

U.S. DEPARTMENT OF COMMERCE
Office of Inspector General



**PUBLIC
RELEASE**

***NATIONAL OCEANIC AND
ATMOSPHERIC ADMINISTRATION***

*NWS's Meteorologic and Hydrologic
Modernization Development Program
Awards Were Not Competitively Selected
CFDA No. 11.467*

Audit Report No. ATL-11405-9-0001 / September 1999

Office of Audits, Atlanta Regional Office



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EXECUTIVE SUMMARY

The Office of Inspector General has 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 National Weather Service's (NWS) Meteorologic and Hydrologic Modernization Development Program. The program is classified as No. 11.467 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 Committee on Commerce, Science, and Transportation.

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 the Meteorologic and Hydrologic Modernization Development Program (MHMDP), NWS provides financial assistance to universities, consultants, companies, state and local governments, and other entities involved in using and developing meteorological or hydrological forecasts or forecast methodology. During fiscal year 1997, the program made two new cooperative agreements, two new grant awards, two continuation amendments to existing cooperative agreements, and one grant renewal, for a total of \$4,934,376. All four new 1997 awards were made noncompetitively in response to unsolicited proposals. The continuation amendments and the renewal amended original awards that also had been made noncompetitively in response to unsolicited proposals.

We found that NWS's criteria, procedures, and practices for the solicitation, review, and selection of MHMDP award recipients did not comply with statutory, departmental, and NOAA requirements and were not adequate to guide agency officials in making merit-based funding decisions. We found that the program was not administered as a competition-based financial assistance program as required by Departmental Administrative Order 203-26 and Financial Assistance Notice No. 17, instead awards were selected on a sole-source, noncompetitive basis. We examined the written sole-source justifications prepared for the four new noncompetitive awards made in fiscal year 1997 and found them to be inadequate. Specifically, we found that NWS:

- Did not develop and publish merit-based evaluation criteria against which program applications for financial assistance could be reviewed, as required by DAO 203-26, Sections 4.02a. and b., and Financial Assistance Notice No. 17, Sections .01 and .03 (see page 7).

- Did not comply with the Department's and NOAA's requirement that a notice be placed in the *Federal Register*, at least annually, announcing the availability of funding, 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. Moreover, the description of the MHMDP published in the *Catalog of Federal Domestic Assistance* does not reflect the full range of projects that may be funded under the program, as required by OMB Circular A-89 (see pages 7 and 9).
- Did not comply 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 (see pages 7 and 9).

As a result of these deficiencies, NWS cannot provide reasonable assurance that noncompetitive awards made under the program are merit-based and represent the most effective means of achieving program objectives.

By not following competitive award procedures, it is more likely that NWS could make questionable or even inappropriate noncompetitive program awards in instances where competition from other sources is available. NWS risks foregoing the receipt of research proposals from a broad range of eligible applicants and thus may lose opportunities to increase the quality and effectiveness of the program.

We also found that the NOAA Grants Management Division did not provide adequate oversight of NWS's administration of the program's award process (see page 11). DAO 23-26, Section 4.02i. requires the decision to fund an unsolicited proposal be fully justified.

In its response to the draft report, NOAA stated that the agency agrees that more awards should be granted competitively for all discretionary funding programs and that a rigorous solicitation process should be used. NOAA also stated that the agency is continuing to look at its current processes and will provide more specific comments and details as part of the audit action plan submitted in response to the final report (see Appendix III).

We recommend that the Assistant Administrator for Weather Services ensure that all financial assistance awards under the Meteorologic and Hydrologic Modernization Development Program are made based on a competitive review process, unless otherwise mandated by law or adequately justified, and that the competitive review process complies with Department policies and procedures and includes the following four elements:

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

- Independent application reviews that consistently apply written program evaluation criteria;
- Written justifications for award decisions that deviate from recommendations made by application reviewers; and
- Adequate written justifications for noncompetitive awards which document appropriate market search efforts to validate the determination that there is only one source for the anticipated award. The market search should include, at a minimum, a preaward notice in the *Federal Register* stating the agency expects to make a noncompetitive award and inviting other qualified parties to inquire.

