



U.S. Department of Agriculture
Office of Inspector General



IIJA – Financial Assistance to Facilities that Purchase and Process Byproducts from Ecosystem Restoration Projects

Inspection Report 08801-0002-51

We determined that the Forest Service did not provide financial assistance to facilities that purchase and process ecosystem restoration byproducts in accordance with IIJA requirements, resulting in \$86 million in questioned costs and \$94 million in unsupported costs.

OBJECTIVE

Our objective was to determine the extent to which Forest Service executed IIJA Section 40804(b)(3) and 40804(d) funding in accordance with IIJA requirements and internal control best practices.

BACKGROUND

IIJA, signed into law on November 15, 2021, provided FS with approximately \$1.2 billion for ecosystem restoration activities. Of this funding, FS received \$400 million to provide financial assistance to facilities that purchase and process byproducts from ecosystem restoration projects.

FS implemented this IIJA funding through grants provided to wood processing facilities to improve, establish, retrofit, or expand facilities that purchase and process byproducts from ecosystem restoration projects from Federal or Tribal lands. IIJA required that the facilities funded by the provision be located in close proximity areas at high or very high risk of unnaturally severe wildfire or insects or disease infestation.

REVIEWED

We reviewed FS implementation of these IIJA provisions for fiscal years 2022-2024.

WHAT OIG FOUND

We found that the Forest Service (FS) lacked sufficient controls to ensure that funding was spent in accordance with the Infrastructure Investment and Jobs Act (IIJA) requirements. Specifically, FS did not track funds transferred to administrative accounts, such as Salaries and Expenses (S&E) and Forest Service Operations (FS Ops), resulting in questioned costs of more than \$86 million without recovery. Also, FS did not have a defined coordination agreement with the Department of Interior to implement the program.

Additionally, we found that FS did not have quality data to support that it funded facilities in accordance with IIJA requirements or have a method to determine how these awards would substantially decrease the cost of ecosystem restoration projects. This resulted in the recommended recovery of more than \$94 million in unsupported costs. Finally, FS did not update procedures to consider funding provided to facilities was used to determine funding for ecosystem restoration projects.

WHAT OIG RECOMMENDS

We recommend that FS: (1) establish and implement controls over S&E and FS Ops transfers; (2) implement best practices for interagency coordination; (3) establish and implement controls over funding decisions; (4) recover funds from awards that are not properly supported; (5) formalize the process for determining cost reduction; and (6) update procedures to account for funding provided to facilities when determining restoration project funding.

FS agreed with our findings and recommendations, and we accepted management decision on all six recommendations.



OFFICE OF INSPECTOR GENERAL

United States Department of Agriculture



DATE: February 11, 2026

INSPECTION

NUMBER: 08801-0002-51

TO: Thomas M. Schultz, Jr.
Chief
Forest Service

ATTN: Erica Banegas
Director of Audit and Assurance
Forest Service

FROM: Yarisís Rivera-Rojas
Acting Assistant Inspector General for Audit

SUBJECT: IJJA – Financial Assistance to Facilities that Purchase and Process Byproducts from Ecosystem Restoration Projects

This report presents the results of our inspection of IJJA – Financial Assistance to Facilities that Purchase and Process Byproducts from Ecosystem Restoration Projects. 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 six 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

The U.S. Department of Agriculture’s (USDA) Forest Service (FS) has been managing wildland fire of National Forests and Grasslands for more than 100 years. Specifically, through restoration, FS is creating and maintaining healthy resilient forests capable of delivering all the benefits that people get from them: clean air and water, carbon sequestration habitat for native fish and wildlife, forest products, opportunities for outdoor recreation, and more.

The Infrastructure Investment and Jobs Act (IIJA),¹ which was signed into law on November 15, 2021, provided FS with approximately \$1.2 billion for ecosystem restoration activities.² Of this funding, FS received \$400 million to provide financial assistance to facilities that purchase and process byproducts from ecosystem restoration projects.³ For fiscal years (FYs) 2022-2024, FS allocated \$240 million to provide financial assistance to facilities that purchase and process byproducts from ecosystem restoration projects.⁴ Figure 1 provides a breakdown of the \$240 million FS has allocated and the funding that remains unallocated and available for spending. Overall, FS has the unallocated amount of \$58 million listed in Figure 1 plus an additional \$160 million for spending in FY 2025 and beyond.⁵

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

² Infrastructure Investment and Jobs Act, Pub. L. No 117-58, 135 Stat. 1105, § 40804 (2021).

³ Infrastructure Investment and Jobs Act, Pub. L. No 117-58, 135 Stat. 1106, § 40804(b)(3) (2021).

⁴ FS allocated \$80 million per FY.

⁵ Funding under this IIJA provision is “no-year” funding and available until spent.

