



January 22, 2025

MEMORANDUM FOR: Vice Admiral Nancy Hann
Deputy Under Secretary for Operations, performing the duties of
Under Secretary of Commerce for Oceans and Atmosphere and
NOAA Administrator
National Oceanic and Atmospheric Administration

Janet Coit
Assistant Administrator for NOAA National Marine Fisheries
Services
National Oceanic and Atmospheric Administration

FROM: Arthur L. Scott, Jr
Assistant Inspector General for Audit and Evaluation

SUBJECT: *Puerto Rico's Department of Natural and Environmental Resources
Properly Disbursed Funds but Was Slow in Expending Fishery Disaster
Assistance Funds*
Final Report No. OIG-25-009-A

This report provides the results of our audit of the Puerto Rico's Department of Natural and Environmental Resources (PRDNER's) use of Federal Emergency and Pandemic Relief Financial Assistance Funds. Our audit objective was to determine whether federal funds received by PRDNER to support its fisheries in recovering from the impacts of the COVID-19 pandemic¹ and damages caused by several hurricanes were properly disbursed and used for their intended purpose. We conducted this audit in response to a congressional request, and answers to congressional questions about disaster relief funds are included in this report. To answer the audit objective and the congressional request, we ascertained the status of award projects and funds expended and conducted limited testing of expenditures. See appendix A for a more detailed description of our scope and methodology.

Background

The National Oceanic and Atmospheric Administration (NOAA), a bureau of the U.S. Department of Commerce (the Department), is responsible for the stewardship of the nation's ocean resources and their habitats. NOAA Fisheries provides vital services to manage productive and sustainable fisheries and safe sources of seafood, recover and conserve protected resources, and maintain healthy ecosystems. PRDNER is an agency of the

¹ COVID-19 pandemic relief funds were awarded to the Puerto Rico Department of Agriculture and will be reviewed in a separate audit.

Commonwealth of Puerto Rico, and its main function is to protect, conserve, and manage the natural and environmental resources of Puerto Rico in a balanced way; guarantee the next generation's enjoyment; and stimulate a better quality of life.

Through the Bipartisan Budget Act of 2018, Congress appropriated \$200 million to NOAA for "Fisheries Disaster Assistance."² The purpose of these appropriated funds was to mitigate the effects of commercial fishery failures and fishery resource disasters declared by the Secretary of Commerce in calendar year 2017, as well as those declared by the Secretary to be a direct result of Hurricanes Harvey, Irma, and Maria. These funds were to remain available until expended and were designated as an emergency requirement pursuant to the Balanced Budget and Emergency Deficit Control Act of 1985.³ Once awardees receive appropriated disaster relief funds, the funds should be expended within 24 months.⁴ The Office of Management and Budget provided a waiver to NOAA on October 9, 2018, to extend the period of performance for disaster relief funds, extending the expenditure of funds to 48 months. In June 2021, NOAA's Grants Management Division granted a performance extension of up to 5 years due to what it described as "COVID-19-related" reasons for fisheries disasters.

Fisheries in Puerto Rico were directly impacted by Hurricanes Irma and Maria, which struck the region on September 6 and September 20, 2017, respectively. The storms caused damage to infrastructure, such as docks and ramps, and to fishing habitats. As a result, fishing communities and commercial fishers faced loss of equipment and income. To address the damage and losses from the storms, NOAA awarded two separate cooperative agreements,⁵ one in April 2020 and one in September 2020, to PRDNER for approximately \$11.4 million in fishery disaster assistance funds.

In August 2022, the Department's Office of Inspector General (OIG) received a letter from congressional members that raised concerns that the commercial fisheries in Puerto Rico had not received the disaster relief needed to recover from Hurricanes Irma and Maria. The letter stated that, despite the approximately \$11.4 million in federal funds awarded to the region, Puerto Rico's fishers were still using damaged sailing equipment, ramps and other machinery had not been replaced, there were not enough refrigerators to store fish, and basic livelihood and physical security were in imminent danger.

The letter stated that several aspects of NOAA's award were lacking transparency, including (1) the status of disaster relief funds, (2) the status of award projects, and (3) award program

² Bipartisan Budget Act of 2018, Pub. L. No. 115-123, 132 Stat. 64, 71 (2018).

³ Congress has defined emergency funding as providing budget authority and outlays for the prevention or mitigation of, or response to, loss of life or property, or a threat to national security that was unanticipated. Congress defines unanticipated as sudden, urgent (i.e., has a pressing and compelling need that requires immediate action), unforeseen, and temporary. See 2 U.S.C. §§ 900(c)(20)-(21).

⁴ NOAA's specific award conditions state that unless a waiver is received, all projects funded under the Bipartisan Budget Act shall not exceed 24 months and all work and the expenditure of funds shall be completed within 24 months following the effective date of the award.

⁵ Cooperative agreements are one of the funding mechanisms used by federal agencies, including the Department. See the NOAA Missed Opportunities to Provide Oversight That Could Have Aided PRDNER in Expending Funds section of this report for more details on cooperative agreements, including the definition.

policies and procedures for the direct aid to fishers project. The congressional members requested a review of the use of allocated funds to Puerto Rico’s fishing industry.

