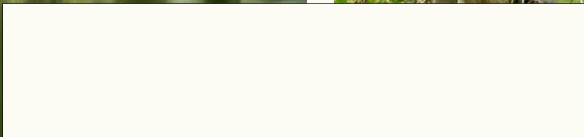
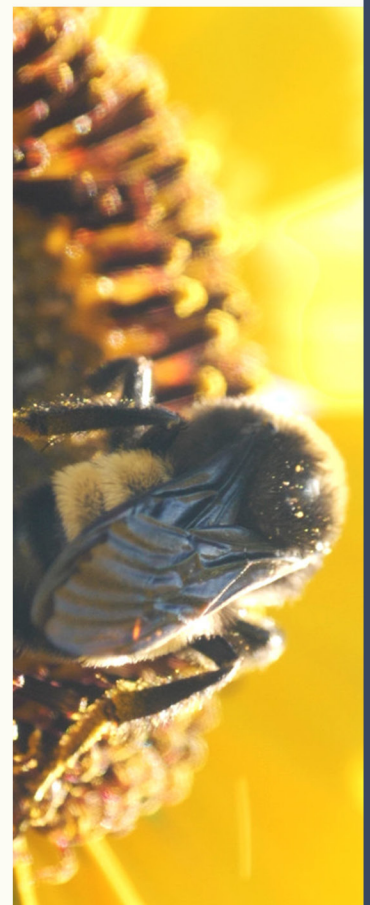




U.S. Department of Agriculture Office of Inspector General



IIJA – Community Wildfire Defense Grant Program for At-Risk Communities

Inspection Report 08801-0002-24

We conducted integrated oversight of FS' implementation of the CWDG Program.

OBJECTIVE

Our objective was to conduct integrated oversight of the IIJA funding provided to FS' CWDG by reviewing program information for transparency and disclosure, performing data analytics on relative data sets, inspecting key aspects of the internal control environment, and reviewing the implementation of the program.

REVIEWED

We interviewed FS officials, gathered supporting documentation, and analyzed program information to review FS' implementation of the CWDG Program and its use of more than \$242.7 million in FY 2022 and FY 2023 CWDG funding.

RECOMMENDS

We recommend FS establish and implement a control activity in its accounting structure, to track the IIJA – State and Private Forestry funds expended in the FS Operations account, that would ensure funds were expended on allowable IIJA provisions. FS should also implement control activities in its application awarding process to improve the timeliness of grant agreements being executed after the application closing date.

WHAT OIG FOUND

The Infrastructure Investment and Jobs Act (IIJA) was signed into law on November 15, 2021. It provided more than \$1.5 billion to Forest Service's (FS) State and Private Forestry programs. IIJA authorized \$1 billion of the State and Private Forestry funding to create the Community Wildfire Defense Grant (CWDG) Program for use between fiscal years (FYs) 2022-26. CWDG is a competitive grants program that awards funds, in cooperation with States, to assist at-risk communities and Indian Tribes with planning for and mitigating against the risk created by wildfire. IIJA imposed specific limits to State and Private Forestry spending, including a 3 percent limit (or \$9,160,800 annually) on salary, expense, and administrative costs. Although not mandated, IIJA also allowed for the transfer of funds to the FS Operations account.

We found that FS may have exceeded the \$9,160,800 spending limit on salary, expense, and administrative costs in FY 2022. We found that FS transferred or obligated more than \$46.2 million in CWDG funding related to salary, expense, and administrative costs. Specifically, it transferred more than \$32.6 million to its FS Operations account, obligated more than \$5.9 million for CWDG-specific salaries and expenses, and awarded more than \$7.6 million to State agencies to help FS administer the program, which exceeded the \$9,160,800 limit by more than \$37 million. We also found that FS did not track how CWDG funding that it transferred into its FS Operations account was spent, which puts the agency at risk of spending CWDG funding on expenses that were not allowed under IIJA. These conditions occurred because FS did not consider all salary, expense, and administrative-related costs we identified to be subject to the IIJA limitation. As a result, FS is at an increased risk of violating the Antideficiency Act. FS officials disagreed with our interpretation of this IIJA provision and maintained that the agency used the funding in accordance with IIJA.

Lastly, while we noted that FS appropriately prioritized IIJA projects and did not exceed award limitations, FS did not have grant agreements in place for 5 of our 10 sampled applications as of September 20, 2023, even though the application period had closed on October 7, 2022. FS officials disagreed with Findings 1 and 2 and Recommendation 1. FS agreed with Finding 3 and Recommendation 2. We did not accept management decision on Recommendation 1.



