

U.S. DEPARTMENT OF COMMERCE
Office of Inspector General



**PUBLIC
RELEASE**

**OFFICE OF THE
CHIEF FINANCIAL OFFICER
AND ASSISTANT SECRETARY
FOR ADMINISTRATION**

*Current DOC Postsecondary Internship
Program Award Process Promotes
Merit-Based Decisions
CFDA No. 11.702*

Final Audit Report No. BTD-11822-9-0001/September 1999

Office of Audits, Business & Trade Audits Division



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EXECUTIVE SUMMARY

The Office of Inspector General conducted an audit of the fiscal year 1997 and 1998 award criteria, procedures, and practices for soliciting, reviewing, and selecting applications for financial assistance under the Postsecondary Internship (PSI) program. The PSI program, classified in the *Catalog of Federal Domestic Assistance* (CFDA) as No. 11.702, is administered by the Department of Commerce's Office of Executive Budgeting Assistance Management (OEBAM). The audit was conducted as part of a Department-wide review of Commerce's discretionary financial assistance programs initiated at the request of the Chairman of the Senate Commerce, Science, and Transportation Committee.

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

Through the PSI program, DOC offers opportunities for college students from two- and four-year institutions to obtain paid internships at the Department. Student opportunities are primarily in the Washington, D.C. metropolitan area, but also include field locations throughout the country. Internships are available year-round; there is a 10-week summer session in addition to two academic year sessions that are structured to coincide with the academic calendar of the students' institutions. During fiscal year 1997, the PSI program funded one new and two amended awards, totaling \$1,052,307. During fiscal year 1998, the PSI program funded five new awards, totaling \$1,362,238.

The scope of our audit was initially limited to a review of OEBAM's fiscal year 1997 award procedures and practices for the PSI program. However, because OEBAM implemented new award procedures for the program in fiscal year 1998, we expanded the scope of our audit to include an examination of OEBAM's fiscal year 1998 procedures and practices. During fiscal year 1997, OEBAM did not administer the program as a competitive, merit-based financial assistance program in accordance with Departmental Administrative Order 203-26 and Department of Commerce Financial Assistance Notice No. 17, instead selecting awards on a sole-source, noncompetitive basis. OEBAM changed the funding decision process in fiscal year 1998 to one designed to result in merit-based awards. Our audit disclosed that OEBAM:

- Did not develop procedures and practices for the PSI program in fiscal year 1997 that complied with requirements in DAO 203-26 and Financial Assistance Notice No. 17 for the competitive selection of financial assistance recipients (see page 6).
- Did, however, develop merit-based evaluation criteria consistent with PSI program objectives for use in evaluating applications for fiscal year 1998 awards, as required by Section 4.02a of DAO 203-26 (see page 7).

- Properly published a solicitation notice in the *Federal Register* announcing the availability of funding and soliciting applications for fiscal year 1998 awards under the PSI program, as required by DAO 203-26, Section 4.02b, and Financial Assistance Notice No. 17, Section .01. OEBAM further publicized the program by posting the announcement on its web site and using other means to publicize the program, as is encouraged by Section 4.02f of the DAO. OEBAM complied with minimum requirements in Section 4.02b of the DAO and Section .03 of the Financial Assistance Notice for publication of basic grant information (see page 7).
- Did not properly document its procedures for reviewing and selecting applications for fiscal year 1998 awards in a formal policy statement or manual, as required by OMB Circular A-123. However, OEBAM documented its actual fiscal year 1998 review and selection practices, thus providing reasonable assurance that they comply with the requirements of Section 4.02h.1 of the DAO and support merit-based decisions. OEBAM expanded the review process by inviting reviewers from other Departmental agencies to participate on some panels, but could provide an additional measure of independence by inviting panel members from outside the Department (see pages 7 and 10).
- Did not ensure that the PSI program was included in the CFDA during fiscal year 1998, as required by OMB Circular A-89. OEBAM applied for a CFDA identification number and title, but did not receive it during the fiscal year. The CFDA contains information on financial and nonfinancial assistance programs administered by federal departments, which is then used by applicants and in the federal budgeting and appropriations process. The program number and title are now included in the CFDA (see page 11).