We also recommend that the Assistant Administrator for Weather Services ensure that the descriptions in the *Catalog of Federal Domestic Assistance* are updated to accurately reflect the current projects that can be funded under the program.

We further recommend that the NOAA Chief Financial Officer/Chief Administrative Officer, as Director of the Office of Finance and Administration, which includes the Grants Management Division, require that grants officer reviews of proposed noncompetitive awards include procedures designed to objectively determine compliance with Department and NOAA competitive requirements.

Our recommendations appear on page 13.

INTRODUCTION

The National Oceanic and Atmospheric Administration's (NOAA) mission is to describe and predict changes in the Earth's environment and to conserve and manage wisely the nation's coastal resources. The National Weather Service's mission is to provide weather, hydrologic, and climate forecasts and warnings for the United States and its territories. NOAA's National Weather Service (NWS) administers the Meteorologic and Hydrologic Modernization Development Program, classified as No.11.467 in the *Catalog of Federal Domestic Assistance*. The program's objective is to maintain a cooperative partnership between the federal government and the university communities to conduct meteorological training, education, professional development, and research and development on issues common to the hydrometeorological community.

NWS made seven awards under the program in fiscal year 1997, totaling \$4,934,376. The awards consisted of two new cooperative agreements, two new grant awards, two continuation amendments to existing cooperative agreements, and one grant renewal award. NWS chose the cooperative agreements as its award mechanism for two of the four new awards because its program officials planned to be substantially involved in the projects. According to program authorization information provided by NOAA's Office of Legislative Affairs and published in the *Catalog of Federal Domestic Assistance*, the fiscal year 1997 awards were made under the authority of The Weather Service Organic Act of 1890, as amended.

Discretionary assistance programs are those for which federal agency officials have the authority to decide (1) which eligible applicants will receive awards, and (2) the amount of federal financial assistance that will be awarded. The use of competitive selection procedures has been determined to be 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 in order to fairly and objectively identify and fund, based on merit, the best possible projects proposed by applicants, and thereby more effectively achieve program objectives.

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.

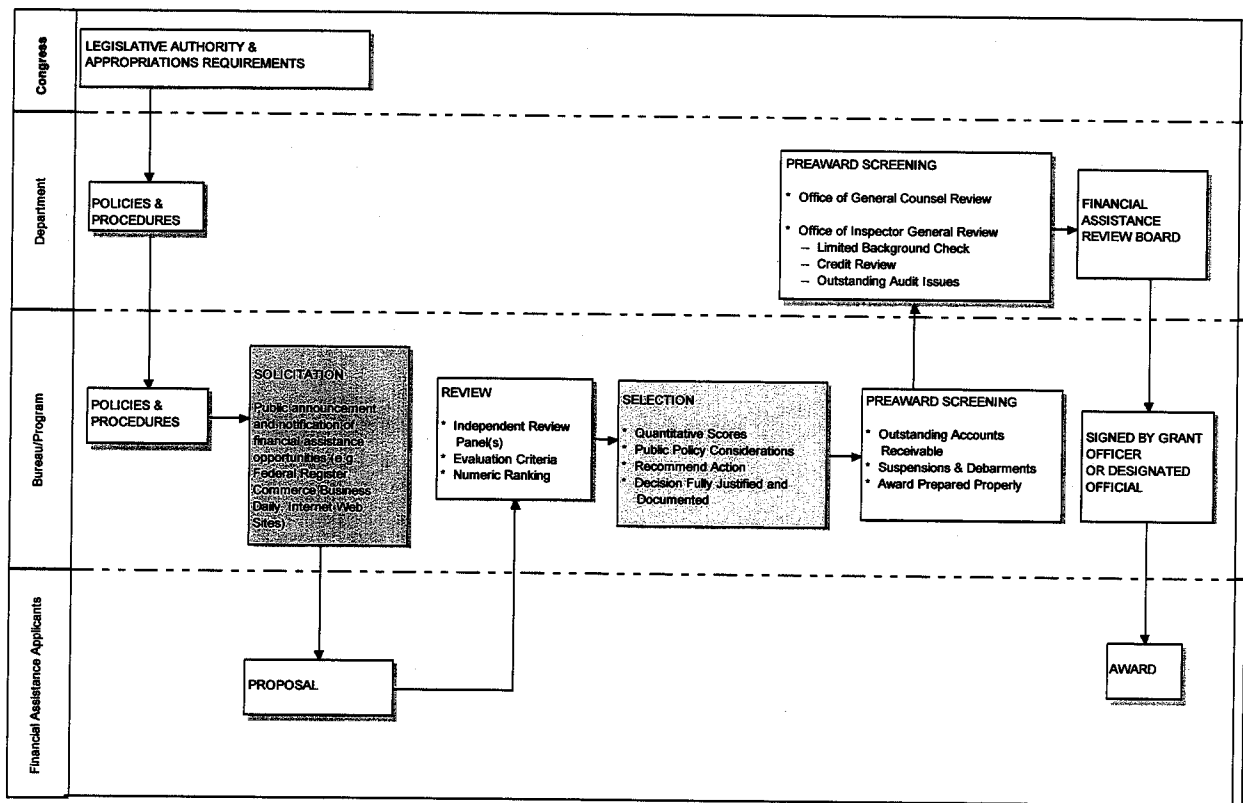
Also, OMB has issued the following circulars which set forth the policies and procedures to be followed in administering federal financial assistance programs:

- OMB Circular A-89, *Federal Domestic Assistance Program Information*, implements the Federal Program Information Act (P.L. 95-220) requiring agencies to systematically and periodically collect and distribute current information to the public on federal domestic assistance programs, which is accomplished through the semiannual publication of the *Catalog of Federal Domestic Assistance*.
- 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. In addition, agency initiated non-competitive or unsolicited awards, if any, should be adequately justified in writing as part of an adequate internal control system defined in OMB Circular A-123 and required by DAO 203-26, Section 4.02i.

The chart presented below depicts the basic 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/NWS process chart located in Appendix I.

Department of Commerce Financial Assistance Awards Process



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, 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 the fiscal year 1997 appropriations legislation to identify legislatively mandated awards. No legislatively mandated awards were found.

During the second phase of our review, we are conducting individual audits of the award solicitation, review, and selection processes of each program we have classified as a "full discretion" program, including the Meteorologic and Hydrologic Modernization Development Program. 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 any 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 all new awards, continuation amendments and a renewal made during fiscal year 1997 under the Meteorologic and Hydrologic Modernization Development Program. Specifically, we:

- Reviewed the program authorization information provided by NOAA's Office of Legislative Affairs and other information published in the *Catalog of Federal Domestic Assistance* to identify criteria for funding decisions.
- Reviewed policies and procedures for soliciting, reviewing and selecting applications for funding (see Appendix I for flowchart of process). We also reviewed NOAA's *Grants and Cooperative Agreements Manual* as it applied to the solicitation, review, and selection process and assessed whether it was adequate and 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 the procedures with NOAA/NWS grant award practices for fiscal year 1997 to determine if the process contained adequate internal controls to provide for competitive, merit-based awards.
- Examined pertinent documents in individual program award files to determine if departmental and NOAA policies and procedures were followed.
- Interviewed NOAA/NWS program office officials concerning NOAA/NWS's solicitation, review, and selection procedures.
- Examined fiscal year 1997 appropriations legislation to identify legislatively mandated projects for this program.
- Reviewed the two continuation amendments made to prior year awards to determine if NOAA had certified whether the recipients were making satisfactory progress and were meeting the award terms and conditions.

We did not rely on computer-based data supplied by NOAA and the Department's Office of Executive Assistance Management (OEAM) 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 NWS's Office of Meteorology in Silver Spring, Maryland, during August through September 1998. We conducted the audit in accordance with generally accepted government auditing standards, and under the 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 NWS's criteria, procedures, and practices for the solicitation, review, and selection of the Meteorologic and Hydrologic Modernization Development Program (MHMDP) award recipients did not comply with statutory, departmental and NOAA requirements and were not adequate to guide agency officials in making merit-based funding decisions. NWS does not administer the program as a competition-based financial assistance program. NWS has not developed and published merit-based evaluation criteria against which applications for funding could be reviewed, does not annually announce the program in the *Federal Register*, and makes all awards under this program noncompetitively in response to unsolicited proposals.

