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NATIONAL OCEANIC AND ATMOSPHERIC ADMINISTRATION

NMFS's Marine Fisheries Initiative Program Promotes Merit-Based Decisions, But Process Needs More Discipline
CFDA No. 11.433

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EXECUTIVE SUMMARY

The Office of Inspector General conducted an audit of the fiscal year 1997 criteria, procedures and practices for soliciting, reviewing, and selecting applications for financial assistance under the National Oceanic and Atmospheric Administration's (NOAA) National Marine Fisheries Service's (NMFS) Marine Fisheries Initiative Program (MARFIN), classified as No. 11.433 in the *Catalog of Federal Domestic Assistance.* The audit was conducted as part of a Department-wide review of Commerce's discretionary financial assistance programs initiated at the request of the Chairman of the Senate Commerce, Science, and Transportation Committee.

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

Through MARFIN, NMFS provides financial assistance to states or local governments, universities, private enterprises, individuals or any other entities, nonprofit or otherwise who conduct research and development projects that provide information for the full and wise use and enhancement of fishery resources in the southeastern United States, which includes the Gulf of Mexico states of Texas, Louisiana, Mississippi, and Alabama and the South Atlantic states of Florida, Georgia, South Carolina, and North Carolina.

In fiscal year 1997, the program received 73 applications for over $7.6 million in financial assistance. All 73 applications were accepted for review and 11 grants totaling more than $915,000 were awarded. All 11 awards were made competitively in response to a solicitation.

We examined NOAA's criteria, procedures, and practices for soliciting, reviewing, and selecting applications for financial assistance under the MARFIN program and found that they generally complied with statutory, departmental, and NOAA requirements and appeared designed to result in merit-based funding decisions. We also identified opportunities for improving the program's financial assistance award procedures and practices. Specifically, our audit disclosed that NOAA:

- Developed and published merit-based technical and public policy criteria which were consistent with the objectives of the program to evaluate applications for financial assistance, as required by DAO 203-26, Section 4.02a. and b., and Financial Assistance Notice No. 17, Section .01 and .03 (see page 6).

- Complied with the Department's and NOAA's requirement that a notice be placed in the *Federal Register*, at least annually, announcing the availability of funds and soliciting award applications, and specifying the criteria and the process to be used in reviewing and selecting applications for funding. The annual notice is required by DAO 203-26, Section 4.02b. NOAA's solicitation efforts were sufficient to obtain an adequate response from eligible applicants (see page 7).

- Complied with the Department's and NOAA's requirements that (1) all financial assistance awards be made on the basis of a competitive review process, unless a special waiver is obtained, as provided for by DAO 203-26, Section 4.02h.2, and (2) the competitive review process meet minimum standards established by the Department in DAO 203-26, Section 4.02h.1. However, NOAA officials did not document the voting process by an independent panel during the review of the applications. NOAA officials stated they would add a section to the panel's review sheet to record the actual voting process by the panel members (see page 8).

- Generally followed established departmental and NOAA requirements for selecting applications for funding under MARFIN. However, during fiscal year 1997, NMFS's Southeast Regional Administrator, as the selecting official, failed to provide written documentation, as required by DAO 203-26, Section 4.05b, justifying his decision to select two lower-ranked applications over four applications ranked higher by the independent MARFIN Panel (see page 12).

We recommend that NOAA's Assistant Administrator for Fisheries ensure that MARFIN:

- Maintains adequate documentation to record the vote count of the MARFIN Scientific Panel members, as required by DAO 203-26, Section 4.05b; and

- Maintains adequate documentation for the bases for making awards that deviate from the independent MARFIN Panel's recommendations, as required by DAO 203-26, Section 4.05b.

Our recommendations appear on page 15.

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NOAA concurred with our findings and recommendations. NOAA stated that the recommendations will be implemented beginning with the next MARFIN selection process. We commend NOAA for the planned implementation of the draft report's recommendations.

INTRODUCTION

The National Oceanic and Atmospheric Administration's mission is to describe and predict changes in the Earth's environment and to conserve and manage wisely the nation's coastal resources. NOAA's National Marine Fisheries Service (NMFS) administers the Marine Fisheries Initiative Program (MARFIN), classified as No. 11.433 in the *Catalog of Federal Domestic Assistance (CFDA)*. This program provides financial assistance to states or local governments, universities, private enterprises, individuals or any other entities, nonprofit or otherwise, for research and development projects that provide information for the full and wise use and enhancement of fishery resources in the southeastern United States, which includes the Gulf of Mexico states of Texas, Louisiana, Mississippi, and Alabama and the South Atlantic states of Florida, Georgia, South Carolina, and North Carolina.

