OFFICE OF
INSPECTOR GENERAL
U.S.DEPARTMENT OF THE INTERIOR

Audit of the International Technical Assistance Program

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INSPECTOR GENERAL
U.S. DEPARTMENT OF THE INTERIOR

JUL 21 2010

Memorandum

To: Rhea S. Suh
Assistant Secretary for Policy, Management and Budget

From: Mary L. Kendall
Acting Inspector General

Subject: Audit of the International Technical Assistance Program
(Report No. ER-IN-OSS-0009-2009)

This report details the results of our audit of the Department of the Interior (DOI) International Technical Assistance Program (ITAP). This International Affairs Program is unique within DOI in that it accepts funds from foreign countries, other U.S. Government agencies, and various organizations in the service of other countries. Since its creation in 1995, ITAP has accepted and disbursed over $20 million and provided technical expertise to 25 countries.

We initiated the audit based on an allegation that ITAP handles funds inappropriately, specifically, that ITAP has extended single-year appropriated funds from other Federal agencies into multi-year funds and has split or made inappropriate purchases. We found no evidence to substantiate misuse of funds. We did find, however, that ITAP functions without a clearly defined DOI mission or operating procedures. Further, we uncovered some questionable practices regarding fees and use of memorandums of understanding (MOUs). See Appendix A for scope, methodology, and related reports.

As a result, DOI is vulnerable to waste, fraud, and mismanagement of the millions of dollars flowing through ITAP. We provide six recommendations designed to increase Program accountability and minimize DOI's vulnerability. We consider all six recommendations to be resolved because the Department concurs and is taking immediate action to address the deficiencies identified (see Appendix B). No further response to the Office of Inspector General (OIG) on this report is necessary (see Appendix C).

The legislation, as amended, creating the OIG requires that we report to the U.S. Congress semiannually on all reports issued, actions taken to implement our recommendations, and recommendations that have not been implemented.

If you have any comments or questions regarding this report, please call me at 202–208–5745.

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Cover: U.S. Department of the Interior International Technical Assistance Program Web site http://www.doi.gov/intl/itap/countries.html

Introduction

Objective

We performed this audit in response to a hotline complaint our office received regarding fiscal responsibility/accountability. To assess the quality of ITAP's stewardship of Federal resources, both its handling of funds and provision of technical expertise, we reviewed the Program's mission, its practice of accepting funds from outside sources, and its use of MOUs to procure goods and services.

Background

In 1995, the U.S. Agency for International Development (USAID) and DOI signed an agreement that led to the establishment of ITAP. This USAID agreement was designed to advance capacity building in other countries using the technical expertise of DOI staff. DOI uses donor funds to pay project expenses and contributes the salaries and expertise of technical experts on a short-term basis. ITAP has remained in operation in service of additional interagency agreements.

Over the years, ITAP states that it has:

- Strengthened government agencies in foreign countries through goal setting, planning, and training;
- Trained and equipped environmental and cultural resource law enforcement officers;
- Leveraged financial and technical resources by establishing public-private partnerships;
- Encouraged local community participation in protected area management;
- Developed mechanisms for contracting with and managing visitor services;
- Created local jobs from sustainable tourism in and near protected areas; and
- Helped launch small recreational services, lodging, and handicrafts businesses.

Structure and Operations

Several formal mechanisms, such as interagency agreements, convey donor funds that average approximately $1 million annually. In general, the donor funds pay for DOI involvement in worldwide capacity building; program implementation and ITAP coordination and management, which may require site visits; and the purchase of goods and services. Specifically, the funds pay for travel and per diem costs of technical experts, who provide on-site technical assistance, study tours, mentoring, train-the-trainers workshops, and procurement and training in operations and maintenance of equipment. Detailed employees typically use their

travel cards to purchase airline tickets and pay for lodging, for which they are reimbursed. DOI offices continue to pay the salaries of such experts.

In terms of purchases, ITAP uses the funds it receives for a specific project to obtain goods and services on behalf of the given donor. In most cases, ITAP uses MOUs for such purchases. Once an MOU is established, ITAP typically provides programmatic and administrative services, such as monitoring project progress and finances.