We recommend that the Acting Chief Financial Officer and Assistant Secretary for Administration (1) document and disseminate OEBAM's procedures for the review and selection of PSI program applications in a written policy statement, as required by OMB Circular A-123, and (2) consider including individuals from outside the Department on its review panels in order to enhance the independence of application reviews.

In its response to the draft report, OEBAM agreed with the recommendations and plans to take action to develop a written policy statement detailing the program's review and selection procedures. In addition, the policy statement will include procedures to invite individuals from outside the Department to participate on any review panels for the program. Our recommendations are presented on page 11. OEBAM's complete response to the draft report is attached as Appendix II.

INTRODUCTION

The Postsecondary Internship (PSI) program was established by the Department of Commerce to aid and promote experiential training activities that foster future employment in the Department or the federal government, in general. The PSI program is designed to improve opportunities for college students to foster human resource diversity in Commerce. The PSI program, classified in the *Catalog of Federal Domestic Assistance* (CFDA) as No. 11.702, is administered by the Department of Commerce's Office of Executive Budgeting Assistance Management (OEBAM). It offers opportunities for college students from two- and four-year institutions to obtain paid internships at the Department. Student opportunities are primarily in the Washington, D.C. metropolitan area, but also include field locations throughout the country. Internships are available year round; there is a 10-week summer session in addition to two academic year sessions that are structured to coincide with the academic calendar of the students' institutions.

The PSI program is funded by cooperative agreements awarded competitively to colleges and non-profit organizations. These organizations perform a wide range of program functions including outreach and recruitment, application processing and referral, housing and transportation arrangements, intern personnel and pay administration, and intern monitoring. Upon the request of an interested host office, one or more of the organizations refer student applications for consideration. The applications will have been matched with the academic backgrounds and skills the office has requested.

During fiscal year 1997, the PSI program funded one new and two amendments to existing agreements, totaling \$1,052,307. During fiscal year 1998, the PSI program funded five new awards, totaling \$1,362,238.

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

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

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

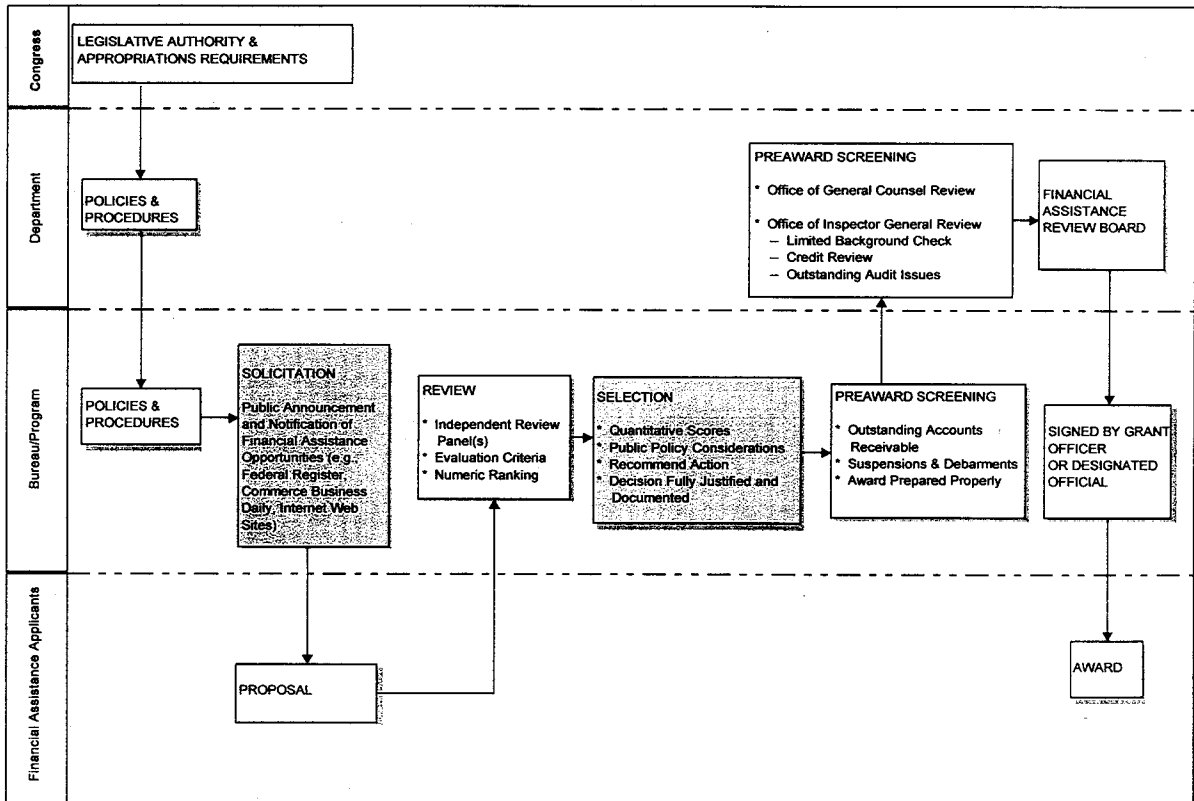
- OMB Circular A-89, *Federal Domestic Program Information*, implements the Federal Program Information Act (P.L. 95-220) requiring agencies to systematically and periodically collect and distribute current information to the public on federal domestic assistance programs, which is accomplished through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