MARFIN is a competitive financial assistance program that promotes and endorses projects that seek to optimize research and development to provide answers for fishery needs covered by the NMFS Strategic Plan, particularly those goals relating to rebuilding overfished marine fisheries, maintaining currently productive fisheries, and integrating conservation of protected species and fisheries management.

According to program authorization information provided by NOAA's Office of Legislative Affairs, the fiscal year 1997 awards were made under the Saltonstall-Kennedy Act, 15 U.S.C. 713c-3(d), which authorizes the Secretary of Commerce to carry out a program of research and development addressed to any aspect of U.S. fisheries, if not adequately covered by financial assistance awards made under 15 U.S.C. 713 c-3(c). Rules governing NOAA's MARFIN fiscal year 1997 awards were published in the *Federal Register*, Appendix 4, Volume 62, Number 19, dated January 29, 1997. In fiscal year 1997, NOAA officials received 73 applications for over $7.6 million, all of which were accepted for review, and awarded 11 grants totaling over $915,000.

Competition is generally recognized as the most effective method of ensuring that financial assistance awards are made on the basis of merit. One of the primary purposes of the Federal Grant and Cooperative Agreement Act (31 U.S.C. §6301) is to encourage competition in the award of federal financial assistance to the maximum extent practicable.

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

- Widespread solicitation of eligible applicants and disclosure of essential application and program information in written solicitations;

- Independent application reviews that consistently apply written program evaluation criteria; and

- Written justifications for award decisions that deviate from recommendations made by application reviewers.

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

- OMB Circular A-89, *Federal Domestic Assistance Program Information*, implements the mandate of the Federal Program Information Act, requiring agencies to systematically and periodically collect and distribute current information to the public on all federal domestic assistance programs, which is accomplished through the semiannual publication of the CFDA.

- OMB Circular A-102, *Grants and Cooperative Agreements with State and Local Governments*, requires agencies to provide the public with advance notice in the *Federal Register*, or by other appropriate means, of their intended funding priorities for discretionary assistance programs unless such priorities are established by federal statute. Under A-102, when time permits, an agency must provide the public with an opportunity to comment on funding priorities. Finally, A-102 requires all grant awards over $25,000 to be reviewed for consistency with agency priorities by a policy level official.

- OMB Circular A-110, *Uniform Administrative Requirements for Grants and Agreements With Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations*, requires agencies to provide the public with advance notice of their intended funding priorities for discretionary assistance programs unless such priorities are established by federal statute.

- OMB Circular A-123, *Management Accountability and Control*, implements the Federal Managers' Financial Integrity Act (P.L. 97-255) requiring agencies to establish written procedures for all programs and administrative activities, including financial assistance programs, that provide reasonable assurance that activities are effectively and efficiently managed to achieve agency goals.

Commerce has relied on these guidelines and circulars in developing and issuing policies and procedures for its discretionary funding programs. Department Administrative Order (DAO) 203-26, *Department of Commerce Grants Administration*, requires that (1) all Commerce financial assistance awards be made on the basis of competitive reviews unless a special waiver is obtained, (2) competitive review processes meet minimum standards outlined in the DAO, and (3) all Commerce agencies publish, at least annually, a notice in the *Federal Register* announcing the availability of funding, soliciting award applications, and specifying the criteria and the process to be used in reviewing and selecting applications for funding.