OFFICE OF INSPECTOR GENERAL

United States Department of Agriculture



DATE: August 29, 2024

INSPECTION

NUMBER: 08801-0002-24

TO: Randy Moore
Chief
Forest Service

ATTN: Hope Woodward
OIG Audit Liaison Staff
CFO Audit & Assurance
Forest Service

FROM: Janet Sorensen
Assistant Inspector General for Audit

SUBJECT: IJJA - Community Wildfire Defense Grant Program for At-Risk Communities

This report presents the results of our inspection. 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 Recommendation 2. However, we are unable to accept management decision for Recommendation 1. The information needed to reach management decision is set forth in the OIG Position section following the 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 recommendation 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 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

The Infrastructure Investment and Jobs Act (IIJA) was signed into law on November 15, 2021.¹ IIJA required the Forest Service (FS), under the Secretary of Agriculture and in cooperation with States, to create the Community Wildfire Defense Grant (CWDG) Program and award funds to assist at-risk communities and Indian Tribes with planning for and mitigating against the risk created by wildfire. CWDG grants fund two primary project types: (1) developing or revising a Community Wildfire Protection Plan (CWPP)² and (2) implementing projects described in a CWPP that is not more than 10 years old. IIJA required FS to prioritize CWDG grants in at-risk communities identified as having high or very high wildfire hazard potential, being low-income, or having been impacted by a severe disaster. The maximum amount of funding that can be awarded to any one community or Indian Tribe is \$250,000 to develop or revise a CWPP and \$10 million to implement projects described in a CWPP. CWDG grant recipients are also required to provide matching funds of at least 10 percent for proposals to develop or revise a CWPP and at least 25 percent for proposals to implement projects described in a CWPP. Communities that meet the definition of an underserved community may request a waiver of the matching requirement.³

IIJA included specific provisions for how FS could use CWDG funding. These provisions included: (1) that the amounts made available under the State and Private Forestry heading may be transferred between accounts affected by the FS budget restructure outlined in the Further Consolidated Appropriations Act, 2020; (2) that up to 3 percent of the amounts made available under the State and Private Forestry heading shall be for salaries, expenses, and administration; and (3) that one-half of 1 percent of the amounts made available under the State and Private Forestry heading shall be transferred to the Office of Inspector General (OIG) for oversight.⁴

In total, IIJA provided approximately \$5.5 billion to FS to restore ecosystems and reduce wildfire risk to communities. Of that \$5.5 billion, more than \$1.5 billion was provided to FS' State and Private Forestry programs (\$305,360,000 annually from fiscal years (FYs) 2022 through 2026, including \$1 billion for CWDG).⁵ IIJA required the Secretary of Agriculture to establish CWDG within 180 days after Congress enacted IIJA, and funding was to remain

¹ Pub. L. No. 117-58, 135 Stat. 429.

² A plan for an at-risk community that (A) is developed within the context of the collaborative agreements and the guidance established by the Wildland Fire Leadership Council and agreed to by the applicable local government, local fire department, and State agency responsible for forest management, in consultation with interested parties and the Federal land management agencies managing land in the vicinity of the at-risk community; (B) identifies and prioritizes areas for hazardous fuel reduction treatments and recommends the types and methods of treatment on Federal and non-Federal land that will protect one or more at-risk communities and essential infrastructure; and (C) recommends measures to reduce structural ignitability throughout the at-risk community. Healthy Forests Restoration Act of 2003, Pub. L. No. 108-148, tit. I, § 101, 117 Stat. 1887, 1889 (codified at 16 United States Code (U.S.C.) § 6511).

³ IIJA, div. D, tit. VIII, § 40803(f), 135 Stat. 1102-03 (codified at 16 U.S.C. § 6592).

⁴ IIJA, div. J, tit. VI, State and Private Forestry (heading), 135 Stat. 1407.

⁵ *Id.*

available until September 30, 2029. Additionally, FS submitted a Spend Plan to Congress outlining how it would use IIJA funding.⁶ In the Spend Plan, FS indicated that it would spend \$200 million annually on CWDG, including more than \$161 million on grants, more than \$5.9 million on salaries and expenses, and \$32 million on FS Operations transfer.⁷ It also shows that FS would transfer \$1 million to OIG for oversight pursuant to a requirement in IIJA. In July 2022, FS announced that approximately \$160 million was available in FY 2022 funding for grant awards in its FY 2022 Notice of Funding Opportunities.

Objective

Our overall objective was to conduct integrated oversight of the IIJA funding provided to FS' CWDG by reviewing program information for transparency and disclosure, performing data analytics on relative data sets for integrity and quality, inspecting key aspects of the internal control environment, and reviewing the implementation of the program.

In April 2023, we issued an informational report including the results of our review of program information for transparency and disclosure.⁸ This report did not identify any findings related to that part of the objective. We also did not identify any findings when inspecting key aspects of the internal control environment. FS management officials established an organizational structure, assigned responsibility and delegated authority for the implementation of the program.

The findings reflected in this report reflect issues identified during our analysis of CWDG Program data and our review of the implementation of the program.

⁶ IIJA, div. J, tit. VI, Administrative Provision – Forest Service (heading), 135 Stat. 1411.

⁷ FS originally budgeted for a \$32 million transfer to its FS Operations amount with the final FY 2022 transfer totaling \$32.64 million.