Commerce has relied upon these guidelines and circulars in developing and issuing policies and procedures for its discretionary funding programs. Department Administrative Order (DAO) 203-26, *Department of Commerce Grants Administration*, requires that (1) all Commerce financial assistance awards be made on the basis of competitive reviews unless a special waiver

is obtained, (2) competitive review processes meet minimum standards outlined in the DAO, and (3) all Commerce agencies publish, at least annually, a notice in the *Federal Register* announcing the availability of funding, soliciting award applications, and specifying the criteria and the process to be used in reviewing and selecting applications for funding.

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

Department of Commerce Financial Assistance Awards Process



PURPOSE AND SCOPE

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

We are conducting our Department-wide review in two phases: a survey phase 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. We also examined the authorizing legislation, provided by departmental officials, for each Commerce financial assistance program and classified each program as either a "full discretion" program or a "limited discretion" program, based on the extent to which the legislation limits the agency's authority to independently determine the recipients and funding levels of the awards made under the program. Finally, we examined fiscal year 1997 appropriations legislation to identify any earmarked projects. No legislatively mandated awards were found.

During the second phase of our review, we are conducting individual audits of the award solicitation, review, and selection processes of each program we have classified as a "full discretion" program, including the PSI program. We are evaluating the adequacy of each program's established award procedures and criteria for evaluating individual applications. For those programs with procedures deemed to be adequate, we are ascertaining whether they were followed in making awards in fiscal year 1997. If they were not, we are reviewing how the fiscal year 1997 award decisions were made. We are also examining the legislatively mandated projects identified for each program and determining their significance and impact on award decisions. For programs where there have been substantial changes in selection procedures and practices since fiscal year 1997 and data for fiscal year 1998 is complete and available, we have expanded the scope of our work to include the solicitation, review, and selection process for fiscal year 1998. We are issuing individual reports, with any appropriate recommendations, on each program, followed by a capping report summarizing the results of the individual audits and providing recommendations for the Department and/or its bureaus.

On July 21, 1998, the Acting Inspector General and the Chief Financial Officer and Assistant Secretary for Administration testified before the Senate Commerce, Science, and Transportation Committee on the Department's discretionary funding programs. The Acting IG reported on the

results of the survey phase of the OIG's review, and discussed some of the preliminary observations from the individual program audits.

