OFFICE OF THE INSPECTOR GENERAL
CORPORATION FOR NATIONAL AND
COMMUNITY SERVICE

REPORT ON THE REVIEW OF THE CORPORATION FOR NATIONAL AND COMMUNITY SERVICE NATIONAL DIRECT GRANT APPLICATION REVIEW PROCESS

OIG AUDIT REPORT 01-31
June 28, 2001

Prepared by:

Delivery Order No. S-OPRAQ-99-D-0021-CNS-09
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This report was issued to Corporation management on July 9, 2001. Under the laws and regulations governing audit follow up, the Corporation must make final management decisions on the report's findings and recommendations no later than January 7, 2002, and complete its corrective actions by July 9, 2002. Consequently, the reported findings do not necessarily represent the final resolution of the issues presented.

CORPORATION
FOR NATIONAL
SERVICE

REVIEW OF THE CORPORATION FOR NATIONAL AND COMMUNITY SERVICE'S NATIONAL DIRECT GRANT APPLICATION REVIEW PROCESS

OIG AUDIT REPORT 01-31

OIG Introduction

CNS OIG engaged the independent auditing firm of Cotton & Company LLP to review the Corporation for National Service's grant application review process (GARP). Our review included procedures to document and assess the Corporation's process for awarding its fiscal year 2000 National Direct program grants, follow-up on the Corporation's progress in implementing recommendations made in OIG's 1996 assessment of the grant application process, and assess compliance with legislative requirements.

Cotton & Company concluded that the FY 2000 process was conducted in a reasonably equitable manner. The firm recommended several improvements to the GARP process, however, including reducing the paperwork and allowing more time for the peer review portion of the process. They also recommended improving the Corporation's grant files and its accounting for costs related to GARP.

Cotton & Company found that the Corporation has implemented most of the recommendations made in OIG's 1996 review. However, the Corporation has not yet developed a comprehensive set of GARP procedures or implemented independent quality reviews of the GARP as OIG recommended. This report repeats these recommendations.

The firm also concluded that the Corporation's FY 2000 application guidelines fulfilled the statutory requirements applicable to the National Direct program. However, they noted that the requirement that the Corporation consider "sustainability" of programs during the grant application process is somewhat unclear and recommended that Congress consider whether it needs to clarify its intent in establishing the requirement. Cotton & Company also recommended that the Corporation consider developing performance goals related to sustainability and reducing grantees' reliance on Federal funds.

CNS OIG participated in the development of the scope and methodology for this review and reviewed the work papers supporting this report to assure its compliance with Government Auditing Standards. We concur with Cotton & Company's conclusions and recommendations.

We provided a draft of the report to the Corporation for National Service for their review and comment. In their response (Appendix 5), Corporation management indicated that they agreed with some of the recommendations and disagreed with others. Each section of this report includes a discussion of the Corporation's response.

Inspector General
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June 28, 2001

The Honorable Luise Jordan
Inspector General
Corporation for National Service
Washington, DC 20525

Subject: Delivery Order No. S-OPRAQ-99-D-0021-CNS-009, Review of the Corporation for National and Community Service National Direct Grant Application Review Process (GARP)

Dear Ms. Jordan:

Cotton & Company LLP is pleased to submit its report on the results of our review of the Corporation's National Direct Grant Application Review Process (GARP). The Corporation Office of Inspector General (OIG) initiated this assignment to follow up on recommendations made in a prior Office of Inspector General report (OIG Report Number 96-10, *Review of the 1994 AmeriCorps National Direct Grant Award Process*). Review objectives were to:

- Document the current grant application review process through narrative description and a flowchart.
- Follow up on results of the prior review to determine the extent to which the Corporation followed through with its commitment to improve the process consistent with the OIG's recommendations.
- Identify all applicable statutory and regulatory grant requirements.

This report summarizes the GARP process and recommends that the Corporation consider suggestions made by peer reviewers that it reduce paperwork involved and allow more time for the peer review process. It also discusses actions that the Corporation has taken in response to the prior report. We recommend that the Corporation publish a comprehensive set of policies and procedures for the GARP process, and that it consider reviving efforts to conduct an external review of the GARP process. We also question the Corporation's compliance with the Congressional intent concerning sustainability of grantee programs and recommend that the Congress consider whether its intentions concerning sustainability need to be clarified.

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Please call Jim Benone or me at (703) 836-6701, if you wish to discuss any aspect of this report.

Very truly yours,

COTTON & COMPANY LLP

By: _____
David L. Cotton, CPA, CFE, CGFM

C&C

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REPORT ON THE REVIEW OF THE CORPORATION FOR NATIONAL AND COMMUNITY SERVICE NATIONAL DIRECT GRANT APPLICATION REVIEW PROCESS

Cotton & Company LLP, under contract to the Office of Inspector General (OIG) for the Corporation for National Service, reviewed the Corporation's National Direct Grant Application Review Process. The OIG initiated this assignment to follow up on recommendations made in a prior report (OIG Report Number 96-10, *Review of the 1994 AmeriCorps National Direct Grant Award Process*).

This report presents results in brief; background; objectives, scope, and methodology; describes the current National Direct Grant Application Review Process; presents a follow up on the prior report, and discusses statutory and regulatory grant award requirements.

RESULTS IN BRIEF

While this review focused on obtaining information about the grant application review process (GARP) for the AmeriCorps*National Direct program, the National Direct GARP is basically the same as the GARP followed for several of the Corporation's other grant programs.

A major component of GARP is a peer review of grant applications, which is required by the National and Community Service Act.[1] A panel of experts reviews and scores each application on the quality of program design, organizational capacity, and budget/cost effectiveness.[2] Peer review panel input becomes a major factor considered by Corporation staff in determining which grant applicants and dollar amounts to recommend for funding. Staff recommendations are reviewed and approved by the AmeriCorps*State/National Director and Corporation senior staff, Chief Executive Officer, and Board of Directors. Subsequent to Board approval, Corporation staff members negotiate final details with grantees. The GARP process in 2000 appeared to be conducted in a reasonably equitable manner.

At the end of peer review sessions, the Corporation asks participants to evaluate and comment on the process. These comments provide an effective way of getting highly qualified, independent insight into GARP and ways that it might be improved. While many of the comments made after the 2000 National Direct peer review indicated that the process is working well, some raised concerns that several aspects of GARP should be revised. We recommend that the Corporation seriously consider suggestions for reducing the paperwork involved and allowing more time for the process. Additionally, we recommend that the Corporation reemphasize and adhere to rules established in the application guidelines. In commenting on a draft of this report, the Corporation said the 2001 GARP requires only summary descriptions of grantees' operating sites and will be conducted by mail. Additionally, it has spelled out the consequences of not following one of its application criteria. (See pages 7 through 13.)

While the Corporation has a considerable amount of information about each grant, all materials related to a particular grant are not available in one central location. The lack of a central records location makes it difficult to ensure that a complete, accurate record is maintained of the government's activities in awarding and administering grants. We recommend that the Corporation consolidate grant files as expeditiously as possible and reassess the types of documents maintained in the central files to ensure that a complete record of the life cycle of each grant is maintained. The Corporation stated in its written comments that it is revising its grant file policies on required materials and will consolidate the files. It

[1] National and Community Service Act of 1990 (as amended through Public Law 106-170, approved 12-17-99); 42 U.S.C.A. Section 12501 et. seq.

[2] 42 U.S.C.A. Section 12585(d)(4).

also said that by 2003 a new grants management database will be completed which will make all grant materials available on line. (See pages 13 through 15.)

Although the Corporation tracks direct costs associated with its three major programs – AmeriCorps, Learn and Serve, and Senior Corps, the Corporation does not allocate staff costs to different projects or processes. Therefore, the Corporation could not determine the overall actual costs of the GARP process. We recommend that the Corporation determine the full cost of GARP (and other administrative processes) so that the impact of changes, such as new systems, revised processes, or new programs can be assessed and used to manage the Corporation and support its budget requests. The Corporation disagreed with this recommendation and said that the administrative burden of recording staff hours by each process would outweigh any benefits. (See pages 15 through 17.)

We also followed up on the Office of Inspector General report titled *Review of the 1994 AmeriCorps*National Direct Grant Award Process* (OIG Report Number 96-10), which recommended a number of improvements to the grant award process. The Corporation has not implemented all of these recommendations.

Although the 1996 OIG report recommended that the Corporation should develop a comprehensive set of procedures for GARP and the Corporation seemingly concurred, it still has not published a comprehensive manual setting out all the internal policies and procedures related to the GARP. We think that the Corporation should publish such a comprehensive set of policies and procedures for GARP and recommend that it do so as soon as practicable. The Corporation basically agreed with this recommendation in its written comments, and advised that it is currently consolidating the GARP policies and will place this reference source on the intranet. (See pages 18 and 19.)

The 1996 OIG report recommended that the Corporation include in its formal procedures a specific set of quality controls over its grant competitions. The Corporation has implemented most of the quality controls specifically identified in this recommendation. It has not, however, complied with the aspect of the quality controls recommendation that said the Corporation should have another grant-giving agency regularly conduct an independent review of the process. While staffing and mission constraints would make it difficult to arrange for a grant-giving agency to conduct a quality review of the Corporation's GARP, we think that periodically having an independent review of the process conducted by experienced grant agency officials would be beneficial. We recommend that the Corporation revisit this issue and revive its efforts to arrange for a periodic external review of the grant application and award process. We also believe that the Corporation could take a leadership role in this area by encouraging a professional grant manager's organization to sponsor a reciprocal review program for grant-giving agencies. The Corporation's written comments said that it has no plans to initiate an external review and that it does not have the resources to take the lead to initiate a reciprocal review system. (See pages 19 through 22.)

Additionally, we compared the National and Community Services Act and the Corporation's regulations[3] with the AmeriCorps*National Direct program's *2000 Application Guidelines.* Our crosswalk between these documents showed that legislative requirements are included in regulations and the *Guidelines*. We learned from discussions with program and grants staffs that they consider legislative requirements and factors for consideration in reviewing applications and making funding recommendations.

One criterion the Corporation is required to consider in reviewing applications is the "sustainability" of the grantee's program. We interpreted this to mean that grantees should eventually be

[3] 45 CFR Chapter XXV, Corporation for National and Community Service.

able to operate without Federal funds. However, we asked the Corporation's General Counsel if the NCSA legislative history indicated the intent of Congress when it established this requirement. The General Counsel stated that neither the NCSA nor its legislative history supports the notion that recipients of AmeriCorps program assistance are ineligible for successive grants. The General Counsel's response, however, concludes that "... Congress consistently focused on the goal of **reducing** ... grantees' reliance on Federal funds [emphasis added]."[4]

Indeed, the General Counsel is referring to Section 130(b)(3) of the NCSA, a section that concerns information the Corporation may require for grant renewals. The section states in pertinent part that "if the application is submitted for the purpose of seeking a renewal of assistance, a description of the success of the programs in reducing their reliance on Federal funds" may be required by the Corporation. Thus, Congress envisioned that the Corporation would consider if current grantees obtained other funding and support for existing programs, before investing additional Federal dollars in an additional grant.

We recognize that various aspects of the grantees' organization and operations (e.g. number of operating sites, level of matching funds, constituency served) may have changed over the years. The number of these variables involved makes it difficult to quantitatively determine whether the grantees' reliance on Federal funds has increased or been reduced over the years. While we agree that the Congress did not forbid providing the same organizations successive grants, it is clear that Congress intended to permit the Corporation to reduce the grantees' reliance on Federal funding. We think that if this goal is to be achieved, a grantee's funding eventually has to be decreased. However, it is not clear whether the Corporation is or is not achieving this goal.

We recommend that the Congress consider whether it needs to clarify what it intended when it required the Corporation to consider the "sustainability" of programs during its assessment of grant applications. We also recommend that the Corporation establish a means of clearly measuring a grantee's reliance on Federal funding and consider developing a performance goal for reducing grantees' reliance on Federal funds. The Corporation's written comments state that it complied with the sustainability requirements of the legislation. The Corporation further said that it does not believe that a performance goal for reducing grantees' reliance on Federal funds is warranted. (See pages 24 through 27.)

BACKGROUND

The Corporation for National and Community Service was established in 1993 to engage Americans of all ages and backgrounds in community-based service. The Corporation supports a range of national and community service programs, providing opportunities for full- and part-time service as individuals or as team members. Learn and Serve America integrates service into the academic life of students in all fifty states. The National Senior Service Corps uses the skills, talents, and experiences of older Americans to help make communities stronger, safer, healthier, and smarter. AmeriCorps engages young Americans on full- or part-time bases to help communities address challenges while earning support for college, graduate school, or job training.

