



*Department of the Interior  
Office of Inspector General*



**Proper Use of Cooperative Agreements  
Could Improve Interior's Initiatives  
for Collaborative Partnerships**

*Report No. W-IN-MOA-0086-2004*

*January 2007*



# United States Department of the Interior

## Office of Inspector General


### Western Region

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January 31, 2007  
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#### Memorandum

To: Deputy Secretary  
Assistant Secretary for Policy, Management and Budget

From: Michael P. Colombo   
Regional Audit Manager

Subject: Final Audit Report – *Proper Use of Cooperative Agreements Could Improve Interior's Initiatives for Collaborative Partnerships*  
(Report No. W-IN-MOA-0086-2004)

This report presents the results of our audit of the Department of the Interior's (Interior's) use of cooperative agreements. Over the past decade, Interior has significantly expanded its use of these agreements and now awards nearly a third of the cooperative agreements issued government-wide. Our objective was to determine whether Interior's use of cooperative agreements (1) fostered effective partnerships, (2) acquired goods and services for allowable and reasonable costs, and (3) complied with applicable laws and regulations.

We reviewed 119 cooperative agreements totaling about \$73 million administered by the U.S. Fish and Wildlife Service (FWS), U.S. Geological Survey (USGS), National Park Service (NPS), Bureau of Land Management (BLM), and Bureau of Reclamation (BOR). Our scope, methodology, and locations visited are detailed in Appendices 1 and 2. We found that the proper use of cooperative agreements could significantly improve Interior's initiatives for collaborative partnerships and decrease the risk for fraud, waste, and abuse of federal monies.

Of the 119 agreements reviewed, 74, or nearly two-thirds, should have been procurement contracts, that is, they were used for such purposes as hiring employees or building infrastructure. In such situations, contracts better protect the government's interest because they are competed and contractors are penalized for nonperformance and are paid only for allowable costs. Using cooperative agreements in lieu of contracts increases the government's exposure to fraud and misuse of federal monies and ultimately jeopardizes the end performance of Interior partnerships.

We concluded that Interior lacked a fundamental understanding as to how and for what purpose cooperative agreements should be awarded. To address this misunderstanding, we prepared a guide delineating the decision points to determine whether a grant, cooperative agreement, or procurement contract was the appropriate legal instrument (Appendix 3) and made five recommendations to improve the management of cooperative agreements by (1) establishing an Interior-wide policy requiring legal reviews, (2) enacting an Interior-wide policy requiring periodic management reviews of the award and administration process, (3) developing competition guidelines, (4) implementing a financial assistance training program, and (5) requiring cost reviews during the performance period. If implemented, these recommendations should improve the accountability and effectiveness of Interior partnerships established under cooperative agreements and reduce the risk of fraud.

In his October 2, 2006 response (Appendix 4), the Assistant Secretary for Policy, Management and Budget partially concurred with Recommendations 1 and 3, concurred with Recommendations 2 and 4, and did not concur with Recommendation 5. Based on his response, we revised Recommendations 3 and 5. We consider these recommendations and Recommendation 1 to be unresolved and Recommendations 2 and 4 to be resolved but not implemented. We will refer Recommendations 2 and 4 to the Office of Policy, Management and Budget for tracking of implementation and are asking the Assistant Secretary to reconsider Recommendations 1, 3, and 5.

The legislation, as amended, creating the Office of Inspector General (OIG) requires that we report to Congress semiannually on all audit reports issued, actions taken to implement our audit recommendations, and recommendations that have not been implemented. Please provide a written response to this report by March 2, 2007, that supplies the information requested in Appendix 5. We appreciate the cooperation shown by Interior bureaus during our review. If you have any questions regarding this report, please call me at (916) 978-5653.

Attachment

cc: Assistant Secretary for Water and Science  
Assistant Secretary for Land and Minerals Management  
Assistant Secretary for Fish and Wildlife and Parks

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## Acronyms

BLM .....	Bureau of Land Management
BOR.....	Bureau of Reclamation
CSU .....	California State University
CSUS .....	California State University at Sacramento
DM .....	Departmental Manual
DOI.....	Department of the Interior
FAR .....	Federal Acquisition Regulation
FWS.....	U.S. Fish and Wildlife Service
OIG.....	Office of Inspector General
NPS.....	National Park Service
OMB.....	Office of Management and Budget
USC .....	United States Code
USGS.....	U.S. Geological Survey

# COOPERATIVE AGREEMENTS KEY TO BUILDING SUCCESSFUL PARTNERSHIPS

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Partnerships with state and local governments, universities, non-profit organizations, and private citizens are essential in helping Interior meet its mission of managing the protection and use of resources, providing recreation, and serving communities. By focusing on the exchange of ideas and resources, partnerships result in a more productive approach to solving problems and working toward mutual goals.

Partnerships can be legally established in several ways, including memorandums of understanding, grants, contracts, and cooperative agreements. The kind of partnership chosen depends on the objective to be met.

## ***What Is a Cooperative Agreement?***

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*A cooperative agreement is a legal instrument used to transfer money, property, services, or other things of value from a federal party to a non-federal party under the following conditions:*

- ❖ *When there is congressional authority to do so.*
- ❖ *When the money, property, services, or other thing of value being transferred will be used to accomplish a public purpose.*
- ❖ *When both the federal and non-federal parties will be substantially involved in accomplishing the public purpose.*

In the case of cooperative agreements, the objective is to partner with non-federal parties to achieve public benefits that neither Interior nor the non-federal party can accomplish alone—in effect getting more than a dollar's return for

every federal dollar spent. When properly used, cooperative agreements are powerful tools. For example, an NPS partner has helped NPS leverage its resources by more than \$65 million since 1981 to improve visitor education and recreation in the Golden Gate National Recreation Area in San Francisco.<sup>1</sup>

Typically, cooperative agreements convey dollars to recipients, who convert the dollars to a variety of goods and services, such as scientific research and habitat restoration on non-federal land, which are related to carrying out, supporting, or stimulating a public purpose, as authorized by law. A guide to properly choose between a grant, cooperative agreement, or procurement contract is shown in Appendix 3.

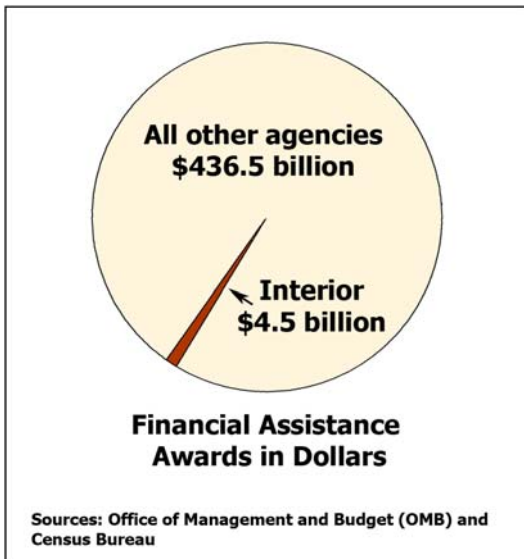
## **CURRENT USE OF COOPERATIVE AGREEMENTS AND THEIR ROLE IN INTERIOR PARTNERSHIPS**

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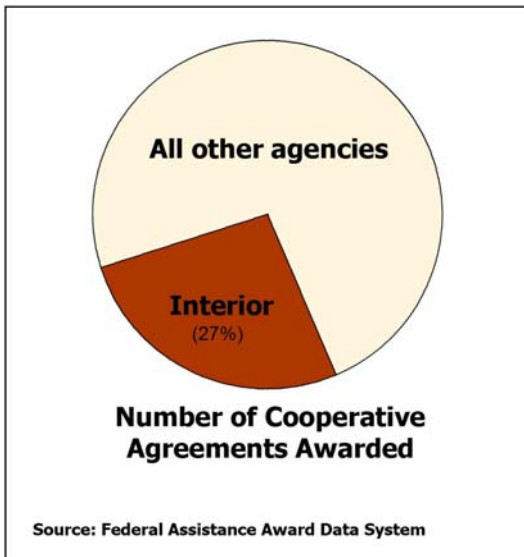
Over the past decade, Interior has significantly increased its use of cooperative agreements. The extent of Interior's use of these agreements is shown by comparing Interior's financial assistance funding and use of cooperative agreements with that of all other federal government agencies (Figures 1 and 2). Although Interior expends only 1 percent (\$4.5 billion) of all federal outlays annually (\$436.5 billion) for financial assistance, it awards a disproportionate number of cooperative agreements (nearly a third) as compared to other federal agencies.