The scope of our audit was initially limited to a review of OEBAM's fiscal year 1997 award procedures and practices for the PSI program. However, because OEBAM implemented new award procedures for the program in fiscal year 1998, we expanded the scope of our audit to include an examination of OEBAM's fiscal year 1998 procedures and practices. Specifically, we:

- Reviewed the information provided by departmental officials to identify criteria for funding decisions.
- Reviewed policies and procedures for soliciting and reviewing new proposals during fiscal years 1997 and 1998, amended awards during fiscal year 1997, and selecting recipients for funding (see Appendix I for flowchart of process). We also reviewed the *Federal Register* notice for the PSI program. We assessed whether the procedures were adequate and whether they were in compliance with DAO 203-26 and Office of Federal Assistance Financial Assistance Notice No. 17, *Department of Commerce Guidelines for the Preparation of Federal Register Notices Announcing the Availability of Financial Assistance Funds -- Requests for Applications*.
- Compared the procedures with OEBAM's fiscal years 1997 and 1998 award practices to determine if the process contained adequate internal controls to provide for competitive, merit-based awards.
- Examined pertinent documents in individual program award files to determine if departmental and OEBAM policies and procedures were followed.
- Interviewed OEBAM program officials and personnel concerning OEBAM's solicitation, review, and selection procedures.
- Examined fiscal years 1997 and 1998 appropriations legislation to identify legislatively mandated projects for this program.

We did not rely upon computer-based data supplied by OEBAM and the Department, and cited in the report, during the audit. Consequently, we did not conduct tests of either the reliability of the data or the controls over the computer-based system that produced the data.

We performed the review at OEBAM in April and May 1999. We conducted the audit in accordance with generally accepted government auditing standards, under the authority of the Inspector General Act of 1978, as amended, and Department Organization Order 10-13, dated May 22, 1980, as amended.

FINDINGS AND RECOMMENDATIONS

We found that OEBAM's procedures and practices for the selection of PSI award recipients in fiscal year 1997 did not comply with departmental requirements for merit-based discretionary funding decisions. OEBAM did not administer the program as a competition-based financial assistance program during fiscal year 1997, instead selecting awards on a sole-source, noncompetitive basis. However, OEBAM changed its award procedures for the PSI program for fiscal year 1998. We found that OEBAM's criteria, procedures, and practices for soliciting, reviewing, and selecting new awards during fiscal year 1998 complied with statutory and departmental requirements and were designed to result in merit-based award decisions. OEBAM's efforts to solicit applications for five new PSI awards funded during fiscal year 1998 generated nationwide interest from numerous potential applicants. Applications were reviewed by Commerce Department employees outside OEBAM, applying the appropriate criteria, and their recommendations were accepted without deviation. However, OEBAM could enhance the independence of the application review process by including individuals from outside the Department on its review panels. In addition, while the PSI program was not included in the CFDA during fiscal year 1998, it is now included.

I. OEBAM Awarded Sole-Source Awards in FY 1997 Without Competitive Procedures

We reviewed the procedures and practices for three awards in fiscal year 1997, totaling \$1,052,307. OEBAM did not comply with requirements for a competitive discretionary funding process, but instead made the awards on a sole-source basis without competition.

OEBAM officials told us that the PSI program started in fiscal year 1994 under a sole-source award, based on a memorandum of understanding with the Hispanic Association of Colleges and Universities (HACU). They also told us that HACU had initially contacted departmental officials to request funding for internships for members' students. Departmental officials expanded the program during fiscal year 1995, again using sole-source memoranda of understanding, to fund internships through NAFEO Services, Inc., and the American Indian Science and Engineering Society, after the two associations requested funding. The department also funded internships through the three organizations in fiscal year 1996 through sole-source memoranda of understanding.

OEBAM officials told us that they had intended for the program to become competitive during fiscal year 1997, but the *Federal Register* notice announcing the program was not completed and issued in time to fund the internships. To continue the program until the notice could be issued, OEBAM awarded one new and two amended sole-source awards to the three associations that had received awards in the previous fiscal year. OEBAM officials justified the sole-source awards by stating that the three associations were qualified to identify individuals to increase the

minority applicant pool for positions at the Department. However, we found no documentation that program staff reviewed the performance of the three organizations under the existing awards as a basis for their justification.