⁸ Information Report 08801-0002-24(IN1), *Community Wildfire Defense Grant Program*, Apr. 2023.

Finding 1: FS' Use of Appropriated Funds for CWDG

FS may have exceeded an IJA limitation on salary, expense, and administrative costs by more than \$37 million for FY 2022. This occurred because FS did not consider all salary, expense, and administrative-related costs we identified to be subject to the IJA limitation. As a result, FS is at an increased risk of violating the Antideficiency Act (ADA).

For FY 2022, IJA appropriated more than \$305.3 million to FS under the State and Private Forestry heading.⁹ Of this amount, \$200 million was for FS to award grants to at-risk communities to plan for and mitigate wildfire risks through CWDG. IJA also included provisions for how FS could use State and Private Forestry Funding. Specifically, a separate provision allowed for up to 3 percent of the total amount made available each FY by the State and Private Forestry heading to be used for salaries, expenses, and administration, which totaled \$9,160,800 million in FY 2022.

To implement CWDG in FY 2022, FS transferred more than \$32.6 million to its FS Operations account; awarded more than \$7.6 million in administrative grants to States and territories to assist with administering the program; and obligated more than \$5.9 million for FS salaries and expenses.¹⁰ This left more than \$152.7 million in FY 2022 CWDG funds available to be awarded to at-risk communities to plan for and mitigate wildfire risks.¹¹

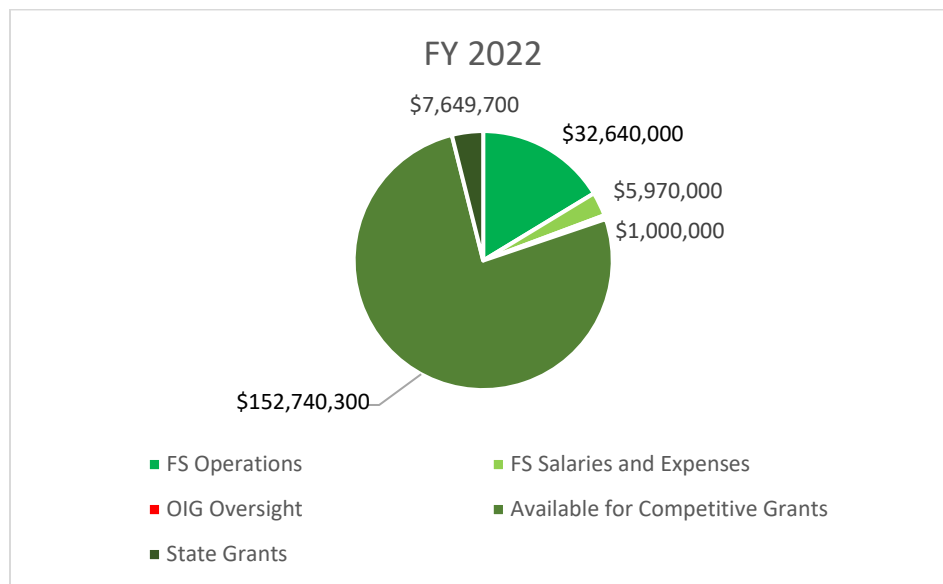


Figure 1: Breakdown of FY 2022 CWDG funding. Figure by OIG.

⁹ IJA, div. J, tit. VI, State and Private Forestry (heading), 135 Stat. 1407.

¹⁰ *Id.*

¹¹ On March 20, 2023, FS announced that it would award \$197 million in competitive grants to plan for and mitigate wildfire risks, which included both FY 2022 and FY 2023 grant funds. FS stated that since the agency announced the grants in FY 2023, they decided to use FY 2023 funds to complete this grant cycle.

FS' approach to comply with the provision that allowed for up to 3 percent for salaries, expenses, and administrative costs was to set aside the \$5.9 million mentioned above to pay for FS CWDG salaries, expenses and administrative costs. However, we found that the FS Operations transfer funds and State financial assistance grants were also used for salaries, expenses, and administrative costs.

FS Operations

Another IJA provision under the State and Private Forestry heading provided FS the option to transfer funds between accounts made available by the FS budget restructure outlined in section 435 of division D of the Further Consolidated Appropriations Act of 2020.¹² This included the FS Operations account, to which FS transferred more than \$32.6 million in CWDG funds. The FS Operations account covers the necessary expenses of FS, which includes:

- Base salary and expenses of employees in the Chief's Office, the Work Environment and Performance Office, the Business Operations Deputy Area, and the Chief Financial Officer's Office to carry out administrative and general management support functions;
- Costs of facility maintenance, repairs, and leases for buildings and sites;
- Costs of utility and communication expenses, business services, and information technology, including cybersecurity requirements; and
- Other administrative support function expenses necessary for the operation of the FS.¹³

Based on the purpose of the FS Operations account, we considered the funds transferred to be for salary-, expense-, and administrative-related costs. As such, we concluded the funds count toward the State and Private Forestry heading's 3 percent limit on salaries, expenses, and administration. FS officials disagreed with our position and maintained that the IJA provision that allowed for the transfer of CWDG funds into the FS Operations account was separate and distinct from the provision that limited salary-, expense-, and administrative-related costs to 3 percent. However, we note that IJA specifically limits salary-, expense-, and administrative-related costs to 3 percent and did not explicitly state that FS Operations transfers were exempt from this provision.