We reviewed the letter and identified the following areas of congressional concern: (1) status of projects and disaster relief funds and (2) direct aid to fishers. We developed questions for each area of concern (see the box) and organized this report to answer those questions as supported by the results of our audit work.

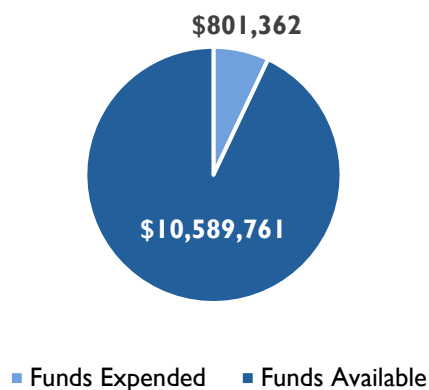
<p style="text-align: center;">Status of Projects and Disaster Relief Funds</p> <ol style="list-style-type: none">1. What is the status of all the projects, and how much of the award money has been distributed?2. Did NOAA approve another proposal to access these funds? <p style="text-align: center;">Direct Aid to Fishers</p> <ol style="list-style-type: none">3. How did the Department and local departments determine which applicants were eligible for direct aid?4. How many eligible fishers applied for direct aid and how many received it?
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Finding and Recommendation

PRDNER Properly Disbursed Funds but Was Slow in Expending Fishery Disaster Assistance Funds

Overall, we found that for the funds it expended, PRDNER properly disbursed and used funds as intended. However, PRDNER was slow in spending funds, as only approximately 7 percent of the total disaster assistance funds (\$801,362 of the approximate \$11.4 million) have been expended since April 1, 2020 (see figure 1). Additionally, PRDNER has expended funds for only 4 of the 17 (approximately 24 percent) combined projects under both awards.

Figure 1. Fishery Disaster Assistance Funds Expended and Funds Available



NOAA’s original award (NA20NMF0220020) allocated approximately \$9.8 million to PRDNER to be expended through 12 projects with a performance period from April 2020 to March 2024.⁶ The second award (NA20NMF0220066) allocated the remaining \$1.6 million to be expended through five projects from September 2020 to August 2024. PRDNER’s approved project narratives outlined a total of 17 projects from two NOAA cooperative-agreement awards. PRDNER defined projects to restore and improve the fisheries in Puerto Rico after Hurricanes Irma and Maria and to provide direct aid to fishers.

Based on our review of documentation available, we answered four questions from the congressional request.

1. Status of all projects and amounts distributed

In the original award (NA20NMF0220020), NOAA and PRDNER identified 12 projects to distribute the approximately \$9.8 million awarded. This award focused on improvements to fishery infrastructure and habitat restoration.

PRDNER reported its progress, and the amount expended (\$773,213),⁷ as of August 2023, to NOAA for the original award as presented in table I. Since August 2023, PRDNER had not received any additional funds until August 2024, when PRDNER received approximately \$192,600⁸ for additional spending reimbursements.

Table I. Status of Projects and Funds for the Original Award (NA20NMF0220020)

Project No.	Project Title	Budgeted	Expended	Status of Funds Expended as of August 2023
1	Essential fish habitat restoration	\$130,000	\$104,200	80% spent. Contract awarded and is in progress.
2	Managing sargassum	\$600,000	\$0	85% (\$493,722) encumbered.
3	Invasive and nuisance species	\$119,000	\$0	0% spent. To be revised with NOAA.
4	Update and enhancement of commercial fishery landings database	\$322,300	\$101,370	31% spent. Several contracts issued, and vehicle purchased for data collection.
5	Building resiliency of fisheries research laboratory	\$1,000,000	\$0	0% spent. Still in process. One contract awarded. \$1,008,154 encumbered and with General Service Administration.

⁶ On March 27, 2024, NOAA extended the original award performance period to March 31, 2025.

⁷ Due to timing differences, the amounts expended from the drawdown amount are different from expenditures. PRDNER’s financial reports submitted to the Grants Online website reported total award expenditures as \$801,362. However, PRDNER reported total expenditures as \$773,213 in its progress reports, as stated in table I.

⁸ The actual amount of \$192,599.15 was disbursed to PRDNER on August 12, 2024.

Project No.	Project Title	Budgeted	Expended	Status of Funds Expended as of August 2023
6	Strengthening fishing villages infrastructure	\$2,125,000	\$0	0% spent. To be revised with NOAA. Funded by the Federal Emergency Management Agency.
7	Commercial fishers' ramps repairs/expansions	\$2,675,000	\$0	0% spent. Awaiting a request for proposal to hire a project manager.
8	Commercial fishers dock repairs	\$694,730	\$0	0% spent. Awaiting a request for proposal to hire a project manager.
9	Direct aid	\$400,000	\$358,263	90% spent. Direct aid distributed—discussed additional funding with NOAA.
10	Improving regulation compliance	\$268,000	\$209,380	78% spent. Equipment and vehicles were purchased.
11	Educational safety preparedness tools for fishers	\$416,900	\$0	0% spent. To be revised with NOAA.
12	Indirect costs/project management	\$1,040,193	\$0	0% spent. Two requests for proposals received for project managers to renovate and repair ramps and docks.
Total		\$9,791,123	\$773,213	

Source: OIG-created based on the project status update provided by PRDNER

As noted in table 1, PRDNER reported progress for several projects; however, only 4 of the 12 projects had expenditures. Two other projects noted progress, with no expenditure of funds; however, some funds were encumbered.⁹ PRDNER's status update and progress reports to NOAA stated that projects had ongoing activities such as drafting requests for proposals, hiring a project manager, and performing an analysis to reprogram funds to other activities.

