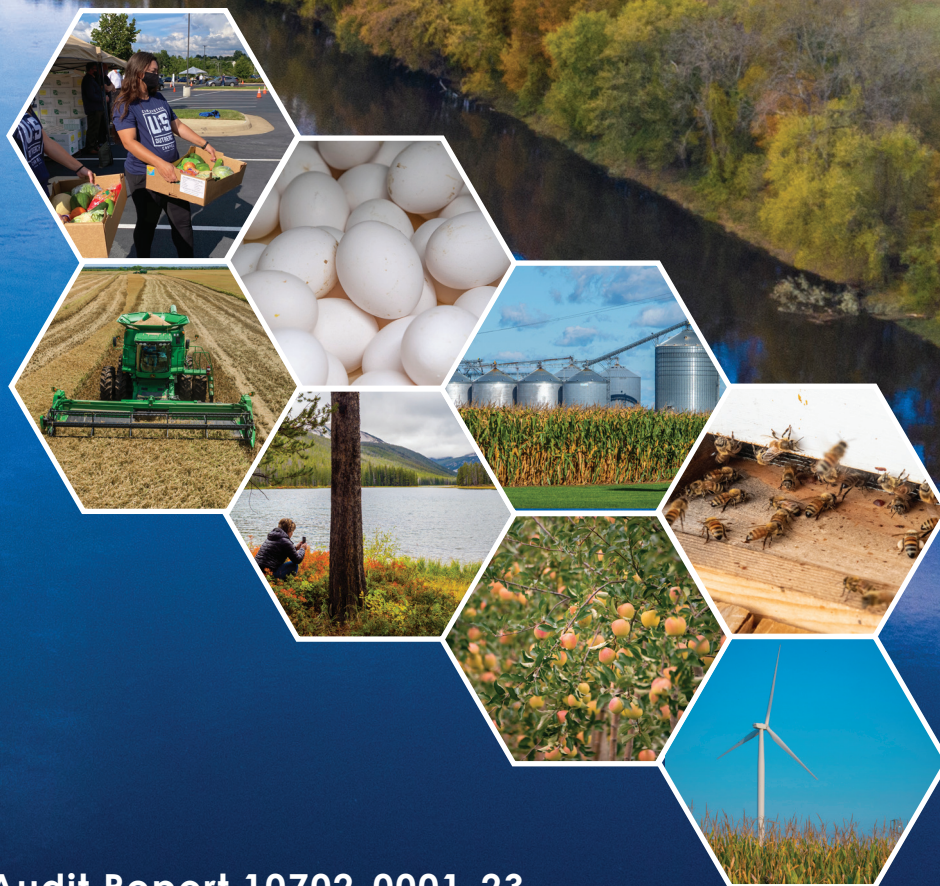




United States Department of Agriculture

Hurricane Disaster Assistance— Emergency Watershed Protection Program



Audit Report 10702-0001-23

June 2021

OFFICE OF INSPECTOR GENERAL

Hurricane Disaster Assistance—Emergency Watershed Protection Program

Audit Report 10702-0001-23

We evaluated NRCS' controls over the EWP Program relating to hurricane disaster assistance provided for Hurricanes Harvey, Irma, and Maria.

OBJECTIVE

Our objective was to evaluate NRCS' controls over the EWP Program relating to hurricane disaster assistance provided for Hurricanes Harvey, Irma, and Maria.

REVIEWED

We reviewed applicable laws, Federal regulations, and agency guidance; interviewed NRCS Headquarters and State officials; and evaluated 30 DSRs.

RECOMMENDS

We recommend NRCS establish a national database to track EWP projects; develop and implement a process to ensure States are confirming and documenting applicant eligibility; review all DSRs for Hurricanes Harvey, Irma, and Maria to confirm eligibility; update program guidance; develop and implement controls to ensure States timely and accurately submit 60-day and final reports; develop and implement controls to ensure project closeouts and de-obligations are completed timely; and develop and implement EWP Program performance measures.

WHAT OIG FOUND

The Emergency Watershed Protection (EWP) Program offers technical and financial assistance to help local communities mitigate imminent hazards to life and property caused by floods, fires, windstorms, and other natural occurrences that impair a watershed. In our review, we found that the Natural Resources Conservation Service (NRCS) did not establish and maintain a database to accurately track EWP Program projects at the national level. Without a database, NRCS is unable to assess, improve, or report on program effectiveness.

Additionally, we found that for 15 of 20 sampled Damage Survey Reports (DSR), sponsors did not provide required eligibility documentation and that all three States in our sample did not submit 60-day or final reports for our sampled DSRs. As a result, we question NRCS' oversight of more than \$239.7 million in EWP project funds.

Furthermore, we found that State officials did not initiate the closeout process or de-obligate unused funds of more than \$9.5 million for 18 signed cooperative agreements in a timely manner. As a result, this could lead to lengthy, unliquidated obligations and potentially prevent the funds from being used on other EWP Program projects.

Finally, we found that NRCS had no performance measures specific to EWP. As a result, NRCS could not assess and report on the EWP Program's effectiveness.

NRCS concurred with our recommendations and we accepted management decision on 7 of the 9 recommendations.



OFFICE OF INSPECTOR GENERAL

United States Department of Agriculture



DATE: June 25, 2021

AUDIT

NUMBER: 10702-0001-23

TO: Terry Cosby
Chief
Natural Resources Conservation Service

ATTN: Robert Bradley
External Audits, Farm Production and Conservation - Business Center, for
Natural Resources Conservation Service

FROM: Gil H. Harden
Assistant Inspector General for Audit

SUBJECT: Hurricane Disaster Assistance - Emergency Watershed Protection Program

This report presents the results of the subject review. Your written response to the official draft is included in its entirety at the end of the report. We have incorporated excerpts from your response and the Office of Inspector General's (OIG) position into the relevant sections of the report. Based on your written response, we are accepting management decision for 7 of the 9 audit recommendations in the report, and no further response to this office is necessary. However, we are unable to reach management decision on Recommendations 2 and 5. The information needed to reach management decision is set forth in the OIG Position section following each recommendation.

In accordance with Departmental Regulation 1720-1, please furnish a reply within 60 days describing the corrective actions taken or planned and timeframes for implementing the recommendations for which management decisions have not been reached. Please note that the regulation requires management decision to be reached on all recommendations within 6 months from report issuance, and final action needs to be taken within 1 year of each management decision to prevent being listed in the Department's annual Agency Financial Report. Please follow your internal agency procedures in forwarding final action correspondence to Office of the Chief Financial Officer.

We appreciate the courtesies and cooperation extended to us by members of your staff during our audit fieldwork and subsequent discussions. This report contains publicly available information and will be posted in its entirety to our website (<http://www.usda.gov/oig>) in the near future.