II. PSI Program Developed Evaluation Criteria in FY 1998 That Were Designed to Result in Merit-Based Decisions

OEBAM officials developed evaluation criteria to evaluate proposals for fiscal year 1998 awards which were consistent with the program objectives. OEBAM published a notice in the December 12, 1997 issue of the *Federal Register* titled, "*Financial Assistance for Internship Program for Postsecondary Students.*" The weighted criteria published in the notices and used to evaluate the applications were as follows:

- Quality of Program Plan (30 points);
- Proposed Costs (30 points);
- Key Personnel Qualifications (20 points); and
- Capabilities of the Applicant Organization (20 points).

Based on our review, we concluded that the criteria were consistent with the program objectives were designed to result in merit-based funding decisions in fiscal year 1998.

III. Solicitation Process Ensured Widespread Notice and Notified Potential Applicants of Basic Program Information

OEBAM's fiscal year 1998 procedures and practices for soliciting applications for the PSI program met departmental requirements for public notice of the intent to award. As a result, OEBAM received requests for application kits from 95 institutions from around the country, and received 15 applications for the awards. Widespread solicitation of eligible applicants helps ensure that federal programs receive multiple applications responsive to program objectives and provides potential applicants with an opportunity to apply for assistance. OEBAM also met requirements to include all basic program information in the public notice.

DAO 203-26, Section 4.02, lists required solicitation procedures for competitive grant programs. These procedures are designed to ensure widespread public notification to the interested public. Section 4.02 provides the following solicitation criteria, in part:

- Annual Public Notice. To inform the interested public, each organization unit shall publish at least annually a notice in the *Federal Register* that includes basic information for each discretionary grant program.

- Other Solicitations of Applications. Additional notice(s) in the *Federal Register* or other publications soliciting applications or preapplications must include information published in the Annual Public Notice.
- Minimum Notice. In order to provide the public reasonable notice, there must be a minimum of 30 days between the date of publication and the closing date for receipt of applications.

Section 4.02.(f.) of the DAO states, "To ensure widespread notification to the public, program officials are strongly encouraged to use publications in addition to the *Federal Register*, which, in their opinion, have a wide distribution among interested persons." For large, well-defined applicant pools, such as colleges and universities with an interest in the PSI program objectives, use of a broad-based solicitation media such as the annual *Federal Register* notice, coupled with at least one more targeted medium, is likely to reach a significant portion of the eligible institutions. The requirement for public notice in the *Federal Register* and encouragement for additional notice are repeated in Section .01 of Financial Assistance Notice No. 17.

OEBAM published the public notice of availability titled, "Financial Assistance for Internship Program for Postsecondary Students," in the *Federal Register* on December 12, 1997. The December 1997 notice invited applications for awards to participate in an internship program throughout the U.S. OEBAM also advertised the program in "The Business and Management Education Funding Alert," a magazine published by the AACSB-The International Association for Management Education, an accrediting agency for degree programs in business administration and accounting and the professional organization for management education. The magazine is sent to AACSB's 670 member colleges and universities in the U.S. By using the *Federal Register* and a magazine targeted for the pool of applicants, OEBAM solicited 15 responsive applications, a sufficient number to constitute an adequate response to the solicitation notice.

OEBAM complied with the minimum requirement for publication of basic grant information in the *Federal Register*. Section 4.02b.6 of the DAO and Section .03 of the Financial Assistance Notice require a description of the selection process or procedure in the notice. The notice published in the *Federal Register* on December 12, 1997 set forth the selection process for evaluating applications, the criteria to be used during the review and selection process, and the weights assigned to each criterion.

IV. Written Procedures for Reviewing FY 1998 Applications Were Not Established, But Practices for Reviewing Applications Were Documented; OEBAM Should Consider Including Panel Members From Outside the Department

OEBAM has not sufficiently established written procedures for reviewing applications for R&E awards, as required by OMB Circular A-123. In practice, applications for awards were reviewed by panels, as required, and the panel members properly documented their evaluations. OEBAM expanded the review process by inviting reviewers from outside the office to participate on some panels, thus enhancing the objectivity of the award process, but could provide an additional measure of independence in its funding decisions by inviting panel members from outside the Department.