FYS 2022-2024 FUNDING BREAKDOWN - \$240 MILLION

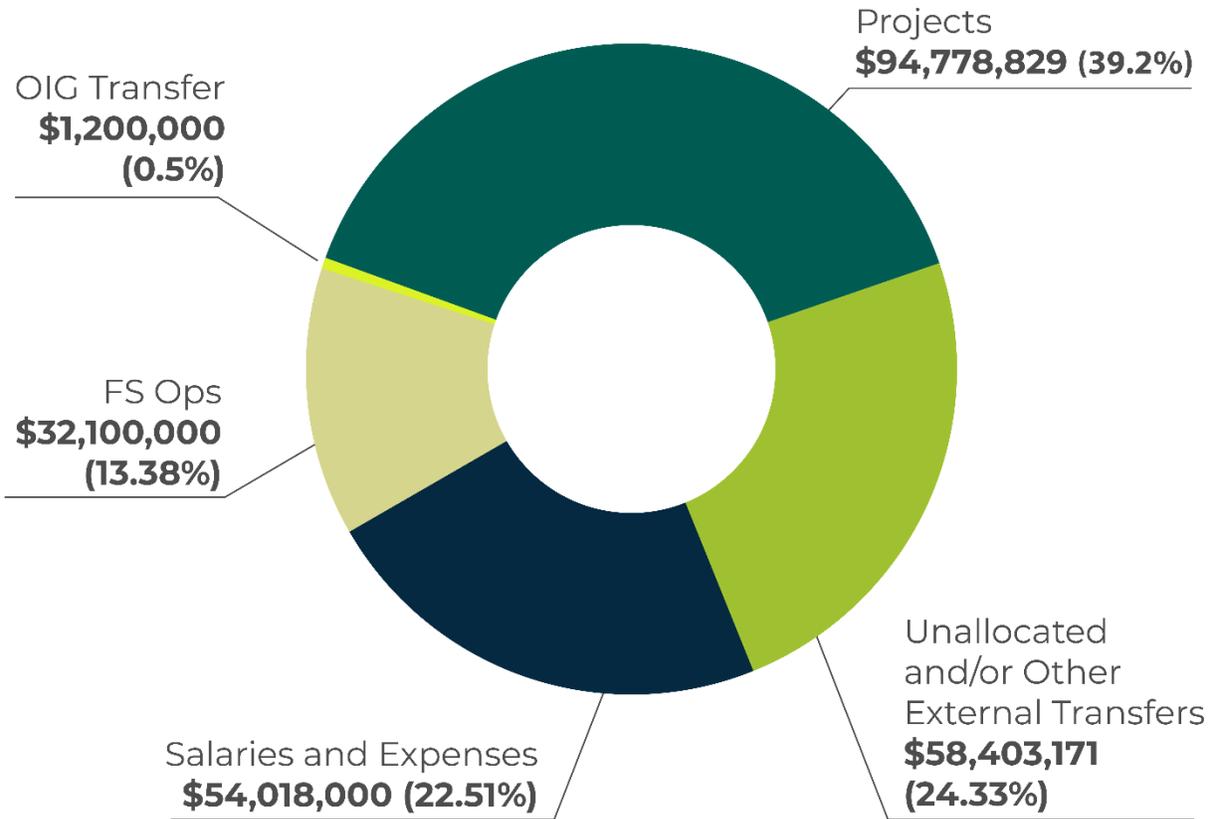


Figure 1: USDA IIJA Section 40804 Funding Breakdown FYs 2022-2024. Figure by the Office of Inspector General (OIG).

FS used Wood Product Infrastructure Assistance grants to fund facilities that purchase and process byproducts from ecosystem restoration projects. These grants provided funding to wood processing facilities to improve, establish, retrofit, or expand facilities that purchase and process byproducts from ecosystem restoration projects from Federal or Tribal lands. IIJA required the facilities funded by the provision be located in close proximity to areas at high or very high risk of unnaturally severe wildfire or insect or disease infestation. Figure 2 below shows the map FS created to illustrate allocations made in FY 2023 and FY 2024 and to identify areas described as high or very high risk.

