





DATE: January 9, 2023

TO: Randy Moore
Chief
Forest Service

ATTN: Robert Velasco
Chief Financial Officer
Forest Service

FROM: Yaris Rivera Rojas
Acting Assistant Inspector General for Audit

SUBJECT: Prior OIG Audits Relevant to Forest Service's Inflation Reduction Act Funding

According to the U.S. Department of Agriculture (USDA) Office of Budget and Program Analysis, the Inflation Reduction Act (IRA), Pub. L. No. 117-169, signed on August 16, 2022, provided more than \$43 billion to the USDA. Of this amount, IRA provided more than \$4 billion for the following activities/programs administered by the Forest Service (FS):

- \$2.15 billion for National Forest System Restoration and Fuels Reduction Projects;
- \$550 million for Competitive Grants for Non-Federal Forest Landowners; and
- \$2.2 billion for State and Private Forestry Conservation Programs.¹

As part of the Office of Inspector General's (OIG) oversight responsibility, we reviewed the results of prior OIG and Government Accountability Office (GAO) engagements that were relevant to the funding provided by IRA.² Identifying areas in which OIG reported past weaknesses and recommendations may provide FS insight to maintain or further strengthen existing controls for programs receiving IRA funding. Based on our review, we identified the following findings and recommendations that FS may wish to consider to ensure its forestry activities and programs continue to operate effectively with the proper control environment. According to information maintained by the Office of the Chief Financial Officer (OCFO), as of December 9, 2022, the recommendations associated with these prior audits have been implemented.

National Forest System Restoration and Fuels Reduction Projects

- *Forest Service Watershed Management*³: OIG reported that FS issued the Watershed Condition Framework (Framework) in 2011 to create a cohesive strategy for prioritizing and performing restoration work on watersheds throughout the agency's forests and grasslands. However, Washington Office (WO) staff did not develop and implement management controls to adequately oversee Framework activities completed by field

¹ We did not identify any prior OIG engagements for this area.

We limited our review to prior OIG engagements with recommendations tracked by the Office of the Chief Financial Officer.

³ Audit Report 08001-0001-21, *Forest Service Watershed Management*, July 2017.

staff. Without sufficient management controls, FS cannot demonstrate that the Framework is implemented as intended. FS therefore does not have an appropriate level of assurance that the watersheds managed by the agency are efficiently maintained or improved. Additionally, FS' methodology for measuring and reporting its performance towards watershed restoration in its Annual Performance Reports (APR) did not accurately portray the number of watersheds that actually moved into an improved condition class. Rather, FS counted the number of watersheds in which all restoration projects were completed, which is commendable. However, using this methodology does not communicate accurate data to stakeholders.

OIG recommended that FS develop and implement controls for reviewing and approving Framework plans and monitoring costs and project status. The agency should also obtain appropriate approval to revise the watershed key performance indicator to ensure accurate reports of restoration efforts and outcomes in APRs. According to OCFO, all the recommendations for this audit have been implemented.

- *Forest Service Deferred Maintenance*⁴: OIG reported that, while FS implemented corrective actions from prior OIG audits to address its deferred maintenance backlog, FS has not been able to reduce its longstanding deferred maintenance backlog below \$5 billion and lacked an overall strategy to overcome its resource limitations. Deferred maintenance is defined as repairs that were not performed when they should have been or were delayed until a future period. During our fieldwork, we found buildings with deferred maintenance that had structural issues, mold growths, widespread rodent droppings, or other issues, including 20 buildings with severe health and safety concerns. We also found that FS continues to lack an effective control structure for validating that required plans are maintained for dams and that necessary inspections of dams are performed to identify any deficiencies affecting their safety. Finally, we determined that FS did not report its deferred maintenance accurately and consistently. As a result, FS continues to own thousands of unused or unneeded facilities and, by its own admission, is on the verge of becoming the “national junkyard” of built assets. Until the agency significantly reduces its inventory of physical infrastructure to a portfolio that its employees can manage effectively in the current conditions, it is putting its mission in jeopardy. Additionally, deferred maintenance amounts may rise above the current \$5 billion level, and safety hazards associated with these properties could pose a significant risk of liability to FS and the Federal Government.