For Fiscal Year (FY) 2000, Congress appropriated $434.5 million to the Corporation for National and Community service programs, with $234 million of this amount designated for AmeriCorps*State and National programs. While the appropriation for AmeriCorps*State and National programs is enacted as a single amount, the National and Community Service Act specifies that funds be allocated among several distinct pools of applicants.

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[4] See Appendix 4, Memorandum from Frank R. Trinity, Ass't General Counsel to Thomasenia Duncan, General Counsel, quoting 42 U.S.C.A. Section 12582(b)(3).

Under the Act, two-thirds of the funds appropriated for the AmeriCorps*State and National programs go to state program grantees through governor-appointed state commissions. A population-based formula allotment determines the distribution of approximately one-half of Federal funds designated to the states.[5] A national competitive process for proposals submitted by State Commissions[6] to the Corporation governs the distribution of the balance of the funds to the states.[7] These are the AmeriCorps*State programs. The former is known as the AmeriCorps*State Formula program; the latter as the AmeriCorps*State Competitive program.

Legislation requires the Corporation to provide remaining funds directly to multi-state programs and national nonprofit grantees.[8] This is known as the AmeriCorps*National program, or as the National Direct program.

Eligible applicants for AmeriCorps*National grants include multi-state programs, national nonprofit organizations, and professional corps programs that offer service activities in more than one state. These AmeriCorps*National grantees receive their awards directly from the Corporation on a competitive basis, and the Corporation has oversight responsibility for these national grantee programs. The grants cover a 3-year funding period, but the grantee is required to reapply for funding for the second and third years of the grant period.[9] Continuation of the grant into the second and third years is contingent on:

- Satisfactory progress in achieving program objectives.
- Submission of proposed changes in activities or objectives and a detailed budget and budget narrative for the applicable year.
- Fund availability.
- Other criteria established in the award agreement.

Beginning in FY 1996, Congress set a limit in the appropriations language on funds that the Corporation might grant through its National Direct grants to national nonprofit organizations. The annual ceiling in both FYs 1999 and 2000 was $40 million.

Grantees from both the AmeriCorps*State and National programs provide participants with a living allowance, health insurance, child care, training, uniforms, travel, transportation, supplies, equipment, and grantee administrative costs. Grantees are required to contribute at least 15 percent of the living allowance and other participant benefits. Grantees are also required to provide at least 33 percent of their program operating costs, such as staff salaries, travel, and supplies. Grantee-furnished funds and support are referred to as grantee matching requirements.

The work underlying this report was initiated to follow up on recommendations made in a prior Office of Inspector General report (OIG Report Number 96-10, Review of the 1994 AmeriCorps National Direct Grant Award Process). That report assessed whether the Corporation exceeded its discretion in awarding grants to organizations that received relatively low scores during a peer review process, thereby skipping over many organizations that scored higher.

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[5] 42 U.S.C.A. Section 12581(a)(1), (d)(1).

[6] State Commissions were established by 49 states (including Puerto Rico).

[7] 42 U.S.C.A. Section 12581(d)(1).

[8] Set-aside AmeriCorps funding is also available for Indian tribes and U.S. territories. The Corporation also used funds appropriated under this budget activity to support training and technical assistance for these programs. (42 U.S.C.A. Section 12581(a)(2), (3)).

[9] 45 C.F.R. Section 2521.20(b)(3).

The OIG found that the Corporation acted within its discretion when it awarded grants to relatively low-scoring applicants at the expense of higher-scoring applicants. The OIG also noted, however, that the peer review process for the 1994 AmeriCorps*National Direct grant competition gave the Corporation little assurance that it could rely on scores assigned by peer review panels to compare grant proposals against each other. The report made several recommendations to improve the grant application review process.

OBJECTIVES, SCOPE, AND METHODOLOGY

Our review was limited to obtaining information about the grant application review process for the AmeriCorps*National Direct program. The stated objectives of this review were to:

- Document the current GARP (narrative and flowchart).
- Follow up on results of Office of Inspector General Report Number 96-10, *Review of the 1994 AmeriCorps National Direct Grant Award Process*, to determine the extent to which the Corporation followed through with its commitment to improve the process consistent with OIG recommendations.
- Identify all applicable statutory and regulatory grant award requirements.

We conducted our review from July 2000 through February 2001 at Corporation headquarters in Washington, DC. Our review was conducted in accordance with *Government Auditing Standards* applicable to performance audits.

We focused on the grant application review process for National Direct grant awards for FY 2000. We reviewed memorandums, instructions, and protocols that describe portions of the process. We discussed these documents and the process with Corporation officials from the offices of Planning and Program Integration (PPI), AmeriCorps, and Chief Financial Officer/Grants Management (OGM).

We compared the current GARP with the Corporation's management decision, which outlined corrective actions planned in response to recommendations presented in the 1996 OIG report. We also compared the current GARP with the process described in the working papers for the 1996 OIG report to identify process changes. We attempted to identify the costs incurred for the GARP and obtained cost data on the peer review conducted for the 2000 GARP.

Additionally, we reviewed grant files and documents as well as data contained in the Corporation's online grant management information system, called GrantsBase, related to a sample of 11 of the 44 National Direct grantees that were active at the time of our review. Most of these grants were originally awarded in prior years (five in 1994, two in 1995, two in 1996, one in 1997, and one in 2000) and renewed annually since then.[10] Nine of the 11 grantees in our sample recompeted for new grants in the 2000 GARP.

To develop an understanding of the peer review process, we analyzed peer review panel consensus review forms for the 11 grantees in our sample that competed in the National Direct GARP for FY 2000, as well as four other grantees we had initially included in our survey. We reviewed evaluations completed by participants at the end of peer review panel sessions and categorized common concerns and issues expressed in their comments to identify problems or aspects of the process that need to be

[10] Grants are awarded for 3-year terms, but reassessed annually. At the end of the 3-year term, the grantee must recompete to obtain an additional 3-year grant award. (45 C.F.R. Section 2521.20(b)(3)).

improved. (We did not re-survey any peer reviewers, because we concluded that the contemporaneous reactions of the peer reviewers would be the most accurate assessments of the process.)

Further, we compared NCSA and the Corporation's implementing regulations with the AmeriCorps*National Direct 2000 Application Guidelines to determine if guidelines address statutory and regulatory requirements. We also conducted an internet search of other governmental audit and grant-making organizations to identify materials that discuss various grant review processes and related quality control techniques.

THE CURRENT GARP

The grant application review process for National Direct grants is essentially the same as the GARP for other program grants established under the National and Community Service Act authority and awarded by the Corporation's Headquarters, with the exception of the State Formula grant program. Application reviews for grants for the Indian Tribes and Territories, State Competitive program, Learn and Serve program, Higher Education, and National Direct program awards all follow basically the same GARP. Grant applications for Volunteers in Service to America (VISTA) and National Seniors Service Corps programs, established under Domestic Volunteer Service Act authority, are processed by the Corporation's regional service centers and state offices using different procedures.

A major component of GARP is peer review of the grant applications, which is required by NCSA.[11] For the 36 National Direct grant applications received in 2000, the Corporation assembled 48 peer reviewers divided into 12 panels, each assigned 3 or 4 applications to read and rate. The panels conducted the reviews in two stages:

- **Stage I**. The panels reviewed all applications. Applications ranked the highest by each panel were referred directly to Corporation staff for further consideration. Applications rated lowest (less than 40 out of 100 points) were eliminated from competition.

- **Stage II**. A different panel then reviewed remaining applications.

The Corporation's program staff then considered panel ratings in deciding which applications to recommend for funding. The AmeriCorps State/National Director then reviewed Corporation staff funding recommendations before these were provided, in turn, to the Corporation's senior staff, Chief Executive Officer, and Board of Directors for review and approval.

After Board approval of funding recommendations, program and grant staff members resolve open issues and remaining questions about the grant proposals with the applicants and award the grant. We concluded that the GARP for the 2000 National Direct awards was conducted in a reasonably equitable manner.

A detailed description of steps in the GARP process is in Appendix 1, and a flowchart of this process is in Appendix 2.

The Number of Applicants

In 1994, the first year that CNS made grant awards, 238 organizations applied for National Direct grants. According to a Corporation official involved in the 1994 review, more than half of the

[11] 42 U.S.C.A. Section 12585(d)(4)

applications received were considered "unacceptable" after an initial review and not considered further. The Corporation awarded 59 grants for National Direct programs in 1994 – 10 planning grants, totaling $1.2 million; 17 grants to Federal agencies, totaling $14.7 million; and 32 grants to operating agencies totaling $30.4 million.[12]

In 1997, after completion of the original 3-year grant term of the National Direct grantees, the Corporation received 37 applications for new National Direct grants – 30 from then current grantees[13] and 7 from new organizations. According to the decision book for the 1997 GARP process, 13 organizations (all recompeting grantees) were recommended for funding, 14 organizations (10 recompeting and 4 new) were recommended with conditions, 1 organization (a former Federal agency grantee) was recommended pending a policy decision as to whether an organization still working within another Federal agency should be funded, and 6 organizations (2 recompeting[14] and 4 new) were not recommended for funding.

In 2000, the Corporation received 36 National Direct applications – 28 from current grantees[15] and 8 new organizations. According to the decision book for the 2000 GARP process, 22 applicants were recommended for funding (21 recompeting and 1 new), 5 applicants were recommended with conditions (3 recompeting and 2 new), 6 recompeting grantees were asked to participate in clarifying interviews to resolve issues that were not clear to peer reviewers or staff, 3 applicants were not recommended for funding, and the decision on 1 organization was deferred.[16]

According to Corporation officials, the number of grants awarded and the types of programs funded during the first year contributed to the substantial drop in the number of applications from the 1994 level. Corporation officials said that initially numerous organizations applied for National Direct grants because they were not aware that CNS expected these grantees to conduct programs that were national in scale and would require a substantial administrative structure to operate successfully. The organizations realized the extent of effort that would be involved in overseeing operating sites run by subgrantees in a number of different locations. Additionally, the organizations may feel that their chances of being awarded a grant are limited because they are aware of a Congressional ceiling on the amount of funds available to the program.

Peer Review Panelists Evaluated the Process

At the end of peer review sessions, the Corporation asks peer reviewers and facilitators to evaluate and comment on the GARP. As noted above, 48 individuals divided into 12 review panels were involved in the peer review process for the National Direct 2000 GARP. The Corporation received comments from 41 individuals (33 reviewers and 8 facilitators), a response rate of about 85 percent; some individuals provided more than one comment about particular issues. The evaluation form asked for observations in these four areas along with specific recommendations:

- Orientation and training
- Review process
- Proposals
- AmeriCorps*National guidelines

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[12] The Corporation no longer awards grants for planning or to Federal agencies.

[13] Of these, 27 were National Direct grantees, 1 was a subtitle H grantee, 1 was a technical assistance provider, and 1 was a state commission subgrantee.

[14] The 2 recompeting grantees, New York University and Boston University, could not demonstrate impact in their communities and were not fulfilling their responsibilities as parent organizations to monitor sites.

[15] Of these, 26 were National Direct grantees, 1 was a Foster Grandparent sponsor, and 1 was a Learn and Serve grantee.

[16] Subsequently, this applicant was not funded.

According to the Director of Program Planning and Development, the Corporation uses panel evaluation results to identify problems in the process and potential corrective actions or revisions that need to be made in the *Guidelines* for the next GARP. At the time of our review, the 2000 GARP was being completed; thus, the Corporation had not had an opportunity to revise the process to incorporate actions based on these participant comments.

In reviewing participant evaluations, we noted that different responders frequently mentioned similar concerns. We classified the responses to each issue into categories that attempt to capture the flavor of recurring concerns.

The most distinct comments were made about orientation and training, although other, more diverse comments were also made. Because of the difficulty of categorizing these diverse comments into specifically labeled, summary categories, we classified them as generally positive or negative. Responses are summarized below, and illustrative written comments are included as footnotes.

Orientation and Training

Number of Responses				(38 of 41 individuals commented)
Reviewers	**Facilitators**	**Total**	**Percent**	**Comment**
8	2	10	21	Session was adequate
7	2	9	19	Session was too long
				Suggested changes:
12	1	13	28	• Use sample or "model" review comments
8	0	8	17	• Provide additional or focused training
5	2	7	15	• Provide orientation materials ahead of time
40	7	47	100	

Review Process

Number of Responses				(38 of 41 individuals commented)
Reviewers	**Facilitators**	**Total**	**Percent**	**Comment**
18	5	23	51	Generally positive[1]
2	0	2	4	Generally negative
1	0	1	2	Neutral
13	3	16	36	Process too difficult[2]
3	0	3	7	Too much paper involved[3]
37	8	45	100	

1 "Very overwhelming but a good process."
"The process seemed very effective - I liked the accommodations."
"The panel that I was involved with made the review process go smoothly. We were thorough and 'got things done.'"
"Went good."
"Process works very effectively."
"Interesting. Provided a good opportunity to give each proposal adequate review."