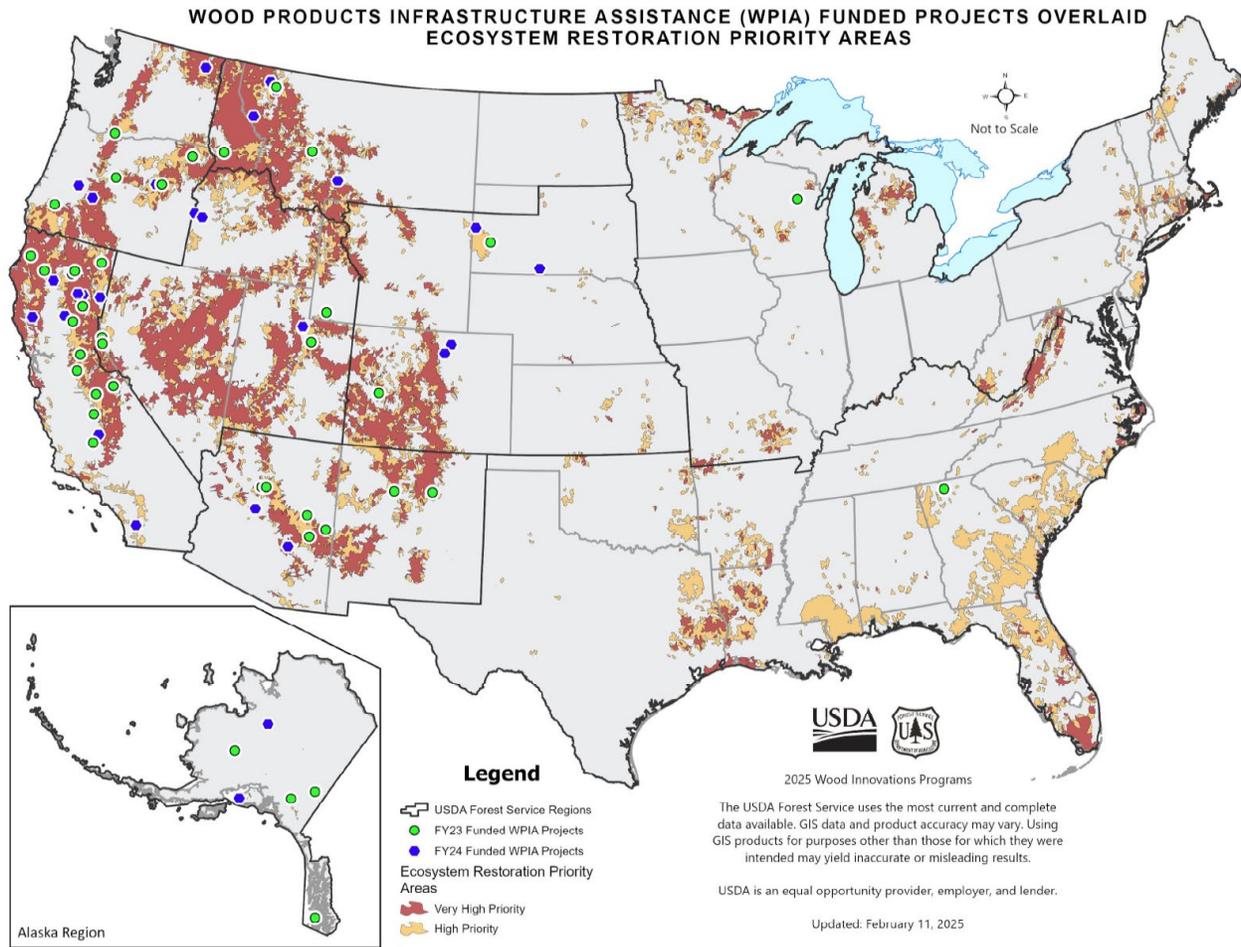


Figure 2: Map of projects alongside priority areas. Map provided by FS on February 11, 2025.

Figure 3 below provides an overview of the byproducts process funded by IJJA.



Figure 3: Description of Byproducts Process Funded by IIJA Section 40804. Figure by OIG.

Photo 1: Low intensity ground fire during a burn operation.

Photo 2: Stack of timber waiting to be processed in front of a National Forest.

Photo 3: Timber processing machine in front of a National Forest.

Objective

Our objective was to determine the extent to which Forest Service provided funding to facilities that process byproducts from ecosystem restoration projects in accordance with IIJA requirements listed in Section 40804(b)(3) and 40804(d), and internal control best practices.

FS Lacked Sufficient Internal Controls to Ensure that Funding was Spent in Accordance with IJA Requirements

Finding 1: FS Could Not Accurately Track Expenditures for Funds Allocated to Salaries and Expenses and FS Operations

FS comingled IJA funds alongside other funds appropriated for different purposes to cover IJA administrative expenses, such as Salaries and Expenses (S&E) and operations. This occurred because FS did not design controls to determine or track how administrative expenses charged to those mixed accounts were used for IJA activities. As a result, FS could not accurately report how it expended funds allocated for S&E and FS Operations (FS Ops) to directly support facilities that process byproducts of ecosystem restoration projects, resulting in more than \$86.1 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 assure that:

- Resources 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

FS allocated approximately \$54 million⁸ of the IJA funds for supporting facilities that process byproducts of restoration projects to its general S&E account. This account funds the oversight of all FS programs. FS also transferred \$32.1 million⁹ in funds to its FS Ops account. The FS Ops account covers other necessary expenses for FS including base salary and expenses of employees to carry out administrative and general management support functions, costs of facility maintenance, repairs, and leases of buildings and sites, utilities, and other administrative support functions throughout FS Ops. Once IJA funds were transferred to these two accounts, the funds were comingled with other funding sources and FS was unable to report specifically on how the IJA funds were used to support byproduct restoration projects.