In addition, we reviewed the noncompetitive justifications for the four new awards made in fiscal year 1997 and found them to be inadequate because NWS did not provide sufficient support for the unique applicant capabilities cited. NWS also renewed a grant award by amending the original award without competition. NWS's practices do not comply with the Department's and NOAA's requirements to seek maximum program competition. We also found that reviews performed by the NOAA grants office of the proposed awards did not question NWS's lack of competitive award procedures or the validity of the noncompetitive award justifications. As a result, NOAA/NWS cannot provide reasonable assurance that noncompetitive awards made under the program are merit-based and represent the most effective means of achieving program objectives.

I. Meteorologic and Hydrologic Program Is Not Administered as a Competition-Based Financial Assistance Program

The MHMDP is not administered as a competition-based financial assistance program, as encouraged by federal laws and regulations and mandated by Department of Commerce and NOAA policies and procedures. All of the awards under the program were made noncompetitively in response to unsolicited proposals. We examined the written justifications prepared for the four new noncompetitive awards made in fiscal year 1997 and found them to be inadequate. Specifically, we found that NWS, as it currently administers the MHMDP:

- Did not develop and publish merit-based evaluation criteria against which funding applications could be reviewed;
- Did not comply with the Department's and NOAA's requirement that a notice be placed in the *Federal Register*, at least annually, soliciting award applications;
- Did not comply 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, and (2) the competitive review process meets minimum standards established by the Department.

As a result of these deficiencies, NWS cannot provide reasonable assurance that noncompetitive awards made under the MHMDP are merit-based and represent the most effective means of achieving program objectives.

A. NWS did not develop and publish merit-based evaluation criteria

The NOAA *Grants and Cooperative Agreements Policy Manual*, Chapter 1, Section A.4., requires that applications for financial assistance be reviewed by a panel of independent reviewers in accordance with published criteria. The manual states that the criteria used for evaluating applications must be published as part of the request for applications and prohibits scoring applications against unpublished criteria. However, NWS did not develop and publish merit-based evaluation criteria as required by DAO 203-26, Sections 4.02a. and b., and Financial Assistance Notice No. 17, Sections .01 and .03, against which program applications could be reviewed.

In particular, the agency did not place a notice in the *Federal Register* soliciting competing applications and announcing the criteria for the MHMDP for fiscal year 1997. Also, the program summary, published in the *Catalog of Federal Domestic Assistance*, does not cite program-specific evaluation criteria. The summary simply states that program applications are evaluated technically and administratively primarily for scientific merit and relevance to NOAA goals and objectives; the principal investigator's qualifications are considered; and costs are subject to negotiation. In order to be adequate to facilitate a merit-based evaluation process, criteria used to evaluate applications for federal financial assistance must not be general in nature, but as specific as possible with weights assigned to each criterion.

B. Solicitation and review process did not comply with competitive requirements

DAO 203-26, Section 4.02.b., requires Commerce bureaus to publish an annual notice in the *Federal Register* to announce the availability of funding and to solicit applications for each discretionary financial assistance program. It also encourages the bureaus to publish notices in other widely distributed publications, such as the *Commerce Business Daily*, to ensure widespread solicitation of applications. Moreover, NOAA's *Grants and Cooperative Agreements Policy Manual*, Chapter 1, Section A.4., states that it is NOAA's policy to seek maximum competition for its discretionary grants and cooperative agreements. To accomplish this, the manual states that when appropriate, program offices should publish requests for applications in the *Federal Register* or otherwise solicit applications from all eligible organizations.

In addition, DAO 203-26, Section 4.02.a., requires the establishment of selection criteria for use in evaluating applications submitted for new awards. Section 4.02.h. requires awards be made on the basis of competitive review, and Section 4.02.h.1.(e) requires the use of the selection

criteria in evaluating individual applications. Unless a waiver of competitive review requirements has been obtained, awards must be made on the basis of competitive review.

