

*U.S. DEPARTMENT OF COMMERCE*  
*Office of Inspector General*

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**PUBLIC  
RELEASE**

***NATIONAL OCEANIC AND  
ATMOSPHERIC ADMINISTRATION***

*NOS's Ocean Resources Conservation  
and Assessment Program Awards  
Were Not Competitively Selected*  
*CFDA No. 11.426*

*Audit Report No. ATL-11084-9-0001 / March 1999*

*Office of Audits, Atlanta Regional Office*



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## EXECUTIVE SUMMARY

The Office of Inspector General conducted an audit of the fiscal year 1997 procedures and practices for soliciting, reviewing, and selecting applications for financial assistance under the National Oceanic and Atmospheric Administration's (NOAA) National Ocean Service's (NOS) Financial Assistance for Ocean Resources Conservation and Assessment Program. The program is classified as No. 11.426 in the *Catalog of Federal Domestic Assistance*. The audit was conducted as part of a Department-wide review of Commerce's discretionary financial assistance programs initiated at the request of the Chairman of the Senate Committee on Commerce, Science, and Transportation.

Discretionary financial assistance programs are those programs for which federal agencies have the authority to independently determine the recipients and funding levels of the awards. These programs involve a significant portion of the Commerce Department's budget and operations, approximately \$1 billion annually.

Through the ocean resources conservation and assessment program, NOS assesses the consequences of adverse human activities upon the coastal and oceanic environment and defines and evaluates management alternatives. During fiscal year 1997, the program awarded two new cooperative agreements and two continuation amendments under existing cooperative agreements, for a total of \$417,380. Both of the new cooperative agreements were made noncompetitively in response to unsolicited proposals. The original awards amended by the continuation amendments were also made noncompetitively in response to unsolicited proposals. We found that NOS's criteria, procedures and practices for the solicitation, review, and selection of the ocean resources conservation and assessment program award recipients did not comply with statutory, departmental and NOAA requirements and were not adequate to guide agency officials in making merit-based discretionary funding decisions. We found that the program was not administered as a competition-based financial assistance program, as encouraged by federal laws and regulations and mandated by Commerce policies and procedures. In addition, we examined the written justifications prepared for the two new noncompetitive awards made in fiscal year 1997 and found them to be inadequate. Specifically, we found that NOS:

- Did not develop and publish merit-based evaluation criteria against which program applications for financial assistance could be reviewed (see page 8).
- Does not comply with the Department's and NOAA's requirement that a notice be placed in the *Federal Register*, at least annually, announcing the availability of funding, and specifying the criteria and the process to be used in reviewing and selecting applications for funding (see page 9).

- Does not comply with the Department's and NOAA's requirements that (1) all financial assistance awards be made on the basis of a competitive review process, unless a special waiver is obtained, and (2) the competitive review process meet minimum standards established by the Department (see page 9).

As a result of these deficiencies, NOS cannot provide reasonable assurance that noncompetitive awards made under the program are merit-based and represent the most effective means of achieving program objectives.

By not following competitive award procedures, there is a greater potential for NOS to make questionable or even inappropriate noncompetitive program awards in instances where competition from other sources is available. NOS risks forgoing the receipt of research proposals from a broad range of eligible applicants and thus may lose opportunities to increase the quality and effectiveness of the ocean resources conservation and assessment program.

We also found that NOAA's Grants Management Division did not question NOS's lack of competitive award procedures or the validity of the noncompetitive awards (see page 12).

In its response to the draft report, NOAA stated that the agency agrees that more awards should be granted competitively for all discretionary funding programs and that a rigorous solicitation process should be used. NOAA also stated that the agency is continuing to look at its current processes and will provide more specific comments and details as part of the audit action plan submitted in response to the final report (see Appendix III).

We recommend that the Assistant Administrator for Ocean Services and Coastal Zone Management ensure that financial assistance awards under the ocean resources conservation and assessment program are made through a competitive merit-based process, unless otherwise mandated by law or adequately justified, and that the award process complies with Department policies and procedures and includes the following four elements:

- Widespread solicitation of eligible applications and disclosure of essential application and program information in written solicitations;
- Independent application reviews that consistently apply published program evaluation criteria;
- Written justifications for award decisions that deviate from recommendations made by application reviewers; and
- Adequate written justifications for noncompetitive awards which document appropriate market search efforts to validate the determination that there is only one source for the anticipated award. The market search should include, at a minimum, a preaward notice in the *Federal Register* stating that the agency expects to make a noncompetitive award and inviting other qualified parties to inquire.