2 "Mind Boggling."
"Much more grueling than anticipated...."
"You try to pack too much in for reviewers...allow people more days to complete the reviews or decrease the # of proposals....[D]o not think you should expect people to read through the night."

"Very cumbersome + has too many steps....Not enough time to do a very thorough job." [Facilitator]

3 "An overbearing amount of reading at times!"
"Rather disjointed and too much paper!"

Proposals

Number of Responses				(38 of 41 individuals commented)
Reviewers	**Facilitators**	**Total**	**Percent**	**Comment**
10	3	13	30	Generally positive[1]
3	0	3	7	Generally negative
9	2	11	26	Problems with applicant compliance with guidelines[2]
9	0	9	21	Application quality poor or lower than expected[3]
3	1	4	9	Proposal too long[4]
3	0	3	7	Applicants failed to discuss impact of their programs[5]
37	6	43	100	

1 "Some proposals were easy to read & well done."
"Mostly well written..."
"Overall I think the proposals are deserving of CNS support."
"Were generally very good quality and easy to understand."
"The proposals I read were well-written & clearly organized. – Impressive."

2 "If proposals aren't in compliance with the guidelines, i.e., # of pages, font, etc., they should not make it to the review."
"Rather than removing pages or detaching appendices, it would make more sense to disqualify applicants that did not adhere to the guidelines...." [Facilitator]

3 "Much weaker than I had expected! I was shocked."
"Overall, the proposals were often unclear and lacking very critical information."

4 "Is it necessary to require a 2" thick grant proposal?"

5 "Most proposals are "missing the mark" by not providing an impact/outcomes statement, when they have been funded for 3 or more years."

One response that summarized a number of these problems stated:

"Proposals which were clearly in noncompliance or extremely poor quality should not have been forwarded for review, I felt. I was surprised at how egregiously poor some of the proposals were – particularly those of past AC [AmeriCorps] agencies. Language was often imprecise & evasive and objectives frequently lacked demonstrable outcomes."

Guidelines

Number of Responses				(39 of 41 individuals commented)
Reviewers	**Facilitators**	**Total**	**Percent**	**Comment**
17	4	21	54	Generally positive about contents
1	0	1	2	Generally negative about contents
5	0	5	13	Neutral
7	3	10	26	Suggested specific improvements
2	0	2	5	Suggested applicant workshops or help with guidelines
32	7	39	100	

Respondent Recommendations

Respondents—who are highly qualified, knowledgeable, independent individuals—provided valuable insight about GARP and suggested improvements. While many of the comments indicated that GARP is working well, some comments raise concerns that several aspects should be revised. These include comments related to orientation and training, the review process, proposals, and guidelines, as described below.

The individuals responding recommended 27 changes to GARP (22 from reviewers and 5 from facilitators). Following this table, we summarize respondent recommendations for several of the key evaluation-form categories.

Number of Responses				(26 of 41 individuals commented)
Reviewers	**Facilitators**	**Total**	**Percent**	**Comment**
4	0	4	15	General, positive suggestions
9	2	11	41	Suggestions to help reviewers
5	1	6	22	Suggestions to help applicants
2	2	4	15	Corporation should require applicants to provide or improve statements demonstrating program impact
2	0	2	7	Low-quality programs should not be funded again
22	5	27	100	

Orientation and Training

Forty-one percent of the responses recommended more assistance or training for reviewers. Although the Corporation does send an information package to reviewers in advance, some reviewers obviously did not get the materials for one reason or another. While some instances may be unavoidable, such as when a reviewer is replaced at the last minute, the Corporation should make a concerted effort to get information packages to reviewers to allow sufficient review time. Although a general comment, one respondent recommended: "Better preparation for reviewers with a realistic account of the work to be done...."

Review Process

Thirty-six percent of the responses indicated that the process was too difficult or demanding. One reviewer suggested that it would be more cost effective if the Corporation mailed applications to peer reviewers to evaluate and return with comments. The reviewer related an experience of working on a national grant review program entirely by mail:

- "Guidelines and [a] practice evaluation are mailed out and returned by a certain date.

- "Actual grant applications are mailed out and reviews are returned by a certain date.

- "Q&As & technical assistance are available by phone & e-mail.

- "A stipend/honorarium is issued after process is completed to standards."

Recommendation: We recommend that the Corporation explore this recommendation to conduct reviews by mail to identify advantages and potential problems. We also suggest that the Corporation consider comments about the difficult and demanding nature of the process, considerable paperwork involved and tight timeframe. Currently, the Corporation maintains tight control over the applications to avoid any unauthorized access or release of the information contained in the proposals. Peer reviewers are required to sign a confidentiality agreement and return proposals that they review. While using a mail process would reduce the level of control the Corporation has over the proposals, the current process is not absolutely secure and reviewers could copy applications if they were determined to do so. A mail process could also require a confidentiality agreement and the return of proposals with a certification that the proposals had not been copied or reproduced. The less harried pace at which the proposals could be reviewed may enable reviewers to provide more reasoned comments with a minimal increase of risk to the security of the proposals.

In discussing this recommendation, Corporation officials said that the GARP for 2001 would be conducted by mail. In the future, the Corporation expects to have applications submitted and the peer review conducted electronically via computer.

The Corporation's written comments on a draft of this report reiterated that the 2001 grant cycle would be conducted by mail. The Corporation also pointed out that, although it does review comments made by peer reviewers, it does not change its processes based on each individual comment, nor, necessarily, on a relatively small number of similar comments. The Corporation dismissed the concerns raised by the peer reviewers and asserted that the positive comments about the process greatly outweighed the negative comments.

As discussed above, a significant portion of the peer reviewers (people selected for their expertise and independence) made specific comments about the process. In addition to these specific comments, some made comments that were too diverse to put into a specifically labeled category and therefore we categorized them as "generally negative" comments. (We clarified this in the text above.) When the specific and general comments are combined, the percent of negative comments ranged from 33 percent of the comments about the Guidelines to 70 percent of the comments about Orientation and Training. Although there were positive comments about the process, we think that it is significant and deserves the Corporation's serious attention when one-third to nearly three-fourths of expert peer reviewers' comments point out concerns or perceived problems with the process.

Proposals

Twenty-six percent of the responses said that applicants should be disqualified for failing to follow guidelines for the physical format of the applications, and 21 percent complained about the quality of the proposals. Some respondents said that re-competing grantees have an edge over new applicants, and that some organizations may not apply, because they think current grantees have an unbeatable

advantage. One reviewer suggested that separate funds be set aside for new applicants. Specific comments follow:

- "Work w/ parent organizations to help them provide more guidance to operating sites."
- "Require projects ... to prepare 'impact/outcomes' evidence that justifies continuation funding beyond 3 years."
- "Don't refund complacent & poorly constructed proposals just because you have enough funding or because the applicant has been a Corporation program in the past."

We suggest that the Corporation consider this recommendation to designate funds or have a separate competition for new grantees.

Guidelines

Although 54 percent of the comments were positive, reviewers made some recommendations. The Corporation currently "bends over backwards" to include applications in the review process that disregard aspects of the *Guidelines*, particularly those specifying length or format of the narrative portions. Reviewers clearly see this as favoring current grantees, who should know the rules and be able to follow them.

Corporation officials said that the applications are inspected upon receipt for compliance with the *Guidelines* and that any applications that deviate from the *Guidelines* are sent to the Compliance Review Committee. This Committee, which is comprised of representatives from the Offices of General Counsel, Grants Management, Planning and Program Integration, and the program involved, considers the deviation and decides whether to send the application to peer review or not. A Corporation official said the Committee usually "errs on the side of giving the applicant the opportunity to compete." According to the Corporation official, some problems can be fixed based on the Committee's review (e.g. if the application exceeds the *Guidelines* requirement for length, the excess pages are torn out). Other problems such as failure to address objectives or to include a budget narrative are viewed as quality issues that may result in a lower peer review score but are not considered to be reasons to disqualify an application. Membership on the Committee remains constant from year to year to facilitate consistency in the decisions and the General Counsel insists that all applicants be treated the same.

When we pointed out that several peer reviewers said non-complying applications should be thrown out, the Corporation official said that it is a policy decision as to whether to throw out an application or to tear out some pages. The official said that the then current Chief Executive Officer of the Corporation believed that applicants should be given every chance possible to compete.

Recommendation: In line with the suggestions made by peer reviewers as discussed above, we recommend that the Corporation seriously consider reducing the paperwork and allowing more time for the peer review process. Additionally, we recommend that, in future application guidelines, the Corporation should clearly identify the format and content rules that must be strictly followed. It also should state the consequences of not following these rules – identifying those which would result in disqualification of the application and those that would result in reduced technical scores. The Corporation should then follow through and enforce the rules.

In discussing this recommendation with Corporation officials, we were advised that the 2001 GARP peer review process would be conducted by mail. Conducting the peer review process by mail

will reduce the pressures that reviewers feel to quickly review the applications and eliminate the costs involved in conducting the peer review panels. Corporation officials also said they are working on the capability to accept applications electronically, and plan to have a paperless review process in the future.

Corporation officials said they are reluctant to reject applications for infractions of the guidelines that they consider to be relatively minor and said that if they are too strict in enforcing the guidelines there would be a "political backlash" when organizations complained to their congressional representatives. As discussed above, we think that allowing applicants to deviate from the guidelines sends the signal that the rules do not really need to be followed or enforced by grantees in their own operations or in dealing with subgrantees. Clearly identifying the rules that must be followed and specifically stating the consequences of not following them would facilitate acceptance by applicants and reduce any potential backlash. As the Corporation reduces its involvement in overseeing subgrantee activities, it is even more important to avoid giving grantees a signal that the rules are not important and can be ignored.

The Corporation's written comments on the draft of this report stated that the 2001 guidelines no longer require separate narratives from the applicant's operating sites and that this would decrease the length of the applications and reduce the amount of time required to review them. The Corporation also stated that the 2001 guidelines contain a clear admonition that excess pages will be removed from the applications. According to the Corporation's comments, the addition of this warning to the Guidelines is consistent with its policy that applicants "be given every chance possible to compete but places the responsibility and consequence on the applicant." The Corporation further said, "[a]ny applicant that chooses to disregard this admonishment does so at risk of receiving a lower score."

As noted above in the discussion about the previous recommendation, the 2001 GARP process will be conducted by mail. Additionally, the Corporation's comments said that it had clarified the 2001 Guidelines concerning adherence to the requirement on the length of proposals. These actions appear to address the intent of this recommendation.

All Materials Related to a Particular Grant are Not Available in One Central Location or System

The Corporation does not maintain all grant materials in a central location. One of the Corporation's Financial and Administrative Policies and Procedures, *NCSA Grant Management Guidelines GMG 97-11*, states that its purpose is to "...ensure the completeness of the official files for awards made by the Grants Management Office." Further, the General Guidance section of this policy states that grants management officials "... are responsible for the maintenance of all financial records related to the grants programs. This includes maintaining program related information related to grants...."

The Corporation's Office of Grants Management (OGM) does maintain central grant files that generally contain the types of records required by the policy; other grant records are filed elsewhere. Specifically:

- The Corporation has an online database for grants management that contains a considerable amount of information about the grants.
- The Corporation's Office of Planning and Program Integration (PPI) maintains materials documenting peer review of grant applications for early stages of GARP.
- The program office (AmeriCorps) keeps records of negotiations with the grantee prior to deciding on the grant award amount and final program design.

- The program office maintains status reports submitted by the grantees and related comments or notes by Corporation program officers.

Grant materials stored in a number of locations make it difficult to ensure that a complete, accurate record is maintained of the government's activities in awarding and administering grants. The Director of OGM acknowledged that files were dispersed, and stated that the Corporation is in the process of consolidating files to locate more of the pertinent information in one place. Additionally, he noted that the Corporation is developing a new automated grants management database and intends to make all of the data related to grants available on-line.

The many service programs that the Corporation sponsors have different legislative and administrative requirements. The Corporation has developed a number of computer systems and databases to manage the various grant processes and to report on program activities. However, the Corporation decided that using several systems was administratively difficult and that it would be better served by a single system.

As discussed above, the Corporation is developing a new grants management database system that will be used for all of its programs. According to the Statement of Work for the new system, some of the problems with the existing databases include:

- The databases do not adequately tie to the Corporation's electronic financial management system.
- Data often are entered more than once, increasing the chances for error.
- Some databases were built with software no longer supported by the Corporation.
- Access controls in some systems are not adequate.
- Retrieving information about all of the Corporation's programs is more difficult than it should be.
- In general, the databases are not well documented.

Because of the nature of these problems and to avoid the potential for internal disagreement if one current system is adopted over another, the Corporation decided to build a new grant management system.

