



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

RISK ASSESSMENT OF THE U.S. DEPARTMENT OF THE INTERIOR'S GRANT CLOSEOUT PROCESS



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

MAR 3 1 2020

Memorandum

To: Kaprice Tucker
Acting Director, Office of Grants Management

From: Chris Stubbs *Chris Stubbs*
Director, Office of Financial and Contract Audits

Subject: Final Report – Risk Assessment of the U.S. Department of the Interior’s
Grant Closeout Process
Report No. 2019-FIN-037

We completed our risk assessment of the U.S. Department of the Interior’s (DOI’s) grant closeout process as required by the Grants Oversight and New Efficiency (GONE) Act of 2016, Public Law 114-117. Our objective was to determine whether an audit or review of the DOI’s grant closeout process was warranted.

Our assessment revealed that the DOI’s current closeout process is at high risk of inaccurate reporting and potential violation of the GONE Act. As a result, we will be initiating a full audit in fiscal year (FY) 2020. We will use this risk assessment to determine the scope of the audit of the DOI’s grant closeout process.

This report contains one recommendation. See Attachment 1 for our scope and methodology.

Background

The GONE Act, dated January 28, 2016, requires Federal agencies to report and take appropriate action to close open Federal grant and cooperative agreement awards with periods of performance that had been expired for at least 2 years in accordance with Federal regulations (2 C.F.R. § 200.16 and § 200.343¹). Section 2(a)(1) of the Act requires agencies to submit an initial report to Congress and the Secretary of the U.S. Department of Health and Human Services (HHS) no later than December 31, 2017. The DOI did so in November 2017, reporting it had 10 open grants that were 2 or more years old, totaling approximately \$391,000. The DOI submitted an update of its progress closing these grants in November 2018, reporting that all 10 of the open grants reported in the November 2017 initial GONE Act report had been closed.

¹ 2 C.F.R. § 200.16, “Closeout,” and § 200.343, “Closeout”

Section 2(c) of the Act required the Inspector General of an agency with more than \$500 million in annual grant funding to conduct a risk assessment to determine whether an audit or review of the agency's grant closeout process was warranted.

Risk Assessment Results

Our risk assessment identified that the DOI's current process for closing grants and cooperative agreements is at a high risk of inaccurate reporting and potential violation of the GONE Act. Specifically, we found an unresolved material weakness, unreported data, inaccurate information, policy gaps, and unsupported reports.

Unresolved FMFIA Material Weakness

The Federal Managers Financial Integrity Act (FMFIA) requires Federal agencies to report to the President and Congress on any material internal weakness they identify. We found that the DOI has an unresolved internal control material weakness on its FY 2018 Financial Agency Report. The self-reported finding cited the DOI's poor management and oversight of the financial assistance and tribal awards made under Public Law 93-638, *Indian Self-Determination and Education Assistance Act* (as amended) (PL 638). The DOI created the Financial Assistance Management Partnership (FAMP) to address this finding and has an estimated completion date in FY 2020.

The Bureau of Indian Affairs' (BIA's) Financial and Business Management System (FBMS) data that we gathered indicated that many PL 638 grants and cooperative agreements had passed their periods of performance but had not been closed out.

Indian Self-Determination Award Data Not Reported

We identified that the DOI did not report Federal awards that were funded through PL 638. The GONE Act states that each agency must "list each Federal grant award held by such agency" that has been expired 2 or more years. DOI officials told us they excluded grants funded by PL 638 because such awards do not qualify as grants or cooperative agreements under 2 C.F.R. § 200.24 and § 200.51.² The GONE Act, however, assigns the definition contained in 2 C.F.R. § 200.38(a)(1) to the term "Federal grant awards." Thus, GONE Act reporting requirements exist for Federal awards beyond just grants and cooperative agreements as those terms are defined by 2 C.F.R. § 200.24 and 2 C.F.R. § 200.51.

DOI officials also told us they met with the HHS and the Office of Management and Budget (OMB) to discuss whether PL 638 awards should be included in GONE Act reporting but were unable to provide any documentation supporting this meeting. Email correspondence from DOI officials indicated that the Bureau of Indian Affairs, Office of the Solicitor, and the Office of Financial Management decided not to include PL 638-

² 2 C.F.R. § 200.24, "Cooperative Agreement;" § 200.51, "Grant Agreement."

funded awards in GONE Act reporting.³ Further, we received no information from the HHS or the OMB that they were included nor the rationale upon which this decision was based. Our Office of General Counsel determined that while the applicable statutes and regulations do not explicitly include the grants in the required reporting, they do not explicitly exclude them.

Using the DOI's current web intelligence query⁴ in the FBMS for FY 2018, we identified that the DOI may have had \$12,189,362 in undisbursed PL 638 funds. Of that amount, \$55,317 consisted of non-PL 638 expired awards from the BIA. We were unable to match this amount from the DOI's query to our independent BIA grant and cooperative agreement data from the FBMS to determine what reporting the GONE Act may have required; such a determination will require an audit.

