not articulated in policy, nor was its intention to use the folder structure as the “bureau-level equivalent” of the review sheet. USGS acknowledged that it should have been clear for each award whether the electronic or hardcopy version was the “official record.” USGS indicated that policy will be issued to correct for future awards. USGS also noted that during a recent bureau-level Acquisition and Assistance Management Review (AAMR) conducted by the DOI Office of Acquisition and Property Management (PAM) on June 1-5, 2015, the verbal out-brief noted that USGS’ use and structure of financial assistance electronic files would be cited as a “best practice” and that PAM accepted that the folder structure met the intent of departmental guidance with regard to a “bureau-level equivalent” review sheet. USGS provided a target completion date of August 31, 2015.

OIG analysis: Based on USGS’ response, we consider this recommendation unresolved. Although USGS provided a target date, there is no clear indication of the specific actions the bureau intends to take. OIG remains concerned about inconsistent application of the use of either a bureau-level or Department-level checklist.

OIG followed up with PAM and reviewed draft meeting notes from the AAMR. PAM notes do not reflect the statements made in the USGS response regarding PAM accepting the folder structure as meeting the intent of departmental guidance, i.e., as a “bureau-level equivalent” review sheet. We do acknowledge that PAM draft notes indicate that USGS’ “electronic files reviewed were well organized.”

5. Institute a second-level review process to ensure accuracy and completeness of award files.

USGS response: USGS partially concurred with this recommendation. USGS agreed that emphasizing the requirements for thorough file review is appropriate. USGS also stated that a second-level review of all financial assistance actions prior to obligation exists in USGS policy, as outlined under “Procedures for Review of Acquisition and Financial Assistance Actions” in its “Acquisitions Operating Procedures,” including identification of appropriate level of review; however, there was inadequate documentation of the process. USGS indicated that it will accomplish an initial review of audit findings during its regular monthly

acquisition “all hands” meeting and will emphasize file review requirements. The target date for completion is July 31, 2015.

OIG analysis: Based on USGS’ response, the recommendation remains as-is and we consider this recommendation resolved but not implemented.

6. Ensure that appropriate risk assessment determinations are performed and accurately documented in the award file and, where applicable, that proper notifications are made and documented.

USGS response: USGS did not concur with this recommendation. USGS indicated that it had implemented a financial assistance monitoring protocol in its “Acquisitions Operating Procedures,” effective May 1, 2014. Although USGS was delayed in implementing departmental guidance, it has indicated that all financial assistance awards issued after May 1, 2014, comply with the applicable departmental standards. For awards made from September 26, 2013 (implementation of DIG 2011-03, Amendment 1), to May 1, 2014, USGS stated that it will complete and document the risk assessments in accordance with the departmental protocol. USGS provided a target date of October 31, 2015, for completion of risk assessments on awards made from September 26, 2013, to May 1, 2014.

OIG analysis: Based on USGS’ response, the recommendation remains as-is and we consider this recommendation resolved but not implemented.

7. Ensure that risk assessments are performed not only for institutions but also for principal investigators, in accordance with 2 C.F.R. § 180.425.

USGS response: USGS did not concur with this recommendation. USGS stated that the requirement at 2 C.F.R. § 180.425 to conduct “a search to determine if a person is excluded or disqualified before entering into a primary tier covered transaction or before approving a principal in a primary tier covered transaction” has never been interpreted by USGS or any other Government agency (that USGS could find) as requiring an EPLS/SAM search of principal investigators under a financial assistance award. USGS confirmed with PAM that no guidance has been issued by DOI regarding a requirement for monitoring “principals” under financial assistance. DIG 2011-01, intended as comprehensive guidance on risk assessment, establishes no requirement for monitoring “principals.” USGS indicated that all CSC awards have been to educational institutions and appropriate risk assessments have been performed at the institutional (awardee) level. No CSC awards have been made to individual principal investigators.

In addition, USGS indicated that it “will coordinate with DOI, including the Department Suspension and Debarment Official, to determine appropriate next steps and, as appropriate, issue policy.” USGS provided December 31, 2015, as a target date for completion.

OIG analysis: Based on USGS’ response, we consider this recommendation unresolved.

We believe that 2 C.F.R. § 180.425(b) requires assistance award officials to check SAM.gov when they approve principal investigators for the following reasons, provided by OIG’s Administrative Remedies Division:

- a. The language of § 180.425(b) is clear. The language of the section uses the word “person” not “participant” in this section. If the drafters of the regulations had only wanted to require that award officials check SAM.gov for the names of recipients of Federal awards, they could have used the word “participant” instead of “person.” Participant meaning “any person who submits a proposal for or who enters into a covered transaction.” But instead drafters chose to use the word “person” meaning “any individual, corporation, partnership, association, unit of government, or legal entity, however organized.” Also, under 2 C.F.R. § 180.995(a) “principal” includes “principal investigator.”
- b. 2 C.F.R. § 180.335(a)—under the heading “Responsibilities of Participants Regarding Transactions Doing Business With Other Persons”—requires that participants notify Federal agencies if the participant knows that it or any of the participant’s principals are presently excluded or disqualified. It would be inconsistent with the goal of protecting Federal covered transactions to require participants, but not award officials, to check for the exclusion or disqualification of principals. Note that 2 C.F.R. § 180.425 falls under the heading of “Responsibilities of Federal Agency Officials Regarding Transactions.”