We also recommend that the Chief Financial Officer/Chief Administrative Officer, as the Director of the Office of Finance and Administration, which includes the Grants Management Division, require that grants officer reviews of proposed noncompetitive awards include procedures designed to objectively determine compliance with department and NOAA competitive requirements. Our recommendations appear on pages 13 and 14.

## INTRODUCTION

The National Oceanic and Atmospheric Administration's (NOAA) mission is to describe and predict changes in the Earth's environment and to conserve and manage wisely the Nation's coastal resources. NOAA's National Ocean Service (NOS) administers the Financial Assistance for Ocean Resources Conservation and Assessment Program, classified as No. 11.426 in the *Catalog of Federal Domestic Assistance*. The program's objective is to assess the consequences of adverse human activities upon the coastal and oceanic environment and define and evaluate management alternatives.

NOS made four awards under the ocean resources conservation program in fiscal year 1997, totaling \$417,380. The awards consisted of two new cooperative agreements and two continuation amendments to existing cooperative agreements. NOS chose the cooperative agreement as its award mechanism for the two new awards because its program officials planned to be substantially involved in the projects. According to program authorization information provided by NOAA's Office of Legislative Affairs and published in the *Catalog of Federal Domestic Assistance*, the FY 1997 awards were made under the authority of The Marine Protection, Research, and Sanctuaries Act of 1972 and the National Ocean Pollution Planning Act of 1978.

Discretionary assistance programs are those for which federal agency officials have the authority to decide (1) which eligible applicants will receive awards, and (2) the amount of federal financial assistance that will be awarded. The use of competitive selection procedures has been determined to be the most effective method of ensuring that financial assistance awards are made on the basis of merit. One of the primary purposes of the Federal Grant and Cooperative Agreement Act (31 U.S.C. §6301) is to encourage competition in the award of federal financial assistance to the maximum extent practicable in order to fairly and objectively identify and fund, based on merit, the best possible projects proposed by applicants, and thereby more effectively achieve program objectives.

The Office of Management and Budget (OMB) has issued guidelines on administering competition-based financial assistance programs for use by federal agencies. An interagency study group, convened in 1979 by OMB to examine competition in financial assistance programs, determined that financial assistance award processes, to ensure effective competition, should include three basic elements. These elements, which were discussed in OMB's June 1980 report, *Managing Federal Assistance in the 1980's*, and are still applicable, include:

- Widespread solicitation of eligible applicants and disclosure of essential application and program information in written solicitations;
- Independent application reviews that consistently apply written program evaluation criteria; and
- Written justifications for award decisions that deviate from recommendations made by application reviewers.

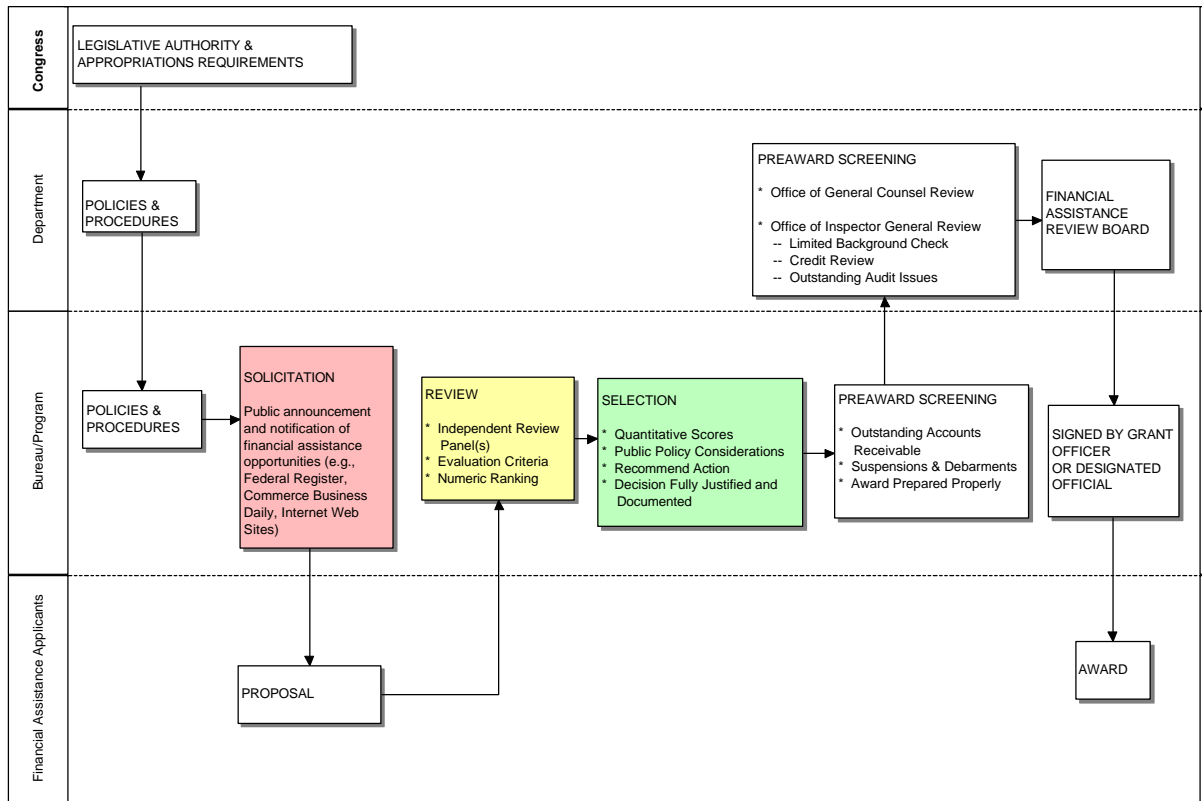
Also, OMB has issued the following circulars which set forth the policies and procedures to be followed in administering federal financial assistance programs:

