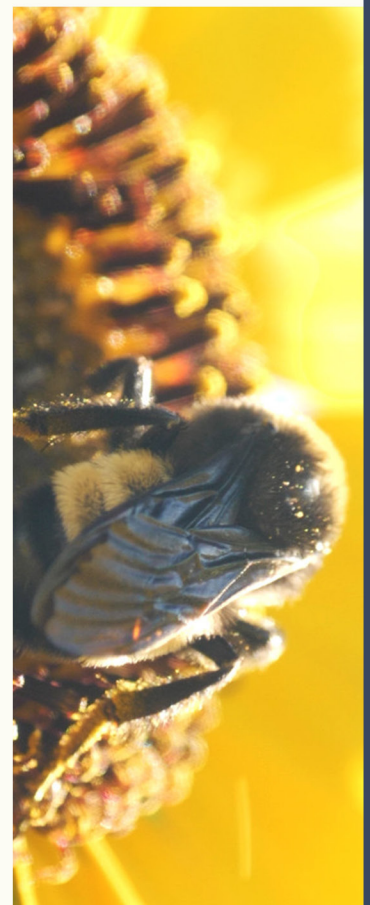
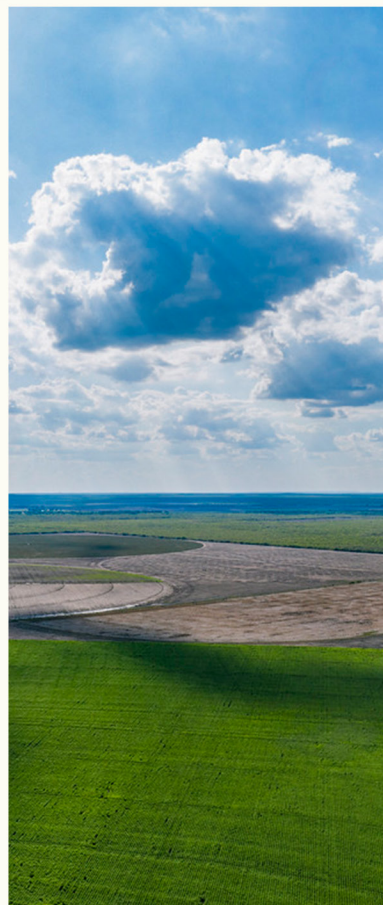




U.S. Department of Agriculture Office of Inspector General



IIJA—Hazardous Fuels Management

Inspection Report 08801-0001-21

We conducted oversight of FS' funding from IIJA, Division J for Hazardous Fuels Management activities.

OBJECTIVE

Our objective was to conduct integrated oversight of the funding provided to FS' Hazardous Fuels Management Program from IIJA. Specifically, we planned to review program information for transparency and disclosure, perform data analytics on relative data sets for integrity and quality, review the implementation of the program, and inspect key aspects of the internal control environment.

In July 2023, we issued an informational report including the results of our review of program information for transparency and disclosure. We did not report any findings related to this objective.

The findings in this report reflect issues identified during our review of program data, program implementation, and key aspects of the internal control environment

REVIEWED

We reviewed FS' funding documentation such as budget spend plans, allocation spreadsheets, and spending reports. We also reviewed FS' criteria used to select landscapes for IIJA funding.

RECOMMENDS

We recommend FS establish and implement an accounting structure to track the amount of funds expended based on its appropriated provision and purpose, and update FS guidance to require documentation to support the rationale used to prioritize and select hazardous fuels projects at the Washington Office.

WHAT OIG FOUND

Forest Service (FS) manages more than 193 million acres of public land, and more than 66.9 million acres are at high or very high-risk for wildfires that would be difficult to contain. Land managers can increase forest resilience and minimize wildfire impacts through fuels treatment projects. FS conducts hazardous fuels treatments or fuels and forest health treatments to reduce dangerous fuel levels and restore forest health and resilience. In support of wildfire risk reduction, FS received \$205.6 million from the Infrastructure Investment and Jobs Act (IIJA) for fiscal years (FYs) 2022 and 2023 to conduct hazardous fuels management activities.