In this regard we also noted that the 2001 Appropriations Act[17] targeted not less than $2,000,000 for:

- the acquisition of a cost accounting system for the Corporation's financial management system,
- the acquisition of an integrated grants management system that would provide comprehensive financial management information for all Corporation grants and cooperative agreements, and

[17] P.L. 106-377, 10/27/00, Making appropriations for the Departments of Veterans Affairs and Housing and Urban Development, and for sundry independent agencies, boards, commissions, corporations, and offices for the fiscal year ending September 30, 2001, and for other purposes.

- the establishment, operation and maintenance of a central archives serving as the repository for all grant, cooperative agreement, and related documents.

Corporation officials said that they were not aware of the Committee's motivation for including these requirements in the Act. They also said, however, that the new automated grants management data base would satisfy the Committee's direction to acquire an integrated grants management system as well as the direction to establish a central archive of grant-related documents. Corporation officials said that the goal of the new system is to eventually have all of the GARP and grant management paper work computerized and available on-line. They said the goal is to have a "paper-less" operation.

We agree that the new automated grants management database would resolve our concerns about the dispersed nature of the grant files. However, the development phase of the new system is not scheduled for completion until April 2002. Additionally, we think that it will take several years, at least, after the system is operational for everyone involved in these processes to become acclimated to dealing with the paper work on-line and to achieve anything approaching a paper-less operation.

Recommendation: We recommend that the Corporation ensure that consolidation of its paper files is completed as expeditiously as possible and that it reassess the types of documents maintained in the central files to ensure that a complete record of the life cycle of each grant is maintained. The Corporation should consider establishing a grant award file and a grant administration file similar to the types of files called for by the *Federal Acquisition Regulation*, Sections 4.802(a)(1) and (2). The grant award file would document the basis for the grant award, including the application, peer review consensus forms and scores, any negotiation memorandums, the signed grant award, and any subsequent actions taken by the grant office. The grant administration file would document the basis for and the performance of grant administration responsibilities, including correspondence (letters, memorandums, and email) with the grantee, progress reports submitted by the grantee, and site visit reports. We also recommend that the Corporation consider the archiving requirements for automated records as part of the development of the grants management recordkeeping system.

The Corporation's written comments asserted that "all grant applications and review materials for each process are filed together and essential materials related to individual grants actually awarded are located in official grant files" and that it "does maintain all information and materials it determines to be essential in official grant files." However, the Corporation went on to state that it is revising its "grant file policies to incorporate further definition of required materials and to consolidate files..." Further it said that by 2003 the grants management database will be on line and all grant materials ... will be even more accessible and available electronically."

It appears that, as recognized during our audit by the former Director, OGM, and the comments quoted above that the Corporation agrees that there is a need for "further definition of required materials" and consolidation of the files and is taking action to implement this recommendation.

The Corporation Does Not Allocate Staff Costs to Projects or Processes

The Corporation tracks direct costs associated with its three major programs – AmeriCorps, Learn and Serve, and Senior Corps. The Corporation's computerized accounting system, called *Momentum*, can assign costs to these programs and to subprograms, such as the National Direct activities. However, most of the costs incurred for the GARP process are for staff salaries and benefits and the Corporation does not allocate staff costs to different projects or processes. Therefore, the Corporation could not determine the actual overall costs of the GARP process.

To better understand the magnitude of the effort involved in the GARP process, we asked the Corporation to estimate how many staff members were directly involved in some way with the National

Direct GARP for 2000. According to the Deputy Director, Program Planning and Development, about 50 people had a direct role in the process at one time or another. Their involvement ranged from reading one or two grant applications as "cross readers"[18] (29 staff members were cross readers for the 2000 National Direct GARP) to more extensive involvement for several weeks or months. Thirteen staff members were extensively involved:

- 3 were involved in planning, arranging, and monitoring the peer review sessions.
- 3 were involved in program office assessments of peer review input, evaluating applications, and negotiating with prospective grantees.
- 7 were involved in assessing the financial capabilities and budgets of applicants.

In addition, the five Corporation senior staff members reviewed and approved staff recommendations. Also, Corporation financial and personnel employees were indirectly involved in the process.

The largest cost item that can be directly associated with GARP is the peer review process. For the National Direct GARP, 46 outside (non-Corporation) individuals participated in assessing applications.[19] The Corporation is required by its basic legislation to consider the advice of panels of experts before making grant awards.[20] The Corporation estimated that peer review sessions for the National Direct applications cost about $90,000.

The Corporation gives a daily honorarium of $100 to outside panelists for participating in the review process. Although all panelists are involved in Stage I of the peer review process, some are no longer needed for Stage II after the number of applicants is reduced. Stage I required three days, so each panelist received $300 for the Stage I review. Panelists remaining for the 2-day Stage II review received another $200 each.

Panelists from outside the area travel to Washington, DC, for panel sessions. For the 2000 National Direct GARP, the panels met from March 27 through 31, 2000, at the Embassy Suites hotel in Crystal City, Virginia. The Corporation has a contract with Embassy Suites to provide hotel rooms and meeting rooms and equipment for group sessions. The Corporation also provided round-trip air transportation to the Washington, DC, area, ground transportation, and per-diem allowances for meals.

Local panelists are not provided hotel rooms, but may be allowed ground transportation costs. Participants employed by the Corporation or another Federal agency in the Washington, DC, area and staff members involved in the peer review process do not receive hotel rooms or transportation costs. About 10 panelists from the Washington, DC, area were involved in the 2000 GARP for the National Direct grants.

The Corporation initially identified direct costs incurred for the 2000 National Direct awards peer review process as follows:

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[18] "Cross readers" are Corporation staff from another program office or group who are asked to review and comment on grant proposals.

[19] Two of the peer review panelists were Corporation employees who acted as facilitators.

[20] 42 U.S.C.A. Section 12585(d)(4).

Category	Amount
Honoraria	$20,600
Lodging	32,726
Travel and Per Diem	28,345
Meeting Rooms	5,629
Other	66
Total	$87,366

Subsequently, the Corporation *estimated* that the total direct cost of the process was about $250,000. The Corporation's estimate, however, cannot be fully supported by its cost accounting system or cost accounting records.

With regard to the direction in the 2001 Appropriation Act that the Corporation develop a cost accounting system (see page 15), we were told that the *Momentum* accounting system can assign costs to the extent that the Corporation finds useful to manage its operations. Additionally, in response to the Act's requirement, the Corporation is assessing whether additional cost reports would be beneficial to management.

Recommendation: We recommend that the Corporation determine the full cost of GARP (and other administrative processes) so that the impact of changes, such as new systems, revised processes, or new programs can be assessed and used to manage the Corporation and support its budget requests.

The Corporation's written comments stated that it "had begun development of a cost allocation model for reporting costs in the financial statements utilizing *Momentum.*" It also said the cost accounting model allocates expenses by program and that "In fiscal 2001, we plan to refine the model and improve upon the system's capabilities. In addition, we will contract with an independent public accounting firm to validate the cost model." However, the Corporation also said that the administrative burden of recording staff hours by each process performed by staff outweighs any benefits.

While refining its capability to assign costs by programs is a step in the right direction, we continue to believe that there is value in being able to identify the costs associated with different processes. For example, knowing these costs would enable management to better assess the effort devoted to staff involvement in the application review process versus the time spent answering questions from, or resolving problems raised by, particular grantees. The Corporation may then be able to provide information to the Congress to determine whether the process is "worth" the amount being spent on it or if resources could be better spent elsewhere. The Corporation also could determine with some certainty whether certain organizations are "high maintenance" grantees and consider whether staff effort is skewed toward helping some grantees while devoting considerably less time to others.

The Corporation stated that "the auditors note that the Corporation identified and provided information on the direct costs of holding the 2000 national direct GARP, but that we [the Corporation] did not allocate salaries ... [for the staff involved in the process]." Our report indicates that *some* direct costs are identifiable; however, the majority of the direct costs of the process are Corporation employee salary costs, and the Corporation does not have a system in place for associating salary costs with specific processes.

FOLLOW-UP ON THE 1996 OIG REPORT

The 1996 OIG report recommended the following improvements to the grant award process:

- The Corporation should adopt a comprehensive set of written procedures stating how it will apply statutory and regulatory selection criteria in deciding which grant proposals it will fund.

- The Corporation should implement a set of quality controls over grant competitions (including preparing specific written justifications for grant award decisions and adopting regularly scheduled external quality control reviews of its grant award process).

- The Corporation should redesign the AmeriCorps*National Direct grant application peer review process to provide greater assurance that it may rely on peer review results as an indicator of the relative worthiness of grant proposals.

In its comments on a draft of the OIG's 1996 report, the Corporation said it found "... the conclusions to be generally in accord with Corporation policy and practices and to reflect issues and strategies we agree with, have discussed and are implementing." We noted, however, that the Corporation has not fully implemented these recommendations, as discussed below.

Adopt a Comprehensive Set of Written Procedures

On March 12, 1997, the Corporation provided the Inspector General with a memorandum titled "Update on Response to the Inspector General's Draft Report 96-10, *Review of the 1994 National Direct Grant Award Process*." In response to the report's recommendations that the Corporation adopt a comprehensive set of written procedures stating how it would apply statutory and regulatory selection criteria in deciding which grant proposals it would fund, the Corporation stated:

> We concur. The Corporation developed a process to prepare written procedures for each grant review and selection process that describes at what stage and how statutory requirements will be applied. These procedures were implemented in 1995. They are developed during the planning period for each grant review and describe the stages of the review and decision-making process and when statutory and regulatory criteria will be applied. The Corporation also describes the review and selection process in the application guidelines each year and specifies in those guidelines how applications will be evaluated and what additional statutory requirements staff and Corporation leadership will apply during the decision-making process.

Although the 1996 OIG report recommended development of a comprehensive set of procedures for GARP and the Corporation seemingly concurred, it still does not have a single reference source, such as a manual, that contains an overall set of procedures for GARP. The Corporation has a number of separate "protocols," which provide instructions for various steps of the process leading up to, and including, the peer review stage. These protocols are revised to some degree for each new GARP.

Written instructions also exist for some of the remaining segments of GARP. The Office of Grants Management has a "handbook" of guidance and checklists for use in assessing applicant compliance with fiscal requirements and negotiating budget amounts and grant awards. Also, as stated in its comments on the 1996 OIG report, the guidelines that the Corporation provides to grant applicants contain a discussion of the review process and selection criteria, including statutory requirements. These

materials still, however, have not been drawn together into a single comprehensive set of written procedures documenting the process and providing clear, consistent guidance. Corporation officials said, however, that they planned to make the protocols and other internal instructions for GARP available on the intranet.

Recommendation: We recommend that the Corporation develop a single reference source containing a comprehensive set of written procedures for GARP as soon as practicable. Clear, consistent, and well-documented program guidelines are an important component of effective internal control as well as an essential tool for an efficient grant administration system. A single reference source for policy guidance, administrative procedures, appraisal criteria, monitoring requirements, evaluation strategies, and standard forms will help ensure consistent and efficient administration.[21] The Corporation should proceed as expeditiously as possible in making these instructions available electronically.

The Corporation agreed with this recommendation. The Corporation stated in its written comments that the existing written protocols for GARP should be consolidated and available electronically.

Implement a Set of Quality Controls

The 1996 OIG report recommended that the Corporation include in its formal procedures a specific set of quality controls over its grant competitions. The report stated that the Corporation should:

- Prepare a written justification for each proposed decision to accept or decline a grant application.
- Require written justifications to specifically address the reasons why a proposed decision deviates from results of the peer review process.
- Subject written justifications to at least one level of review before decisions become final.
- Adopt regularly scheduled external quality control reviews of its grant award process.

The Corporation has implemented the first three of these quality controls, but has not implemented the fourth. All four are discussed below.

Prepare Written Justifications and Address Funding Deviations. The Corporation is in compliance with the aspects of this recommendation to prepare a written justification of each grant award decision and specifically address the reasons why a proposed decision deviates from the peer review results. In its March 12, 1997, update of its response to the Inspector General's draft report the Corporation said, "When feasible,[22] the Corporation requires a written summary of each application submitted, an evaluation of the application and specific funding recommendations." Corporation staff members prepare decision books on GARP for each grant program, which they provide to the Corporation's Chief Executive Officer (CEO) and, subsequently, to the Corporation's Board of Directors.

Decision books summarize the GARP process and note one of three recommendations:

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[21] Australian National Audit Office, Administration of Grants in the Australian Public Service, Performance Audit, Audit Report 32, 1996-97, May 15, 1997, Appendix 4, Better Practice Guide, Administration of Grants, Section 1.58.

[22] Some Corporation programs, such as the State Formula grants, involve several hundred grantees, and the Corporation considers it impractical to prepare written justifications for each.