NOAA awarded a second cooperative agreement (NA20NMF0220066) in September 2020 for \$1.6 million. The cooperative agreement detailed five projects to support fishers' recovery after Hurricanes Irma and Maria through the acquisition of fishing gear, supplies, and equipment; scuba diver training or certificates; repairs to engines and vessels; and infrastructure improvements. As of July 2024, none of the award funds had been spent. PRDNER provided a status update as of August 2023 (see table 2).¹⁰

⁹ Encumbered means that funds have been designated for the contract award; however, no expenditures have occurred yet.

¹⁰ As of October 2024, NOAA Fisheries confirmed that no funds had been expended for this award.

**Table 2. Status of Projects and Funds for the Secondary Award
(NA20NMF0220066)**

Project No.	Project Title	Budgeted	Expended	Status of Funds Expended as of August 2023
1	Fishing gear, supplies, and equipment	\$920,000	\$0	0% spent. To be revised with NOAA.
2	Scuba diver trainings or certificates to diving fishers	\$55,000	\$0	0% spent. To be revised with NOAA.
3	Repairs to engines, vessels; other needs to be identified by fishers	\$300,000	\$0	0% spent. To be revised with NOAA.
4	Supplemental funding for infrastructure improvements	\$245,000	\$0	0% spent. To be revised with NOAA.
5	Administrative costs	\$80,000	\$0	0% spent. To be revised with NOAA.
Total		\$1,600,000	\$0	

Source: OIG-created based on the project status update provided by PRDNER

Although the project status update for the second award did not show completion for any of the five projects, PRDNER reported that it was evaluating requests for proposals for project managers to address repairs and improvements and coordinating with the University of Puerto Rico to arrange scuba diver training. In addition, PRDNER compiled a list of fishing equipment needed and started the purchasing process. However, as noted in table 2, PRDNER submitted to NOAA a request to re-budget and rescope the \$1.6 million to acquire three vessels for maritime law enforcement activities at areas closed to fishing (seasonal or permanent) and to manage federally regulated species.¹¹ This request was submitted in August 2024 but as of November 2024, NOAA had not approved it as there were ongoing discussions about options to rescope the funds.

2. NOAA approved another proposal to access award funds in July 2024

In July 2024, NOAA approved another PRDNER proposal¹² to re-budget the original award’s funds. Specifically, NOAA approved a request to change the scope of the approved projects (i.e., rescope) and re-budget the remaining funds on the original award, totaling \$9,071,910. This request re-budgeted and rescope more than 70 percent of the funds from other projects to the direct aid to fishers projects.

PRDNER submitted an award action request to re-budget the second award’s funds in August 2024. In September 2023, PRDNER submitted requests in the Grants Online

¹¹ The amount included supplies for boat equipment maintenance.

¹² In this report, a proposal is an award action request.

system to extend the period of performance for the second award by 8 months, from August 30, 2024, to April 30, 2025, which included a project narrative to reprogram the funds. In August 2024, PRDNER submitted a no-cost extension, re-budget, and rescope request. PRDNER's August 2024 request was to rescope and re-budget the \$1.6 million for three vessels for maritime law enforcement activities at areas closed to fishing (seasonal or permanent), to manage federally regulated species, and for maintenance supplies for the boat equipment. However, as of November 2024, NOAA had not approved this re-budget and change in scope request, as NOAA and PRDNER were continuing to discuss options for the change in scope.

Meeting notes with officials from NOAA's program office, the Grants Management Division (GMD), and PRDNER show that it took time to process PRDNER's other award action requests due to how long it took PRDNER to respond and provide updated information that NOAA required for approval. For example, NOAA requested additional information on developing a standard operating procedure for the second round of direct aid to fishers, revising timelines, and prioritizing the work remaining on the award. In addition, the delays were partially due to the transition of NOAA's Grants Online system to the Grants Enterprise Management System, which did not allow PRDNER to submit requests and NOAA to process the requests.

3. *PRDNER established eligibility criteria for direct aid, and the Department approved the plan*

NOAA approved the project narrative that detailed PRDNER's eligibility requirements, processes, and procedures for the project. In addition, PRDNER provided the *Standard Operating Procedure for Compensation to Fishers - Hurricane Fishery Disaster Recovery Proposal*,¹³ which includes the process for determining eligible recipients and outlines the application process.