In one example of the process, USAID entered into an agreement with ITAP to improve park access ticketing and to develop standard operating procedures (SOPs) at Petra Park in Jordan. ITAP staff coordinated the services and travel of National Park Service (NPS) experts, tracked expenditures, and provided USAID with financial and program management reports. Two experts visited Petra Park, evaluated current procedures, and prepared a report with recommendations for improvement. Another four experts traveled to Petra and created several SOPs for the Park. Using donor funds, ITAP reimbursed NPS for travel costs, as well as obtained other services using MOUs. Specifically, ITAP reached agreement with one outside party to pay for a study tour of the United States and with another to provide administrative services.

Findings

During this audit, we found that ITAP has been operating in the absence of a DOI-defined mission and without documented operating procedures. We are concerned that, because of this vacuum, ITAP is at risk of identifying more with its donors than with DOI. In fact, when asked to provide founding documents, ITAP was unable to offer anything other than an interagency agreement with USAID. It would appear that ITAP has become more dependent upon its donors for direction than upon DOI. Such identification is compounded by the fact that DOI interests may or may not be protected since the agreements include donor safeguards but none that are DOI specific. Such agreements leave ITAP without adequate legal and financial safeguards and no protection should questions of responsibility arise.

Mission and Guidance

Without a DOI-defined mission and guidance, ITAP has come to rely on several authorities to structure its relationships with its donors and affiliated entities. ITAP points to the Foreign Assistance Act of 1961, as amended,[1] as one authority for its international activities. For example, the Foreign Assistance Act[2] authorizes Federal agencies to work with "friendly countries" and certain other international groups with USAID's approval on an "advance of funds or reimbursable basis."

In addition, the Foreign Assistance Act[3] directs USAID to "cooperate with and support the relevant efforts of other agencies of the United States Government, including the United States Fish and Wildlife Service . . . [and] the National Park Service . . .," in providing foreign assistance for the preservation of biological diversity. Departmental Manual Part 112, Chapter 6, establishes the International Affairs group and authorizes administration of grants to provide DOI technical assistance to foreign countries.

In terms of mission performance, however, ITAP operates on an ad hoc, agreement-by-agreement basis. For example, ITAP does not follow the U.S. Code of Federal Regulations (CFR) regarding grants and agreements. According to 2 C.F.R. § 215.0(b)(4), "Federal agencies **may** [emphasis added] apply the provisions [that govern grants and agreements] to commercial organizations, foreign governments, organizations under the jurisdiction of foreign governments, and international organizations." Agencies are allowed similar discretion by 43 C.F.R. § 12.901 *et seq*. While ITAP's decision not to follow these regulations appears to be lawful, good stewardship dictates that ITAP explain its decision or provide evidence that it has other controls to ensure similar protections for the

[1] 22 U.S.C. § 2151 *et seq*.
[2] 22 U.S.C. § 2357.
[3] 22 U.S.C. § 2151q.

funds it disperses. If applied to ITAP activities, 43 C.F.R. § 12.901 would provide for:

- Public notification, which encourages competition;
- Debarment and suspension restrictions, which prevent DOI from awarding funds to excluded parties;
- Recipient certifications and representations; and
- Standards for financial management systems, which ensure the presence of internal controls and accountability of grant money by recipients.

By choosing not to follow the grant and agreement requirements addressed above, ITAP has, to date, avoided the competition and accountability protections inherent in the CFR.

Operating Procedures

Without DOI guidance, ITAP has great latitude in determining how to operate. Whichever authorities govern interagency agreements, good business practice requires accountability in terms of decision-making and use of resources. We found, however, that ITAP has not developed formalized internal documentation of its policies and procedures. ITAP staff could not even articulate how ITAP operates or how it sets fees. Further, when asked why ITAP chooses to use MOUs over other contract instruments, ITAP failed to articulate, to our satisfaction, any substantive reasons.