FS had not established tracking controls to differentiate its use of IJA funds for supporting facilities that process byproducts of restoration projects transferred to S&E and FS Ops accounts

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

⁷ USDA Departmental Regulation 1110-0002, *Management's Responsibility for Internal Control* (Mar. 5, 2021).

⁸ Total amount transferred for FYs 2022-2024 to S&E was \$54,018,000: FY 2022, \$20,418,000; FY 2023, \$16,800,000; and FY 2024, \$16,800,000.

⁹ Total amount transferred for FYs 2022-2024 to FS Ops was \$32,100,000: FY 2022, \$12,800,000; FY 2023, \$9,700,000; and FY 2024, \$9,600,000.

from other funding sources in those accounts.¹⁰ As such, FS is unable to determine whether the funding was used in accordance with IIJA requirements. As a result, we are questioning, with no recovery recommended, the approximately \$86.1 million in funding transferred to the S&E and FS Ops accounts. FS is aware of this previously reported issue and is taking steps to improve its controls.

Recommendation 1

Establish and implement a control to track the amount of S&E and FS Ops funds expended for IIJA Section 40804(b)(3).

Agency Response

FS concurred with the finding and recommendation. In response to this recommendation, FS will implement internal controls that enhance the transparency of S&E costs and FS Ops transfers by tracking funds expended for IIJA Section 40804(b)(3).

FS provided an estimated completion date of February 27, 2026.

OIG Position

We accept management decision for this recommendation. For Final Action, FS needs to provide the Office of the Chief Financial Officer (OCFO) detailed information pertaining to the establishment and implementation of internal controls to track the amount of S&E and FS Ops funds expended for IIJA Section 40804(b)(3).

¹⁰ USDA OIG has previously reported on the challenges FS faced with the comingling of these funds. See Inspection Report 08801-0002-24, [IIJA Community Wildfire Defense Grant Program for At Risk Communities](#), August 2024, and Inspection Report 08801-0002-22, [IIJA – Collaborative Aquatic Landscape Restoration Program](#), December 2024.

Finding 2: FS Can Improve Coordination with the Department of Interior

FS did not effectively coordinate with the Department of Interior (DOI) to prioritize Federal lands and select facilities for funding. This occurred because FS and DOI did not establish a structure around their coordination efforts. As a result, FS has reduced assurance that it accurately prioritized projects in locations considered high or very high risk of unnaturally severe wildfires or insect or disease infestation.

IJA requires the Secretary of Agriculture to coordinate with the Secretary of Interior to develop a ranking system to prioritize units of Federal land based on the risk of unnaturally severe wildfires or insect or disease infestations.¹¹ Based on these rankings, for Federal units of land ranked as high or very high priority, the two agencies must determine whether:

- (1) A sawmill or other wood-processing facility is in close proximity, and
- (2) The presence of such a facility would substantially or does substantially decrease the costs of conducting ecological restoration projects that involve vegetation removal.¹²

In 2012, the Government Accountability Office (GAO) issued a report on key considerations for ensuring coordination and collaboration between Government agencies.¹³ Specifically, GAO found that agencies that articulate their agreements in formal documents can strengthen their commitment to working collaboratively. GAO recommended that agencies improve collaborations through formal written agreements, such as a memorandum of understanding.

However, we found that FS and DOI did not formalize their collaboration efforts and define the roles and responsibilities of their collaboration. According to an FS official, FS initiated coordination meetings with DOI in July 2022 to provide an overview of how FS was going to implement the new program. That same month, DOI provided feedback to FS on the grant application. However, coordination efforts declined, and by November 2023, DOI informed FS it no longer had resources to continue to assist on the program. FS ultimately prioritized Federal lands and selected 132 facilities to fund without significant input from DOI. Without this input from DOI, FS relied on its own data and may not have accurately assessed the risk of wildfire and insect or disease infestation across the entire Federal lands portfolio as required by Congress.

Recommendation 2

Implement best practices for interagency coordination including but not limited to entering into a written agreement with DOI to document the roles, responsibilities, and expected outcomes.

¹¹ Infrastructure Investment and Jobs Act, Pub. L. No. 117-58, 135 Stat. 1107, § 40804(d)(1) (2021) requires FS and DOI to develop a ranking system that categorizes units of Federal land, including Indian forest land or rangeland, with regard to treating areas at risk of unnaturally severe wildfire or insect or disease infestation, as being very low, low, medium, high, or very-high priority.

¹² Infrastructure Investment and Jobs Act, Pub. L. No. 117-58, 135 Stat. 1107, § 40804(d) (2021).

¹³ GAO, *Managing For Results; Key Considerations for Implementing Interagency Collaborative Mechanics*, GAO-12-1022 (Sept. 2012).