OMB Circular A-123 states “the documentation for transactions, management controls, and other significant events must be clear and readily available for examination.” To meet these requirements, agencies should document procedures for reviewing proposals for financial assistance in a publicly available formal policy statement or manual. While OEBAM published PSI solicitation procedures in the *Federal Register* notice and its application kits for the fiscal year 1998 awards, the office needs to incorporate them into a formal policy statement or manual, as other Commerce operating units have,¹

All of the applications were reviewed by a panel as required by DAO 203-26, Section 4.02h. That section mandates that agency competitive review processes must meet the following requirements:

- Applications are treated fairly under the review process;
- 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 uses the selection criteria that apply to the program covered by the application notice.

Reviewers addressed the weighted criteria, verified that required standard forms and other elements of the application were present, and commented in writing on the applicant’s qualifications. We found that reviewers applied the criteria published in the notice to assess the applicants, and that they properly documented their reviews of each application on evaluation forms.

¹ *Discretionary Funding Decision Process: Native American Business Development Center Program*, Report No. BTD-10955-9-0001, September 1998, <http://www.oig.doc.gov/reports/1998-9/1998-9-10955-01.pdf>.

DAO 203-26, Section 4.02h.1.(d.) requires that each review panel include at least three persons. Under the order, panel members may include one or more persons who are not employees of the federal government. No other criteria for membership are listed; the selecting official and OEBAM director have broad discretion in the choice of members.

The four-person panel reviewing fiscal year 1998 applications included two Office of Administration employees (from outside OEBAM) and one employee each from the Patent and Trademark Office and the Bureau of Export Administration. This procedure provided an independent review as required by the DAO. OEBAM could further enhance the independence of application reviews by including individuals from outside the Department on its review panels, a practice allowed under DAO 203-26 and employed by other departmental agencies.² OEBAM agreed that the use of knowledgeable outside reviewers to evaluate applications would provide an independent perspective and enhance the objectivity of the merit-based selection process.

V. Written Procedures for Selecting FY 1998 Awardees Were Not Established, But Practices for Selecting Awardees Were Documented

OEBAM has not complied with requirements for documenting the selection procedures for PSI program awards. Under OMB Circular A-123, the procedures for selecting proposals for financial assistance should be written and disseminated in a publicly available formal policy statement or manual. OEBAM has not documented its PSI award selection procedures and should do so before selecting future awardees. However, OEBAM properly documented the actual selection of fiscal year 1998 awardees in accordance with the DAO.

DAO 203-26, Section 4.02 h.1.(f)-(g), mandates the steps to be followed in ranking and selecting applications for funding:

- 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, and
- The organization unit determines the order in which applications will be selected for funding based on the following factors:
 - (1) Any priorities or other program requirements that have been published in the *Federal Register* and apply to the selection of applicants for new awards; and

² *US&FCS American Business Center Program Funding Decisions Were Merit-Based*, Report No. BTD-10957-9-0001, March 1999, <http://www.oig.doc.gov/reports/1999-3/1999-3-10957-01.pdf>.

- (2) The rank order of the applications established by the review panel on the basis of the selection criteria.

OEBAM followed its procedures for selecting applicants, and the weighted criteria were properly applied. After the individual panel members completed their reviews and scored the applications, the rating sheets and applications were given to the PSI program staff for compilation and summary. The panel members reviewed the applications and discussed the applicants' competence and the quality of the applications with the selecting official. Of the 15 applicants, five were ranked by the panel as the most qualified. The selecting official agreed with the panel's rankings and appropriately documented her selections on February 19, 1998. The five included the three associations that had been funded in fiscal years 1995-1997. Another association among the five had collaborated with two departmental agencies on internships, with satisfactory results. The fifth association selected had no prior experience with the Department, but had a record of performance with similar programs. The successful applications were sent to the Office of Executive Assistance Management (OEAM), another office in OEBAM, for processing through the Department's award approval system. There were no deviations from the rankings during the review and selection processes for the awards. After completing the preaward screening required under DAO 203-26, the Department approved five new awards totaling \$1,362,238 for fiscal year 1998.

