



United States Department of Agriculture
Office of Inspector General
Washington, D.C. 20250



DATE: May 18, 2012

AUDIT
NUMBER: 91011-0001-21

TO: Pearlie S. Reed
Assistant Secretary for Administration

ATTN: Phyllis Holmes
Agency Liaison Officer

FROM: Gil H. Harden
Assistant Inspector General for Audit

SUBJECT: Controls over the Grant Management Process of the Office of Advocacy and Outreach – Section 2501 Program Grantee Selection for Fiscal Year 2012

On April 18, 2012, the Secretary of Agriculture requested that we perform an audit of the Office of Advocacy and Outreach (OAO). The purpose of our audit was to evaluate the procedures used by OAO to select the fiscal year (FY) 2012 recipients of grants funded through the *Outreach and Assistance for Socially Disadvantaged Farmers and Ranchers Program* (hereinafter referred to as the “Section 2501 Program”).¹ On April 25, 2012, we conducted an entrance conference with OAO officials and initiated our audit of the agency’s activities related to the Section 2501 Program for FY 2012.

We are issuing this report to inform you that our preliminary results indicate that at least some of the 57 applicants selected by OAO for FY 2012 grants through the Section 2501 Program may not be the most meritorious and deserving applicants.² We found that OAO officials had not adhered to the agency’s draft policies and procedures, as well as the guidelines cited in the *Funding Opportunity Announcement* (FOA), issued in November 2011, when selecting the

¹ The Section 2501 Program was authorized by the *Food, Agriculture, Conservation, and Trade Act of 1990* to support entities, such as institutions of higher education and community-based organizations, that provide outreach, technical assistance, and education to socially disadvantaged farmers and ranchers. Under the *Food, Conservation, and Energy Act of 2008*, the Section 2501 Program was authorized \$20 million for FY 2012.

² OAO received 193 applications in FY 2012 for Section 2501 Program grants, which are to be awarded using a competitive process.

FY 2012 applicants. They also did not comply with regulatory requirements that govern the selection of competitive grants applicable to the Section 2501 Program.³ Further, they had not documented deviations from the foregoing prescribed requirements. The selection of less meritorious applicants could negatively impact assistance to socially disadvantaged farmers and ranchers, and could expose the Department to unnecessary criticism and potentially even legal action.

In summary, we are recommending that OAO not award grants to the 57 applicants at this time. We maintain that an independent review panel should reevaluate the applications to ensure that the most deserving applicants will be awarded grants. Due to the sensitivity of this issue and the timing of the proposed awards, we are providing our preliminary results to you for immediate corrective action. This issue, along with any others identified during our fieldwork, will be consolidated into a final report at the conclusion of our audit.

OAO's regulations state that it shall make Federal assistance awards to those responsible, eligible applicants whose proposals are judged to be the most meritorious under the procedures established in the request for proposal (in this case, the FOA). Those regulations also state that the guiding principle for review and evaluation is to ensure that each proposal is treated in a consistent and fair manner.

As stated above, our preliminary review of OAO's operations identified procedural deficiencies which indicated that agency officials had not complied with these regulations in selecting the 57 applicants to receive FY 2012 grants. To determine if the 57 selected applications were the most meritorious, we compared the scores of the selected applications to the scores of all applications that were scored by an independent review panel of experts. Our analyses identified instances where OAO officials did not follow the regulations; moreover, they did not document their decisions. The lack of documentation adversely impacts the transparency and accountability associated with the selection of applicants to be awarded grants through the Section 2501 Program. Thus, there was no assurance that applicants were selected in a fair and equitable manner. The following are some examples identified by our analyses:

- An independent review panel assigned a score equal to or greater than 90⁴ to 44 of the 193 applications submitted to OAO. However, an OAO official selected only eight of those applications to receive a grant. The OAO official was unable to explain or provide justification as to why the remaining 36 applications were not selected to receive a grant.
- An independent review panel assigned a score of 60 or less to 23 of the 193 applications. Despite a low score of 60 or less, an OAO official selected three of the applications to

³ 7 Code of Federal Regulations (CFR) 2500, *OAO Federal Financial Assistance Programs, General Award Administrative Procedures*, dated October 26, 2011, and 7 CFR 3015.158, *Uniform Federal Assistance Regulations*.