Agency Response

FS concurred with the finding and recommendation. In response to this recommendation, FS has further engaged to ensure current and future coordination with the DOI through Office of Wildland Fire through an email dated October 17, 2025. DOI and FS are actively working together in support of Executive Order 14308 (EO), *Empowering Commonsense Wildfire Prevention and Response*, that directed federal agencies to take immediate, coordinated action to modernize wildfire prevention, mitigation, and response. Under this EO, the Secretary of Agriculture, in consultation with the Secretary of the Interior, shall consider promoting, assisting, and facilitating, as consistent with applicable law, innovative uses of woody biomass and forest products to reduce fuel loads in areas at risk of wildfires. In response, DOI and FS have closely engaged on the importance of markets and facilities to support reduced wildfire risk. This engagement helps support the committed engagement between DOI and FS. This approach would serve in lieu of a formal Memorandum of Understanding.

FS provided a completion date of October 17, 2025.

OIG Position

We accept management decision for this recommendation. For Final Action, FS needs to provide OCFO evidence of continuous interagency coordination with DOI outlining the roles, responsibilities, and expected outcomes pertaining to IIA Section 40804(b)(3).

Finding 3: FS Data Did Not Support Some FY 2023 and FY 2024 Grant Award Decisions

In FY 2023 and FY 2024, FS funded six projects in Alaska to support ecosystem restoration that were not near high or very high priority areas. FS officials stated they made these awards before they had the data necessary to inform the risk assessments. This resulted in \$3.3 million in unsupported costs on facilities that were not near high or very high priority restoration projects.

IJA requires the Secretary of Agriculture to rank and categorize Federal land and then use those rankings to fund projects that are within close proximity of high or very high priority areas for ecological restoration.¹⁴ In addition, GAO's Standards for Internal Control in the Federal Government (known as the Green Book) states that management should use quality information to achieve the entity's objectives, including obtaining relevant data from reliable internal and external sources in a timely manner, and then process that data into quality information.¹⁵

FS used mapping software with data from various sources including forest stocking, wildfire hazard potential, and National insect and disease risk to prioritize overall risk. Then, they consolidated the data into a single map and used it to identify the Federal lands that were high or very high priority for ecosystem restoration (the results of these rankings can be seen in Figure 2 on page 4). As depicted in Figure 4 below, FS did not categorize any land in Alaska as high or very high priority land for ecosystem restoration. Nonetheless, FS funded six facilities.

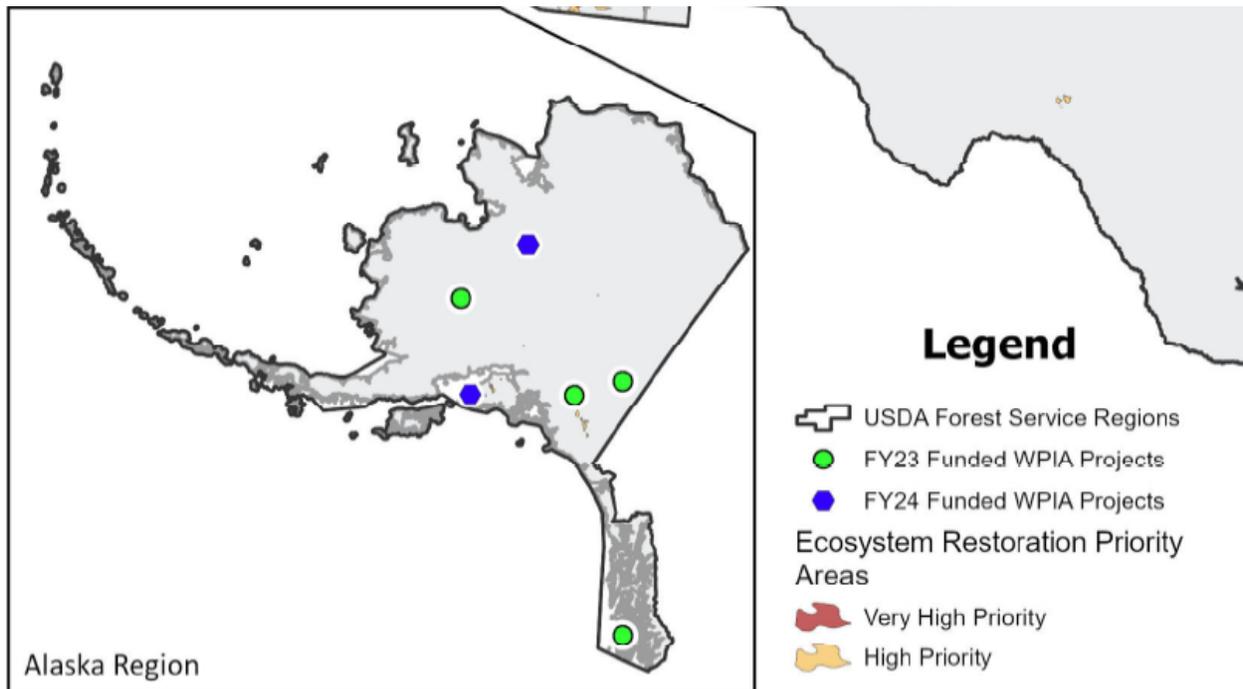


Figure 4: WPIA Funded Projects Overlaid Ecosystem Restoration Priority Areas. Map Provided by FS and Updated as of February 11, 2025.

