

IIJA-Collaborative Aquatic Landscape Restoration Program

Inspection Report 08801-0002-22

OIG reviewed the Forest Service's funding and monitoring of selected IIJA project proposals for the Collaborative Aquatic Landscape Restoration Program.

OBJECTIVE

Our objectives were to assess FS' internal controls over budgeting and CALR funds for projects, and to evaluate how the agency monitors each project to ensure timely completion. Specifically, our objectives addressed the following questions: (1) Did FS have controls to ensure funds were properly budgeted, selected, and tracked? and (2) Did FS have a process to ensure selected project proposals were tracked and completed timely?

REVIEWED

We reviewed FS' applicable documentation, and CALR activities for FYs 2022 and 2023. Additionally, we visited three National Forests in Arizona, California, and Colorado to observe the status of the projects.

RECOMMENDS

We recommend FS establish and implement a method to track the amount of CALR S&E funds expended separately from other IIJA National Forest System S&E funds. Additionally, FS should establish and implement a process to track and monitor CALR project proposals and their results.

WHAT OIG FOUND

The Infrastructure Investment and Jobs Act (IIJA) provided \$80 million to the Secretary of Agriculture to establish a collaborative-based, landscape-scale restoration program to restore water quality or fish passage on Federal land, including Indian forestland or rangeland. As a result, the United States Department of Agriculture established the Collaborative Aquatic Landscape Restoration Program (CALR) within the Forest Service (FS).

We found that the agency did not always properly track its allocated funds for salaries and expenses (S&E). While FS had controls for budgeting and selecting projects for CALR funds, the agency did not design specific controls to track its fiscal year (FY) 2022 CALR S&E separately from other IIJA S&E funds. As a result, FS cannot accurately report how it expended the funds allocated for CALR S&E in FY 2022, resulting in more than \$5.7 million in questioned costs. Furthermore, FS did not establish a process to ensure selected CALR project proposals were tracked and completed timely. Without a process to track and monitor CALR rehabilitation projects, FS could be noncompliant with the Act's requirement to discontinue funding for a project that fails to achieve results for more than 2 consecutive years. FS officials generally concurred with the findings and recommendations, and we accepted management decision on all recommendations.



OFFICE OF INSPECTOR GENERAL

United States Department of Agriculture



DATE: December 12, 2024

INSPECTION

NUMBER: 08801-0002-22

TO: Randy Moore
Chief
Forest Service

ATTN: Robert Velasco
Chief Financial Officer
Forest Service

FROM: Janet Sorensen
Assistant Inspector General for Audit

SUBJECT: IJJA-Collaborative Aquatic Landscape Restoration Program

This report presents the results of our inspection of IJJA-Collaborative Aquatic Landscape Restoration Program. 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 all 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 Objectives

Background

Congress authorized the United States Department of Agriculture (USDA) to use \$80 million of the Infrastructure Investment and Jobs Act (IIJA) funds to establish a collaborative-based, landscape-scale restoration program to restore water quality or fish passage on Federal and non-Federal land, including Indian forestland or rangeland.^{1, 2} As a result, USDA established the Collaborative Aquatic Landscape Restoration Program (CALR) within the Forest Service (FS).

IIJA requires USDA, not later than 180 days after the enactment of the Act, to solicit collaboratively developed proposals that (1) are for 5 years to restore fish passage or water quality on Federal and non-Federal land, (2) contain accomplishments and proposed non-Federal funding, and (3) request no more than \$5 million in funding. The Act also requires USDA to select projects that result in the most miles of streams restored for the lowest amount of Federal funding. The Act instructs USDA to discontinue funding for a project that fails to achieve the results included in a proposal for more than 2 consecutive years. In addition, the Act requires that USDA publish a list of all priority watersheds on National Forest land, the condition of each watershed on the date the Act was enacted, and the condition of the watersheds 5 years after the enactment of the Act.³

An interagency team consisting of staff members from FS and the Department of the Interior selected a total of 22 rehabilitation proposals.⁴ According to FS, it will invest more than \$53.6 million of the \$80 million on rehabilitation projects contained in these proposals.⁵ Some of the selected rehabilitation projects include replacement of concrete ford in streams preventing fish passage with bridges, replacement of culverts, and dam removals, as shown in the photograph below.