The purpose of these two sections—180.335(a) and 180.425(b)—is to ensure that Federal dollars are not put at risk by being controlled by individuals or institutions that have been deemed to be ineligible for Federal awards. Reading § 180.425(b) as requiring award officials to check SAM.gov to identify potential risks to Federal programs is consistent with the spirit and the letter of the regulations. There are certain circumstances in which a Federal award official may enter into covered transaction with excluded parties, but under the regulations a premium is placed on first identifying such parties pre-award and post-award, and the burden of doing so is placed on Federal officials and participants.

In addition, PAM is developing a policy to clarify the requirements under 2 C.F.R. § 180 for financial assistance awarding officials to screen both the recipient organization and the principal investigator prior to awarding a grant or cooperative agreement. Once issued, PAM will provide training to the financial assistance community. PAM is also preparing to establish the Financial Assistance Interior Regulation (FAIR), through which DOI will issue financial assistance regulations which implement or supplement the C.F.R. Subsequently, PAM will develop a new DM chapter to establish the FAIR as the DOI regulatory body for financial assistance.

8. Develop or acquire more training for USGS staff who oversee and manage grants.

USGS response: USGS concurred with the recommendation. USGS has identified a number of actions that have been or will be taken to acquire more training for USGS staff responsible for the oversight and management of grants and cooperative agreements. For example, USGS indicated that OAG encourages staff to take grants management courses through private vendors. USGS indicated that OAG offers routine brown-bag sessions and acquisition forum calls for both OAG and program office staff that cover financial assistance related topics. OAG has also developed “Acquisitions Operating Procedures” as an online resource for USGS staff on acquisition-related policy and topics. In addition, NCCWSC has recognized a need for basic cooperative agreement/grant training for the CSC directors and held a 2-hour session on March 19, 2014, to familiarize staff with Federal requirements. Additionally, USGS will require all CSC directors to take grants management training through a private vendor. USGS has identified a target date of January 31, 2016, for completion of these actions.

OIG analysis: Based on USGS’s response, we consider this recommendation resolved but not implemented.

9. Institute closer coordination between USGS and host-site university personnel responsible for oversight of subawards pertaining to CSC activities.

USGS response: USGS did not concur with this recommendation. USGS indicated that no legal or departmental authority or requirement exists for USGS to request the data that would be needed to implement monitoring of subawards of financial assistance recipients. The applicable OMB circular requires that information collection beyond the “standards” defined therein be approved and vetted through the Federal Register prior to implementation. USGS stated that it understands OIG’s concerns regarding the oversight of subawards and indicated that it will adhere to

any revised or updated policy regarding subawards, should any be issued by the Department or OMB. USGS did not provide a date for resolution.

OIG analysis: Based on USGS' response, we consider this recommendation unresolved. Although Federal agencies are not required to monitor the oversight of subawards or provide training to grantees, there are opportunities to enhance cooperation and increase interactions between OAG and host-university personnel that will improve oversight. OIG believes that the amount of money invested in climate science research still warrants closer coordination and oversight; we acknowledge that management should determine the appropriate level and type of coordination to ensure proper oversight.

Appendix I: Scope and Methodology

Scope

The scope of our audit covered climate science center (CSC) financial assistance agreements that used fiscal years (FYs) 2010 through 2013 funds. Our scope did not include a review of contracts or interagency agreements.

Our audit did not assess the quality of the science, decision support tools, and other products resulting from the financial assistance process. These findings represent the conditions during the time of our fieldwork and do not reflect any corrective actions that the U.S. Geological Survey (USGS) may have taken as a result of our discussions after that time.

Methodology

We conducted this audit in accordance with Generally Accepted Government Auditing Standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit's objectives. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

To accomplish the audit's objectives, we—

- gathered general, administrative, and background information to provide a working knowledge of the U.S. Department of the Interior's (DOI) climate change program and the grants management processes;
- interviewed DOI and bureau personnel responsible for overseeing CSCs;
- reviewed relevant Office of Inspector General reports;
- identified and reviewed policies and procedures related to CSCs and to the award and monitoring of financial assistance agreements;
- reviewed relevant Office of Management and Budget circulars and applicable Federal regulations;
- selected a judgmental sample of four CSCs for site visits;
- conducted site visits to interview CSC directors and other pertinent personnel;
- reviewed all financial assistance agreements for each CSC site visited;
- used the DOI checklist provided in the "Financial Assistance Liaison Communication Policy Release 2007-1" memorandum to determine compliance with established guidelines; and
- performed tests of internal controls relevant to our audit objectives.