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

Department of Commerce Financial Assistance Awards Process

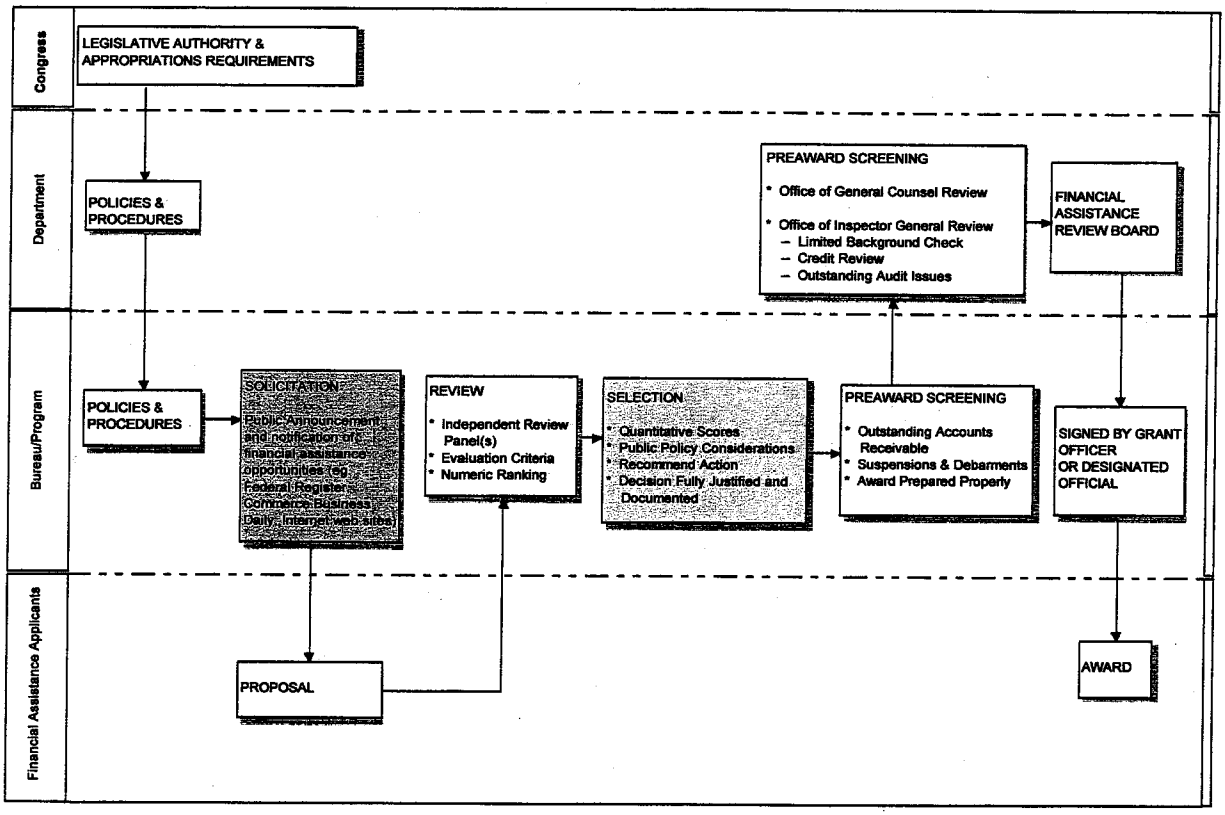

Figure 1

PURPOSE AND SCOPE

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

We are conducting our Department-wide review in two phases: a survey phase and an individual program audit phase. During the survey phase, we identified and examined the body of laws, regulations, and other guidance applicable to the administration of federal financial assistance programs. We also examined the authorizing legislation, provided by Department officials, for each Commerce financial assistance program and classified each program as either a "full discretion" program or a "limited discretion" program, based on the extent to which the legislation limits the agency's authority to independently determine the recipients and funding levels of the awards made under the program. Finally, we examined fiscal year 1997 appropriations legislation to identify any legislatively mandated awards.

During the second phase of our review, we are conducting individual audits of the application solicitation, review, and selection processes of each program we have classified as a "full discretion" program, including MARFIN. We are evaluating the adequacy of each program's established award procedures and criteria for evaluating individual applications. For those programs with procedures deemed to be adequate, we are ascertaining whether they were followed in making awards in fiscal year 1997. For those programs with procedures considered to be inadequate or lacking, we are reviewing how the fiscal year 1997 award decisions were made. Finally, we are examining the legislatively mandated projects identified for each program and determining their significance and impact on fiscal year 1997 award decisions. We plan to issue individual reports, with any appropriate recommendations, on each program, followed by a capping report summarizing the results of the individual audits and providing recommendations for the Department and/or its bureaus.

On July 21, 1998, the Acting Inspector General and the Chief Financial Officer and Assistant Secretary for Administration testified before the Senate Commerce, Science, and Transportation Committee on the Department's discretionary funding programs. The Acting IG reported on the results of the preliminary, survey phase of the OIG's review, and discussed some of the preliminary observations from the individual program audits.
This performance audit focused on funding decisions made during fiscal year 1997 under the MARFIN program. Specifically, we:

- Reviewed the program's authorizing legislation, provided by Department officials, and information summarized in the CFDA to identify criteria for funding decisions.

- Reviewed policies and procedures for soliciting and reviewing proposals and selecting recipients for funding (see Appendix I for flowchart of process). We also reviewed NOAA's *MARFIN Operating Procedures*, dated October 1997, as they applied to the solicitation, review, and selection process and assessed whether they were in accordance with DAO 203-26, *Department of Commerce Grants Administration* and Office of Federal Assistance Financial Assistance Notice No. 17, *Department of Commerce Guidelines for the Preparation of* Federal Register *Notices Announcing the Availability of Financial Assistance Funds –Requests for Applications.*

- Compared NOAA's award procedures with practices for fiscal year 1997 to determine if the process contained adequate internal controls to provide for competitive, merit-based funding decisions.

- Examined pertinent documents in individual program award files to determine if departmental and NOAA policies and procedures were followed.

- Interviewed NOAA program officials concerning NOAA's solicitation, review, and selection procedures.

- Examined fiscal year 1997 appropriations legislation to identify legislatively mandated projects for this program.