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Background and Objectives

Background

Congress established the Emergency Watershed Protection (EWP) Program to respond to emergencies created by natural disasters.¹ The EWP Program offers technical and financial assistance to help local communities mitigate imminent hazards to life and property caused by floods, fires, windstorms, and other natural occurrences that impair a watershed.² The Natural Resources Conservation Service (NRCS) administers the EWP Program by offering assistance through EWP-Recovery and floodplain easements. EWP-Recovery is designed to relieve imminent hazards to life and property. The EWP Program also offers assistance through floodplain easements, which provide an alternative measure to traditional EWP-Recovery where it is determined that acquiring an easement in lieu of recovery is the more economical and prudent approach to reducing a threat to life or property.³ There are two categories of emergency work within the EWP-Recovery Program: exigent⁴ and non-exigent.⁵

In 2017, agricultural producers in Texas, Florida, and Puerto Rico were severely impacted by Hurricanes Harvey, Irma, and Maria, respectively. In the aftermath of these hurricanes, the United States Department of Agriculture (USDA) requested and received \$541 million⁶ to assist impacted areas and to be made available for NRCS' EWP Program. According to Federal statute, NRCS was to receive funds, which would remain available until expended, for "Watershed and Flood Prevention Operations" to cover necessary expenses for the EWP Program related to the consequences of Hurricanes Harvey, Irma, and Maria; wildfires occurring in calendar year 2017; and other natural disasters.⁷

¹ The program is authorized by the Flood Control Act of 1950, Pub. L. No. 81-516, §216 (codified at 33 U.S.C. §701b-1). Also, Title IV of the Agricultural Credit Act of 1978, Pub. L. No. 95-334, §403, as amended by the Federal Agricultural Improvement and Reform Act of 1996, Pub. L. No. 104-127, §382 (codified at 16 U.S.C. §2204). NRCS regulations implementing the EWP Program are set forth in 7 C.F.R. pt. 624.

² "A watershed area may comprise the land and water of two or more minor drainageways that are separate tributaries to a stream, artificial waterway, lake or tidal area." (USDA NRCS, *National Watershed Manual*, Part 506, Subpart E-Glossary and Acronyms (Jan. 2015)).

³ Our audit scope included only EWP-Recovery measures and did not include floodplain easements because NRCS did not acquire any floodplain easements within our audit scope.

⁴ In the exigent category, emergency situations exist and demand immediate action (within 1 to 10 calendar days) to avoid potential loss of life and/or property. All work on exigent situations must be completed within 10 calendar days from the time the site is accessible and funding is approved.

⁵ In the non-exigent category, funds must be obligated by the State Conservationist (STC) and construction completed within 220 calendar days after the date funds are made available by the STC.

⁶ Our audit scope included more than \$239.7 million, which was the amount of approved NRCS projects.

⁷ Further Additional Supplemental Appropriations for Disaster Relief Requirements Act, 2018, Pub. L. No. 115-123, Title I.



Figure 1: Hurricane flooding and destruction from Hurricane Harvey (left) and Hurricane Maria (right).
Photos from the U.S. Department of Agriculture's Flickr.

All EWP Program projects must be administered through a local sponsor or legal subdivision of State or Tribal governments. Eligible sponsors include cities, counties, towns, conservation districts, or any Federally-recognized Native American Tribe or Tribal organization. Project sponsors must:

- have a legal interest in, or responsibility for, the areas threatened by a watershed emergency;
- be capable of obtaining necessary land rights and required permits;
- be capable of performing all required operation and maintenance responsibilities;
- administer contracting when part of a local agreement; and
- document that they have exhausted other resources or have insufficient funding available to provide adequate relief from applicable hazards. The documentation may be in the form of a letter from the sponsor to the STC.⁸

At the State level, the STC is responsible for implementing the EWP Program in the State, declaring a State or local emergency, ensuring that only eligible work is carried out, submitting a request for funding, and submitting final reports that include key program implementation information.⁹ States hold a sign-up period for the impacted communities and the local NRCS offices publicize that information in the affected communities. The STC transmits the information to NRCS Headquarters through an electronic disaster report. Once project sponsors have indicated they can fulfill project sponsor responsibilities, the STC and EWP State program manager establish an interdisciplinary team of State-level officials to complete an estimate of costs, called the Damage Survey Report (DSR).¹⁰ After DSR approval, an assigned NRCS representative works closely with the project sponsor on recovery measures,¹¹ which may be

⁸ USDA NRCS, *National Emergency Watershed Protection Program Manual*, Part 511.3(B)(3) and (C)(2) (Mar. 2014).

⁹ Key program implementation information includes: (1) emergency recovery measures installed, (2) financial and technical assistance expenditures, (3) benefits provided, and (4) excess funds returned to NRCS Headquarters (USDA NRCS, *National Emergency Watershed Protection Program Manual*, Part 513.1(A) (Mar. 2014)).

¹⁰ The DSR is the primary document in the planning process for EWP-Recovery measures and must be completed for every site determined eligible for EWP assistance (USDA NRCS, *National Emergency Watershed Protection Program Manual*, Part 512.1(A) (Mar. 2014)).

¹¹ USDA NRCS, *National Emergency Watershed Protection Program Manual*, Part 510.3(I)(ii) (Mar. 2014).

accomplished through contracts or by using a project cooperative agreement.¹² Once NRCS enters into a cooperative agreement with a sponsor, the sponsor has 220 days for a non-exigent situation, or 10 days for an exigent situation, to implement recovery measures.¹³ For non-exigent projects, the STC submits a report to NRCS Headquarters every 60 days from the date the project is funded, and as needed for exigent projects.¹⁴

NRCS offers financial and technical assistance for various activities under EWP-Recovery, including, but not limited to, removing debris from stream channels, road culverts, and bridges; reshaping and protecting eroded streambanks; and correcting damaged or destroyed drainage facilities. All funded projects must demonstrate that they reduce threats to life and property, as well as that they are economically, environmentally, and socially sound. The EWP Program cannot be used to address problems that existed prior to the disaster. Furthermore, the EWP Program cannot be used to improve the level of protection above the level existing at the time of the disaster.

At the NRCS Headquarters level, national officials coordinate the EWP Program between States, ensure program compliance, and ensure the program is implemented uniformly. The financial management division notifies national and State officials by email when funds are available in NRCS' financial management system. NRCS national officials assign a weather event project number and notify State officials when funds are in the financial system.¹⁵ Upon project completion, the State EWP Program manager will initiate the agreement closeout process within 90 calendar days of an agreement's expiration.¹⁶ Upon completion of all emergency watershed protection work, the STC provides NRCS national officials with a final report describing the emergency recovery measures installed, financial and technical assistance expended, benefits provided, and excess financial and technical funds returned to national headquarters.¹⁷ EWP Program guidance requires NRCS national officials to maintain a database to evaluate the effectiveness of the EWP Program, including information from the final reports.¹⁸ Additionally, the EWP Program guidance requires that performance measures are tracked using the final reports.¹⁹

In March 2013, the Office of Inspector General (OIG) published Audit Report 10703-0001-31, which found that NRCS needed to establish outcome-oriented performance measures in order to gauge the effectiveness of the floodplain easement component of the EWP Program and the

¹² EWP funds used toward implementation measures may not exceed 75 percent of the construction cost of emergency measures. The remaining 25 percent comes from project sponsor contributions.