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<sup>1</sup> NPS Report, *National Park Service: Partnering & Managing for Excellence*, July 2, 2003, [www.nps.gov/accomreport2003](http://www.nps.gov/accomreport2003)



**Figure 1**



**Figure 2**

The greater reliance on cooperative agreements has occurred, in part, because of legislation that bureaus have interpreted as giving them broader discretion on how and when to use cooperative agreements. For example, under the Federal Land Policy and Management Act of 1976, Section 307(b), BLM, acting through the Secretary, was granted broad authority to enter into both contracts and cooperative agreements that involve the management, protection, development, and sale of public lands.

Bureau officials told us they believe that Section 307(b) allows them to use cooperative agreements to acquire goods and services for mission-related purposes. This view is shared by other Interior officials and contracting officers we interviewed, who believe that agencies having the authority to enter into both a procurement contract and a cooperative agreement also have the discretion to choose either one as the appropriate legal instrument.

## **OBJECTIVE AND SCOPE**

Of Interior's \$13.9 billion fiscal year 2003 budget, \$8.8 billion was expended on procurement contracts and financial assistance. Financial assistance, which includes grants and cooperative agreements, totaled \$4.5 billion of this amount.

At the time of our review, Interior lacked an integrated information system that managed both financial and program data. As previously reported in our August 2005 grants management report *Framework Needed to Promote Accountability in Interior's Grants Management*,<sup>2</sup> data generated by current information systems were unreliable to the extent that we could not determine the amounts obligated or expended

<sup>2</sup> This report, focused solely on grants, revealed serious deficiencies, such as lack of competition, training, reliable data, and effective monitoring, which collectively did not ensure the use of federal dollars as intended; promote fair treatment for both grant applicants and recipients; or reduce the susceptibility of programs to fraud, waste, and abuse. The report included a framework for action, such as using the Department of the Interior's (DOI) University for training, to significantly improve the quality of grants management within Interior and to encourage public participation in and benefit from financial assistance programs, as intended by Congress.



annually for grants or the award recipients.

Interior’s information systems also generated unreliable data on cooperative agreements. Without summarized information at the Departmental or bureau level, we were limited to visiting or contacting bureau offices and judgmentally selecting cooperative agreement files for review. In certain instances, we used individual cooperative agreement listings prepared by the bureaus to select files for review. In other instances, we used the Federal Assistance and Awards Data System, operated by the U.S. Census Bureau, to select files for review. We based our selections on a cross-section of recipient types, dollar values, work statements, bureaus, and geographic locations.

We reviewed 119 cooperative agreements (Figure 3) totaling

\$73 million for fiscal years 2001 through 2003 to determine whether they met the following conditions:

- (1) Fostered effective partnerships,
- (2) Acquired goods and services for allowable and reasonable costs,
- (3) Complied with applicable laws and regulations.

Bureau	No.
NPS	43
BLM	13
BOR	8
USGS	24
FWS	31
<b>Total</b>	<b>119</b>

**Figure 3**

## PROPER USE OF COOPERATIVE AGREEMENTS COULD IMPROVE INITIATIVES FOR COLLABORATIVE PARTNERSHIPS AND DECREASE THE RISK OF FRAUD, WASTE, AND ABUSE

The proper use of cooperative agreements could significantly improve Interior's partnership initiatives with state and local governments, non-profit organizations, and private individuals. These initiatives are essential in helping Interior meet its mission goals.

The threat posed by Interior's improper use of cooperative agreements is twofold. First, improper use results in partnerships that do **not** (a) leverage federal dollars to accomplish more than would have been accomplished by procurement contracts, (b) provide mutual benefit to achieve a common purpose, (c) acquire goods and services at reasonable costs, or (d) comply with applicable laws and regulations. Second, improper use unnecessarily increases Interior's risk for fraud, waste, and abuse.

Although differing interpretations of bureau legal authorities were a contributing factor, the improper use of cooperative agreements is primarily the result of ineffective Interior oversight coupled with a lack of consistent policies and procedures governing the use of such agreements. Without effective oversight, bureaus adopted their own sets of guidelines. These guidelines neither clarified the proper use of agreements nor provided a system of checks and balances to protect the interests of both the government and the non-federal party, as do the controls for contracts stipulated in Title 48 of the Code of Federal Regulations.

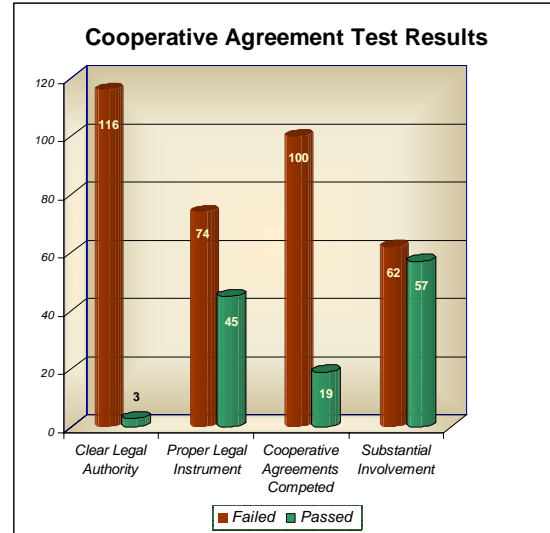


Figure 4

Our review of 119 cooperative agreements (Figure 4) revealed that Interior consistently failed at critical decision points in determining when to use cooperative agreements. For example:

- ❖ Nearly all (116) of the cooperative agreements reviewed were awarded without clear legal authority. Thus, the issue of what constitutes legal authority is a fundamental problem in Interior.
- ❖ Nearly two-thirds (74) of the cooperative agreements were issued in lieu of procurement contracts to acquire mission-related goods and services and were therefore contrary to one of the primary purposes of the Federal Grant and Cooperative



Agreement Act of 1977 (31 USC 6303),<sup>3</sup> namely, to *curb the misuse of financial assistance agreements in procurement situations.*

- ❖ Most (100) cooperative agreements were issued without soliciting for competition and therefore did not ensure that the best goods and services were acquired at the most reasonable price possible.
- ❖ Just over half (62) of the cooperative agreements did not have substantial involvement by both parties, a defining characteristic of what constitutes a cooperative agreement.

### **INEFFECTIVE PARTNERSHIPS ARE NOT LEVERAGING FEDERAL DOLLARS**

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As a result, under the guise of forming partnerships, bureaus extensively used cooperative agreements as a procurement tool to hire employees, perform maintenance work, and build infrastructure that directly benefited their own missions. In these cooperative agreements, the non-federal parties and Interior bureaus did not work together as partners to accomplish a mutual goal that benefited the public.