- OMB Circular A-89, *Federal Domestic Program Information*, implements The Federal Program Information Act (P.L. 95-220) requiring agencies to systematically and periodically collect and distribute current information to the public on federal domestic assistance programs, which is accomplished through the semiannual publication of the *Catalog of Federal Domestic Assistance*.
- OMB Circular A-102, *Grants and Cooperative Agreements with State and Local Governments*, requires agencies to provide the public with advance notice in the *Federal Register*, or by other appropriate means, of their intended funding priorities for discretionary assistance programs unless such priorities are established by federal statute. Under A-102, when time permits, an agency must provide the public with an opportunity to comment on funding priorities. Finally, A-102 requires all grant awards over \$25,000 to be reviewed for consistency with agency priorities by a policy level official.
- OMB Circular A-110, *Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations*, requires agencies to provide the public with advance notice of their intended funding priorities for discretionary assistance programs unless such priorities are established by federal statute.
- OMB Circular A-123, *Management Accountability and Control*, implements The Federal Managers Financial Integrity Act (P.L. 97-255) requiring agencies to establish written procedures for all programs and administrative activities, including financial assistance programs, that provide reasonable assurance that activities are effectively and efficiently managed to achieve agency goals.

Commerce has relied on these guidelines and circulars in developing and issuing policies and procedures for its discretionary funding programs. Department Administrative Order (DAO) 203-26, *Department of Commerce Grants Administration*, requires that (1) all Commerce financial assistance awards be made on the basis of competitive reviews unless a special waiver is obtained, (2) competitive review processes meet minimum standards outlined in the DAO, and (3) all Commerce agencies publish, at least annually, a notice in the *Federal Register* announcing the availability of funding, soliciting award applications, and specifying the criteria and the process to be used in reviewing and selecting applications for funding. In addition, agency initiated non-competitive or unsolicited awards, if any, should be adequately justified in writing as part of an internal control system defined in OMB Circular A-123 and required by DAO 203-26, Section 4.02.i.

The chart presented below depicts the basic process and controls for the solicitation, review, and selection of financial assistance awards as set forth in DAO 203-26. The processes we reviewed during our audit are color coded for this chart and the NOAA/NOS process chart located in Appendix I.

### Department of Commerce Financial Assistance Awards Process





## PURPOSE AND SCOPE

This audit was conducted as part of a comprehensive review of the Department of Commerce's discretionary funding programs initiated at the request of the Chairman of the Senate Commerce, Science, and Transportation Committee. The Chairman requested that the Inspectors General of the Departments of Commerce and Transportation and the National Science Foundation review the discretionary funding programs of their respective agencies to assess the manner in which discretionary funding decisions are made. More specifically, the Chairman requested that each IG review and report on the criteria developed, either statutorily or administratively, to guide agency officials in making discretionary spending decisions, and on the extent to which the criteria are appropriately applied.

