

U.S. DEPARTMENT OF COMMERCE
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DEPARTMENT OF COMMERCE

*Most Departmental Discretionary
Funding Programs Are Competitive and
Merit-Based, but Opportunities Exist to
Further Improve the Awards Processes*

Audit Report No. ATL-10835-0-0001/September 2000

Office of Audits, Atlanta Regional Office



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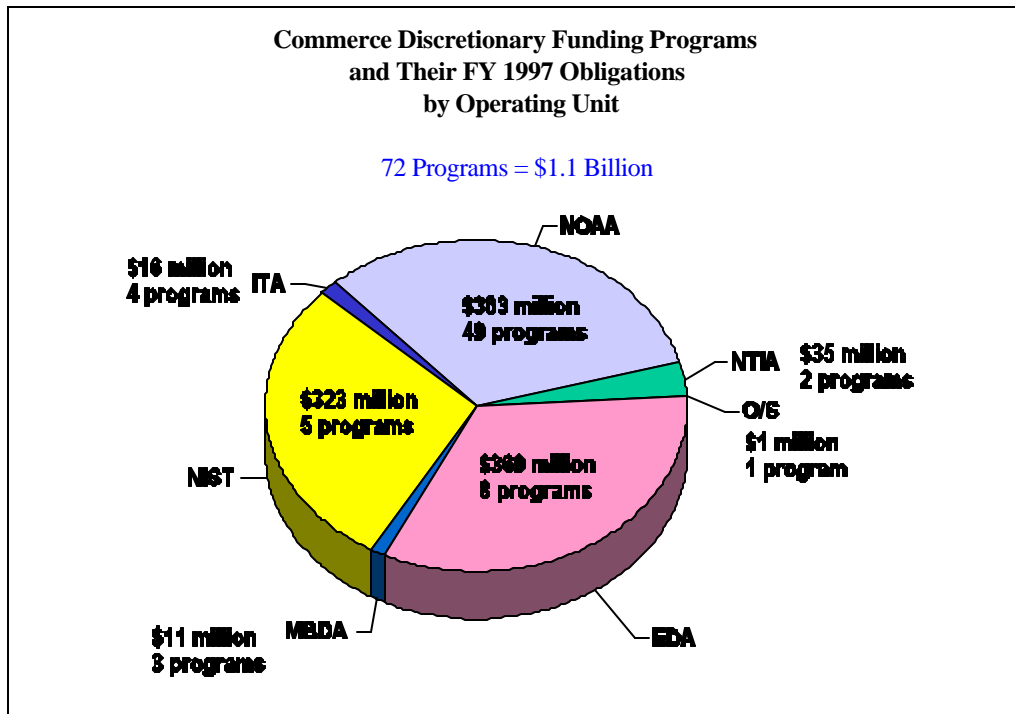
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EXECUTIVE SUMMARY

Seven operating units of the Department of Commerce administer 72 discretionary financial assistance programs¹ providing more than \$1 billion a year, or about a quarter of the Department's budget, to state and local governments, nonprofit and for-profit organizations, and individuals. The following graph shows the number of discretionary funding programs and fiscal year 1997 obligations by operating unit.



We conducted a comprehensive audit of the Department's discretionary funding programs at the request of the Chairman of the Senate Committee on Commerce, Science, and Transportation. The purpose of the audit was to identify the laws, regulations, policies and procedures established to guide agency officials in making discretionary spending decisions, to evaluate the adequacy of departmental and operating unit policies and procedures applicable to the administration of Commerce's financial assistance programs, and to determine the extent to which the policies and procedures were followed.

Using authorizing legislation for each of the 72 Commerce financial assistance programs, we classified each program as being either a "full discretion" program or a "limited discretion" program, based on the extent to which the legislation limited the agency's authority to independently determine the recipients and dollar amounts of the awards. We classified 34 programs as limited discretion and the other 38 as

¹ As used in this report, discretionary financial assistance programs are those for which the funding agency has the legislative authority to independently determine the recipients and funding levels of financial assistance awards, without reference to legislated formulas or entitlement criteria.

full discretion programs. Since five of the full discretion programs had no obligations in recent years and were inactive, we conducted individual audits of the remaining 33 full discretion programs and reported on each.

This report summarizes the results of the individual audits, identifies crosscutting issues, highlights “best practices,” identifies weaknesses in departmental policies, procedures, and practices, and offers recommendations for improving them.

One of the primary purposes of the Federal Grant and Cooperative Agreement Act (31 U.S.C. §6301 et seq.) is to encourage competition in the award of federal financial assistance to the maximum extent practicable. Competition is generally recognized as the most effective means of ensuring that financial assistance awards are made on the basis of merit. As a result, we primarily evaluated each of the 33 individual programs on its adherence to the following three critical elements identified by OMB as essential to ensure effective competition.

- ! 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 justification for award decisions that deviate from recommendations made by application reviewers.

AUDIT RESULTS

We found that the Department’s discretionary funding policies and procedures were, for the most part, adequate to promote merit-based funding decisions. At the same time, we identified opportunities to improve the processes. Specifically, our audit found that:

- ! Most (21 out of 33) Department of Commerce financial assistance programs that have full legislative discretion to independently determine their recipients and funding levels are competitively administered. As a result, there is reasonable assurance that awards made under those 21 programs were merit-based.
- ! In 1985 the Department developed and issued Department Administrative Order 203-26, *Department of Commerce Grants Administration*, to guide agencies in making discretionary spending decisions. Although DAO 203-26 embraces competition as the most effective means of ensuring that financial assistance awards are merit-based, the DAO lacks clarity and specificity in the guidance it provides in certain instances. As a result, opportunities exist to improve the policies and procedures currently in use.

- ! The majority of the 33 individual financial assistance programs were adequately adhering to the Department's policies and procedures for discretionary spending decisions, although we identified opportunities for each program to further refine and improve certain aspects of its award process.
- ! Twelve programs of the 33 were not adequately adhering to the Department's discretionary funding policies and procedures that require programs be administered on a competitive basis to the maximum extent practicable. As a result, there is no reasonable assurance that awards made under those twelve programs were merit-based.

MOST COMMERCE DISCRETIONARY PROGRAMS ARE ADMINISTERED ON COMPETITIVE AND MERIT BASES, BUT OPPORTUNITIES EXIST TO FURTHER IMPROVE THEIR AWARDS PROCESSES

As shown in the following table, among the 33 full discretion programs, 21, or nearly two-thirds, were administered competitively utilizing evaluation criteria designed to result in merit-based funding decisions. The 21 competitive programs accounted for \$740 million, or about 92 percent of the total obligations made for financial assistance programs in FY 1997. The other 12 programs, accounting for \$63 million, or only about 8 percent of the obligations, did not use competitive selection procedures, but instead obligated discretionary funds through inadequately or inappropriately justified sole source awards.

Commerce Full Discretion Programs	Number of Programs	Number of Awards	Obligations	
			(in \$ millions)	Percentage
Competitive and merit-based	21	1,500	740	92%
Not competitive ²	12	238	63	8
TOTAL	33	1,738	803	100

Although most of the financial assistance programs were administered competitively, we found opportunities for all of the agencies to refine and improve aspects of their awards processes. Departmental policies and oversight and technical assistance activities could be improved by institutionalizing some of the best practices successfully used by various Commerce agencies and other federal agencies in soliciting, reviewing, and selecting proposals. The following sections on the solicitation, review, and selection elements of the competitive process discuss the criteria established to guide agency officials in making discretionary spending decisions, the extent to which the criteria were appropriately applied, and opportunities to improve the processes. (See page 8.)

² NIST's Measurement and Engineering Research and Standards program made 172 awards in fiscal year 1997 of which 125, totaling \$17.6 million, were made noncompetitively, and 46, totaling \$2.8 million, were made competitively. The number and dollar amount of the competitive awards made under this program are included in the competitive program counts.

! *Widespread solicitation of eligible applicants and disclosure of essential application and program information in written solicitations.*

All but three of the 21 competitive programs were meeting the Department's minimum requirements of placing a notice in the *Federal Register* soliciting applications for funding and clearly stating the criteria to be used in evaluating applications. At the same time we believe that some programs could broaden their solicitation of eligible applicants by supplementing their *Federal Register* notices with other forms of advertising as some other Commerce programs are already doing. Examples of best practices being used successfully by various programs include soliciting through Internet announcements, mailing lists, annual conferences, and trade association newsletters. Fifteen programs used solicitation methods beyond simply publishing notices in the *Federal Register*. Specifically, 14 programs used the Internet, 8 used other publications such as the *Commerce Business Daily*, and 8 used mailing lists. Eighteen of the 21 programs clearly stated the application evaluation criteria in their solicitation notices, which effectively disclosed essential application and program information. (See pages 8 through 10.)

! *Independent application reviews that consistently apply written program evaluation criteria.*

On a very positive note, eighteen of the 21 programs that we characterized as competitive utilized written competitive procedures and merit-based criteria in evaluating applications for funding. As we completed our work we identified opportunities for most programs to further enhance the integrity of the review process by increasing the independence of their review panels and better documenting the results of application reviews. Independent application reviews that consistently apply written program evaluation criteria help to ensure effective competition. To ensure a minimum degree of independence, we believe a review panel should have at least one member who is outside the chain of command of the selecting official. Only seven of the 21 programs met this threshold, and only 5 of the 7 used review panels largely or wholly made up of reviewers outside the program office, including 3 that used reviewers outside the federal government. Ideally, having all members outside the chain of command is generally seen as the best practice. In addition, only 12 of the 21 programs adequately documented their application evaluations. (See pages 10 through 13.)

! *Written justification for award decisions that deviate from recommendations made by application reviewers.*

Among the 21 competitive programs, we found only 8 programs where selecting officials deviated from the review panels' recommendations. In five of those programs, reasons for deviating from the panel recommendations were not adequately documented. (See pages 13 and 14.)

**SOME PROGRAMS THAT SHOULD BE COMPETITIVE ARE NOT,
AND NONCOMPETITIVE AWARDS NEED TO BE BETTER JUSTIFIED**

Twelve of the 33 full discretion programs did not use competitive procedures in making award decisions, but instead obligated program funds through inadequately or inappropriately justified sole source awards. Although Departmental and other federal guidelines recognize that individual proposals

and projects may be justified for “noncompetitive” funding on an exception basis, an entire program should not be administered on a noncompetitive basis, as the 12 were, unless authorized by law. Absent such legislative direction, there should be an appropriate basis and an adequate written justification for individual noncompetitive awards. For example, sole source awards should be justified through documented market search efforts to validate the determination that there is only one source for the anticipated award. (See pages 15 through 17.)

OPPORTUNITIES EXIST FOR THE DEPARTMENT TO IMPROVE COMPETITIVE AWARD PROCESSES

In developing and issuing its policies and procedures, the Department has formally embraced federal law and guidelines that encourage competition in the award of financial assistance to the maximum extent practicable. However, opportunities exist to improve upon them. For example, departmental policies and oversight activities could be improved by institutionalizing best practices. There are also opportunities to improve Department-level technical assistance procedures and practices to further enhance competition within Commerce financial assistance programs.