We determined that FS did not separately track FYs 2022 and 2023 IIJA, Division J Hazardous Fuels Management funds. As a result, FS could not accurately report how much it spent for FYs 2022 and 2023 hazardous fuels management, resulting in \$205.6 million in questioned costs.

Additionally, we found that FS did not fully document its rationale for prioritizing and selecting projects. As such, FS' decision-making process is not transparent, resulting in reduced assurance that the most critical projects were selected. FS generally agreed with our findings and recommendations, and we accepted management decisions for the two recommendations.



OFFICE OF INSPECTOR GENERAL

United States Department of Agriculture



DATE: September 9, 2024

INSPECTION

NUMBER: 08801-0001-21

TO: Randy Moore
Chief
Forest Service

ATTN: Robert Velasco
Chief Financial Officer
Forest Service

FROM: Janet Sorensen
Assistant Inspector General for Audit

SUBJECT: IJJA—Hazardous Fuels Management-Final Report

This report presents the results of our inspection of IJJA—Hazardous Fuels Management. Your written response to the official draft is included in its entirety at the end of the report. Based on your written response, we are accepting management decision for the two recommendations in the report, and no further response to this office is necessary.

In accordance with Departmental Regulation 1720-1, final action needs to be taken within 1 year of the date of each management decision. Please follow your internal agency procedures in forwarding final action correspondence to the Office of the Chief Financial Officer.

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

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Background and Objective

Background

Forest Service's (FS) mission is to sustain the nation's forests and grasslands health, diversity, and productivity. The organization comprises the Washington Office (WO), 9 regions, 154 national forests, 20 national grasslands, and over 600 ranger districts. The WO provides broad policy and direction for the agency, while the regional offices (ROs) monitor program activities to ensure quality operations on forest lands. National forests provide technical support and coordinate activities for each district. Ground activities such as trail construction and maintenance, campground operation, and vegetation and wildlife habitat are performed at the ranger district level.

For over 100 years, FS has been managing wildland fires on national forests and grasslands and providing technical and financial assistance to landowners and resource managers. FS manages more than 193 million acres of public land, and more than 66.9 million acres are at high-risk or very high hazard for wildfires that would be difficult to contain. Treating hazardous fuels is critical to wildfire management. Hazardous fuels are excess woody materials on the ground or in the forest understory or canopy that can increase the severity of fire. A buildup of fuels across landscapes and denser, more expansive forests, combined with increasingly warmer and drier weather, have resulted in prolonged, more severe wildfire seasons. Once a fire occurs, hazardous fuels can threaten communities, water resources, recreation areas, ecosystem health, and timber. After more than a century of rigorous fire suppression, overgrown forests, climate change, and an increased number of homes in the wildland-urban interface have all contributed to a wildfire and forest health crisis. High-severity wildfires can result in postfire erosion and debris flows that threaten water resources and infrastructure.

Treatments that reduce hazardous fuels make wildfires easier to manage and contain while improving the long-term health of the forest. Hazardous fuels can be reduced by conducting activities such as mechanical thinning and timber harvesting, prescribed fires, and installation of fuel breaks. This can improve forest and rangeland resilience to wildfire, protect areas of high value, and restore important ecologic processes.

In support of wildfire risk reduction, FS received \$514 million for hazardous fuels management activities through Division J, paragraph 2 of the National Forest System heading, of the Infrastructure Investment and Jobs Act (IIJA) that was signed into law on November 15, 2021.¹ FS created a 10-year Wildfire Crisis Strategy in 2022 to address the wildfire crisis in places with a high likelihood that an ignition could expose homes, communities, and infrastructure to wildfire. Under the Wildfire Crisis Strategy, FS aims to treat up to an additional 20 million acres of National Forest System lands and 30 million acres of Federal, State, Tribal, and private lands and develop a long-term plan that goes beyond those 10 years. FS will target the firesheds at the

¹ Infrastructure Investment and Jobs Act, Pub. L. No. 117-58, 135 Stat. 429 & 1408 (2021).

highest risk – those firesheds most capable of generating large wildfires and that have the highest probability of fuel reduction success.²

In April 2022, FS announced the selection of 10 high-priority western landscapes. The selected landscapes contain 68 high-risk firesheds and around 13 million acres of land where FS is applying IJA funds to fuels and forest health treatment projects. According to an FS official, a single landscape is considered a “project” because several grants, agreements, and workforce contracts can be tied to the landscape.