PRDNER required applicants for direct aid to meet all of the following conditions. Applicants must:

1. Have held an active full-time or part-time commercial fisherman license during Hurricanes Irma (September 6, 2017) or Maria (September 20, 2017);
2. Have held a valid fishing license or (charter) permit during Hurricanes Irma (September 6, 2017) or Maria (September 20, 2017);
3. Complete the Puerto Rico Treasury Department's Vendor Request form SC 730; and
4. Provide proof of no debts with the Government of Puerto Rico agencies via the Direct Aid Request form.

¹³ PRDNER. June 12, 2020. *Standard Operating Procedure for Compensation to Fishers - Hurricane Fishery Disaster Recovery Proposal*.

Direct aid was intended for commercial fishers (beginner, part-time and full-time, and charters) to compensate for loss of income due to Hurricanes Irma and Maria.

4. A total of 476 fishers applied for direct aid, and 288 eligible applicants received it

Under the original award, PRDNER's direct aid to fishers project received 476 applications. PRDNER approved 288 applications and distributed \$358,263 to those recipients. We tested a sample of 50 approved and 10 rejected applications and found that all applications were approved or denied in accordance with award terms and conditions and eligibility criteria detailed in the approved project narrative.

Reasons For Slow Expenditures

We found several factors that contributed to the slow expenditure of funds. Puerto Rico has faced challenges with COVID-19, continued storms impacting the island, changes in government officials, and working with other government agencies to accomplish tasks. Specifically, we found:

- PRDNER was required to award contracts through Puerto Rico's General Service Administration's (PR GSA)¹⁴; however, PRDNER did not comply with PR GSA's procurement request policies, which resulted in PR GSA rejecting some requests. Specifically, PRDNER's requests did not contain all necessary information. For one project, PR GSA rejected a procurement request, which delayed any further progress on the project starting in December 2022.
- PRDNER and PR GSA encountered: (1) low interest from contractors due to supply chain issues, (2) bids and/or quotes that were above budgeted amounts, and (3) bidders and/or suppliers were not submitting offers in a timely manner.
- Some project funds could not be spent because the projects had already received funding from the Federal Emergency Management Agency.
- PRDNER also identified delays in projects due to staffing shortages as a result of high staff turnover and COVID-19. In addition, vacancies were difficult to fill. For example, the project management project under the original award was awaiting the hiring of an office systems administrator for 6 months, and since March 2022, PRDNER has been working to hire a project manager to complete several of the construction projects. Without these key positions filled, work on the projects has been delayed. According to a NOAA program official, PRDNER also cited high staff turnover in key leadership positions, as four different people have served in the role of Secretary of the Department since the inception of the first award.

¹⁴ In 2019, Puerto Rico's government centralized the purchase of goods, works, and nonprofessional services through the PR GSA.

NOAA Missed Opportunities to Provide Oversight That Could Have Aided PRDNER in Expending Funds

Although the previously discussed factors contributed to the slow expenditure of funds, NOAA also missed opportunities to provide oversight throughout the award performance period by not providing guidance to PRDNER on how to remedy and mitigate expenditure issues regarding PRDNER's inability to distribute the funds quickly. NOAA awarded the disaster relief funds to PRDNER through a cooperative agreement instead of a grant or other financial assistance award because of "the substantial involvement of NOAA in the monitoring of award activity for federal disaster grants."¹⁵ According to the *Department of Commerce Grants and Cooperative Agreements Manual*¹⁶:

A cooperative agreement is the legal instrument reflecting a relationship between [the Department] and a recipient whenever: (1) the principal purpose of the relationship is to transfer anything of value to accomplish a public purpose of support or stimulation authorized by Federal statute, and (2) substantial involvement (e.g., collaboration, participation, or intervention by [the Department] in the management of the project) is anticipated between [the Department] and the recipient during performance of the contemplated activity.

Cooperative agreements are used when substantial involvement—in the form of collaboration, participation, or intervention—is anticipated by the awarding agency, in this case, NOAA. NOAA included specific award conditions for substantial involvement that require quarterly reporting, participating in periodic conference calls, updating the Disaster Grant Dashboard (established by the GMD), and scheduling at least one award site visit conducted by GMD and project management officials.

According to the *Department of Commerce Grants and Cooperative Agreements Manual*, program and grant officials should become involved in a project to correct deficiencies in project or financial performance.¹⁷ The manual also states that as part of administration management, program and grant official's responsibilities include providing guidance and support to recipients and maintaining the official award file, including all correspondence and written evaluations of performance reports and any site visits.

NOAA program officials stated that NOAA provided guidance to PRDNER on what could be submitted in its initial award application and project narratives, but, while NOAA worked closely with PRDNER, it does not dictate what the Commonwealth of Puerto Rico determines is needed to mitigate the effects of the disaster. Moreover, it is PRDNER's responsibility to expend the funds. NOAA program officials also stated that, as part of its enhanced monitoring, they met with PRDNER on a biweekly basis and conducted site visits.

Overall, based on the limited documentation in the award file and a miscommunication regarding the use of a project dashboard, we found there was minimal support for NOAA's

¹⁵ Specific Award Conditions, NA20NMF0220066 and NA20NMF022020.

¹⁶ The U.S. Department of Commerce. April 20, 2021, *Department of Commerce Grants and Cooperative Agreements Manual*, 29.

