MEMORANDUM

April 5, 2010

TO: PAUL CARTTAR

FROM: WILSIE Y. MINOR
Designated Agency Ethics Official

SUBJECT: Authorization under 5 C.F.R. § 2635.502 and Limited Waiver under E. O. 13490

Summary

After consultation with the Counsel to the President and for the reasons stated and subject to the qualifications set forth in this memorandum, I hereby authorize your participation, pursuant to 5 C.F.R. § 2635.502 and Section 3 of Executive Order 13490, in the grant application review process as the Director of the Social Innovation Fund for the Corporation for National and Community Service. This includes a partial waiver of the restrictions in Executive Order 13490 with respect to your participation in the preliminary stages of the grant application review process in the event that any former employer or client of yours (as defined in the Executive Order) submits an application for funding under the Social Innovation Fund Notice of Funds Availability (NOFA), or is included as a subgrantee in any such application.

The Corporation has in place safeguards for this grant application review process. The grant application review process will be competitive and include panel reviews by staff and external experts, and will be managed by the Office of Grants Policy and Operations in accordance with regular agency procedures. The evaluations at each stage will be based on criteria that were established in the Notice of Fund Availability developed by the Corporation prior to your appointment.

This authorization and waiver is limited, however, in that you will recuse yourself from party-specific compliance or eligibility determinations, consensus meetings, discussions, and recommendations, or portions thereof, regarding any former employer or client, as those terms are defined under Paragraph 2 of the Pledge.

Background

You are the Director of the Social Innovation Fund (SIF) for the Corporation for National and Community Service. Through the SIF, the Corporation will make grants in the range of $ 1 million to $10 million to a network of eligible intermediary grantmaking institutions. These intermediary grantees will make and evaluate subgrants designed to produce measurable and transformational outcomes within specific issue areas or geographic regions.

Prior to selection for this position, you had relationships with one or more organizations who may interact with the SIF. You were a salaried employee of Monitor Group, a consulting firm. You were also an Executive Partner of New Profit Inc., an organization that reimbursed your expenses and paid Monitor Group for one half of your time. Finally, you served on the boards or have performed work for New Leaders for New Schools, Teach for All, and KaBoom!. New Profit, which provides services and funding to social entrepreneurs and their organizations, is a likely applicant for SIF funding, and the others may be involved as well. The grant application review process will consist of several stages.

First, applications will be reviewed for compliance with the NOFA submission requirements, including a determination of whether the applicant is an entity eligible for award. The initial review of eligible applications will be conducted by a four member panel to determine an applicant's ability to select, support and monitor the performance of a portfolio of innovative and effective nonprofit organizations. At this stage of the review (the "blended review"), panelists will apply the rubric in the NOFA, which puts 45% weight on the review of Program Design, 35% on Organizational Capacity, and 20% on Budget. Next, at a first consensus meeting, senior staff at CNCS will review the top applications and evaluate them in light of the goals of the SIF. The results of this meeting will be to confirm the group of approximately 30 applicants that will be sent forward to the "expert review" stage, where panels of two expert reviewers will assess applications based on the same rubric utilized in the blended review process, but will focus more specifically on evaluation plans and potential for replication. The expert review will be followed by a second consensus meeting, at which information from both the blended and expert reviews will be assessed. This meeting will reduce the number of applicants to a final competitive group of approximately 10-15 intermediaries. These top applications will be packaged for a pre-decision meeting with the senior Corporation official designated by the CEO[1](hereinafter "designated official" or "designated selection official") to make the selections, which will include executive summaries of proposals, as well as summary information and statistics. After the pre-decision meeting, staff will have clarifying discussions with the applicants, informed by those questions and issues. They will present final proposals for the designated official's consideration at the final decision meeting.

Authorization and Limited Waiver

You are authorized to participate in matters of general applicability including general policy discussions and decisions concerning the operation of the SIF. This authorization and waiver is limited, however, in that you will recuse yourself from party-specific compliance or eligibility determinations, consensus meetings, discussions, and recommendations, or portions thereof, regarding any former employer or client, as those terms are defined under Paragraph 2 of the Pledge. This prohibition shall include Monitor Group, New Profit, Inc., New Leaders for New Schools and Teach for All, and Kaboom!. You are authorized to attend the two consensus meetings except to the extent described above. If, after these meetings, either your former employer or clients remain under consideration for the final competitive group; you will recuse yourself from the pre-decision meeting with the designated official and the final decision meeting with the designated official.

After the designated official's selection of the SIF intermediaries, this authorization and waiver permits you to perform the full range of your duties as the SIF Director related to grant implementation, monitoring, and evaluation. The waiver and recusal will remain in effect, if applicable for the 2011 new grant application and review process if your former employer or clients apply. The designated official will make the decision on funding for SIF intermediaries for the second year of the grant period.

I. 5 C.F.R. § 2635.502- Impartiality in Performing Official Duties

The Standards of Ethical Conduct for Employees of the Executive Branch (the Standards) at 5 C.F.R. § 2635.502 require an employee to take appropriate steps to avoid an appearance of any lack of impartiality in the performance of his official duties. Under Section 502, when an employee knows that a person with whom he has a "covered relationship" is a party or represents a party to the matter,

[1] The CEO will designate a selection official because his former employer has submitted notice of intent to apply.

he should not participate in the matter without informing an agency official and receiving authorization to participate in the matter.