Objective

Our objective was to conduct integrated oversight of the funding provided to FS’ Hazardous Fuels Management Program from IJA. Specifically, we were to review program information for transparency and disclosure, perform data analytics on relative data sets for integrity and quality, review the implementation of the program, and inspect key aspects of the internal control environment.

To address transparency and disclosure, in July 2023 we issued an informational report which covered IJA hazardous fuels management activities and FS’ FY 2022 IJA hazardous fuels management funding plans.³ We did not report any findings related to this objective.

To address data analytics, we requested program data to perform data analytics for integrity and quality. Additionally, to address program implementation, we assessed FS’ implementation of funding Congress appropriated to conduct Hazardous Fuels Management activities. We discuss issues we identified related to these areas of our objective in Finding 1.

Regarding the internal control environment, we focused on the oversight controls FS established to select hazardous fuels management activities where a high likelihood that an ignition could expose homes, communities, and infrastructure to wildfire existed. See Finding 2.

² High-risk firesheds are large, forested landscapes and rangelands where there is a high likelihood that an ignition could expose homes, communities, and infrastructure to destructive wildfire. They are typically about 250,000 acres in size.

³ Informational Report 08801-0001-21(IN1), *IJA—Hazardous Fuels Management*, July 2023.

Finding 1: FS Was Unable to Separately Track IJJA Division J Hazardous Fuels Management Expenditures

We determined that FS does not have reliable and readily available information to report how it expended funds Congress appropriated through IJJA's Division J paragraph 2 of the National Forest System heading to conduct hazardous fuels activities.⁴ This occurred because FS did not design an accounting structure with unique codes to track its FYs 2022 and 2023 IJJA Division J, paragraph 2 Hazardous Fuels Management expenditures separately from other IJJA funds Congress appropriated to FS for different purposes. As a result, FS cannot accurately and separately report how it expended funds Congress appropriated through IJJA Division J for FYs 2022 and 2023 to conduct hazardous fuels activities to reduce the risk of wildfires in high-risk areas, resulting in \$205.6 million in questioned costs.⁵

According to the Office of Management and Budget's (OMB) guidance, an agency's internal controls are the policies and procedures used to reasonably ensure that reliable and timely information is obtained, maintained, reported, and used for decision-making.⁶ In addition, management is responsible for establishing and integrating internal control into its operations in order to provide reasonable assurance that the entity's internal control over operations, reporting, and compliance is operating effectively.⁷

To analyze FS' data for quality and integrity, we requested a report of FS' FYs 2022 and 2023 IJJA Division J hazardous fuels management activities and its associated funding. FS made two attempts to provide the Office of Inspector General (OIG) with a report on its approved hazardous fuels management activities and associated funding related to IJJA's Division J provision. However, each report's total obligations exceeded the \$205.6 million that Congress made available to FS for FYs 2022 and 2023. An FS official explained that, to provide such a breakdown, FS must manually manipulate its data to remove duplicate addresses and projects unrelated to IJJA's Division J provision.⁸ The inconsistencies in the total obligations and activities of the reports raised concerns related to the accuracy of the data FS officials provided. Therefore, we concluded that the data was not reliable.

In addition, FS officials stated that to monitor IJJA spending, they created IJJA Hazardous Fuels Management Budget Line Items (BLIs) to allocate funding based on the legislative intent as described in IJJA.⁹ However, for FYs 2022 and 2023, the BLI the agency assigned for IJJA

⁴ Specifically, FYs 2022 and 2023 funding provided in Division J, paragraph 2 of the National Forest System heading, a provision of IJJA.

⁵ This and all subsequent references to IJJA Division J specifically relate to paragraph 2 of the National Forest System heading, a provision of IJJA.

⁶ OMB, *Preparation, Submission, and Execution of the Budget*, Circular No. A-11 section 150.3 (Aug. 11, 2023).