In terms of fees, ITAP has no internal policies on structure and appropriateness when establishing management fees for financial and program management, monitoring and documentation, and office operating expenses. For the agreements we reviewed, charging such fees is authorized under the Foreign Assistance Act,[4] which allows recovery of 1) replacement costs, 2) actual costs if required by law, or 3) any other agreed-upon price authorized by law. Without policies or documentation, however, we could not determine whether the fees ITAP collects are appropriate. Should ITAP recover more than is allowable by law, the Program would be improperly augmenting DOI's appropriation.

Typically, ITAP charges a 20 percent management fee for providing support to donors and for simply passing along funds — often as directed by donors — to nongovernmental organizations (NGOs) that provide goods and services. In one egregious case, ITAP accepted donor funds in September 2008 to help USAID strengthen Guatemala's natural resource management. For roughly a 20 percent fee, ITAP then passed on the donor funds to the NGOs that actually did the work. In this particular case, USAID paid ITAP $127,000 to pass $533,000 on to various NGOs. While ITAP monitored project implementation, DOI provided no technical expertise.

[4] 22 U.S.C.§2392(c).

We question why USAID would choose to use ITAP as an intermediary when the Agency could save considerable management costs by simply paying NGOs directly for the goods and services they provide. According to USAID personnel, the Agency is under congressional pressure to have a larger program budget and smaller operational budget. If so, USAID may be motivated to send all the funds it can to ITAP to make its program expenses appear greater.

We also question ITAP's widespread use of MOUs to conduct its foreign activities on behalf of other Federal agencies. ITAP told us that the Foreign Assistance Act and USAID directives authorize the use of MOUs. According to one MOU issued by ITAP, its function is "provide a mechanism for collaboration between DOI and the organization, within applicable laws, statutes and regulations…." While MOU use may be appropriate in some instances, ITAP has not been able to explain why MOUs have been their preferred instrument — as opposed to grants, cooperative agreements, or contracts.

Finally, the Federal Funding Accountability and Transparency Act of 2006[5] (the Transparency Act) and related OMB guidance dated June 2009 require Federal agencies to enter the names of all entities and organizations that receive Federal funds over $25,000 into www.USAspending.gov. The funds include Federal financial assistance and expenditures, such as grants, cooperative agreements, and other forms of financial assistance. To date, ITAP has posted no financial data in www.USAspending.gov.

[5] Pub. L. No. 109-282.

Conclusion and Recommendations

Conclusion

We discovered a complex operational structure in which ITAP is governed by a series of statutory and regulatory provisions, interlocking agreements, and amendments rather than overarching DOI guidance. Further, ITAP has been unable to explain many of its operations, such as its accountability protections, its reliance on MOUs, and the administrative fees it charges donor agencies. The resultant way of doing business not only makes it difficult to track funds, it also leaves DOI vulnerable to waste, fraud, and mismanagement of millions of dollars and will continue to do so, if no changes are made.

Specifically, we question ITAP's:

- Avoidance of competition and accountability that results from not following the CFR and from accepting donor direction in the disbursement of funds to particular entities and
- Charging interagency agreement fees of roughly 20 percent when ITAP simply passes the funds on to private organizations and/or other U.S. agencies.

Recommendations

We recommend that DOI:

1. Clarify and formally document ITAP's mission and role within DOI.

   DOI Response to the Recommendation
   DOI concurs with this recommendation and states that the newly established Office of International Affairs is in the process of drafting language defining the Office's organization, functions, and responsibilities. In addition, ITAP is developing its missions statement and revamping its Web site.

   OIG Analysis of the DOI Response
   DOI is taking the necessary action to address this recommendation.

2. Draft and implement internal policy that would ensure ITAP complies with all statutory and regulatory requirements and adequately protects Federal funds.

   DOI Response to the Recommendation
   DOI concurs with this recommendation and states that ITAP will seek guidance from the Offices of Budget, Finance, and the Solicitor on policies and best practices in DOI bureaus.

OIG Analysis of the DOI Response
DOI is taking the necessary action to address this recommendation.

3. Ensure ITAP compliance with the Transparency Act.

   DOI Response to the Recommendation
   DOI concurs with this recommendation and states that ITAP will work with the Offices of the Chief Information Officer, Acquisition and Property Management, and the Solicitor to understand the requirements of the Transparency Act and then document guidelines.