VI. PSI Program Is Now Included in the CFDA

The PSI program was not included in the *Catalog of Federal Domestic Assistance* during fiscal year 1998. OEBAM applied for a CFDA identification number and title, but did not receive it during the fiscal year. The program is properly included in the June 1999 edition of the CFDA, which lists the new program number (11.702) and title (Postsecondary Internship Program).

The CFDA, established under OMB Circular A-89, is a government-wide compendium of federal programs, projects, services, and activities that provide assistance or benefits to the American public. It contains vital information on financial and nonfinancial assistance programs administered by federal departments, which is then used by applicants and in the federal budgeting and appropriations process. By not ensuring that the PSI program was included in the CFDA as required by the circular, OEBAM had not disclosed all program details to the Congress and potential applicants in the most efficient manner.

VII. Recommendations

We recommend that the Acting Chief Financial Officer and Assistant Secretary for Administration (1) document and disseminate OEBAM's procedures for the review and selection of PSI program applications in a written policy statement, as required by OMB Circular A-123,

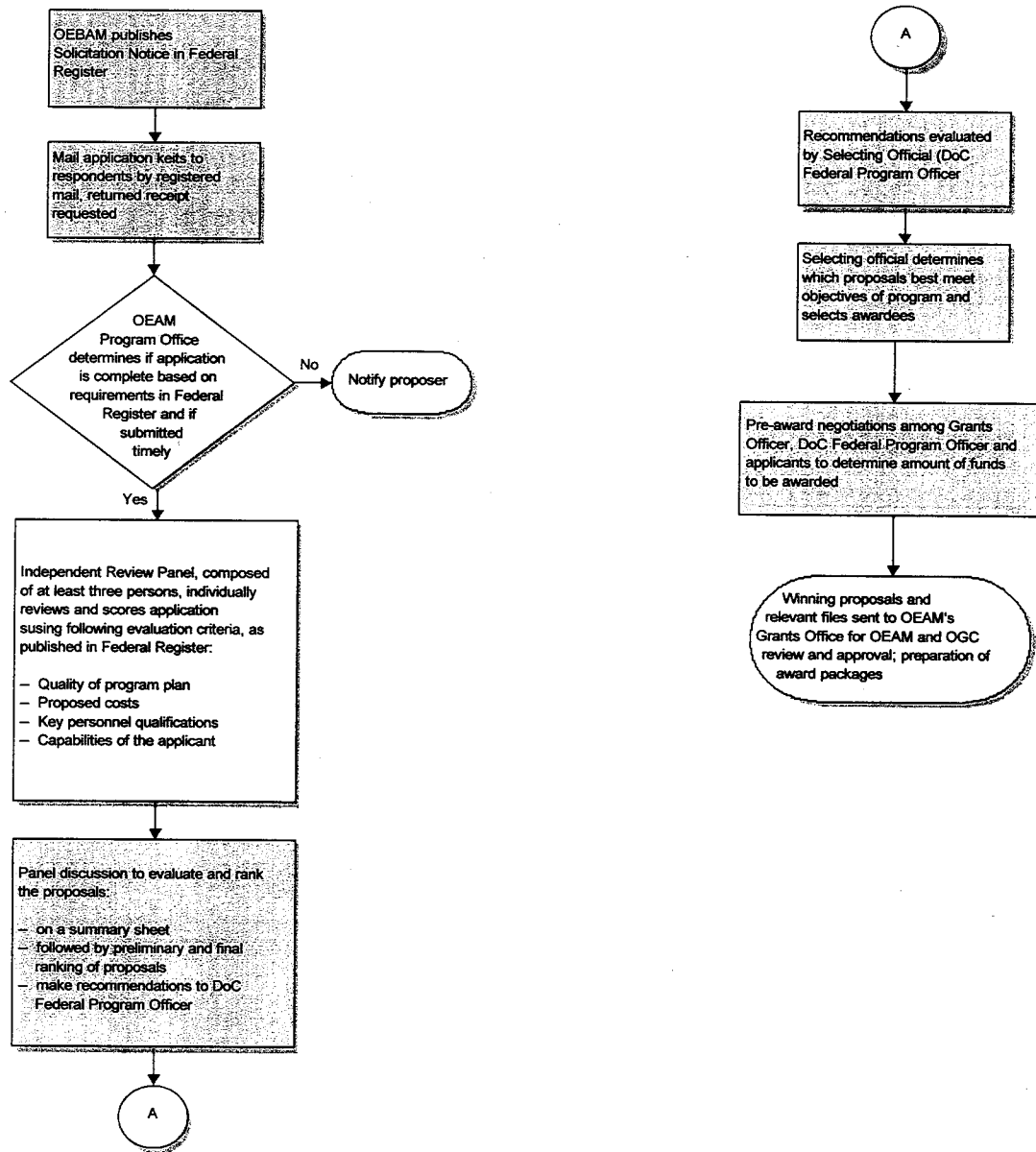
and (2) consider including individuals from outside the Department on its review panels in order to enhance the independence of application reviews.