We did not rely upon computer-based data supplied by NOAA and the Department's Office of Executive Assistance Management (OEAM) and cited in the report, as a basis for our audit findings and recommendations. Consequently, we did not conduct tests of either the reliability of the data or the controls over the computer-based system that produced the data.

We performed the audit fieldwork at NMFS's Southeast Regional Office in St. Petersburg, Florida, during January 1999. We conducted the audit in accordance with generally accepted government auditing standards, and under authority of the Inspector General Act of 1978, as amended, and Department Organization Order 10-13, dated May 22, 1980, as amended.

FINDINGS AND RECOMMENDATIONS

We found that NOAA's criteria, procedures, and practices for soliciting, reviewing, and selecting MARFIN award recipients for fiscal year 1997 generally complied with statutory, departmental, and NOAA requirements and appeared designed to result in merit-based funding decisions. In fact, NOAA's efforts to solicit applications for MARFIN awards exceeded the Department's and its own minimum requirements and generated a strong response from multiple eligible applicants. Each application received an independent, qualified review based on the written evaluation criteria stated in the application notice. However, we found that adequate documentation to record the voting process of one of the review panels was lacking. We also found that four award decisions deviated from the review panel's recommendations and that written justifications for such deviations were nonexistent.

I. MARFIN Used Merit-Based Evaluation Criteria for Financial Assistance Applications

For fiscal year 1997, MARFIN officials developed and published technical and public evaluation criteria that were consistent with the objectives of the program and departmental requirements. The applicable criteria were published in the *Federal Register*, Appendix 4, Volume 62, Number 19, dated January 29, 1997, as required by DAO 203-26, Section 4.02b, and Financial Assistance Notice No. 17, Section .01 and .03. The evaluation criteria were comprised of the following:

(1) Does the proposal have a clearly stated goal(s) with associated objectives that meet the needs outlined in the project narrative? (30 points)

(2) Does the proposal clearly identify and describe, in the project outline and statement of work, scientifically valid methodologies and analytical procedures that will adequately address project goals and objectives? (30 points)

(3) Do the principal investigators provide a scientifically realistic timetable to enable full accomplishment of all aspects of the statement of work? (20 points)

(4) Do the principal investigators define how they will maintain stewardship of the project performance, finance, cooperative relationships, and reporting requirements for the proposal? (10 points)

(5) Are the proposed costs appropriate for the scope of work proposed? (10 points)

The *Federal Register* notice also listed the procedures to be followed by the NMFS Southeast Regional Administrator in determining the final selection. The Regional Administrator, in consultation with NOAA's Assistant Administrator for Fisheries, will:

(1) Determine which projects did not substantially duplicate other projects that are currently funded by other federal offices,

(2) Select the projects to be funded,

(3) Determine the availability of funds, and

(4) Determine which components of the selected projects shall be funded.

MARFIN Operating Procedures stated the program purpose:

> "to promote and endorse programs that seek to optimize economic and social benefits from marine fishery resources through cooperative efforts that coordinate and evoke the best research and management talents of the Southeast Region."

Based on our review, we concluded that the criteria for evaluating applications for fiscal year 1997 MARFIN awards were adequate and designed to result in merit-based funding decisions.

II. MARFIN Solicitation Process Obtained an Adequate Response

NOAA's procedures and practices for soliciting applications for fiscal year 1997 MARFIN awards were sufficient to obtain an adequate response from eligible applicants. NOAA's solicitation of eligible applicants exceeded the Department's and its own minimum requirements and generated over 70 responsive applications.

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

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

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

The NMFS Southeast Regional Administrator formulated areas of emphasis for publication in the *Federal Register* solicitation based on fishery needs recommended by the members of the MARFIN Panel, comprised of nonfederal fishery experts (see page 11) and NMFS Southeast Regional officials. NOAA's Assistant Administrator for Fisheries reviewed, approved, and submitted the announcement for publication in the *Federal Register*. The announcement included all relevant information to apply for program funds and the process for selecting grant awards.

Although NOAA is only required to publish the program announcement in the *Federal Register*, program officials expanded their solicitation to other media as encouraged by DAO 203-26, Section 4.02f. NOAA placed the solicitation notice on NOAA's Internet web site, and sent solicitation notices to over 500 potential applicants on its mailing list.

Employing these solicitation methods, NOAA received 73 applications requesting over $7.6 million. NOAA's program staff accepted all 73 applications as complete and eligible for review.

III. MARFIN Provided a Competitive, Merit-Based Review of Financial Assistance Applications

MARFIN's established procedures and practices for reviewing applications for fiscal year 1997 awards were sufficient to provide a competitive, independent, and qualified review of each application. Review panels used merit-based, technical and public policy criteria that were consistent with the objectives of the program in evaluating the applications. Knowledgeable reviewers from both inside and outside of NOAA provided an independent perspective and evaluation of each applicant. Both inside and outside reviewers had demonstrated expertise in both programmatic and technological aspects of the applications to be reviewed. The reviewers also had professional backgrounds related to the research priority area they reviewed. The seven research priorities for fiscal year 1997 were: bycatch; reef fish; sharks; coastal migratory pelagic fisheries; highly migratory pelagic species; groundfish and estuarine fishes; and general (see page 9).