- Approval for the full amount requested by the applicant (referred to as "recommended").
- Approved conditionally or for a lesser amount ("recommended with conditions").
- Disapproved ("not recommended").

The decision books contain separate written summaries for each grant recommended for full or conditional awards and a summary of the rationale for any applications recommended for disapproval. The summaries contain the following for each recommended grant:

- Program Description (Mission)
- Strengths and Accomplishments
- Continuous Improvement Issues
- Funding Recommendation

Program staff develop these comments from (1) the peer review comments made during the grant application review process and (2) its own review of the applications and experience (if any) with the applicant.

Review Written Justifications Before Decisions Become Final. The Corporation is complying with this recommendation to subject written justifications to at least one level of review before decisions become final. As noted above, the program staff uses peer review panel input and its experience with a grantee to make grant award recommendations. The grant award recommendations are reviewed and approved at four levels within the Corporation, each of which may question or reject staff recommendations. The Director of the AmeriCorps State-National programs reviews staff recommendations as does the Director or Senior Grants Officer, OGM, before signing the grant award document. After the Director approves staff recommendations, the recommendations are presented to the Corporation's senior staff.[23] When the senior staff has approved the recommendations, the staff completes a decision book on the process. The decision book contains:

- A summary of new policy guidance affecting GARP.

- An overview of the applications and a summary of the process.

- A summary of grants recommended, recommended with conditions, and not recommended for award.

- Charts summarizing recommendations by amounts requested and recommended, funding categories, issue areas addressed, and the location and priority area addressed by the proposed new operating sites.

- Individual summaries of each applicant, as discussed above.

Staff members then present the decision book to the CEO, who reviews and approves grant award recommendations made in the decision book. Staff members revise the decision book based on the CEO's input and present it next to the Corporation's Board of Directors. Finally, the Board votes to approve or reject the package of recommended grant awards.

Adopt External Quality Control Reviews of Grant Award Process. The Corporation has not complied with this recommendation. In the March 12, 1997, update to its response to the Inspector General's draft report the Corporation stated:

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[23] The Corporation's senior staff consists of the Chief Operating Officer, General Counsel, Chief Financial Officer, Director of the AmeriCorps programs, and Director of the Planning and Program Integration Office.

> ...[A]s the IG recommends, we will consult with other agencies to explore possibilities for an external review by another agency that regularly uses similar review and decision-making processes. This is planned for the summer of 1997.

The Corporation initiated discussions with the National Science Foundation (NSF) for a quality control review of the Corporation grant award process. Personnel changes at NSF, however, delayed and eventually resulted in the cancellation of this review. The NSF employee originally scheduled to conduct the review left NSF, and NSF was unable to find a suitable, willing replacement.

According to the Director of PPI, NSF may have decided that it was not in a position to conduct such a review, and the Corporation did not identify another willing, capable agency. Additionally, the Corporation had undertaken a broad review of its evaluation criteria and decided that a quality review should not be initiated in the midst of these changes. Thus, the recommended quality control review of the grant award process has not been undertaken.

The Director of PPI said that the Corporation has not revisited this issue recently and has no plans to initiate such a review. He thinks that Federal grant-giving agencies are not equipped to conduct such reviews, because outside evaluations are not a part of their missions, and staffing limitations would restrict the ability to conduct non-mission activities.

We generally agree that it would be difficult for a grant-giving agency to conduct an external quality review, but continue to think a periodic, independent review of the process can be beneficial. This type of external review also could benefit other grant-giving agencies. The Corporation could take a leadership role in this area by taking the initiative to explore with other agencies the feasibility of establishing a reciprocal review of each other's grant award operations. Reciprocal reviews would provide an independent critique of the GARP process plus have the added advantage of enabling Corporation personnel to see how other agencies manage their application review processes and identify ways to improve the GARP process. An alternative to review by a grant-giving agency would be to periodically solicit an outside (non-government) source to conduct a review.

We discussed this proposed action with Corporation officials who said that the Corporation awards a very small percentage of the grants awarded by the Federal Government and that it is unlikely the larger grant-giving agencies would be responsive if they took such an initiative.

Reciprocal professional reviews are conducted by a number of other professional communities, including the auditing community. We think that the benefits of such reviews have been proved by their successful and continued use by these professional communities. Additionally, we think that even though the Corporation is one of the smaller grant-giving agencies, this should not be a barrier to promoting a tool that other professionals have found useful.

Recommendation: We recommend that the Corporation revisit this issue and revive its efforts to arrange for a periodic external review of the grant application and award process.

The Corporation's written comments said that it has no plans to initiate an external review and that it does not have the resources to take the lead to initiate a reciprocal review system. The Corporation said that the periodic Inspector General reviews of the GARP serve as an external review. The Corporation also said that it regularly confers with other agencies to identify ways to improve the GARP process.

We agree that cross-fertilization with other grant-giving agencies is an important part of keeping the process up-to-date and functioning well. We also still believe that reciprocal reviews by other grant award professionals can be a valuable way to find defects in the process and ways that they can be overcome. As we noted above, reciprocal reviews have worked successfully for a number of professional communities. Often, these organizations also are the subject of reviews by external auditors. We would encourage the Corporation to use its regular contacts with other agencies to explore their views on a reciprocal review process; the resources required would be minimal and some interest may be sparked. Another agency may be more receptive to pursuing the idea.

Redesign the Peer Review Process

The 1996 OIG report also recommended that the Corporation redesign its peer review process and consider adopting the practice used by other agencies, such as the National Science Foundation, of having a single panel review all applications competing for grant funds within a particular program.

In the March 12, 1997, update on its response to the 1996 OIG report, the Corporation said that it:

> ... does use single or small numbers of panels where feasible. However, this is not possible with a large volume of applications, with complex applications ... All Federal agencies face the problem of assuring comparable scoring across panels and the Corporation follows similar procedures established by the National Science Foundation to control for different standards. In 1995, the Corporation implemented the following:
>
> - a revised training process for reviewers that includes scoring and ranking a sample application to compare and adjust grading processes across panels; and
>
> - use of a standard scoring rubric.

Our analysis of the peer reviewer evaluations showed that 16 respondents, or 36 percent, considered the current panel process too burdensome and difficult. Respondent comments referred to the size and complexity of the National Direct applications. Although less than 40 grant applications were submitted for the 2000 National Direct GARP, each application included from 3 to 23 operating sites. The 27 National Direct applicants recommended for funding had a total of 217 sites, each with a separate proposal. Applications included a 20-page maximum discussion of the parent organization and a budget, budget narrative, and funding request charts. Each site required a 6-page maximum narrative discussion and a budget, budget narrative, and objectives. Because of the length and number of grant applications, we agree that it seems unreasonable to expect one group to review all applications in a timely manner.

Our analysis also indicates, however, that the Corporation no longer includes scoring and ranking a sample application as one of the training exercises during peer reviewer orientation. Thirteen of the 47 reviewers and facilitators, or 28 percent, evaluating the National Direct 2000 peer review process indicated that they wanted a case study or examples to follow in preparing for the panel sessions.

The Corporation has made other changes in the GARP process since the 1996 OIG report was completed. The most significant change involves a streamlining of several aspects of the process, which is summarized below.

1996	2000
A panel consisting of two of the initial panels read and rated top-ranked applications from the Stage I peer review panels.	Top-ranked applications from each panel were considered "finalists" and referred directly to AmeriCorps staff for review. The lowest-ranking applications (those not obtaining a minimum score of 40 points out of 100) were dropped from further consideration. A second panel then reviewed and ranked remaining applications and provided results to the AmeriCorps staff.
A third panel re-read and re-ranked the highest-ranking applications from the "cross-read" panel (the second panel).	A third panel was not used.
Applications that remained in contention after the peer review process were classified into two tiers. Tier I was described as the "best ones" with "considerable merit" and those "the panelists gave high marks." Tier II was described as "worthwhile proposals, some highly rated by the panels and ones that round out our service objectives." Applicants in the two tiers apparently were winnowed further during senior staff review.	Peer review results, in conjunction with Corporation staff review, were used to categorize applicants into "recommended," "recommended with conditions," and "not recommended." "Recommended" applicants presented strong programs and ranked high in peer review. "Recommended with conditions" applicants were recommended for funding at lower-than-requested levels or pending resolution of outstanding issues. "Not recommended" applicants had varied peer review rankings, but staff analysis disclosed additional issues "... that were not addressed thoroughly in the peer review process."
Applicants considered as semi-finalists were brought to Corporation headquarters for clarifying interviews conducted by a panel of program, evaluation, legal, and grants staff.	Corporation program and grants staffs participated as needed in clarifying interviews conducted by telephone with applicants where issues, questions, or concerns existed. These usually were the applicants "recommended with conditions."

The Corporation continues to make changes that affect the GARP process. Several current and planned changes are designed to put more responsibility on National Direct grantees.

Parent Organization Reporting. The Corporation no longer requires parent organizations to submit financial status reports of operating sites for review. Parent organizations are responsible for obtaining and reviewing financial status reports from operating sites and submitting a consolidated report to the Corporation. According to the Director, OGM, this change is intended to emphasize parent-organization responsibility for monitoring and ensuring that operating sites are staying within their budgets and meeting their match requirements.

Award Instruments. Award instruments have been revised from cooperative agreements to grants. As defined in the Federal Grant and Cooperative Agreement Act,[24] a grant or a cooperative agreement is a legal instrument used by a Federal agency to enter into a relationship for the principal purpose of assistance (that is, the transfer of something of value to the recipient to carry out a public purpose of support or stimulation authorized by U.S. law). Under this Act, agencies are to use cooperative agreements when providing assistance where "substantial involvement" by the government in carrying out the purpose of the assistance is contemplated. Grants are to be used when substantial involvement by the government is not contemplated.

Grantee Reporting. In future National Direct applications, the Corporation will require grantees to summarize descriptions of operating sites. Previously, the Corporation required each operating site to provide an individual description of its program, a budget narrative, and objectives for inclusion in the grant application. National Direct grantees are structured as parent organizations overseeing anywhere from 3 operating sites to more than 20 across the country.

As the grantee, the parent organization is responsible for submitting the grant application and carrying out grant terms. Parent organizations also are responsible for assuring that operating sites, or subgrantees, are complying with grant terms and conditions. The Director, OGM, stated that the Corporation has decided to assign some oversight responsibilities previously conducted by the Corporation to parent organizations. Requiring the parent organization to summarize descriptions of operating sites is intended both to put the responsibility for assessing operating sites on the parent organizations and to reduce the volume of applications for the National Direct program.

STATUTORY AND REGULATORY GRANT AWARD REQUIREMENTS

We compared the Corporation's basic legislation—the National and Community Service Act—and its regulations[25] with the AmeriCorps*National Direct grants *2000 Application Guidelines* and found that legislative and regulatory requirements have been incorporated into the *Guidelines*. The law and the regulations contain a number of specific requirements that are to be considered during the application review process. Appendix 3 contains a summary of the legislative requirements.

We compared the Corporation's basic legislation, regulations it has published in the *Code of Federal Regulations*, and the booklet (*2000 Application Guidelines*) setting out guidance for applicants for National Direct grant awards to determine if legislative requirements were included both in the regulations and the booklet. Our crosswalk between these documents showed that legislative requirements are *included* in the regulations and the *Guidelines*. Discussions with program and grants staff also indicated that they consider legislative requirements and factors for consideration in reviewing applications and making funding recommendations. We noted some uncertainty, however, with respect to one particular legislative requirement—sustainability.

"Sustainability" of Grantees is Not Clearly Defined

As noted earlier in this report, many of the current National Direct grantees were awarded grants by the Corporation's predecessor agency and have continued receiving grants from the Corporation since it was founded in 1994. One of the criteria that the Corporation is required to consider in reviewing applications is the "sustainability" of a grantee's program. We interpret sustainability to mean that a grantee should over time become self-sufficient and be able to operate its programs without Corporation assistance. When we observed that the Corporation has funded nearly half of the organizations receiving grants in 2000 since 1994, we asked how the sustainability criterion was being followed. Corporation officials disagreed with our interpretation and said that sustainability means that a program is viable,

[24] 31 U.S.C.A. Section 6304; 6305.
[25] 45 C.F.R. Chapter XXV, Corporation for National and Community Service.

operating, and worth being provided additional funding. They said that sustainability does not mean that eventually a grantee should be weaned from Corporation funds and expected to operate on its own.

We asked the Corporation General Counsel if there is any indication in NCSA's legislative history to clarify the intent of Congress when it established the requirement that the Corporation consider the sustainability of an applicant's program. The General Counsel responded that neither NCSA nor its legislative history supports the notion that recipients of AmeriCorps program assistance are ineligible for successive grants, and asserted that the Corporation is in compliance with the existing statutory scheme.