The Department has been diligently working to develop and issue a comprehensive grants and cooperative agreements manual, and the new and expanded award procedures being incorporated in the manual would resolve most of the issues raised in our individual program audits and incorporate many of the best practices we have identified. The Department’s draft manual also contains provisions for periodic reviews of program award processes. A 1997 departmental task force, which was charged with reviewing and recommending improvements to the Department’s grants administration policy and procedures, recommended, among other things, improvements in the guidance on maintaining administrative records and a Department-wide training plan for financial assistance and program personnel. Departmental regulations require that each organizational or program unit provide OEAM with quarterly reports on all transactions involving the obligation and deobligation of federal financial assistance funds. This information is then entered into the Department’s Federal Assistance Award Data System. Our individual program audits revealed discrepancies totaling \$15.5 million between the fiscal year 1997 FAADS reported dollars in obligations and those recorded by the individual operating units.

RECOMMENDATIONS

We have previously issued individual audit reports on each program, with appropriate recommendations to facilitate these program managers’ efforts to improve their specific programs. We are now recommending that the Department, for its part, take a series of actions aimed at helping its operating units improve their financial assistance award processes by (1) clarifying minimal departmental expectations for competition and (2) providing additional training, as necessary and when requested. More specifically, we recommend that the Department’s Chief Financial Officer and Assistant Secretary for Administration ensure that the Office of Administration:

1. Improve the effectiveness of program solicitations by encouraging agencies to supplement *Federal Register* notices with Internet announcements, and when appropriate use other forms of advertising that have demonstrated their value as a “best practice” in enhancing the solicitation process.
2. Enhance the integrity of application review processes by (a) defining the minimum criteria for independent review panels, (b) offering suggestions, ideas, and best practices for better facilitating the use of outside reviewers, and (c) establishing requirements for documenting the results of proposal evaluations.
3. Improve documentation of selecting official justifications of award decisions that deviate from review panel recommendations by establishing appropriate documentation requirements.
4. Improve the integrity of operating unit award processes by (a) more clearly defining acceptable bases for noncompetitive awards and (b) establishing requirements and guidelines and best practices for properly justifying and documenting noncompetitive awards. For example, require the use of market surveys to validate sole source award justifications.
5. Improve departmental oversight of discretionary spending decisions by (a) reinitiating periodic reviews of program award processes and (b) providing training to program and grants officers on the Department’s policies and procedures.
6. Improve the integrity of operating unit awards processes by establishing record retention policies and procedures for each element of the awards process.
7. Improve the accuracy of reports on transactions involving the obligation and deobligation of federal financial assistance funds by reconciling OEAM’s grant database with operating unit databases, at least annually.
8. Institutionalize recommended improvements by incorporating them into the “Department of Commerce Grants and Cooperative Agreements Manual” that is currently being developed.

FUNDS TO BE PUT TO BETTER USE

As discussed previously, one of the primary purposes of the Federal Grant and Cooperative Agreement Act is to encourage competition in the award of federal financial assistance to the maximum extent practicable. An unquantifiable portion of the more than \$1 billion a year in discretionary financial assistance obligated by the Department will be used more efficiently if competitive processes are improved within the various programs by implementation of the foregoing recommendations and the recommendations contained in the individual program audits.

DEPARTMENT'S RESPONSE AND OIG COMMENTS

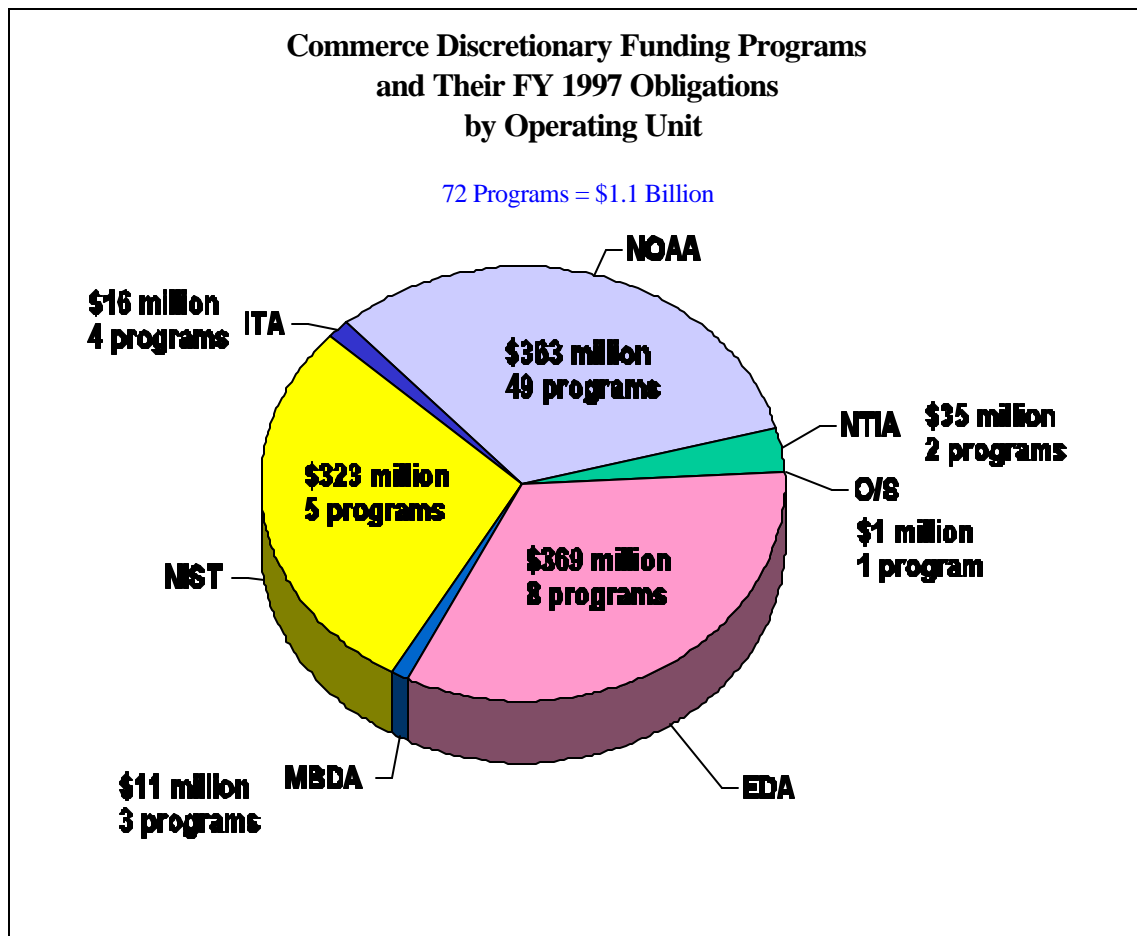
In response to the draft report, the Department agreed that opportunities exist to further improve the grants and cooperative agreement processes and, as a result, generally agreed with all of the report's recommendations. The response stated that the Department has taken action addressing recommendation #7 to improve the accuracy of reports on transactions involving the obligation and deobligation of federal financial assistance funds, and that the other seven recommendations will be addressed upon issuance of the Department's Grants and Cooperative Agreement Manual, which is near completion.

We are pleased by the operating units' constructive responses to our findings and recommendations contained in the individual audit reports on each program. We are also pleased by the Department's general concurrence with this summarizing report's recommendations, in particular with an agreement to institutionalize recommended improvements by incorporating them into the grants manual.

INTRODUCTION

Seven operating units of the Department of Commerce administer 72 discretionary³ financial assistance programs providing about \$1 billion a year to state and local governments, nonprofit and for-profit organizations, and individuals. These operating units are the National Oceanic and Atmospheric Administration (49 programs), Economic Development Administration (8 programs), National Institute of Standards and Technology (5 programs), International Trade Administration (4 programs), Minority Business Development Agency (3 programs), National Telecommunications and Information Administration (2 programs), and Office of the Secretary (1 program). Appendix I provides a brief description of each operating unit's mission and financial assistance programs.

In fiscal year 1997, the seven operating units made more than 2,900 awards. The average annual funding level of an award was almost \$380,000; however, the award amounts ranged from \$463 for a NOAA fisheries disaster grant to \$11.4 million for a NIST Advanced Technology Program cooperative agreement. The following graph shows the amount obligated by each operating unit for discretionary awards.



³The term discretionary in this context means that the funding agency has the legislative authority to independently determine the recipients and funding levels of financial assistance awards.

PURPOSE AND SCOPE OF AUDIT

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 Committee on Commerce, Science, and Transportation. 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. 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 the extent to which the criteria are appropriately applied.

We conducted our Department-wide review in two phases: a survey phase and an individual program audit phase. 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, including departmental and operating unit policies and procedures. These laws, regulations, and guidance are discussed on pages 4 and 5. We also reviewed pertinent parts of an October 1998 draft of the “Department of Commerce Grants and Cooperative Agreements Manual.” According to officials responsible for overseeing the Department’s financial assistance programs, the Department of Health and Human Services’ (HHS) *Grants Administration Manual* is recognized as one of the best and most comprehensive manuals of its type used in the federal government and, therefore, we also reviewed and relied on it for guidance. We examined the authorizing legislation provided by Department of Commerce officials for each Commerce financial assistance program and classified each program as either a “full discretion” 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 awards made under the program.

As shown below, we classified 34 programs as limited discretion programs and the remaining 38 programs as full discretion programs. Five of the full discretion programs had no obligations in recent years and were essentially inactive, so we conducted individual audits of each of the remaining 33 full discretion programs. Lists of the programs classified as either full discretion or limited discretion and their fiscal year 1997 obligations and number of awards by Commerce operating unit are provided as Appendixes II and III.

NUMBER OF PROGRAMS BY OPERATING UNIT

OPERATING UNIT	LIMITED DISCRETION	FULL DISCRETION	TOTAL
NOAA	31	18	49
EDA	2	6	8
NIST	0	5	5
ITA	1	3	4
MBDA	0	3	3
NTIA	0	2	2
O/S	0	1	1
TOTAL	34	38	72

FY 1997 AWARDS AND OBLIGATIONS BY OPERATING UNIT

OPERATING UNIT	LIMITED DISCRETION AWARDS		FULL DISCRETION AWARDS		TOTAL AWARDS	
	NUMBER	AMOUNT	NUMBER	AMOUNT	NUMBER	AMOUNT
NOAA	816	\$274,401,688	448	\$ 89,388,977	1,264	\$ 363,790,665
EDA	396	29,091,000	662	339,837,534	1,058	368,928,534
NIST	0	0	376	323,367,723	376	323,367,723
ITA	13	12,763,853	46	3,004,892	59	15,768,745
MBDA	0	0	51	11,139,314	51	11,139,314
NTIA	0	0	152	35,056,556	152	35,056,556
O/S	0	0	3	1,052,307	3	1,052,307
TOTALS	1,225	\$316,256,541	1,738	\$802,747,303	2,963	\$1,119,103,844

During the second phase of our review, we conducted individual audits of the solicitation, review, and selection processes of each of the 33 active financial assistance programs that we classified as full discretion programs. We assessed the adequacy of each program's established award procedures and criteria for evaluating applications. For programs with procedures deemed to be adequate, we ascertained whether the procedures were followed in making awards in fiscal year 1997. For programs with procedures considered to be inadequate or lacking, we evaluated the processes actually used to make fiscal year 1997 award decisions. Finally, we issued an individual report on each program, with appropriate recommendations. A list of the reports is provided in Appendix IV.

