

Office of Inspector General Corporation for National and Community Service

OIG Evaluation of the 2010 Social Innovation Fund Grant Application Review Process (GARP)

OIG REPORT 11-17



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This report was issued to Corporation management on August 19, 2011. Under the laws and regulations governing audit follow-up, the Corporation is to make final management decisions on the report's findings and recommendations no later than February 20, 2012, and complete its corrective actions by August 20, 2012. Consequently, the reported findings do not necessarily represent the final resolution of the issues presented.



August 19, 2011

TO: James Siegal
Chief of Staff

FROM: Stuart Axenfeld /s/
Assistant Inspector General for Audit

SUBJECT: OIG Report 11-17
Evaluation of the 2010 Social Innovation Fund GARP

Attached is the final report on the OIG's *Evaluation of the 2010 Social Innovation Fund Grant Application Review Process*. This evaluation was conducted by OIG staff in accordance with the *Quality Standards for Inspection and Evaluation* issued by the Council of Inspectors General on Integrity and Efficiency.

Under the Corporation's audit resolution policy, a final management decision on the findings and recommendations in this evaluation report is due by February 20, 2012. Notice of final action is due by August 20, 2012.

If you have questions pertaining to this report, please call me at (202) 606-9360, or Ronald Huritz, Audit Manager, at (202) 606-9355.

Attachment

cc: Robert Velasco II, Acting Chief Executive Officer
Paul Carttar, Director, Social Innovation Fund
Doug Hilton, Office of General Counsel
Vielka Garibaldi, Office of Grants Policy and Operations
Claire Moreno, Audit Liaison, Office of Grants Management
Jack Goldberg, Audit Resolution Specialist
Selected Members of Congress (under separate cover)

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A: Corporation's Response to Draft Report (to be included in final evaluation report)

TABLE OF ACRONYMS

CEO	Chief Executive Officer
COI	Conflict of Interest
Corporation	Corporation for National and Community Service
COO	Chief Operating Officer
GARP	Grant Application Review Process
NOFA	Notice of Funding Availability
NOFO	Notice of Funding Opportunity
OGC	Office of General Counsel
OGPO	Office of Grants Policy and Operations
SIF	Social Innovation Fund

EXECUTIVE SUMMARY

In response to requests from Congress and the Corporation's Chief of Staff, we conducted an evaluation of the Corporation's 2010 Social Innovation Fund (SIF) Grant Application Review Process (GARP).

We determined that the GARP policies and procedures applied to the new SIF program generally appeared to be fair and objective, particularly with respect to the first two stages of the review process (the blended, or expert stage; and the evaluation stage). However, for the third late stage review, in which final grant award funding decisions were made, the Corporation was unable to provide us with sufficiently detailed documentation to allow us to evaluate the fairness and objectivity of that particular stage. In some cases, the Corporation deviated from its existing process in ways that were not consistent with established procedures used for other grant award programs. These deviations were attributed by Corporation officials to the fact that SIF was a new program which required an application review and award protocol that differed from those used with the Corporation's other long-established service programs.

We determined that media reports of Corporation staff instructing grant application reviewers to shred SIF-related documentation were unfounded, as the destruction of certain documents for security and privacy purposes at the conclusion of GARP activities was standard practice for the Corporation. The Corporation directed reviewers to dispose of the applications at the completion of their reviews because of the Corporation's need to maintain confidentiality. The Corporation informed reviewers that their participation in GARP gave them access to information not generally available to the public and placed the reviewers under special professional and ethical responsibilities. Reviewers were given access to information about applicants for use only during the evaluation process for the purpose of discussion with fellow panelists and Corporation personnel. Therefore, reviewers were instructed that they must not use that information for personal benefit or make it available for the benefit of any other individual or organization. The Corporation has made efforts in its 2011 SIF GARP to provide further clarification on a reviewer's responsibility in maintaining confidentiality of review documentation.

The Corporation developed a policy, effective January 1, 2011, to address issues raised by Congress regarding the transparency of GARP. This policy describes procedures, applicable to all Corporation programs, to increase transparency in the grant application review process. It outlines the roles and responsibilities of Corporation offices that are responsible for ensuring the integrity of information relating to the GARP process. It also establishes a consistent list of documents related to the review process, and includes a timeline for making these documents available to the public for every grant competition conducted by the Corporation. This policy was not in effect during the 2010 SIF GARP.