⁷ OMB, *Management's Responsibility for Enterprise Risk Management and Internal Control*, Circular No. A-123 section III (July 15, 2016).

⁸ Due to a system flaw, FS' report contained multiple addresses per project. Thus, FS manually removed records that would inflate the report's funding totals. According to the agency official, the system flaw will be addressed.

⁹ A BLI is an identifiable group of activities recognized in the budget appropriation process and by Congress. Funding is received at the agency level through Congressional action. Agencies, in turn, make allocations, which are then distributed using a BLI.

Division J also supports other IJA provisions, which prevents FS from tracking its spending for Division J activities separately.

According to FS, the agency knows how much money goes into each BLI for each IJA provision. However, FS cannot accurately and separately report the projects' funding by individual IJA provisions, once expensed. Additionally, IJA requires FS to submit a spending plan as part of its annual budget submission to Congress. FS developed FYs 2022 and 2023 spending plans, which specify how FS allocated IJA funding by provision and purpose. However, without an accounting structure to track funding by IJA provisions, FS cannot evaluate its progress against the spending plans and accurately and separately report expenditures.

FS explained that the structure in place for FYs 2022 and 2023 allowed it to approximate the funds expensed for each IJA provision, but not report exact expenditures per provision. FS agreed that it can improve the design of its allocation process to track IJA expenditures separately and planned to overhaul its accounting structure in FY 2024 to provide greater oversight of IJA funding. Moreover, FS stated that the new structure will align with IJA provisions, creating more BLIs for specific IJA provisions.

In summary, an accounting structure designed to track funds based on the appropriated provision and purpose will ensure the agency complies with OMB standards on internal controls to reasonably assure that reliable and timely information is obtained, maintained, reported, and used for decision-making. These actions will help improve transparency and accountability and FS' ability to accurately and separately report its hazardous fuels management accomplishments against each purpose funded.

Recommendation 1

We recommend FS establish and implement an accounting structure to track the amount of funds expended based on its appropriated provision and purpose.

Agency Response

FS agreed with the finding and recommendation. FS stated that it updated the IJA budget structure in FY 2024 to allow for tracking of these funds and each IJA provision separately.

OIG Position

We accept management decision for this recommendation.

Finding 2: FS Needs to Strengthen Its Controls for Prioritizing and Selecting Projects

FS' process for selecting projects that reduce the risk of wildfires in high-risk communities provided limited transparency to demonstrate why FS selected and funded certain projects over others. This occurred because FS did not establish guidance that required WO officials to document their rationale for prioritizing and selecting projects. Without documentation to support the basis for project selections, there is limited transparency and reduced assurance that FS focused its resources on the most critical projects to achieve program objectives and align with IJA goals and priorities.

The Government Accountability Office's (GAO) standards for internal control state that management should maintain appropriate documentation by clearly documenting internal controls and other significant events in a manner that allows the documentation to be readily available for examination.¹⁰

According to FS, the passage of IJA provided an enormous opportunity to reduce wildfire risk and restore resilient forests. As such, FS established the Wildfire Risk Reduction Infrastructure Team (WRRIT) to organize FS' short-term actions and long-term strategies to reduce risk to communities and infrastructure. Additionally, FS issued a letter to the regions, requesting the submission of projects to the WO that reduce the exposure of communities and infrastructure to the risk of wildfire and that could be initiated in FYs 2022 and 2023.¹¹

The WRRIT was tasked with reviewing the projects the ROs submitted and selecting proposals to recommend to FS' executive leadership team for approval. The ROs submitted 29 proposals for consideration. FS established qualitative and semi-quantitative criteria to evaluate projects for selection. These criteria included:

- Alignment of landscapes to high-exposure firehedges;
- Acres of accomplishments proposed in FYs 2022 and 2023;
- Proportion of landscape to be treated in FYs 2022 and 2023;
- Perceived readiness to increase the pace and scale of efforts in FY 2024 and beyond; and
- Cost.