This report summarizes the results of the individual audits, identifies crosscutting issues, highlights "best practices," identifies weaknesses in departmental policies and practices, and offers appropriate recommendations for improvement.

We reviewed the management and internal control systems applicable to the Office of Administration, which has the overall responsibility for administering the Department's financial assistance activities. Except as disclosed herein, we found that the systems were basically reliable. However, we determined that we could not rely on the computer-processed data maintained by the Office of Administration's Federal Assistance Award Data System (FAADS). Therefore, we had to rely on each awarding operating unit's financial assistance records to determine the amount of obligations and number of awards for fiscal year 1997. We also researched and reviewed the various related audit and other reports listed in Appendix V.

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.

**FEDERAL LAWS, REGULATIONS, AND PROCEDURES
THAT GUIDE DISCRETIONARY FUNDING DECISIONS
ENCOURAGE COMPETITION**

Competition is generally recognized as 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 et seq.) 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 should include three elements in order to ensure effective competition. These elements, which we strongly endorse, were discussed in OMB's June 1980 report, *Managing Federal Assistance in the 1980's*. They are:

- ! 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 justification for award decisions that deviate from recommendations made by application reviewers.

OMB and the General Accounting Office (GAO) have also issued the following circulars and standards that 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), which requires 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* (CFDA).
- ! 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 Circular A-102, when time permits, an agency must provide the public with an opportunity to comment on funding priorities. In addition, the circular requires all grant awards greater than \$25,000 to be reviewed for consistency with agency priorities by a policy level official.

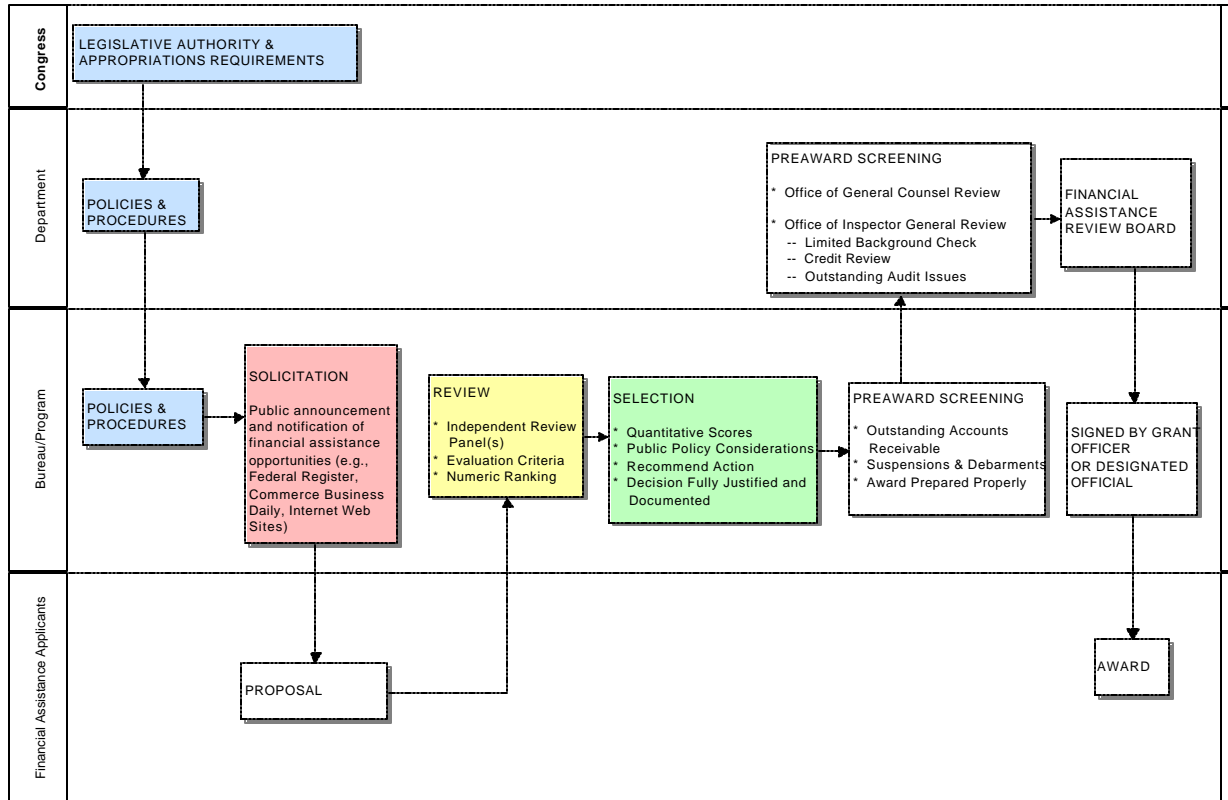
OMB Circular A-110, *Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, and Other non-Profit Organizations*, requires agencies to provide the public with advance notice of their intended funding priorities for discretionary assistance programs 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), which requires 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.
- ! GAO's *Standards for Internal Controls in the Federal Government*, promulgated from the Federal Managers' Financial Integrity Act, requires that agencies clearly document program management decisions, such as when selecting official's award decisions deviate from review panel recommendations for awards, and that the documentation be readily available for examination.

Commerce has relied on these guidelines, circulars, and standards 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) 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 operating units publish, at least annually, a notice in the *Federal Register* soliciting award applications. In addition, noncompetitive 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 following chart depicts the basic process and controls for the solicitation, review, and selection of competitive financial assistance awards, as set forth in DAO 203-26.

Department of Commerce Financial Assistance Awards Process



* The areas in color represent the parts of the process where we concentrated our audit.

FINDINGS AND RECOMMENDATIONS

I. MOST COMMERCE DISCRETIONARY PROGRAMS ARE ADMINISTERED ON COMPETITIVE AND MERIT BASES, BUT OPPORTUNITIES EXIST TO IMPROVE FURTHER THEIR AWARD PROCESSES

Of the 33 Department of Commerce financial assistance programs that have full legislative discretion to independently determine the recipients and funding levels of their awards, 21, or nearly two-thirds, are administered as competition-based programs, as encouraged by federal law and regulations and mandated by Department of Commerce policies and procedures. Nonetheless, opportunities exist for the Department to improve its financial assistance awards processes in order to further enhance and ensure competition to the maximum extent practicable.

Of the more than 1,700 awards made in fiscal year 1997, almost 1,500, or about 86 percent, were made by the 21 competition-based programs. Of a total of \$803 million in obligations under the “full discretion” programs, the competitive programs accounted for \$740 million, or about 92 percent of the total amount obligated.

Commerce Full Discretion Programs	Number of Programs	Number of Awards	Obligations	
			(in \$ millions)	Percentage
Competitive	21	1,500	740	92%
Not competitive ⁴	12	238	63	8
TOTAL	33	1,738	803	100

Detailed discussions of specific findings and recommendations on each program are included in the individual audit reports, a list of which is provided as Appendix IV. Based on these audits, we also identified opportunities for improving departmental policies, oversight, and technical assistance to further enhance competition in Commerce financial assistance programs.

Departmental policies and oversight activities could be improved by institutionalizing some of the best practices successfully used by various Commerce operating units and other federal agencies. Examples of best practices can be found for all three of the major phases of the award process: solicitation, review, and selection.

⁴ NIST’s Measurement and Engineering Research and Standards program made 172 awards in fiscal year 1997, of which 125, totaling \$17.6 million, were made noncompetitively, and 46, totaling \$2.8 million, were made competitively. The information on the competitive awards made under this program is included in the competitive program counts.

A. All but Three Programs Met Minimum Public Notice Requirements, but Many Could Benefit by Augmenting Solicitation Methods

The 1980 OMB study identified widespread solicitation of eligible applicants and disclosure of essential application and program information in written solicitations as one of the three critical elements of effective competition in the award of discretionary financial assistance. Our audit found that within the Department of Commerce, 18 of the 21 competitively administered programs met the minimum departmental requirements that a notice soliciting applications for funding clearly stating the criteria and the process to be used to review and select applications for funding be placed in the *Federal Register*. However, many of these programs could improve the effectiveness of their solicitations by supplementing their *Federal Register* notices with other forms of advertising. Examples of best practices being used successfully by various programs include soliciting applications through Internet announcements, mailing lists, presentations at conferences, and trade association newsletters. Fifteen programs used solicitation methods beyond simply publishing notices in the *Federal Register*. The number using the various methods are shown in the following table.

Application Solicitation Methods for 21 Competitive Programs	Number of Programs	Percentage
Adequate <i>Federal Register</i> Notice	18	86
<i>Catalog of Federal Domestic Assistance</i>	19	90
Internet	14	67
Other publications	8	38
Mailing lists	8	38

OMB Circulars A-102 and A-110, as well as Commerce policy, require agencies to provide the public with advance notice in the *Federal Register* of their intended funding priorities for discretionary financial assistance programs unless such priorities are established by statute. DAO 203-26 specifically requires that a notice be published in the *Federal Register*, at least annually, for each Commerce financial assistance program, announcing the availability of funds, soliciting applications for awards, and specifying the criteria and the process to be used to review and select applications for funding. Only one program, NIST's State Technology Extension Program, failed to have the required notice published in the *Federal Register* for FY 1997; however, this omission has since been corrected.

As previously noted, OMB Circular A-89 requires agencies to systematically and periodically collect and distribute current information to the public on federal domestic assistance programs. This is accomplished through the semiannual publication of the *Catalog of Federal Domestic Assistance*. The two Commerce programs that were not published in the *Catalog* during FY 1997 were ITA's American Business Center Program and NOAA's Small Business Innovation Research Program. Both operating units have since complied with the publication requirement for these programs.

Programs may improve the effectiveness of their application solicitation efforts by supplementing their *Federal Register* notices with other forms of advertising. In fact, the DAO encourages the use of other announcement media to increase responses. The 15 programs listed below all employed additional avenues of notification to solicit proposals.

AGENCY/ CFDA No.	PROGRAM TITLE	BEST PRACTICES
ITA		
11.112	Export Promotion-Market Development Cooperator Program	Internet announcement and mailing list
11.114	Special American Business Internship Training Program	
11.115	American Business Center	
EDA		
11.300	Public Works and Infrastructure Development	Annual regional conferences, Internet announcements, and trade associations newsletters
11.303	EDA-Technical Assistance	
11.304	EDA-Public Works Impact	
11.305	EDA-State and Local Economic Development Planning	
11.307	Special Economic Development and Adjustment Assistance	
11.312	Research and Evaluation Program	
NOAA		
11.427	Fisheries Development and Utilization Research and Development Grants and Cooperative Agreements	Commerce Business Daily, mailing list, and Internet announcement
11.431	Marine Fisheries Initiative	
11.433	Climate and Atmospheric Research	
NTIA		
11.550	Public Telecommunication Facilities - Planning and Construction	Internet announcement and mailing list
11.552	Telecommunications & Information Infrastructure Assistance Program	
NIST		
11.617	Advanced Technology Program	Commerce Business Daily, Internet announcement, and mailing list

We believe that all Commerce programs could benefit from exploring the types of alternate solicitation methods listed above. For example, our review of two MBDA programs that provide consulting services to minority-owned businesses through consulting firms revealed that the agency's 1997 *Federal Register* solicitations resulted in only one to three applications from each geographic area for which it wanted to provide services. Based on the low response rate, we suggested that the programs' solicitation processes should be expanded beyond *Federal Register* notices in order to more effectively reach consulting firms in the geographic areas where the services are to be delivered. We

concluded, and MBDA agreed, that the agency could benefit from targeting a specific service area with advertising in local media, such as newspapers and business periodicals. A summary, by program, of our findings regarding solicitation practices among the 21 competitive programs is presented as Appendix VI.