DOI's FBMS May Contain Some Inaccurate Information

The DOI's FAMP meeting minutes indicated seven challenges to tracking and reporting the GONE Act information within the FBMS. For instance, one challenge was the DOI's inability to determine whether awards were cancelled, duplicates, or mistakes; another was whether the PL 638 awards' periods of performance dates were accurate.

Responding to these challenges, the Office of Financial Management told us it created a web intelligence query to gather grant and cooperative agreement data from the FBMS using predetermined formulas and by manipulating the data to remove grants and awards that it did not believe were required to be reported per the GONE Act. After the DOI used this query to report the FY 2017 GONE Act information, the DOI deleted the process and created a new web intelligence query to report the FY 2018 GONE Act information. We were unable to obtain a clear explanation why the original process had been replaced. Since this new query did not identify the FY 2017 PL 638 awards, we were unable to determine what may have been required to be reported for that year. We requested information on these seven challenges and the DOI was able to discuss only three of them.

Using the DOI's current web intelligence query on our analysis of the non-BIA DOI awards that have been expired for 2 years or more and have not been closed out, we found that there may have been an additional 13 expired awards with an undisbursed amount of \$194,820 that should have been reported per the GONE Act in FY 2017.

Closeout Policy Gaps Identified

When reviewing the DOI's policies and procedures over grant and cooperative agreement closeouts and the FAMP meeting minutes, we identified the DOI had closeout

³ We reported at our exit conference and in our draft audit report sent to the DOI that the emails demonstrated the issue had been considered and discussed in 2017, but they did not provide sufficient evidence of a consensus or written explanation for the position taken. We reviewed an additional email thread the DOI sent in September 2019 in response to our draft report, which provided sufficient evidence that indicated that the DOI worked with other agencies to determine whether PL 93-638 awards should be reported pursuant to the GONE Act; the DOI documented its conclusion.

⁴ The web intelligence query is a SAP application within the FBMS system that retrieves data from the system to create reports.

policy gaps; for example, the DOI's policies and procedures did not identify how long the DOI had to close out each award. The C.F.R. § 200.343(g) states, "The Federal awarding agency or pass-through entity should complete all closeout actions for Federal awards no later than 1 year after receipt and acceptance of all required final reports."

The DOI's FAMP meeting minutes indicated the DOI was also unable to validate if some awards were either cancelled or a mistake. The DOI discussed adding a policy that requires a minimum amount of documentation to support and validate a closeout action on these types of awards. We reached out to the DOI to inquire if it had resolved the identified challenges but were told it had not finalized new policies. Not finalizing the new policies leaves gaps in the grant closeout process that can lead to awards not being closed out within the required timeframe.

Unsupported GONE Act Reports

We found the DOI was unable to show us how it created and supported its FY 2017 and FY 2018 GONE Act reports. The DOI told us the individual responsible for creating the reports had retired and left no support for the reports, procedures to show how to gather the information from the FBMS, or instructions on how to manipulate the system outside of the FBMS to work around known FBMS information errors. Further, officials told us that the now-retired employee had not cross-trained anyone on GONE Act functions. As a result, we were unable to confirm the accuracy and origin of the data to support what the DOI reported in FY 2017 and FY 2018.

Conclusion

We identified five significant risks related to the DOI's grant closeout process and compliance with the GONE Act: the DOI had an unresolved FMFIA internal control material weakness to improve management and oversight of financial assistance and tribal awards made under PL 638 on its FY 2018 Financial Agency Report; all required award data may not have been reported; some grants and cooperative agreements may have inaccurate information within the FBMS; there are gaps in the closeout policy; and the DOI could not provide adequate support for the FY 2017 and FY 2018 GONE Act reports. Overall, we concluded that the Department's risk of inaccurate reporting was high. As a result, we will initiate an audit of DOI's grant closeout in FY 2020.

We make one recommendation to help the DOI improve its grant closeout process and compliance with the GONE Act. Based on the DOI's nonconcurrence with that recommendation, we consider it resolved and implemented. See Attachment 2 for the DOI's full response and Attachment 3 for the status of the recommendation.

We recommend that the DOI:

1. Work with other agencies to determine if funding per Public Law 93-638, *Indian Self-Determination and Education Assistance Act* (as amended), should be reported pursuant to the GONE Act and document the conclusion

DOI Response: The DOI does not concur with the recommendation because the DOI's Office of Financial Management (PFM) received prior concurrence from the DOI's Office of the Solicitor (SOL) and the Office of Management and Budget (OMB) on their decision to exclude Indian Self-Determination and Education Assistance Act awards from the 2017 DOI GONE Act Report. The PFM provided the OIG auditor with several emails received from the SOL and the OMB documenting the concurrence.

OIG Comment: We consider this recommendation resolved and implemented. We reviewed the April 9, 2017 and August 30, 2017 emails in the DOI's response during our risk assessment fieldwork (see Attachment 2). We reported at our exit conference and in our draft audit report sent to the DOI that the emails demonstrated the issue had been considered and discussed in 2017, but they did not provide sufficient evidence of a consensus or written explanation for the position taken. We reviewed an additional email thread the DOI sent in September 2019 in response to our draft report, which provided sufficient evidence that indicated that the DOI worked with other agencies to determine whether PL 93-638 awards should be reported pursuant to the GONE Act; the DOI documented its conclusion.⁵

If you have any questions about this report, please contact me at 202-208-5745.