State Administrative Grants

IJA also authorized FS to cooperate with State agencies in awarding CWDG grants to at-risk communities.¹⁴ Under this authority, the agency provided States and territories with the opportunity to apply for financial assistance to use when administering the program. FS awarded more than \$7.6 million through administrative grants to participating States and territories to perform activities, such as outreach, education, and managing

¹² IJA, div. J, tit. VI, State and Private Forestry (heading), 135 Stat. 1407.

¹³ Further Consolidated Appropriations Act, 2020, Pub. L. No. 116-94, div. D, tit. IV, § 435, 133 Stat. 2750 (2019) (codified at 16 U.S.C. § 579e).

¹⁴ IJA, div. D, tit. VIII, § 40803(c)(12), 135 Stat. 1099 (codified at 16 U.S.C. § 6592).

competitive grants. These administrative grants were not competitive and were separate from the competitive grants that FS made available to at-risk communities to plan for and mitigate wildfire risks. In States and territories that chose to not participate, FS handled these functions.

We obtained and reviewed administrative grant agreements issued to States and territories. Although not all the agreements contained the same language, they contained similar objectives such as outreach and education as well as salaries and benefits. Based on the work being performed by participating States and territories, and because FS performed these functions in non-participating States and territories, we consider the Federal funds included in these agreements with States and territories to be salary-, expense-, and administrative-related costs. As such, we concluded the funds should count toward IIA's 3 percent limit on salaries, expenses, and administration.

FS officials disagreed with our position and maintained that the 3 percent limitation only applied to Federal Government salary, expense, and administrative costs, not costs for States and territories expending Federal funds from grants. However, as discussed above, FS performed these functions in non-participating States and territories.

In total, FS transferred or obligated more than \$46.2 million in CWDG funding that we consider related to salary, expense, and administrative costs. Considering IIA limited salary, expense, and administrative costs under the State and Private Forestry heading to \$9,160,800, FS may exceed the limit by more than \$37 million and the agency could be in violation of the ADA. The ADA prohibits Federal employees from making or authorizing an expenditure from, or creating or authorizing an obligation under, any appropriation or fund in excess of the amount available in the appropriation or fund unless authorized by law.¹⁵ Further, appropriations may be used only for the purpose(s) for which they were made.¹⁶ An obligation or expenditure in excess of a statutory ceiling (e.g., an earmarked maximum in a more general appropriation or a monetary ceiling imposed by the authorizing legislation) violates the ADA.¹⁷ Therefore, we initially recommended in our draft report that FS obtain a formal legal opinion from the Office of the General Council (OGC) related to the agency's use of CWDG funds, including whether an ADA violation has occurred.

However, after we issued our discussion draft report to FS, the agency took initiative and obtained a formal legal opinion from OGC. OGC's overall conclusion was that FS used CWDG funding in accordance with IIA and noted that there was limited legislative history explaining the intent of IIA. In particular, OGC did not identify any written explanation by Congress regarding the 3 percent cap and whether the limitation applied to the FS Operations transfer authority. We continue to believe the funds transferred from the State and Private Forestry heading to the FS Operations account and funds used for state administrative grants are subject to the 3 percent limit on salaries, expenses, and administrative costs. We plan to evaluate this

¹⁵ 31 U.S.C. § 1341(a)(1)(A).

¹⁶ 31 U.S.C. 1301(a).

¹⁷ Government Accountability Office, *Principles of Federal Appropriations Law*, GAO-06-382SP, at 6-81 (Feb. 2006).

issue further, along with other IIA provisions, in a broader evaluation. As such, we will not be issuing a recommendation at this time.

Finding 2: FS did not Monitor CWDG Transfers into FS Operations

We found that FS could not provide evidence to support the \$32.64 million in FY 2022 CWDG funding that the agency transferred into its FS Operations account was spent on or obligated for activities to implement the State and Private Forestry heading within IJA. This occurred because FS did not implement a control activity in its accounting structure that would ensure the FS Operations transfer was still identifiable to its original funding source. As a result, FS may have spent, or obligated funding specifically earmarked for State and Private Forestry on unallowable expenses.