The guidance on soliciting proposals contained in the October 1998 draft of the Department's grants and cooperative agreement manual is more detailed than the guidance contained in DAO 203-26. While the DAO encourages the use of other announcement media to increase responses, the draft manual includes specific examples, such as announcing the availability of financial assistance in the *Commerce Business Daily* or other publications, conducting mailings to interested parties, holding preaward conferences, providing technical assistance to aid potential applicants in understanding program priorities and grant rules, and publishing comprehensive application kits. We believe that incorporating more specific guidance into the new manual would significantly benefit departmental discretionary awards processes.

When clear requirements and evaluation criteria are published in solicitation notices, applicants will have a better idea of what results are being sought by the program and will be able to prepare proposals that are more responsive to program needs. Eighteen of the 21 programs that published notices in the *Federal Register* for FY 1997 provided clear statements of the criteria to be used in evaluating applications. However, we found that NOAA's Fisheries Development and Utilization Research and Development Grants and Cooperative Agreements Program, and NIST's Manufacturing Extension Partnership Program did not clearly state their application review criteria in their solicitation notices. Both NOAA and NIST have since corrected the problem.

B. Most Programs Utilized Written Competitive Review Procedures and Merit-Based Evaluation Criteria, but Could Benefit from Increasing the Independence of Review Panels and Better Documenting Evaluations

The 1980 OMB study also found that independent application reviews that consistently apply written program evaluation criteria provide a critical element of effective competition in the award of discretionary financial assistance. As shown in the table on the following page, our audit found that within the Department of Commerce, 18 of the 21 competitive programs utilized written competitive review procedures and merit-based criteria to evaluate proposals; however, most programs could enhance the integrity of the review process by increasing the independence of review panels and better documenting the results of proposal evaluations. We believe that to ensure a minimum degree of independence, a review panel should have at least one member who is outside the chain of command of the selecting official. As shown in the following table, only 7 of the 21 programs met this threshold. Similarly, only 12 of the 21 programs were found to have adequately documented proposal reviews.

Application Review Process for 21 Competitive Programs	Number of Programs	Percentage
Program has written procedures for competitively reviewing and evaluating applications	20	95
Review panels used published merit-based evaluation criteria	18	86
Review panel scored and ranked applications	15	71
Review panels adequately documented application evaluations	12	57
Review panels met minimum independence standard	7	33

Current departmental policy outlined in DAO 203-26 is somewhat ambiguous on the minimum requirements for reviewing proposals. For example, the DAO requires that applications receive an independent, objective review, but it does not define the terms “independent” and “objective.” The only clear requirement is that a panel of at least three persons conduct the evaluations.

The DAO requires that agency competitive review processes meet the following minimum requirements:

- ! Applications are treated fairly;
- ! Each application receives an independent, objective review by one or more review panels qualified to evaluate the applications submitted under the program;
- ! Each review panel includes at least three persons; and
- ! After the review panel has evaluated the applications, the organization unit prepares a rank ordering of the applications based solely on the evaluations by the review panel.

Notwithstanding the DAO’s lack of specificity, examples of best practices in reviewing applications were found among all of the 21 competitive programs. The following three programs, for example, demonstrated particularly good review practices:

Table 5

AGENCY/ CFDA No.	PROGRAM TITLE	BEST PRACTICES
ITA		
11.115	American Business Center Program	Increased the independence of the review process by inviting reviewers from outside US&FCS and the Department to participate on review panels.
NOAA		
11.433	Marine Fisheries Initiative (MARFIN)	Used three levels of review: (1) federal and nonfederal scientific peer reviewers; (2) federal and nonfederal scientific panel; and (3) nonfederal panel.
NTIA		
11.552	Telecommunications & Information Infrastructure Assistance Program	Used multiple panels of outside reviewers with demonstrated programmatic and technological expertise who applied published evaluation criteria to score and rank applications.

Only 5 of the 21 programs used review panels largely or wholly made up of reviewers outside the program office, including 3 that used reviewers outside the federal government. We believe that having all members outside the chain of command is the best practice.

Most of the competitive programs could enhance the integrity of their review processes and increase the independence of review panels by implementing practices similar to those cited above and better documenting the results of proposal evaluations. We found EDA's regional office reviews to be of particular concern in this regard.

While the criteria developed by EDA to review applications generally complied with statutory, departmental, and agency requirements and was designed to result in a merit-based review of proposals, EDA's review and selection procedures and practices did not fully comply with departmental requirements. Specifically, for the period of our review, EDA did not adequately document its review and selection processes in project review committee minutes or retain proposals that were rejected for funding for the required three-year period. In addition, the project review committees in the six regions did not rank proposals, as required by departmental policy, and lacked requisite independence, since they each consisted entirely of EDA regional office staff and the regional director, who was also the selecting official.

During our audit, we looked at the best practices used by other government agencies as well as Commerce operating units that better promote "independence" and the appearance thereof on review panels. The HHS grants administration manual, which Departmental officials see as among the better and most comprehensive of its type, requires that each competing application be objectively reviewed by at least three qualified independent reviewers. The HHS manual also sets forth the criteria that must be met by individuals in order to be considered independent. Specifically, the reviewers may not include anyone who, on behalf of the federal government, performed or is likely to perform any of the following duties for any of the applications or projects in the competition:

- Stimulating the submission of the application;
- Providing substantive technical assistance to the applicant;
- Reviewing or making recommendations concerning the application in any capacity except as an independent reviewer;
- Approving or disapproving the application;
- Serving as the federal project officer, or performing grants management functions for the project; or
- Having line authority over a person who is ineligible for the review based on any of the above restrictions.

The Department, too, has previously recognized the importance of and value of independence being practiced on review panels, for example, preliminary draft guidance on reviewing and evaluating proposals contained in the October 1998 draft of the Department's grants and cooperative agreements manual incorporates many of the best practices that we have identified in various Commerce programs and in the HHS model. Specifically, the draft manual states:

“An independent reviewer is an objective, unbiased individual with the requisite expertise, knowledge, and experience in a technical field who is appointed to serve on a review panel to evaluate or assess the technical merits of an application for financial assistance. An independent reviewer, as used in this definition, is one who has not played any role in soliciting, providing technical assistance or advice to applicants, and will not be involved in the administration of awards made as a result of the applications under review by the review panel on which the individual serves. An independent reviewer should not be in the chain-of-command of the program's selecting official. In addition, an independent reviewer must not have a conflict of interest with any application under review by the review panel on which he or she serves.”

A summary, by program, of our findings regarding application review practices among the 21 competitive programs is presented in Appendix VI.

C. Selecting Officials Generally Follow Review Panel Recommendations, but for Some of the Decisions that Deviate from Panel Recommendations, There Should be Better Documentation

The 1980 OMB study concluded that written justifications for award decisions that deviate from recommendations made by application reviewers are a critical element of effective competition in the award of discretionary financial assistance. It has long been recognized that review panels play an important role in the award screening process and that their recommendations represent one of the most effective “check and balances” in the process. In 13 of the 21 competitive Commerce programs, selecting officials followed review panel recommendations. However, in the 7 programs where selecting officials' award decisions deviated from review panel recommendations, only 2 adequately documented their reasons for deviating.

Selection Process for 21 Competitive Programs	Number of Programs	Percentage
Selecting officials followed review panel recommendations	13	62
Selecting officials adequately documented their reasons for deviating from review panel recommendations	3	14
Best Practices	16	76

The DAO requires agencies to determine the order in which the applications will be selected for funding. After the review panel has evaluated the applications, program officials must prepare a rank ordering of the applications based solely on the evaluations of the panel. The selecting official must base his or her order of selection on the review panel's rank order of the applications, unless deviations are appropriate to meet agency priorities or other program requirements that have been published in the *Federal Register*.

Examples of best practices were found among the 21 competitive programs. The following seven programs, for example, illustrate good selection practices:

Agency/ CFDA No.	Program Title	Best Practices
ITA		
11.112	Export Promotion-Market Development Cooperator	Decisions for funding consistently followed the review panel's recommendations.
11.114	Special American Business Internship Training Program	Decisions for funding consistently followed the review panel's recommendations.
11.115	American Business Center Program	Decisions for funding consistently followed the review panel's recommendations.
NIST		
11.603	National Standard Reference Data System	The highest scoring proposals were consistently selected.
11.611	Manufacturing Extension Partnership	Decisions for funding consistently followed the review panels recommendations.
11.612	Advanced Technology Program	Decisions that deviated from panel recommendations were adequately justified.
NOAA		
11.476	Small Business Innovation Research Program	Decisions that deviated from panel recommendations were adequately justified.

Guidance on reviewing and evaluating proposals contained in the October 1998 draft of the Department's grants and cooperative agreements manual incorporates many of the best practices that we identified during our audits of individual Commerce financial assistance programs. According to the draft manual, the selecting official must use review panel rank ordering and other selection criteria published in the solicitation in making the selections. The selecting official must also prepare a recommendation package that consists of the following documentation:

- Relevant pages of authorizing legislation and appropriations act;
- *Federal Register* notice and any other notices that solicited applications;
- Description of the competitive review process;
- List of review criteria;
- List of selection factors;
- Any review instructions and other review documents provided to the reviewers;
- List of reviewers;
- List of all applications/proposals received;
- List of all applications/proposals rejected and the reason(s) for rejection;
- List by rank order of the results of the review of applications by the reviewers; and
- List of applications selected and the reason for selection if out of rank order.

A summary, by program, of our findings regarding selection practices among the 21 competitive programs is presented as Appendix VI.

**II. SOME PROGRAMS THAT SHOULD BE COMPETITIVE ARE NOT,
AND NONCOMPETITIVE AWARDS NEED TO BE BETTER JUSTIFIED**

Twelve of the 33 full discretion programs included in our audits were not being administered as competition-based programs, but instead obligated all discretionary funds in fiscal year 1997 through inadequately or inappropriately justified sole source awards. Ten of these programs are administered by NOAA; one is administered by the Office of the Secretary, and one is administered by NIST. The following is a list of the noncompetitive programs and the number and the dollar amount of awards made under those programs in fiscal year 1997 obligations.