¹³ The STC may provide extensions for up to 60 days in exceptional circumstances for non-exigent projects and up to 10 days for exigent projects. For extensions greater than those allowed by the STC, the STC must send a request in writing to NRCS Headquarters (USDA NRCS, *National Emergency Watershed Protection Program Manual*, Part 512.13 (B)(5) (Mar. 2014)).

¹⁴ USDA NRCS, *National Emergency Watershed Protection Program Manual*, Part 512.13(A)(5) (Mar. 2014).

¹⁵ USDA NRCS, *National Emergency Watershed Protection Program Manual*, Part 510.3(A)(3) (Mar. 2014).

¹⁶ NRCS eDirectives—NI (National Instructions) 120–355—Standard Operating Procedures 355.6, Procedures for Project Agreement Closeout (Exigency and Nonexigency) A.(1)–(6) (Apr. 2016).

¹⁷ USDA NRCS, *National Emergency Watershed Protection Program Manual*, Part 513.1 (Mar. 2014).

¹⁸ USDA NRCS, *National Emergency Watershed Protection Program Manual*, Part 513.2 (Mar. 2014).

¹⁹ USDA NRCS, *National Emergency Watershed Protection Program Manual*, Part 513.3 (Mar. 2014).

Watershed Protection and Flood Prevention Operations Program.²⁰ Additionally, the 2013 audit found that NRCS did not provide adequate information on how effective the programs were at accomplishing the goals of the funding received. During this current audit, we reviewed whether these conditions still existed for the EWP Program.

Objectives

The objective of our audit was to evaluate NRCS' controls over the EWP Program relating to hurricane disaster assistance provided for Hurricanes Harvey, Irma, and Maria.

²⁰ Audit Report 10703-0001-31, *Recovery Act—NRCS' Emergency Watershed Protection Program Floodplain Easements and Watershed Operations Effectiveness Review*, Mar. 2013.

Finding 1: NRCS Needs to Develop a Database to Improve Monitoring of the EWP Program

We found that NRCS did not establish and maintain a database to accurately track EWP Program projects at the national level. This occurred because NRCS relied on the States to maintain and provide program data. Specifically, each State individually maintained and tracked DSRs and signed cooperative agreements, while the NRCS National Office only received copies of DSRs submitted for approval. Without a database, NRCS is unable to assess or improve program effectiveness and is unable to accurately report on EWP Program performance to provide recovery options that reduce hazards of life and property caused by natural disasters.

According to Departmental regulation, all managers directing or controlling resources within the Department are responsible for establishing, maintaining, evaluating, improving, and reporting on controls for their assigned areas.²¹ Additionally, program guidance states that the national office, specifically, the director of the Watershed and Landscape Programs Division (WLPD), will maintain a database to evaluate the effectiveness of the EWP Program.²²

Even though it is required by guidance, we found that NRCS did not establish and maintain a database to accurately track EWP Program projects at the national level.²³ In order to conduct our audit work, we requested a universe of all DSRs to establish the number of EWP Program projects for our scope period. NRCS provided an initial universe, which was comprised of the limited data available on the DSRs submitted to the national office for approval; however, we questioned the data NRCS provided. Specifically, we found work completed dates that were in the future, approved DSRs that were shown as both non-exigent and exigent, and missing approved DSR dollar values. After we questioned the universe data, NRCS retracted it in order to obtain State officials' input via a data call and acquire their concurrence with the data, since each State individually maintained and tracked its own DSRs and cooperative agreements.

After over 2 months, NRCS provided a final DSR universe which, according to NRCS national officials, was confirmed by State officials. When we analyzed the final DSR universe²⁴ NRCS provided, we found that some of the data was still inaccurate. For example, one approved DSR was overstated by more than \$9.5 million,²⁵ which resulted in a misrepresentation in our sample, since our methodology was based on dollar value. In addition, we determined there were two instances where projects were listed as "closed,"²⁶ but one had not started construction and the other was still ongoing.

²¹ USDA Departmental Regulation 1110-002, Management's Responsibility for Internal Control (June 17, 2013).

²² USDA NRCS, *National Emergency Watershed Protection Program Manual*, Part 513.2 (Mar. 2014).

²³ In two previous reports, OIG identified that NRCS did not have universe data readily available to adequately monitor program performance, and NRCS State offices did not submit State data to the national office. (Audit Report 10601-0001-23, *NRCS Controls over Land Valuations for Conservation Easements*, Sept. 2015; and Audit Report 10099-0001-23, *Controls over Conservation Innovation Grants*, Sept. 2018).

²⁴ We obtained NRCS' final DSR universe, which totaled 683 DSRs, in December 2019.

²⁵ NRCS officials attributed the overstatement to a typographical error by State officials.

²⁶ The DSR universe included an 'open' status, which did not include a "Date Work Completed," and a 'closed' status which did include a "Date Work Completed." We filtered all DSRs to reach 259 listed as "closed," that had

NRCS provided various explanations for why the inconsistencies and errors in the data occurred, including: typos, staff turnover, misunderstanding by State officials of the instructions provided, and unconfirmed information. We also question the completeness of the DSR universe after our review of supporting documentation, which included the approved signed cooperative agreements. Through this documentation, we identified at least 29 DSRs that were not included in the DSR universe. NRCS officials acknowledged that the agency did not have a tracking mechanism for their EWP Program projects and a State official explained that the missing DSRs were the result of revised and/or canceled DSRs. While agency guidance issued in March 2014 states that the director of WLPD will maintain a database, NRCS relied on the States to maintain and track their DSRs and signed cooperative agreements.

As stated in the EWP Manual, a national database would include key information such as emergency recovery measures installed, expenditures, benefits provided, and recommendations for improvement. If NRCS had maintained a database with this information, the agency would have been able to ensure consistent implementation of the EWP Program (see Finding 2), improve program effectiveness (see Finding 3), and accurately establish and report on performance (see Finding 5), to provide recovery options that reduced hazards of life and property caused by natural disasters.

Recommendation 1

Establish and maintain a national database to track projects for the EWP Program as per program requirements.

Agency Response

In its April 28, 2021, response, NRCS officials stated:

NRCS accepts this recommendation. A national database will be established that will house the required information to track EWP recovery projects from funding of approved projects to completion and the deobligating of remaining funds.

The estimated completion date is March 31, 2022.

OIG Position

We accept management decision for this recommendation.

an approved DSR date, date signed, and date work completed (see additional information in the Scope and Methodology section of this report).

Finding 2: NRCS Needs to Confirm Applicants Exhausted All Other Funding Resources

We found that, for 15 of 20 sampled DSRs, the sponsors did not provide required eligibility documentation. Specifically, there was no documentation to support that sponsors exhausted other resources or did not have sufficient funding available to provide adequate relief from applicable hazards. This occurred because NRCS did not provide sufficient guidance to the State officials for the required sponsor eligibility documentation or establish a process to review DSR applications. As a result, we question the more than \$41.2 million approved by NRCS.