IJA allowed FS to transfer funds from CWDG into its FS Operations account to support State and Private Forestry.¹⁸ FS Operations transfers were subject to the statutory restriction that an amount available under law may be withdrawn from one appropriation account and credited to another only when authorized by law.¹⁹ Furthermore, except as specifically provided by law, IJA transfers into the FS Operations account were available for the same purpose and subject to the same limitations provided by the law appropriating the amount.²⁰

FS planned on using \$200 million in FY 2022 funding for CWDG, including transferring \$32.64 million into its FS Operations account. FS officials stated they transferred \$32.64 million because the agency historically transfers 16.3 percent of funding for programs that were eligible for FS Operations transfers. We analyzed the obligations and expenses in the FS Operations account in an attempt to determine how much of the \$32.64 million transfer FS obligated or spent for allowable purposes. However, this analysis led to a concern with how FS accounted for IJA funds transferred to the FS Operations account. Although the FS Operations transfers were allowable according to IJA, we found that FS could not trace funds to CWDG or the IJA State and Private Forestry heading once they were transferred into the FS Operations account. Ultimately, this limitation prevented FS from ensuring that the \$32.64 million it transferred into its FS Operations account was used for allowable purposes under relevant appropriations and IJA transfer provision requirements.

Specifically, we identified that FS Operations transfers from CWDG were commingled with funds from other FS program areas, including Capital Improvement and Maintenance. We determined that, because FS did not implement a control activity in its accounting structure, once funds enter the FS Operations account, they are integrated with all other IJA FS Operations funds and lose their original funding identity. As a result, it is impossible to trace how FS obligated or spent the \$32.64 million back to CWDG or the State and Private Forestry heading.

FS officials disagreed with our conclusion that they need to track CWDG funds after they enter the FS Operations account. FS officials stated that IJA authorized the transfer, and funds transferred to the FS Operations account lose their identity as CWDG funds. In addition, FS officials explained that the FS Operations account is an overhead account where obligations and expenses are not generally tied to specific programs, given the nature of overhead. We disagree with FS' approach to the FS Operations account. Even though IJA allows for FS Operations

¹⁸ IJA, div. J, tit. VI, State and Private Forestry (heading), 135 Stat. 1407.

¹⁹ 31 U.S.C. § 1532.

²⁰ *Id.*

transfers, the transferred funds must still comply with IJA provisions. Without tracking these funds separately, FS potentially risks obligating and/or expending funds outside of their availability, which could be a violation of the Purpose Statute and/or the ADA.

In summary, IJA only allows FS to spend or obligate CWDG funding transferred into the FS Operations account on activities to implement the State and Private Forestry heading within IJA. The lack of a mechanism to adequately track the FS Operations account could inadvertently lead FS to spend or obligate CWDG funding on unauthorized purposes. Therefore, we recommend that FS implement control activities in its accounting structure to track and monitor all CWDG funding.

Recommendation 1

We recommend FS establish and implement a control activity in its accounting structure, to track the IJA – State and Private Forestry funds expended in the FS Operations account, that would ensure funds were expended on allowable IJA provisions.

Agency Response

FS did not agree with the finding and recommendation. FS stated that it complies with Federal laws and regulations in accounting for the IJA State and Private Forestry appropriations transferred to the IJA FS Operations account. FS established IJA specific fund codes to maintain IJA funding separately from other appropriated funds. In accordance with the Further Consolidated Appropriations Act of 2020, the FS Operations account, which is generally not tied to specific programs and is considered an overhead account, tracks funding by four separate buckets: salary and expenses, information technology, facilities leases and maintenance, and other operational support costs. OGC, in their formal opinion, states “the purpose of the third proviso was to allow the FS to make use of its new budget structure to implement the IJA and also to authorize the use of IJA program funds for the agency’s central (or multi-program) business operations.” As a result, FS is complying with the IJA transfer authority when it accounts for FS Operations, as directed in IJA.

OIG Position

While we agree IJA allows FS to transfer CWDG funds into the FS Operations account, the cited provision further states that the transfer was to carry out activities in support of the heading, which in CWDG’s case was State and Private Forestry. When asked if FS could provide evidence that the \$32 million transferred from CWDG was spent on State and Private Forestry activities, agency officials stated that level of information was not tracked within the FS Operations account. Therefore, we continue to conclude that FS should establish and implement a control activity in its accounting structure, to track the IJA – State and Private Forestry funds expended in the FS Operations account, that would ensure funds were expended on allowable IJA provisions. We do not accept management decision and will elevate this recommendation through the formal resolution process.

Finding 3: FY 2022 Grant Cycle Implementation

Overall, we determined FS appropriately prioritized IJA projects and did not exceed award limitations. However, in evaluating award timeliness, we determined FS did not have grant agreements in place for 5 of our 10 sampled applications as of September 20, 2023, even though the application period had closed on October 7, 2022. As a result, these five grant recipients could not begin implementing CWDG awards for more than 11 months after the application deadline.