Areas of concern that emerged during our evaluation are as follows:

1. Corporation staff participated in reviewing two applications during the GARP expert review phase;
2. Need for enhancements to the Reviewer Recruitment Process;
3. Final decision to award 11 grants was not fully documented;
4. No formal policy exists for defining the roles and responsibilities of Corporation staff in reviewing conflicts of interest for participants in the review process;
5. No formal policy on Corporation staff contact with potential grantees during GARP; and
6. The existing Corporation GARP did not include procedures on issuing a Notice of Funding Availability (NOFA) to obtain public input.

BACKGROUND

The Social Innovation Fund, enacted under the Edward M. Kennedy Serve America Act of 2009, is designed to provide a combination of Federal grants and private funds to create and expand effective solutions across three issue areas: economic opportunity, healthy futures, and youth development and school support. Initiatives created by the SIF are to directly impact low-income families and also serve as models of service that may be duplicated in communities across the country. SIF grant recipients are required to provide matching funds amounting to \$3 for every \$1 in Federal grant funds.

During its initial year in 2010, Congress appropriated \$50 million for the SIF. After holding a number of planning meetings, which included input from staff and other stakeholders, the Corporation issued its NOFA on February 16, 2010. As of the deadline on April 8, 2010, the Corporation had received 69 applications, 54 of which were deemed compliant with the basic SIF requirements.

The Corporation then implemented a three-stage review over a three-month period, utilizing more than 60 non-Corporation experts with extensive experience as social innovators, nonprofit directors and evaluators as external reviewers. During the blended (expert) and evaluation stages of review, the applications were assessed against the full set of criteria published in the NOFA, and were evaluated based on their program design, organizational capacity and budget. In the final stage of the review, senior members of the Corporation's staff were joined by external reviewers to assess the qualities of the top rated applications.

The Corporation's SIF Director was recused from consideration of any application that included his former clients or employers during the preceding two years, and was removed entirely from the selection of the final SIF grantees. The Corporation's former Chief Executive Officer also did not participate in the selection process. He was recused after the Corporation received a notice of intent to apply for a SIF grant from an organization with which he had had a previous business relationship.

Of the 54 compliant applications considered, 16 advanced to the third phase of the review. The final 11 SIF grant awardees were notified on July 13, 2010, and were formally announced at Corporation Headquarters on July 22, 2010. The grantees were as follows:

- **Jobs for the Future, Inc.** (\$7.7 million; 2-year grant)
- **Local Initiatives Support Corporation** (\$4.2 million; 1-year grant)
- **Mayor's Fund to Advance New York City** (\$5.7 million; 1-year grant)
- **REDF** (\$3 million; 2-year grant)
- **Foundation for a Healthy Kentucky** (\$2 million; 2-year grant)
- **Missouri Foundation for Health** (\$2 million; 2-year grant)
- **National AIDS Fund** (\$3.6 million; 1-year grant)

- **New Profit, Inc.** (\$5 million; 1-year grant)
- **The Edna McConnell Clark Foundation** (\$10 million; 1-year grant)
- **Venture Philanthropy Partners** (\$4 million; 2-year grant)
- **United Way of Greater Cincinnati** (\$2 million; 2-year grant)

RESULTS OF EVALUATION

Finding 1. Participation of Corporation staff to review applications during the GARP expert review phase.

The initial phase of review for the 54 compliant applications was known as the blended (expert) phase. The experts (in most cases, three per panel) worked on 16 panels to assess applications against the full set of vetting criteria in the NOFA. The 16 panels were divided into two groups of eight and organized by two factors: issue area and size distribution, allowing each of the 54 applications to be considered twice.

However, during our evaluation, we found that two applications were reviewed differently than all others during this phase. The applications were reviewed by one expert panel and by Corporation staff. All other applications were reviewed by two expert panels.

One of the two applications reviewed by Corporation staff initially was determined to be out of compliance because of a shortage of available matching funds. The grant applicant initially did not meet the program's match requirement because one of its match letters proposed to contribute an unspecified amount. This was later clarified during a compliance briefing with the applicant. The applicant verified that the "undetermined amount" the match sponsor was willing to provide was any remaining amount needed to meet the match requirement. Once the compliance decision was reversed, the grant application was assigned to a panel after the review was underway. However, because of the time restrictions that the panels were under, several reviewers from other potential panels voiced concern that they were unable to accept an additional application at that time. The Corporation was therefore unable to assign the application to a second panel because it did not want the applicant to potentially receive an unfair or inflammatory review by a disgruntled panel with insufficient time to perform its function.