OIG recommended that FS implement an overall strategy to reduce its deferred maintenance backlog. The agency should take steps to reduce the number of assets in its portfolio, better ensure health and safety while maintenance is deferred, improve oversight of dams, and strengthen its reporting of deferred maintenance costs. According to OCFO, all the recommendations for this audit have been implemented.

- *Forest Service Wildland Fire Activities – Hazardous Fuels Reduction*⁵: OIG reported that the FS lacks a consistent, cross-agency process for selecting its highest priority hazardous fuels reduction projects for completion. FS units do not use scientifically based risk

⁴ Audit Report 08601-0004-31, *Forest Service Deferred Maintenance*, May 2017.

⁵ Audit Report 08601-0004-41, *Forest Service Wildland Fire Activities – Hazardous Fuels Reduction*, July 2016.

assessments to select projects; they do not document the processes used for selecting projects; and the WO does not review project decisions made at the regional and district level. FS' methodology for tracking accomplishments leads to inadequate data, and as a result, FS reported to Congress that it treated 3,703,848 acres for hazardous fuels reduction during fiscal years (FY) 2012–14, when it actually treated 3,600,389 acres, an overstatement of 103,459 acres (2.8 percent). Also, FS units charged work hours to the Hazardous Fuels Reduction budget line item for work that may not have supported those activities, despite guidance directing that time should be documented only for “actual work performed.” Without formal selection and review processes, FS may not apply its limited hazardous fuels reduction resources, which in FYs 2012–14 totaled approximately \$600 million, to the areas most in need of treatment, placing areas at increased risk of catastrophic wildland fire. Inaccurate reporting and accounting means that FS may not know what it actually spent on hazardous fuels reduction-related work, which may cause funding decisions to be based on inaccurate information.

OIG recommended that FS develop and implement risk assessments and guidance across the agency and document and implement a formal review of hazardous fuels reduction project selections. It should implement new tracking measures, make software modifications to accurately record accomplishments, and require staff to charge all costs only for “work actually performed.” According to OCFO, all the recommendations for this audit have been implemented.

Competitive Grants for Non-Federal Forest Landowners

- *Forest Service Grant for Roadless Area Management in the State of Alaska*⁶: OIG reported that FS had authority under the National Environmental Policy Act to provide funding to facilitate Alaska's participation in the State-specific rulemaking, as a cooperating agency. However, the processes FS used to award the \$2 million grant to Alaska did not comply with Federal laws and regulations. Specifically, FS modified an existing Cooperative Forestry Assistance Act of 1978 grant between FS and Alaska. The Cooperative Forestry Assistance Act of 1978 was an Act designated for Federal assistance to State and private forests, not Federal forests such as the Tongass National Forest. Further, FS' decision to issue this grant by modifying an existing grant did not comply with Federal laws and regulations related to competition for discretionary program funding. As a result, we found that stakeholders were unaware that Federal funding was available for the purposes of this grant.

OIG recommended that FS work with the Office of the General Counsel to develop and implement a plan to use the funding in compliance with Federal laws and regulations, and pending OGC's review, cease all payments related to this grant. According to OCFO, all the recommendations for this inspection have been implemented.

- *Forest Service's Plan for Addressing Climate Change*⁷: OIG found that FS reported that the agency is meeting the Department of Agriculture's (USDA) strategic goals for developing forests and grasslands that are more resilient to climate change. However, we

⁶ Inspection Report 08801-0001-24, *Forest Service Grant for Roadless Area Management in the State of Alaska*, Dec. 2020.

⁷ Audit Report 08601-0005-41, *Forest Service's Plan for Addressing Climate Change*, Aug. 2017.

found that the performance measure FS used to reach that conclusion did not adequately demonstrate accomplishments toward climate change adaptation and mitigation in agency-managed lands. Further, the agency's reporting tool (the Climate Change Performance Scorecard) did not dependably reflect FS progress because responders did not provide sufficient supplementary information that described accomplishments. Without outcome-based performance measures and adequate documentation, FS lacks transparency and accountability, limiting assurance that national forests are implementing climate change actions as the agency expects. Consequently, FS risks not taking actions necessary to achieve its goal and the Department's goal of making the Nation's forests and grasslands more resilient to climate change. Due to the findings discussed in this report, we were unable to determine whether FS actually met the Department's strategic goal for climate change.