The first funding opportunity for CWDG grants occurred with FY 2022 funding. FS solicited applications through four Notices of Funding Opportunity (NOFO), one for each of the three state forester regional organizations and a fourth for tribes. FS posted these four NOFOs to the website grants.gov on July 27, 2022, stating that approximately \$160 million in FY 2022 funding was available for those applicants selected for CWDG projects. The deadline to submit applications was October 7, 2022. FS accepted applications through the websites grants.gov and forestrygrants.org. Only Western Region applications were submitted through forestrygrants.org.²¹

We obtained documentation to support the final amounts that FS actually spent or obligated during the FY 2022 award period. Specifically, we found that FS transferred \$32.64 million to its FS Operations account and \$1 million to OIG for oversight of IJA funding provided to FS; awarded more than \$7.6 million to States to assist in administering CWDG;²² obligated \$5.97 million for CWDG salaries and expenses; and awarded more than \$195.4 million in grants to 99 awardees.²³ In total, FS spent or obligated more than \$242.7 million on the FY 2022 grants cycle. FS officials stated that they spent more than originally planned because the agency did not finish the FY 2022 award review until FY 2023. Therefore, FS officials stated that they used FY 2023 funds to pay for the additional amounts awarded through the FY 2022 cycle.

FS received 417 CWDG applications during the FY 2022 application period. On March 20, 2023, the U.S. Department of Agriculture (USDA) announced that 100 of these applications were selected for awards. During our fieldwork, we randomly selected 10 of the 100 FY 2022 CWDG publicly announced awards to determine if FS selected and approved applications based on IJA requirements.²⁴ Based on our review of these 10 agreements, we determined the following regarding CWDG implementation:

²¹ Grants.gov was used to collect applications for (1) Northeast and Midwest States; (2) Southern States; and (3) Indian Tribes and Alaska Native Corporations. Forestrygrants.org was used to collect applications for Western States.

²² IJA also authorized FS to cooperate with State agencies in awarding CWDG grants. FS provided States with the option to fully participate, partially participate, or not participate at all. Of the 59 States and territories across the 10 FS regions, 23 elected full participation and FS awarded up to \$400,000 in grants per State; 22 elected partial participation and FS awarded up to \$50,000 in grants per State; and 14 elected no participation.

²³ After FS received FY 2022 applications, it determined that it would award more than \$195.4 million in grants to plan for and mitigate wildfire risks thereby, bringing the total FY 2022 funding to \$242.7 million.

²⁴ FS announced 100 grants on March 20, 2023. However, FS was notified on March 22, 2023, that duplicate applications were included in the award announcements. The duplicate resulted in FS actually announcing awards to 99 communities instead of 100 totaling and the total of the duplicate was \$1.503 million.

IIJA Priorities

When awarding CWDG grants, IIJA required FS to give priority to an at-risk community that is: (1) in an area identified by the Secretary of Agriculture as having high or very high wildfire hazard potential; (2) a low-income community; or (3) a community impacted by a severe disaster. Overall, we found that points were properly awarded during the application review. For the purposes of our inspection, we consider FS to be materially in compliance with the requirement to prioritize the three aforementioned items when awarding points during the FY 2022 application review process.

Timeliness

IIJA did not include a specific requirement regarding how quickly FS should expend CWDG funds. However, one of our approaches in our Oversight Plan for IIJA included determining if funds for assistance were timely and effectively distributed.²⁵ To accomplish this, we identified several key dates within FS' FY 2022 implementation of CWDG. Overall, we found that as of September 20, 2023, the agency did not have grant agreements in place for 5 of our 10 sampled awards despite the application period closing on October 7, 2022. A timeline is depicted in Figure 2 below.

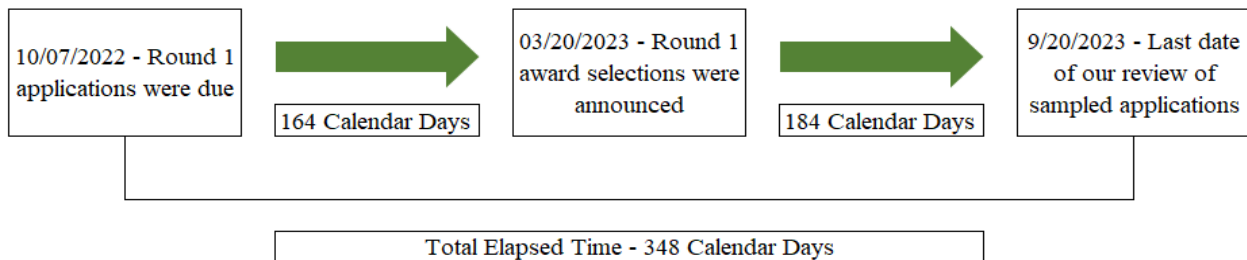


Figure 2: Key dates within FS' FY 2022 implementation of CWDG. Figure by OIG.