The other application, reviewed by Corporation staff, was initially assigned to two panels during panel assignments. However, an error was made when the panel assignments and applications were provided to the panel members. The application was erroneously omitted from the panel's review package. Near the conclusion of the review, OGPO staff identified the error, and arrangements were made for a panel comprised of Corporation staff to convene and perform the second review.

Because the SIF-GARP project had a very stringent prior experience requirement for the external reviewers, and the level of conflicts of interest, time commitments and schedule conflicts required some recruited reviewers to drop out, it did not appear that the Corporation had sufficient time to recruit additional external reviewers to address these two applications.

As the Corporation placed heavy emphasis on having an appropriate SIF and non-profit, philanthropic, and public sector background to become a reviewer, allowing Corporation staff to review these grant applications during one phase of the review could give the appearance that these two applications could potentially not be given the same quality of review as all other grant applications. To mitigate an appearance of unfairness, the Corporation used experienced staff that had been involved in other Corporation GARP reviews.

Recommendation

1. The Corporation should secure alternate reviewers who would be available during the grants application review process. In addition, it should develop a policy to address use of Corporation staff to review applications when recruitment issues arise and alternate reviewers cannot be obtained.

Corporation Response

The Corporation generally concurs with the recommendation. It stated that during its FY 2011 SIF grant competition, it recruited alternate reviewers, which proved to be effective. The Corporation plans to revise its Grant Application Reviews: Procedures Manual (GARP Procedures Manual) to address how staff will be utilized when there are not enough external reviewers due to extenuating circumstances.

OIG Comment

The Corporation's response satisfies the intent of our recommendation.

Finding 2. Improvements needed in recruitment of SIF external reviewers.

The SIF Peer Review Recruitment process was a unique activity relative to the established GARP. The Corporation departed from its existing reviewer database to compile a completely external reviewer pool by seeking reviewers who had a specific background. Corporation staff, and at least one member of the Corporation's Board of Directors, believed that the existing GARP procedures did not fully meet the needs of the new SIF program.

During our interviews with a sample of 23 external SIF reviewers, 15 expressed concern that they were not given adequate time to review the applications assigned to them. The quality of reviews could be adversely impacted by not allowing adequate time for reviewers to perform their duties.

We found that 11 out of 23 reviewers had Harvard University affiliations. Focusing on reviewers with affiliations at one location could prevent the Corporation from obtaining a wider breadth of expert knowledge of and insights into SIF programs.

In October 2010, the Corporation conducted a debriefing on the 2010 SIF GARP in which it identified improvements needed in its recruitment of reviewers. Reforms for the 2011 SIF GARP included initiating reviewer recruitment and selection at least three months before reviews started. In addition, it planned to develop a database of qualified reviewers and post a public call for reviewers.

We observed that requirements for reviewer recruitment were not always followed. Two out of 23 sampled reviewers whom we interviewed did not have the requisite 10 years of nonprofit or social innovation experience. The Corporation's recruitment announcement outlined requirements that a reviewer should have 10-plus years of relevant leadership experience in the nonprofit, philanthropic or public sectors.

Furthermore, it did not appear that the Corporation verified information submitted by all reviewers in their profiles. In its recruiting instructions, the Corporation required reviewers to submit/update their Reviewer Profile contact information and experience in eGrants¹.

Two reviewers did not complete their reviewer profiles in eGrants and there was no resume in eGrants for one reviewer. OGPO staff stated that they made several requests that all review participants submit their profiles in eGrants. One reviewer did not receive payment for services, and OGPO staff stated that may have affected the reviewer's compliance. Regarding the reviewer who did not enter any information in eGrants, Corporation staff stated that this reviewer was especially difficult to contact throughout the Late-Stage review, and did not physically come to the Corporation for the discussion (participated by phone), so their numerous efforts to collect required documents were unsuccessful.

Absent more stringent controls, inexperienced reviewers not meeting the minimum requirements could be allowed to participate in the review process, thereby undermining the integrity of the process and the public's confidence in the fairness of the SIF grantee selections.