   OIG Analysis of the DOI Response
   DOI is taking the necessary action to address this recommendation.

4. Consult with the Office of the Solicitor to determine when MOUs, grants, and cooperative agreements are the proper vehicle for disbursing funds through ITAP.

   DOI Response to the Recommendation
   DOI concurs with this recommendation and states that ITAP will consult with the Office of Acquisition and Property Management to discuss best practices and options available within the Office of Policy, Management and Budget for utilizing MOUs, cooperative agreements, and grant mechanisms. ITAP will then consult with the Office of the Solicitor to determine under what criteria each type of vehicle should be used and to document those guidelines.

   OIG Analysis of the DOI Response
   DOI is taking the necessary action to address this recommendation.

5. Ensure that agreements with donor agencies clearly define ITAP's relationship with donors, the expectations of all parties, and the actions a donor agency may take in identifying an entity as a proper recipient of Federal funds.

   DOI Response to the Recommendation
   DOI concurs with this recommendation and states that ITAP will develop template language that defines its relationship with donors, DOI expectations in relation to other parties, and what actions may be taken to identify entities as proper recipients of Federal funds.

   OIG Analysis of the DOI Response
   DOI is taking the necessary action to address this recommendation.

6. Develop and implement policy and operating procedures that define ITAP's processes, particularly its calculation of its administrative fees, to include requirements for regular review and appropriate adjustment.

   DOI Response to the Recommendation
   DOI concurs with this recommendation and states that ITAP will seek guidance from the Offices of Budget and Finance on best practices for calculating administrative fees. ITAP will also develop and adopt written policy guidelines and operating procedures for calculation, review, and adjustment of administrative fees.

   OIG Analysis of the DOI Response
   DOI is taking the necessary action to address this recommendation.

Appendix 1

Scope and Methodology

We performed our audit in accordance with the "Government Auditing Standards." The audit focused on ITAP's mission, its acceptance and use of funds, and fee structure. We believe that the work performed provides a reasonable basis for our conclusions and recommendations.

As part of our audit, we:

- Reviewed ITAP's authority;
- Reviewed prior reports issued by DOI OIG and the U.S. Government Accountability Office (GAO);
- Interviewed DOI personnel;
- Reviewed nine projects and accompanying agreements, including MOUs, Annexes, and Reimbursable Support Agreements pursuant to the Foreign Assistance Act of 1961 and other authorities. USAID funded five projects, the U.S. Department of State funded two projects, Millennium Challenge Corporation funded one project, and the Republic of Egypt funded one project.

We reviewed each project to determine whether ITAP properly accepted and spent funds it received from outside sources. All nine projects had funding applied to them during FY 2008 and FY 2009 (through April 2009). We ensured that funding was current and had a bona fide need; reviewed contracts and other vehicles that ITAP used to spend the funds; and examined ITAP's relationship with various organizations.

Prior Report

November 2006 — "U.S. Democracy Assistance for Cuba Needs Better Management and Oversight" (GAO-07-147) describes deficiencies noted during an interagency effort led by the State Department and USAID. GAO found that communication between these agencies about the implementation of this assistance was sometimes ineffective. Roughly, 95 percent of USAID's grant awards were made in response to unsolicited proposals to NGOs and universities.

Appendix 2

DOI Response to Draft Report

United States Department of the Interior

OFFICE OF THE SECRETARY
Washington, D.C. 20240

JUN 1 2010

Memorandum

To: Mary Kendall
Inspector General

cc: Kimberly Elmore
Assistant Inspector General for Audits, Inspections and Evaluations

From: Rhea S. Suh
Assistant Secretary for Policy, Management and Budget

Subject: Draft Audit of the International Technical Assistance Program
(Report No. ER-IN-OSS-0009-2009)

Thank you for the insights you have provided in the draft audit of the Department of the Interior International Technical Assistance Program (ITAP), and for the opportunity to review and comment. The recommendations you have made are consistent with the Departmental effort to completely renovate our entire international affairs portfolio. We are currently in the process of hiring a new Deputy Assistant Secretary for Policy and International Affairs, and have designed the position to attract candidates with strong experience in both international policy and project management. Earlier this year, we created an Office of International Affairs which will be managed by a new executive service level Director. Meanwhile, we have begun consultations with international programs at DOI bureaus and other federal agencies, the State Department and USAID to learn about their best practices. We will apply these lessons learned in order to develop a new vision, priorities and strategy for the Office of International Affairs and for the Department, which will be presented to the Secretary and senior leadership later this year.