Our methodology did not significantly rely on any computer-processed data.

Appendix 2: Sites and Offices Visited or Contacted

U.S. Geological Survey (USGS)

USGS Headquarters
12201 Sunrise Valley Drive
Reston, VA 20192

National Climate Change and Wildlife Science Center
12201 Sunrise Valley Drive
Reston, VA 20192

USGS Office of Acquisition and Grants
12201 Sunrise Valley Drive
Reston, VA 20192

Climate Science Centers

Northwest Climate Science Center
Oregon State University
U.S. Geological Survey
777 NW 9th Street, Suite 400
Corvallis, OR 97330

Southeast Climate Science Center
North Carolina State University
127 David Clark Labs
Campus Box 7617
Raleigh, NC 27695

South Central Climate Science Center
The University of Oklahoma
301 David L. Boren Boulevard, Suite 3030
Norman, OK 73019

Southwest Climate Science Center
University of Arizona
1955 East 6th Street
Tucson, AZ 85721

Appendix 3: Prior Audit Coverage

Report No.	Report Date	Report Title
W-IN-MOA-0052-2004	August 2005	"Framework Needed to Promote Accountability in Interior's Grant Management"
ER-IS-FWS-0017-2009	October 2010	"U.S. Fish and Wildlife Services Division of International Conservation"
HI-EV-FWS-0001-2009	June 2011	"U.S. Fish and Wildlife Service Grants and Cooperative Agreements in Hawaii and the Pacific Islands"
Y-RR-NPS-0010-2007	June 2011	"National Park Service Land and Water Conservation Fund State Grants Program"
K-MA-BLM-0005-2012	November 2012	"Issues Identified During our Audit of Nevada Fire Safe Council Claimed Costs under Cooperative Agreements with Bureau of Land Management from January 1, 2008, Through February 29, 2012"
ER-IN-MOA-0015-2011	June 2013	"U.S. Department of the Interior's Climate Change Program: Landscape Conservation Cooperatives"
ER-IN-MOA-0013-2011	June 2013	"Management of the Coastal Impact Assistance Program, State of Mississippi"
WR-CA-BLM-0013-2013	September 2013	"Financial Assistance Audit: Cooperative Agreement No. JSA071001/L08AC13913, Between the Utah Correctional Industries and the Bureau of Land Management"
ER-IN-FWS-0010-2013	September 2014	"Management of the Coastal Impact Assistance Program in the State of Louisiana"
Agency Financial Report	December 2013	"U.S. Department of the Interior, Agency Financial Report, FY 2013" (page 165)
Agency Financial Report	November 2014	"U.S. Department of the Interior, Agency Financial Report, FY 2014" (page 28)

Appendix 4: Grants and Cooperative Agreements Reviewed

Agreement	No.	CSC	Type	Amount
G10AC00702	1	NW	Cooperative Agreement	\$2,852,446
G11AP20117	2	NW	Grant	25,000
G11AP20060	3	NW	Grant	10,000
G11AC20202	4	NW	Cooperative Agreement	150,000
G11AC20256	5	NW	Cooperative Agreement	75,232
G11AC20255	6	NW	Cooperative Agreement	74,640
G12AC20495	7	NW	Cooperative Agreement	374,645
G12AC20481	8	NW	Cooperative Agreement	92,000
G12AC20482	9	NW	Cooperative Agreement	278,546
G12AC20483	10	NW	Cooperative Agreement	177,859
G12AC20453	11	NW	Cooperative Agreement	266,421
G12AC20452	12	NW	Cooperative Agreement	294,002
G13AC00264	13	NW	Cooperative Agreement	111,595
G13AC00319	14	NW	Cooperative Agreement	89,813
G12AC00002	15	SC	Cooperative Agreement	1,343,358
G12AC20512	16	SC	Cooperative Agreement	55,407
G13AC00386	17	SC	Cooperative Agreement	291,580
G13AC00387	18	SC	Cooperative Agreement	56,743
G13AC00385	19	SC	Cooperative Agreement	99,937
G13AC00400	20	SC	Cooperative Agreement	30,954
G13AC00412	21	SC	Cooperative Agreement	50,959