Recommendations

- 2a. The Corporation should validate the experience of all reviewers, and should ensure that reviewers submit required documentation prior to participating on a review panel.
- 2b. The Corporation should update its existing GARP procedures by incorporating suggestions related to SIF reviewer recruitment outlined in its October 2010 debriefing, to include: recruiting reviewers in a timely manner; developing a database of qualified SIF reviewers; and recruiting reviewers by posting a public call via its website.

Corporation Response

The Corporation generally concurs with the recommendation. It stated that it enhanced its recruitment process during the FY 2011 SIF process by expanding its outreach to potential reviewers and issuing a public call for potential reviewers on its website. In addition, it required all potential reviewers to have a comprehensive resume reviewed by OGPO before being invited to participate as a SIF expert reviewer. The Corporation will update its existing GARP Procedures Manual to fully describe its recruitment process.

OIG Comment

The Corporation's response satisfies the intent of our recommendation.

¹ OGPO staff stated that the eGrants database is the source that is utilized to ensure documentation of a reviewer's participation, and serves as the mechanism for initiating payments for reviewer services.

Finding 3. Final decisions to award 11 SIF grants were not fully documented.

The Senior Advisor for the SIF Program had been delegated the authority as grantee selection official because the Corporation's former CEO and the SIF Director had been recused to avoid the appearance of a conflict of interest. The Senior Advisor used a series of meetings with senior Corporation staff to determine which applicants would be funded after each review phase. The three phases were designated as the (a) blended (also referred to as expert) phase; (b) evaluation phase; and (c) late stage review phase. The blended review used experts to assess applications against the full set of criteria in the NOFA. The evaluation phase used reviewers to focus on the use of evidence, data and evaluation (a sub-set of the NOFA criteria). The late stage review involved three external experts and senior Corporation staff. They examined and provided input on each remaining applicant based on the portfolio criteria in the NOFA with an emphasis on four dimensions: (1) strength of relationships and collaborations, (2) opportunity for scale, (3) potential to impact public discussion, and (4) the rigor of sophistication of evidence and evaluation.

After the blended (expert) review, a consensus meeting was held on May 14, 2010, at which it was determined that 31 applications would advance to the evaluation phase from a group of 54 compliant applications. The meeting was conducted in two parts because of the SIF Director's and the SIF Strategic Advisor's recusal from discussion of the application for New Profit, Inc. The SIF Director was an Executive Partner of New Profit Inc., while working as a salaried employee of Monitor Group, a consulting firm. The SIF Director presented the results from the evaluation review excluding New Profit. The Senior Advisor presented the results from the review of New Profit. These decisions were documented and justifications were provided determining whether an application would advance.

After the evaluation review, the Corporation held another consensus meeting on June 3, 2010, in which it was determined that 16 applications would advance for further review in the late stage review phase. The meeting was also conducted in two parts because of the above-mentioned recusals. Again, the SIF Director presented the results from the evaluation review excluding New Profit, and the Senior Advisor presented the results from the review of New Profit. These decisions were documented and justifications were provided about whether an application would advance.

During the late stage review conducted June 9, 2010, the Corporation included four expert reviewers to participate in discussions with Corporation staff focusing on the remaining 16 applications. Each expert reviewer was assigned, along with Corporation staff, to participate on one of four panels. The focus of the meeting was to develop the portfolio of grant applications to determine the final selection of applicants to be awarded the inaugural group of grants. No ratings were assigned to the applications. Each panel provided different perspectives on their assigned applications.

In a PowerPoint presentation to Senior Managers, it was stated that the ideal SIF portfolio would leverage the individual strengths of applicants and create the most robust network and "learning community" of grantees possible. The Corporation developed a Basic Portfolio Criteria chart which reflected what applications addressed each criterion, and that chart was used as a reference for discussions. The three major areas of focus were (a) geography; (b) the type of SIF program; and (c) the leveraging of additional resources and grant amount requested.

Corporation staff stated that each application that made it through this stage of the review process was fundable (i.e., each application had an equal chance of being awarded a SIF grant). The identification of the selected applicants focused on their best/unique value to the SIF portfolio on the basis of the criteria considered and expected outcomes that were stated in the NOFO. However, in our review of the meeting notes from the late stage review, the Corporation could not provide documentation to demonstrate how it determined its final decision to award the 11 grants that were ultimately funded. In addition, the Corporation performed an analysis in which it assessed the strengths and weaknesses of the five non-funded SIF applicants. But this analysis made no mention of the strengths and weaknesses of the 11 funded applicants. No rationale was provided as to why the five non-funded applications did not fit into the Corporation's final portfolio, despite the fact that four of the five unfunded applications had received a rating of "satisfactory" during the evaluation phase.