Rather, the non-federal parties functioned solely as contractors or brokers to provide or acquire services for the government. As such, they contributed little or none of their own resources. The use of cooperative agreements in this way did not foster effective partnerships that leveraged

federal dollars in accomplishing Interior's vital mission goals. At best, these agreements could be called one-sided partnerships. At worst, they did not protect the interests of the government, as do contracts, and unnecessarily increased the risk of the misuse of federal monies. For example:

- ❖ ***USGS Used a University as a Payroll Agent to Hire Contractors and Pay Salaries, Thereby Precluding Opportunities for Benefits of Joint Research.*** Over the past 4 years, the USGS California Water Science Center used a cooperative agreement with California State University at Sacramento (CSUS) to pay 28 full-time contractors (\$2 million annually) for work on USGS research projects. Contrary to the original intent of the agreement to establish a partnership between CSUS and USGS for joint research, the contractors worked solely for the Center, some for as long as 7 years.
- ❖ ***BLM Used a Non-Profit to Hire Temporary Employees, Violating 31 USC 6303 and the Federal Acquisition Regulation (FAR 37.104(b)).*** For 5 years, BLM used a cooperative agreement with a non-profit to hire hundreds of temporary employees to work for up to 2 years at various BLM offices at a cost of \$15 million. In this situation, BLM violated FAR, which specifically prohibits agencies from awarding personal service contracts unless specifically authorized by statute to do so. This agreement qualified as a personal services contract because an "employer-employee" relationship was created between BLM and the temporary employees, whom BLM continually supervised.

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<sup>3</sup> This law requires use of a procurement contract (unless Congress states otherwise) as the legal instrument when the principal purpose is to acquire property or services for the direct benefit or use of the U.S. Government.

❖ ***Against the Advice of a Regional Solicitor, BOR Used Cooperative Agreements to Hire Law Enforcement Services.*** In 2002, BOR ignored the advice of a Regional Solicitor to use contracts and instead issued two cooperative agreements totaling \$900,000 for law enforcement services to help protect two water projects. Although the BOR Solicitor indicated that use of a cooperative agreement was “legally sufficient,” he stated that a contract would be a better instrument. We agree and believe that the use of a contract would have better protected the government’s interest by (1) clearly delineating security requirements, (2) including a requirement for cost reviews of extraordinary costs, and (3) ensuring all agreements include performance enforcement provisions.

❖ ***FWS Used a Cooperative Agreement in Lieu of a Contract and Then Paid Summary Billings That Included Unallowable Costs.*** FWS awarded a \$25,000 cooperative agreement to a non-profit for maintenance on FWS refuges. Twenty modifications increased that amount to about \$4.15 million. We reviewed \$1.5 million of the billed costs and identified questioned and disallowed costs of over \$73,000 for entertainment, alcohol, excessive travel, and unsupported charges. FWS conducted only minimal and sporadic reviews of the costs charged against this agreement. Federal regulations governing these types of contracts require that costs be reviewed for accuracy, allowability, and reasonableness. The \$73,000 paid for questioned or disallowed costs could have been used for other maintenance activities.

❖ ***FWS Improperly Used a Cooperative Agreement to Pay for the Construction of a Science Building.*** Over the last 3 years, FWS used a cooperative agreement in lieu of a construction contract to pay a non-federal party \$6.5 million for constructing a science laboratory at Sevilleta National Wildlife Refuge in New Mexico. Although Congress appropriated funds for the laboratory as a budget line-item, Congress did not expressly authorize the use of a cooperative agreement. FWS therefore lacked specific statutory authority to award a cooperative agreement for this construction project. Further, FWS was not substantially involved in construction oversight, as it would have been with a construction contract. Ultimately, project completion lagged a year behind schedule, and the square footage of the original building plan was reduced by about 50 percent. A contract might have better protected the government’s interest.

## **INTERIOR AND BUREAU OVERSIGHT IS ESSENTIAL**

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Interior must improve its oversight on the use of cooperative agreements to ensure that partnerships leverage federal dollars; bureaus obtain goods and services at reasonable costs; and cooperative agreements, once issued, comply with laws and regulations. The requirements for effective oversight are threefold:

❖ Conducting thorough legal reviews prior to awarding a cooperative agreement.

- ❖ Reviewing billed costs during the cooperative agreement performance period.
- ❖ Performing periodic management reviews of all processes related to awarding and administering cooperative agreements.

### LEGAL REVIEWS

Because of legal authorities that can be interpreted in multiple ways, we questioned all but three of the legal authorities used to justify the use of the 119 cooperative agreements. We also questioned whether 74 of the 119 agreements should have instead been procurement contracts. Before bureaus award cooperative agreements, Interior solicitors should confirm that bureaus have the legal authority to do so and, if so, whether agreements comply with all laws and regulations.

At the time of our audit, there was no Interior-wide policy requiring legal reviews before the award of cooperative agreements. Absent such a policy, bureaus adopted differing financial thresholds for legal reviews, as follows:

Thresholds for Legal Reviews	
Bureau	Threshold
BOR	\$300,000
NPS	All Assistance
USGS	\$1,000,000
BLM	As Needed
FWS	\$500,000

**Figure 5**

Lacking the checks and balances provided by FAR, the indiscriminate use of cooperative agreements in lieu of procurement contracts also increases the government’s exposure to the misuse of federal monies.

Without a statute expressly exempting the acquisition of goods and services from the requirements of the Federal Grant and Cooperative Agreement Act of 1977, the use of a cooperative agreement to obtain mission-related goods and services violates 31 USC 6303. As defined in the 1977 Act, cooperative agreements are financial assistance instruments to be used, like grants, for acquiring goods and services that serve a public purpose, but which require a greater degree of federal involvement than grants.

The distinction between contracts and cooperative agreements is a clear one that has been consistently upheld by the Comptroller General of the United States. Given the current use of cooperative agreements, Interior must take steps to better control the selection of cooperative agreements as the appropriate mechanism.

On March 29, 2006, Interior adopted a new policy in the Departmental Manual (DM 505 2.8.D), which required legal reviews for cooperative agreements with values over \$750,000.

### COST REVIEWS

Given Interior’s practice of using cooperative agreements as streamlined procurements contracts, reviews of billed costs during the performance period are critical to ensure that goods and services are produced at reasonable costs.

Reviews should include evaluating the basis for cost estimates and incurred costs to validate billed costs and matching requirements. Although bureaus sometimes reviewed, planned, or budgeted costs before awarding cooperative agreements, they rarely reviewed incurred costs, including any

matching requirements. As some of the examples discussed previously demonstrated, bureaus have sometimes paid for unallowable and excessive costs.

### **PERIODIC MANAGEMENT REVIEWS**

In addition to legal and cost reviews, bureaus must periodically review processes related to awarding and administering cooperative agreements. These processes include, but are not limited to, (1) ensuring the required legal reviews are done, (2) soliciting for competition, (3) requiring substantial involvement from both parties, (4) obtaining goods and services at allowable and reasonable costs, and (5) properly coding transactions to all financial and program systems. Such reviews, when coupled with effective corrective actions, would address another primary deficiency, namely the lack of competition.

Lacking a competition advocate<sup>4</sup> and an enforceable requirement for competition, bureau personnel prefer not to seek competitive proposals. However, Congress encourages competition in awarding both grants and cooperative agreements, as does Interior, through Part 505, Chapter 2.13 of the DM and through Office of Management and Budget (OMB) Circulars A-102 and A-110.

The emphasis on competition is based on the assumption that competition encourages innovation, increases efficiency, and lowers prices. Studies by OMB, the University of Maryland, and the Reason Foundation show average

savings of around 30 percent when competition is introduced.

In an effort to address compliance with laws and regulations covering financial assistance, the Office of Acquisition and Property Management, in fiscal year 2006, took its first step towards effective oversight by requiring bureaus to review 25 percent of all financial assistance transactions as part of their annual “functional review requirement.” In the past, Interior had no such specific review requirement.

We commend this step and believe that Interior should build on this effort of the Office of Acquisition and Property Management by developing an Interior-wide policy for periodic management reviews. Such reviews would provide the information necessary for more informed decisions, better use of resources, and greater accountability, thereby improving program management and fostering collaborative partnerships.

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<sup>4</sup> We identified the use of a competition advocate to approve non-competitive awards as a promising practice in our August 2005 grants management report *Framework Needed to Promote Accountability in Interior’s Grants*.