Table 8

NONCOMPETITIVE PROGRAMS

Agency/ CFDA No.	Program	Obligations	No. of Awards
NOAA			
11.426	Financial Assistance for Ocean Resources Conservation & Assessment Program	\$417,380	4
11.430	Undersea Research	10,892,536	13
11.440	Research in Remote Sensing of the Earth and Environment	3,274,608	6
11.454	Unallied Management Projects	1,217,050	8
11.455	Cooperative Science and Education Program	3,736,104	35
11.462	Hydrologic Research	532,973	8
11.463	Habitat Conservation	6,546,958	7
11.467	Meteorologic and Hydrologic Modernization Development	4,934,376	7
11.472	Unallied Science Program	4,114,623	13
11.473	Coastal Services Center (CSC)	2,023,651	8
NIST			
11.609	Measurement and Engineering Research & Standards	24,080,899	126
O/S			
11.702	Postsecondary Internship	<u>1,052,307</u>	<u>3</u>
TOTAL		<u>\$62,823,465</u>	<u>238</u>

Current departmental policy on noncompetitive awards lacks sufficient clarity and specificity to ensure uniform interpretation and application. DAO 203-26, Section 4.02.i, "Unsolicited Proposals," contains the Department's only policy on noncompetitive awards. It simply states:

"No unsolicited proposal may be funded outside the competitive process if that proposal is one which falls within the program goal of a competitive program. If outside the parameters of a competitive program, an unsolicited proposal must enhance the financial assistance objectives of the sponsoring organization unit. The decision to fund an unsolicited proposal must be fully justified and included in the official grant file."

The DAO defines unsolicited proposals as applications for financial assistance that are not received as a result of a direct solicitation in the *Federal Register*, *Commerce Business Daily*, or other publication. The principal problem is that the Department's policy does not clearly define the conditions under which an unsolicited proposal may be justified for a noncompetitive award.

However, the Department's grants and cooperative agreements manual currently being drafted defines the conditions under which noncompetitive awards may be made. It states that if an application warrants review on a noncompetitive basis, an appropriate program official must provide to the grants officer for approval a written justification for the noncompetitive award that falls within one of six listed categories. For example, the draft manual would permit a noncompetitive award to be justified under either of the two following categories:

Only One Source Identified. In some cases, only one responsible applicant may be identified to perform the work of the proposed award. This includes an applicant identified as a result of the initiative of an organization where the application does not fall within the scope of a published competitive notice.

Unusual and Compelling Urgency. The work to be conducted is of such an unusual and compelling urgency that the public interest would be seriously injured unless the program office is allowed to limit or suspend competition for the proposed award.

Although a proposal may be justified for noncompetitive funding on an exception basis, entire programs should not be administered on a noncompetitive basis unless mandated by law, as were the 34 programs we classified as limited discretion programs. Authorizing legislation for those programs either specifically identified the recipients or significantly limited the pool of applicants; therefore, competition was not necessary or appropriate. In response to the individual program audits in which we questioned noncompetitive awards, agency officials agreed that more awards should be competitively awarded. For example, NOAA's response stated:

“We will pursue all options available as appropriate to increase the use of competition in grants and cooperative agreements to the greatest extent possible. NOAA has already begun its review of noncompetitive awards to identify those that can possibly be made using open competition. It is anticipated that a full review of all awards will occur in FY2000. If a determination is made that a competitive award is appropriate, open competition will be used.”

We are encouraged by the bureaus’ constructive responses to our individual program audit findings and recommendations, as well as by their prompt efforts to make improvements.

III. OPPORTUNITIES EXIST FOR THE DEPARTMENT TO IMPROVE COMPETITIVE AWARD PROCESSES

In developing and issuing its policies and procedures, the Department has formally embraced federal law and guidelines that encourage competition in the award of financial assistance to the maximum extent practicable. At the same time, opportunities exist to improve upon them. The current Commerce DAO on grants administration lacks clarity and specificity in the guidance it provides in certain instances. We have, however, identified examples of many best practices, which could be incorporated into the Department’s new grants manual that would make generally good processes better. There are also opportunities to improve Department-level oversight and technical assistance procedures and practices to further enhance competition within Commerce financial assistance programs.

Responsibility for developing and implementing department-wide financial assistance administrative and operational policies rests with the Office of Executive Assistance Management (OEAM) within the Office of Budgeting and Assistance Management under the Department’s Chief Financial Officer and Assistant Secretary for Administration. Certain sections of DAO 203-26 task OEAM with specific responsibility for overseeing departmental financial assistance awards processes and practices, and for providing technical assistance to Commerce operating units in their financial assistance award programs. OEAM’s functions include developing and issuing a grants management procedures manual, evaluating operating units’ grants administration policies and procedures, and maintaining the Department’s contributions to the Federal Assistance Award Data System, which tracks agency financial assistance obligations.

Grants Manual

DAO 203-26, Section 4.03, authorizes OEAM to develop, issue, and maintain a manual covering grants management procedures, subject to review and comment by the Office of Inspector General. According to OEAM officials, they recognize the need for a Commerce Grants Manual and have been trying to develop and issue a manual for several years, but because the various agencies’ assistance programs are so numerous and diverse, it has been extremely difficult to obtain consensus on the procedures to be included. In fact, they indicated that the procedures for administering competitive awards processes have been some of the more controversial sections of the draft manual.

OEAM's most recent attempt to develop and issue a manual grew out of the work of the Financial Assistance Procedures Review Task Force. OEAM officials have been diligently working to develop and issue the manual since the task force report was issued in September 1997, and the OIG has been providing input on the manual's development since that time, based in part on the findings of our individual audits of the Department's financial award processes. As previously discussed, the new or expanded awards procedures being included in the draft grants and cooperative agreements manual would resolve many of the issues raised in the individual program audits and incorporate many of the best practices identified through these audits.

OEAM Reviews of Award Processes

As part of the Department's oversight role, DAO 203-26, Section 4.10, requires that OEAM conduct periodic evaluations of the internal grants administration policies and procedures used by the various agency programs. According to OEAM officials, the reviews were temporarily suspended in 1997 when the Financial Assistance Procedures Review Task Force was organized, and have not been reinstated because the new manual has not yet been issued. The Department's draft manual also contains provisions for periodic reviews of program awards processes.

Federal Assistance Award Data System

DAO 203-26, Section 4.07, requires that each organizational or program unit provide OEAM with quarterly reports on all transactions involving the obligation and deobligation of federal financial assistance funds. This information is then entered into the Department's Federal Assistance Award Data System. The 1982 Consolidated Federal Funds Report Act mandates that this data be collected and disseminated to the Congress, the states, and the public.

Our individual program audits revealed discrepancies between the fiscal year 1997 FAADS reported dollars in obligations and numbers of awards and those recorded by the individual operating units. Specifically, FAADS reported a total of \$1,103,560,953 in obligations, while the operating units reported \$1,119,103,844, a difference of \$15,542,891; FAADS reported a total of 2,784 awards, while the operating units reported 2,963, or a difference of 179. These discrepancies involved 47 of the Department's 72 financial assistance programs. Appendix VII shows the discrepancies in obligations and number of awards by operating units and program. We verified and accepted the operating units reported obligations and awards as the correct information.

The FAADS discrepancies were mostly undercounts, but ranged from an overcount of more than \$24 million for NOAA's Fisheries Obligation Guarantee program to an undercount of more than \$19 million for NIST's Manufacturing Extension Partnership program. Considering the importance of the FAADS information, OEAM needs to insure that FAADS contains accurate and complete information on operating units obligations and awards.

IV. RECOMMENDATIONS

We issued individual audit reports on each program, with appropriate recommendations. We are now recommending that the Department help its operating units improve their financial assistance award processes by (1) clarifying minimal departmental expectations for competition and (2) providing additional training, as necessary and when requested. More specifically, we recommend that the Department's Chief Financial Officer and Assistant Secretary for Administration ensure that the Office of Administration:

1. Improve the effectiveness of program solicitations by encouraging agencies to supplement *Federal Register* notices with Internet announcements, and use other forms of advertising that have demonstrated their value as a "best practice" in enhancing the solicitation process, when appropriate.
2. Enhance the integrity of application review processes by (a) defining the minimum criteria for independent review panels, (b) offering suggestions, ideas, and best practices for better facilitating the use of outside reviewers, and (c) establishing requirements for documenting the results of proposal evaluations.
3. Improve documentation of selecting official justifications of award decisions that deviate from review panel recommendations by establishing appropriate documentation requirements.
4. Improve the integrity of operating unit award processes by (a) more clearly defining acceptable bases for noncompetitive awards and (b) establishing requirements and guidelines and best practices for properly justifying and documenting noncompetitive awards. For example, require the use of market surveys to validate sole source award justifications.
5. Improve departmental oversight of discretionary spending decisions by (a) reinitiating periodic reviews of program award processes and (b) providing training to program and grants officers on the Department's policies and procedures.
6. Improve the integrity of operating unit awards processes by establishing record retention policies and procedures for each element of the awards process.
7. Improve the accuracy of reports on transactions involving the obligation and deobligation of federal financial assistance funds by reconciling OEAM's grant database with operating unit databases, at least annually.
8. Institutionalize recommended improvements by incorporating them into the "Department of Commerce Grants and Cooperative Agreements Manual" that is currently being developed.

V. FUNDS TO BE PUT TO BETTER USE

As previously discussed, one of the primary purposes of the Federal Grant and Cooperative Agreement Act is to encourage competition in the award of federal financial assistance to the maximum extent practicable. An unquantifiable portion of the more than \$1 billion a year in discretionary financial assistance obligated by the Department will be used more efficiently if competitive processes are improved within the various programs by implementation of the foregoing recommendations and those contained in the individual program audits.

VI. DEPARTMENT'S RESPONSE

In response to the draft report, the Department agreed that opportunities exist to further improve the grants and cooperative agreement processes and, as a result, generally agreed with all of the report's recommendations. The Department's response also commended those program officers and grants officers who have already taken corrective action on several of the findings contained in the report. The response further noted that the draft grants manual is expected to allow review panels to include individuals from within the cognizant program office, but will encourage the use of at least one member who is outside the chain of command of the selecting official whenever possible. Finally, the response stated that the Department has taken action addressing recommendation #7 to improve the accuracy of reports on transactions involving the obligation and deobligation of federal financial assistance funds, and that the other seven recommendations will be addressed upon issuance of the Department's Grants and Cooperative Agreement Manual, which is near completion.

VII. OIG COMMENTS

As previously discussed, we are pleased by the operating units' constructive responses to our findings and recommendations in the individual audit reports on each program. We are also pleased by the Department's general concurrence with this summarizing report's recommendations, in particular with an agreement to institutionalize recommended improvements by incorporating them into the grants manual and in ensuring the accuracy of reports on transactions involving the obligation and deobligation of federal financial assistance funds. Considering the significance of the improvements to be made and mutual agreements reached as part of this comprehensive review of 33 programs, we are not objecting to the Department's decision to merely encourage, rather than require, that at least one review panel member come from outside the chain of command of the selecting official.

