



U.S. Department of Agriculture
Office of Inspector General
Washington, D.C. 20250



DATE: July 7, 2010

REPLY TO

ATTN OF: 08703-4-SF (1)

TO: Thomas L. Tidwell
Chief
Forest Service

ATTN: Donna M. Carmical
Chief Financial Officer
Forest Service

FROM: Gil H. Harden
Assistant Inspector General /s/
for Audit

SUBJECT: The Recovery Act – Forest Service Trail Maintenance and Decommissioning (1)

The American Recovery and Reinvestment Act of 2009 (Recovery Act) included \$1.15 billion in funds for the Forest Service (FS) to implement projects that directly accomplish its missions of sustaining the nation's forests and grasslands, creating jobs, and promoting U.S. economic recovery. In passing the law, Congress emphasized accountability for and transparency of funds spent through the Recovery Act. To accomplish this, the Office of Management and Budget (OMB) issued guidance in February 2009 that requires Federal agencies to establish internal controls, oversight mechanisms, and other approaches to meet the Recovery Act's accountability objectives. The director of FS' Acquisition Management is responsible for implementing processes to ensure the agency complies with the Recovery Act and OMB's related guidance. In general, the Recovery Act requires the Department of Agriculture's (USDA) Office of Inspector General to oversee FS' (and other agencies') activities in order to ensure Recovery Act funds are spent in a manner that minimizes the risk of improper use.

FS allocated \$100 million of the Recovery Act funds for trail maintenance and decommissioning in the National Forest System (NFS). From these funds, nearly \$17 million were allocated to the FS Pacific Northwest region to address the backlog of deferred trails maintenance.¹ The FS Pacific Northwest region awarded a \$9.1 million youth employment grant to the State of Oregon, Department of Community College and Workforce Development (CCWD). FS funded the grant from three FS programs: Capital Improvement and Maintenance (CIM) Trail Maintenance and Decommissioning Program, Wildland Fire Management (WFM) Hazardous Fuels Reduction on Federal Land Program, and WFM Hazardous Fuels Reduction on Non-Federal Land Program.²

¹As of November 25, 2009, the FS Pacific Northwest region's deferred trail maintenance backlog was valued at \$46 million.

²This includes \$5.9 million in CIM Trail Maintenance and Decommissioning funds, \$2.6 million in WFM hazardous fuels reduction funds on Federal land, and \$650,000 in hazardous fuels reduction funds on non-Federal land.

In turn, CCWD awarded subgrants³ to local partners, such as local governments and non-profit organizations, for performing land conservation and restoration activities.

As part of USDA Office of Inspector General's continuing oversight of FS' Recovery Act activities, we selected this youth employment grant for review based on the size of its obligation and expenditure amount. We visited the FS' Pacific Northwest regional office, the Northwest Economic Recovery Operation Center,⁴ the Mount Hood National Forest, and the CCWD office in Salem, Oregon, to examine grant and subgrant files and supporting documentation. In addition, we visited work sites at various locations in Oregon. During our visits, we found that CCWD charged FS for activities unrelated to the three programs and FS allocated grant expenditures to the three programs without adequate support. These two issues, along with any others identified, will be compiled into a final report at the conclusion of our audit.

CCWD Charged the FS for Activities Unrelated to the Three Programs

FS awarded a grant utilizing funds from three FS programs without specifying to CCWD the conditions related to the use of each fund. Because the grant was quickly awarded under the first 10 percent of approved Recovery Act projects, the FS personnel responsible for the grant overlooked the three different funding sources under the grant. As a result, FS did not include each of the program requirements in the grant, and CCWD was unaware of the program requirements and charged the FS for activities unrelated to the three FS programs.