# Recommendations

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We recommend that the Deputy Secretary take the following actions:

1. Establish an Interior-wide policy to require, in conjunction with bureau solicitors, reviews of all proposed cooperative agreements to ensure that (a) the bureau has the legal authority, (b) there is substantial involvement by both parties to the agreement, (c) the correct legal instrument is used, and (d) all authorities and responsibilities, deliverables, cost budgets, and time frames for completing agreement objectives are clearly delineated.
2. Establish an Interior-wide policy to require periodic management reviews of all processes related to awarding and administering cooperative agreements. These processes should, at a minimum, include determining whether (a) required legal reviews were completed, (b) competition was solicited, (c) substantial involvement occurred from both parties, (d) goods and services were obtained at allowable and reasonable costs, and (e) transactions were properly coded to all financial and program systems.
3. Develop competition guidelines and metrics to evaluate and annually report the use of competition in awarding cooperative agreements to maintain the transparency consistent

with the customer service mandates prescribed in Public Law 106-107.<sup>5</sup>

4. In conjunction with DOI's University, establish and implement a training program for all acquisition and program personnel. This training program should provide instruction on how to use applicable OMB circulars to conduct thorough cost reviews of budgeted and actual expenditures.
5. Require cost reviews during the cooperative agreement's performance period to monitor billed costs and matching requirements. This would include comparing cost estimates developed during the application process to incurred costs.

## **ASSISTANT SECRETARY FOR POLICY, MANAGEMENT AND BUDGET RESPONSE AND OIG REPLY**

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In his October 2, 2006 response to our draft report (Appendix 4), the Assistant Secretary for Policy, Management and Budget generally agreed with our "overall findings that program and administrative improvements and management support are needed" to improve the award and administration of cooperative agreements. The Assistant Secretary's response included attachments detailing general comments on the report and comments of

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<sup>5</sup> The 1999 Federal Financial Assistance Management Improvement Act (Public Law 106-107) and a clarifying OMB Directive require posting financial assistance funding opportunities to a single source to simplify and streamline financial assistance applications and reporting procedures.



individual bureaus. Although we did not include the attachments in Appendix 4, we addressed these comments in the report as appropriate.

The Assistant Secretary partially concurred with Recommendations 1 and 3, concurred with Recommendations 2 and 4, and did not concur with Recommendation 5. Based on the response, we consider Recommendations 2 and 4 to be resolved, and are referring them to the Assistant Secretary for Policy, Management and Budget for tracking of implementation. Based on the response, we revised Recommendations 3 and 5. We consider these recommendations and Recommendation 1 to be unresolved. We are asking the Assistant Secretary to reconsider these three recommendations and provide the information requested in Appendix 5.

### **RECOMMENDATION 1**

The Assistant Secretary appreciated our flowchart (Appendix 3 of our report) and agreed to develop and implement an Interior-wide policy that requires adequate consideration of points (a) through (d) in Recommendation 1. The Assistant Secretary stated that the policy would require, “at minimum, use and completion of [a] . . . Financial Assistance Agreement Review Sheet” that would be “built into” the agreements and completed at the “practitioner” level. The Assistant Secretary disagreed, however, on the need for legal reviews for all cooperative agreements, citing Interior’s new policy (505 DM 2.8.D), adopted on March 29, 2006, which requires legal reviews of proposed cooperative agreements exceeding \$750,000. The Assistant Secretary also stated:

505 DM 2.8.D makes provision for legal review, not only for proposed grants and cooperative agreements with values in excess of \$750,000, but [also] those ‘of which the bureau or office otherwise seeks legal review.’

**OIG Reply.** The Assistant Secretary’s plan to implement a “built in” review sheet and Interior’s adoption of a legal review policy for agreements in excess of \$750,000 do not address the widespread confusion and misuse of cooperative agreements within Interior for the following reasons:

- ❖ The Assistant Secretary does not state who would complete the review sheet, when it would be completed, what level of management would evaluate the answers, and what documentation would be required in support of the answers given.
- ❖ Under the existing \$750,000 threshold, 105 of the 119 agreements included in our audit would not have been reviewed. These legal reviews are needed because we found that (1) legal authorities were too vague; (2) procurement contracts would have been more appropriate; (3) both parties to the agreements were not adequately involved; and (4) authorities, responsibilities, deliverables, cost budgets, time frames, and objectives were not clearly delineated. For example, in the 74 cases where procurement contracts should have been used instead of cooperative agreements, only 38 received legal reviews. Bureaus often used vague legal authorities to justify issuing cooperative agreements. For many agreements, we questioned whether



bureaus had the legal authority to distribute financial assistance funds.

We are concerned that the Assistant Secretary's response will not effectively address all the elements of our recommendation. We believe that until Interior officials, in conjunction with solicitors, are better able to ensure the proper use of cooperative agreements, the \$750,000 threshold should be suspended and that all proposed cooperative agreements should be reviewed.

It should be noted that the Assistant Secretary stated that a "revised" version of the flowchart in Appendix 3 would be included in the DM. As the Assistant Secretary felt it was important to revise the original flowchart, we believe the revised version should be evaluated for accuracy and appropriateness before being incorporated into the DM.

### **RECOMMENDATION 2**

The Assistant Secretary concurred with the recommendation and stated that, effective fiscal year 2006, Interior had begun requiring "bureaus to perform annual internal control reviews of 25 percent of their financial assistance programs . . . resulting in review of all of these programs over a four-year period." The Assistant Secretary also stated that bureaus would be required to "provide evidence that corrective action plans have been established and are being monitored for all cited deficiencies."

**OIG Reply.** We agree with the Assistant Secretary and would encourage that the internal control reviews include all cooperative agreements, even those that are not associated with established Interior financial assistance programs.

### **RECOMMENDATION 3**

The Assistant Secretary agreed that competition should be encouraged and stated that "existing policy meets the letter and spirit of the Federal Grant and Cooperative Agreement Act of 1977." The Assistant Secretary stated that "505 DM 2.13," adopted in March 2006, "requires, with few exceptions, that all discretionary grant and cooperative agreement funding opportunities be posted to the [Grants.gov](http://Grants.gov) web site." The Assistant Secretary stated that "rather than designating competition advocates, Departmental policy . . . should be advocated and enforced at the practitioner level."

**OIG Reply.** The March 2006 policy lacks a provision for monitoring and reporting on competition advocacy by practitioners. For example, a cursory review of financial assistance awards posted to [Grants.gov](http://Grants.gov) in November 2006 revealed that only 40 programs out of about 150 programs were posted. Of the posted programs, 28, or 70 percent, contained readily available information indicating competition was being solicited in some manner. Interior should therefore develop criteria for reporting the success of competition efforts and post this information in such a way as to be available to the general public. Based on the March 2006 policy, we revised Recommendation 3 to remove competition advocates in favor of annual reporting on the use of competition.

We commend the encouragement of competition stated in the March 2006 policy; specifically the mandate that bureaus and offices (1) post all agreements on [Grants.gov](http://Grants.gov), (2) provide for an independent objective evaluation of all applications prior to award, (3) ensure that applications are reviewed

and evaluated by qualified reviewers and scored and ranked and selections are made based on the announced criteria, and (4) notify unsuccessful applicants as to why their applications were disapproved.

#### **RECOMMENDATION 4**

The Assistant Secretary concurred with Recommendation 4 and stated that the Office of Acquisition and Property Management would work with DOI's University to establish and implement a mandatory training program for all employees with financial assistance responsibilities. The training program will include instructions on OMB Circular requirements and the conduct of cost reviews of budgeted and actual expenditures.

*OIG Reply.* We agree with the Assistant Secretary's response and believe that required training should also include program officials and managers.

#### **RECOMMENDATION 5**

The Assistant Secretary confirmed the importance of reviewing the allocability, allowability, and reasonableness of costs to produce goods and services related to cooperative agreements but stated:

Additional cost review requirements are incompatible with the administrative requirements and procedures of . . . OMB Circulars A-102, A-110, and A-133, and the goal of reducing administrative burdens placed on applicants/recipients as identified in the Federal Grants and Cooperative Agreements Act of 1977, and the Federal Financial Assistance Management Improvement Act of 1999, Public Law 106-107.

The Assistant Secretary also stated that inappropriate charges should be prevented through the recipients' systems of internal controls and monitored through the Single Audit process.