DEPARTMENT OF COMMERCE OPERATING UNITS ADMINISTERING FINANCIAL ASSISTANCE PROGRAMS



The Department provides federal financial assistance in the areas of grants and cooperative agreements through the following operating units:



The Economic Development Administration (EDA) was established under the Public Works and Economic Development Act of 1965 (42 U.S.C. 3121 et seq.), as amended, to generate new jobs, help retain existing jobs, and stimulate industrial and commercial growth in economically-distressed areas of the Nation experiencing high unemployment, low income, or sudden and severe economic distress. In fulfilling its mission, EDA is guided by the basic principle that distressed communities must be empowered to develop and implement their own economic development and revitalization strategies. Based on these locally and regionally developed priorities, EDA works in partnership with state and local governments, regional economic development districts, public and private nonprofit organizations, and Indian tribes. EDA helps distressed communities address problems associated with long-term economic distress, as well as sudden and severe economic dislocations including recovering from the economic impacts of natural disasters, and closure of military installations and other Federal facilities. EDA provides grants and/or cooperative agreements under the following Programs: Public Works, Planning, University Centers, Economic Adjustment (including Revolving Loan Funds), Defense Economic Adjustment, Post- Disaster Economic Recovery, Local Technical Assistance, Trade Adjustment Assistance, and National Technical Assistance and Research.



The International Trade Administration is responsible for most non-agricultural U.S. trade issues and works with the Office of the U.S. Trade Representative in coordinating U.S. trade policy. ITA operates through four principal units: International Economic Policy, Trade Development, Import Administration, and U.S. and Foreign Commercial Service. ITA provides grants and cooperative agreements through several programs to promote trade, investment, and commercial relations, and maintains comprehensive commercial and economic data on particular countries and regions of the world. ITA grant and cooperative agreement programs are also intended to strengthen domestic export competitiveness, and promote U.S. industry's increased participation in international markets.



The Minority Business Development Agency helps minority owned and operated businesses to achieve effective and equal participation in the American free enterprise system and helps overcome the social and economic disadvantages that have limited their participation in the past. MBDA provides grants and cooperative agreements to assist community based organizations in providing management and technical assistance to minority firms through a network of business development centers and other assistance mechanisms.



The National Institute of Standards and Technology is one of three major organizations under the Technology Administration which serves the needs of technology-based industry, advocates Federal actions and policies to speed the transfer of technology from the laboratory to the marketplace, and removes barriers to commercializing new technologies by industry. NIST provides grants and cooperative agreements to aid U.S. industry through research and services, contribute to public health and safety, and support U.S. scientific and engineering research communities.



The National Oceanic and Atmospheric Administration studies climate and global change; ensures protection of coastal oceans and management of marine resources; provides weather services; and manages worldwide environmental data. NOAA provides financial assistance through the following organizations:

National Weather Service - reports the weather of the United States and its possessions and provides weather forecasts and warnings to the general public;

National Ocean Service - issues nautical charts; does geodetic surveys; and conducts research and develops policies on ocean mining and energy;

National Marine Fisheries Service - conducts a program of management research and services related to the protection and rational use of living resources;

National Environmental Satellite, Data, and Information Service - observes the environment by operating a national satellite system; and

Office of Oceanic and Atmospheric Research - conducts research related to the oceans and inland waters, the lower and upper atmosphere, space environment, and the Earth.



The National Telecommunications and Information Administration is the principal executive branch advisor to the President on domestic and international communications and information policies. It ensures effective and efficient Federal use of the electromagnetic spectrum, develops (with other Federal agencies) policies for international communications and standards-setting organizations, serves as the federal telecommunications research and engineering center, and administers grants under the Public Telecommunications Facilities Program and the Telecommunications and Information Infrastructure Assistance Program.

**DEPARTMENT OF COMMERCE
FULL DISCRETION PROGRAMS
FY 1997**

CFDA NUMBER BY AGENCY	PROGRAM	OBLIGATIONS	NO. OF AWARDS
EDA			
11.300	Public Works and Infrastructure Development	\$160,157,503	190
11.303	EDA-Technical Assistance	11,133,000	145
11.304	EDA-Public Works Impact	4,644,400	8
11.305	EDA-State and Local Economic Development Planning	3,486,000	47
11.307	Special Economic Development and Adjustment Assistance	159,813,631	267
11.312	Research and Evaluation	603,000	5
ITA			
11.112	Export Promotion-Market Development Cooperator	1,851,714	6
11.114	Special American Business Internship Training Program	503,180	33
11.115	American Business Center Program	649,998	7
MBDA			
11.800	Minority Business Development Centers (MBDCs)	9,049,851	41
11.801	Native American Program (NAP)	2,089,463	10
11.802	Minority Business Resource Development	0	0
NIST			
11.603	National Standard Reference Data System (NSRDS)	57,896	1
11.609	Measurement and Engineering Research & Standards	26,897,979	172
11.611	Manufacturing Extension Partnership	79,453,764	55
11.612	Advanced Technology Program (ATP)	216,758,084	146
11.613	State Technology Extension Program	200,000	2

CFDA NUMBER BY AGENCY	PROGRAM	OBLIGATIONS	NO. OF AWARDS
NOAA			
11.426	Financial Assistance for Ocean Resources Conservation & Assessment Program	\$417,380	4
11.427	Fisheries Development and Utilization Research and Development Grants and Cooperative Agreements	8,334,950	75
11.430	Undersea Research	10,892,536	13
11.431	Climate and Atmospheric Research	35,100,000	169
11.433	Marine Fisheries Initiative (MARFIN)	915,768	11
11.440	Research in Remote Sensing of the Earth and Environment	3,274,608	6
11.442	Research in Oceanographic Data Base Management	0	0
11.446	Antarctic Marine Living Resources	0	0
11.454	Unallied Management Projects	1,217,050	8
11.455	Cooperative Science and Education Program	3,736,104	35
11.459	Climate and Air Quality Research	0	0
11.460	Special Oceanic and Atmospheric Projects	0	0
11.462	Hydrologic Research	532,973	8
11.463	Habitat Conservation	6,546,958	7
11.467	Meteorologic and Hydrologic Modernization Development	4,934,376	7
11.472	Unallied Science Program	4,114,623	13
11.473	Coastal Services Center (CSC)	2,023,651	8
11.476	Small Business Innovation Research Program	7,348,000	84
NTIA			
11.550	Public Telecommunication Facilities - Planning and Construction (PTFP)	14,157,734	97
11.552	Telecommunications & Information Infrastructure Assistance Program (TIAP)	20,898,822	55
O/S			
11.702	Post Secretary Internship	<u>1,052,307</u>	<u>3</u>
TOTAL		<u>\$802,747,303</u>	<u>1,738</u>

**DEPARTMENT OF COMMERCE
LIMITED DISCRETION PROGRAMS
FY 1997**

CFDA NUMBER BY AGENCY	PROGRAM	OBLIGATION	NO. OF AWARDS	LEGISLATIVE RESTRICTIONS
EDA				
11.302	EDA-Support for Planning	\$20,591,000	384	Restricted to specified recipients, about 300 Economic Development Districts, receiving non-competitive continuation awards.
11.313	Trade Adjustment Assistance	8,500,000	12	Restricted to companies or individuals damaged by imports, assistance centers funded with continuation awards.
ITA				
11.113	ITA-Special Projects	12,763,853	13	Restricted to recipients identified by Congress in appropriations law.
NOAA				
11.400	Geodetic Surveys and Services	1,843,141	4	Restricted to recipients identified by Congress in the appropriations law.
11.405	Anadromous Fish Conservation Act Program	2,054,117	18	Exempted from competition and authorized for sole-source awards by 1992 NOAA Authorization Act.
11.407	Interjurisdictional Fisheries Act	3,341,539	45	Exempted from competition and authorized for sole-source awards by 1992 NOAA Authorization Act and restricted to state agencies, in 23 states, authorized to regulate commercial fisheries and no state may receive less than ½ of 1 percent or more than 6 percent of the funds appropriated.
11.408	Fishermen's Contingency Fund (Title IV)	239,804	33	Restricted to U.S. commercial fishermen for damage/loss of fishing gear and economic loss.
11.409	Fishing Vessel and Gear Damage Compensation Fund (Section 10)	0	0	Restricted to U.S. commercial fishermen for damage, loss, or destruction of their fishing vessel by foreign vessels.
11.415	Fisheries Obligation Guarantee Program	0	0	Loan guarantees not competed against each other but based on qualifying need.
11.417	Sea Grant Support	61,813,843	120	Restricted to 29 eligible major universities' centers.

CFDA NUMBER BY AGENCY	PROGRAM	OBLIGATION	NO. OF AWARDS	LEGISLATIVE RESTRICTIONS
NOAA				
11.419	Coastal Zone Management Administration Awards	\$46,464,916	35	Restricted to 35 coastal states and U.S. territories and each must receive no less than one percent of the amount appropriated each fiscal year, 80 to 90 percent is allocated by formula.
11.420	Coastal Zone Management Estuarine Research Reserve	7,224,537	96	Restricted to 35 coastal states and U.S. territories managing 22 designated estuarine reserves.
11.428	Intergovernmental Climate Program (Regional Centers)	1,466,645	5	Restricted to six regional climate centers for non-competitive continuation awards.
11.429	Marine Sanctuary Program	338,608	3	Restricted to 13 designated marine sanctuaries.
11.432	Environmental Research Laboratories Cooperative Institutes	45,114,414	67	Restricted to 11 major state universities located near OAR's research laboratories.
11.434	Cooperative Fishery Statistics	1,482,394	12	Exempted from competition and authorized for sole-source awards by NOAA 1992 Authorization Act and restricted to state-mandated fishery conservation agencies.
11.435	Southeast Area Monitoring and Assessment Program (SEAMAP)	910,889	11	Exempted from competition and authorized for sole-source awards by NOAA 1992 Authorization Act and restricted to state-mandated fishery conservation agencies located in 10 southern states.
11.436	Columbia River Fisheries Development Program	15,684,091	12	Exempted from competition and authorized for sole-source awards by NOAA 1992 Authorization Act and restricted to three Pacific Northwest states.
11.437	Pacific Fisheries Data Program	5,068,102	14	Exempted from competition and authorized for sole-source awards by NOAA 1992 Authorization Act and restricted to four Pacific coastal states.
11.438	Pacific Salmon Treaty Program	5,088,632	5	Exempted from competition and authorized for sole-source awards by NOAA 1992 Authorization Act and restricted to four states under the Pacific Salmon Treaty Act.