¹⁷ *Ibid*, 30.

oversight activities between 2020 and 2022. Specifically, we found that NOAA's award files did not contain documentation of correspondence with PRDNER, biweekly meeting notes, or evaluations of progress reports, as required by the manual. In our review of the award files, we found only meeting notes from NOAA's program officials after its May 2022 site visit. We requested documentation of NOAA's oversight activities with PRDNER. NOAA provided documentation including notes from the GMD's site visit in June 2022, a request to hold biweekly meetings with PRDNER starting in January 2023, and meeting notes from June 2023. A NOAA program official stated that meeting notes with PRDNER were maintained in a notebook outside of the award file, but we were not provided with these meeting notes, and copies were not entered into the award file. We also found that a dashboard was not set up for this award to monitor PRDNER's progress, as required in the award conditions. GMD officials stated that they provided instructions to PRDNER on how to set up the dashboard; however, there was no documentation of GMD following up with PRDNER to address issues with setting up the dashboard. NOAA's program official explained that there may have been miscommunication with GMD, as the program official stated that based on communication with PRDNER, a dashboard was not needed.

NOAA received progress reports from PRDNER with status updates on projects. However, PRDNER did not submit progress reports to NOAA in a timely manner, which did not allow for proper oversight. As detailed in the specific award conditions for both awards, PRDNER is required to submit progress reports on a quarterly basis. During our review of 13 progress reports submitted during the audited period, we found that reports were not always submitted in a timely manner. Specifically, 4 of 13 reports for the original award and 4 of 11 reports for the second award were submitted an average of 23 days after the reporting due date. Additionally, we found it difficult to track the progress for all projects because PRDNER did not include progress updates for all projects in each report. Some reported project statuses remained unchanged for two or more reporting periods.

NOAA's Grants Online system sent generated reminders about progress reports due dates, and we were provided documentation that NOAA program officials sent reminders to PRDNER on late progress reports starting in January 2023; however, we found no documentation in the award file of NOAA's evaluation of the PRDNER progress reports, as required by the *Department of Commerce Grants and Cooperative Agreements Manual*. Specifically, we found no documentation of corrective actions or suggestions by NOAA to address the issues identified and for project statuses that remained unchanged. For example, PRDNER's progress report in September 2020 stated that there was duplication of funding from the Federal Emergency Management Agency (FEMA) for the project identified. In June 2021, PRDNER noted it would discuss reprogramming the duplicated funds with NOAA. PRDNER's progress reports continued to report this same status; however, as of September 2024 no action has been made to reprogram these funds. According to NOAA, it was aware of project activities through the biweekly meetings with PRDNER.

As described previously, there have been significant delays in NOAA's processing of award action requests. NOAA cited delays due to changes in the online grants management system (award grant file). With the reporting system in transition to the new GEMS systems, NOAA could not approve award requests, and PRDNER could not submit

revisions and requests; however, a NOAA GMD official stated NOAA did not want to approve requests manually or outside of the system. If NOAA used an alternative method (i.e., manual approvals) to approve the requests, PRDNER could have continued to work and spend the funds. As of June 2024, PRDNER stated it had not been able to spend any additional funds on its projects for 10 months as it awaited NOAA's approval on the re-budget. In addition, even with the no-cost extension, PRDNER had only 9 months remaining to complete the work before the original award's performance period again expires. NOAA program officials explained that it had worked with PRDNER on its award action request and addressed questions to revise project narratives while the reporting system was in transition. However, based on the wait time between submissions and approvals, more direction and timelier actions could have been provided to reduce delays and allow PRDNER to expend funds.

Although NOAA started providing and documenting increased involvement, oversight, and guidance to PRDNER in 2023, doing so throughout the performance period could have strengthened PRDNER's plans and approaches to complete its projects and expend the funds in a timely manner.

Recommendation

We recommend that the Under Secretary of Commerce for Oceans and Atmosphere and NOAA Administrator direct NOAA's National Marine Fisheries Services Assistant Administrator to document all project monitoring activities in the official grant files in accordance with the *Department of Commerce's Grants and Cooperative Agreements Manual*.

Summary of Agency Comments on the Draft Report and OIG's Response

On September 4, 2024, we received NOAA's response to our draft report (see appendix B). NOAA did not concur with our original recommendation, which was to increase its oversight activities of PRDNER. NOAA stated that it had provided a level of monitoring award activities that was consistent with other federal fishery disaster grants, through specific award conditions. Specifically, NOAA stated it had completed site visits, coordinated conference calls, reviewed quarterly reports, and frequently communicated with project leads via email and phone calls, as warranted, and would continue to coordinate and provide oversight of PRDNER to ensure project objectives are met, to the extent allowable and applicable. However, as discussed in the body of the report, NOAA's award files did not contain documentation of these activities. Accordingly, we revised our recommendation to specifically address documenting project monitoring activities in the official award files, as required by departmental guidance. In an October 9, 2024, email response, NOAA concurred with the revised recommendation.

Additionally, in considering NOAA's general comments on the draft report, we adjusted and added clarification to the report as needed.