*OIG Reply.* We disagree with the Assistant Secretary's statement that "additional cost reviews requirements are incompatible with the administrative requirements and procedures of . . . OMB Circulars" and that "unallowable" or "unallocable" costs would be prevented or detected through the Single Audit process. We revised our report and Recommendation 5 to clarify our definition of cost reviews; that is, reviews conducted during the performance period to monitor billed costs and matching requirements. Such monitoring is consistent with the intent of OMB circulars, specifically Circular A-110 *Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations* and Circular A-102 *Grants and Cooperative Agreements with State and Local Governments*. For example Circular A-102 states "In assessing the adequacy of an applicant's financial management system, the awarding agency shall rely on readily available sources of information, such as audit reports, to the maximum extent possible." The Circular also states, however, that if "additional information is necessary to assure prudent management of agency funds, it shall be obtained from the applicant or from an on-site review." In addition, Circular A-110 states "Federal awarding agencies shall require recipients to relate financial data to performance data . . . whenever practical."

The need for financial performance monitoring by awarding agencies is inherent in the recipients' responsibilities under the circulars. For example, Circular A-110 requires that recipients' financial systems provide for "accurate, current, and complete disclosure of the financial results," "records that identify adequately the source and application of funds," "effective control over and accountability for all funds," "comparison of outlays with budget amounts for each award," "written procedures for determining the reasonableness, allocability, and allowability of costs," and "accounting records including cost accounting records that are supported by source documentation."

Although the single audits stipulated in Circular A-133 *Audits of States, Local Governments, and Non-Profit Organizations* may be useful in monitoring financial performance, the single audit alone can not satisfy all financial performance monitoring aspects. Single audits ensure the accountability of federal funds at a

broad, entity-wide level for a snap-shot in time but are not done contemporaneously with agreement performance and do not meet monitoring requirements for each individual cooperative agreement. The cost reviews we are recommending—reviews conducted during the performance period—generally fall under the provisions of OMB Circulars A-110 and A-102, which govern cost accountability for individual financial assistance awards, from award through close-out.

Overall, we made our recommendations because of the lack of accountability and transparency in Interior's management of financial assistance awards. As Interior "builds in" the controls needed to achieve accountability and transparency, as stated by the Assistant Secretary, the need for comprehensive oversight of award recipients, such as cost reviews, should decrease. Such "built in" controls would improve the quality of financial assistance management, encourage public participation, and achieve the public benefits intended by Congress.

## APPENDIX 1

# OBJECTIVE, SCOPE, AND METHODOLOGY

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We focused our audit on the \$1.5 billion in financial assistance annually managed by Interior bureaus during fiscal years 2001 through 2003. We did not review partnerships created with other legal instruments, such as “joint funding agreements.”

Using the definition of cooperative agreements as a guide,<sup>6</sup> we determined whether Interior’s use of these agreements (1) fostered effective partnerships, (2) acquired goods and services for allowable and reasonable costs, and (3) complied with applicable laws and regulations.

Because summarized Departmental information on cooperative agreements was not available, we visited and contacted Interior and bureau offices located throughout the country and judgmentally selected cooperative agreement files for reviews (see Appendix 2).

To accomplish our audit, we tested 119 cooperative agreements totaling about \$73 million administered by FWS, USGS, NPS, BLM, and BOR. As part of our tests, we determined whether the proper goods and services for 20 cooperative agreements were acquired in accordance with the terms and conditions of the agreements.

Our audit was conducted in accordance with the *Government Auditing Standards*, issued by the Comptroller General of the United States. Accordingly, we included such tests of records and other auditing procedures

considered necessary to accomplish our objective.

Our audit was conducted during fiscal years 2004 through 2006. We interviewed numerous Interior and bureau officials to understand the processes related to awarding and administering cooperative agreements. We reviewed laws; OMB circulars; Interior and bureau policies and procedures; Comptroller General Decisions; and past reports related to cooperative agreements issued by the OIG, Government Accountability Office, and other federal and non-federal agencies. We also reviewed bureau financial and program information.

We reviewed Interior’s Performance and Accountability Reports for fiscal years 2001 through 2003, which included information required by the Federal Managers’ Financial Integrity Act, and bureau annual assurance statements. We found that Interior identified “controls over financial reporting” for grants as a material weakness in fiscal year 2002. We addressed this weakness in our August 2005 grants management report *Framework Needed to Promote Accountability in Interior’s Grants Management*.

We also determined whether Interior had designed and implemented a system of internal controls to provide reasonable assurance that cooperative agreements (1) fostered effective partnerships, (2) acquired the goods and services for allowable and reasonable costs, and (3) complied with applicable laws and regulations.

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<sup>6</sup> Federal Grant and Cooperative Agreement Act (31 USC 6305)

We found weaknesses in Interior's oversight of cooperative agreements. These weaknesses and recommended corrective actions are discussed in this report. If implemented, the

recommendations should improve internal controls over Interior's use of cooperative agreements.

## APPENDIX 2

### SITES VISITED OR CONTACTED

Sites	Location
Office of Acquisition and Property Management	Washington, D.C.
<b>BLM</b>	
California State Office	Sacramento, California
Washington Office, Audit Liaison*	Washington, D.C.
<b>BOR</b>	
Great Plains Region	Billings, Montana
Lower Colorado Region*	Boulder City, Nevada
Mid-Pacific Region	Sacramento, California
Pacific Northwest Region*	Boise, Idaho
Bureau-wide Audit Liaison*	Lakewood, Colorado
<b>NPS</b>	
Intermountain Region	Lakewood, Colorado
Contracting Support Office	Santa Fe, New Mexico
Contracting Support Office	Lakewood, Colorado
Northeast Region	Philadelphia, Pennsylvania
Valley Forge National Historical Park	Valley Forge, Pennsylvania
Pacific West Region	Oakland, California
Whiskeytown National Recreation Area	Whiskeytown, California
Southeast Region	Atlanta, Georgia
Great Smoky Mountains National Park	Tennessee
Washington Office, Audit Liaison*	Washington, D.C.
<b>FWS</b>	
Mountain-Prairie Region	Lakewood, Colorado
Northeast Region	Hadley, Massachusetts
Missisquoi National Wildlife Refuge	Swanton, Vermont
Moosehorn National Wildlife Refuge	Calais, Maine
Rappahannock River Valley National Wildlife Refuge	Warsaw, Virginia
Wallkill River National Wildlife Refuge	Sussex, New Jersey