CFDA NUMBER BY AGENCY	PROGRAM	OBLIGATION	NO. OF AWARDS	LEGISLATIVE RESTRICTIONS
NOAA				
11.439	Marine Mammal Data Program	\$2,387,164	9	Exempted from competition and authorized for sole-source awards by NOAA 1992 Authorization Act and restricted to six state agencies involved in marine mammals listed in the Marine Mammal Protection and Endangered Species Act.
11.441	Regional Fishery Management Councils	10,450,600	12	Restricted to eight mandated councils.
11.443	Short-Term Climate Fluctuations	200,000	3	Restricted to one recipient qualified to conduct climate-related studies.
11.444	Aquaculture Program	1,234,000	2	Restricted to continuation grants in Hawaii and Alaska by the October 26, 1989, Congressional Record.
11.445	Stock Enhancement of Marine Fish in the State of Hawaii	950,000	1	Restricted to one project and one sole-source recipient in Hawaii and Washington states.
11.449	Independent Education and Science Projects & Programs	112,899	1	Restricted to a non-competitive award to two nonprofit organizations in Colorado.
11.450	Integrated Flood Observing & Warning System (IFLOWS)	295,269	3	Restricted to seven states under a memorandum of agreement.
11.452	Unallied Industry Projects	41,263,585	253	Three industry disaster non-competitive, first-come-first served, assistance programs; SE fishing gear damage, NE vessel buyback, and certain hurricane and other storm damage assistance.
11.457	Chesapeake Bay Studies	1,815,143	19	Restricted to Chesapeake Bay states, Maryland, Virginia, and District of Columbia, implementing the 1987 Chesapeake Bay Agreement.
11.458	Alaska Salmon Enhancement	380,000	1	Exempted from competition and authorized for sole-source awards by NOAA 1992 Authorization Act and restricted to the State of Alaska agency responsible for conserving Pacific salmon resources.

CFDA NUMBER BY AGENCY	PROGRAM	OBLIGATION	NO. OF AWARDS	LEGISLATIVE RESTRICTIONS
NOAA				
11.468	Cooperative Institute for Applied Meteorological Studies (CIAMS) and Cooperative Institute for Tropical Meteorology (CITM)	\$352,718	4	Restricted to non-competitive awards to Texas A&M and Florida State Universities.
11.469	Congressionally Identified Construction Projects	12,699,813	3	Restricted to recipients identified by Congress in the appropriations law.
11.470	Office of Administration Special Programs	400,000	3	Restricted to historically black colleges.
11.474	Atlantic Coastal Fisheries Cooperative Management Act	<u>3,724,825</u>	<u>22</u>	Restricted to 15 Atlantic coastal states.
TOTAL		<u>\$316,256,541</u>	<u>1,225</u>	

OIG AUDIT REPORTS ON DISCRETIONARY FUNDING PROGRAMS

CFDA Number by Agency	Report Title	Report Number	Report Issuance Date
EDA			
11.300, 11.303, 11.304, 11.305, 11.307	EDA's Financial Assistance Programs' Award Processes Needs More Competitive Review and Selection Procedures	DEN-11580-0-XXXX	Draft Issued May 2000
11.312	EDA Research and Evaluation Program Funding Decisions Should Be Documented	BTD-11548-9-0001	September 1999
ITA			
11.112	Market Development Cooperator Program Awards Process Promotes Merit-Based Decisions, But Practices Need More Discipline	ATL-10999-0-0001	December 1999
11.114	Special American Business Internship Training Program Award Process Corrected to Ensure Independent Review Panels	ATL-10998-9-0001	September 1999
11.115	US&FCS American Business Center Program Funding Decisions Were Merit-Based	BTD-10957-9-0001	March 1999
MBDA			
11.800	Discretionary Funding Decision Process: Minority Business Development Center Program	BTD-10956-8-0001	September 1998
11.801	Discretionary Funding Decision Process: Native American Business Development Center Program	BTD-10955-8-0001	September 1998
NIST			
11.603	National Standard Reference Data System Program Award Process Promotes Merit-Based Decisions	DEN-10962-9-0001	March 1999
11.609	Measurement and Engineering Research and Standards Program Should Expand Use of Competitive Award Procedures	DEN-10958-0-XXXX	Draft Issued April 2000
11.611	Manufacturing Extension Partnership Program Awards Process Promotes Merit-Based Decisions	DEN-10959-9-0001	March 1999

CFDA Number by Agency	Report Title	Report Number	Report Issuance Date
11.612	Advanced Technology Program Award Process Promotes Merit-Based Decisions	DEN-10960-9-0001	March 1999
11.613	State Technology Extension Program Award Process Designed to Promote Merit-Based Decisions, But Process Needs More Discipline	DEN-10961-9-0001	September 1999
NOAA			
11.426	NOS's Ocean Resources Conservation & Assessment Program Awards Were Not Competitively Selected	ATL-11084-9-0001	March 1999
11.427	NMFS's Fisheries Development and Utilization Research and Development Grants and Cooperative Agreements Program Awards Were Merit-Based, But National Program Was Unjustified	STL-10950-9-0001	September 1999
11.430	OAR's Undersea Research Program Awards Were Not Competitively Selected	ATL-11654-0-0001	March 2000
11.431	Opportunities Exist to Improve the Competitive Review Practices of OAR's Climate and Atmospheric Research Program	STL-10949-0-0001	March 2000
11.433	NMFS's Marine Fisheries Initiative Program Promotes Merit-Based Decisions, But Process Needs More Discipline	ATL-11655-9-0001	September 1999
11.440	NESDIS's Research in Remote Sensing of the Earth and Environment Program Awards Were Not Competitively Selected	ATL-10944-9-0001	March 1999
11.454	NMFS's Unallied Management Projects Program Awards Were Not Competitively Selected	STL-10952-9-0001	March 1999
11.455	NMFS's Cooperative Science and Education Program Awards Were Not Competitively Selected	STL-10951-9-0001	March 1999
11.462	NWS's Hydrologic Research Program Awards Were Not Competitively Selected	ATL-11140-9-0001	March 1999
11.463	NMFS's Habitat Conservation Program Awards Were Not Competitively Selected	STL-10953-9-0001	March 1999

CFDA Number by Agency	Report Title	Report Number	Report Issuance Date
11.467	NWS's Meteorologic and Hydrologic Modernization Development Program Awards Were Not Competitively Selected	ATL-11405-9-0001	September 1999
11.472	NMFS's Unallied Science Program Awards Were Not Competitively Selected	STL-10947-9-0001	March 1999
11.473	NOS's Coastal Services Center Awards Were Not Competitively Selected	ATL-11000-0-0001	March 2000
11.476	Small Business Innovation Research Program Award Procedures Need Improvement and Contracts Are Not the Appropriate Funding Instrument	DEN-11001-0-0001	August 2000
NTIA			
11.550	Public Telecommunication Facilities Program Award Process Promotes Merit-Based Decisions, But Process Needs More Discipline	ATL-10945-9-0001	March 1999
11.552	Telecommunications and Information Infrastructure Assistance Program Award Process Promotes Merit-Based Decisions, But Process Needs More Discipline	ATL-10946-9-0001	March 1999
O/S			
11.702	Current DOC Postsecondary Internship Program Award Process Promotes Merit-Based Decisions	BTD-11822-9-0001	September 1999

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U.S. General Accounting Office. Federal Research: Evaluation of Small Business Innovation Research Can Be Strengthened. GAO/RCED-99-114. Washington, D.C.: 1999.

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**REVIEW OF DISCRETIONARY AWARDS PROCESSES
SUMMARY SCHEDULE OF FINDINGS
AMONG 21 COMPETITIVE PROGRAMS**

SOLICITATION PROCESS	ITA			EDA							NOAA			NTIA		NIST			MBDA		#	
	112	114	115	300	303	304	305	307	312	427	431	433	476	550	552	603	611	612	613	800		801
FINDING 9 PROGRAM CFDA #																						
Program information published in <i>Catalog of Federal Domestic Assistance</i> .	U	U		U	U	U	U	U	U	U	U	U		U	U	U	U	U	U	U	U	19
Adequate solicitation notice published in Federal Register.	U	U	U	U	U	U	U	U	U		U	U	U	U	U	U		U		U	U	18
Solicitation notice published on the Internet	U	U	U	U	U	U	U	U	U		U	U		U	U			U				14
Solicitation notice published in other publications				U	U	U	U	U	U	U								U				8
Solicitation notice distributed from mailing list.	U	U								U	U	U		U	U			U				8
Solicitation notice included clear evaluation criteria in <i>Federal Register</i> .	U	U	U	U	U	U	U	U	U		U	U	U	U	U	U		U		U	U	18
Program information not published in <i>Catalog of Federal Domestic Assistance</i> .			Y											Y								2
Solicitation notice distribution should be expanded or targeted.																				Y	Y	2
Solicitation notice did not include evaluation criteria in <i>Federal Register</i> or the criteria was too general or vague.										Y							Y		Y			3
Solicitation notice not publish required <i>Federal Register</i> .																		Y				1

LEGEND:

U indicates no problem or matter requiring improvement or “best practice.”

Y indicates problem or matter requiring improvement.

**REVIEW OF DISCRETIONARY AWARDS PROCESSES
SUMMARY SCHEDULE OF FINDINGS
AMONG 21 COMPETITIVE PROGRAMS**

REVIEW PROCESS	ITA			EDA							NOAA				NTIA		NIST			MBDA		#
	112	114	115	300	303	304	305	307	312	427	431	433	476	550	552	603	611	612	613	800	801	
Program has written procedures for competitively reviewing and evaluating applications.	U	U	U	U	U	U	U	U		U	U	U	U	U	U	U	U	U	U	U	U	20
Reviewers used merit-based criteria published in <i>Federal Register</i> in evaluating applications.	U	U	U	U	U	U	U	U		U		U	U	U	U	U		U	U	U	U	18
Reviewers adequately documented application evaluation.		U	U							U		U	U	U	U		U	U	U	U	U	12
Reviewers were independent experts.			U						U	U		U		U	U			U				7
Reviewers were outside the federal government										U		U		U	U			U				5
Program does not have written procedures for reviewing and evaluating applications.									Y													1
Reviewers were not independent experts.	Y	Y		Y	Y ^â	Y	Y	Y			Y		Y			Y	Y		Y	Y	Y	14
Reviewers did not adequately document application evaluation.	Y			Y	Y	Y	Y	Y	Y		Y					Y						9
Reviewers did not use merit-based criteria in evaluating applications.											Y											1

â Refers to regional administered program, which awards the preponderance of funds; national program has independent reviewers.

LEGEND:

U indicates no problem or matter requiring improvement or “best practice.”

Y indicates problem or matter requiring improvement.

**REVIEW OF DISCRETIONARY AWARDS PROCESSES
SUMMARY SCHEDULE OF FINDINGS
AMONG 21 COMPETITIVE PROGRAMS**

	ITA			EDA							NOAA			NTIA		NIST			MBDA		#	
SELECTION PROCESS																						
FINDING 9 PROGRAM CFDA #	11 2	11 4	11 5	30 0	30 3	30 4	30 5	30 7	31 2	42 7	43 1	43 3	47 6	55 0	55 2	60 3	61 1	61 2	61 3	80 0	80 1	
Selection official followed review panel recommendations.	U	U	U	U ã	U ã	U ã	U ã	U ã	U							U	U		U		U	13
Selection official adequately documented deviations from review panel recommendations.													U					U		U		3
Selection official did not adequately document deviations from review panel recommendations.										Y	Y	Y		Y	Y							5
Program staff changed reviewers' evaluation scores before submitting them to selection official.														Y								1
Program staff ranked and screened applications before reviewers evaluations.	Y																					1

ã Selection official participated in application review panel process.

LEGEND:

U indicates no problem or matter requiring improvement or "best practice."

Y indicates problem or matter requiring improvement.