On June 17, 2010, a pre-decision meeting was held in which Corporation staff approved the funding of 11 grants. Documents from that meeting make no mention of the five applicants that were excluded from the final portfolio.

The Corporation does not have a policy on documenting its award decisions. Therefore, final decisions on SIF awards were made without being fully documented. Without maintaining complete documentation at each stage of review, Corporation management will not have access to all historical data on SIF grant decisions which would assist in making future SIF decisions. Maintaining such documentation was especially critical for this inaugural group of grantees because the former CEO and SIF Director had been recused from the majority of the GARP decision-making.

Recommendation

3. The Corporation should develop policies to ensure that its decisions regarding grant awards are fully documented.

Corporation Response

The Corporation agreed that the FY 2010 Late Stage review process did not have the same level of documentation as the other review stages. It did not believe there was a need, or adequate time, to develop documentation similar to the other reviews in the FY 2010 GARP because the initial meeting to develop the final portfolio of grantees occurred immediately after the Late Stage review meeting. Both meetings included the same Corporation officials. The Corporation did not document each possible portfolio combination of grantees because it was impractical to do so. Because the FY 2010 competition was creating the inaugural SIF portfolio, it was not feasible to develop this type of documentation.

During the FY 2011 SIF grant competition, the Corporation fully documented its rationale for excluding one application that advanced to the clarification stage (the last stage prior to approval for funding).

Regarding the OIG's recommendation to develop policies to ensure that all decisions are fully documented, the Corporation believes that its internal policy, *Funding Approval Policy (CPO-2009-01-2011-5)* and the procedures specified in the GARP Procedures Manual adequately addresses the recommendation.

OIG Comment

We acknowledge that the Corporation has made efforts in its FY 2011 SIF competition to document its final award decisions. However, we do not believe that its existing policies fully address Recommendation Number 3. We recommend that the Corporation document its procedures for maintaining documentation for its decision process at every review phase. The Corporation's decision to award a SIF grant cannot be fully transparent unless it implements and follows policies and procedures requiring that all documentation be maintained for successful and unsuccessful applicants. The Corporation stated that during the 2011 SIF competition, it maintained documentation for its grant decisions to an extent that should mitigate our concerns.

Finding 4. No formal policy exists for defining the roles and responsibilities of Corporation staff in reviewing conflicts of interest for participants in the review process.

The Corporation requires reviewers (external and internal) to complete a Conflict of Interest (COI) statement. COIs are reviewed at various stages during GARP. During the SIF GARP, the review of COIs was conducted by the program office and the OGPO. In the past, this function had been centrally located with OGPO. OGPO staff had not received official training on reviewing COIs, but when questions arose, they sought advice from the Office of General Counsel (OGC). There is no formal Corporation policy on reviewing COIs submitted by reviewers. In addition, there is no policy that identifies which Corporation office is responsible for conducting the review of COIs.

Prior to participating in the GARP review, all reviewers were provided COI instructions directing them to examine their assigned applications to check for possible conflicts of interest, and to sign the COI form and return it within 12 business hours from the time of receipt. During the SIF GARP, OGPO asked reviewers during their orientation to send an e-mail notifying the Corporation immediately of any potential COIs. In addition, OGPO staff asked the reviewers to document on the COI forms any issues that they had previously raised and how those issues were addressed. We found seven instances in which COIs were disclosed on the COI forms for reviewers, and one instance for a staff facilitator. Our review of the COI disclosures found that some had been signed as being reviewed by Corporation staff after the SIF review process had begun and, in some instances, after it had ended.

SIF program staff maintained a spreadsheet of COIs; however, the spreadsheet did not identify at which phase of the SIF process reviewers' conflicts, if any, had been evaluated.

During our interviews of a sample of 23 reviewers, we found that three had conflicts that were not reflected in the spreadsheets or on the COI forms. In addition, we found instances in which external reviewers who had identified potential COIs had to be removed from a panel after the application review process was underway, thus causing a disruption to the panel. It appears that some reviewers did not follow instructions by disclosing conflicts on the COI forms that they had previously identified by e-mail.