According to Federal regulations, EWP assistance is only available when public or private landowners, land managers, land users, or others document that they have exhausted other resources or have insufficient funding available to provide adequate relief from applicable hazards.^{27, 28} Program guidance states that documentation may be in the form of a letter from the sponsor to the STC.²⁹

We found that, for 15 of the 20³⁰ sampled DSRs, sponsors did not provide a required eligibility document which stated that they had exhausted other resources or had insufficient funding available to provide adequate relief from applicable hazards. Officials explained that the program manual³¹ had previously contained a template letter for requesting assistance that included specific language stating that the sponsor had exhausted all other resources or had insufficient funding available to provide adequate relief from applicable hazards. However, NRCS officials stated that, at some point, the language had been dropped from the template. NRCS officials plan to add the language back into the program manual when updating current agency guidance. NRCS officials stated that this update was planned, but had not yet occurred due to a lack of staffing.

Additionally, NRCS had not established a process to review DSR applications and documentation submitted, which resulted in inconsistent approvals across different States. State officials said they did not inquire about sponsor resources and relied on the sponsor request for assistance letter. Specifically, one State approved all applications in our sample without the required language verifying that sponsors had exhausted other resources. Another State approved five applications in our sample with the required language and five applications without it. If NRCS had developed a review process, NRCS officials could have identified both that the required language was no longer included in the EWP Program manual template and that there was inconsistent approval of applicants.

As a result, we question the approval of 15 DSRs in the amount of more than \$41.2 million. Without specific guidance and a process to confirm that sponsors exhausted other resources or

²⁷ 7 C.F.R. Part 624.6(b)(3)(iv) (Nov. 24, 2019).

²⁸ All requests for assistance must come through an eligible sponsor.

²⁹ USDA NRCS, *National Emergency Watershed Protection Program Manual*, Part 511.3(C)(2) (Mar. 2014).

³⁰ This includes 10 in Texas and 5 in Florida. This did not include the 10 samples we reviewed in Puerto Rico. Due to coronavirus disease 2019 (COVID-19) travel restrictions and the need to efficiently conduct our audit, we only reviewed the areas that were identified as potential issues in the States of Texas and Florida.

³¹ USDA NRCS, *National Emergency Watershed Protection Program Manual* (Mar. 2014).

did not have sufficient funding available to provide adequate relief from applicable hazards, NRCS cannot provide assurance that the recovery funds went to eligible applicants. Therefore, we recommend that NRCS develop and implement a process to ensure States confirm and document applicant eligibility. Also, we recommend that NRCS review all approved DSRs related to Hurricanes Harvey, Irma, and Maria, to confirm eligibility.

Recommendation 2

Develop and implement a process to ensure that States are confirming and documenting applicant eligibility in accordance with EWP Program requirements.

Agency Response

In its April 28, 2021, response, agency officials stated:

NRCS accepts this recommendation. NRCS will establish controls that require States to ensure and document sponsor eligibility.

NRCS clarified via email on May 7, 2021, that a self-certification request for assistance letter will be created and forwarded to States to certify sponsor eligibility. During the quarterly program virtual meeting, instructions will be provided to States on how to use the self-certifying sponsor letter for eligibility.

The estimated completion date is September 30, 2021.

OIG Position

While we agree with NRCS' planned corrective actions, the actions are temporary and not established in formal guidance. Therefore, we do not accept management decision for this recommendation. In order to reach management decision, NRCS needs to provide the official program guidance which will include the self-certification request for assistance letter.

Recommendation 3

Review the 15 sampled DSRs that were approved for more than \$41.2 million and their subsequent cooperative agreements to confirm eligibility. Collect funds from applicants that are found to be ineligible.

Agency Response

In its April 28, 2021, response, agency officials stated:

NRCS accepts this recommendation. NRCS will establish controls that require States to ensure and document sponsor's eligibility. NRCS will review the cooperative agreements associated with the 15 sampled DSRs that were approved.

If any DSRs are found to be ineligible, NRCS will pursue actions to recovery[sic] funds from ineligible applicants.

The estimated completion date is March 31, 2022.

OIG Position

We accept management decision for this recommendation.

Recommendation 4

Review all DSRs and their subsequent cooperative agreements related to Hurricanes Harvey, Irma, and Maria to confirm eligibility. Collect funds from those applicants that are found to be ineligible.

Agency Response

In its April 28, 2021, response, agency officials stated:

NRCS accepts this recommendation. NRCS will establish controls that requires[sic] States to ensure and document sponsor's eligibility. NRCS will review all cooperative agreements related to Hurricanes Harvey, Irma, and Maria. If any DSRs are found to be ineligible, NRCS will pursue actions to recovery[sic] funds from ineligible applicants.

The estimated completion date is March 31, 2022.

OIG Position

We accept management decision for this recommendation.

Finding 3: NRCS Needs to Improve Controls for Reporting on the EWP Program

We found that the three States sampled did not submit 60-day or final reports for the 30 sampled DSRs. This occurred because the terminology used in NRCS current guidance was confusing to the States. More importantly, the guidance lacked oversight controls to ensure States would submit the reports to the national office. These reports would allow NRCS to monitor that emergency EWP activities are first priority until all recovery measures have been completed and adequately implemented. Thus, without these monitoring controls and without any other compensating controls, we question NRCS' oversight of more than \$239.7 million in EWP project funds.³²

According to Departmental regulation, all managers directing or controlling resources within the Department are responsible for establishing, maintaining, evaluating, improving, and reporting on controls for their assigned areas.³³ EWP Program guidance³⁴ states that, for 220-day emergency projects, the STC will submit a report to the Deputy Chief for Easements and Landscape Planning every 60 days from the date the project was funded.³⁵ At a minimum, these 60-day reports include the funds obligated and disbursed, percent of work completed, eligible work unfunded, any unusual conditions and situations, human interest examples, and urgent problems and/or needs. Additionally, the STC will submit a final report to the director of WLPD upon completion of all emergency watershed protection work for each numbered project. The information required in the final report will be obtained from the DSRs prepared for the natural disaster or gathered through the administration of the contract or cooperative agreement.³⁶ The final report must describe the emergency recovery measures installed, financial and technical assistance expenditures, benefits provided, and funds returned to NRCS Headquarters.

We found that all three States had not submitted the required 60-day or final reports to NRCS.³⁷ For example:

- Two States did not submit 60-day or final reports for our 20 sampled DSRs in those states.
- One State submitted 17 progress reports, but these did not contain required elements for the 60-day reports, such as percentage of work completed and other specific DSR information.³⁸ In addition, since the reports did not contain completion dates, we could not determine whether the reports were submitted in

³² The universe of 327 approved DSRs totaled \$239.7 million. We questioned the eligibility of the 15 sampled DSRs (see Finding 2) with a total of more than \$41.2 million and now question the oversight of the more than \$198.5 million in remaining EWP funding.

³³ USDA Departmental Regulation 1110-002, Management's Responsibility for Internal Control (June 17, 2013).

³⁴ USDA NRCS, *National Emergency Watershed Protection Program Manual*, Part 512.13(A)(5) (Mar. 2014).