Agreement	No.	CSC	Type	Amount
G13AC00136	22	SC	Cooperative Agreement	\$23,938
G10AC00624	23	SE	Cooperative Agreement	1,200,064
G12AC20515	24	SE	Cooperative Agreement	45,000
G12AC20507	25	SE	Cooperative Agreement	39,113
G12AC20503	26	SE	Cooperative Agreement	299,999
G12AC20508	27	SE	Cooperative Agreement	80,907
G13AC00406	28	SE	Cooperative Agreement	75,696
G13AC00408	29	SE	Cooperative Agreement	295,000
G13AC00405	30	SE	Cooperative Agreement	34,978
G13AC00407	31	SE	Cooperative Agreement	108,548
G12AC20505	32	SW	Cooperative Agreement	100,327
G11AC90008	33	SW	Cooperative Agreement	1,952,613
G11AC20408	34	SW	Cooperative Agreement	50,000
G11AC20544	35	SW	Cooperative Agreement	200,000
G12AC20506	36	SW	Cooperative Agreement	202,525
G12AC20517	37	SW	Cooperative Agreement	63,891
G12AC20518	38	SW	Cooperative Agreement	210,050
G12AC20516	39	SW	Cooperative Agreement	149,760
G12AP20100	40	SW	Grant	56,055
G13AC00330	41	SW	Cooperative Agreement	140,819
G13AC00327	42	SW	Cooperative Agreement	172,894
G13AC00336	43	SW	Cooperative Agreement	199,547
G13AC00339	44	SW	Cooperative Agreement	126,628
G13AC00332	45	SW	Cooperative Agreement	203,162

Agreement	No.	CSC	Type	Amount
G13AC00326	46	SW	Cooperative Agreement	\$332,594
G13AC00084	47	SW	Cooperative Agreement	132,875
G13AC00083	48	SW	Cooperative Agreement	114,775
Total Dollar Amount				\$13,709,282

Abbreviations

NW Northwest CSC
SC South Central CSC
SE Southeast CSC
SW Southwest CSC

Appendix 5: Documentation Deficiencies Found

Agreement	CSC	Deficiency Documented (See Table Key)												
		A	B	C	D	E	F	G	H	I	J	K	L	M
G10AC00702	NW										X	X		
G11AP20117	NW	X	X	X	X	X	X		X		X	X		
G11AP20060	NW	X	X	X		X	X		X		X	X		
G11AC20202	NW	X	X	X	X	X	X		X		X	X		X
G11AC20256	NW	X	X	X		X	X		X		X	X		X
G11AC20255	NW	X	X	X	X	X	X		X		X	X		X
G12AC20495	NW			X			X		X		X	X		
G12AC20481	NW			X			X		X		X	X		
G12AC20482	NW			X			X	X	X		X	X		
G12AC20483	NW			X			X		X		X	X		
G12AC20453	NW			X			X		X		X	X		
G12AC20452	NW			X			X		X		X	X		
G13AC00264	NW			X			X	X	X		X	X		
G13AC00319	NW			X			X	X		X	X	X		
G12AC00002	SC						X	X	X	X	X	X		
G12AC20512	SC			X			X	X	X	X	X	X		
G13AC00386	SC			X			X	X	X	X	X	X		
G13AC00387	SC			X				X	X	X	X	X		
G13AC00385	SC			X				X	X	X	X	X		
G13AC00400	SC			X				X	X	X	X	X		
G13AC00412	SC			X				X	X	X	X	X		

Agreement	CSC	Deficiency Documented (See Table Key)												
		A	B	C	D	E	F	G	H	I	J	K	L	M
G13AC00136	SC			X				X	X	X	X	X		
G10AC00624	SE								X		X			
G12AC20515	SE			X			X		X	X	X	X		
G12AC20507	SE			X					X	X	X	X		
G12AC20503	SE			X			X	X	X	X	X	X		
G12AC20508	SE			X				X	X	X	X	X		
G13AC00406	SE			X				X	X	X	X	X		
G13AC00408	SE			X				X	X	X	X	X		
G13AC00405	SE			X				X	X	X	X	X		
G13AC00407	SE			X				X	X	X	X	X		
G12AC20505	SW			X			X		X	X	X	X		
G11AC90008	SW										X	X	X	
G11AC20408	SW			X				X	X	X	X	X		
G11AC20544	SW			X				X	X	X	X	X		
G12AC20506	SW			X			X	X	X	X	X	X		
G12AC20517	SW			X					X	X	X	X		
G12AC20518	SW			X			X		X	X	X	X		
G12AC20516	SW			X			X		X	X	X	X		
G12AP20100	SW			X					X	X	X	X		
G13AC00330	SW			X				X	X	X	X	X		
G13AC00327	SW			X				X	X	X	X	X		
G13AC00336	SW			X				X	X	X	X	X		
G13AC00339	SW			X				X	X	X	X	X		
G13AC0	SW			X				X	X	X	X	X		

Agreement	CSC	Deficiency Documented (See Table Key)												
		A	B	C	D	E	F	G	H	I	J	K	L	M
0332														
GI3AC0 0326	SW			X				X	X	X	X	X		
GI3AC0 0084	SW			X				X	X	X	X	X		
GI3AC0 0083	SW			X				X	X	X	X	X		
Totals		5	5	44	3	5	22	28	45	33	48	47	1	3

Abbreviations

- NW Northwest CSC
- SC South Central CSC
- SE Southeast CSC
- SW Southwest CSC
- X Indicates a deficiency is present

Key

- A SF-424 (Application for Federal Assistance) missing, incomplete, or inaccurate
- B OMB A-133 single audit review inadequate or missing
- C EPLS (Excluded Parties List System) determination missing for principal investigator, where applicable
- D Missing or incomplete determination and findings statement
- E Missing or incomplete business analysis
- F SF-425 (Federal Financial Report) missing, incomplete, or inaccurate
- G Sole-source justification missing or incomplete
- H No Grants.gov synopsis
- I Missing signatures
- J Missing risk assessment
- K Missing review checklist
- L Incorrect documentation
- M EPLS determination missing for institution

Appendix 6: Response to Draft Report

The U.S. Geological Survey's response to our draft report follows on page 33.