\* Contacted only

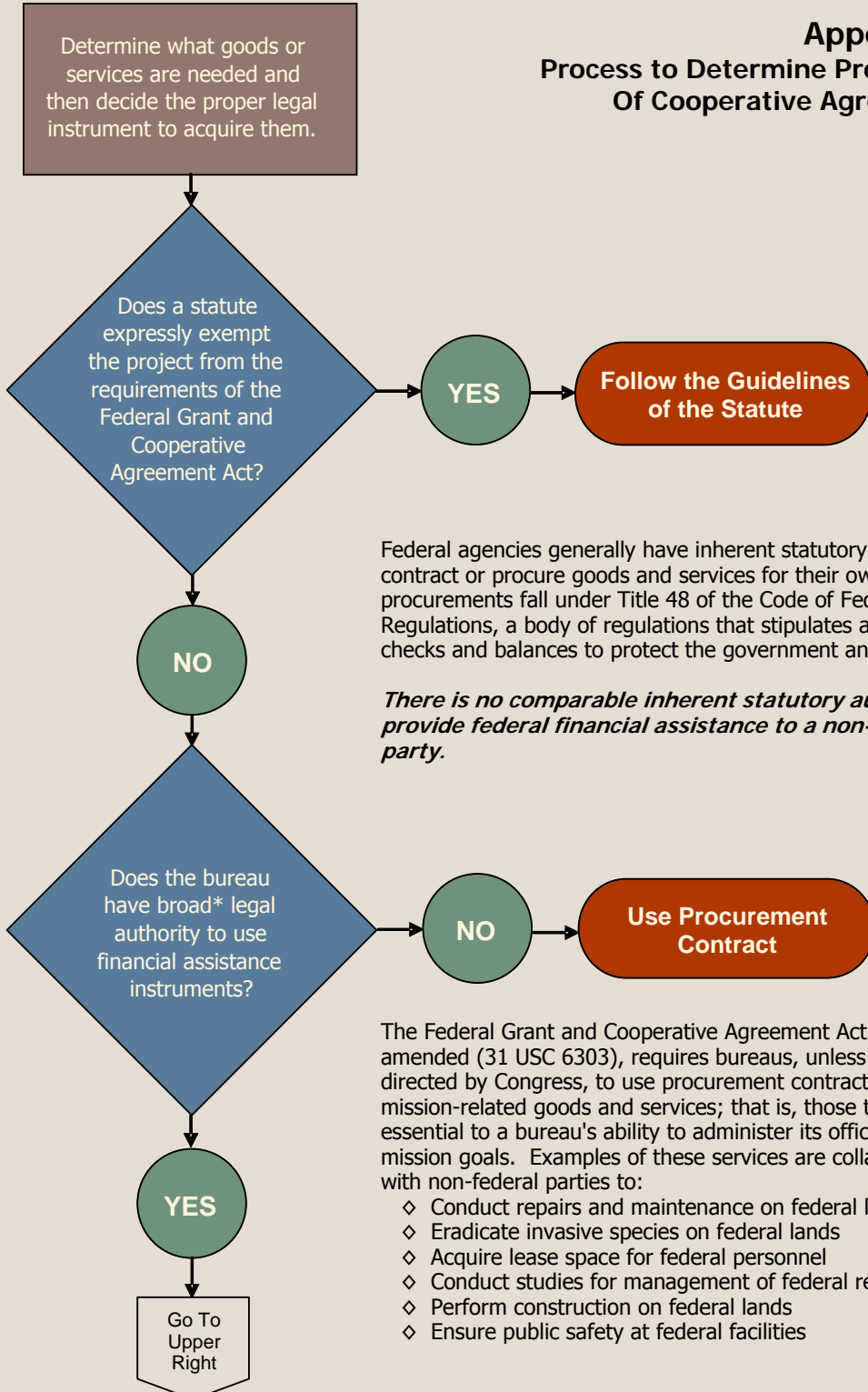


## SITES VISITED OR CONTACTED (CONTINUED)

Sites	Location
Southeast Region	Atlanta, Georgia
Southwest Region	Albuquerque, New Mexico
New Mexico Ecological Services Field Office	Albuquerque, New Mexico
Sevilleta National Wildlife Refuge	Socorro, New Mexico
Washington Office, Audit Liaison*	Arlington, Virginia
<b>USGS</b>	
Forest and Rangeland Ecosystem Science Center	Corvallis, Oregon
California Water Science Center	Sacramento, California
Office of Acquisition and Grants, Eastern Region	Reston, Virginia
Office of Acquisition and Grants, Western Region	Sacramento, California
Washington Office Audit Liaison*	Washington, D.C.
<b>Minerals Management Service</b>	
Washington Office, Audit Liaison*	Washington, D.C.
<b>Other (Non-Interior)</b>	
Applied Technology Council	Redwood City, California
Association of Bay Area Governments	Oakland, California
CSU Monterey Bay Foundation	Seaside, California
CSU Sacramento Foundation	Sacramento, California
Ducks Unlimited, Inc., Great Lakes/Atlantic Regional Office*	Ann Arbor, Michigan
Ducks Unlimited, Inc., Project Sites	Cooperstown, New York
Ducks Unlimited, Inc., Western Regional Office	Rancho Cordova, California
Harrison Duck Club	West Valley City, Utah
Intermountain West Joint Venture	West Valley City, Utah
Marsh Holders' Duck Club	Ogden, Utah
Sacramento Regional Foundation	Sacramento, California
Shade Global	New York City, New York
Sonoma County Water Agency	Santa Rosa, California
Turner Enterprises	Colfax County, New Mexico
University of Arizona, the Department of Geosciences and the Desert Laboratory	Tucson, Arizona
University of Denver, Department of Geography	Denver, Colorado
University of New Mexico	Albuquerque, Arizona

\* Contacted only

### Appendix 3 Process to Determine Proper Use Of Cooperative Agreements



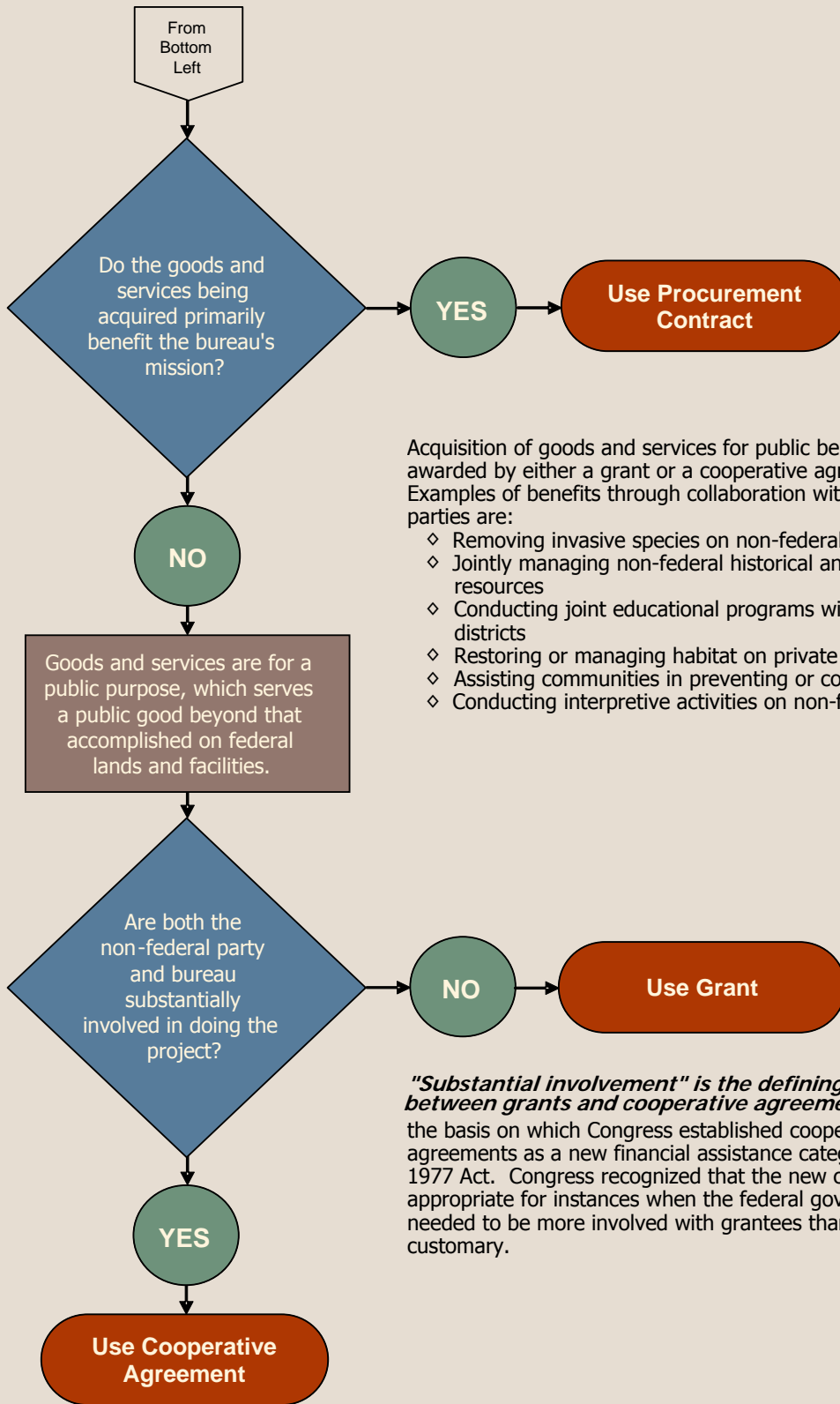
Federal agencies generally have inherent statutory authority to contract or procure goods and services for their own use. Such procurements fall under Title 48 of the Code of Federal Regulations, a body of regulations that stipulates a system of checks and balances to protect the government and the vendor.