DAO 203-26, Section 4.02h.1, sets forth the minimum requirements for the competitive review process:

- Application is reviewed only when it has been submitted in response to a notice in the *Federal Register* or other publication.
- Applications should be treated fairly.
- Applications should receive an independent, objective review by one or more review panels qualified to evaluate the applications.
- Review panels consist of at least three persons and may include one or more individuals who are not employees of the federal government.
- Review panels should use selection criteria covered by the application notice.
- Organization units should prepare a rank ordering of applications based solely on evaluations by the review panel.
- Organization units should determine the order in which the applications will be selected for funding based on:

(1) any priorities or other program requirements published in the *Federal Register* that apply to selection of applicants for new awards, and

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

MARFIN Operating Procedures stated that all MARFIN applicants that respond to the solicitation would receive a review by scientific peer reviewers, a MARFIN Scientific Panel, and a MARFIN Panel. Consequently, the fiscal year 1997 applications received three levels of review.

- The 73 applications were first reviewed by at least three scientific peer reviewers. This was an independent review by federal and nonfederal scientific peer scientists conducted by mail (see page 10).

- The second review was by the MARFIN Scientific Panel. This panel was comprised of federal (6) and nonfederal (1) scientists who met and discussed the scores and summarized comments from the scientific peer reviewers and recommended 36 applications for funding (see page 10).

- The third review was by the MARFIN Panel (see page 11). This panel was comprised of eight nonfederal fishery experts who met, commented on each application and voted to recommend or not recommend for funding the applications sent forward by the MARFIN Scientific Panel.

All review panels' scores, rankings, and comments for the recommended applications were presented to the NMFS Southeast Regional Administrator, the selecting official, for award selection (see page 12).

All MARFIN reviewers had qualified professional backgrounds related to the research priority areas. The seven project funding research priorities for fiscal year 1997, as stated in the *Federal Register*, consisted of :

(1) *bycatch* - the bycatch of biological organisms by various fishing gears can have wide-reaching impacts from a fisheries management and an ecological standpoint.

(2) *reef fish* - some species within the reef fish complex are showing signs of being overfished, either through directed efforts or because they are bycatch of other fisheries.

(3) *sharks* - research needs included: (a) characterization of the commercial and recreational fisheries; (b) collection and analysis of basic biological data; (c) development of species profiles and stock assessments; (d) identification of nursery and methods to protect young; and (e) evaluation of present regulations and improvement of methods to determining landings.

(4) *coastal migratory pelagic fisheries* - the commercial and recreational demand for migratory coastal pelagic has led to overfishing for certain species, including king and Spanish mackerel. Additionally, some are transboundary with Mexico and other countries and may ultimately demand international management attention.

(5) *highly migratory pelagic species* - such as tuna and billfish; changes in the temporal and spatial components of fishing effort and fishing gear and tactics need to be characterized and the effects quantified.

(6) *groundfish and estuarine fishes* - because of the historic and current size of these fish stocks, their importance as predator and prey species, and their current or potential use as commercial and recreational fisheries, more information on their biology and life history is needed.

(7) *general* - there are many other areas of research that need to be addressed for improved understanding and management of fishery resources. These include methods for data collection, management, analysis, and better conservation.

A. Review by the scientific peer reviewers

The first level of review was by the scientific peer reviewers. For fiscal year 1997, these reviewers consisted of 147 independent expert scientists both from NMFS and nonfederal sources. Of the 147 reviewers, 89 were federal and 58 nonfederal. The MARFIN program maintains a data bank of over 2,000 potential peer reviewers. The peer reviewers were selected by the Director of NMFS's Southeast Fisheries Science Center and MARFIN's program staff based on the reviewer's expertise, availability, and their ability to provide a fair and objective review. Each peer reviewer reviewed his/her applications independently. For fiscal year 1997, all 73 applications were reviewed by at least three independent scientific peer reviewers. The reviewers evaluated and documented each assigned application according to the criteria listed in the *Federal Register* (see page 6), and completed a score sheet documenting the evaluation. The reviewers provided the total score and written comments for each application to the MARFIN program staff. The program staff averaged the scores received for each application, but neither the peer reviewers nor the program staff prepared a list ranking the applications. The scores and comments were next presented to the MARFIN Scientific Panel.