However, despite the Department's and NOAA's policies, NWS did not announce the MHMDP in the *Federal Register* or the *Commerce Business Daily* and did not establish competitive award selection criteria. By not announcing the program and establishing competitive award selection criteria as required, NWS did not comply with Department and NOAA policies and missed an important opportunity to seek potential program competition. NWS may be encouraging the use of noncompetitive awards by not developing competitive selection criteria. In the absence of an annual *Federal Register* notice announcing the program's existence and availability, NWS still could have placed preaward notices in the *Federal Register* announcing its intent to fund specific program projects and requesting proposals or inviting inquiries from interested organizations. However, NWS did not publish individual preaward notices in the *Federal Register* for the four new projects and the one grant renewal it funded during fiscal year 1997.

Moreover, the *Catalog of Federal Domestic Assistance* description for the MHMDP is incomplete. OMB Circular A-89, *Federal Domestic Program Information*, implements the Federal Program Information Act (P.L. 95-220) requiring agencies to systematically and periodically collect and distribute current information to the public on federal domestic assistance programs, which is accomplished through the semiannual publication of the *Catalog*. However, the description of the MHMDP published in the *Catalog* did not discuss the full range of projects eligible for awards during fiscal year 1997.

The *Catalog* described program areas only for the Cooperative Program for Operational Meteorology, Education and Training (COMET). It also incorrectly stated that COMET was the only project presently funded under the Meteorologic and Hydrologic Modernization Development Program. The seven awards that NWS officials made during fiscal year 1997 were all relevant to the overall meteorologic community; however, only two of the awards were relevant to COMET. The remaining five awards were for fellowships awards to post graduate students to study atmospheric and oceanic sciences (2), implementation of the probabilistic hydrometeorological forecast system (2), and hurricane damage research (1). NOAA officials stated they were aware that the *Catalog* description was incomplete and were in the process of updating it to fully describe all project awards that could be made under this program.

C. Noncompetitive awards lacked adequate justification

In fiscal year 1997, NOAA/NWS made seven awards, including two new cooperative agreements, two new grant awards, two continuation amendments to existing cooperative agreements, and one grant renewal award for a total of \$4,934,376. A list of the awards is provided as Appendix II. The awards were made noncompetitively to organizations that had submitted unsolicited proposals for NWS funding consideration. The NWS written justifications for making the four new awards noncompetitively stated that each of the proposed recipients

possessed unique capabilities that made them either the best or the only organization qualified to do the work. The following is a synopsis of the fiscal year 1997 noncompetitive awards:

University of Virginia (2 Awards)

NWS received two unsolicited proposals from the University of Virginia in the amount of \$10,000 and \$110,000, respectively. NOAA/NWS awarded the \$10,000 cooperative agreement (No. NA77WD0365) to the university in August 1997 to coordinate the ongoing development and testing of the Probabilistic River Stage Forecast System. Subsequently, it awarded a second, \$110,000, cooperative agreement (No. NA77WD0556) to the university to continue the highly sensitive research in developing a prototype end-to-end probabilistic hydrometeorological forecast system. Neither cooperative agreement required a matching share. Agreement No. NA77WD0365 represented funding for an eight-month award. Agreement No. NA77WD0556 represented second-year funding for a three-year project.

The written noncompetitive justifications indicated that the university possesses the specialized research qualifications essential to performing the stated tasks. In addition, the justifications imply that it is more cost effective to use the University of Virginia because of its familiarity with the probabilistic forecast studies. However, the noncompetitive justifications were inadequate because NWS did not provide objective factual evidence, such as the results of a published solicitation, that the University of Virginia was, in fact, the only entity capable of performing the work.

Florida International University

NWS received an unsolicited proposal from Florida International University in the amount of \$63,924. NOAA/NWS awarded a \$63,924 grant (No. NA76WD0510) to the university in September 1997 in an effort to establish joint programs of education, research, and public service opportunities relative to hurricane research and mitigation. The grant agreement required no matching share. Specifically, these programs would link planning, research, and program development activities among the Florida State University System and federal agencies such as the National Weather Service, the Federal Emergency Management Agency, the U.S. Department of Transportation, and the National Aeronautics and Space Administration. The award was for a one-year project.

The written noncompetitive justification indicated that Florida International University possessed the unique firsthand experience caused by Hurricane Andrew and has demonstrated that it has unparalleled capabilities relative to hurricane preparedness activities. The justification also stated that the location of the university and the National Hurricane Center in the same city was an important factor. However, the noncompetitive justification was inadequate because NWS did not provide objective factual evidence,

such as the results of a published solicitation, that the foundation was, in fact, the only entity capable of performing the work.