We are conducting our Department-wide review in two phases: a survey phase (completed) and an individual program audit phase (on-going). During the survey phase, we identified and examined the body of laws, regulations, and other guidance applicable to the administration of federal financial assistance programs. We also examined the authorizing legislation, provided by Department officials, for each Commerce financial assistance program and classified each program as either a "full discretion" program or a "limited discretion" program, based on the extent to which the legislation limits the agency's authority to independently determine the recipients and funding levels of the awards made under the program. Finally, we examined the fiscal year 1997 appropriations legislation to identify legislatively mandated awards. No legislatively mandated awards were found.

During the second phase of our review, we are conducting individual audits of the award solicitation, review, and selection processes of each program we have classified as a "full discretion" program, including the ocean resources conservation and assessment program. We are evaluating the adequacy of each program's established award procedures and criteria for evaluating individual applications. For those programs with procedures deemed to be adequate, we are ascertaining whether they were followed in making awards in fiscal year 1997. For those programs with procedures considered to be inadequate or lacking, we are reviewing how the fiscal year 1997 award decisions were made. Finally, we are examining the legislatively mandated projects identified for each program and determining their significance and impact on fiscal year 1997 award decisions. We plan to issue individual reports, with any appropriate recommendations, on each program, followed by a capping report summarizing the results of the individual audits and providing recommendations for the Department and/or its bureaus.

On July 21, 1998, the Acting Inspector General and the Chief Financial Officer and Assistant Secretary for Administration testified before the Senate Commerce, Science, and Transportation Committee on the Department's discretionary funding programs. The Acting IG reported on the results of the preliminary, survey phase of the OIG's review, and discussed some of the preliminary observations from the individual program audits.

This performance audit focused on all new awards and continuation amendments made during fiscal year 1997 under the ocean resources conservation and assessment program. Specifically, we:

- Reviewed the program authorization provided by NOAA's Office of Legislative Affairs and other information published in the *Catalog of Federal Domestic Assistance* to identify criteria for funding decisions.
- Reviewed policies and procedures for soliciting, reviewing and selecting applications for funding (see Appendix I for flowchart of process). We also reviewed NOAA's *Grants and Cooperative Agreements Manual* as it applied to the solicitation, review, and selection process and assessed whether it was adequate and in accordance with DAO 203-26, *Department of Commerce Grants Administration*, and Office of Federal Assistance Financial Assistance Notice No. 17, *Department of Commerce Guidelines for the Preparation of Federal Register Notices Announcing the Availability of Financial Assistance Funds -- Requests for Applications*.
- Compared the procedures with NOAA/NOS grant award practices for fiscal year 1997 to determine if the process contained adequate internal controls to provide for competitive, merit-based awards.
- Examined pertinent documents in individual program award files to determine if Departmental and NOAA policies and procedures were followed.
- Interviewed NOAA/NOS program office officials concerning NOAA/NOS's solicitation, review, and selection procedures.
- Examined fiscal year 1997 appropriations legislation to identify legislatively mandated projects for this program.
- Reviewed the two continuation amendments made to prior year awards to determine if NOAA had certified whether the recipients were making satisfactory progress and were meeting the award terms and conditions.

We did not rely on computer-based data supplied by NOAA and the Department's Office of Executive Assistance Management (OEAM) and cited in the report, as a basis for our audit findings and recommendations. Consequently, we did not conduct tests of either the reliability of the data or the controls over the computer-based system that produced the data.

We performed the audit fieldwork at NOS's Office of Ocean Resources Conservation and Assessment in Silver Spring, Maryland, during June 1998. In February 1999, we issued a draft report to NOAA for review and comment. A copy of NOAA's complete response is included as Appendix III and is summarized on page 13 of this report. We conducted the audit in accordance with generally accepted government auditing standards, and under the authority of the Inspector General Act of 1978, as amended, and Department Organization Order 10-13, dated May 22, 1980, as amended.

## FINDINGS AND RECOMMENDATIONS

We found that NOS's criteria, procedures, and practices for the solicitation, review, and selection of the ocean resources conservation and assessment program award recipients did not comply with statutory, departmental and NOAA requirements and were not adequate to guide agency officials in making merit-based discretionary funding decisions. NOS does not administer the program as a competition-based financial assistance program. NOS has not developed and published merit-based evaluation criteria against which applications for funding could be reviewed, does not annually announce the program in the *Federal Register*, and makes all awards under this program noncompetitively in response to unsolicited proposals.