When we spoke with FS officials about the timeliness of issuing awards, they agreed that the awarding process took longer than FS would have preferred and attributed this to multiple factors. FS stated that these factors included the use of two different application systems, forestrygrants.org not requiring applicants to submit all required documentation with their application,²⁶ opt-in States needed to navigate their own State procurement regulations, and many applicants were new to Federal grants and did not return paperwork timely. FS officials stated that the agency has proposed ideas regarding how to speed up the process for future iterations of the program. On June 17, 2024, FS stated it had implemented corrective actions updating their process to notify recipients on the award status and obtaining required grant forms. However, we did not review this information because it was submitted after our fieldwork ended. Therefore, we did not draw any conclusions on its effectiveness.

²⁵ USDA OIG, *OIG Oversight Plan: Infrastructure Investment and Jobs Act Funding* (Jan. 2022).

²⁶ Examples of the missing documentation included Standard Forms 424 and 424A, as well as evidence supporting an active registration on the website SAM.gov.

Maximum Funding Level

IIJA limited the maximum amount that can be awarded under a grant to (1) \$250,000 for developing or revising a CWPP and (2) \$10 million for carrying out projects described in a CWPP. Of the five grant agreements we reviewed, we did not identify any instances where FS issued an award greater than the maximum amounts established by IIJA.

Cost Share

IIJA required that the non-Federal cost of carrying out a grant be: (1) not less than 10 percent for developing or revising a CWPP, and (2) not less than 25 percent for carrying out projects described in a CWPP. However, this cost-sharing requirement could be waived if an underserved community benefited from the grant. Of the five grant agreements we reviewed, four included the proper cost share required by IIJA.²⁷

Recommendation 2

FS should implement control activities in its application awarding process to improve the timeliness of grant agreements being executed after the application closing date.

Agency Response

FS generally concurs with this recommendation. FS is providing necessary information to the selected recipients to expedite completion of the required grant application: the required grant forms, and a process guide. FS will provide deadlines to successful applicants for submission of the grant forms. For any applicants requesting assistance with the required paperwork, FS provided information regarding resources that include FS staff and partner Community Navigators.

OIG Position

We accept management decision for this recommendation.

²⁷ FS granted one applicant a waiver of the cost share requirements even though there was not proper support to do so. The impact of this error was not significant enough to report as a finding. Nevertheless, we notified the agency about this issue independently of this report, and we are not making any formal recommendations.

Scope and Methodology

Overall, IIA provided \$1 billion to CWDG in FYs 2022 through 2026. This report focused on FS' implementation of CWDG and its use of more than \$242.7 million in FYs 2022 and 2023 CWDG funding. The specific oversight activities we performed included analysis of available program data, identification and evaluation of relevant internal controls, and review of CWDG implementation. We performed this inspection remotely. We conducted our fieldwork from October 2022 through June 2024. We discussed the results of our inspection with officials on June 7, 2024, and updated the report based on their responses, as appropriate.

To accomplish our inspection objective, we:

- Identified IIA's CWDG requirements and gained an understanding of the CWDG Program through publicly available information, discussions with FS officials, and a review of CWDG documentation provided by FS; and
- Interviewed FS staff in its Fire and Aviation Management, Grants and Agreements, and Financial Management divisions to gain an understanding of the nature and profile of CWDG, the criteria FS used to administer CWDG funding, including the FY 2022 Spend Plan, and how FS used its FS Operations funds.

To specifically answer our inspection objective, we compared spending requirements in IIA to available documentation to determine if FS implemented CWDG according to IIA requirements. This included identifying the types of expenses that FS planned to use in its Spend Plan and reviewing documentation to determine how FS subsequently spent or obligated the funding. We then compared this information to IIA provisions to inspect key aspects of FS' internal controls over its spending and determine if FS implemented CWDG funding in accordance with IIA. We also randomly selected 10 of the 100²⁸ awards that FS announced in March 2023. Specifically, we selected six project awards and four CWPP awards to determine if FS selected and approved applications based on the IIA requirements.

We reviewed the Government Accountability Office's *Standards for Internal Control in the Federal Government* to determine how we would inspect key aspects of the CWDG control environment. Overall, we identified three components of internal control and five principles that are significant to our inspection objective.²⁹ As a result, we assessed the following components and principles as part of answering our overall inspection objective.

Component	Principle
Control Environment	Management should establish an organizational structure, assign responsibility, and delegate authority to achieve the entity's objectives

²⁸ OIG learned after the sample was selected that the State of Washington had notified FS that the agency had approved the same application twice, resulting in 99 total approved awards in FY 2022.

²⁹ Government Accountability Office, *Standards for Internal Control in the Federal Government*, GAO-14-704G (Sept. 2014).

Control Activities	Management should design control activities to achieve objectives and respond to risks
Control Activities	Management should implement control activities through policies
Information and Communication	Management should use quality information to achieve the entity's objectives
Information and Communication	Management should externally communicate the necessary quality information to achieve the entity's objectives

For the purposes of evaluating the control environment, we determined whether FS established an organizational structure, assigned responsibility, and delegated authority to achieve the objectives for the program as outlined in IIJA. We accomplished this by reviewing the requirements outlined in IIJA, reviewing CWDG grant documentation, and reviewing communication with external stakeholders.