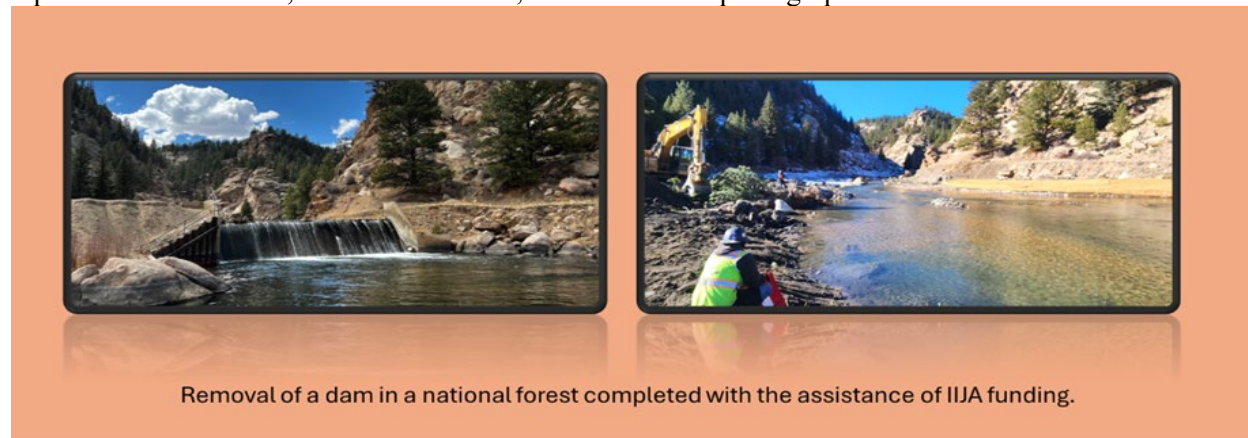


Figure 1: Before and after photos, taken November 15, 2022, and November 21, 2023, depicting the removal of a dam in a national forest completed with the assistance of IIJA funding. U.S. Forest Service Photos.

¹ The appropriations section of the Act establishes that, for the National Forest System (NFS), funds remain available until expended and be available for fiscal years (FYs) 2022 through 2026. The CALR program received funds at a rate of \$16 million per FY.

² Infrastructure Investment and Jobs Act, Pub. L. No. 117-58, 135 Stat. 429 (2021).

³ Infrastructure Investment and Jobs Act, Pub. L. No. 117-58, § 40804(f) (1) – (3), 135 Stat. 1109 (2021).

⁴ FS and the Department of the Interior selected 11 rehabilitation proposals in July 2022 and another 11 proposals in March 2024.

⁵ FS expressed in their website that \$25.5 million will be invested in the proposals selected in FY 2022 and \$28.1 million will be invested in the proposals selected in FY 2024.

In FYs 2022 and 2023, the CALR program received \$32 million of the \$80 million authorized. During this period, FS transferred CALR funds as follows:

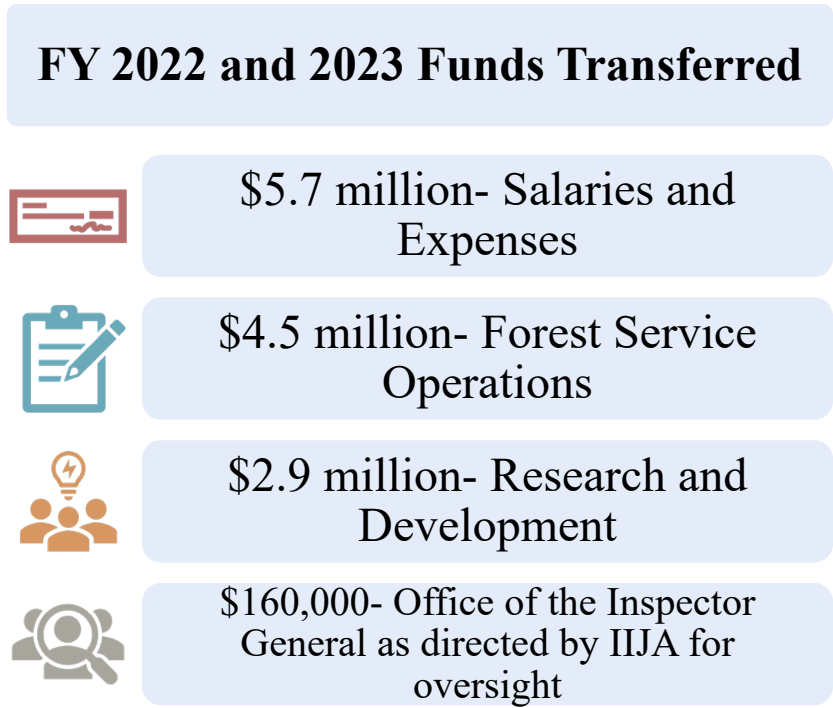


Figure 2: Funds Transferred from CALR to Other Accounts. Figure by OIG.

Objectives

Our objectives were to assess FS’ internal controls over budgeting and selecting CALR funds for projects, and to evaluate how the agency monitors each project to ensure timely completion. Specifically, we addressed the following objective questions:

1. Did FS have controls to ensure funds were properly budgeted, selected, and tracked?
2. Did FS have a process to ensure selected project proposals were tracked and completed timely?

Finding 1: FS Could Not Accurately Report Expenditures for CALR S&E

We found that FS had controls for budgeting and selecting projects for CALR funds, but the agency did not always properly track its allocated funds for salaries and expenses (S&E). Using its existing accounting structure, FS could not produce reliable and readily available information to report how the agency expended funds allocated for CALR S&E. This occurred because FS did not design specific controls to track its fiscal year (FY) 2022 CALR S&E expenditures separately from other IIJA National Forest Service (NFS) S&E funds. As a result, FS cannot accurately report how it expended funds allocated for CALR S&E in FY 2022, resulting in more than \$5.7 million in questioned costs.

According to the Office of Management and Budget (OMB), Circular A-11,⁶ the agency's internal controls are the organization, policies, and procedures used to reasonably ensure that:

- resources used are consistent with the agency mission, and
- reliable and timely information is obtained, maintained, reported, and used for decision making.

Additionally, USDA's Departmental Regulation requires Agency heads to maintain a system of internal control to ensure adequate controls for program and administrative operations, reporting, and compliance are in place.⁷

Although we found that FS had controls for budgeting and selecting CALR funds, after evaluating FS' existing accounting structure, we determined FS' controls did not meet the OMB and USDA's Departmental Regulation requirements. Specifically, FS did not have adequate policies and procedures to reliably track its S&E. For example, of the \$80 million authorized for the CALR, the FS allocated more than \$5.7 million of its FY 2022 funds to S&E.⁸ The agency stated that S&E funds from all IIJA funded programs under the NFS were allocated to the same account. Once the FS allocated the CALR funds to S&E, the NFS program area was unable to track those funds separately from other IIJA S&E funds as they are commingled with other NFS IIJA program funds. Furthermore, FS had difficulty providing us reliable and readily available information on the funds allocated to CALR. On two occasions, FS provided OIG documentation containing inconsistent CALR S&E figures for FY 2022. Specifically, FS provided documentation that identified \$3.7 million on one occasion, and \$5.7 million on another occasion. Due to FS' inadequate controls, the agency could not determine how much of the \$5.7 million was spent on CALR S&E expenses versus other NFS IIJA S&E expenses.