B. Review by the MARFIN Scientific Panel

After the scores had been averaged and the comments summarized by MARFIN's program staff, the applications were presented to the MARFIN Scientific Panel. This panel's review was different from the scientific peer reviewers. This panel reviewed the peer review results, discussed the need for the applicant's proposed project according to the research priorities listed in the *Federal Register*, and decided whether to recommend the application for funding.

The MARFIN Scientific Panel was made up of independent expert scientists from NMFS and from outside of NOAA. The seven members of this panel were recommended by the Director of NMFS's Southeast Fisheries Science Center. The MARFIN program manager stated that the program attempts to have two members on this panel from outside of NOAA. The number of NMFS staff members comprising the MARFIN Scientific Panel was based on the number of team leaders needed. Each team leader was a NMFS staff member who presented the applications under each specific research priority category to the other panel members. The program staff also participated on the panel in an advisory capacity. The NMFS representative to the MARFIN Panel also attended because this representative subsequently presented the applications recommended for funding by the MARFIN Scientific Panel to the MARFIN Panel.

For the 1997 fiscal year, the MARFIN Scientific Panel included six NMFS scientists, who served as team leaders, and one scientist from outside of NOAA. Three of the NMFS team leaders also served as scientific peer reviewers; however, all were independent of the MARFIN program. Each NMFS team leader presented the applications categorized in his/her research priority area. The presentations were based on the peer reviewers' scores and written comments. The team leader presented both the positive and negative points identified from the peer review for each application. The team leader also stated his/her expert opinion on the application and if the application should be funded. The application was then discussed among the panel members. At the end of the discussion, the panel reached a verbal consensus on whether to recommend or not recommend the application for funding. However, the actual vote counts of the panel's decisions were not recorded on the review sheets.

The vote count of the MARFIN Scientific Panel members needs to be recorded to further support the panel's recommendations on applications to be funded. The applications not recommended for funding by the panel did not receive any further consideration. Because applications can be eliminated from further funding consideration at this stage, full documentation is needed to support the panel's recommendations. During the audit fieldwork, we discussed with MARFIN officials the need to document the actual vote of the panel members on each application reviewed. The program officials stated that they would add a section to the panel's review sheet to record the vote count of the panel members.

The applications that were recommended for funding were presented to the MARFIN Panel for further review. For fiscal year 1997, the panel recommended 36 of the 73 applications for funding totaling more than $3.1 million.

C. Review by the MARFIN Panel

The MARFIN Panel was the final level of review of the applications by an independent panel. This panel was composed of nonfederal fishery experts representing state and local agencies and organizations concerned with fisheries research, management, and utilization in the southeast region. The NMFS Southeast Regional Administrator selected the panel members from

nominations solicited and received from state fishery management agencies, NOAA Sea Grant organizations, and commercial and recreational fishery associations. Also, a non-voting NMFS representative served on the panel to provide technical advice, along with a nonvoting administrative representative from the NOAA Grants Management Division.

The MARFIN Panel assembled to review applications for fiscal year 1997 awards consisted of eight voting panel members. Two of the panel members had also served as scientific peer reviewers; however, all were from outside of NOAA. During the review, NMFS's representative on the panel presented the 36 applications recommended for funding by the MARFIN Scientific Panel. After the presentation by the NMFS representative, each of the 36 applications was discussed by the MARFIN Panel members. Each panel member individually and independently submitted his/her written comments and vote on whether to recommend or not recommend an application for funding. The program staff collected all comments from the panel members and ranked the applications. This ranking was based on the number of votes each application received from the panel members. The panel members selected on their review sheets a score of one (to recommend the application for funding) or zero (to not recommend the application for funding). See Table 1 on page 13.

IV. Financial Assistance Selection Decisions that Deviated from the MARFIN Panel's Recommendations Were Not Adequately Documented

The *Federal Register* and *MARFIN Operating Procedures* stated that award selections would be made by the NMFS Southeast Regional Administrator, in consultation with NOAA's Assistant Administrator for Fisheries. For fiscal year 1997, the Regional Administrator selected 11 of the 29 applications receiving at least one vote for funding by the MARFIN Panel.

After the review by the MARFIN Panel was complete, the program staff presented the rankings, with supporting documentation, to the Regional Administrator for selection. This package included information on the scores and/or comments from the scientific peer reviewers, the MARFIN Scientific Panel, the MARFIN Panel and the MARFIN program manager on the applications reviewed. The Regional Administrator stated that the applications were selected after considering the following factors:

(1) the MARFIN Panel members' votes on the application for funding;

(2) the need for the project addressed in the application by the MARFIN program; and

(3) the funding level and whether funds could be obtained from some other source.

The Regional Administrator stated that at this step in the award process all 36 applications reviewed by the MARFIN Panel already had qualified for funding. However, because of funding limits, he had to select the best of the best applications for funding. According to the Regional Administrator, he generally attempts to select at least 90 percent of the applications

from those that receive the most votes from the MARFIN Panel members; selection of the other 10 percent is based on the availability of funds and other selection factors. However, he did not maintain written documentation that identified specific selection factors or explained how they were applied to the various applicants.