*There is no comparable inherent statutory authority to provide federal financial assistance to a non-federal party.*

The Federal Grant and Cooperative Agreement Act of 1977, as amended (31 USC 6303), requires bureaus, unless otherwise directed by Congress, to use procurement contracts to acquire mission-related goods and services; that is, those that are essential to a bureau's ability to administer its offices and meet mission goals. Examples of these services are collaborations with non-federal parties to:

- ◇ Conduct repairs and maintenance on federal lands
- ◇ Eradicate invasive species on federal lands
- ◇ Acquire lease space for federal personnel
- ◇ Conduct studies for management of federal resources
- ◇ Perform construction on federal lands
- ◇ Ensure public safety at federal facilities

\* As defined, broad legal authority allows the Bureau to choose between a cooperative agreement or contract to acquire mission-related goods or services.



Acquisition of goods and services for public benefit is awarded by either a grant or a cooperative agreement. Examples of benefits through collaboration with non-federal parties are:

- ◊ Removing invasive species on non-federal lands
- ◊ Jointly managing non-federal historical and cultural resources
- ◊ Conducting joint educational programs with school districts
- ◊ Restoring or managing habitat on private land
- ◊ Assisting communities in preventing or controlling fires
- ◊ Conducting interpretive activities on non-federal lands

***"Substantial involvement" is the defining distinction between grants and cooperative agreements*** and was the basis on which Congress established cooperative agreements as a new financial assistance category in the 1977 Act. Congress recognized that the new category was appropriate for instances when the federal government needed to be more involved with grantees than was customary.

APPENDIX 4  
**ASSISTANT SECRETARY FOR  
POLICY, MANAGEMENT AND BUDGET RESPONSE**

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United States Department of the Interior  
OFFICE OF THE ASSISTANT SECRETARY  
POLICY, MANAGEMENT AND BUDGET  
Washington, DC 20240



OCT 02 2006

Memorandum

To: Anne Richards  
Assistant Inspector General for Audits

From: R. Thomas Weimer *R. Thomas Weimer*  
Assistant Secretary

Subject: Departmental Comments: Draft Office of Inspector General Audit Report:  
*Interior's Improper Use of Cooperative Agreements Jeopardizes  
Initiatives for Collaborative Partnerships*  
(Assignment No.: W-IN-MOA-0086-2004)

Thank you for providing the Department of the Interior's bureaus and offices with the opportunity to review and comment on the above referenced draft report. We also appreciate the time extension and additional information provided, which allowed for a more comprehensive review of the draft report's findings and recommendations.

The Department relies on cooperators, contractors, and other partners to accomplish its mission. As correctly pointed out in the draft report, inappropriate use of cooperative agreements, even by a few, may jeopardize the ultimate success of our endeavors to increase collaborative partnerships and their resulting benefits to the public in both the short- and long-terms.

We concur with the draft report's overall findings that program and administrative improvements and management support are needed to ensure that:

- There is clear legal authority for entering into cooperative agreements;
- Appropriate financial assistance or procurement instruments which protect the public's interests and assets, and accurately reflect the relationships and involvement of parties to agreements/contracts, are selected in accordance with the Federal Grant and Cooperative Agreement Act of 1997 (31 U.S.C. 6303), Federal, and Departmental regulations; and
- Competition, where appropriate, is utilized and transparency is increased.

Proposed Departmental corrective actions in response to the report's recommendations are included in Attachment 1. General comments/recommendations related to the report's findings are provided in Attachment 2. Individual bureau/office comments related to specific report findings are contained in Attachment 3. We are working to clarify additional technical comments.

If you have any questions, please contact Debra Sonderman, Director, Office of Acquisition and Property Management, on 202-208-6352, or Patricia Corrigan of her staff on 202-208-1906.

Attachments

**Attachment 1****Departmental Comments and Proposed Corrective Actions in Response to Recommendations in Draft Report Entitled "Interior's Improper Use of Cooperative Agreements Jeopardizes Initiatives for Collaborative Partnerships"**

**OIG Recommendation 1.: Establish an Interior-wide policy to require, in conjunction with bureau solicitors, reviews of all proposed cooperative agreements to ensure that (a) the bureau has the legal authority, (b) there is substantial involvement by both parties to the agreement, (c) the correct legal instrument is used, and (d) all authorities and responsibilities, deliverables, cost budgets, and time frames for completing agreement objectives are clearly delineated.**

**Response:** Partial Concurrence. We agree with the importance of ensuring that the considerations identified in points (a) through (d) of the recommendation are adequately addressed in each cooperative agreement and/or its supporting documentation. We believe that these considerations should be "built into" as opposed to "inspected into" the agreements. This should be done at the practitioner level. Therefore, a policy that requires, at minimum, use and completion of the attached Financial Assistance Agreement Review Sheet (which incorporates OMB Circular and 505 DM 2 requirements) will be developed and implemented Departmentwide. The checklist will also be used in the conduct of management reviews of financial assistance transactions.

We appreciate the "Process to Determine Proper Use of Cooperative Agreements" flowchart provided in Appendix 3 to the draft report. We have revised it slightly (see attached) and will include it in the policy referenced above.

As indicated above, 505 DM 2.8.D makes provision for legal review, not only for proposed grants and cooperative agreements with values in excess of \$750,000, but those "of which the bureau or office otherwise seeks legal review" (i.e., bureau/office financial assistance program and administrative personnel may request legal review for any proposed financial assistance transaction regardless of dollar amount.) While the \$750,000 legal review threshold was established as a Departmental threshold based upon financial assistance transaction data, bureaus may, in coordination with the Office of the Solicitor Division of General Law, lower (but not raise) the established legal review threshold for purposes of their programs. The policy at 505 DM 2.8.D was developed in conjunction with the Office of the Solicitor Division of General Law, and we believe that it provides an adequate legal review mechanism that considers and balances resources and workload.

**Responsible Official:** Melodee Stith, Associate Director, Acquisition and Financial Assistance, Office of Acquisition and Property Management

**Target Implementation Date:** December 31, 2006

**OIG Recommendation 2.: Establish an Interior-wide policy to require periodic management reviews of all processes related to awarding and administering cooperative agreements. These processes should, at minimum, include determining whether (a) required legal reviews were completed, (b) competition was solicited, (c) substantial involvement occurred from both parties, (d) goods and services were obtained at allowable**

and reasonable costs, and (e) transactions were properly coded to all financial and program systems.

**Response:** Concur. We consider this recommendation implemented. Effective in the FY 2006 reporting cycle (and thereafter), in order to provide reasonable assurance regarding the prevention or prompt detection of compliance and/or systemic weaknesses in the Department's financial assistance programs, Office of Acquisition and Property Management internal control policy requires bureaus to perform annual internal control reviews of 25 percent of their financial assistance programs (this includes all headquarters, Regional, and field activities where grants and cooperative agreements are awarded and/or administered) resulting in review of all of these programs over a four-year period. Under the 25%/four year reporting cycle, 100 percent of each bureau's financial assistance programs will have been reviewed, assessed, and applicable corrective actions taken.

Corrective action plans must be developed, implemented, and tracked for deficiencies identified in the course of reviews/assessments. Managers will complete, within established timeframes, all actions that correct or otherwise resolve the appropriate matters identified in review reports. In their annual internal control reports to the Office of Acquisition and Property Management, bureaus must provide evidence that corrective action plans have been established and are being monitored for all cited deficiencies.