In addition, we reviewed the noncompetitive justifications for the four new awards made in fiscal year 1997 and found them to be inadequate because NOS did not provide sufficient support for the unique applicant capabilities cited. NOS's practices do not comply with the Department's and NOAA's requirements to seek maximum program competition. We also found that reviews performed by the NOAA grants office of the proposed awards did not question NOS's lack of competitive award procedures or the validity of the noncompetitive award justifications. As a result, NOAA/NOS cannot provide reasonable assurance that noncompetitive awards made under the program are merit-based and represent the most effective means of achieving program objectives.

### **I. Ocean Resources Conservation and Assessment Program Is Not Administered as a Competition-Based Financial Assistance Program**

The NOS ocean resources conservation and assessment program is not administered as a competition-based financial assistance program, as encouraged by federal laws and regulations and mandated by Department of Commerce and NOAA policies and procedures. All of the awards under the program were made noncompetitively in response to unsolicited proposals. We examined the written justifications prepared for the two new noncompetitive awards made in fiscal year 1997 and found them to be inadequate. Specifically, we found that NOS, as it currently administers the ocean resources conservation and assessment program:

- Did not develop and publish merit-based evaluation criteria against which program applications could be reviewed;
- Does not comply with the Department's and NOAA's requirement that a notice be placed in the *Federal Register*, at least annually, announcing the availability of funding, soliciting award applications, and specifying the criteria and the process to be used in reviewing and selecting applications for funding; and
- Does not comply with the Department's and NOAA's requirements that (1) all financial assistance awards be made on the basis of a competitive review process, unless a special waiver is obtained, and (2) the competitive review process meet minimum standards established by the Department.

As a result of these deficiencies, NOS cannot provide reasonable assurance that noncompetitive awards made under the ocean resources conservation and assessment program are merit-based and represent the most effective means of achieving program objectives.

**A. NOS did not develop and publish merit-based evaluation criteria**

The NOAA *Grants and Cooperative Agreements Policy Manual*, Chapter 1, Section A.4., requires that applications for financial assistance be reviewed by a panel of independent reviewers in accordance with published criteria. The manual states that the criteria used for evaluating applications must be published as part of the request for applications and prohibits scoring against unpublished criteria. However, NOS did not develop and publish merit-based evaluation criteria against which competing program applications could be reviewed.

In particular, the agency did not place a notice in the *Federal Register* announcing the availability of funding, soliciting competing applications, and specifying the criteria and the process to be used in reviewing and selecting applications for funding under the ocean resources conservation and assessment program for fiscal year 1997. Also, the NOS ocean resources conservation and assessment program summary, published in the *Catalog of Federal Domestic Assistance*, does not cite program-specific evaluation criteria. The summary simply states that initial application screening will be based principally on the degree to which the proposed work relates directly to priority programmatic objectives, and primarily on the scientific quality of, and demonstrable expertise with, the proposed methods and techniques to be used in accomplishing the work. In order to be adequate to facilitate a merit-based evaluation process, criteria used to evaluate applications for federal financial assistance must not be general in nature, but as specific as possible with weights assigned to each criterion.

**B. Solicitation and review process does not comply with competitive requirements**

Department Administrative Order 203-26, Section 4.02.b., requires Commerce bureaus to publish an annual notice in the *Federal Register* to announce the availability of funding and to solicit applications for each discretionary financial assistance program. It also encourages the bureaus to publish notices in other widely distributed publications, such as the *Commerce Business Daily*, to ensure widespread solicitation of applications. Moreover, NOAA's *Grants and Cooperative Agreements Policy Manual*, Chapter 1, Section A.4., states that it is NOAA's policy to seek maximum competition for its discretionary grants and cooperative agreements.

In addition, DAO 203-26, Section 4.02.a., requires the establishment of selection criteria for use in evaluating applications submitted for new awards. Section 4.02.h. requires awards be made on the basis of competitive review, and Section 4.02.h.1.(e) requires the use of the selection criteria in evaluating individual applications. Unless a program receives a waiver of competitive review requirements, awards under the program are generally required to be made on the basis of competitive review.