Requiring reviewers to provide both an e-mail and a COI form appears to be duplicative. Reviewers with COIs could be using only one method of identifying conflicts, and if those conflicts are reviewed by OGPO or program staff, COI information may not be reconciled in one central location and tracked properly.

Recommendation

4. The Corporation should formalize its procedures for evaluating reviewer conflicts of interest. It should identify the responsible office for conducting reviews of conflicts of interest and detail the steps that will be performed by the individual reviewing the COI. Also, the Corporation should ensure that training is provided to staff members within the identified responsible office.

Corporation Response

The Corporation generally concurs with the recommendation, and stated that its existing GARP Procedures Manual outlines its practices and procedures for reviewing conflicts of interest. In addition, OGPO is responsible for conducting reviews of the possible conflicts, with consultation with OGC as needed. Since the 2010 SIF application process, the Corporation has drafted a more detailed set of procedures entitled, *Conflict of Interest Procedures for External Peer Review*, which will be finalized soon.

OIG Comment

The Corporation's response satisfies the intent of our recommendation.

Finding 5. No formal policy on Corporation staff contact with potential grantees during GARP.

During the course of the 2010 SIF application review, the Corporation had no policies or procedures to address Corporation staff contact with potential grantees. On February 18, 2011, the former COO issued an e-mail providing guidance to Corporation staff on *Communicating with Grantees and Applicants during the Grant Application Review Process*. Prior to this guidance, the Corporation had not considered the extent to which its staff might have contact with potential grantees. Absent a formal policy and proper controls, Corporation staff could inadvertently provide non-public information regarding GARP activities to potential grantees that could result in a competitive advantage for a particular applicant.

Recommendation

5. The Corporation should formalize the guidelines identified in the former COO's e-mail, dated February 18, 2011, by issuing a standard Corporation policy.

Corporation Response

The Corporation generally concurs with the recommendation. It has plans to expand existing procedures and principles outlined by the Chief Operating Officer's guidance by developing a policy to be adopted in time for the FY 2012 grant competitions.

OIG Comment

The Corporation's response satisfies the intent of our recommendation.

Finding 6. Existing Corporation GARP did not include procedures on issuing a NOFA for public input.

The initial draft NOFA was sent out to solicit public input. This had not been done for any other NOFA, and the existing GARP did not include procedures on issuing the NOFA for public input. Because the SIF program was new to the Corporation, its staff, and at least one member of the Corporation's Board of Directors, believed that the existing GARP procedures did not fully meet the needs of the new program.

Without standard procedures on issuing the NOFA for public input, Corporation management may not be aware of the roles and responsibilities of its staff in issuing, reviewing, and incorporating public input into the final NOFA.

The Corporation had a debriefing in October 2010 on the inaugural SIF GARP process in which it identified areas that needed improvement. During the debriefing, the Corporation made plans to continue distributing the NOFA to obtain public input.

Recommendation

6. The Corporation should update its existing GARP procedures to define management's intent in using public input for the SIF GARP. These procedures should include, but not be limited to, which Corporation office will be responsible for tracking and reviewing the comments. In addition, the Corporation should outline which office will be responsible for initiating any changes to the NOFA as a result of the input received.

Corporation Response

The Corporation concurs with the recommendation. It has plans to update its Policy CEO-100-2011-14, (*Policies and Procedures for Working with the Office of the Executive Secretariat*), and the GARP Procedures Manual to reflect its processes for soliciting public input in future draft SIF Notices.

OIG Comment

The Corporation's response satisfies the intent of our recommendation.

OBJECTIVES, SCOPE, AND METHODOLOGY

The objective of this evaluation, communicated in the October 6, 2010, notification letter to Corporation management, was to determine whether the Corporation's GARP policies and procedures are fair and objective, and consistent with applicable laws and regulations. We specifically examined GARP policies as they related to the 2010 SIF grant competition (designated by the Corporation as "SIF-1"). We conducted our review in accordance with the *Quality Standards for Inspection and Evaluation* issued by the Council of Inspectors General on Integrity and Efficiency.

The evaluation standards required us to plan and perform the evaluation, obtain an understanding of the Corporation's GARP process, and review its existing policies and procedures. We interviewed SIF program staff, OGPO staff, and other Corporation staff involved in the review process. We judgmentally selected 28 external peer reviewers to

interview. Twenty-three of the external reviewers responded to our request. We interviewed those reviewers to obtain an understanding of their involvement during the GARP process, determine if any conflicts of interest existed, and how they were resolved. We assessed the results from the panel reviews of each SIF application.