OIG recommended that FS develop and monitor outcome-based performance measures for addressing climate change, including a new scorecard that fully documents FS' accomplishments for reporting progress. The agency should supply guidance for using the performance measures and for incorporating climate change considerations into all project planning. It should also provide training for the climate change coordinators who complete and review the scorecard, and establish a standard job description for the regional climate change coordinators. According to OCFO, all the recommendations for this audit have been implemented.

Related GAO Reports

We also noted the following GAO reports that FS may want to consider, which include findings and recommendations relevant to the funding provided by IRA:

- *Wildland Fire: Federal Agencies' Efforts to Reduce Wildland Fuels and Lower Risk to Communities and Ecosystems*⁸;
- *Puget Sound Restoration: Additional Actions Could Improve Assessments of Progress*⁹;
- *Wildland Fire Risk Reduction: Multiple Factors Affect Federal-Nonfederal Collaboration, but Action Could Be Taken to Better Measure Progress*¹⁰;
- *Forest Restoration: Adjusting Agencies' Information-Sharing Strategies Could Benefit Landscape-Scale Projects*¹¹; and
- *Forest Service Trails: Long- and Short-Term Improvements Could Reduce Maintenance Backlog and Enhance System Sustainability*¹².

Additional OIG Ongoing Engagements

Further, we identified three OIG ongoing engagements in FS related to programs that received IRA funds (see below). We also have additional engagements planned for FY 2023. Our plan is

⁸ GAO-20-52, *Wildland Fire: Federal Agencies' Efforts to Reduce Wildland Fuels and Lower Risk to Communities and Ecosystems*, Dec. 2019.

⁹ GAO-18-453, *Puget Sound Restoration: Additional Actions Could Improve Assessments of Progress*, Jul. 2018.

¹⁰ GAO-17-357, *Wildland Fire Risk Reduction: Multiple Factors Affect Federal-Nonfederal Collaboration, but Action Could Be Taken to Better Measure Progress*, May 2017.

¹¹ GAO-15-398, *Forest Restoration: Adjusting Agencies' Information-Sharing Strategies Could Benefit Landscape-Scale Projects*, May 2015.

¹² GAO-13-618, *Forest Service Trails: Long- and Short-Term Improvements Could Reduce Maintenance Backlog and Enhance System Sustainability*, Jun. 2013.

to address any potential effect our results could have on IRA funds assigned to these three programs, in separate reports, as applicable:

- *IIJA—Hazardous Fuels Management*¹³: Our objective is to conduct integrated oversight of the funding provided to FS' Hazardous Fuels Management program from the Infrastructure Investment and Jobs Act (IIJA). We will review program information for transparency and disclosure, perform data analytics on relative data sets for integrity and quality, inspect key aspects of the internal control environment, and review the implementation of the program.
- *IIJA—Restoration Projects on Federal/Non-Federal Land*¹⁴: Our objective is to conduct integrated oversight of the funding provided to FS' restoration projects on Federal/non-Federal land from the IIJA. We will review program information for transparency and disclosure, perform data analytics on relative data sets for integrity and quality, inspect key aspects of the internal control environment, and review the implementation of the program.
- *IIJA-Community Wildfire Defense Grant Program for At-Risk Communities*¹⁵: Our objective is to conduct integrated oversight of the funding provided to FS' Community Wildfire Defense Grant Program from the IIJA. We will review program information for transparency and disclosure, perform data analytics on relative data sets for integrity and quality, inspect key aspects of the internal control environment, and review the implementation of the program.

This memorandum contains publicly available information and will be posted in its entirety to our website (<https://usdaoig.oversight.gov>).

¹³ Inspection No. 08801-0001-21.

¹⁴ Inspection No. 08801-0002-41.

¹⁵ Inspection No. 08801-0002-24.

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