¹⁴ Infrastructure Investment and Jobs Act, Pub. L. No. 117-58, 135 Stat. 1107 (2021).

¹⁵ GAO, *Standards for Internal Control in the Federal Government*, GAO-14-704G, ¶13.01, 13.04, 13.05 (Sept. 2014).

FS stated they funded the six facilities because the applicants were able to provide supporting information in their application package, which demonstrated the need for ecological restoration. FS officials stated they relied on data from applicants due to a delay in the data collection process used to inform their decision-making when approving awards. FS officials stated that for certain parts of the country, the data used for its risk assessment did not exist or was not available at the time of approval. In April 2025, FS provided an updated map showing Alaska as having high and very high-priority areas for restoration activities.

Because FS did not wait until it had data available to make informed decisions, FS cannot provide reasonable assurance that it funded restoration projects of greatest priority. Given that these decisions were made without proper supporting documentation at the time and separate from the ranking and categorization selection process required by the act and implemented for other funding decisions, we question the \$3.3 million awarded in Alaska. However, updated maps provided by FS after the awards had been made show the area is indeed high or very high priority retroactively, as such, we are not recommending a recovery of those funds. FS should strengthen the controls within its award selection process to ensure the more than \$218.4 million remaining are awarded to facilities in close proximity to lands considered high or very high risk at the time of award.

Recommendation 3

Establish and implement controls to ensure that remaining award decisions are fully supported by data to ensure facilities are in close proximity to high or very high risk areas.

Agency Response

FS concurred with the finding and recommendation. In response to this recommendation, FS will use available and updated data in the future to ensure accurate mapping for areas of high and very high risk. In addition to the FS risk map, FS will also use information from resources like wildfire risk.org, the National Insect and Disease map, and applicant supplied information.

FS provided an estimated completion date of January 23, 2027.

OIG Position

We accept management decision for this recommendation. For Final Action, FS needs to provide OCFO detailed information pertaining to their proposed use of additional, available, and updated data to ensure accurate mapping for areas of high and very high risk.

Finding 4: FS Could Not Determine Whether the Amount of Assistance to Facilities Reduced Costs of Ecological Restoration Projects

FS did not assess whether the financial assistance it provided to wood-processing facilities would decrease the cost of the ecological restoration projects in the area. This occurred because FS did not establish a method to determine cost savings for these efforts. As a result, FS could not demonstrate a substantial cost reduction of restoration projects as required by IJA, resulting in unsupported costs of more than \$94.2 million.

IJA required the Secretary of Agriculture to provide financial assistance to facilities if the presence of a facility would substantially decrease or does substantially decrease the cost of conducting ecological restoration projects.¹⁶ In addition, GAO's Green Book states that management should use quality information to achieve the entity's objectives. This includes obtaining relevant data from reliable internal and external sources in a timely manner, then processing that data into quality information.¹⁷

FS could not demonstrate how the 132 wood processing facilities it funded from FYs 2022-2024 would or did substantially decrease the cost of conducting ecological restoration projects in that area. To determine cost savings, FS required applicants to document two factors: the increased amount of forest residue the facility would use and the proximity of the facility to forests. These factors were used as a proxy for potential cost savings.

However, we found this method was inadequate because FS's measurements did not include quantifiable cost data. Without quantifiable cost data, it is unclear how FS arrived at its conclusions regarding the substantial savings these facilities were expected to provide for ecological projects. As a result, FS risks inefficiently spending these IJA funds while missing the opportunity to decrease the costs for its ecological restoration efforts.

Since there is no reliable way to determine whether the funding was used in accordance with IJA requirements, we question the approximately \$94.2 million¹⁸ for FYs 2022-2024 as unsupported costs, with recovery recommended.

Recommendation 4

Evaluate whether the 132 awards approved from FY 2022 to FY 2024, which total \$94.2 million in financial assistance, substantially decrease the cost of conducting ecological health restoration projects. Document conclusion reached and proceed to recover funds, as applicable.

¹⁶ Infrastructure Investment and Jobs Act, Pub. L. No. 117-58, 135 Stat. 1108 (2021).

¹⁷ GAO, *Standards for Internal Control in the Federal Government*, GAO-14-704G, ¶13.01, 13.04, 13.05 (Sept. 2014).

¹⁸ As noted in Figure 1 on page 3, for FYs 2022-2024, FS funded 132 projects totaling \$94,278,829.12. While we did not recommend recovery for the over \$3 million awarded in Alaska in Finding 3, we are recommending the recovery of those funds in this finding.

Agency Response

FS concurred with the finding and recommendation. In response to this recommendation, FS will evaluate the 132 projects and document the information that supports how the projects substantially decrease the costs of restoration projects.

FS provided an estimated completion date of January 23, 2027.