We reviewed supporting documentation related to the decision making process for the final SIF grant awards. We reviewed media reports concerning the inaugural group of SIF awards, and followed up with the Corporation on the disposition of any allegations or concerns expressed in those reports. We corroborated those concerns during our interviews with the SIF reviewers. We conducted our evaluation fieldwork between November 2010 and May 2011.

EXIT CONFERENCE

We conducted an exit conference with Corporation representatives on May 31, 2011. The Corporation's response to the draft report is included in its entirety in Appendix A.

This evaluation report is intended solely for the information and use of the OIG, the Corporation, and the U. S. Congress, and is not intended to be and should not be used by anyone other than these specified parties.

/s/ Stuart Axenfeld (signature on original)

Assistant Inspector General for Audit
Office of Inspector General
Corporation for National and Community Service
August 19, 2011

APPENDIX A

**CORPORATION FOR NATIONAL AND
COMMUNITY SERVICE**

RESPONSE TO THE DRAFT REPORT

TO: Stuart Axenfeld
Assistant Inspector General for Audit



FROM: Paul Carttar, Director, Social Innovation Fund

DATE: August 8, 2011

SUBJECT: Response to Draft Report: OIG Evaluation of the 2010 Social Innovation Fund Grant Application Review Process (GARP)

Thank you for the opportunity to review the Draft Report: OIG Evaluation of the 2010 Social Innovation Fund Grant Application Review Process (GARP) ("Draft Report"). We agree with OIG's overall conclusion that the Corporation's FY 2010 Social Innovation Fund grant competition was fair and objective. In addition, we acknowledge the technical matters and opportunities for improvement included in OIG's findings. In many cases, OIG identified matters which we have already addressed in the FY 2011 Social Innovation Fund ("SIF") competition. In other cases, the matters raised by OIG were included in more general improvements to the Corporation's Grant Application Review policies, procedures and processes. We are responding to all recommendations at this time. Below are our responses to the specific findings in the Draft Report.

Finding 1 – Participation of Corporation staff to review application during the GARP expert review phase.

Corporation Response: As noted by the OIG, the need to use Corporation staff during the expert review phase was an unexpected complication of the FY 2010 SIF competition. The Corporation agrees that it should recruit alternate expert reviewers in future SIF grant competitions. For the FY 2011 SIF grant competition, the Corporation recruited qualified alternate reviewers and had those alternates complete the same orientation sessions conducted for all reviewers. This process proved to be effective during the FY 2011 SIF expert reviews, and the Corporation will revise its Grant Application Reviews: Procedures Manual ("GARP Procedures Manual") to include procedures on the recruitment and orientation of alternate expert reviewers.

The Corporation uses various review models, some of which specifically contemplate staff participation. The GARP Procedures Manual will be updated to specifically address how staff can be utilized when staff participation was not originally called for, but there are not enough external reviewers due to extenuating circumstances.

Finding 2 – Improvements needed in recruitment of SIF external reviewers.

Corporation Response: The Corporation agrees that the SIF expert reviewer recruitment process needs to ensure public confidence in the overall quality of the SIF GARP process. The FY 2011 SIF process included significant enhancements to the recruitment and selection of potential reviewers. Recruitment included expanded outreach to potential reviewers and a public call for potential reviewers on the Corporation’s website. All potential reviewers had a comprehensive resume review by the Office of Grants Policy and Operations before being invited to be a SIF expert reviewer. In the FY 2011 SIF GARP process, reviewers were given more time to conduct the reviews, were given fewer applications to review, and their review process was streamlined. The Corporation will update the GARP Procedures Manual to fully describe the recruitment process.

Finding 3 – Final decisions to award 11 SIF grants were not fully documented.

Corporation Response: The Corporation agrees that the FY 2010 Late Stage review process did not produce the same level of documentation as the other review stages. This occurred for several reasons specific to the circumstances surrounding the FY 2010 SIF GARP. First, the Late Stage review process took place at a meeting of the external and internal reviewers, which was immediately followed by a separate meeting of the SIF staff and the senior Corporation officials who participated in the Late Stage review. This second meeting began within minutes of the Late Stage review meeting, with the same Corporation staff present (the Late Stage expert reviewers did not participate in the second meeting). During this second meeting—and through some additional discussions among SIF and senior Corporation staff—the recommendations for the final FY 2010 SIF portfolio were developed. Because the initial meeting to develop the recommended portfolio immediately followed and included the same Corporation officials as the Late Stage review meeting, there was no need or time to develop documentation similar to the other reviews in the FY 2010 SIF GARP process.