American Meteorological Society

NWS received an unsolicited proposal from the American Meteorological Society in the amount of \$15,000. NOAA/NWS awarded a \$15,000 grant (No. NA76WD0095) to the society in March 1997 to administer and manage a fellowship program designed to recruit first-year graduate students interested in studying atmospheric, oceanic, and hydrologic sciences. The grant agreement required no matching share. The award was for a one-year project.

The written noncompetitive justification indicated that the American Meteorological Society was the only national scientific professional society that coordinates and manages such programs. However, the noncompetitive justification was inadequate because NWS did not provide objective factual evidence, such as the results of a published solicitation, that the foundation was, in fact, the only entity capable of performing the work. NOAA/NWS, in response to the American Meteorological Society's request, renewed this grant by amending the original award. The renewal added \$15,000 to the original award and extended the performance period one year beginning December 31, 1997.

University Corporation for Atmospheric Research (2 Continuation Amendments)

In fiscal year 1996, NWS received an unsolicited proposal from the University Corporation for Atmospheric Research (UCAR), a nonprofit consortium of over 60 universities and other affiliates. UCAR's mission is to support, enhance, and extend the capabilities of the university community, nationally and internationally to understand the behavior of the atmosphere and related systems and the global environment. The proposal was in the amount of \$17,967,551 for a three-year project to cover fiscal years 1996 - 1998. NOAA/NWS awarded a \$3,110,678 cooperative agreement (No. NA67WD0097) to UCAR in fiscal year 1996 under the Cooperative Program for Operational Meteorology, Education and Training (COMET). The COMET program is designed to provide and foster intensive education and training for operational meteorologists, increased collaboration between the operational and research communities, and improved formal university education to provide future meteorologists with enhanced educational and professional qualifications. The agreement required no matching share. The award was revised during fiscal year 1996 by a supplemental award of \$1,191,115.

In fiscal year 1997, NWS awarded a continuation amendment to UCAR in the amount of \$4,330,552 to provide second-year funding for this three-year project. NWS revised the second-year funding during fiscal year 1997 by a supplemental award of \$389,900.

The written noncompetitive justification indicated that UCAR's members are the only entities engaged in the relevant research and qualified to perform the parts of the task in which they individually specialize, and the consortium is the only entity qualified to perform the entire minimum task. However, the noncompetitive justification was inadequate because NWS did not provide objective factual evidence, such as the results of a published solicitation, that UCAR was, in fact, the only entity capable of performing the work.

Unsolicited proposals are applications for financial assistance that are not submitted in response to a formal solicitation notice published in the *Federal Register*. Because unsolicited proposals are a valuable means by which unique or innovative ideas can be made available to accomplish specific projects, scientific organizations like NOAA and NWS encourage their submission. DAO 203-26, Section 4.02.i., allows the receipt of unsolicited proposals, but states that no unsolicited proposal may be funded outside the competitive process if the research areas addressed in the proposal fall within the scope of the research covered by a competitive program. In addition, the receipt of a technically acceptable unsolicited proposal does not, in itself, justify a noncompetitive award. DAO 203-26, Section 4.02.i., also states that the decision to fund an unsolicited proposal must be fully justified and included in the official grant file.

However, while NWS wrote noncompetitive justifications for the four new awards, the justifications do not cite any factual basis for the assertions that the four applicants possessed unique capabilities. Since NWS also did not comply with the Department's requirement that a notice be published in the *Federal Register* soliciting applications for fiscal year 1997 awards, it lacked support for its assertions that all of the organizations that submitted unsolicited proposals were the only ones that could perform the work. Instead, the justifications contain statements by program office officials that are based on their own knowledge. A belief that an organization possesses unique qualifications should be verified through a competitive review process that includes widespread solicitation of eligible applicants, through announcement in the *Federal Register*, and by other means.