OIG Position

We accept management decision for this recommendation. For Final Action, FS needs to provide OCFO detailed information pertaining to the results of their evaluation of the 132 projects. More specifically, how these projects substantially decrease the cost of restoration projects.

Recommendation 5

Develop and implement a quantifiable and properly supported process for determining how the funding awarded to facilities would substantially or does substantially decrease the cost of conducting ecological restoration projects.

Agency Response

FS concurred with the finding and recommendation. In response to this recommendation, FS will develop and implement a quantifiable and properly supported process for determining how the funding awarded to facilities would substantially or does substantially decrease the costs of conducting ecological restoration projects.

FS provided an estimated completion date of January 23, 2027.

OIG Position

We accept management decision for this recommendation. For Final Action, FS needs to provide OCFO detailed information pertaining to development and implementation of the quantifiable and properly supported process for determining how the funding awarded to facilities would substantially or does substantially decrease the cost of conducting ecological restoration projects.

Finding 5: FS Needs to Update Procedures for Funding Ecological Restoration Projects

FS does not have controls in place to ensure future funding for ecological restoration projects takes into consideration funding provided to facilities that purchase and process byproducts from ecosystem restoration projects. IJA requires the Secretary of Agriculture to take into account funding provided under Section 40804(b)(3) when making decisions about which lands to conduct ecological restoration projects.¹⁹

A FS official stated the agency feels high and very high priority lands will remain unchanged in the near future, as those areas funded by the provision will continue to be prioritized for future ecological restoration efforts. However, without policies to ensure it prioritizes prior ecological funding when selecting which lands to conduct future ecological restoration projects, FS could stop funding projects in areas where investments have been made under this provision. If FS stops ecological restoration projects in these areas, it is possible the facilities may need to downsize or close, resulting in FS's investments in these facilities wasted.

Recommendation 6

Update procedures for future restoration project funding to account for funding provided to facilities under Section 40804(b)(3).

Agency Response

FS concurred with the finding and recommendation. In response to this recommendation, FS will develop and implement updated internal procedures. These procedures will ensure the continuity of ecological restoration in all awarded projects. It is important to note that the timeframes for projects involving ecological restoration through vegetation removal are varied, ranging from one-to-five-year contracts to agreements up to 20 years. Furthermore, operational factors, including natural events like floods and fires, may also influence these restoration activities.

FS provided an estimated completion date of January 23, 2027.

OIG Position

We accept management decision for this recommendation. For Final Action, FS needs to provide OCFO detailed information pertaining to the development and implementation of updated internal procedures to account for assistance under Section 40804(b)(3) in future ecological health restoration funding decisions.

¹⁹ Infrastructure Investment and Jobs Act, Pub. L. No. 117-58, 135 Stat. 1108 (2021).

Scope and Methodology

We conducted an inspection on FS’s funding for facilities that purchase and process byproducts from ecosystem restoration projects. We reviewed funding for FYs 2022-2024. We performed our fieldwork remotely with FS officials to obtain an understanding of FS’s funding for facilities.

In addition, we visited six locations in Arizona to gain an understanding of what the funding was being used for, as well as to determine how the funding impacted Grantees.

We performed our inspection fieldwork from June 2024 through September 2025. We discussed the results of our inspection with FS officials on December 9, 2025, and included their comments, as appropriate.

To accomplish our inspection objective, we:



Reviewed applicable laws and guidance to gain sufficient knowledge of the financial assistance program.



Analyzed IJIA related program data for FYs 2022-2024.



Interviewed FS officials to gain an understanding of the program.



Reviewed FS documentation, including proposals, awards, and performance reports to gain an understanding of the grant process.

We assessed internal controls significant to the inspection objective. Specifically, we assessed the following components and underlying principles:

Component	Principle
Risk Assessment	Management should consider the potential for fraud when identifying, analyzing, and responding to risks.
Information and Communication	Management should use quality information to achieve the entity’s objectives.
Information and Communication	Management should internally communicate the necessary 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.

We designed our inspection work to assess these internal control components and underlying principles; as such, it may not have disclosed all internal control deficiencies that may have existed at the time of this inspection.

We did not independently review or assess the agency's information system(s); therefore, we make no representation regarding the adequacy of the agency's computer system(s), or the information generated from it.

The inspection was conducted in accordance with the Council of the Inspectors General on Integrity and Efficiency's *Quality Standards for Inspection and Evaluation*.

Abbreviations

DOI	Department of Interior
EO	Executive Order
FS	Forest Service
FS Ops.....	Forest Service Operations
FY	fiscal year
GAO.....	Government Accountability Office
IIJA	Infrastructure Investment and Jobs Act
OCFO.....	Office of the Chief Financial Officer
OIG	Office of Inspector General
OMB	Office of Management and Budget
S&E.....	Salaries and Expenses
USDA.....	U.S. Department of Agriculture

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 could not track and report how it used more than \$86 million in FYs 2022-2024 funding it had transferred to S&E and FS Ops to support facilities.	\$86,118,000	Questioned Costs – No Recovery
3	3	FS did not have data supporting six FY 2023 and FY 2024 grant awards made in Alaska.	\$3,327,829	Unsupported Costs – No Recovery
4	4	FS could not demonstrate how approximately \$94.2 million would or did substantially reduce the cost of restoration projects, as required by IIJA.	\$94,278,829	Unsupported Costs – Recovery Recommended
Total			\$180,396, 829²⁰	

²⁰ Note: The funding from Finding 3 (no recovery recommended) is also captured in Finding 4 (recovery recommended), as such, the total dollar figures do not equal the sum of the three individual findings to ensure accurate accounting and no double counting.