FS directed its Regions to invest Recovery Act CIM funds on priority NFS roads, trails, and structures. Trail projects funded by the Recovery Act needed to ensure "public safety and backcountry access through the operation, maintenance, rehabilitation, and improvement of the NFS trails system." FS also directed that WFM funds for hazardous fuels reduction programs focus on restoring fire-adapted ecosystems and reducing the volume of hazardous fuels on forests, woodlands, shrublands, and grasslands.⁵

Furthermore, OMB Guidance⁶ states that "agencies should structure grants to result in meaningful and measurable outcomes that are consistent with agency plans and promote the goals of the Recovery Act." In addition, OMB requires Federal agencies to include the budget information in the grant.⁷

As of December 2009, FS had reimbursed CCWD about \$1.65 million for youth employment projects in 32 Oregon counties. We reviewed the final and weekly activity reports for 12 of 58 subgrants paid by FS from April to December 2009, which totaled over \$560,000 in FS reimbursements. Eight of the 12 subgrants, totaling \$317,740, included activities unrelated to

³ From April to September 2009, CCWD awarded 58 subgrants totaling \$2.25 million to local partners in 34 Oregon counties.

⁴ FS established four Economic Recovery Operation Centers across the country under the Acquisition Management Division in mid-April 2009. The EROCs are responsible for executing and managing the contracts, grants, and agreements under the Recovery Act.

⁵ FS Recovery Act Program Direction 1-4, 2-1, 2-2, 2-10 & 2-11, dated March 18, 2009.

⁶ OMB Guidance M-09-15 Section 5, p. 47 dated April 3, 2009.

⁷ OMB Circular A-102, revised October 7, 1994 and further amended August 29, 1997.

the three FS programs, such as community services, facilities renovation, and non-NFS trail projects.⁸ Funded activities unrelated to the FS programs included:

- Community services activities, such as landscaping for homeless drop-in centers and public schools; grounds-keeping for a senior assisted living center; installing a wildlife-proof fence around a school garden; planting, weeding, watering, and harvesting garden vegetables for food pantries; re-seeding lawns for the city; and packing and moving classroom supplies from one elementary school to another.
- Facility renovations such as painting historical buildings for a county fairground, painting a new office building for the community, and repairing buildings at several county fairgrounds.
- Non-NFS trail projects, such as maintaining and improving trails at city, county, and State parks.
- Purchase of Apple iPhones ®, promotional T-shirts, vehicle cargo racks, and a vehicle's transmission repair.

The CCWD Program Director explained that he was unaware that the youth employment grant utilized three different funding sources because the grant did not specify the funding structure and conditions for utilizing funds from the various programs. He believed the grant used a single fund for the purpose of promoting conservation education, while focusing on youth employment in natural resource conservation and restoration activities. CCWD was not informed of the various program requirements and charged the FS for activities unrelated to the three FS programs.

We discussed the above activities with the FS Pacific Northwest region officials. Although they agreed to provide CCWD with specific program direction regarding CIM trail and WFM hazardous fuels reduction programs, they disagreed that recovery of the reimbursements unrelated to the three FS programs was necessary or appropriate. They claimed a majority of the above unrelated activities enhanced the ecosystem and benefited the watersheds. Specifically, those activities “improve water quality, quantity, and stream flows in a priority river basin associated with NFS lands on which trail maintenance projects are taking place.” They cited the FS Recovery Act program directions under the WFM Ecosystem Improvement Non-Federal Lands and the CIM Related Watershed Restoration/Ecosystem Enhancements to justify the unrelated activities.

We disagree; the grant was not funded under either the WFM Ecosystem Improvement Non-Federal Lands Program or the CIM Related Watershed Restoration/Ecosystem Enhancements Program, as noted by the assigned specific program and job codes for each approved project prior to the award process.⁹ Each program fund was approved for a specific purpose. The use of trail funds for unrelated work did not help the region to address its \$46 million backlog of

⁸ In our examples, we were unable to determine the specific dollar amount charged to each activity because the subgrantees combined their expenditures for activities into a lump sum.

⁹ A job code is a unique accounting code established by FS to support spending and to track the program expenditures against budgetary authority in the Foundation Financial Information System.

deferred trails maintenance. Similarly, the use of hazardous fuels reduction funds for unrelated activities also did not meet the program’s objective of reducing large destructive fires.

FS Arbitrarily Allocated Grant Expenditures to the Three FS Programs

FS did not correctly charge the grant expenditures to each of the three FS programs that funded the grant. This occurred because the FS program manager was unfamiliar with the FS Recovery Act Program Direction and considered the grant as a single fund to create youth employment. As a result, we found that FS arbitrarily allocated \$1.65 million in grant expenditures among the three FS programs.