The General Counsel's response (which is reproduced in appendix 4) stated that the statute does not define "sustainability" but links the term to community-based support and diversified financial support for AmeriCorps programs. The General Counsel said that none of the reports in the law's legislative history specifically discuss sustainability, but that they emphasize that grantees need to look at the Federal government as "one investor among many." The General Counsel also said that the three congressional bills considered prior to enactment of the NCSA all authorized successive three-year program operating grants without any restriction on the number of times a grant may be renewed.

Indeed, the General Counsel is referring to Section 130(b)(3) of the NCSA, a section that concerns information the Corporation may require for grant renewals. The section states, in pertinent part, that "if the application is submitted for the purpose of seeking a renewal of assistance, a description of the success of the programs in reducing their reliance on Federal funds" may be required by the Corporation. Thus, in our opinion, Congress envisioned that the Corporation would consider if current grantees obtained other funding and support for existing programs, before investing additional Federal dollars in an additional grant.

The General Counsel's response points out that Congress did not forbid providing successive grants to the same grantee. According to the General Counsel, "Congress used the term 'sustainability' to describe a goal of having grantees secure an increasing amount of private support, without placing a restriction on the number of times a grantee could apply for a renewal of Federal grant funds. ...Thus, Congress consistently focused on the goal of **reducing**, but not ending, grantees' reliance on Federal funds [emphasis added]."[26]

We tried to determine whether the Corporation has reduced the amount of its awards to National Direct grantees. We compared original grant award amounts for grantees in our sample with award recommendations made in the decision book for 2000.

Of the 11 grantees[27] in our sample, awards for 7 have increased significantly[28] over the years, awards for 3 decreased significantly (2 of these did not receive awards in 2000), and one was a new grantee in 2000.

We recognize that various aspects of the grantees' organization and operations (e.g. number of operating sites, level of matching funds, constituency served, and cost per member) may have changed over the years. Because of these changes a simple comparison of the original grant amounts and the current amounts may not indicate whether the grantee's reliance on Federal funding has increased or decreased. The number of variables involved in the grantee's operations and funding makes it difficult to

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[26] See Appendix 4, Memorandum from Frank R. Trinity, Ass't General Counsel to Thomasenia Duncan, General Counsel, quoting 42 U.S.C.A. Section 12582(b)(3).

[27] As noted above, most of these grants were originally awarded in prior years (five in 1994, two in 1995, two in 1996, one in 1997, and one in 2000).

[28] We considered a change in grant amounts "significant" if it increased or decreased by more than 10 percent.

quantitatively determine whether the grantees' reliance on Federal funds has increased or been reduced over the years.

Corporation officials stated that the congressional goal of reducing reliance of grantees on Federal funds is not necessarily aimed at reducing an individual grantee's reliance, but rather at reducing reliance on the AmeriCorps program as a whole. They believe that the Corporation has reduced the overall reliance of grantees' on Federal funding over the years. They said the average cost per AmeriCorps member is lower now than it was in 1994 demonstrating that the grantees' overall reliance on Federal funding has been reduced over the years.

The Corporation has considered the issue of sustainability. A memorandum to the Board dated February 25, 1999, transmitted a discussion document on the policies and priorities for the 2000 grant application guidelines that includes material on sustainability.

The section "Program Sustainability" notes that "In the past, there has also been discussion as to whether Corporation funding should be limited to a set period, beyond which the expectation is that if the activity is to continue it must be funded with non-Corporation resources."

The discussion document goes on to say that the AmeriCorps programs had no policy limiting the length of Federal support. It suggests policies related to sustainability, which state that:

- existing projects will receive no greater priority than new applicants;
- there is no assumption that the Corporation will cease funding a program after a specified period;
- the Corporation "will consider the introduction of incentives for certain programs that link the amount of Corporation support per member to fixed periods of time";
- continued high priority will be placed on program quality... this "will promote sustainability, as will the emphasis on strong financial support from non-Federal sources;" and
- the Corporation "will conduct broad outreach to assure a sufficient number of applications so that high quality programs are funded ..."

The discussion document shows that the term "sustainability" can be interpreted several ways and indicates that the Corporation has considered limiting the length of time that it funds projects. However, the Corporation decided not to restrict the continued funding of the same organizations.

While we agree that the Congress did not forbid providing the same organizations successive grants, it is not clear that Congress intended to fund the same organizations year-after-year. Repeatedly funding the same organizations also does not seem to be consistent with the Corporation's initiatives to double the number of AmeriCorps members by 2004. Additionally, it is not clear whether the Corporation is or is not achieving the congressional goal of reducing grantees' reliance on Federal funds. Finally, because the term "sustainability" can be interpreted several different ways and has not been clearly defined, widely different weights may be given to the term by applicants, peer reviewers, and Corporation reviewers.

Recommendation: We recommend that the Congress consider whether it needs to clarify what it intended when it required the Corporation to consider the "sustainability" of programs during its assessment of grant applications and whether a clear measure of a grantee's reliance on Federal funding needs to be established. We also recommend that the Corporation consider developing a performance

goal for reducing grantees' reliance on Federal funds and a means of measuring the extent of reliance that grantees have on such funds.

The Corporation's written comments state that it complied with the sustainability requirements of the legislation. The Corporation says that directing applicants to address a number of factors set out in the application guidelines provides "further evidence that the selection process complies with the statutory requirement."

Our draft did not assert that the Corporation had failed to adhere to the congressional requirement to consider the sustainability of applicants. We recognized that Congress did not forbid providing successive grants to the same organization. However, we still doubt that this means that the Congress intended to permanently fund many of the same organizations. We still believe that the Congress needs to clarify it intentions regarding continually funding the same organizations.

We also continue to believe that a performance goal for reducing grantees' reliance on Federal funds would be useful. We think that a simple measure (i.e. cost per member) is not adequate to determine whether the congressional goal of reducing grantees' reliance on Federal funds is or is not being achieved. Also, the fact that something is required in the guidelines does not necessarily mean that it was provided. Even though reducing grantees' reliance on Federal funds is only a congressional goal and not a legislative requirement, we believe that making an effort to meet it is warranted.

APPENDIX 1

STEPS IN THE GARP PROCESS

The GARP process starts when the Corporation drafts a Notice of Funds Availability (NOFA). This includes an announcement that applications are being taken for program grants, information about the amount available, how to obtain guidelines and applications, and the deadline for submitting applications. The Corporation publishes the NOFA in the *Federal Register* and also sends a similar announcement to current grantees, state commissions, and service organizations that the Corporation thinks may be interested in applying. The AmeriCorps program staff, which oversees the grant process, publishes application guidelines with Office of General Counsel (OGC) approval. The Corporation typically has a toll-free telephone number that applicants may use to ask questions and request materials. The application package and accompanying guidelines also are available from the Corporation's website at www.cns.com.

The Corporation develops a timeline that includes all grant programs; thus, all applicants know deadlines and due dates. Every 3 years, program staff assesses guidelines and forms for needed revisions and to obtain Office of Management and Budget (OMB) approval. When changes are needed, the Corporation prepares proposed revisions and publishes them in the *Federal Register* for public comments. The Corporation considers all comments received and responds to them in the *Federal Register* along with the revised version of the *Guidelines* and forms. OMB approves the changes, and the revised application packages are distributed to state commissions and others.

The Corporation makes guidelines available either through U.S. mail (if the applicant requests) or on the Corporation's website, where applicants may access the application and guidelines. Under the State Formula program, AmeriCorps*State sends applications to state commissions. The State Commission Executive Director (SCED) develops guidelines related to state programs, and states are given a certain amount of planning money to use for decisionmaking. States then forward information on programs they plan to fund to the Corporation, which then conducts a cursory review to make sure compliance problems do not exist (such as lack of matching funds or unallowable activities proposed, such as fundraising or campaigning). There is no peer review for state applicants under the State Formula grant program. The State Competitive award grants, however, do go through the peer review process and are reviewed by the Corporation staff. For the AmeriCorps*National program, the applicants complete the application and send it directly to the Corporation.

When the Corporation receives applications, the program staff checks them for compliance with the guidelines and forwards them to the Planning and Program Integration (PPI) office for distribution to the peer review panels. Applications not in compliance with physical layout requirements (number of pages or font) or required narratives are forwarded to the Corporation's compliance committee for review. The compliance committee either rejects the proposal or forwards it for peer review with minor modifications (such as removing narrative pages if they exceed the page length criteria).

The PPI office arranges peer review sessions, including assigning participants and applications to panels. A peer review panel includes a facilitator and three reviewers and is assigned three or four applications, depending on length and complexity. Peer review panelists are educators, people with community-service background as volunteers or AmeriCorps members, program directors, and other people with service-program experience. Panelists also might have policy experience in environment, education, public safety, and other human needs.

The Corporation identifies potential peer review panelists in several ways. Corporation staff and individuals that participated in past peer review sessions may volunteer or suggest potential panelists.

The Corporation also solicits potential panelists over the internet by sending notices to the various email lists (listservs) that likely panelists may subscribe to. Interested individuals are asked to send a resume to the Corporation for consideration. The program staff review resumes to identify the best candidates, and the PPI staff contact candidates by telephone to explain the process (including honorarium and travel arrangements), confirm availability and continued interest, and screen for potential conflicts of interest. Panelists confirmed by PPI are sent a package of materials describing the process, including the *Guidelines*, a description of the core elements of a successful program, reviewer and facilitator roles and responsibilities, the scoring rubric, and conflict-of-interest and privacy information.

Peer review panels meet in Washington, DC. Depending on the number and complexity of applications to be reviewed, panel sessions last from 3 days (Stage I only) to 5 days (Stages I and II). The 2000 National Direct peer review panel sessions were held from March 27-31, 2000.

The Corporation conducts an orientation session on the first day of a panel session to review materials that it provided by mail, discuss the scoring rubric and assessment categories, and assign reviewers and facilitators to panels. The Corporation also includes a presentation on the need for independence and freedom from conflicts in the review process and ensures that no panel member has a conflict of interest with proposals assigned for review. If a conflict does exist, a proposal is then reassigned to another panel. If no conflicts are identified, panel members sign forms certifying independence.

Each panel has a facilitator, whose role is to guide and support the work of the reviewers, keep the reviewers on schedule, ensure complete appraisals of all applications, and resolve conflicts among panelists. The facilitator also assigns a lead reviewer for each application or proposal; the lead reviewer's primary responsibility is to take notes on discussions among panel members on proposal strengths and weaknesses. The lead reviewer prepares a consensus review form that reflects the collective opinion of the panelists. Twelve review panels and 48 panelists were involved in the 2000 peer review process for the AmeriCorps*National program.

For Stage I panel sessions, peer reviewers review and rank assigned applications. Low-scoring proposals (generally those with fewer than 40 out of 100 points) get dropped. The top-ranked application from each panel is referred directly to Corporation staff for review and does not go through the Stage II review. According to Corporation officials, the highest-ranking applicant from one panel would most likely also be a top-ranking applicant (first or second) from another panel. Thus, the Corporation has adopted this abbreviated procedure for exceptional proposals.

Because some proposals are dropped from consideration and others are referred to Corporation staff during Stage I, fewer reviewers and panels are needed for Stage II. When remaining applications move to Stage II, they are read again and ranked by another panel.

At the end of each stage, reviewer scores are compiled and comments summarized. The panel members sign the summary, which represents their consensus on the application. The consensus review form becomes the official record of the peer review panel activities. The Corporation shreds the score sheets of individual reviewers when each reviewer signs the consensus; individual views are no longer important. To limit access to panel results, the consensus forms are not included in the official grant files, but are kept by PPI. If an applicant wants to see its consensus form, the Corporation provides it without panel signatures to preserve their anonymity. Panel members are required to sign a statement that they will not disclose panel discussions, and they are assured anonymity in the documents they were provided before coming to the panel session.

At the end of the process, reviewers evaluate the facilitators, facilitators evaluate the reviewers, and both evaluate the whole peer review process.

The Corporation's program staff reviews the panel consensus review forms in conjunction with the proposals to identify any program-related issues that need to be clarified or resolved. In the meantime, the Corporation's grants staff reviews the potential grantee's past history, including OMB Circular A-133 audit results. If grants office personnel note problems, they notify the program staff.

Corporation staff with particular expertise in the grant's subject area cross read the applications and panel packages and provide input on the pros and cons of the proposal. Program staff also conduct clarifying interviews by phone with applicants when outstanding issues, questions, or problems exist. The staff then makes its recommendation to the AmeriCorps*State/National Director as to whether to fund the proposal. After director approval, staff recommendations are compiled into a "decision book" that goes to the Corporation senior staff for review and comment. Senior staff input is used to make recommendations to the Corporation CEO. After the CEO's questions are resolved, a revised decision book is forwarded to the Corporation Board of Directors for final approval of the grants. For the 2000 National Direct grant awards, the Board members were provided ballots to fax back to the Corporation to vote on accepting or rejecting the CEO's recommendations. After the Board votes, applicants are notified that, subject to resolution of outstanding issues, questions, or concerns, they have been approved for a potential award.