With regard to ITAP, we agree that while the IG found no evidence of misuse of funds and no unlawful conduct with respect to grants and agreements, it will be important for ITAP to adopt all of the recommendations contained in the IG draft report in order to increase Program accountability and minimize any potential DOI vulnerability to waste, fraud and mismanagement. Specifically, DOI agrees to:

- Clarify and formally document ITAP's mission and role within DOI.
- Draft and implement internal policy that would ensure ITAP complies with all statutory and regulatory requirements and adequately protects federal funds.
- Ensure ITAP compliance with the Transparency Act.
- Consult with the Office of the Solicitor and appropriate policy offices to determine when MOUs, grants, and cooperative agreements are the proper vehicle for disbursing funds through ITAP.

Note: Attachment 2 of DOI's response is not included as the information was redundant. Please see DOI's bulleted clarifications on the next page.

- Ensure that agreements with donor agencies clearly define ITAP's relationship with donors and the expectations of all parties, including the actions a donor agency may have taken in identifying an entity as a proper recipient of federal funds.
- Develop and implement policy and operating procedures that define ITAP's processes, particularly its calculation of its administrative fees, to include requirements for regular review and appropriate adjustment.

Proposed Departmental corrective actions in response to the report's findings and recommendations are included in Attachment 1.

Technical comments on the report are provided in Attachment 2. We think it is especially important to include the following clarifications in the report:

- ITAP operates primarily under the authority of the Foreign Assistance Act of 1961, as amended, which states that: "any agency of the United States Government is authorized to furnish services and commodities on an advance-of-funds or reimbursement basis to friendly countries, international organizations, the American Red Cross, and voluntary nonprofit relief agencies registered with and approved by the Agency for International Development."
- ITAP consistently solicits the review and approval of the Office of the Solicitor in establishing Memoranda of Understanding.
- ITAP uses Memoranda of Understanding, with associated Annexes and Reimbursable Support Agreements, when establishing fully collaborative, two-way, partnership relationships with other governments or nongovernmental organizations. These mechanisms are reviewed and approved by the Solicitor's Office and the Budget Office.
- ITAP assesses incoming funds at a rate of 20% to cover the costs of project management, including project design, implementation, oversight, reporting, monitoring and evaluation. If the funds are to be passed to a Bureau, the incoming funds are assessed at 2-3% to cover the costs of administering the pass-through, including setting up Reimbursable Support Agreements, reporting, and general oversight. No funds are passed through to nongovernmental organizations without ITAP programmatic and financial oversight, the costs of which are recovered by the 20% overhead rate.

If you have any questions, please contact Larry Sperling, Acting Director of International Affairs, at 202-208-3805 or Barbara Pitkin, Manager, International Technical Assistance Program, at 202-208-5221.

Attachments

Corrective Actions in Response to Findings and Recommendations in Draft Audit Report of the International Technical Assistance Program

Recommendation #1: Clarify and formally document ITAP's mission and role within DOI.

Action: DOI concurs. The newly established Office of International Affairs is in the process of drafting language defining the Office's organization, functions and responsibilities, including ITAP, in the Departmental Manual. Similarly, the Office is developing its Mission Statement, and is revamping its web site. It is expected that these actions will fully clarify and formally document ITAP's mission and role within DOI.

Target Dates:

September 2010: ITAP's mission and role within DOI drafted and documented in Office of International Affairs Mission Statement and website.

June 2011: ITAP's mission and role within DOI formally documented in the Departmental Manual.

Titles of Officials Responsible: Director of International Affairs and Manager of ITAP

Recommendation #2: Draft and implement internal policy that would ensure ITAP complies with all statutory and regulatory requirements and adequately protects federal funds.