FS officials created an evaluation spreadsheet to review each project against the criteria established to identify proposals that merit a recommendation for funding. FS WO officials ultimately selected 10 of the 29 projects for funding. Although FS created criteria to evaluate the proposals the RO officials submitted, FS did not establish guidance that required WO officials to document their review and rationale for the projects selected. Consequently, this led to limited transparency on why FS WO selected certain projects over others that meet its selection criteria.

¹⁰ GAO, *Standards for Internal Control in the Federal Government*, GAO-14-704G, ¶ 10.03 (Sept. 2014).

¹¹ Department of Agriculture FS, Call Letter for Projects to Implement the Wildfire Risk Reduction Strategy (Nov. 29, 2021).

Additionally, we reviewed FS' evaluation spreadsheet and determined that certain projects were not selected even though they had higher metrics based on the selection criteria. For example:



One of FS' evaluation criterion included identifying projects that align with landscapes with high exposure fireheds. FS selected a project for funding where 17 percent of its landscape contained a high-risk fireshed. However, we identified projects that were not selected, where 52 to 100 percent of the proposed landscapes contained high-risk fireheds.



Another evaluation criterion FS used was the number of acres of accomplishments proposed. While reviewing the spreadsheet, we identified that one of the selected projects proposed fewer acres for treatment compared to other projects not selected.

Although FS may have an acceptable reason for selecting the project with a smaller percentage of its landscape containing fireheds than the others and another project with fewer acres proposed for treatment than other projects, OIG could not determine that because FS did not fully document its rationale for its selection decisions.

In addition, while FS' evaluation spreadsheet contains data that FS can use to prioritize the projects, we determined that it did not include information to support its selection decisions. An FS official agreed that project rankings were not documented. The FS official further explained that, while they used quantitative evaluation criteria that was documented in their spreadsheet to review and select projects, such as 'percent of the landscape in high-risk fireheds,' they also used subjective measures, such as 'perceived readiness,' that were not documented. Furthermore, the FS official recognized the benefit of documenting the decision-making process when selecting hazardous fuels management projects.

OIG could not confirm if the projects FS selected and funded were adequate or prioritized to address the most critical landscapes due to the inconsistencies we noted in how FS applied its selection criteria and the lack of documentation to support the basis of its project selections. We determined these issues reduce transparency in FS' selection process and potentially undermine FS' ability to support its decisions. As a result, this limited transparency poses a potential risk as it hampers FS' ability to provide reasonable assurance that its resource allocations are aligned with IJA goals and priorities. Therefore, we recommend that FS update its guidance to require documentation to support the rationale used to prioritize and select hazardous fuels projects at the WO, providing reasonable assurance that FS focuses its resources on the most critical projects to reduce wildfires in high-risk communities.

Recommendation 2

We recommend FS update its guidance to require documentation to support the rationale used to prioritize and select hazardous fuels projects at the WO.

Agency Response

FS generally agreed with the finding and recommendation. FS stated that it followed policy for a tiered wildfire risk assessment process for prioritization and established a formal process for selecting the first 10 landscapes. FS will include a requirement in its program direction for documentation during the prioritization process.

OIG Position

We accept management decision for this recommendation.

Scope and Methodology

We performed this inspection to conduct integrated oversight of the funding provided to FS' Hazardous Fuels Management Program by IJJA. Specifically, for FYs 2022 and 2023 we requested relative data sets to perform data analytics for integrity and quality, reviewed the implementation of the program funding totaling \$205.6 million, and inspected key aspects of the internal control environment.

We performed fieldwork remotely from November 2022 through June 2024. During this time, we met with FS WO officials within Fire and Aviation Management, Budget and Finance, and Grants and Agreements. We discussed the results of our inspection with agency officials on July 15, 2024, and included their comments, as appropriate.

To accomplish our inspection objective, we:

- Reviewed IJJA and applicable policies and procedures to obtain an understanding of the Hazardous Fuels Management Program and requirements for related IJJA funds;
- Obtained and reviewed FS' FY 2022 and FY 2023 funding documentation, such as the spend plan, allocation spreadsheet, and weekly spending reports to identify FS' plan to allocate and spend IJJA hazardous fuels management funds;
- Interviewed FS staff to obtain an understanding of roles and responsibilities, and oversight for the IJJA Hazardous Fuels Management Program. Specifically, we focused on understanding FS' oversight of funding implementation and FS' internal control environment to prioritize and select projects; and
- Developed and issued a questionnaire to Region 3 (Southwestern) and Region 6 (Pacific Northwest Region) to identify controls in place for prioritizing FY 2022 and FY 2023 Hazardous Fuels Management projects funded by IJJA Division J.