II. NOAA Reviews of Proposed NWS Awards Were Not Effective

Reviews performed by the NOAA Grants Management Division (GMD) of the four new proposed awards did not question NWS's lack of competitive award procedures or the validity of the noncompetitive award justifications. The Assistant Administrator for Weather Services forwarded, as required, the program office's justifications and related documents for the four new proposed noncompetitive awards to the grants office for review and approval. However, the GMD's review of the proposed awards did not ensure the program office's compliance with applicable Department and NOAA competitive requirements.

DAO 203-26, Section 4.01., requires that each organizational unit establish a central liaison to ensure that its programs comply with federal, departmental and bureau grant requirements and to review grant documents for compliance. The Grants Management Division within NOAA's Office of Finance and Administration fulfills that responsibility for NOAA.

The grant files do not indicate whether the Grants Management Division questioned why the NWS program office did not prepare and submit the required annual *Federal Register* program announcement. The files also do not show whether the grants office determined if the noncompetitive justifications were factually based or if the program office had made any attempt to identify other qualified sources before submitting the noncompetitive awards. Grants Management Division personnel stated that they relied on and accepted as valid the technical descriptions of perceived unique capabilities presented in the program office's award justifications. Grants Management Division personnel limited their review of the justifications to determining whether they addressed one or more of the acceptable reasons for a noncompetitive award but did not attempt to verify the information. Therefore, we believe the reviews were not effective in ensuring the program office's compliance with Department and NOAA competitive policies.

III. Conclusions

We concluded that NWS's fiscal year 1997 award process under its Meteorologic and Hydrologic Modernization Development Program was not adequate to guide officials in making merit-based funding decisions because NWS did not develop and publish merit-based evaluation criteria and the noncompetitive award of the two new cooperative agreements, two new grants, and one renewal of an existing grant did not comply with the Department's and NOAA's policies of seeking maximum competition. Also, NWS's written justifications for the awards did not cite any factual basis for its assertions that the applicants are the only entities that could perform the work. Despite these facts, the NOAA Grants Management Division did not question the awards. By not following competitive procedures, it is more likely that NWS could make questionable or even inappropriate noncompetitive program awards in instances where competition is available. In addition, by not seeking competition, NWS misses the opportunity to benefit from the ideas, designs, technology, or services that other qualified organizations can produce and thus loses an opportunity to increase program quality and efficiency.

NOAA Response

In its response to the draft report, NOAA stated that the agency agrees that more awards should be granted competitively for all discretionary funding programs and that a rigorous solicitation process should be used. The response further states that the agency is continuing to look at its current processes and will provide more specific comments and details as part of the audit action plan submitted in response to the final report (see Appendix III).

OIG Comments

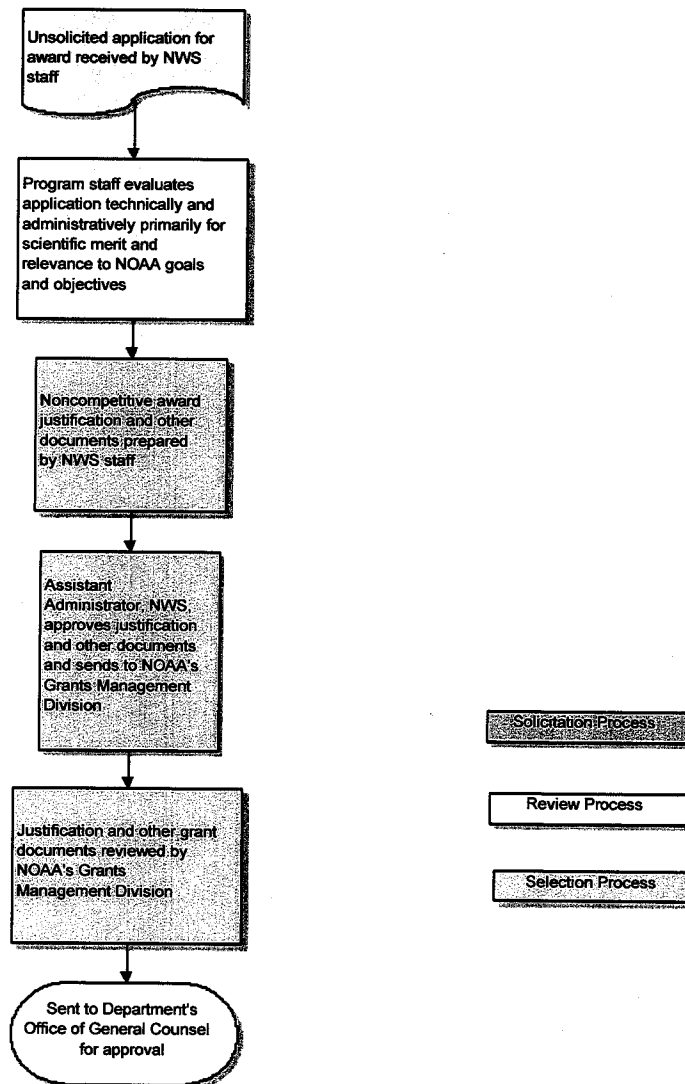
NOAA's concurrence that more awards should be competitively awarded is a positive reaction to this report. We look forward to the Meteorologic and Hydrologic Modernization Development Program moving in that direction.