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



DATE: January 21, 2026

TO: Yarisis Rivera-Rojas
Assistant Inspector General for Audit
USDA Office of Inspector General

FROM: Thomas M. Schultz, Jr. //s//
Chief
Forest Service

SUBJECT: Response to Recommendations in OIG Engagement No. 08801-0002-51

The Forest Service submits the following response to the recommendations in the Office of Inspector General’s (OIG) engagement 08801-0002-51 IIJA – Financial Assistance to Facilities that Purchase and Process Byproducts from Ecosystem Restoration Project.

Recommendation 1: Establish and implement a control to track the amount of S&E and FS Ops funds expended for IIJA Section 40804(b)(3).

Agency Response:

Agree with recommendation: Yes No Agree with monetary results: Yes No N/A

In response to this recommendation, the agency will implement internal controls that enhance the transparency of S&E costs and FS Ops transfers by tracking funds expended for IIJA Section 40804(b)(3).

Completion or Estimated Completion Date: *February 27, 2026*

Recommendation 2: Implement best practices for interagency coordination including but not limited to entering into a written agreement with DOI to document the roles, responsibilities, and expected outcomes.

Agency Response:

Agree with recommendation: Yes No Agree with monetary results: Yes No N/A

In response to this recommendation, the Forest Service has further engaged to ensure current and future coordination with the Department of Interior through Office of Wildland Fire through an email dated October 17, 2025. DOI and FS are actively working together in support of Executive Order 14308 (EO), *Empowering Commonsense Wildfire Prevention and Response*, that directed federal agencies to take immediate, coordinated action to modernize wildfire prevention, mitigation, and response. Under this EO, the Secretary of Agriculture, in consultation with the Secretary of the Interior, shall consider promoting, assisting, and facilitating, as consistent with applicable law, innovative uses of woody biomass and forest products to reduce

fuel loads in areas at risk of wildfires. In response, DOI and FS have closely engaged on the importance of markets and facilities to support reduced wildfire risk. This engagement helps support the committed engagement between DOI and FS. This approach would serve in lieu of a formal Memorandum of Understanding.

Completion or Estimated Completion Date: *October 17, 2025*

Recommendation 3: Establish and implement controls to ensure that remaining award decisions are fully supported by data to ensure facilities are in close proximity to high- or very high-risk areas.

Agency Response:

Agree with recommendation: Yes No Agree with monetary results: Yes No N/A

In response to this recommendation, the agency will use available and updated data in the future to ensure accurate mapping for areas of high and very high risk. In addition to the Forest Service risk map, the agency will also use information from resources like wildfire risk.org, the National Insect and Disease map, and applicant supplied information.

Completion or Estimated Completion Date: *January 23, 2027*

Recommendation 4: Evaluate whether the 132 awards approved from FY 2022 to FY 2024, which total of \$94.2 million in financial assistance substantially decrease the costs of conducting ecological health restoration projects. Document conclusion reached and proceed to recover funds, as applicable.

Agency Response:

Agree with recommendation: Yes No Agree with monetary results: Yes No N/A

In response to this recommendation, the agency will evaluate the 132 projects and document the information that supports how the projects substantially decrease the costs of restoration projects.

Completion or Estimated Completion Date: *January 23, 2027*

Recommendation 5: Develop and implement a quantifiable and properly supported process for determining how the funding awarded to facilities would substantially or does substantially decrease the costs of conducting ecological restoration projects.

Agency Response:

Agree with recommendation: Yes No Agree with monetary results: Yes No N/A

In response to this recommendation, the agency will develop and implement a quantifiable and properly supported process for determining how the funding awarded to facilities would substantially or does substantially decrease the costs of conducting ecological restoration projects.

Completion or Estimated Completion Date: January 23, 2027

Recommendation 6: Update procedures for future restoration project funding to account for funding provided to facilities under 40804(b)(3).

Agency Response:

Agree with recommendation: Yes No Agree with monetary results: Yes No N/A

In response to this recommendation, the agency will develop and implement updated internal procedures. These procedures will ensure the continuity of ecological restoration in all awarded projects. It is important to note that the timeframes for projects involving ecological restoration through vegetation removal are varied, ranging from one-to-five-year contracts to agreements up to 20 years. Furthermore, operational factors, including natural events like floods and fires, may also influence these restoration activities.

Completion or Estimated Completion Date: January 23, 2027

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