For fiscal year 1997, the Regional Administrator passed over four applications which individually ranked higher than two other applications selected for funding. The four bypassed applications had received 6, 5, 4 and 3 votes for funding, while the two lower-ranked applications had received only two votes a piece. However, the program files did not contain documentation to justify the selection of the two lower-ranked applications.

Table 1 - MARFIN Nonfederal Panel Recommendation Votes

Number of MARFIN Panel Members Voting for Funding	Number of Applications Receiving that Number of Votes	Selected for Funding by the Selection Official
8	5	5
6	3	2
5	2	1
4	2	1
3	1	0
2	1 (1)	1
2	5	1
1	1 (1)	0
1	9	0
0	7	0
Total	36	11

(1) One panel member did not vote on the application because of a conflict of interest.

Although it is within the Regional Administrator's authority to make the selections, NOAA officials should fully explain in writing award decisions that deviate from recommendations made by the independent reviewers in accordance with DAO 203-26, Section 4.05b. If not properly justified in writing, deviations from key competitive processes may compromise the integrity of the competitive award process. Requiring selecting officials to justify deviations from reviewer recommendations promotes managerial accountability for award decisions. The required documentation should clearly explain why specific lower-rated applications were funded over other higher-rated applications.

After the selections by the Regional Administrator, the selected applications were presented to NOAA's Assistant Administrator for Fisheries for review, comment, and approval. The purpose of the Assistant Administrator's review was to confirm that the Regional Administrator's selections were reasonable and adequately addressed the research priorities of the MARFIN program. For fiscal year 1997, the Assistant Administrator approved all selections made by the Regional Administrator.

After the selections received final approval from the Assistant Administrator, the selected applications were negotiated by MARFIN staff with the applicants. This negotiation process was to determine the exact amount of funds to be awarded, the final scope of activities, the project duration, and specific NMFS involvement with the activities of each selected application's project. Once negotiations were completed, the complete selected application packages were submitted to NOAA's Grants Management Division for review and approval.

V. Conclusions

MARFIN developed and published appropriate, merit-based criteria for use in evaluating financial assistance applications for funding. Likewise, the solicitation, review, and selection process established by MARFIN and NOAA is designed to promote selection decisions that are based on those published criteria and to ensure that all applications are evaluated objectively and fairly. However, we found that MARFIN's award review and selection practices need improvement.

VI. NOAA's Comments

NOAA concurred with our findings and recommendations. NOAA stated that the recommendations will be implemented beginning with the next MARFIN selection process. We commend NOAA for the planned implementation of the draft report's recommendations.

VII. Recommendations

We recommend that NOAA's Assistant Administrator for Fisheries ensure that MARFIN:

- Maintains adequate documentation to record the vote count of the MARFIN Scientific Panel members, as required by DAO 203-26, Section 4.05b; and

- Maintains adequate written documentation of the bases for making awards that deviate from the independent MARFIN Panel's recommendations, as required by DAO 203-26, Section 4.05b.