**3. OIG Recommendation 3: Develop competition guidelines that include appointing competition advocates responsible for approving all justifications for non-competitive cooperative agreements that exceeded established thresholds.**

**Response:** Concur that competition be encouraged. Unlike Federal contracting where statute and regulation require competition and the appointment of competition advocates, under financial assistance, competition is encouraged but not required. The Federal Grant and Cooperative Agreement Act of 1977 (31 USC Chapter 63) is very clear with regard to the distinctions between competition in the contracting and financial assistance arenas, where it states among its purposes at 31 USC 6301 (C) (3):

§ 6301. Purposes

The purposes of this chapter are to—

- (1) promote a better understanding of United States Government expenditures and help eliminate unnecessary administrative requirements on recipients of Government awards by characterizing the relationship between executive agencies and contractors, States, local governments, and other recipients in acquiring property and services and in providing United States Government assistance;
- (2) prescribe criteria for executive agencies in selecting appropriate legal instruments to achieve—
  - (A) uniformity in their use by executive agencies;
  - (B) a clear definition of the relationships they reflect; and
  - (C) a better understanding of the responsibilities of the parties to them; and
- (3) promote increased discipline in selecting and using procurement contracts, grant agreements, and cooperative agreements, *maximize competition in making procurement contracts, and encourage competition in making grants and cooperative agreements.*

Departmental policy regarding competition for discretionary grants and cooperative agreements is stated at 505 DM 2.15:



**2.15 Competition for Discretionary Grant Agreements and Cooperative Agreements.** Maximum competition in awarding discretionary grant agreements and cooperative agreements is encouraged.

In addition, in order to provide the public with maximum opportunity to view potential funding opportunities thereby maintaining program/process transparency, Departmental policy at 505 DM 2.13 requires, with few exceptions, that all discretionary grant and cooperative agreement funding opportunities be posted to the Grants.gov web site.

We believe that existing policy meets the letter and spirit of the Federal Grant and Cooperative Agreement Act of 1977 with regard to the role of competition in financial assistance. Rather than designating competition advocates, Departmental policy related to competition should be advocated and enforced at the practitioner level (i.e., program and administrative personnel with financial assistance planning, award, and/or administrative responsibilities), by ensuring that the applicability and extent of competition is adequately considered, justified, and properly documented in the transaction file. The attached Financial Assistance Agreement Review Sheet includes a section related to the documentation of competition.

The policy referenced in the response to Recommendation #1 above will require that the applicability and extent of competition be adequately addressed as part of the transaction file.

**Responsible Official:** Melodee Stith, Associate Director, Acquisition and Financial Assistance, Office of Acquisition and Property Management

**Target Implementation Date:** December 31, 2006

**OIG Recommendation #4: In conjunction with DOI's University, establish and implement a training program for all acquisition and program personnel. This training program should provide instruction on how to use applicable OMB Circulars to conduct thorough cost reviews of budgeted and actual expenditures.**

**Response:** Concur. The Department of the Interior participates as a member of the inter-agency working group under Public Law 106-107, The Federal Financial Assistance Management Improvement Act of 1999, to establish competencies and training standards for financial assistance administrators. However, until Governmentwide training standards are established, the Office of Acquisition and Property Management will work with DOI's University to establish and implement a mandatory training program for DOI employees with financial assistance responsibilities. The training program will include instructions on OMB Circular requirements and the conduct of cost reviews of budgeted and actual expenditures.

**Responsible Official:** Melodee Stith, Associate Director, Acquisition and Financial Assistance, Office of Acquisition and Property Management

**Target Implementation Date:** September 30, 2007

**OIG Recommendation #5: Require cost reviews that include reviewing the basis for cost estimates and supporting documentation for all billed costs and matching requirements.**

**Response:** The recommended additional cost review requirements are incompatible with the administrative requirements and procedures of Office of Management and Budget (OMB) Circulars A-102, A-110, and A-133, and the goal of reducing administrative burdens placed on applicants/recipients as identified in the Federal Grants and Cooperative Agreements Act of 1977, and the Federal Financial Assistance Management Improvement Act of 1999, Public Law 106-107. The Circulars do not require recipients to provide the contemplated supporting cost detail with their payment requests. Neither the Payment Management System (PMS), managed by the Department of Health and Human Services, and the Automated Standard Application for Payments (ASAP), managed by the Department of Treasury, both mandated Governmentwide systems for managing funds disbursements to assistance recipients, incorporate traditional cost vouchers into the payment authorization process. Even the SF 269 and SF 272, financial reports provide only summary level data, and, with few exceptions, Federal agencies are generally not permitted to request more data than is required by OMB in the Circulars and on the standard forms.

While we do not dispute the importance of reviewing cost allocability, allowability, and reasonableness, we believe that instances of unallowable costs should be prevented through the recipient's system of internal controls and monitored through the audit process. In fact, one of the major purposes of the Single Audit process is to detect and resolve costs which are unallowable or not allocable to awards. Pursuant to 505 DM 2.11.E., bureau/office programs are responsible for accessing the Federal Audit Clearinghouse website (<http://harvester.census.gov/sac/>) to determine whether an applicant/recipient is to be considered "high risk." If so, bureau/office program officials have the discretion to impose additional award conditions, which may include detailed cost accounting information.

# FINANCIAL ASSISTANCE AGREEMENT REVIEW SHEET

Agreement No.: \_\_\_\_\_ Date of Award: \_\_\_\_\_

Amount \$ \_\_\_\_\_ Recipient: \_\_\_\_\_

Title/Description: \_\_\_\_\_

Specialist: \_\_\_\_\_

Actions/Contents	Required	In File	Comments
1. Assistance Agreement Request and Prevalidation of Funds, as appropriate			
2. SF-424 SF-424 A/B (Non-Construction) SF-424 C/D (Construction)			
3. Award Instrument Determination/Correct Legal Instrument - Contains mandatory information - Has been reviewed			
4. Authorities – Program/project authorization and appropriation. If mandatory, legislative/appropriations language/citation must be provided substantiating this classification.			
5. For discretionary programs, Grants.gov posting of opportunity and application package			
6. Documented extent of competition			
7. Business Evaluation/Budget Analysis - Funding authority/availability - Budget analysis (at minimum, must review budget realism and Indirect Cost Rate) - Business management capability/systems			
8. Agreement (ensure that all authorities and responsibilities, deliverables, cost budgets, and time frames are clearly delineated)			
a. For cooperative agreements, includes substantial involvement description/information			
b. Includes Department's			

standard terms and conditions			
c. Includes special provisions, if applicable			
d. Is in prescribed format per 505 DM 2			
9. Provide annual CFDA update			
10. Responsibility Determination - For <u>all</u> Recipients, Check the Excluded Parties List System - "High risk" category documentation, as applicable - Check for recipient audit submission compliance via Federal Audit Clearinghouse website ( <a href="http://harvester.census.gov/sac">http://harvester.census.gov/sac</a> )			
11. Lobbying Certification, as applicable			
12. Independent Reviews for competitive solicitations, awards, amendments, and termination and suspension notices			
13. Independent Reviews for non-competitive actions, as applicable			
14. Legal Review of solicitations, awards, and amendments (Required if total anticipated amount of action exceeds \$750,000)			
15. a. FAADS reporting			
16. Appointment of Grant/Cooperative Agreement Representative, as applicable			
17. Government-furnished Property – Annual inventory received			
18. Receipt of Reports: - Financial Reports - SF-269 - SF-272  - Program Performance - Interim - Annual - Final  - A-133 Audit			
19. CFDA Number used in lieu of Pseudo-Code			
20. Other (Specify)			

COMMENTS:

**STATUS OF AUDIT RECOMMENDATIONS**

Recommendations	Status	Action Required
2 and 4	Resolved; Not Implemented	We will refer the recommendations to the Assistant Secretary for Policy, Management and Budget for tracking of implementation.
1, 3, and 5	Unresolved	We are asking the Assistant Secretary for Policy, Management and Budget to reconsider the recommendations and provide a plan identifying actions to be taken, target dates for completion, and the titles of the officials responsible for implementation.

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Revised 07/06