Second, the Late Stage review was intended to inform and facilitate a discussion of how to establish an overall SIF portfolio of programs. Unlike the earlier reviews, it was not the basis upon which individual applications were advanced or eliminated from the competition. Third, the Late Stage review and the discussion which immediately followed were focused on the characteristics of an overall portfolio of programs, taking into account such factors as coverage of the priority issue areas, geographic distribution of programs, and the extent to which programs would serve urban or rural areas. As is true of all of the Corporation’s grant competitions, these types of considerations are not “strengths or weaknesses” of a particular application; they are factors relevant to all applications and only have significance in regard to potential configurations of the overall program. Consistent with its general practices, the Corporation did not document each of the possible portfolio permutations as part of developing the final recommended portfolio, because it is clearly impractical to do so. This is particularly true of the FY 2010 SIF grant competition, because there was no pre-existing portfolio of SIF grantees. When there is an existing portfolio, a decision in regard to any particular application can have an identifiable impact on the characteristics of the overall portfolio. This marginal effect is easier to document and examine. Because the FY 2010 competition was creating the inaugural overall SIF portfolio, it was not feasible to develop this type of documentation for each application.

As pointed out in the OIG's finding, the Corporation considered each of the applications that went into the Late Stage review as fully appropriate for funding. In developing a recommended portfolio from that pool the Corporation exercised its discretion in how to balance the various (and sometimes competing) factors that needed to be considered. The particular circumstances of meetings to develop the recommendations made full documentation of the Late Stage review impractical and unnecessary. Thus, the Late Stage review was not documented on an application-by-application basis. Although not documented in the same manner, the Corporation carried out the Late Stage review and its final discretionary award selections with the same rigor and dedication as the earlier parts of the process, which the OIG has concluded were fairly and objectively carried out.

In addition, the Corporation also believes that the changes made as part of the FY 2011 SIF grant competition sufficiently mitigates the OIG's concerns. In FY 2011, the Corporation engaged in separate reviews by external and internal reviewers, and documented review results for each application. A total of six applications were advanced to the applicant clarification stage. After applicant clarification, only one application was not recommended for funding, and the rationale for excluding this application was fully documented.

Finally, regarding the recommendation to develop policies to ensure that decisions regarding grant awards are fully documented, the Corporation believes that the policies included in the Funding Approval Policy (CPO-2009-01-2011-5) and the procedures specified in the GARP Procedures Manual adequately address this recommendation.

Finding 4 – No formal policy exists for defining the roles and responsibilities of Corporation staff in reviewing conflicts of interest for participants in the review process.

Corporation Response: The Corporation's practices and procedures for reviewing conflicts of interest are described in the GARP Procedures Manual; the Office of Grants Policy and Operations is responsible for conducting reviews of possible conflicts of interest, and consults with the Office of General Counsel as needed. Since the FY 2010 SIF application process, the Corporation has drafted a more detailed set of procedures entitled Conflict of Interest Procedures for External Peer Review. These procedures will be finalized shortly.

Finding 5 – No formal policy on Corporation staff contact with potential grantees during GARP.

Corporation Response: The Corporation did have procedures in place which addressed staff contact with potential grantees. The GARP Procedures Manual states that the Corporation ensures the fairness of its grant competitions, in part, by ensuring that information for all applicants and potential applicants is publicly available. Thus all staff contact was through some public forum, or made on a public and transparent basis (such as recording technical assistance calls and making them available on the Corporation's website). The Corporation will expand upon these procedures, and the principles stated by the Chief Operating Officer's February 18, 2011 pronouncement, in a policy to be adopted in time for the FY 2012 grant competitions.

Finding 6 – Existing Corporation GARP did not include procedures on issuing a NOFA for public input.

Corporation Response: The Corporation has not historically published its draft NOFAs for public input, and does not anticipate doing so for any programs other than the Social Innovation Fund. Regardless, the Corporation will update Policy CEO-100-2011-14 (Policies and Procedures for Working with the Office of the Executive Secretariat) and the GARP Procedures Manual to reflect its processes for soliciting public input on future draft SIF Notices.

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