However, despite the Department and NOAA policies, NOS did not announce the ocean resources conservation and assessment program in the *Federal Register* or the *Commerce Business Daily* and did not establish competitive award selection criteria. By not announcing the program and establishing competitive award selection criteria as required, NOS did not comply with Department as well as NOAA policies and missed an important opportunity to seek potential program competition. In addition, NOS may be encouraging the use of noncompetitive awards by not developing competitive selection criteria.

In addition to the annual *Federal Register* notice announcing a program's existence and funding availability, bureaus can also place *Federal Register* preaward notices announcing their intent to fund unsolicited proposals and inviting inquiries from other interested organizations. Bureaus can also prepare and send a request for proposal directly to organizations known or believed to be qualified. However, NOS did not publish individual preaward notices in the *Federal Register* for the two new projects it funded during fiscal year 1997.

### **C. Noncompetitive awards lack adequate justification**

In fiscal year 1997, NOAA/NOS awarded two new cooperative agreements and two continuation amendments to existing cooperative agreements totaling \$417,380 to two state agencies, a university, and a nonprofit organization. A list of the awards is provided as Appendix II. The awards were made noncompetitively to organizations that had submitted unsolicited proposals for NOS funding consideration. The NOS written justifications for the two new noncompetitive awards were based on the perception that each of the proposed recipients possessed unique capabilities that made it either the best or the only organization qualified to do the work. The following is a synopsis of the two new noncompetitive awards.

#### **The Environmental Careers Organization**

NOS received an unsolicited proposal from The Environmental Careers Organization in the amount of \$99,000. NOAA/NOS awarded a \$99,000 cooperative agreement (No. NA77OA0057) to the organization in June 1997. The cooperative agreement required a \$12,865 matching contribution from the organization, bringing the total budget to \$111,865. The award's purpose was to provide work/learning experiences to college students and recent graduates in the environmental science field and was the third NOS one-year award to The Environmental Careers Organization.

The written noncompetitive justification states that the organization is the only national nonprofit organization that places recent college students into educational experiences within the environmental field. In addition, NOS program officials stated that placed students were required to work at NOS's Silver Spring, Maryland, offices and for that reason the program was open mainly to students in the local Washington, D.C. commuting area.

The noncompetitive justification was inadequate because NOS did not provide objective factual evidence, such as the results of a published solicitation, that the organization was the only entity capable of performing the work.

### **Washington State Department of Ecology**

NOS received an unsolicited proposal from the Washington State Department of Ecology in the amount of \$95,000. NOAA/NOS awarded a \$95,000 cooperative agreement (No. NA770A0269) to the state in July 1997. The cooperative agreement required a \$228,500 matching contribution from the state, bringing the total budget to \$323,500. The award's purpose was to measure the adverse biological effects associated with toxicants in Puget Sound, Washington, and represented the first-year of funding for a three-year project.

The written noncompetitive justification states that the recipient will contribute substantive project resources and that the cooperative agreement is the most cost effective project approach. In addition, NOS program officials stated that the Department of Ecology was the only possible source because it is the only environmental protection agency for Puget Sound and also the only source that had the necessary boat and other equipment. For these reasons, the officials stated that it was necessary to award the cooperative agreement to the state and thus competition was not a consideration in making the award.

The noncompetitive justification was inadequate because NOS did not provide objective factual evidence, such as the results of a published solicitation, that the Department of Ecology was the only entity capable of performing the award.

Unsolicited proposals are applications for financial assistance that are not submitted in response to a formal solicitation notice published in the *Federal Register*. Because unsolicited proposals are a means by which unique or innovative ideas can be made available to accomplish specific projects, scientific organizations like NOAA and NOS encourage their submission. DAO 203-26, Section 4.02.i., allows the receipt of unsolicited proposals, but states that no unsolicited proposal may be funded outside the competitive process if that proposal falls within the program goals of a competitive program. In addition, the receipt of a technically acceptable unsolicited proposal does not, in itself, justify a noncompetitive award. DAO 203-26, Section 4.02.i., also states that the decision to fund an unsolicited proposal must be fully justified and included in the official grant file.

While NOS wrote noncompetitive justifications for the two new awards, the justifications do not cite any factual basis for its assertions that the two applicants possessed unique capabilities. Since NOS also did not comply with the Department's requirement that a notice be published in the *Federal Register* soliciting applications for the fiscal year 1997 awards, it lacked support for its claims that the organizations that submitted unsolicited proposals were the only ones that could perform the work. Instead, the justifications contain statements by program office officials

that are based on their own knowledge. A belief that an organization possesses unique qualifications should still be verified through a competitive review process that includes widespread solicitation of eligible applicants, through announcement in the *Federal Register* and other means.