Appendix I
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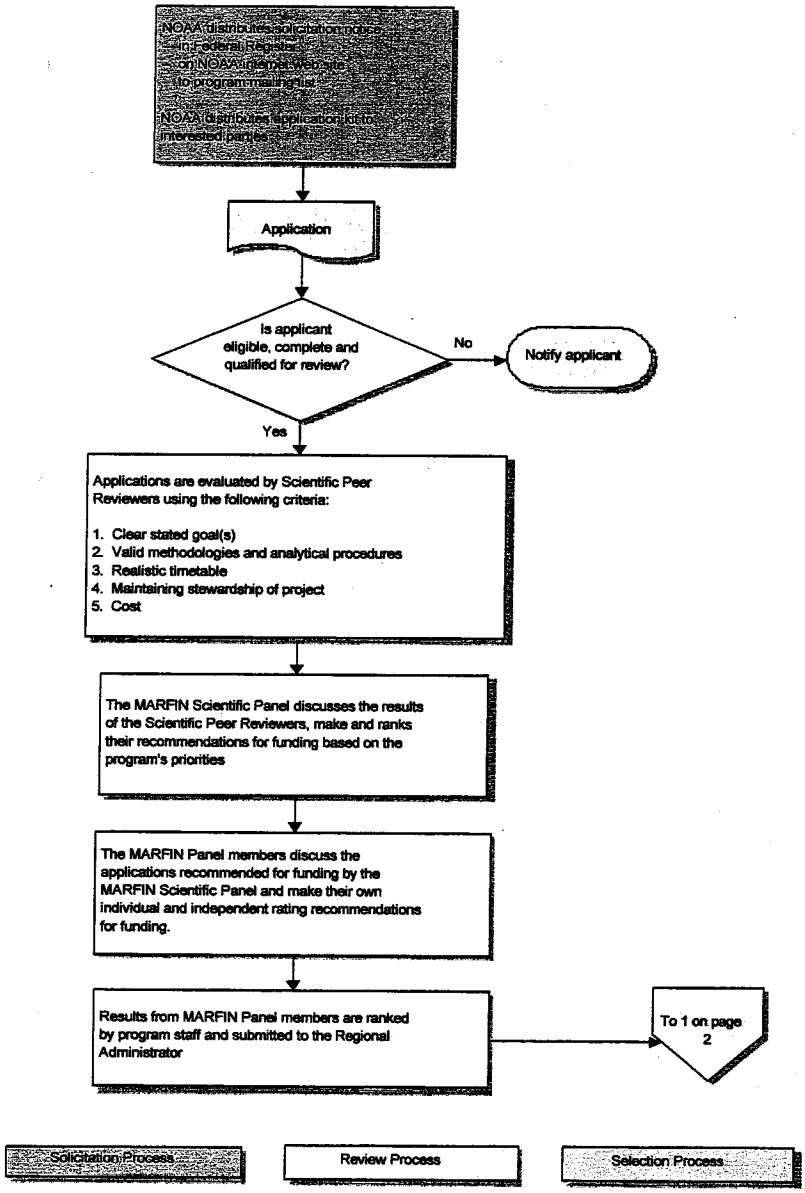
NATIONAL OCEANIC AND ATMOSPHERIC ADMINISTRATION FISCAL YEAR 1997 PROCEDURES FOR SOLICITATION, REVIEW, AND SELECTION OF FINANCIAL ASSISTANCE AWARDS



Appendix I
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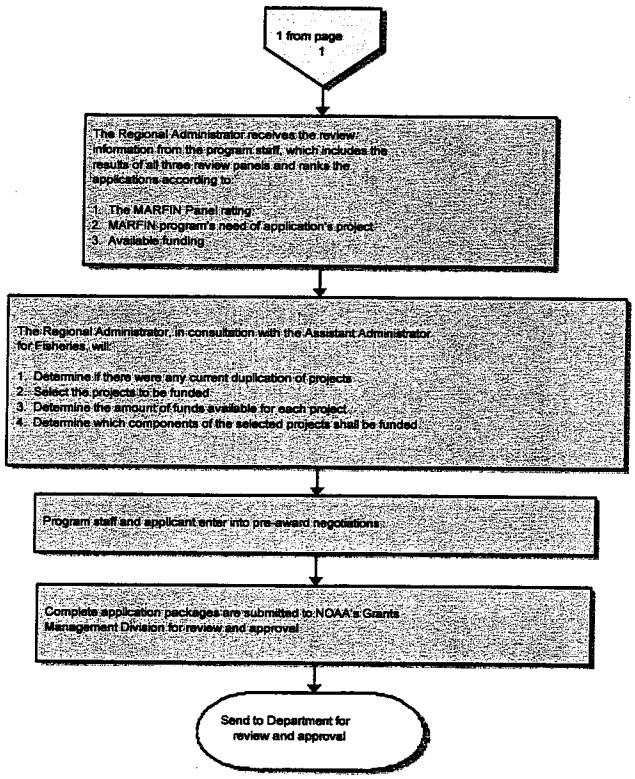

APPENDIX II

UNITED STATES DEPARTMENT OF COMMERCE
National Oceanic and Atmospheric Administration
CHIEF FINANCIAL OFFICER/CHIEF ADMINISTRATIVE OFFICER

September 29, 1999

MEMORANDUM FOR: George E. Ross
Assistant Inspector General
for Auditing

FROM: Paul F. Roberts Barbara Martin (for)

SUBJECT: NMFS's Marine Fisheries Initiative Program Promotes Merit-Based Decisions, But Process Needs More Discipline, CFDA 11.433
Draft OIG Report No. ATL-11655-9-XXXX

Thank you for the opportunity to review and comment on the subject draft report concerning the National Marine Fisheries Service's (NMFS) Marine Fisheries Initiative Program (MARFIN).

The NMFS believes that the audit fairly represents the MARFIN competitive process. NMFS also concurs with the two recommendations contained in the report, namely that they maintain adequate documentation to record the vote count of the MARFIN Scientific Panel members, and that they maintain adequate written documentation of the basis for making awards that deviate from the independent Panel's recommendations. NMFS plans on applying these recommendations, beginning with the next MARFIN selection process. The process is tentatively scheduled for November/December 1999, but is contingent on the availability of funds.

If you have any questions concerning our response, or should you require further assistance, please contact Barbara Martin at (301) 713-1150.

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