We conducted our inspection in accordance with the Council of the Inspectors General on Integrity and Efficiency's *Quality Standards for Inspection and Evaluation*. These standards require we obtain sufficient, appropriate evidence to support inspection findings and provide a reasonable basis for our conclusions based on our inspection objective.³⁰ We believe the evidence obtained provides a reasonable basis for our conclusions based on our inspection objective.

³⁰ Council of the Inspectors General on Integrity and Efficiency, *Quality Standards for Inspection and Evaluation* (Dec. 2020).

Abbreviations

ADA	Antideficiency Act
CWDG	Community Wildfire Defense Grant
CWPP	Community Wildfire Protection Plan
FS	Forest Service
FY	fiscal year
IIJA	Infrastructure Investment and Jobs Act
NOFO	Notice of Funding Opportunity
OGC	Office of the General Counsel
OIG	Office of Inspector General
USDA	United States Department of Agriculture
U.S.C.	United States Code

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
2	1	FS could not support how it used the \$32.64 million in FY 2022 CWDG funding that it transferred into its FS Operations account.	\$32,640,000	Questioned Costs, No Recovery
Total			\$32,640,000	

**Forest Service
Response to Inspection Report**



File Code: 1430
Route To:

Date: July 16, 2024

Subject: OIG Report on IJJA – Community Wildfire Defense Grant Program for At-Risk Communities - 08801-0002-24

To: Ms. 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 08801-0002-24.

Related to finding number 1, OIG requested the Forest Service to obtain a formal Office of General Counsel (OGC) opinion. The Forest Service completed that action and provided the May 2024 formal opinion to OIG. The opinion was consistent with the original advice OGC provided Forest Service in January 2022 and OGC identified no potential violations.

Related to finding number 2, the Forest Service disagrees and the agency complies with Federal laws and regulations in accounting for the IJJA State, Private and Tribal Forestry appropriations transferred to the IJJA Forest Service Operations Account. Additional information can be found in the attachment to this letter, “Response to the Official Draft Report/Management Decision Request.”

Related to finding number 3, has already taken steps to improve the timeliness of the grant executions, and the corrective actions have been completed.

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. 08801-0002-24

Community Wildfire Defense Grant Program

Official Draft Report Dated June 17, 2024

Response to the Official Draft Report / Management Decision Request

Recommendation 1: FS establish and implement a control activity in its accounting structure, to track the IIJA – State and Private Forestry funds expended in the FS Operations account, that would ensure funds were expended on allowable IIJA provisions.

FS Response: The Forest Service does not concur with this recommendation and complies with Federal laws and regulations in accounting for the IIJA State and Private Forestry appropriations transferred to the IIJA Forest Service Operations Account.

In determining appropriate tracking and accountability requirements, FS reviewed IIJA, P.L. 116-94 (Further Consolidated Appropriations Act, 2020), Congressional intent, other U.S. codes, the GAO Red Book, and met with USDA’s Office of General Counsel (OGC). To ensure appropriate controls over the funds, FS established IIJA specific fund codes to maintain the IIJA funding separately from other appropriated funds. IIJA did not result in the need to update FS funds control policies and procedures.

IIJA State and Private Forestry appropriation provides the authority to transfer funds between the accounts effected by the Agency’s budget restructuring outlined in P.L. 116-64, to carry out the activities in support of the IIJA State and Private Forestry appropriation. P.L. 116-64 directed the Agency, as part of the restructuring, to establish the FS Operations account to simplify and transparently fund the business operations functions for the entire Agency by tracking funding in four separate buckets: salary and expenses, information technology, facilities leases and maintenance, and other operational support costs.

The FS Operations account is an overhead account where obligations and expenses are not generally tied to specific programs. This is supported by the Department of Agriculture’s Office of General Counsel, which in their formal opinion on use of funds, including transfers, states “the purpose of the third proviso was to allow the Forest Service to make use of its new budget structure to implement the IIJA and also to authorize the use of IIJA program funds for the agency’s central (or multi-program) business operations.” Based on the general support provided by FS Operations, the FS merged similar funding and no longer tracked funds back to the original provision once funds were transferred to the FS Operations account.

The Forest Service is complying with the IIJA transfer authority when it accounts for the FS Operations funding as directed in P.L. 116-64, to simplify and transparently fund business

operations functions for all IJJA, including CWDG funding transferred in support of State and Private Forestry heading.

Estimated Completion Date: N/A

Recommendation 2: FS should implement control activities in its application awarding process to improve the timeliness of grant agreements being executed after the application closing date.

FS Response: The Forest Service generally concurs with this recommendation. The Forest Service is providing necessary information to the selected recipients to expedite completion of the required grant application (the required grant forms and a process guide). The Forest Service will provide deadlines to successful applicants for submission of the grant forms. For any applicants requesting assistance with the required paperwork, the Forest Service provided information regarding resources that include Forest Service staff and partner Community Navigators.

Estimated Completion Date: Completed

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