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.

⁵ The OIG does not take a position on whether PL 93-638 awards should be included or excluded from the GONE Act requirements.

Attachment 1: Scope and Methodology

Scope

Our assessment period covered the U.S. Department of the Interior's (DOI's) initial fiscal year (FY) 2017 and final FY 2018 Grants Oversight and New Efficiency (GONE) Act reports, which we found in the DOI's FY 2017 and FY 2018 Financial Statements in the Other Information section.

Methodology

We used the U.S. Government Accountability Office's *Government Auditing Standards* (Yellow Book), section 6.15 a through g, as guidance to help us determine the risk levels used in this memorandum. The team also:

- Reviewed applicable laws and regulations
- Reviewed the DOI's policies, procedures, and memorandums over its grant closeout process
- Conducted interviews with DOI personnel responsible for oversight of the grant closeout process
- Reviewed the DOI's FY 2017 and FY 2018 GONE Act submissions
- Reviewed the DOI's Financial Assistance Management Partnership meeting minutes
- Attempted to review the grant data used for the DOI's FY 2017 submission and FY 2018 update
- Reviewed grant data pulled from the DOI's Financial and Business Management System (FBMS)

Since the DOI has several challenges identifying inaccurate information for some of the grant and cooperative agreement data within the FBMS, we were unable to rely on the data it provided to us, the data we gathered using the FBMS programmed query system, or the data we independently gathered not using the programmed query system.

Attachment 2: Response to Draft Report

The DOI's response to our draft report follows on the next page.



United States Department of the Interior

OFFICE OF THE SECRETARY
Washington, DC 20240

Memorandum

To: Mark L. Greenblatt
Inspector General

From: Kaprice Tucker, Acting Director
Office of Grants Management *Kaprice Tucker*

Date: 11/04/2019

Subject: Response to Draft Audit Report - Risk Assessment of the U.S. Department of the Interior Grant Closeout Process. Report No. 2019-FIN-037

This memorandum is written in response to your memorandum of September 16, 2019, which pertains to the risk assessment of the U.S. Department of the Interior's (DOI's) grant closeout process as required by the Grants Oversight and New Efficiency (GONE) Act of 2016, Public Law 114-117.

The assessment revealed that DOI's current closeout process is at high risk of inaccurate reporting and potential violation of the GONE Act. As a result, OIG will initiate a full audit in fiscal year (FY) 2020 and the risk assessment performed will be used to determine the scope of the audit of the DOI's grant closeout process.

- Recommendation #1: Work with other agencies to determine if funding per Public Law 93-638, Indian Self Determination and Education Assistance Act (as amended), should be reported pursuant to the GONE Act.
 - RESPONSE: DOI does not concur with the recommendation because PFM received prior concurrence from the DOI Office of the Solicitor (SOL) and the Office of Management and Budget (OMB) on their decision to exclude ISDEAA awards from the 2017 DOI GONE Act Report. PFM provided the OIG Auditor several emails documenting the concurrence received from the SOL and OMB. A summary of the emails documenting the SOL and OMB concurrence received by PFM are listed below:
 - On April 9, 2017, the Office of the Solicitor (SOL) provided an opinion that supported the exclusion of ISDEAA awards from the 2017 GONE Act Report to the Indian Affairs (BIA) Director of the Division of Internal Evaluation and Assessment. This email was shared with the PFM Division Chief for Internal Control and Audit Follow-up. The Office of Financial Management (PFM) concurred with the recommendation provided by the SOL.
 - On August 30, 2017, representatives from BIA and PFM met via phone conference with the OMB GONE Act Reporting contact to request concurrence for excluding ISDEAA awards from the 2017 DOI GONE Act Report. The OMB coordinator provided their concurrence during that meeting. Notes from the meeting are documented by the PFM coordinator in an email dated August 30, 2017.
 - In an effort to document the concurrence received from OMB, PFM contacted the OMB GONE Act Reporting contact person to request verification of OMB concurrence with PFM's decision to exclude ISDEAA awards from DOI 2017 GONE Act Report. The OMB contact responded via email on September 5,

2019 to verify OMB concurred with DOI's decision to exclude ISDEAA Awards from this report.

- Target Completion Date: November 4, 2019.
- Responsible Official: PGM Director/PFM Director

The copies of the emails mentioned above are available as attachments to this memorandum.

Questions about the actions taken by PGM may be directed to Kaprice Tucker, Acting Director for the Office of Grants Management, at (202) 513-7645 or by e-mail at Kaprice_Tucker@ios.doi.gov .

Attachments:

April 9, 2017 email chain that includes the opinion and concurrence from the SOL contact.

August 30, 2017 email chain that includes notes from the meeting between PFM, BIA, and OMB contacts.

September 5, 2019 email chain that includes OMB verification of concurrence provided by OMB contacts.

Attachment 3: Status of Recommendations

Recommendation	Status	Action Required
1	Resolved and implemented	No action is required.