Program Office Activities

The program and grant officers notify applicants of the status of their applications by telephone and letter. The letter is a brief, formal notification that a grant has or has not been awarded. The telephone call lets the grantee know that the application has been approved for further negotiation and is used to arrange a conference call with the awardee to discuss additional information they need to complete grant approval.

The Corporation requests that the grantee's fiscal officer and program director participate in the telephone call; the grantee may also include others. The Corporation's program officer is usually the only Corporation individual participating. The Corporation program officer covers both program and grant office issues. The Corporation sends an agenda to the grantee ahead of time so the grantee can be prepared to address concerns. Results of the telephone call are documented by incorporating a "Results" paragraph after each item in the agenda. The goal is for the program officer to manage as much communication with the grantee as possible and set up a resubmission date with the grantee.

After the grantee resubmits materials requested by the Corporation, the program staff reviews the materials and resolves all issues. The program office prepares a certification for funding, which the program officer, senior program officer, and Director of AmeriCorps sign. The certification and resubmitted materials are then forwarded to the Grants Office for review and award of the grant.

Grants Office Activities

At the same time the program office is conducting its review, the grants office reviews the applications from a fiscal perspective. If the grantee is a current grantee, they look at the history with the grantee. They are interested in the grantee's history of filing its financial status reports (FSRs), site visits conducted by the grants office, IG reports on the grantee, OMB Circular A-133 audit reports on the grantee, and any data that may be available from the Department of Health and Human Services (HHS), which processes grant payments for the Corporation. The grant office resolves questions arising from this review through correspondence with the grantee.

The grant applicant's budget is entered into the GrantsBase database when the application is received. After the grant officer reviews available information on the grantee and decides that everything

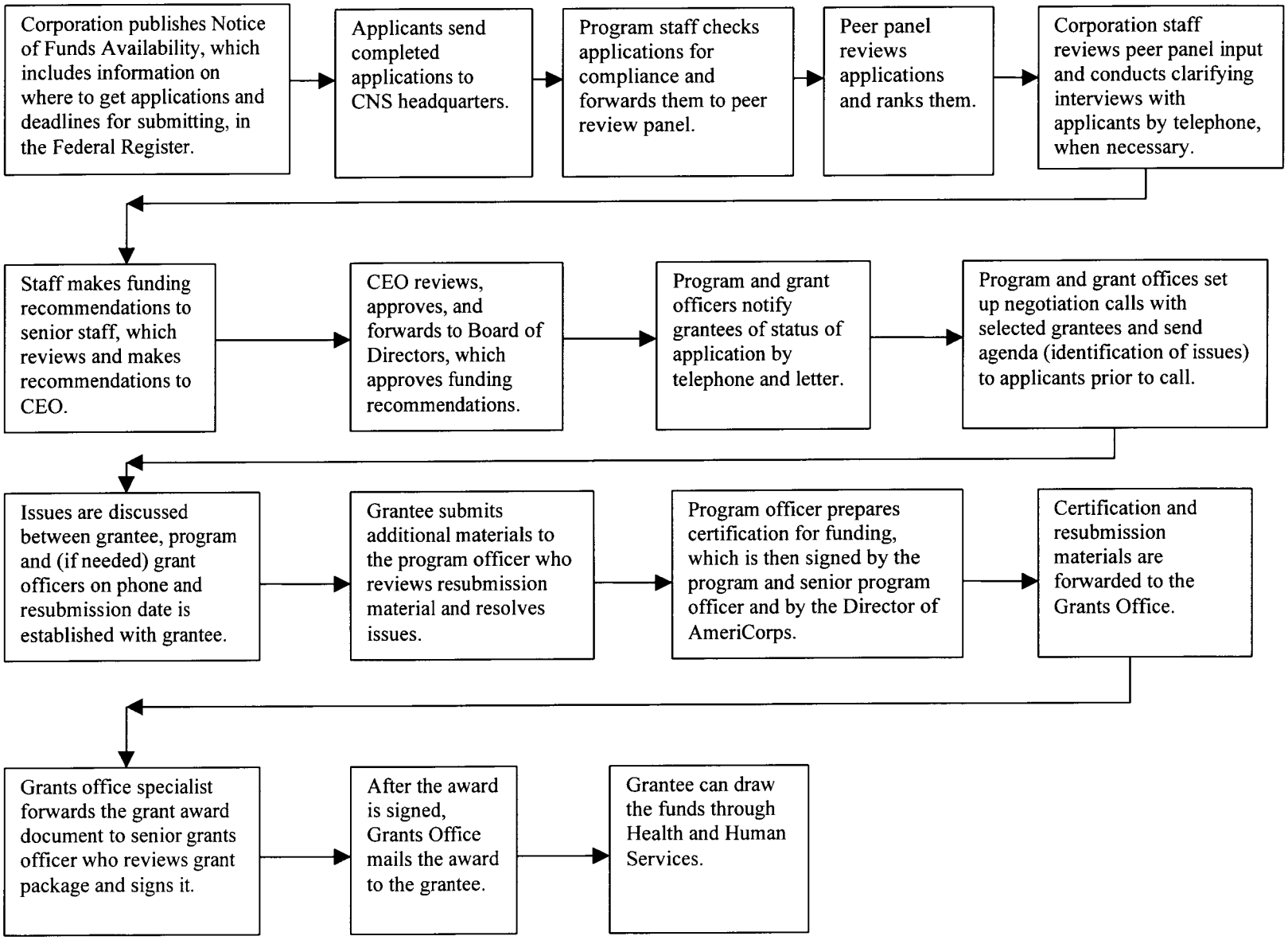
is satisfactory or resolves any questions they may have, the grant officer prepares a certification to that effect. The grant office specialist enters the grant data into Momentum (the Corporation's automated accounting system) and prepares and forwards the grant awards document to the senior grant officer.

The senior grants officer reviews the grant package and the grant officer reviews and then signs the grant award document. When the award is signed, the grants office mails it to the grantee. The grantees then can draw money through HHS.

A grants payment system managed by the Division of Payment Management, HHS, is used to pay most of the Corporation's grantees. When OGM awards a grant, grant information is transmitted to HHS, and funds are then available for grantee withdrawal. HHS maintains an account for each grant. As grantees disburse money for costs incurred, they request HHS to transfer money to their bank accounts. Grantees submit quarterly Federal cash transaction reports directly to HHS.

APPENDIX 2

FLOW OF THE GRANT APPLICATION REVIEW PROCESS



APPENDIX 3

LEGISLATIVE REQUIREMENTS

NCSA[1] identifies four priority areas for national service programs: education, environment, public safety, and other human needs. It also details criteria for the Corporation to use in evaluating applications. These are:

1. The quality of the proposed program.

2. Innovative aspects of the program.

3. Sustainability of the program.

4. Quality of program leadership.

5. The extent of community involvement in the program.

6. The extent to which the program serves areas of need (for example, low income, high unemployment, environmental distress).

7. The consistency of the program with state applications for funds.

8. Such other criteria as the Corporation considers appropriate.

NCSA[2] also sets out "other considerations" that are either optional or required:

1. Geographic diversity.

2. Priorities:

    a. National service programs carried out by another Federal agency.

    b. National service programs that conform to national service priorities in effect under section 12572(c) of NCSA.

    c. Innovative national service programs.

    d. National service programs established in one or more states at the time of the application and proposed to be expanded to additional states.

    e. Grant programs with extensive expertise in providing services to meet human, educational, environmental, or public safety needs.

    f. Professional corps programs.

    g. Programs that received funding under subtitle D of NCSA.

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[1] 42 U.S.C.A. Section 12572(c).
[2] 42 U.S.C.A. Section 12585(d)(1)(2).

Further, NCSA[3] specifies that the Corporation must establish panels of experts to make recommendations on applications for more than $250,000 in assistance and consider the opinions of the panels in making decisions about applications.

[3] 42 U.S.C. A. Section 12585(d)(4).

APPENDIX 4

GENERAL COUNSEL MEMORANDUM ON THE LEGISLATIVE HISTORY OF "SUSTAINABILITY"

To: Thomasenia P. Duncan

From: Frank R. Trinity

Re: "Sustainability" – Statutory References and Legislative History.

Date: October 2, 2000

Summary

As you requested, I have reviewed the following legislative materials in connection with the auditor's inquiry about legislative history relating to "sustainability":

- S. 919, and the accompanying Senate Report (103-70)
- H.R. 2010 (House-passed), and the accompanying House Report (103-155)
- H.R. 2010 (passed by Senate and House, enacted as Pub. L. 103-82), and the accompanying Conference Report (103-219)

Neither the National and Community Service Act (NCSA) nor its legislative history support the notion that recipients of AmeriCorps program assistance are ineligible for successive grants.

A. Sustainability as a mandatory selection criteria

All three bills have the following identical reference in section 133 to "sustainability" as a required criteria for selection of AmeriCorps subtitle C programs: "*The criteria required to be applied in evaluating applications submitted under section 130 are as follows. . . . (3) The sustainability of the national service program, based on evidence such as the existence--(A) of strong and broad-based community-support for the program; and (B) of multiple funding sources or private funding for the program.*" The statute does not define "sustainability" but simply links the term to community-based support and diversified financial support for AmeriCorps programs. None of the reports specifically discusses sustainability, although both the House and Senate Reports emphasize that national service programs need to look at the Federal government as "one investor among many." (S. Rep. No. 103-70, at 6; H.R. Rep. 103-155, at 86).

B. Authority to obtain renewal grants without temporal restriction.

All three bills, including the bill that was enacted into law as the NCSA, have identical language in section 124(b) authorizing successive three-year program operating grants under subtitle C without any restriction on the number of times a grant may be renewed:

> *The Corporation may provide assistance under section 121 to a qualified applicant that submits an application under section 130 for the establishment, operation, or expansion of a national service program. Assistance provided in accordance with this subsection may cover a period of not more than 3 years, but may be renewed by the Corporation upon consideration of a new application under section 130.*

The legislative history related to this renewal authority is consistent with the conclusion that Congress did not intend to place a limit on the number of program grants an entity may receive in succession. Both the Senate and House Reports describes operating grants as "renewable" while at the same time noting that planning grants are "[n]on-renewable." (S. Rep. No. 103-70, at 56; H.R. Rep. 103-155, at 96).

The conclusion that section 124(b) authorizes successive renewal grants to operate subtitle C programs without temporal limitation is further buttressed by the fact that Congress did not choose, as it has elsewhere, to place a limit on the number of times an entity could receive renewal grants. In authorizing grants under the Star School distance-learning program, for example, Congress authorized the Secretary of Education to award five-year grants but further provided that such grants "may be renewed for one additional three-year period." 20 U.S.C. 6894(b).

C. Statutory emphasis on reducing rather than ending Federal funds for renewal programs.

To the extent that the NCSA supports a connection between "sustainability" and the authorized criteria for approving renewal grants, this further supports the conclusion that Congress used the term "sustainability" to describe a goal of having grantees secure an increasing amount of private support, without placing a restriction on the number of times a grantee could apply for a renewal of Federal grant funds. The Senate bill and H.R. 2010 as passed by the Senate and House (and subsequently enacted as Pub. L. 103-82) include the same language authorizing (but not requiring) the Corporation to require applicants to include the following information: "*A description of other funding sources to be used, or sought to be used, for the national service programs referred to in paragraphs (1) and (2), and, if the application is submitted for the purpose of seeking a renewal of assistance, a description of the success of the programs in reducing their reliance on Federal funds.*" (H.R. 2010 as passed initially by the House prior to amendment in conference authorized the Corporation to require renewal applicants to submit "a description of the success of the programs in not increasing their reliance on funds provided under this Act.") Thus, Congress consistently focused on the goal of reducing, but not ending, grantees' reliance on Federal funds.

APPENDIX 5

CORPORATION FOR NATIONAL SERVICE RESPONSE TO OIG DRAFT AUDIT REPORT 01-31: *REPORT ON THE REVIEW OF THE CORPORATION FOR NATIONAL SERVICE NATIONAL DIRECT GRANT APPLICATION REVIEW PROCESS*

CORPORATION
FOR NATIONAL
SERVICE

MEMORANDUM

Date: June 18, 2001

To: Luise S. Jordan, Inspector General

From: Nancy Talbot, Director, Program Planning and Development

Subject: Response to Revised OIG Draft Audit Report 01-31: *Report on the Review of the Corporation for National Service National Direct Grant Application Review Process*

Thank you for the opportunity to comment on the draft audit report of the OIG review of the Corporation's grant application review process (GARP).