Pursuant to Department Administrative Order 213-5, please prepare and submit to us an action plan that addresses the recommendation in this report within 30 calendar days. This final report will be posted on our website pursuant to the Inspector General Act of 1978, as amended (5 U.S.C. §§ 404 & 420).

We appreciate the cooperation and courtesies extended by your staff during the audit. If you have any questions or concerns about this report, please contact me at (202) 577-9547 or Kelley Boyle, Division Director, at (202) 253-0856.

Appendix A: Objectives, Scope, and Methodology

The objective of our audit was to determine whether federal funds received by PRDNER to support its fisheries in recovering from the impacts of the COVID-19 pandemic¹⁸ and damages caused by several hurricanes were properly disbursed and used for their intended purposes. To accomplish our objective, we performed the following actions.

We reviewed relevant federal, departmental, and PRDNER laws, policies, guidance, procedures, and correspondence including:

- Bipartisan Budget Act of 2018, Pub. L. No. 115-123
- Fishery Disaster Funds Award Letter to PRDNER, June 20, 2018
- *Department of Commerce Grants and Cooperative Agreements Manual*, April 20, 2021
- *Department of Commerce Financial Assistance Standard Terms and Conditions*, November 12, 2020
- Specific award conditions
- *Standard Operating Procedure for Compensation to Fishers - Hurricane Fishery Disaster Recovery Proposal*, June 12, 2020
- *General Procedure for the Evaluation of Direct Aid Angler's Applications Under Fishery Disaster Award*

We reviewed and analyzed award documentation in the Grants Online database; including:

- financial assistance award form CD-450
- budget narratives
- progress and financial reports

To determine the status of awards, eligibility requirements, and the availability of documentation, we:

- Conducted testing on a judgmental sample of 50 selected and 10 rejected applications for direct aid to fishers to verify that applications were approved or denied in accordance with PRDNER procedures and determinations were valid.
- Evaluated NOAA and PRDNER communications to determine the effectiveness of the oversight NOAA provided for the federal emergency and financial assistance grant programs.
- Conducted interviews with NOAA Grants Management, NOAA Program Office, and PRDNER personnel.

¹⁸ COVID-19 pandemic relief funds were awarded to the Puerto Rico Department of Agriculture and will be reviewed in a separate audit.

We did not rely solely on computer-processed data to support our findings, conclusions, or recommendations. We obtained manually compiled data and assessed the reliability of that data using OIG Data Analytics data reliability assessments and comparing general ledger and external data to source data. We found the data to be sufficiently reliable for our audit work.

During our audit, we gained an understanding of PRDNER's internal control processes significant within the context of the audit objectives by interviewing PRDNER officials and reviewing documentation for evidence that PRDNER carried out internal control procedures. We reported the internal control weaknesses in the body of this report. Although we identified and reported on internal controls deficiencies, we did not detect any specific instances of fraud, illegal acts, or abuse during our audit.

We conducted our audit from October 2022 through July 2024 under the authority of the Inspector General Act of 1978, as amended (5 U.S.C. §§ 401–424), and Department Organization Order 10-13, as amended October 21, 2020. We performed our fieldwork remotely.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Appendix B: Agency Response

NOAA's response begins on the following page.



UNITED STATES DEPARTMENT OF COMMERCE
Deputy Under Secretary for Operations
National Oceanic and Atmospheric Administration
Washington, D.C. 20230

MEMORANDUM FOR: Arthur L. Scott, Jr.
Assistant Inspector General for Audit and Evaluation

FROM: VADM Nancy Hann
Deputy Under Secretary for Operations *Nancy Hann, VADM/NOAA* Date: 2024.09.03
National Oceanic and Atmospheric Administration 15:50:31 -04'00'

SUBJECT: *Puerto Rico's Department of Natural and Environmental Resources
Properly Disbursed Funds but Was Slow in Expending Fishery Disaster
Assistance Funds
Draft Report*

The Department of Commerce's National Oceanic and Atmospheric Administration (NOAA) is pleased to submit the attached response to the draft report on the results of the audit of Puerto Rico's Department of Environmental Resources (PRDNER) use of Federal Emergency and Pandemic Relief Financial Assistance Funds. NOAA reviewed the report and does not concur with the recommendation as written.

We appreciate the opportunity to review and respond to your draft report. If you have questions, please contact Lawrence N Burney, Jr, Acting Director, Audit and Information Management Office on (202) 643-6010.

Attachment



Department of Commerce
National Oceanic and Atmospheric Administration
Response to the OIG Draft Report Entitled
Puerto Rico’s Department of Natural and Environmental Resources Properly Disbursed
Funds but Was Slow in Expending Fishery Disaster Assistance Funds
(July 2024)

General Comments

The National Oceanic and Atmospheric Administration (NOAA) appreciates the opportunity to review the Office of Inspector General’s (OIG) draft report on Puerto Rico’s Department of Natural and Environmental Resources Properly Disbursed Funds but Was Slow in Expending Fishery Disaster Assistance Funds Draft Report. NOAA reviewed the draft report and does not concur with the OIG’s recommendations. General comments and responses to the one recommendation are provided below.