The grant application review process for SIF funding may be a "specific party" matter if any organization for whom you served as officer, director, trustee, general partner, agent, attorney, consultant, contractor, or employee within the past year applies for funding as an intermediary or subgrantee. *See* 5 C.F.R. 2635.502(b)(1)(iv).

Section 2635.502(d) directs that an agency designee may authorize an employee to participate in a particular matter involving specific parties, which would otherwise be subject to the recusal requirements of that section, if the designee makes a determination, in light of all relevant circumstances, that the interest of the Government in the employee's participation outweighs any concern that a reasonable person may question the integrity of the Government's programs and operations.

As the Designated Agency Ethics Official, I serve as the agency designee pursuant to guidance from the U.S. Office of Government Ethics.

You and the Chief Executive Officer have asked for guidance on how best to proceed in light of your former employment with Monitor Group and your relationships with New Profit, Inc., New Leaders for New Schools and Teach for All, and your board membership with KaBoom! After weighing the factors articulated in Section 502(d), I have determined that it is appropriate to authorize your participation in the SIF grant application review process.

Implementation of the Social Innovation Fund provisions of the Edward M. Kennedy Serve America Act is a Corporation priority. The Corporation is committed to the long-term success of the SIF as a means to spur innovation and address our nation's most pressing social challenges. Your involvement in the awards process, and your leadership and expertise in philanthropy, nonprofit management consulting, nonprofit capital markets, and social innovation, will help to strengthen the implementation of this initiative.

In addition, there are safeguards that alleviate any concern about impartiality or the appearance of impartiality in the awards process. The grant application review process will include internal and external reviewers applying established eligibility criteria. These criteria were established in the Notice of Fund Availability developed by the Corporation prior to your appointment. The grant application review process will be competitive and include panel reviews by staff and external experts, and will be managed by the Office of Grants Policy and Operations in accordance with regular agency procedures. You have agreed to resign from Monitor and from your affiliations with New Profit, Inc., New Leaders for New Schools and Teach for All, and your board membership with KaBoom! Of central importance to this authorization and limited waiver are your representations that you will no longer have financial interests in any of these organizations, and therefore the outcome of the grant selection process will not impact your financial interests. Moreover, if any organization with whom you have a covered relationship applies for funding, you will recuse yourself from preparation for and participation in the pre-decision meeting with the designated selection official and the decision meeting with the designated selection official, except to the extent set forth in this Authorization and Limited Waiver.

In light of these factors and the requirement that you abide by the aforementioned recusals, I hereby determine that the governmental interest in your participation outweighs any countervailing appearance concerns and authorize your participation in the SIF grant application review process and matters of

general applicability related to SIF policies and operations and, after the designated selection official's grant award decision, I authorize your full participation in implementation, monitoring, and evaluation of the SIF cooperative agreement portfolio.

II. E. O. 13490 – Ethics Commitments by Employees in the Executive Branch

Executive Order 13490 provides that a political appointee will not, for a period of two years from the date of appointment, participate in any particular matter involving specific parties that is directly and substantially related to the appointee's former employer or former clients, including regulations and contracts. *See* E. O. 13490, Sec. 1, para. 2. Section 3 of the E.O. provides for waiver of the recusal provisions and as the DAEO at the Corporation, I exercise that waiver authority. *See* Office of Government Ethics Memorandum Re: Authorizations Pursuant to Section 3 of the Executive Order 13490, DO-09-008 (Feb. 23, 2009). The standard for waiving the restriction in the Executive Order is that it be in the public interest. *See* E.O. 13490, Sec. 3(a). The Executive Order states that "the public interest shall include, but not be limited to, exigent circumstances relating to national security or to the economy." *Id.*, Sec. 3(b).

I hereby determine that it directly serves the public interest that the Corporation and the CEO have the benefit of your participation in the SIF grant application review process and development of the policies and procedures of the SIF. The SIF is a vehicle to: 1) promote public and private investment in effective and potentially transformative portfolios of nonprofit community organizations; 2) identify more effective approaches to addressing critical social challenges and broadly share this knowledge; and 3) develop the grantmaking infrastructure necessary to support the work of social innovation in communities across the country. Given your unique qualifications and experience, your involvement, in the award process, subject to the limitations set forth herein, would contribute significantly to the accomplishment of these goals. Excluding you from the process entirely would make it impracticable for you to function effectively as Director of the SIF, yet any other individual who possesses the necessary expertise in venture philanthropy and social innovation would have similar relationships with potential SIF intermediaries or subgrantees.

Accordingly, I hereby certify that it is in the public interest for you as the SIF Director to participate in the SIF grant application review processes and discussions of policies, procedures, and implementation, monitoring, and evaluation of the entire SIF portfolio, subject to the limitations set forth above. Therefore, pursuant to E.O. 13490 Sec. 3(a), I waive the restriction in Section 1 of E.O. 13490, on participation in any specific party matter that is directly and substantially related to your former employers and clients, including Monitor Group, New Profit, Inc., New Leaders for New Schools and Teach for All, and Kaboom!. I have consulted with the Counsel to the President concerning this waiver.

The terms of this authorization and waiver along with guidelines for screening, implementation, and monitoring will be disseminated to the CEO, Chief of Staff, General Counsel, Chief of Program Operations, the Director of Grants Policy and Operations, and other employees as appropriate.