⁴ The independent review panel scored the applications on a 100-point scale.

receive a grant. One application was selected even though it received a score of zero from the independent review panel and was incomplete, which made it ineligible for consideration. The OAO official informed us that he selected the application based on prior experience and knowledge of the entity, but had not documented the reasons for the selection. Another application received a score of 36 from the independent review panel, but was selected because it was located in a State participating in the StrikeForce Initiative.⁵

- An OAO official did not submit the 45 applications for supplemental funding to an independent review panel, even though the FOA stated this action would occur. However, the official selected 27 of those applications to receive Section 2501 Program grants.
- An OAO official selected three applications, even though the amount requested by the applicants exceeded the annual limitation stated in the FOA, which made them ineligible for consideration. As with all of the other examples, the official had no documentation to support or justify the decision to select the applications.
- OAO officials approved a funding amount for 42 applications that differed from the amount requested by the applicant. The agency had no documentation to support or justify the decisions.

Although OAO had draft policies and procedures describing the process to be used in processing and approving competitive award grants for the Section 2501 Program,⁶ the approving official did not use them to select applications for FY 2012 grants. In fact, that official ignored the draft policies, as well as Federal regulations, during the process. For example, the approving official instructed another OAO official to exclude 45 of the 193 applications for supplemental funding from the independent review panel process. The official stated this was appropriate since the applicants were soliciting supplemental funds for projects previously awarded Section 2501 Program grants. According to the approving official, OAO staff had already verified that the applicants were in “good standing.” However, the approving official’s actions did not adhere to the FOA, which stated that an independent review panel would evaluate the merits of all requests for supplemental funds.⁷

The OAO approving official stated that applicants were considered to be in “good standing” if they had submitted mandatory quarterly progress and financial reports.⁸ Since only 27 of the

⁵ The StrikeForce Initiative was established to improve outreach methods and provide assistance to persistent poverty communities and farmers. The pilot States included Arkansas, Georgia, and Mississippi.

⁶ The draft policies and procedures had not been approved by the OAO Director.

⁷ The OAO approving official did not consult with the Office of the General Counsel (OGC) regarding the appropriateness of the decision, even though OAO had asked OGC to validate the FOA.

⁸ OAO officials did not evaluate or review the quality and timeliness of the reports.

45 applications for supplemental funding were selected, we asked for evidence that the applicants were in “good standing.” The approving official stated that confirmation from OAO staff was obtained verbally and was unable to provide evidence to support the decision to select the applicants based on being in “good standing.” We then attempted to verify the “good standing” rating of the 27 applicants by reviewing records retained by OAO, but were unsuccessful because the records were not readily accessible upon our request for them.⁹

The approving official also disregarded conditions in the FOA, which stated that preliminary funding was going to be designated by the rankings and recommendations of the independent review panels. OAO did not request the independent review panels to rank and recommend applications for selection of FY 2012 grants. Instead, the approving official only asked the panels to evaluate applicants’ packages and compute a score. The scores were averaged and placed on a list, which was provided to the approving official.

The approving official stated the scores were not used because members of the panel lacked sufficient field experience to understand the needs of the communities the Department was trying to reach. Thus, the official decided to rely on his experience and knowledge of the communities to select applications. The approving official also stated that insufficient funds in the agency’s budget did not allow for field staff with specific experience to be used on the independent review panel.¹⁰

The approving official added that the selection process was influenced by several factors. These included: Departmental initiatives, geographic locations, and demographic groups that the Department was trying to reach. The official also solicited input from the Office of the Assistant Secretary for Administration and the Office of Tribal Relations. However, OAO had not established criteria to use when not selecting applications recommended by an independent panel, and, since the approving official had not documented the actions, the official was unable to provide details and support for the rationale used to select applicants. Generally, applications should be funded according to panel recommendations; however, we recognize that other factors, such as Departmental initiatives, may arise, and OAO might need to select applicants not recommended by a panel. Our concern regarding any exception is not that a lower scoring candidate is selected, but, rather, that the factors and reasons for selecting an applicant be documented by agency officials.