United States Department of the Interior

U.S. GEOLOGICAL SURVEY
Office of the Director
Reston, Virginia 20192

Memorandum

JUN 24 2015

To: Kimberly Elmore
Assistant Inspector General

Through: Jennifer Gimbel *Jennifer Gimbel*
Principal Deputy Assistant Secretary for Water and Science

JUN 25 2015

From: Suzette M. Kimball *Suzette M Kimball*
Acting Director

Subject: U.S. Geological Survey (USGS) response to Office of Inspector General (OIG) Draft Report U.S. Department of the Interior's (DOI) Climate Science Centers (CSCs) (Report No. ER-IN-GSV-0003-2014)

We appreciate the OIG's review of the DOI CSCs and the opportunity to provide a response to the draft subject report. This memorandum addresses four findings and nine recommendations from the OIG's report:

Finding: Selection and Awarding of Financial Assistance Agreements, Inadequate Competition and Public Notice

According to Departmental Manual (DM) 505 § 2.13, competition in making awards through cooperative agreements is strongly encouraged, and is expected in awarding discretionary grants, unless otherwise directed by Congress. Also, with only limited exceptions, OMB memorandum M-04-01 and 505 DM § 2.12 require that synopses of discretionary grant and cooperative agreement funding opportunities be posted on Grants.gov. The announcement must include the requirements for application and the criteria by which applicants will be evaluated. When Federal funds are not awarded competitively, 505 DM § 2.14 and the USGS Survey Manual, Chapter 406.1 § 7(A), require notice of the award to be posted on Grants.gov, including justification for this decision.

In direct contradiction to these policies, the USGS elected to advertise awards solely through its internal network and primarily made sole-source awards. Of the 48 agreements we reviewed, 4 were the hosting agreements with the university where those CSCs are located, and the other 44 were grants or cooperative agreements for research. We found that across CSCs, all 44 scientific research awards in our sample were awarded to the host university or universities via sole-source agreements and announced only within the CSC network. The USGS justified its bypassing of requirements for competition and public notice for these awards based on language in the CSC implementation documents that state project proposals

must be submitted by the host university and that “USGS cannot enter into a cooperative agreement with an entity other than the submitting organization.”

The USGS used sole-source determinations in selecting the scientific research awardees, yet it did not publish a “notice of intent to award” on Grants.gov for any of the 44 projects, as required by 505 DM § 2.14 and USGS’ internal guidance. The only exceptions among the awards we reviewed were the publicly competed CSC hosting agreements. We believe that a failure to adequately notify the public of award opportunities diminishes program transparency while potentially limiting the number of parties interested in working with the USGS on climate change related issues. We note, however, that effective October 1, 2014, the USGS has new guidance that, once fully implemented, should allow the bureau to fully comply with the requirements of 505 DM § 2.14 and USGS Survey Manual, Chapter 406.1 § 7(A).

Recommendation 1 – Ensure that public notice and competition are conducted in accordance with applicable laws, regulations, and DOI guidance.

USGS Response: Partially Concur

The USGS established seven of the eight host CSC agreements with competitive program announcements (with the CSC hosted at the University of Alaska as the single non-competitive host agreement using authority at 43 USC § 36d). Language in the competitive program announcements provided that:

Host institutions will be eligible for federal funds for collaborative research projects with USGS and other scientists. Research must focus on areas identified by Center partners and stakeholders, and must further the science goals of the Center.

The program was structured to allow for a single host recipient in each area, while also allowing for consortium partners to foster the maximum access to scientific resources. Our intention was to maintain the integrity of the original competition by selecting a single host (with identified partners established at initial award) that would remain the same through the entire planned five-year establishment of each CSC. Science projects identified through an internal peer review process were then awarded to the appropriate CSC as follow-on components of the original competitive hosting awards. In cases where a particular project could not be supported by the CSC (and partners), a non-competitive action could be issued on a case-by-case basis using appropriate authority at 43 USC § 36d. The result is the mix of awards discovered in the audit where those to the host recipient, or to original partners through the host recipient, are considered competitive, those made to other recipients are considered non-competitive.