³⁵ NRCS issued a waiver for the performance time to start on the day the STC signs the agreement or contract.

³⁶ USDA NRCS, *National Emergency Watershed Protection Program Manual*, Part 513.1(A) (Mar. 2014).

³⁷ While one State provided progress reports, they were not 60 days apart and incomplete compared to required information.

³⁸ We reviewed 5 of 17 progress reports provided by NRCS, which were applicable to our sampled DSRs.

accordance with 60-day reporting program requirements. Additionally, this State did not submit required final reports.

This occurred, in part, because NRCS did not maintain effective oversight controls to ensure States submitted the required 60-day and final reports.³⁹ When asked, State officials provided different reasons as to why they did not submit the 60-day reports. For example, one State official explained that NRCS Headquarters had not requested they submit the reports and, in another State, officials said that the reports were overwhelming to perform.⁴⁰ However, when asked about the submission of final reports, NRCS explained that States were interpreting terminology in the program guidance in different ways; specifically, some State officials understood the final report submission to be per DSR or cooperative agreement, while other States understood the final report to be per weather event.⁴¹ Because of this confusion, in December 2019, program officials verbally instructed States to submit final reports per weather event, instead of per DSR. NRCS officials stated that the change in the requirement was made because reporting per DSR or signed cooperative agreement was too much to expect from State officials. While we understand the perspective of NRCS, we maintain that this change in reporting requirements will not provide effective monitoring and oversight of the program.

With effective controls and clear guidance, NRCS would have been able to identify the inconsistent report submissions and the State officials' confusion on EWP Program requirements. Specifically, the requirements include the reporting of key program implementation information that is essential to provide effective monitoring and oversight of the program. Therefore, we question the oversight of the entire universe of approved DSRs in our sample, which totaled more than \$239.7 million.⁴² With corrective actions, NRCS can ensure the program is effectively administered in accordance with agency guidance and the recovery measures implemented help reduce hazards to life and property caused by natural disasters.

Recommendation 5

Update guidance to clarify the terminology that is creating confusion for States when submitting reports (for example, weather event “project” and individual DSR “project”). In addition, clarify when final reports will be completed.

Agency Response

In its April 28, 2021, response, agency officials stated:

NRCS accepts this recommendation. NRCS will establish clarity of terminology to ensure correct completion of project reports.

³⁹ USDA NRCS, *National Emergency Watershed Protection Program Manual*, Part 512.13(A)(5) (Mar. 2014).

⁴⁰ Officials from the third State did not provide a reason why the 60-day reports had not been prepared.

⁴¹ The EWP Program manual used the term “project” interchangeably, with no clear delineation between DSR and weather event.

⁴² The universe of 327 approved DSRs totaled \$239.7 million. We questioned the eligibility of the 15 sampled DSRs (see Finding 2) with a total of more than \$41.2 million and now question the oversight of the more than \$198.5 million in remaining EWP funding.

NRCS clarified via email on May 7, 2021, that a program terminology table will be created and forwarded to States to ensure uniform program reporting clarity. During the quarterly program virtual meeting, an overview of the program terminology table will be provided and reviewed with State program managers.

The estimated completion date is September 30, 2021.

OIG Position

While we agree with NRCS' planned corrective actions, the actions are temporary and not established in formal guidance. Therefore, we do not accept management decision for this recommendation. In order to reach management decision, NRCS needs to provide the officials program guidance which will include the terminology table.

Recommendation 6

Develop and implement controls to ensure States timely and accurately submit 60-day and final reports.

Agency Response

In its April 28, 2021, response, agency officials stated:

NRCS accepts this recommendation. NRCS will increase controls that require timely and accurate submittal of 60-day reports and final reports.

NRCS clarified via email on May 7, 2021, that a database will be created to alert national EWP Program staff and the State program manager when 60-day reports are due. The database will also notify the national program staff and State program manager when final reports are due after the recovery site has been certified as complete. During the quarterly program virtual meeting, instructions will be provided to the States on how to use the database to ensure timely report submissions.

The estimated completion date is September 30, 2021.

OIG Position

We accept management decision on this recommendation.

Finding 4: NRCS Needs to Ensure Project Closeouts Are Timely Completed

We found that State officials did not initiate the closeout process or de-obligate unused funds for 18 signed cooperative agreements in our sample⁴³ in a timely manner. Specifically, while the requirement for the initiation of agreement closeout was to be within 90 days of an agreement's expiration, we found the quickest closeout was initiated at 104 days, whereas the longest closeout was not initiated for more than 655 days.⁴⁴ This occurred because NRCS did not establish controls to monitor the closeout or de-obligation processes. As a result, this could lead to lengthy, unliquidated obligations and potentially prevent more than \$9.5 million from being used on other EWP Program projects.

According to Departmental regulation, all managers directing or controlling resources within the Department are responsible for establishing, maintaining, evaluating, improving, and reporting on controls for their assigned areas.⁴⁵ According to NRCS guidance, the State EWP Program manager will submit the following to the grants management specialist to initiate agreement closeout within 90 calendar days of an agreement's expiration:

1. final "Request for Advance or Reimbursement," with supporting documentation;
2. "Accounts Payable Services Branch Submission Checklist;"
3. Final Financial Report;
4. performance reports in accordance with the agreement;
5. verification of NRCS completed or receipt of sponsor provided as-built drawings and construction specifications and other engineering files; and
6. final inspection certification from NRCS and/or sponsor's professional engineer, as appropriate.⁴⁶

We found that State officials did not initiate the closeout process within the 90 calendar day requirement for 18 signed cooperative agreements.^{47, 48} Specifically, for 7 of the 18 signed cooperative agreements for which we obtained closeout documentation, we found that the quickest closeout was initiated at 104 days. For the remaining 11 signed cooperative agreements, we received no closeout documentation. In one instance, the closeout process had not been initiated within 655 calendar days. In addition, we found that, for 2 of the 18 signed cooperative agreements, sponsors did not submit the final request for reimbursement, as

⁴³ Although there were 20 sampled DSRs, those DSRs resulted in 18 signed cooperative agreements. Included in the 18 signed cooperative agreements was one DSR that resulted in 2 signed cooperative agreements.

⁴⁴ Since we received no closeout documentation or completion date for 11 signed cooperative agreements, we conservatively used a cut-off date of October 8, 2020, the end of our audit fieldwork, for calculation purposes.

⁴⁵ USDA Departmental Regulation 1110-002, Management's Responsibility for Internal Control (June 17, 2013).

⁴⁶ NRCS eDirectives—NI (National Instructions) 120-355—Standard Operating Procedures 355.6, Procedures for Project Agreement Closeout (Exigency and Nonexigency) A.(1)–(6) (Apr. 2016).

⁴⁷ This did not include the 10 samples we reviewed in Puerto Rico. Due to COVID-19 travel restrictions and the need to efficiently conduct our audit, we only reviewed the areas that were identified as potential issues in the States of Texas and Florida.