## II. NOAA Reviews of Proposed NOS Awards Are Not Effective

Reviews performed by the NOAA grants office of the two new proposed awards did not question NOS's lack of competitive award procedures or the validity of the noncompetitive award justifications. The Assistant Administrator for Ocean Sciences and Coastal Zone Management forwarded, as required, the Office of Ocean Resources and Conservation and Assessment's justifications and related documents for the two new proposed noncompetitive awards to the grants office for review and approval. However, the grants office review of the proposed awards did not ensure the program office's compliance with applicable Department and NOAA competitive requirements.

DAO 203-26, Section 4.01., requires that each bureau establish a central liaison to ensure that its programs comply with departmental and bureau grant requirements and to review grant documents for compliance. The NOAA Office of Finance and Administration's Grants Management Division fulfills that responsibility for NOAA.

The grant files do not indicate whether the Grants Management Division questioned why the NOS program office did not prepare and submit the required annual *Federal Register* program announcement. The files also do not show whether the grants office determined if the noncompetitive justifications were factually based or if the program office had made any attempt to identify other qualified sources before submitting the noncompetitive awards. Grants Management Division personnel stated that they relied on and accepted as valid the technical descriptions of perceived unique capabilities presented in the program office's award justifications. Grants Management Division personnel limited their review of the justifications to determining whether they addressed one or more of the acceptable reasons for a noncompetitive award and did not attempt to verify the information. Therefore, we believe the reviews were not effective in ensuring the program office's compliance with Department and NOAA competitive policies.

## III. Conclusions

We concluded that NOS's fiscal year 1997 award process under its Ocean Resources and Conservation Program was not adequate to guide officials in making merit-based discretionary funding decisions because NOS did not develop and publish merit-based evaluation criteria and the noncompetitive award of the two new cooperative agreements did not comply with Department and NOAA policies of seeking maximum competition. Also, NOS's written justifications for the awards did not cite any factual basis for its assertions that the two applicants were the only entities that could perform the work. Despite these facts, NOAA's Grants Management Division did not question the awards. By not following competitive procedures, NOS could make questionable or even inappropriate noncompetitive program awards in

instances where competition is available. In addition, by not seeking competition, NOS could bypass proposals containing the ideas, designs, technology, or services that other qualified organizations can produce and thus lose an opportunity to increase program quality and efficiency.

### **NOAA Response**

In its response to the draft report, NOAA stated that the agency agrees that more awards should be granted competitively for all discretionary funding programs and that a rigorous solicitation process should be used. The response further states that the agency is continuing to look at its current processes and will provide more specific comments and details as part of the audit action plan submitted in response to the final report.

### **OIG Comments**

NOAA's concurrence that more awards should be competitively awarded is a positive reaction to this report. We look forward to the ocean resources and conservation program's moving in that direction. We have modified our recommendations in response to discussions with NOAA officials regarding the draft report to clarify that we did not intend to suggest that *all* awards must be made competitively; we understand that an unsolicited research proposal may very well be justified for noncompetitive funding on an exception basis. However, we are emphasizing that an entire program should not be administered on a noncompetitive basis, as this one is, unless mandated by law.

## **IV. Recommendations**

We recommend that the Assistant Administrator for Ocean Services and Coastal Zone Management ensure that financial assistance awards under the ocean resources conservation and assessment program are made on a competitive merit-based process, unless otherwise mandated by law or adequately justified, and that the award process complies with Department policies and procedures and includes the following four elements:

1. Widespread solicitation of eligible applications and disclosure of essential application and program information in written solicitations;
2. Independent application reviews that consistently apply published program evaluation criteria;
3. Written justifications for award decisions that deviate from recommendations made by application reviewers; and