VIII. OEBAM's Response to the Draft Report

OEBAM agreed with the findings and recommendations in the draft report. OEBAM plans to take action to develop a written policy statement detailing the program's review and selection procedures. In addition, the policy statement will include procedures to invite individuals from outside the Department to participate on any review panels for the program. We concur with OEBAM's planned actions.

Appendix I

Procedures for Solicitation, Review, and Selection of
Postsecondary Internship Program Awards

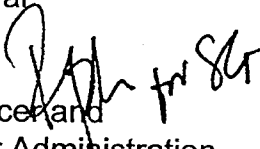




UNITED STATES DEPARTMENT OF COMMERCE
Chief Financial Officer
Assistant Secretary for Administration
Washington, D.C. 20230

SEP 30 1999

MEMORANDUM FOR George E. Ross
Assistant Inspector General for Auditing
Office of Inspector General

FROM: Scott B. Gudes 
for Chief Financial Officer and
Assistant Secretary for Administration

SUBJECT: Current DOC Postsecondary Internship Program
Award Process Promotes Merit-Based Decisions
CFDA No. 11.702
Draft Audit Report No. BTD-11822-9-XXXX

Thank you for the opportunity to review and provide comments on the subject draft report. Although we believe the program was run well in fiscal years 1997 and 1998, we agree with the recommendations for improvement to the program. The attached summary of recommendations offered in the report includes our response, and the action we have taken or plan to take to respond to those recommendations.

Please do not hesitate to contact Susan Sutherland at 202-482-4115 if you would like to discuss this matter in additional detail.

Attachment

SUMMARY OF RECOMMENDATIONS
Draft Audit Report No. BTD-11822-9-XXXX
Current DOC Postsecondary Internship Program
Award Process Promotes Merit-Based Decisions
CFDA No. 11.702

Recommendation 1.

The Acting Chief Financial Officer and Assistant Secretary for Administration (CFO/ASA) should document and disseminate the Office of Executive Budgeting and Assistance Management's (OEBAM) procedures for review and selection of the Postsecondary Internship Program applications in a written policy statement, as required by OMB Circular A-123, "Management Accountability and Control."

Action Plan

OEBAM will develop a written policy statement for the program's review and selection procedures. In addition, we will publish the policy statement on our internet website.

Action Taken to Date

Information about the review and selection procedures was included in the *Federal Register* notice which was published on Friday, December 12, 1997 (62 FR 65412). In addition, the Program Officer has incorporated all required information in a single file and will develop a written policy statement for the program's review and selection procedures.

Recommendation 2.

CFO/ASA should consider including individuals from outside the Department on its review panels in order to enhance the independence of application reviews.

Action Plan

We agree with this recommendation and will include in our policy statement procedures to invite, and make every effort to include, individuals from outside the Department on any review panels for this program.