The approving official selected applicants and allocated grant amounts without input and approval from the OAO Director. The Director had recently joined OAO and stated that she was unfamiliar with the agency’s processes. As such, she relied on the approving official to review

⁹ Reports are maintained in the following locations: shared drives on the office computer system, file cabinets, and employees’ inboxes and desks. Even if we attempted to search these sources, we would be unable confirm the completeness and integrity of the records.

¹⁰ The OAO official who selected the panel members (a different person than the approving official) stated that funding was not considered when selecting panel members. The selection was based on time constraints.

and select applications for the 2012 grants, and to ensure that the Section 2501 Program was administered in accordance with the agency's draft policies and procedures. The Director stated that her involvement in the program was limited to receiving updates provided by the approving official.

Overall, we are concerned that some of the 193 applications submitted and considered by OAO may be ineligible. We are also concerned that some of the 57 applications selected by OAO may not be the most meritorious, and, if so, should not be awarded Section 2501 Program grants for FY 2012. Thus, we maintain that the applications should be reevaluated by an independent review panel to ensure that the most deserving applicants will be awarded grants.

We are also concerned that OAO did not have approved policies and procedures, and officials within the agency knowingly disregarded draft internal policies, the FOA, and Federal regulations. As such, while we recommend that the 2012 submissions be reevaluated, the OAO staff may not be the appropriate individuals to perform that task. At a minimum, the reevaluation and selection process should be supervised by staff from another agency, and then documented by the OAO Director. We have not completed our evaluation of OAO's draft policies and procedures for administering the Section 2501 Program. Thus, we are not recommending that the Director finalize them at this time. We will address that issue in our final report. Also, since our work is ongoing, we have not addressed the issue of other appropriate administrative actions. If warranted, we will recommend such action in the final report.

We discussed the details of our review and our conclusions with your staff on May 17, 2012. They generally agreed with our conclusions and agreed to implement corrective actions. We recommend that Departmental Management:

1. Require an independent review panel of experts or qualified individuals, overseen by non-OAO officials, to determine the eligibility of the 193 applications submitted to OAO and to reevaluate those applications deemed to be eligible.
2. Require the independent review panel to score the applications and recommend those that should be selected to receive FY 2012 grants, as well as the amount of the awards.
3. Establish the criteria that will be used to fund exceptions to the recommendations made by the independent review panel.
4. Require the OAO Director to document the selection process prior to public announcement of the awards.

Please provide a written response within 5 business days outlining your proposed corrective action regarding these matters. If you have any questions please contact me at (202) 720-6945, or Rod DeSmet, Deputy Assistant Inspector General for Audit, at (202) 720-1918.

USDA'S

DEPARTMENTAL MANAGEMENT'S

RESPONSE TO AUDIT REPORT



**United States
Department of
Agriculture**

Office of the
Assistant Secretary
for Administration

1400 Independence
Avenue SW

Washington, DC
20250-0103

May 25, 2012

TO: Gil H. Harden
Assistant Inspector General for Audit

FROM: Pearlie Reed//*original signed*//
Assistant Secretary for Administration
Departmental Management

SUBJECT: **Controls over the Grant Management Process of the
Office of Advocacy and Outreach – Section 2501
Program Grantee Selection for Fiscal Year 2012 is
Questionable**

Departmental Management concurs with the facts, representations, and conclusions of the subject Audit Fast Report and with the substance of all regulatory and procedural citations found within the body of the finalized Audit Fast Report. Departmental Management is fully committed to objectives of this audit and resolves to provide full assistance and cooperation with the Office of the Inspector General.