The USGS documents the competitive relationship of follow-on awards to initial awards in the file Award Summary, as shown in the following example:

This is the "research" part of the cooperative agreement to the host University. The collaborative space agreement to the host University was awarded under a competitive program announcement. This research award is part of the competitive process. Instead of modifying the host agreement to include the research, it was determined that for better tracking purposes, a separate award for research should be issued. The authority for this agreement is Consolidated Appropriations Act of 2008, Div. F, Title I, PL 110-161 and 43 USC 31 et seq.; and the Admin. Provisions of P.L. 113-235 (FY 2015 Omnibus; Consolidated & Further Continuing Appropriations Act). The research conducted under this project is related to the North Central Climate Science supported under Cooperative Agreement G11AC90009. Specifically under the center objective to "facilitate and fund research that supplies regional-level information on the effects of climate change on land, water, fish, and wildlife, and cultural-heritage resources, and on related model and tool development". The North Central Climate Science Center is a collaborative endeavor between the Colorado State University and other Universities. The center agreement allows for the submittal of research applications by the Colorado State University on behalf of these other Universities. This particular project is that of Iowa State University.

Target Date: September 30, 2016

The USGS is now in the process of planning for re-competition of the initial host recipient awards, thus establishing new CSCs for the next five-year period. Prior to solicitation for new awards, the USGS will engage the OIG for assistance in development of a follow-on strategy that more clearly documents the competitive process.

Responsible Officials: Scott G. Morton, OAG, smorton@usgs.gov, (703) 648-7373

Recommendation 2 – Ensure that postings of grants and cooperative agreements on Grants.gov are available to the general public commensurate with fair and open competition.

USGS Response: Concur

Though the USGS does not concur with the OIG that every award was non-competitive, the USGS does concur that postings of grants and agreements on Grants.gov is required in accordance with 505 DM 2.14 for those that are supported by a non-competitive determination. The USGS instituted policy for Financial Assistance Single Source Awards in the USGS Acquisition Operating Procedures effective March 1, 2015, requiring all single source financial assistance awards over \$25,000 to have a "notice of intent to award" published on Grants.gov. The USGS failed to issue appropriate and timely guidance implementing Departmental requirements.

Target Date: March 1, 2015

Responsible Officials: Scott G. Morton, OAG, smorton@usgs.gov, (703) 648-7373

Finding: Selection and Awarding of Financial Assistance Agreements, Inadequate or Missing Sole-Source Justifications

Out of 48 award documents reviewed, we found that 28 (58 percent) had inadequate or missing sole-source justifications (see Appendix 5). We believe this occurred for the reasons stated above. As previously noted, awarding agencies are required by 505 DM § 2.14 to prepare a detailed written justification that explains why competition is not feasible and provide supporting criteria: “The justification will include a discussion of the program legislative history, unique capabilities of the proposed recipient, and cost-sharing contribution offered by the proposed recipient, as applicable.” The majority of award statements (the 28 out of 48 cited above) did not contain the supporting justification required by the Departmental Manual.

Recommendation 3 – Limit use of sole-source awards to increase competition and transparency, or provide appropriate, supportable justification.

USGS Response: Partially Concur

As indicated in the response to Recommendation 1, the USGS does not concur with the OIG that every award was non-competitive. However, we concur that every award should be either competed or documented with supportable justification.

Target Date: September 30, 2016

As with Recommendation 1, the USGS is now in the process of planning for re-competition of the initial host recipient awards, thus establishing new CSCs for the next five-year period. Prior to solicitation for new awards, the USGS will engage the OIG for assistance in development of a follow-on strategy that more clearly documents the competitive process.

Responsible Officials: Scott G. Morton, OAG, smorton@usgs.gov, (703) 648-7373

Finding: Documentation and Internal Controls, Insufficient or Incorrect Documentation

The 48 grant and cooperative agreement files that we reviewed contained insufficient documentation, raising concerns about compliance with OMB and DOI requirements. We found instances of both missing documents and insufficiently completed documentation. We also identified numerous areas of concern with respect to internal controls. The inclusion of key documentation in the award file and use of an internal review process serve as controls that aid in verifying compliance with policies and procedures. They also help prevent or detect potential fraud when awarding financial agreements. Figure 2 summarizes the

documentation deficiencies we found and the number of awards associated with each. A more detailed analysis of the identified discrepancies is provided in Appendix 5.

We found that in at least one instance, award files contained incorrect documentation. Specifically, we identified that the financial award file for the Southwest CSC (Agreement No. G11AC90008) contained a copy of the sole-source justification for the Alaska CSC, even though the solicitation for award (for the Southwest CSC) was posted on Grants.gov and competed in accordance with departmental and bureau requirements. Although this may be an inadvertent error, it does point to inattentiveness to detail in ensuring that award files are complete and accurate.

We tested USGS' internal process and found that key grants management controls developed by the DOI have not been adequately implemented by USGS for CSC grants and cooperative agreements. Specifically, we found inadequate use of DOI's "Financial Assistance Communication Liaison Policy Release 2007-1," dated December 28, 2006, which mandates that a standard process be followed by grants management offices that oversee DOI financial assistance awards.

Recommendation 4 – Institute and appropriately document the use of the DOI financial assistance agreement review sheet or develop a bureau-level equivalent.