IV. Recommendations

1. We recommend that the Assistant Administrator for Weather Services ensure that all financial assistance awards under the Meteorologic and Hydrologic Modernization Development Program are made based on a competitive review process, unless otherwise mandated by law or adequately justified, and that the competitive review process complies with Department policies and procedures and includes the following four elements:
 - A. Widespread solicitation of eligible applications and disclosure of essential application and program information in written solicitations;
 - B. Independent application reviews that consistently apply written program evaluation criteria;
 - C. Written justifications for award decisions that deviate from recommendations made by application reviewers; and
 - D. Adequate written justifications for noncompetitive awards which document appropriate market search efforts to validate the determination that there is only one source for the anticipated award. The market search should include, at a minimum, a preaward notice in the *Federal Register* stating the agency expects to make a noncompetitive award and inviting other qualified parties to inquire.
2. We also recommend that the Assistant Administrator for Weather Services ensure that the descriptions in the *Catalog of Federal Domestic Assistance* are updated to accurately reflect the current projects that can be funded under the program.
3. We further recommend that the NOAA Chief Financial Officer/Chief Administrative Officer, as Director of the Office of Finance and Administration, which includes the Grants Management Division, require that grants officer reviews of proposed noncompetitive awards include procedures designed to objectively determine compliance with Department and NOAA competitive requirements.

APPENDIX I

NOAA/NWS Procedures for Review and Selection of Awards



APPENDIX II

RESEARCH IN METEOROLOGIC AND HYDROLOGIC
MODERNIZATION DEVELOPMENT PROGRAM

New Awards, Renewal, and Continuation Amendments for Fiscal Year 1997

<u>RECIPIENT (Awards reviewed are italicized)</u>	<u>AMOUNT OF AWARDS</u>	
	New Awards and Renewal	Continuation Amendments
<i>University of Virginia (C)</i>	\$110,000	
<i>Florida International University (G)</i>	63,924	
<i>American Meteorological Society (G)</i>	15,000	
<i>American Meteorological Society (G) (R)</i>	15,000	
<i>University of Virginia (C)</i>	10,000	
<i>University Corporation for Atmospheric Research (C)</i>		\$4,330,552
<i>University Corporation for Atmospheric Research (C)</i>		389,900
TOTAL	<u>\$213,924</u>	<u>\$4,720,452</u>

C - Cooperative Agreement
G - Grant
R - Renewal



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

AUG 3 1999

MEMORANDUM FOR: Johnnie Frazier
Acting Inspector General

FROM: Paul F. Roberts *Paul Roberts*

SUBJECT: OIG Draft Report: NWS's Meteorologic &
Hydrologic Modernization Development Program
Awards Were Not Competitively Selected
CFDA No. 11.467, Report No. ATL-114055-9-XXXX

Thank you for the opportunity to review and comment on the draft audit report concerning the National Weather Services's (NWS) Meteorologic and Hydrologic Modernization Development Program.

National Oceanic and Atmospheric Administration (NOAA) agrees that more awards should be granted competitively for all discretionary funding programs and that a rigorous solicitation process should be used. NOAA is committed to ensuring an awards program that is consistent with Department of Commerce policies and responsive to our research needs. We will continue to look at our current processes and I will provide more specific comments and details as part of the audit action plan submitted in response to the final report.