During our discussions, FS acknowledged the issue with its overall FY 2022 and FY 2023 allocation process, which includes FY 2022 CALR S&E. Additionally, FS stated that the process will be overhauled in FY 2024, implementing a new budget structure to mirror IIJA provisions and creating more budget line items for specific provisions. However, FS indicated that its

⁶ OMB, *Transmittal Memorandum # 97, Preparing, Submitting, and Executing the Budget*, Circular A-11 (Aug. 11, 2023).

⁷ USDA Departmental Regulation 1110-002, *Management's Responsibility for Internal Control* (Mar. 5, 2021).

⁸ FS did not allocate CALR funds for S&E for FY 2023.

current methodology to allocate CALR S&E funds will remain unchanged. While we recognize FS' efforts to implement a new budget structure, not improving its current methodology limits FS' ability to design specific controls to track the amount of funds expended based on the funds' appropriated provision and purpose. In summary, OIG recommends FS establish a method to track CALR S&E funds and believes that implementing the new budget structure will assist FS in providing more reliable and timely information for decision-making and external stakeholders.

Recommendation 1

Establish and implement a method to track the amount of CALR S&E funds expended separately from other IIJA NFS S&E funds.

Agency Response

FS generally concurred with the intent of the recommendation to improve the transparency of IIJA S&E costs. To address the OIG finding, FS will strengthen internal controls to continue to assure IIJA NFS S&E support IIJA implementation. FS will review and strengthen the methodology used to determine S&E assessment by (1) developing program delivery criteria to determine the amount of S&E needed to support implementation of each provision, (2) documenting a decision making process for determining the amount assessed, (3) developing monitoring protocols based on the program delivery criteria, and (4) designing a review process to assume constant improvement of criteria and decisions. The methodology will be documented as a Standard Operating Procedure.

FS' estimated completion date is October 30, 2025.

OIG Position

We accept management decision for this recommendation.

Finding 2: FS Needs a Process to Ensure Selected CALR Project Proposals are Tracked and Completed Timely

We found that FS did not establish a process to ensure selected CALR project proposals were tracked and completed timely. FS officials were unable to use its available information to accurately determine and communicate the completion status of the selected CALR project proposals. This occurred because FS did not establish a process or tracking system to ensure CALR project proposals are monitored and completed timely. As a result, without a process to track and monitor CALR project proposals, FS risks being noncompliant with the IJJA 2-year project funding discontinuation requirement.

According to the Government Accountability Office's (GAO) Green Book, management should use quality information to achieve the entity's objectives. Quality information is complete, accurate, accessible, and provided on a timely basis so that management can use it for effective monitoring.⁹

IJJA requires FS to discontinue funding for selected projects that fail to achieve its proposed results for more than 2 consecutive years.¹⁰ FS issued guidelines and template instructions to regions submitting project proposals.¹¹ FS guidelines stated that the template incorporates IJJA provisions to ensure management and implementation of the CALR program will successfully meet the requirements and intent of IJJA, including the accountability clause which states that funding will be discontinued if planned achievements are not met for 2 consecutive years.

For tracking CALR projects, FS relied on the Watershed Improvement Tool (WIT) database and the Watershed Condition Assessment Tracking Tool (WCATT).^{12 13} However, we found that these systems were neither designed to track IJJA's 2-year requirement, nor were they updated timely to provide accurate information. For example, in April 2023, OIG requested the status for CALR projects to include whether the projects are in planning, design, contract award process, currently in progress, or completed. In May 2023, OIG requested additional information related to the CALR projects to include when the projects were approved, when the projects started or are expected to start, and the expected end date. In June 2023, FS responded to OIG's requests and stated that it does not have corporate databases that can track the information for CALR projects to the level of detail requested. As a result of FS Headquarters' inability to provide the status of each CALR project, in July 2023, OIG reached out directly to each FS work unit to determine the status of its CALR projects.

⁹ GAO, *Standards for Internal Control in the Federal Government*, GAO-14-704G, ¶ 13.01, 13.04, 13.05 (Sept. 2014).