Page 2, 1st paragraph, 3rd sentence:

“These funds were to remain available until expended...”. While this infers the funds are available until expended, the Department of Commerce, Grants and Cooperative Agreements Manual (p. 122, Chapter 18, section B) states, “It is the Department’s policy that the period of activity of multi-year awards should not exceed five years.” In addition, per NOAA Grants Management Division (GMD) Guidance for Supplemental Disaster Funding, Fishery Disaster awards were limited to 24-months. This was extended via an Office of Management and Budget waiver due to impacts related to COVID-19 that extended Fishery Disaster awards to 48 months.

Page 2, 1st paragraph, last sentence:

“Based on the definition of an emergency, NOAA should have taken immediate action to address a situation with a pressing and compelling need.” This infers that NOAA did not address the Fishery Disaster with any compelling urgency. Upon receipt of the Fishery Disaster request from the Commonwealth of Puerto Rico, a positive determination, allocation and Request for Application (RFA) was provided within ~7 months. The application was submitted by Puerto Rico’s Department of Natural and Environmental Resources (PRDNER) ~20 months later. This initial application included inappropriate costs and objectives that were not related to the stated hurricane impacts and was revised. The NOAA Program Office and NOAA GMD reviewed and quickly obligated funds.

Page 2, 4th paragraph:

“The letter [*from Congressional members*] stated that several aspects of NOAAs award were lacking transparency...” NOAA received numerous inquiries in the form of phone calls and letters, from constituents in Puerto Rico and NOAA initially referred them to PRDNER for input and communication on the project narrative as submitted by PRDNER. NOAA did share the project narrative with constituents once we learned PRDNER was not transparent with activities.

Page 4, 1st paragraph:

This paragraph refers to the split of \$9.8million in one project and \$1.6 million in a second award. There is no reference to the fact that PRDNER’s initial submission sought funding for many activities that were not the result of impacts from Hurricane’s Maria and Irma. The second award of \$1.6 million were considered unallowable costs. Due to the urgency of Fishery Disaster Funds, NOAA awarded an initial \$9.8 million award but requested revisions for the

second award.

Page 5, Table 1, projects 6-8:

There is no reference regarding the fact that many discussions took place with the Department of Agriculture (PRDAg) and NOAA to support PRDNER with these projects and whether the funds could potentially be transferred to PRDAg to complete many infrastructure activities in coordination with the Federal Emergency Management Act (FEMA) disaster funds. Ultimately, PRDAg decided not to pursue this course of funding.

Page 6, Table 2-Status:

“Requested Revision with NOAA.” While an initial Revision Request was submitted in the Grants Electronic Management System (GEMS) legacy system (Grants OnLine), NOAA has communicated with PRDNER to resubmit the revision request through the new GEMS Electronic Research Administration (eRA) in order to process as the original request did not migrate into the new eRA system. This has not been submitted by PRDNER.

Page 6, Heading for #2:

“NOAA approved another proposal to access some of the funds in July 2024” should be changed to “NOAA approved a Revision Request for re-budgeting funds in July 2024”

Page 6, 1st sentence for #2:

“NOAA approved another PRDNER proposal to access the original award funds in July 2024; however, it has not approved another proposal for the second award.” should be changed to “NOAA approved a PRDNER Revision Request to re-budget funds from the \$9.8 million award in July 2024; however, it has not approved another Revision Request for the second (\$1.6 million) award. NOAA has requested that PRDNER resubmit that Revision Request (due to GEMS system changes) and has not received that Revision Request to date.”

Page 6, Last sentence for #2:

“It took NOAA approximately 10 months to process and approve the revision to the original award.” This does not account for or mention the migration of GEMS systems nor is there any reference to the numerous revisions and modifications requested by NOAA to the original revision request that was submitted by PRDNER.

Page 7, Last paragraph of #2:

While this paragraph does mention the delays and impacts of the migration of GEMS from Grants OnLine to eRA, it also infers that NOAA’s requesting additional information and conducting due diligence with respect to the revision request somehow delayed the budgeting process. In fact, the delays were due to the lengthy time it took PRDNER to respond to and provide updated information required for approval.

Page 7, Line 1 of #3:

“NOAA approved the budget narrative” should be changed to “NOAA approved the project narrative”

Page 8, 1st paragraph of Reasons for Slow Expenditures:

NOAA does not agree with the reasons for slow expenditures being attributed to NOAA’s lack of substantial involvement. In this case, the slow expenditures can be wholly attributed to activities on PRDNER’s part, including cycling through four Secretaries – each of which slowed

the processing of objectives. In addition, delays should be attributed to PRDNER General Services Administration (GSA) reviews of contracting mechanisms and selection of contractors which is readily apparent in progress reports and site visit reports.

Page 8, 3rd paragraph of Reasons for Slow Expenditures Substantial Involvement bullets:

The Department of Commerce Grants and Cooperative Agreements Manual does provide examples of substantial involvement. The OIG stated that NOAA's lack of involvement was the primary reason funds did not get out. The recipient was awarded the grant based on the representations that they made in the application. It soon became evident that it did not have the capacity to properly oversee and monitor the award. Once NOAA became aware of the gravity of the recipient's problems handling the funding, the Agency stepped in with assistance. But the primary fault for the slow expenditures lay with the recipient.

