



Report In Brief

U.S. Department of Commerce Office of Inspector General

July 2009



Why We Did This Review

In October 2006, Finger Lakes sought payment from NOAA in the amount of \$526,000 for 456 of 968 radio spots produced over a 4-year period. The firm also submitted a complaint to Congress, in which it alleged NOAA had broken funding promises, used an onerous process for approving radio spots in the absence of a formal funding agreement, and conducted inappropriate oversight of a subaward the company had received from the National Marine Sanctuary Foundation.

We audited NOAA's oversight of grants and contract with Finger Lakes to determine whether internal control weaknesses were evident throughout NOAA's business dealings with Finger Lakes.

Background

In August 2002, Finger Lakes Production International, Incorporated, entered into a sole-source contract with NOAA's Office of Ocean Exploration to produce 86 radio spots at a cost of \$100,000 over a 6-month period ending in January 2003. After the contract expired, Finger Lakes applied for and received a financial assistance award that eventually resulted in a series of grants totaling \$490,000 in funding to continue producing NOAA-sponsored radio spots over a 2-year period.

National Oceanic and Atmospheric Administration

Concerns over NOAA's Oversight of Grants and Contract with Finger Lakes Production International, Incorporated (Final Report No. CAR-19201)

What We Found

We found that weaknesses in internal controls were evident throughout NOAA's business dealings with Finger Lakes. NOAA's relationship with this company was flawed almost from the start, as program officials ignored federal protocol for working with private sector firms. NOAA program officials' casual discussions of funding possibilities, letters of endorsement, and use of various funding vehicles likely conveyed a strong interest in maintaining a long-term working relationship with Finger Lakes, and minimized, perhaps inadvertently, the differing requirements and inherent obligations associated with grants, contracts, and other government-funding vehicles.

Specific examples of NOAA's actions include the following:

- **Inappropriate Notification of a Grant Award.** Then-director of NOAA's Office of Exploration inappropriately notified Finger Lakes of a grant award in advance of the grants officer's official notification.
- **Inadequate Grants Management.** Both the grants management office and the program office failed to convey to Finger Lakes key information about requirements for tracking and reporting incurred costs.
- **Potential Unauthorized Commitment.** The director of NOAA's Office of Education inappropriately discussed funding strategies with Finger Lakes and the Smithsonian Institution regarding the production of jointly sponsored radio spots, in which the Office of Education and Smithsonian Institution would pay Finger Lakes \$50,000 for the series of spots.

What We Recommended

We recommended that the deputy under secretary for Oceans and Atmospheres ensure that NOAA takes the following actions:

- Strengthen grants and procurement internal controls to include stronger oversight of program officials' interactions with current and prospective grant and contract recipients, and provide additional guidelines and training for these officials to ensure they understand their appropriate roles.
- Revisit the circumstances surrounding the review and approval of the scripts Finger Lakes produced under joint Smithsonian/NOAA sponsorship and determine whether NOAA's actions resulted in a \$50,000 unauthorized commitment.