¹⁰ Infrastructure Investment and Jobs Act, Pub. L. No. 117-58, § 40804(f) (2), 135 Stat. 1109 (2021).

¹¹ FS, *Collaborative Aquatic Landscape Restoration Plan Proposal Template Submission Guidelines* (Apr. 2022).

¹² The WIT manages data, observations, and planning details about sites that need to be, or have been, restored or improved with the intent of benefiting watershed and aquatic ecosystem health and function.

¹³ The WCATT supports classification information for watersheds that contain FS lands. The tool provides a comprehensive approach for documenting watershed condition assessment and classification results; tracking and monitoring priority watersheds, restoration plan accomplishment; and providing a means to display watershed condition, classification, and priority watershed restoration history.

Using information obtained from FS, we visited three National Forests to assess and confirm the projects' statuses. During these visits, we confirmed each project's status and the need for FS Headquarters to establish a process to track and monitor CALR projects. FS acknowledged the issue and stated, as a result of OIG engagement efforts, that they are developing a process for tracking the completion of CALR projects. In summary, OIG believes that a new process will assist the FS in tracking, monitoring, and meeting the unique project timelines required by IJJA.

Recommendation 2

Establish and implement a process to track and monitor CALR project proposals and their results.

Agency Response

FS concurred with the recommendation. FS will establish and implement a CALR Project Tracker for each proposed project associated with the approved restoration plans.

FS' estimated completion date is October 30, 2025.

OIG Position

We accept management decision for this recommendation.

Scope and Methodology

We conducted an inspection of FS' funding and monitoring of selected IJA CALR project proposals. Our inspection scope covered FS CALR for FYs 2022 and 2023. We performed fieldwork both remotely and in-person at the FS Washington Office (FS Headquarters) and selected National Forests.¹⁴ We initiated our oversight using a multi-tiered approach in March 2023 and issued an informational report disclosing relevant information about the CALR in June 2023.¹⁵ We conducted our fieldwork for this inspection from November 2023 to July 2024. We discussed the results of our inspection with FS on August 14, 2024, and included its responses, as appropriate.

To accomplish our inspection objectives, we:



Interviewed FS Washington Office (FS Headquarters) staff to gain an understanding of the CALR program and administration.



Interviewed staff from Regional Offices, National Forests, and CALR project partners to gain an understanding of the progress of rehabilitation projects.



Interviewed Budget Operations Branch staff to gain an understanding of funding activities.



Reviewed FS documentation including guidelines for the submission of rehabilitation proposals, laws, regulations, written policies, procedures, funding, and other guidance to gain sufficient knowledge and understanding of the CALR



Visited three National Forests with selected rehabilitation projects in Arizona, California, and Colorado to observe the status of the projects to determine if the projects were properly tracked.

We conducted this inspection in accordance with the Council of the Inspectors General on Integrity and Efficiency's *Quality Standards for Inspection and Evaluation*. These standards require that we obtain sufficient and appropriate evidence to meet our inspection objectives,

¹⁴ We nonstatistically selected 3 of the 11 rehabilitation projects that FS funded during our scope period based on the status of completion and total expenditures.

¹⁵ Informational Report 08801-0002-22(IN), *Collaborative Aquatic Landscape Restoration Program*, June 2023.

support our findings, and provide a reasonable basis for our conclusions. We believe that the evidence obtained provides a reasonable basis for our conclusions.

Abbreviations

CALR.....	Collaborative Aquatic Landscape Restoration
FS.....	Forest Service
FY.....	fiscal year
GAO.....	Government Accountability Office
IIJA.....	Infrastructure Investment and Jobs Act
NFS.....	National Forest System
OIG.....	Office of Inspector General
OMB.....	Office of Management and Budget
S&E.....	Salary and Expense
USDA.....	United States Department of Agriculture
WCATT.....	Watershed Condition Assessment Tracking Tool
WIT.....	Watershed Improvement Tracking

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 accounting structure commingles S&E of CALR and other FS IIJA NFS S&E funds.	\$5,713,000	Questioned Costs, No Recovery Recommended
Total			\$5,713,000	

**Forest Service
Response to Inspection Report**



File Code: 1430**Date:** November 8, 2024**Subject:** OIG Report on IIJA – Collaborative Aquatic Landscape Restoration Program
(OIG Inspection 08801-0002-22)**To:** Janet Sorensen, Assistant Inspector General for Audit

Thank you for the opportunity to review and comment on the Office of Inspector General (OIG) Report Number 08801-0002-22.