⁴⁸ NRCS eDirectives—NI (National Instructions) 120-355—Standard Operating Procedures 355.6, Procedures for Project Agreement Closeout (Exigency and Nonexigency) A.(1)–(6) (Apr. 2016)

required. These final requests for reimbursement did not occur even though the signed cooperative agreements had expired; therefore, the sponsors did not receive final payment and NRCS has no assurance the work was completed prior to the agreement's expiration.

Additionally, because NRCS did not initiate closeouts timely, we found that NRCS did not de-obligate unused funds in a timely manner. According to Departmental regulation, each agency and staff office shall conduct quarterly reviews of unliquidated obligations that have been inactive for at least 12 months, and take corrective actions. Certifications of the review and corrective actions performed are due 30 days after the end of the quarter.⁴⁹ We found that 10 of the 18 signed cooperative agreements required de-obligations of more than \$9.5 million in EWP funds;⁵⁰ however, from the time work was completed on the project, it took an average of 161 days for NRCS to de-obligate the funds. For the remaining eight signed cooperative agreements:

- two did not have final requests for reimbursement submitted by the sponsors,
- four did not require de-obligation, and
- two were for projects that had not started or were ongoing.

This occurred because NRCS did not develop oversight controls to ensure the project closeout and de-obligation processes were completed timely. NRCS officials stated that the issue with the closeout process came to their attention when we requested project closeout documentation. After our request, NRCS provided a reminder to the States and an influx of closeout documentation was submitted by the States in early 2020. NRCS officials acknowledged the identified issue and plan to determine why there is a time gap for project closeouts.

As a result of a noncompliant closeout and lengthy de-obligation processes, funds can potentially be inaccessible in unliquidated obligations, and can potentially be prevented from being used for other projects to offer technical and financial assistance to help local communities experiencing hazards caused by natural disasters. We recommend that NRCS review the project closeout and de-obligation processes to develop controls that ensure these processes are completed timely.

Recommendation 7

Review the project closeout process and develop oversight controls to ensure project closeouts are completed timely, in accordance with program requirements. As applicable, implement corrective actions to address deficiencies.

Agency Response

In its April 28, 2021, response, agency officials stated:

NRCS accepts this recommendation. NRCS will increase oversight controls of the Review of Open Obligation Tool application and designate key staff to work

⁴⁹ USDA Departmental Regulation 2230-001, Reviews of Unliquidated Obligations (Oct. 15, 2014).

⁵⁰ A total of over \$48.9 million was approved and obligated for Florida and Texas.

with State allowance holders. The NRCS works closely with the sponsor to ensure they understand the timeliness of the close-out process. It is the responsibility of the sponsor to submit all required documentation within 90 days after the completion of the project. Once all required documentation is submitted by the sponsor, the Farm Product and Conservation Business Center Grants and Agreements Division has up to 12 months to complete the project agreement closeout.

NRCS clarified via email on May 7, 2021, that a database will be created to notify the national program staff and State program manager when all recovery sites in an agreement have been certified as complete, thus initiating the start time ensuring a timely, accurate, and complete closeout. During the quarterly program virtual meeting, instructions will be provided to the States on how to use the database to ensure timely project agreement closeouts.

The estimated completion date is March 31, 2022.

OIG Position

We accept management decision on this recommendation.

Recommendation 8

Review the de-obligation process for unliquidated obligations and develop controls to ensure de-obligations are completed timely, in accordance with agency requirements. As applicable, implement corrective actions to address deficiencies.

Agency Response

In its April 28, 2021, response, agency officials stated:

NRCS accepts this recommendation. NRCS will increase the frequency of reviews for States' Unliquidated Obligations on expired agreements and will establish controls that alerts[sic] States of their unliquidated allocated funds remaining in their accounts.

The estimated completion date is March 31, 2022.

OIG Position

We accept management decision on this recommendation.

Finding 5: NRCS Needs to Establish Performance Measures for the EWP Program

Even though the EWP Program manual stated performance measures⁵¹ were established, we found that NRCS had no performance measures specific to EWP. According to NRCS officials, performance measures could not be established for emergency recovery work due to the unpredictability of natural disasters. As a result, NRCS could not assess and report the EWP Program's effectiveness in achieving the goals of the program.

Performance measurement is the ongoing monitoring and reporting of program accomplishments, particularly toward pre-established goals, and is typically conducted by program or agency management.⁵² According to program guidance, EWP performance measures had been established, and efficiency and long-term measures were to be tracked using final reports.⁵³ Final reports would be submitted to the director of WLPD upon completion of all EWP work for each numbered project.⁵⁴ In addition, the STC should meet with other agencies, sponsors, partners, and landowners prior to submission of the final report to discuss the activities and any opportunities for future improvement of program delivery.⁵⁵

We found that, while the EWP Program guidance issued in March 2014 states that there were established performance measures, the guidance did not list or identify those performance measures. NRCS officials stated there were no performance measures specific to the EWP Program. When we discussed the lack of performance measures with the agency, NRCS officials stated that the agency could not report on annual performance measures because they cannot predict natural disaster weather events. Furthermore, NRCS did not collect the necessary data to effectively monitor or oversee its program. As noted in Finding 1, NRCS did not establish and maintain a database to accurately track EWP Program projects at the national level. Additionally, final reports had not been completed for any projects related to Hurricanes Harvey, Irma, or Maria (see Finding 3). NRCS officials stated that, while the review of work was not previously captured, they plan on capturing this information through the development of a dashboard to collect EWP Program information electronically, which was initiated in 2019 but was not fully implemented as of November 2020.

In March 2013, OIG published Audit Report 10703-0001-31, which found that NRCS needed to establish outcome-oriented performance measures in order to gauge the effectiveness of the Floodplain Easement component of the EWP Program and the Watershed Protection and Flood

⁵¹ Performance measures may address the type or level of program activities conducted (process), the direct products and services delivered by a program (outputs), or the results of those products and services (outcomes). Performance measurement is the ongoing monitoring and reporting of program accomplishments, particularly progress toward pre-established goals. It is typically conducted by program or agency management (GAO, *Performance Measurement and Evaluation*, "Glossary," GAO-11-646SP (May 2011)).

⁵² A "program" may be any activity, project, function, or policy that has an identifiable purpose or set of objectives (GAO, *Performance Measurement and Evaluation*, "Glossary," GAO-11-646SP (May 2011)).

⁵³ USDA NRCS, *National Emergency Watershed Protection Program Manual*, Part 513.3 (Mar. 2014).

⁵⁴ USDA NRCS, *National Emergency Watershed Protection Program Manual*, Part 513.1 (A) (Mar. 2014).

⁵⁵ USDA NRCS, *National Emergency Watershed Protection Program Manual*, Part 513.0 (Mar. 2014).