As noted in our earlier response to the draft Fast Report, dated May 18, 2012; the Director of the Office of Advocacy and Outreach was only recently assigned. During her short tenure she has begun assessing the technical skills of the current staff and identifying skills gaps. Recent outgoing transfers and incoming staff details have begun to close the detected skills gaps and create an experienced staff with which to administer the 2501 program.

Departmental Management concurs with the OIG's recommendations. We have reviewed the attached OAO response and the Corrective Action Plan and conclude the Action Plan as outlined will fully remediate the recommendations as detailed in the Fast Report.

In accordance with Departmental Regulation 1720-1, Audit Follow-up and Management Decision, the Compliance Officer, Phyllis Holmes; as the Agency Audit Liaison Office for the staff offices of Departmental Management (DM), should be included on all correspondence relating to the resolution of this report, and all subsequent actions toward resolution of this audit. The DM Compliance Office maintains the official audit files for DM.



**United States Department of Agriculture
Office of Advocacy and Outreach**

AUDIT
NUMBER: 91011-0001-21

TO: Pearlie S. Reed
Assistant Secretary for Administration

ATTN: Phyllis Holmes//*original signed*//
Agency Liaison Officer

FROM: Carolyn C. Parker//*original signed*//
Director
Office of Advocacy and Outreach

SUBJECT: Controls over the Grant Management Process of the Office of
Advocacy and Outreach – Section 2501 Program Grantee Selection
for Fiscal Year 2012

This is in response to the report dated May 18, 2012, regarding procedures used by the Office of Advocacy and Outreach (OAO) to select the Fiscal Year (FY) 2012 recipients of grants funded through the Outreach and Assistance for Socially Disadvantaged Farmers and Ranchers Program (2501).

It is the goal of this office to ensure the most meritorious proposals are awarded and the goals and objectives of the program are accomplished. Furthermore, in compliance with the regulations it is the goal of the office to ensure that all proposals are treated in a consistent and fair manner. Working with the Office of the Chief Financial Officer, OAO will develop and document appropriate internal policies and procedures. I have reviewed the findings contained in the report and a re-evaluation of the awards will be completed. The selection process will be documented prior to public announcement of the awards. Attached the proposed corrective actions with the corresponding time line.

Finally, as stated in the initial response to your office, OAO is a recently established Office and is working across the board to implement policy and procedures, appropriate controls, and to fully staff the office to ensure the goals and objectives of the law is implemented.

If additional information is needed, please contact Carolyn parker at (202) 720-6350.

Audit No. 91011-0001-21
Controls over the Grant Management Process of
The Office of Advocacy and Outreach-Section 2501 Program
Grantee Selection for fiscal Year 2012 is Questionable

| Rec. No. | Recommendations | Proposed Corrective Action | Completion Timeframe |
|-----------------|---|---|------------------------------------|
| 1 | Require an independent review panel of experts or qualified individuals, overseen by non-OAO officials, to determine the eligibility of the 193 applicants submitted to OAO and to reevaluate those applications deemed to be eligible. | <ol style="list-style-type: none"> 1. The Office of Advocacy and Outreach will engage an independent review panel of qualified individuals. 2. The review panel will determine eligibility of the 193 applications. 3. The process will be reviewed by a non-OAO official. | June 1, 2012 June 30, 2012 |
| 2 | Require the independent review panel to score the applications and recommend those that should be selected to receive FY 2012 grants, as well as the amount of the awards. | <ol style="list-style-type: none"> 1. The review panel will score applications. 2. The review panel, in conjunction with the OAO team, will make recommendations of the award amounts. | June 30, 2012 June 30, 2012 |
| 3 | Establish the criteria that will be used to fund exceptions to the recommendations made by the independent review panel. | The Office of Advocacy and Outreach will develop criteria to fund exceptions. | June 8, 2012 |
| 4 | Require the OAO Director to document the selection process prior to public announcement of the awards. | The OAO Director will review the recommendation package, sign the selection documents; and ensure that all decisions are fully documented. | July 15, 2012 |