USGS Response: Partially Concur

The USGS implemented an electronic filing system in a phased process beginning with awards and modifications issued in fiscal year (FY) 2011 (the date that USGS converted to the Financial Business Management System) and later. For these awards, under the Supporting Documents tab of PRISM, each specialist uses a standard set of folders that serves as a financial assistance agreement review sheet. The standard set of folders is the USGS "bureau-level equivalent" of the DOI financial assistance agreement review sheet.

During initial phases of the audit, the OAG provided detailed information identifying where "Missing Items" could be found for specific agreements identified by the OIG. In the current draft, none of the identified "Missing Items" were acknowledged. Moreover, the OIG "forensic review" found that documents had been added post-award implying an attempt to create file documentation that did not previously exist; in fact, a number of the actions identified on the list were awarded in "GSB" (or Sacramento Branch) that had not yet begun the phased electronic file implementation. We note that the files added by Sacramento "after the fact" were placed in a folder in PRISM titled (by USGS) "IG Document Request," clearly indicating no intention by the USGS to imply these files had existed in PRISM before being requested. The USGS notes that hardcopy files did exist, but these files had not been uploaded to PRISM as the hardcopy was considered the official record for those awards. The upload to PRISM was intended to be a convenience to the auditors (recognizing the hardcopy files are in Sacramento, and the hardcopy review was conducted in Reston).

The USGS thought that identifying locations of the missing documents would be sufficient to meet audit requirements.

The USGS concurs that the phased approach to electronic file documentation was not articulated in policy, nor was the specific intention to use the folder structure as the “bureau-level equivalent” of the review sheet. The USGS acknowledges that each award should have been clear as to whether the electronic or hardcopy version was the “official record.” Policy will be issued to correct for future awards.

The USGS notes that during the bureau-level Acquisition and Assistance Management Review (AAMR) conducted by the DOI Office of Acquisition and Property Management (PAM) from June 1-5, 2015, the verbal out-brief (to be formalized in a written report still pending) noted that the USGS was to be cited as a “Best Practice” for its use and structure of financial assistance electronic files, and that PAM accepted that the folder structure met the intent of Departmental guidance with regard to a “bureau-level equivalent” review sheet.

Target Date: August 31, 2015

Responsible Officials: Scott G. Morton, OAG, smorton@usgs.gov, (703) 648-7373

Recommendation 5 – Institute a second-level review process to ensure accuracy and completeness of award files.

USGS Response: Partially Concur

Second-level review of all financial assistance actions prior to obligation already exists in USGS policy as outlined in the Procedures for Review of Acquisition and Financial Assistance Actions in the USGS Acquisition Operating Procedures, including identification of appropriate level of review based on action value. The USGS believes that actions were compliant with established second-level review policy, but that inadequate documentation of our phased process to move to electronic files created the impression of missing documents. The USGS concurs that emphasizing the requirements for thorough file review is appropriate, especially given the OIG found at least one instance (i.e., the Southwest CSC) of misfiled documentation.

Target Date: July 31, 2015

The USGS intends to accomplish an initial review of audit findings during our regular monthly acquisition “All Hands” meeting, and will include emphasis on file review requirements.

Responsible Officials: Scott G. Morton, OAG, smorton@usgs.gov, (703) 648-7373

Finding: Inaccurate or Poorly Determined Risk Assessments, Noncompliance With Departmental Requirements

We found that the USGS did not comply with departmental guidance in assigning an appropriate level of risk (low, moderate, or high) prior to awarding funds associated with CSC research. Risk assessments and verification of eligibility status were not adequately performed, and required documentation was missing.

According to the 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. Determining the level of risk is based on various factors that include, but are not limited to, single audit reports, past experience, and a review of the debarment list via the Excluded Parties List System (EPLS) or System for Award Management (SAM). To help bureaus fulfill their responsibilities under the DIG, the DOI developed a checklist to be used by bureaus in developing an overarching monitoring strategy (i.e., oversight) for financial assistance awards. The DOI requires that the checklist be used by bureaus before making any awards, including modifications. As part of the monitoring strategy, the checklist is designed to assess the relative risk level of grantees.

Recommendation 6 – Ensure that appropriate risk assessment determinations are performed and accurately documented in the award file and, where applicable, that proper notifications are made and documented.

USGS Response: Non-Concur

The DOI issued a final financial monitoring protocol on September 26, 2013, as Department of the Interior Guidance (DIG) 2011-01, Amendment 1. While initial Departmental guidance was issued in 2011, the guidance was held in abeyance by the Department through discussions among the Financial Assistance Liaisons representing each bureau. Amendment 1 to DIG 2011-01 was issued to end the abeyance and place the protocol into full force.

In response, the USGS implemented a Financial Assistance Monitoring Protocol in the USGS Acquisition Operating Procedures effective May 1, 2014. While the USGS was delayed in implementing the revised Departmental guidance (as each bureau had to develop its own components of the risk assessment methodology), of the more than 198 awards made supporting the CSCs since FBMS was implemented in October 2010, only 14 financial assistance awards occurred in the period September 26, 2013, to May 1, 2014.