Prevention Operations Program.⁵⁶ Additionally, the audit found that NRCS did not provide adequate information on how effective the programs were at accomplishing the goals of the funding received. By not establishing meaningful outcome-oriented performance measures for these programs, NRCS could not fully demonstrate the extent to which it met the objectives of the funding received and was hampered in fully gauging the outcomes of these programs. To address the prior audit recommendations, NRCS stated that it would establish and implement performance measures to track the agency's success in meeting the objectives of the National Watershed Program and EWP Program-Floodplain Easements. As part of the agreed upon corrective actions, NRCS planned to develop a process to collect the data needed to quantify and assess the performance measures. In May 2014, NRCS requested final action on this recommendation and according to documentation provided the Office of the Chief Financial Officer concurred. Due to record retention policy, the Office of the Chief Financial Officer had already disposed of documentation related to the final action for the engagement; therefore, we could not verify the actual actions accomplished by NRCS. However, during this current audit, we found that final action taken was not sustained, as there were no performance measures established or implemented for either EWP-Recovery or EWP-Floodplain Easements.

While we understand the uncertainty in dealing with emergency recovery work, NRCS needs to establish performance measures for the EWP Program, establish a national database (see Finding 1), and implement effective monitoring controls (see Finding 3), in order to assess and report the EWP Program's effectiveness in achieving the goals of the program.

Recommendation 9

Develop and implement EWP Program performance measures, as per program guidance.

Agency Response

In its April 28, 2021, response, agency officials stated:

NRCS accepts this recommendation. NRCS will establish performance measures identifying effectiveness in achieving the goals of the program.

The estimated completion date is September 30, 2021.

OIG Position

We accept management decision for this recommendation.

⁵⁶ Audit Report 10703-0001-31, *Recovery Act—NRCS' Emergency Watershed Protection Program Floodplain Easements and Watershed Operations Effectiveness Review*, Mar. 2013.

Scope and Methodology

To accomplish our audit objectives, we evaluated NRCS' controls over the EWP Program relating to hurricane disaster assistance provided in fiscal years 2018 and 2019 for Hurricanes Harvey, Irma, and Maria in Texas, Florida, and Puerto Rico, respectively. We conducted our audit work at the NRCS National Office in Washington, D.C., and Texas State office in Temple, Texas. Since all EWP files were electronic, we conducted a minimal amount of travel, which was restricted starting in March 2020 due to COVID-19. We held telephone conferences with Florida State officials and communicated through email with a Puerto Rico State official. Due to COVID-19 travel restrictions and to efficiently conduct our audit, we reviewed the areas of the project files in Puerto Rico that were identified as potential issues in the States of Texas and Florida. We performed fieldwork between September 2019 and October 2020.

NRCS provided a universe of 683 DSRs (totaling more than \$293.9 million) related to Hurricanes Harvey, Irma, and Maria, and submitted during fiscal years 2018 and 2019. We filtered the universe down to include only DSRs with a signed cooperative agreement for work that was either ongoing or complete. This resulted in 327 approved DSRs (totaling more than \$239.7 million). For the sample selection, we used only the 259 closed DSRs (totaling more than \$73.3 million), so we could review completed projects. We non-statistically selected the top 10 DSRs in each State based on dollar value for a total of 30 closed DSRs.⁵⁷ The 30 sampled DSRs totaled more than \$51.6 million, which was more than 17 percent of the dollar value of the complete DSR universe NRCS provided.

NRCS did not use an information technology system to monitor the EWP Program disaster assistance. Therefore, we did not rely on an information technology system and make no representation regarding the adequacy of any agency computer systems, or information generated by them. The EWP Program DSR data was provided in a spreadsheet by NRCS after our request and corroborated by documentation and discussions with agency officials.⁵⁸

To accomplish our audit objectives, we:

- reviewed applicable laws, Federal regulations, and agency guidance pertaining to the EWP Program;
- interviewed NRCS Headquarters officials regarding the management and oversight of the EWP Program;
- interviewed NRCS Texas and Florida State officials and evaluated NRCS' controls for monitoring the EWP Program at the State level;
- evaluated 20 DSRs from Texas and Florida to determine if each project was approved, funded, monitored, and completed in accordance with applicable regulations and agency guidance;

⁵⁷ A hotline complaint was referred to OIG and fell within our top-dollar threshold; therefore, it was included in our non-statistical sample. We determined the complaint was unfounded.

⁵⁸ The spreadsheet with DSR data included: State, hurricane event, DSR number, dollar value, open or closed, date DSR completed, date DSR approved, date cooperative agreement signed, and date work completed.

- reviewed 20 DSRs and associated documentation in Texas and Florida to confirm universe data provided by NRCS;
- reviewed 10 DSRs in Puerto Rico to determine if the State officials provided required reports to NRCS Headquarters and also reviewed supporting documentation to confirm DSR universe data of DSR dollar value and signature on notice of award dates; and
- analyzed DSR documentation to determine the lapse in days between project closeout and de-obligation of funding.

We assessed internal controls significant to the audit objectives. In particular, we assessed:

| Component | Principle |
|-------------------------------|---|
| Control Activities | Management should implement control activities through policies |
| Control Environment | Management should establish an organizational structure, assign responsibility, and delegate authority to achieve the entity's objectives |
| Risk Assessment | Management should define objectives clearly to enable the identification of risks and define risk tolerances |
| Information and Communication | Management should use quality information to achieve the entity's objectives |
| Monitoring | Management should establish and operate monitoring activities to monitor the internal control system and evaluate the results |

Because our review was limited to these internal control components and underlying principles, it may not have disclosed all internal control deficiencies that may have existed at the time of this audit.

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 objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

Abbreviations

| | |
|---------------|---|
| CFR..... | Code of Federal Regulations |
| COVID-19..... | coronavirus disease 2019 |
| DSR..... | Damage Survey Report |
| EWP | Emergency Watershed Protection |
| NRCS | Natural Resources Conservation Service |
| OIG | Office of Inspector General |
| STC | State Conservationist |
| USDA..... | United States Department of Agriculture |
| WLPD | Watershed and Landscape Programs Division |

Exhibit A: Summary of Monetary Results

Exhibit A summarizes the monetary results for our audit report by finding and recommendation number.

| Finding | Recommendation | Description | Amount | Category |
|---------|----------------|---|-----------------------------|--|
| 2 | 3 | Sponsors did not provide required eligibility documentation for 15 DSRs | \$41,245,287 | Questioned Costs, Recovery Recommended |
| 3 | 6 | DSRs approved without effective controls to monitor for compliance. | \$198,502,181 ⁵⁹ | Funds To Be Put To Better Use |
| Total | | | \$239,747,468 | |

⁵⁹ Texas, Florida, and Puerto Rico were collectively allocated a total sum of more than \$239.7 million for approved DSRs. This amount of \$198.5 million is the \$239.7 million minus the \$41.2 million we questioned in Finding 2, which was questioned due to sponsor eligibility.

**Natural Resources Conservation Service's
Response to Audit Report**



United States Department of Agriculture

Office of the Secretary
Washington, D.C. 20250

Gil H. Harden
Assistant Inspector General for Audits
Office of Inspector General

Dear Mr. Harden:

The U.S. Department of Agriculture (USDA) appreciates the opportunity to respond to the U.S. Office of Inspector General (OIG) official draft report, Hurricane Disaster Assistance - Emergency Watershed Protection Program (EWPP) for recommendations 1-9, OIG Audit 10702-0001-23.