Action: DOI concurs. ITAP acknowledges that there have been no comprehensive written operating procedures for the Program. ITAP will seek guidance from the Offices of Budget, Finance, and Solicitor on policies and best practices in DOI bureaus. ITAP will draft and implement internal policy guidelines which: identify the relevant authorities and statutory and regulatory requirements that ITAP must adhere to; articulate processes and procedures to ensure compliance; and provide adequate protection of federal funds.

Target Dates:

September 2010: Consultations with Offices of Budget, Finance and Solicitor on best practices from DOI bureaus completed.

December 2010: Internal policy guidelines completed and implemented. .

Titles of Officials Responsible: Director of International Affairs and Manager of ITAP

Recommendation #3: Ensure ITAP compliance with the Transparency Act.

Action: DOI concurs. ITAP will consult with the Offices of the Chief Information Officer, Acquisition and Property Management, and Solicitor to understand the requirements of the

Transparency Act and how to ensure compliance with the Act as soon as possible. Any processes necessary to ensure compliance will be documented in written guidelines.

Target Date:

September 2010: Consultations with Offices of CIO and Solicitor on Transparency Act compliance completed. December 2010: Written guidelines on internal measures to ensure Transparency Act compliance completed and implemented.

Titles of Officials Responsible: Director of International Affairs and Manager of ITAP

Recommendation #4: Consult with the Office of the Solicitor to determine when MOUs, grants, and cooperative agreements are the proper vehicle for disbursing funds through ITAP.

Action: DOI concurs. ITAP will consult with the Office of Acquisition and Property Management to discuss best practices in DOI Bureaus and options available within PMB for utilizing MOUs, cooperative agreements and grants mechanisms. Once the menu of vehicles at ITAP's disposal is definitively determined, then ITAP will consult with the Office of the Solicitor to determine when MOUs, grants and cooperative agreements are appropriate vehicles for disbursing funds through ITAP. Criteria and processes for determining the appropriate vehicles for funds disbursement will be documented in written guidelines.

Target Dates:

September 2010: Consultations with Offices of Acquisition and Property Management and Solicitor completed.

December 2010: Criteria and processes for determining the appropriate vehicles for funds disbursement documented in written guidelines.

Titles of Officials Responsible: Director of International Affairs and Manager of ITAP

Recommendation #5: Ensure that all agreements with donor agencies clearly define ITAP's relationship with donors and the expectations of all parties, including the actions a donor agency may have taken in identifying an entity as a proper recipient of federal funds.

Action: DOI concurs. ITAP will develop template language defining ITAP's relationship with donors and DOI's expectations vis-à-vis other parties, including with regard to actions a donor agency may have taken in identifying an entity as a proper recipient of federal funds, that will be available for use in future agreements with donors.

Target Date:

December 2010: Template language drafted for use in future agreements with donors..

Titles of Officials Responsible: Director of International Affairs and Manager of ITAP

Recommendation #6: Develop and implement policy and operating procedures that define ITAP's processes, particularly its calculation of its administrative fees, to include requirements for regular review and proper adjustment.

Action: DOI concurs. ITAP will seek guidance from the Offices of Budget and Finance on best practices for calculating administrative fees. ITAP will then develop and adopt written policy guidelines and operating procedures for calculation, review and adjustment of administrative fees.

Target Dates:

October 2010: Consultations with Offices of Budget and Finance completed.

December 2011: Written policy guidelines and operating procedures for calculation, review and adjustment of administrative fees completed.

Titles of Officials Responsible: Director of International Affairs and Manager of ITAP

Appendix 3

Status of Recommendations

Recommendations	Status	Action Required
1-6	Resolved; not implemented.	No further response to the OIG is required. The recommendations will be referred to the Assistant Secretary for PMB for tracking of implementation.

Report Fraud, Waste, and Mismanagement

Fraud, waste, and mismanagement in government concern everyone: Office of Inspector General staff, Departmental employees, and the general public. We actively solicit allegations of any inefficient and wasteful practices, fraud, and mismanagement related to Departmental or Insular Area programs and operations. You can report allegations to us in several ways.

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