The vast majority of awards reviewed were issued prior to the Departmental effective date and all of them prior to the USGS effective date, and will not have a risk assessment in accordance with the DIG on file because the policy was not in force.

Other components of assessing risk in force prior to issuance of the DIG, including single audit reports and review of EPLS/SAM, were accomplished. As indicated in the response to Recommendation 4, USGS failed to delineate by award as to whether the electronic or hardcopy version was the “official record.”

All financial assistance awards issued after the USGS implementation date comply with the applicable Departmental standards. For the 14 awards made in the period September 26, 2013, to May 1, 2014, the USGS will complete and document those awards with risk assessments in accordance with the Departmental protocol.

Target Date: October 31, 2015

Responsible Officials: Scott G. Morton, OAG, smorton@usgs.gov, (703) 648-7373

Recommendation 7 – Ensure that risk assessments are performed not only for institutions but also for principal investigators, in accordance with 2 C.F.R. § 180.425.

USGS Response: Non-Concur

Guidance provided at 2 C.F.R. § 180.425 requires a search to determine if a person is excluded or disqualified before entering into a primary tier covered transaction or before approving a principal in a primary tier covered transaction. Neither the USGS, nor any other DOI or non-DOI organization the USGS could locate, has ever interpreted the guidance to require an EPLS/SAM search of Principal Investigators under a financial assistance award. Coordination with the DOI PAM revealed the same understanding. No guidance has been issued by the DOI regarding a requirement for monitoring “principals” under financial assistance. The DIG 2011-01, intended as comprehensive guidance on risk assessment, establishes no requirement for monitoring “principals.” All awards by the USGS made supporting the CSCs are to educational institutions and appropriate risk assessments are performed at the institutional (awardee) level. No awards supporting the program have been made to individual principal investigators.

The USGS will coordinate with the DOI, including the Department Suspension and Debarment Official, to determine appropriate next steps and, as appropriate, issue policy.

Target Date: December 31, 2015

Responsible Officials: Scott G. Morton, OAG, smorton@usgs.gov, (703) 648-7373

Finding: Oversight and Management of Financial Award Processes, Absence of Adequate Training in Grants Management

Recommendation 8 – Develop or acquire more training for USGS staff who oversee and manage grants.

USGS Response: Concur

The OPM and the DOI do not have any standardized training requirements for grants management specialists. The USGS OAG does encourage staff to take grants management courses through vendors such as Management Concepts. Several OAG staff members have completed the Management Concepts Grants Management Certificate Program. There is no financial assistance COR equivalent for program staff. The USGS OAG does offer routine brown bag sessions and acquisition forum calls for both OAG and program office staff that cover financial assistance related topics. OAG has also developed the Acquisition Operating Procedures as an online resource for USGS staff on acquisition and financial related policy and topics.

In addition, the National Climate Change and Wildlife Science Center recognized a need for basic cooperative agreement/grant training for the CSC Directors and held a two hour session on March 19, 2014, to familiarize staff with Federal requirements.

Additionally, the USGS will require all CSC Directors to take Management Concepts Grants Management training.

Target Date: January 31, 2016

Responsible Officials: Doug Beard, National Climate Change and Wildlife Science Center (NCCWSC), dbeard@usgs.gov, (703) 648-4215.

Finding: Oversight and Management of Financial Award Processes, Poor Coordination Between Host Sites and OAG

Recommendation 9 – Institute closer coordination between USGS and host-site university personnel responsible for oversight of subawards pertaining to CSC activities.

USGS Response: Non-Concur

No legal or Departmental authority current exists for the USGS to request the data that would be required to implement monitoring of sub-awards of financial assistance recipients. The applicable OMB circular requires that information collection beyond the “standards” defined therein be approved and vetted through the Federal Register prior to implementation. The USGS understands the DOI IG concern about the oversight of these sub-awards, and will adhere to any revised or updated policy regarding sub-awards should any be issued by the Department or OMB.

Target Date: N/A

Responsible Officials: Scott G. Morton, OAG, smorton@usgs.gov, (703) 648-7373

If you have questions regarding this response, please contact Scott G. Morton, Chief, Office of Acquisitions and Grants, smorton@usgs.gov or 703-648-7373; or Doug Beard, Chief, National Climate Change and Wildlife Science Center, dbeard@usgs.gov or 703-648-4215.

Appendix 7: Status of Recommendations

Recommendation	Status	Action Required
1, 3, 5, 6, and 8	Resolved but not implemented	We will refer these recommendations to the Assistant Secretary for Policy, Management and Budget to track their implementation.
2	Resolved and implemented	No further action is required.
4, 7, and 9	Unresolved	We will refer these recommendations to the Assistant Secretary for Policy, Management and Budget to track their resolution and implementation.

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