Attached are the Natural Resources Conservation Service (NRCS) responses to the OIG Official Draft dated 2021.

In Summary:

OIG evaluated NRCS' controls over the EWP Program relating to hurricane disaster assistance provided for Hurricanes Harvey, Irma, and Maria. They reviewed applicable laws, Federal regulations, and agency guidance; and evaluated 30 DSRs.

OIG found that the Natural Resources Conservation Service (NRCS) did not establish and maintain a database to accurately track EWP Program projects at the national level. Additionally, OIG found that some sampled Damage Survey Reports (DSR), sponsors did not provide required eligibility documentation, and for all DSRs sampled did not submit 60-day or final reports.

If you require additional information, please contact Gary Weishaar, Branch Chief, External Audits and Investigations, at 202-401-0584.

Sincerely,

/s/
Gloria Montano Greene
Deputy Under Secretary
Farm Production and Conservation

Attachments

Hurricane Disaster Assistance - Emergency Watershed Protection Program
OIG Audit #10702-0001-23

Agency Responses

Summary

The Bipartisan Budget Act of 2018 appropriated the Natural Resources Conservation Service (NRCS) \$541M for Hurricanes Harvey (Texas), Irma (Florida), and Maria (Puerto Rico), and of wildfires that occurred in calendar year 2017, and for other natural disasters. The objective of the Office of Inspector General (OIG) audit was to evaluate the NRCS' controls over the EWP Program relating to hurricane disaster assistance provided for Hurricanes Harvey, Irma, and Maria. The scope of the audit was to cover payments related to the 2017 hurricanes paid out in fiscal years 2018 and 2019, through September 30, 2019.

The NRCS accepts OIG's audit recommendations 1 through 9. Although NRCS accepts the audit recommendations, we provide additional clarifying information below on certain key points.

Findings

The OIG cited 5 findings during their investigation. The findings were:

- (1) Develop a Database To Improve Monitoring of the EWP Program
- (2) Confirm Applicants Exhausted All Other Funding Resources
- (3) Improve Controls for Reporting on the EWP Program
- (4) Ensure Project Closeouts Are Timely Completed
- (5) Establish Performance Measures for the EWP Program

Recommendations and Agency Responses

Recommendation 1

Establish and maintain a national database to track projects for the EWP Program as per program requirements.

Agency Response

NRCS accepts this recommendation. A national database will be established that will house the required information to track EWP recovery projects from funding of approved projects to completion and the deobligating of remaining funds.

Estimated completion date is March 31, 2022.

Recommendation 2

Develop and implement a process to ensure that States are confirming and documenting applicant eligibility in accordance with EWP Program requirements.

Agency Response

NRCS accepts this recommendation. NRCS will establish controls that require States to ensure and document sponsor eligibility.

Estimated completion date is September 30, 2021.

Recommendation 3

Review the 15 sampled DSRs that were approved for more than \$41.2 million and their subsequent cooperative agreements to confirm eligibility. Collect funds from applicants that are found to be ineligible.

Agency Response

NRCS accepts this recommendation. NRCS will establish controls that require States to ensure and document sponsor's eligibility. NRCS will review the cooperative agreements associated with the 15 sampled Damage Survey Reports (DSRs) that were approved. If any DSRs are found to be ineligible, NRCS will pursue actions to recovery funds from ineligible applicants.

Estimated completion date is March 31, 2022.

Recommendation 4

Review all DSRs and their subsequent cooperative agreements related to Hurricanes Harvey, Irma, and Maria, to confirm eligibility. Collect funds from those applicants that are found to be ineligible.

Agency Response

NRCS accepts this recommendation. NRCS will establish controls that requires States to ensure and document sponsor's eligibility. NRCS will review all cooperative agreements related to Hurricanes Harvey, Irma, and Maria. If any DSRs are found to be ineligible, NRCS will pursue actions to recovery funds from ineligible applicants.

Estimated completion date is March 31, 2022.

Recommendation 5

Update guidance to clarify the terminology that is creating confusion for States when submitting reports (for example, weather event "project" and individual DSR "project"). In addition, clarify when final reports will be completed.

Agency Response

NRCS accepts this recommendation. NRCS will establish clarity of terminology to ensure correct completion of project reports.

Estimated completion date is September 30, 2021.

Recommendation 6

Develop and implement controls to ensure States timely and accurately submit 60-day and final reports.

Agency Response

NRCS accepts this recommendation. NRCS will increase controls that require timely and accurate submittal of 60-day reports and final reports.

Estimated completion date is September 30, 2021.

Recommendation 7

Review the project closeout process and develop oversight controls to ensure project closeouts are completed timely, in accordance with program requirements. As applicable, implement corrective actions to address deficiencies.

Agency Response

NRCS accepts this recommendation. NRCS will increase oversight controls of the Review of Open Obligation Tool (ROOT) application and designate key staff to work with State allowance holders.

The NRCS works closely with the sponsor to ensure they understand the timeliness of the close-out process. It is the responsibility of the sponsor to submit all required documentation within 90 days after the completion of the project. Once all required documentation is submitted by the sponsor, the Farm Production and Conservation (FPAC) Business Center Grants and Agreements Division has up to 12 months to complete the project agreement closeout.

Estimated completion date is March 31, 2022.

Recommendation 8

Review the deobligation process for unliquidated obligations and develop controls to ensure deobligations are completed timely, in accordance with agency requirements. As applicable, implement corrective actions to address deficiencies.

Agency Response

NRCS accepts this recommendation. NRCS will increase the frequency of reviews for States' Unliquidated Obligations (ULO) on expired agreements and will establish controls that alerts States of their unliquidated allocated funds remaining in their accounts.

Estimated completion date is March 31, 2022.

Recommendation 9

Develop and implement EWP Program performance measures, as per program guidance.

Agency Response

NRCS accepts this recommendation. NRCS will establish performance measures identifying effectiveness in achieving the goals of the program.

Estimated completion date is September 30, 2021.

Exhibit A

Exhibit A summarizes the monetary results for the audit report by finding and recommendation number.

Description 1. Sponsors did not provide required eligibility documentation for 15 DSRs.

Description 2. DSRs approved without effective controls to monitor for compliance.

Agency Response

Description 1 Response. NRCS will review the cooperative agreements associated with the 15 sampled DSRs totaling \$41.2 million that were approved. If any DSRs are found to be ineligible, NRCS will pursue actions to recover funds from ineligible applicants.

Description 2 Response. NRCS will establish improved controls that require States to verify and document sponsor's eligibility and compliance of the EWP Program. NRCS will review all cooperative agreements associated with the DSRs totaling \$198.5 million related to Hurricanes Harvey, Irma, and Maria to ensure eligibility and compliance to the EWP Program, and to ensure support that EWP Program funding is allocated according to the authority by which it was appropriated. If any DSRs are found to be ineligible, NRCS will pursue actions to recover funds from ineligible applicants.



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