Page 9, 1st paragraph of NOAA missed opportunities...section:

There is no mention of the numerous other means of communication with PRDNER staff throughout this process including emails and phone calls. There is mention in this paragraph that "PRDNER did not submit progress reports in a timely manner, which did not allow for proper oversight." NOAA sends reminders prior to, as well as once reports are delinquent. NOAA cannot submit reports for the grantee. NOAA has placed PRDNER on "agency review" in response to the continued delays including the late progress reports. "NOAA did not take any action to address the issues", which NOAA did through increased real-time support and on-site visits. In addition, limiting access to funds was not an appropriate means to encourage submission as access to Fishery Disaster funds is imperative for constituents when available and the fact that PRDNER was not expending funds in any case, limited the ability to force report submissions.

Page 9, 2nd paragraph of NOAA missed opportunities...section:

Significant delays were incurred due to the transition in GEMS systems, but there is no mention of the delay in submitting the Revision Request by PRDNER. NOAA can only review and approve official requests submitted through eRA as part of the official grant file. All requests must be submitted by the Authorized Representative from PRDNER, no other individual has the legal authority to make requests on behalf of the organization, including NOAA.

Page 9, last paragraph into page 10:

"NOAA also had the authority to limit PRDNER's discretion with respect to scope of work and other management processes." Per NOAA Fisheries Policy for Fishery Disaster funding, and provided in the RFA letter initially requesting an application by PRDNER, NOAA provides guidance on what can be submitted in a project narrative but while NOAA worked closely with PRDNER, NOAA does not dictate what the Commonwealth of Puerto Rico determines is needed to mitigate the effects of the disaster.

Page 10, Other factors that contributed to the slow expenditure of funds:

This section shouldn't be 'other factors' as these are the main reasons for the slow expenditures by the recipient. Of the Fishery Disaster awards, PRDNER is the only one with slow expenditures due to the factors listed in this section. GSA rejected numerous procurement requests for various reasons that NOAA had no control over. Low interest from contractors and supply chain issues are factors that NOAA had no control over. NOAA completed our due diligence to assure Fishery Disaster funds were not spent on duplicate projects with FEMA

funding. Finally, staff turnover and the numerous Secretarial positions severely limited continuity within PRDNER to fulfill stated objectives in their initial project narrative.

NOAA Response to OIG Recommendations

Recommendation 1: Ensure NOAA’s National Marine Fisheries Services Assistant Administrator implements measures to increase NOAA’s involvement in cooperative agreements and provide oversight of the award recipient to ensure the remaining funds, totaling \$10.6 million, are spent as intended and expeditiously to address urgent needs.

NOAA Response: NOAA does not concur with the recommendation as written. We recommend the recommendation should read:

“Ensure NOAA’s National Marine Fisheries Services Assistant Administrator continues to implement the increased measures with the PRDNER fisheries disaster cooperative agreements and continue to provide oversight of the award recipient to ensure the remaining funds, totaling \$10.6 million, are spent as intended and expeditiously to address urgent needs.”

We agree with the intent of the recommendation to continue to coordinate and provide oversight to PRDNER to ensure project objectives are met to the extent allowable and applicable. We do not concur with increasing NOAA’s involvement more than currently established to ensure the remaining funds are spent. NOAA included a Cooperative Agreement Specific Award Condition that identified a level of monitoring of award activities that was consistent with other federal fishery disaster grants. Specifically, “NOAA will require quarterly reporting, participation in periodic conference calls, and updating of the Disaster Grant Dashboard (established by the Grants Management Division-GMD). At least one award site visit will be scheduled and conducted by GMD staff and the SERO FPO.” NOAA has completed no less than 3 full site visits, coordinates conference calls, more recently on a 2-week basis, and reviews quarterly reports in a timely manner, as well as frequent communication with project leads via email and phone calls as warranted. NOAA feels that the level of oversight provided to PRDNER on this Fishery Disaster award is at a minimum, equivalent to, and in fact greater than, the level of oversight provided to other recipients of Fishery Disaster funds. Other recipients have expended the majority of funds provided on schedule.

It is upon the recipient, PRDNER, to perform and complete the objectives they have identified in the project narrative. NOAA has participated with PRDNER in conference calls and site visits discussing options to address concerns and provide guidance on spending funds appropriately. It is up to PRDNER to expend the funds per the approved project/budget narrative.

Recommended Changes for Factual/Technical Information

Page 4, 2nd paragraph under Section 1:

The current text states in part, “PRDNER reported its progress and the amount expended (\$773,213), ... It should read: “PRDNER reported its progress and the amount expended (\$801,362), ...

This change matches with actual expenditures and is in line with information provided in the report in the first paragraph of page 3 under Finding and Recommendation as well as with Figure 1.

Editorial Comments

Page 1, Line 1:

“Puerto Rico’s Department of Environmental Resources (PRDNER)” should be changed to
“Puerto Rico’s Department of Natural and Environmental Resources’ (PRDNER)”