SCHEDULE OF FAADS DISCREPANCIES							
CFDA NUMBER BY AGENCY	PROGRAM	PER OEAM OBLIGATIONS AND NUMBER OF AWARDS		PER AGENCY OBLIGATIONS AND NUMBER OF AWARDS		DIFFERENCE OBLIGATIONS AND NUMBER OF AWARDS	
EDA							
11.300	Public Works and Infrastructure Development	\$ 165,571,603	192	\$ 160,157,503	190	5,414,100	2
11.302	EDA-Support for Planning	21,098,097	371	20,591,000	384	507,097	(13)
11.303	EDA-Technical Assistance	10,988,000	143	11,133,000	145	(145,000)	(2)
11.304	EDA-Public Works Impact	4,644,400	8	4,644,400	8	0	0
11.305	EDA-State and Local Economic Development Planning	3,486,000	47	3,486,000	47	0	0
11.307	Special Economic Development and Adjustment Assistance	161,951,194	268	159,813,631	267	2,137,563	1
11.312	Research and Evaluation	609,500	6	603,000	5	6,500	1
11.313	Trade Adjustment Assistance	10,075,000	12	8,500,000	12	1,575,000	0
ITA							
11.112	Export Promotion-Market Development Cooperator	6,045,274	14	1,851,714	6	4,193,560	8
11.113	ITA-Special Projects	0	0	12,763,853	13	(12,763,853)	(13)
11.114	Special American Business Internship Training Program	451,560	32	503,180	33	(51,620)	(1)
11.115	American Business Center Program	350,000	4	649,998	7	(299,998)	(3)
MBDA							
11.800	Minority Business Development Centers (MBDCs)	8,504,911	38	9,049,851	41	(544,940)	(3)
11.801	Native American Program (NAP)	1,835,392	9	2,089,463	10	(254,071)	(1)
11.802	Minority Business Resource Development	0	0	0	0	0	0

CFDA NUMBER BY AGENCY	PROGRAM	PER OEAM OBLIGATIONS AND NUMBER OF AWARDS		PER AGENCY OBLIGATIONS AND NUMBER OF AWARDS		DIFFERENCE OBLIGATIONS AND NUMBER OF AWARDS		
NIST								
11.603	National Standard Reference Data System (NSRDS)	57,896	1	57,896	1	0	0	
11.609	Measurement and Engineering Research & Standards	44,270,814	193	26,897,979	172	17,372,835	21	
11.611	Manufacturing Extension Partnership	59,864,552	43	79,453,764	55	(19,589,212)	(12)	
11.612	Advanced Technology Program (ATP)	206,382,169	142	216,758,084	146	(10,375,915)	(4)	
11.613	State Technology Extension Program	200,000	2	200,000	2	0	0	
NOAA								
11.400	Geodetic Surveys and Services	1,351,141	3	1,843,141	4	(492,000)	(1)	
11.405	Anadromous Fish Conservation Act Program	1,690,481	16	2,054,117	18	(363,636)	(2)	
11.407	Interjurisdictional Fisheries Act	2,879,210	42	3,341,539	45	(462,329)	(3)	
11.408	Fishermen's Contingency Fund (Title IV)	0	0	239,804	33	(239,804)	(33)	
11.409	Fishing Vessel and Gear Damage Compensation Fund (Section 10)	0	0			0	0	
11.415	Fisheries Obligation Guarantee Program	24,550,000	19	0	0	24,550,000	19	
11.417	Sea Grant Support	60,553,844	119	61,813,843	120	(1,259,999)	(1)	
11.419	Coastal Zone Management Administration Awards	47,723,916	35	46,464,916	35	1,259,000	0	
11.420	Coastal Zone Management Estuarine Research Reserve	7,078,537	94	7,224,537	96	(146,000)	(2)	
11.426	Financial Assistance for Ocean Resources Conservation & Assessment Program	417,380	4	417,380	4	0	0	
11.427	Fisheries Development and Utilization Research and Development Grants and Cooperative Agreements	8,309,617	75	8,334,950	75	(25,333)	0	
11.428	Intergovernmental Climate Program (Regional Centers)	1,466,645	5	1,466,645	5	0	0	
11.429	Marine Sanctuary Program	338,608	3	338,608	3	0	0	

CFDA NUMBER BY AGENCY	PROGRAM	PER OEAM OBLIGATIONS AND NUMBER OF AWARDS		PER AGENCY OBLIGATIONS AND NUMBER OF AWARDS		DIFFERENCE OBLIGATIONS AND NUMBER OF AWARDS	
11.430	Undersea Research	10,892,536	13	10,892,536	13	0	0
11.431	Climate and Atmospheric Research	35,568,424	169	35,100,000	169	468,424	0
11.432	Environmental Research Laboratories Cooperative Institutes	42,197,832	63	45,114,414	67	(2,916,582)	(4)
11.433	Marine Fisheries Initiative (MARFIN)	1,663,319	21	915,768	11	747,551	10
11.434	Cooperative Fishery Statistics	1,400,994	11	1,482,394	12	(81,400)	(1)
11.435	Southeast Area Monitoring and Assessment Program (SEAMAP)	734,380	9	910,889	11	(176,509)	(2)
11.436	Columbia River Fisheries Development Program	15,684,091	12	15,684,091	12	0	0
11.437	Pacific Fisheries Data Program	4,372,102	10	5,068,102	14	(696,000)	(4)
11.438	Pacific Salmon Treaty Program	1,783,232	3	5,088,632	5	(3,305,400)	(2)
11.439	Marine Mammal Data Program	1,087,200	6	2,387,164	9	(1,299,964)	(3)
11.440	Research in Remote Sensing of the Earth and Environment	3,274,608	6	3,274,608	6	0	0
11.441	Regional Fishery Management Councils	8,844,600	10	10,450,600	12	(1,606,000)	(2)
11.442	Research in Oceanographic Data Base Management	0	0	0	0	0	0
11.443	Short-Term Climate Fluctuations	200,000	3	200,000	3	0	0
11.444	Aquaculture Program	452,000	1	1,234,000	2	(782,000)	(1)
11.445	Stock Enhancement of Marine Fish in the State of Hawaii	0	0	950,000	1	(950,000)	(1)
11.446	Antarctic Marine Living Resources	0	0	0	0	0	0
11.449	Independent Education and Science Projects & Programs	112,899	1	112,899	1	0	0
11.450	Integrated Flood Observing & Warning System (IFLOWS)	295,269	3	295,269	3	0	0
11.452	Unallied Industry Projects	37,399,887	222	41,263,585	253	(3,863,698)	(31)
11.454	Unallied Management Projects	742,050	6	1,217,050	8	(475,000)	(2)
11.455	Cooperative Science and Education Program	2,223,980	23	3,736,104	35	(1,512,124)	(12)

CFDA NUMBER BY AGENCY	PROGRAM	PER OEAM OBLIGATIONS AND NUMBER OF AWARDS		PER AGENCY OBLIGATIONS AND NUMBER OF AWARDS		DIFFERENCE OBLIGATIONS AND NUMBER OF AWARDS	
11.457	Chesapeake Bay Studies	1,815,143	19	1,815,143	19	0	0
11.458	Alaska Salmon Enhancement	0	0	380,000	1	(380,000)	(1)
11.459	Climate and Air Quality Research	0	0	0	0	0	0
11.460	Special Oceanic and Atmospheric Projects	0	0	0	0	0	0
11.462	Hydrologic Research	532,973	8	532,973	8	0	0
11.463	Habitat Conservation	6,546,958	7	6,546,958	7	0	0
11.467	Meteorologic and Hydrologic Modernization Development	4,934,376	7	4,934,376	7	0	0
11.468	Cooperative Institute for Applied Meteorological Studies (CIAMS) and Cooperative Institute for Tropical Meteorology (CITM)	307,718	3	352,718	4	(45,000)	(1)
11.469	Congressionally Identified Construction Projects	12,699,813	3	12,699,813	3	0	0
11.470	Office of Administration Special Programs	400,000	3	400,000	3	0	0
11.472	Unallied Science Program	4,064,623	12	4,114,623	13	(50,000)	(1)
11.473	Coastal Services Center (CSC)	1,895,651	7	2,023,651	8	(128,000)	(1)
11.474	Atlantic Coastal Fisheries Cooperative Management Act	2,254,825	20	3,724,825	22	(1,470,000)	(2)
11.476	Small Business Innovation Research Program	449,112	6	7,348,000	84	(6,898,888)	(78)
NTIA							
11.550	Public Telecommunication Facilities - Planning and Construction (PTFP)	16,412,988	103	14,157,734	97	2,255,254	6
11.552	Telecommunications & Information Infrastructure Assistance Program (TIAP)	19,112,975	52	20,898,822	55	(1,785,847)	(3)
O/S							
11.702	Post Secondary Internship	458,654	2	1,052,307	3	(593,653)	(1)
TOTAL		\$1,103,560,953	2,784	\$1,119,103,844	2,963	(\$15,542,891)	(179)



SEP 29 2000

MEMORANDUM FOR Edward Blansitt
Deputy Inspector General

FROM: Linda J. Bilmes
Chief Financial Officer and
Assistant Secretary for Administration

SUBJECT: *Most Departmental Discretionary Funding Programs
Are Competitive and Merit Based but Opportunities
Exist to Further Improve the Awards Processes,
Draft Audit Report No. ATL-10835-0-XXXX*

Thank you for the opportunity to review and comment on the subject draft audit report. We agree that opportunities exist to further improve the grants and cooperative agreements award processes. We also take pride in the efforts of those program officers and grants officers who have already begun taking corrective action on the findings contained in the report.

The attached comments provide our response to the report. Please do not hesitate to contact John J. Phelan, III at 202-482-3707 if you would like to discuss this matter in additional detail.

Attachment

Comments

Draft Audit Report No. ATL-10835-0-XXXX
*Most Department Discretionary Funding Programs
Are Competitive and Merit-Based but Opportunities Exist
to Further Improve the Awards Processes*

- Page v, Recommendations - The second sentence includes the recommendation that the Department take a series of actions aimed at helping the operating units improve their financial assistance award processes by providing appropriate leadership and training. This implies that we are not currently providing leadership and training while we believe that we are active in both of these areas. We suggest revising this sentence to read as follows:

We are now recommending that the Department, for its part, take a series of actions aimed at helping its operating units improve their financial assistance award processes by (1) clarifying minimal departmental expectations for competition and (2) providing additional training, as necessary and when requested.
- Page 10, Section B - In the third sentence, the Office of Inspector General (OIG) opines that a review panel should have at least one member who is outside the chain of command of the selecting official. The draft Department of Commerce Grants and Cooperative Agreements Manual is expected to require selection of reviewers on the basis of their professional qualifications and expertise, but will allow review panels to include individuals from within the cognizant program office. The Manual will, however, encourage the use in review panels of one member who is outside the chain of command of the selecting official whenever possible.
- Page 20, Recommendations - In general, we agree with all the OIG's recommendations and have taken action to implement Recommendation 7. The other recommendations will be addressed upon issuance of the Department's Grants and Cooperative Agreements Manual, which is near completion and will be issued for comment and final clearance as soon as possible.