We conducted this inspection in accordance with the Council of the Inspectors General on Integrity and Efficiency's *Quality Standards for Inspection and Evaluation*.¹² These standards require that we obtain sufficient and appropriate evidence to support findings and provide a reasonable basis for our conclusions based on our inspection objective. We believe that the evidence obtained provides a reasonable basis for our conclusions based on our inspection objective.

¹² Council of the Inspectors General on Integrity and Efficiency, *Quality Standards for Inspection and Evaluation* (Dec. 2020).

Abbreviations

BLI	Budget Line Item
FS	Forest Service
FY	fiscal year
GAO	Government Accountability Office
IIJA	Infrastructure Investment and Jobs Act
OIG	Office of Inspector General
OMB	Office of Management and Budget
RO	Regional Office
WO	Washington Office
WRRIT	Wildfire Risk Reduction Infrastructure Team

Exhibit A: Summary of Monetary Results

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

Finding	Recommendation	Description	Amount	Category
1	1	FS cannot separately report how it expended \$205.6 million appropriated for FYs 2022 and 2023 hazardous fuels activities	\$205,600,000	Questioned Costs/Loans, No Recovery
Total			\$205,600,000	

**Forest Service's
Response to Inspection Report**



File Code: 1430**Date:** August 14, 2024**Route To:****Subject:** OIG Report on IIJA - Hazardous Fuels Management Program - 08801-0001-21**To:** Janet Sorensen, Assistant Inspector General for Audit

Thank you for the opportunity to review and comment on the Office of Inspector General (OIG) Official Draft Report Number 08801-0001-21. OIG had two findings and two recommendations. The Forest Service generally concurs with the recommendations and has already completed corrective action to address the first recommendation and intends to complete the corrective action in a timely manner on the second recommendation.

We appreciate the time and effort that went into the report. The Agency's response to the inspection recommendations is enclosed.

Please contact Robert Velasco, Chief Financial Officer, at (703) 605-4726 or robert.velasco@usda.gov with any questions.

/s/ Randy Moore
RANDY MOORE
Chief

Enclosure

Cc: Robert Velasco



USDA Forest Service (FS)

Office of Inspector General (OIG) Inspection Report No. 08801-0001-21

Hazardous Fuels Management

Official Draft Issued July 18, 2024

Response to the Official Draft Report / Management Decision Request

Recommendation 1: Establish and implement an accounting structure to track the amount of funds expended based on its appropriated provision and purpose.

FS Response: The Forest Service agrees with the recommendation to implement an accounting structure to track separately spending of the hazardous fuels funding provided in IJA paragraph 2 of the National Forest System heading in Division J. To improve its reporting capabilities, the Forest Service updated the IJA budget structure in FY2024 (Oct 1, 2023) to allow for tracking of these funds (and each IJA provision) separately.

Estimated Completion Date: Complete

Recommendation 2: FS update its guidance to require documentation to support the rationale used to prioritize and select hazardous fuels projects at the WO.

FS Response: The Forest Service generally concurs with this recommendation. The agency followed the established policy in FSM 5140, Hazardous Fuels Management and Prescribed Fire for a tiered wildfire risk assessment process for prioritization. In addition, the agency did establish a formal process for gathering data from the proposals and selecting the first 10 Wildfire Crisis Strategy Landscapes. Also, the Bi-Partisan Infrastructure Law (BIL) funding is a one-time, multiyear investment to support these 10 landscapes. The funding has been beneficial towards helping us to move the landscapes towards a more resilient ecosystem and we look at it as a downpayment for funding for the work that is needed in outyears. The agency will require documentation for the prioritization process in our initial program direction.

Estimated Completion Date: March 31, 2025

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