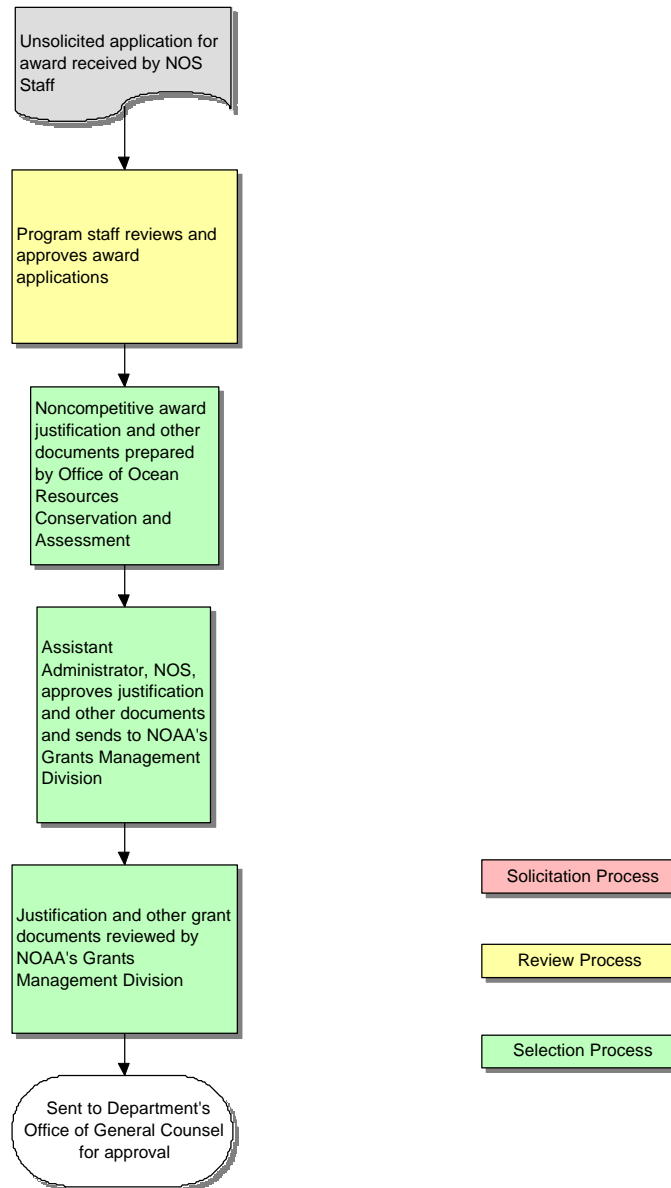


4. Adequate written justifications for noncompetitive awards which document appropriate market search efforts to validate the determination that there is only one source for the anticipated award. The market search should include, at a minimum, a preaward notice in the *Federal Register* stating that the agency expects to make a noncompetitive award and inviting other qualified parties to inquire.

We also recommend that the Chief Financial Officer/Chief Administrative Officer, as the Director of Office of Finance and Administration, which includes the Grants Management Division, require that grants officer reviews of proposed noncompetitive awards include procedures designed to objectively determine compliance with department and NOAA competitive requirements.

APPENDIX I

NOAA/NOS Procedures for Review and Selection of Awards



**APPENDIX II**

**FINANCIAL ASSISTANCE FOR OCEAN RESOURCES CONSERVATION  
AND ASSESSMENT PROGRAM**

**New Awards and Continuation Amendments for Fiscal Year 1997**

RECIPIENT ( <i>Awards reviewed are italicized</i> )	AMOUNT OF AWARDS	
	New Awards	Continuation Amendments
<i>The Environmental Careers Organization</i>	\$ 99,000	
<i>Washington State Department of Ecology</i>	95,000	
South Carolina Department of Natural Resources		\$ 112,940
University of North Carolina at Wilmington		110,440
TOTAL	<u>\$ 194,000</u>	<u>\$ 223,380</u>



Appendix III

**UNITED STATES DEPARTMENT OF COMMERCE**  
**National Oceanic and Atmospheric Administration**  
CHIEF FINANCIAL OFFICER/CHIEF ADMINISTRATIVE OFFICER

MAR 25 1999

MEMORANDUM FOR: Johnnie Frazier  
Acting Inspector General

FROM: Paul F. Roberts *Paul F. Roberts*

SUBJECT: Office of Inspector General Draft Reports -  
NOAA's Discretionary Funding Programs

Thank you for the opportunity to review and comment on the draft audits reports prepared by the Office of the Inspector General relating to NOAA's discretionary funding programs.

NOAA agrees that more awards should be granted competitively for all discretionary funding programs and that a rigorous solicitation process should be used. NOAA is committed to ensuring an awards program that is consistent with Department of Commerce policies and responsive to our research needs. We will continue to look at our current processes and I will provide more specific comments and details as part of the audit action plans submitted in response to the final reports.



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