The Corporation's grant review process includes: issuing annual application guidelines; publishing notices of funds availability in the Federal Register; receiving applications; convening panels of experts to review applications; reading scoring and ranking applications by these experts; making recommendations to the Corporation's Board of Directors; and awarding grants following negotiations. We were pleased to observe that during the exit conference on the review of the GARP process, the auditors confirmed that the process accomplishes its purposes and basic GARP functions are working well.

The Corporation has made the GARP review a priority and has invested considerable resources both at the Federal and State level to continually improve the process, achieve efficiencies, and provide a fair and equitable review of competitive applications. We believe we are achieving these goals. Comments specific to each recommendation in the report follow.

Copies to: Wendy Zenker
Peg Rosenberry

RECEIVED
JUN 18 2001
OFFICE OF THE
INSPECTOR GENERAL

Response to Specific Recommendations

Recommendation: "We recommend that the Corporation explore this recommendation to conduct reviews by mail to identify advantages and potential problems. We also suggest that the Corporation consider comments about the difficult and demanding nature of the process, considerable paperwork involved and tight timeframe."

As we informed the auditors during the audit, we are conducting reviews by mail for the 2001 grant cycle.

Each year we review the evaluation comments of peer reviewers and meet with program and grants staff to determine changes that may produce a higher quality review. This does not mean, however, that we change our processes based on each individual comment we receive from a peer reviewer. Nor as recommended in the draft audit report would three similar comments out of a group of forty-one necessarily cause us to change our process.

Some comments are made by reviewers who are not familiar with federal grant reviews or with our processes. For instance, one reviewer quoted in the draft audit report stated that the proposals that were extremely poor quality should not have been forwarded for review. In the peer review orientation we are clear that all eligible applications are forwarded to peer review because we expect the peer review panels to determine the quality of applications. Based on peer review results staff does not review the lower scoring and ranking applications. It seems that this particular reviewer did not remember the description of our process when completing the evaluation form. To our knowledge, this is the process followed by other Federal grant-making agencies.

We frequently receive comments that contradict each other. For example, as noted in the report some peer reviewers thought the proposals were good quality and well written. Others thought they were unclear and weaker than expected. Some thought the orientation was too long and wanted to begin work within panels sooner. Others thought the orientation needed to be more thorough than what we covered in three hours. Given the differing opinions, we focus on those comments that can clearly help us to improve our processes.

However, we consider all reviewer comments and agree that our review process is comprehensive. Given the time and resources an applicant has devoted to preparing a proposal, we need to ensure that the peer reviewers carefully read and discuss each proposal. First-time reviewers may find our review process challenging. Many new reviewers find that it becomes easier as they progress through the week. Others conclude that reviewing multiple proposals is not something they enjoy. Many more people return in successive years than those who choose not to return.

Recommendation: "We recommend that the Corporation seriously consider reducing the paperwork and allowing more time for the peer review process. Additionally, we recommend that in future, the Corporation should clearly identify the format and content rules that must be strictly followed. It also should state the consequences of not following these rules – identifying those which would result in disqualification of the application and those that would result in reduced technical scores."

Paperwork and Time

The 2001 application guidelines have already reduced some of the paperwork in the grant process. For example, the guidelines no longer require operating sites to submit a separate narrative. Instead, the parent organization summarizes information about the operating sites it has chosen and the specific service activities associated with each site. This change in the guidelines significantly decreases the length of applications and reduces the amount of time required to review applications.

Using the review by mail process this year has enabled us to extend the period of time reviewers have to read and score proposals.

Compliance

Part five of the 2000 application guidelines, AmeriCorps*National Application Instructions (page 29) includes a section entitled Compliance Requirements. This section clearly identifies the format and content rules that applicants follow.

The compliance review committee applies this policy in a consistent manner to ensure fairness to all applicants. This might mean removing pages from a section of an application to ensure that all applicants are held to the same page limit. We reviewed the Code of Federal Regulations, recent Federal Register notices, and several agency websites to see how agencies handle grant applications that exceed page limits. While one of Justice's programs disqualified page exceeders and one of Agriculture's programs reserved the option to disqualify page exceeders, the prevalent standard was to remove the excess pages from the application just as we do. HHS, Education, and HUD, for example, all follow the practice of simply removing the excess pages without disqualifying the applicant.

For Corporation grant applications, in the relatively few instances of noncompliance, the issue is usually adherence to the applicable page limits. In order to clarify the consequences of disregarding the page limit for applicants and reviewers, we included the following language in the 2001 guidelines on page 25. "If you exceed a page limit, we will remove any excess pages before reviewing your application." This additional language describes our policy on how we handle this infraction. It is consistent with our policy that applicants should be given every chance possible to compete but places the responsibility and consequence on the applicant. Any applicant that chooses to disregard this admonishment does so at risk of receiving a lower score.

Recommendation: "We recommend that the Corporation ensure that consolidation of its paper files is completed as expeditiously as possible and that it reassess the types of documents maintained in the central files to ensure that a complete record of the life cycle of each grant is maintained. The Corporation should consider establishing a grant award file and a grant administration file similar to the files called for by the *Federal Acquisitions Regulations*, Sections 4.802(a)(1) and (2)."

The report states that all materials related to a particular grant are not available in one central location. In fact, all grant applications and review materials for each process are filed together and essential materials related to individual grants actually awarded are located in official grant files. The Corporation does maintain all information and materials it determines to be essential in official grant files. We are revising our grant file policies to incorporate further definition of required materials and to consolidate files, but our current system meets the functional organization needs of the Corporation. Again, to our knowledge other Federal grant-making agencies do not prepare separate award and administration files. This practice is one that is generally followed by larger contract agencies, such as DOD. By 2003, the Corporation's grants management database will be on line and all grant materials from application through review, award, administration and closeout of grants will be even more accessible and available electronically.

Recommendation: "We recommend that the Corporation determine the full cost of GARP (and other administrative processes) so that the impact of changes, such as new systems, revised processes, or new programs can be assessed and used to manage the Corporation and support its budget requests."

The auditors note that the Corporation identified and provided information on the direct costs of holding the 2000 national direct GARP, but that we did not allocate the salaries for the thirteen staff (seven from the grants office, three from Planning and Program Integration, and three from AmeriCorps) primarily involved in the process or the twenty-three other Corporation staff that spent some amount of time assisting in the 2000 GARP.

As the auditors are aware, the Corporation has begun development of a cost allocation model for reporting costs in the financial statements utilizing *Momentum*. Our cost accounting model allocates expenses by program according to an appropriate cost driver in accordance with Federal accounting standards (Statement of Federal Financial Accounting Standards Number 4, *Managerial Cost Accounting Concepts and Standards*). Under the model, cost assignments are performed by directly tracing costs wherever feasible and economically practicable, assigning costs on a cause-and-effect basis, or allocating costs on a reasonable and consistent basis as prescribed by SFFAS 4.

In accordance with the standards, the Corporation determined the level at which its "responsibility segments" are defined based on the type of activities performed and the degree to which these activities could be identified with one particular program. For the

purposes of allocating costs, the Corporation defined its core responsibility segments as the AmeriCorps Program, the National Senior Service Corps, and the Service-Learning Program. The results of allocating fiscal 2000 expenses to the Corporation's responsibility segments using the model were included in the Corporation's fiscal 2000 Annual Report to Congress.

In fiscal 2001, we plan to refine the model and improve upon the system's capabilities. In addition, we will contract with an independent public accounting firm to validate the cost model.

However, we believe that the administrative burden of recording staff hours by each "process" performed by individual staff members far outweighs any benefits that it would provide by doing so. As the report notes, we can already identify and segregate the direct costs related to GARP. We also can reasonably estimate the salary costs related to the process. Thus, the Corporation can already determine the full cost of GARP to the extent necessary to assess the impact on costs of changes to the process. For information purposes, we are reporting to you that the estimated costs of the 2000 GARP was $256,754.

Recommendation: "We recommend that the Corporation develop a single reference source containing a comprehensive set of written procedures for GARP as soon as practicable. Clear, consistent, and well-documented program guidelines are an important component of effective internal control as well as an essential tool for an efficient grant administration system. A single reference source for policy guidance, administrative procedures, appraisal criteria, monitoring requirements, evaluation strategies and standard forms will help ensure consistent and efficient administration. The Corporation should proceed as expeditiously as possible in making these instructions available electronically."

The Corporation does have written protocols for GARP. We agree with the auditors' recommendation that these protocols should be consolidated and available electronically.

Recommendation: "We recommend that the Corporation revisit this issue and revive its efforts to arrange for a periodic external review of the grant application and award process."

As stated in the draft audit report, the Corporation has no plans to initiate an external review. External reviews are not a regular or required part of federal agencies' grant application and award processes. Since 1994 the Office of the Inspector General has conducted two audits of the GARP process. In fact, these audits have served as a periodic external review. The draft audit report suggests that the Corporation could take a leadership role in this area by taking the initiative to explore with other agencies the feasibility of establishing a reciprocal review of each other's grant award operations. We are a small agency and do not have the resources to play a federal-wide role in this arena.

However, Corporation staff regularly consult other federal agencies that run grant application programs similar to ours. If agencies share an idea or process that we think would improve GARP or help reviewers, we incorporate it into our process. Currently, we are in discussions with the National Science Foundation and Department of Education. Aside from learning about their standard procedures, we are interested in their experience with applicants applying on-line and conducting grant reviews on-line.

Recommendation: "We recommend that the Congress consider whether it needs to clarify what it intended when it required the Corporation to consider the 'sustainability' of programs during its assessment of grant applications and whether a clear measure of a grantee's reliance on federal funding needs to be established. We also recommend that the Corporation consider developing a performance goal for reducing grantees' reliance on federal funds and a means of measuring of the extent of reliance that grantees have on federal funds."

We agree that the statute requires us to consider sustainability in reviewing AmeriCorps National Direct applications. Section 133(c) requires us to consider "[t]he sustainability of the national service program, based on evidence such as the existence--(A) of strong and broad-based community support for the program; and (B) of multiple funding sources or private funding for the program." 42 U.S.C. § 12585(c)(3). We did so.

The materials reviewed by the auditors demonstrate staff's close attention to this issue as well as the Corporation's Board of Directors and our full compliance with this statutory requirement.

As evidenced by materials provided to the auditors, the Board of Directors was fully involved in setting the evaluation criteria for the review of program applications, including the criteria that address the sustainability of programs and the expectation of financial and other support from the applicant. The materials reflect that the Board paid considerable attention to the particular issue of sustainability.

The 2000 Application Guidelines (page 26) set forth the criteria used to evaluate applications, which included the following that implement the statutory requirement:

- Effective involvement of target community in planning/implementation
- Strong community partnerships, including well-defined roles for community partners
- Potential for sustainability, innovation, and/or replicability of project activities
- Mobilization of community resources, including volunteers
- Commitment of applicant organization/host agency to securing resources for program implementation and/or sustainability.

The 2000 AmeriCorps*National Application Guidelines (pages 36-37) direct applicants to involve the community in designing, implementing, and evaluating the

project, by consulting with representatives of the community served, community-based agencies, foundations, businesses, and others, and by mobilizing community resources. The Guidelines (pages 32-34) also direct applicants to address the following, providing further evidence that the selection process complies with the statutory requirement:

- institutional or programmatic collaborations or partnerships the applicant will involve in operating the program
- the relationship between the applicant and community partners
- the involvement of host sites in the design of the concept and service activities
- how the applicant will build support for the program among a variety of community sectors and bring together people of diverse backgrounds
- how the applicant will cultivate, strengthen, and expand partnerships
- the types of support and coordination with local governments, community-based organizations and others
- operating sites' efforts to build community support, both financially and programmatically
- how the sites will meet the financial matching requirements
- the program's relationship with and support from relevant local units of government, community-based organizations, members, citizens and others
- ability to leverage structural and financial resources within communities, including recruitment of other non-paid volunteers from the community and support from the private sector
- plans for sustaining the program beyond the grant term
- how you will assist operating sites in building future support for the program

Each operating site's narrative must address community partnerships and mobilization of community resources (2000 Guidelines, page 36).

Finally, the very nature of AmeriCorps programs, specifically their member support and operating cost match requirements, means that successful applicants for funding must secure "multiple funding sources or private funding" for the program. (See 2000 Application Guidelines, page 23).

In short, a review of the relevant evidence, the published evaluation criteria and application guidelines relied upon by the auditors to test compliance with all the other statutory selection criteria, clearly demonstrates that the Corporation considers "the existence of (A) strong and broad-based community support for the program; and (B) multiple funding sources or private funding for the program" and therefore fully complied with section 133(c)(3) as it relates to sustainability.