Related to recommendation one, the Forest Service generally concurs with the intent of the recommendation to improve the transparency of IIJA Salary and Expense costs. Additional information can be found in the enclosure to this letter, “Response to the Official Draft Report/Management Decision Request.”

The Forest Service generally concurs with recommendation two to establish and implement a process to track and monitor Collaborative Aquatic Landscape Restoration project proposals and their results.

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, Forest Service Chief Financial Officer, at (703) 605-4726 or robert.velasco@usda.gov, with any questions.

RANDY MOORE
Chief

Enclosure (1)

cc: Robert Velasco



USDA Forest Service (FS)

Office of Inspector General (OIG) Inspection Report No. 08801-0002-22

IIJA—Collaborative Aquatic Landscape Restoration Program (CALR)

Response to the Official Draft Report / Management Decision Request

Recommendation 1: Establish and implement a method to track the amount of CALR S&E funds expended separately from other IIJA NFS S&E funds.

FS Response: The Forest Service generally concurs with the intent of the recommendation to improve the transparency of IIJA Salary and Expense costs. The Forest Service tracks all NFS IIJA S&E separately from other appropriated funds and the funds used for NFS IIJA S&E are not required to be tracked separately by authorizing provision.

To address the OIG finding, the Forest Service will strengthen internal controls to continue to assure IIJA National Forest System Salary & Expenses support IIJA implementation. The FS will review and strengthen the methodology used to determine S&E assessment by 1) developing program delivery criteria to determine the amount of S&E needed to support implementation of each provision, 2) documenting a decision making process for determining the amount assessed, 3) developing monitoring protocols based on the program delivery criteria, and 4) designing a review process to assume constant improvement of criteria and decisions. The methodology will be documented as a Standard Operating Procedure.

In determining appropriate tracking and accountability requirements, FS reviewed IIJA, P.L. 116-94 (Further Consolidated Appropriations Act, 2020), 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 Division J provides lump sum funding for the National Forest System to carry out activities authorized in Division D sections 40803 and 40804. Division J, National Forest System Heading, provides that funds under the heading are available for salaries and expenses. Using a single S&E budget line item to support the heading, not separate budget line items for each authorized provision, is consistent with this heading.

In addition, Congress directed the Forest Service to create S&E accounts and in FY 2021 created a single S&E budget line item for each main appropriation except Capital Improvement and Maintenance. To be consistent with the treatment of S&E in our regular appropriations, the Forest Service determined that it was appropriate to implement the IIJA S&E the same way. The Forest Service receives funding from multiple sources that support the same or similar activities, including IIJA funds that support a variety of ecological restoration activities. A single staff member could work on a project that uses multiple funding sources. Maintaining a

single S&E budget line item allows consistent implementation of S&E codes in accounting for time and tracking IJA S&E expenses.

The Forest Service is complying with the authority in IJA Division J to use funds for S&E to support the heading and is tracking all IJA funds separate from other appropriated funding.

Estimated Completion Date: October 30, 2025

Recommendation 2: Establish and implement a process to track and monitor CALR project proposals and their results.

FS Response: The Forest Service concurs with this recommendation. The Forest Service will establish and implement a CALR Project Tracker spreadsheet for each proposed project associated with the approved restoration plans. The spreadsheet will include the expected start and end dates, and the project status will be recorded. The spreadsheet will be reviewed annually to determine if the projects are achieving the expected results.

Estimated Completion Date: October 30, 2025

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