OMB guidance states that timely and accurate reporting by Federal agencies provides both Congress and taxpayers an ability to track and monitor all Recovery Act funds with the level of transparency and accountability envisioned in the Act.¹⁰ In addition, the FS Recovery Act Program Direction requires Recovery Act funds to be allocated and tracked accordingly to each program.¹¹

We reviewed nine CCWD payment requests paid by FS, totaling \$1.65 million. Each request combined various program activities, including trail and hazardous fuels reduction work performed by multiple subgrantees; however, FS assigned each payment to a single program fund rather than allocating it to the three program funds based on actual activities. For example, a \$111,830 payment included expenditures for planting “pine trees in a burned area” and cutting “dangerous trees from roadways,” but it was all charged to the Trail Maintenance and Decommissioning Program. In another example, a \$159,842 payment that included expenditures for weeding and campsite maintenance on non-Federal land, was all charged to the Hazardous Fuels Reduction on Federal Land Program.

We discussed our concerns with FS Pacific Northwest regional officials. They agreed that the grant expenditures should be tracked on the program level. They have contacted CCWD to obtain the supporting documentation to reallocate the \$1.65 million in expenditures among the three programs.

We recommend that the FS Pacific Northwest region: (1) provide CCWD with specific direction on what projects will be funded by the three programs; (2) recover reimbursements for activities unrelated to the three FS programs; (3) ensure responsible FS personnel understand the different program requirements for Recovery Act projects; and (4) work with CCWD to allocate the existing expenditures among the three FS programs based on specific activities.

Please provide a written response within 5 days that outlines your corrective action on this matter. If you have any questions, please contact me at (202) 720-6945, or have a member of your staff contact Steve Rickrode, Director, Rural Development and Natural Resources Division, at (202) 690-4483.

¹⁰ Guidance M-09-15 Appendix 9 p. 7, dated April 3, 2009.

¹¹ Chapter 2, date March 18, 2009, and chapters 3 & 4, dated March 6, 2009.

cc:

Executive, Economic Recovery Team, Forest Service
OIG Audit Liaisons, Forest Service

USDA'S

FOREST SERVICE

RESPONSE TO AUDIT REPORT



File Code: 1430-1

Date: July 22, 2010

Subject: Response to Audit Report No. 08703-4-SF(1) "The Recovery Act - Forest Service Trail Maintenance and Decommissioning (1)

To: Gil H. Harden, Assistant Inspector General for Audit

This letter is in response to the Audit Report No. 08703-4-SF (1) The Recovery Act - Forest Service Trail Maintenance and Decommissioning (1) received on July 7, 2010 from the USDA Department of Agriculture Office of the Inspector General (OIG). Forest Service generally concurs with the four recommendations stated on this report and has implemented corrective action. The response for each recommendation is the following:

OIG Recommendation #1: Provide the State of Oregon, Department of Community College and Workforce Development (CCWD) with specific direction on what projects will be funded by the three programs.

Forest Service Response: Corrective action was implemented on February 11, 2010 by providing the grantee with specific conditions on the use of the three Forest Service program funds, as documented in the enclosed letter to John Asher, Director of Oregon Youth Conservation Corps.

OIG Recommendation #2: Recover reimbursements for activities unrelated to the three Forest Service programs.

Forest Service Response: Forest Service agrees with specific community service and facility renovation expenditures to be unrelated to the program goals and has implemented corrective action to recover the funds (supporting document enclosed). The Forest Service does not agree that purchases for ecosystem enhancement-related community service were not necessary expenses for facilitation of Non-National Forest System trail projects. Purchases were primarily related to safety requirements, e.g., navigation tools for remote areas, safe transportation of tools and crew and protective clothing in dense areas. The Forest Service believes it is fully compliant with Capital Improvement and Maintenance and Wildland Fire Management appropriations language of the American Recovery & Reinvestment Act, and particularly responsive to the following Purposes and Principles (Section 3) of the Act: (1) To preserve and create jobs and promote economic recovery, (2) To assist those most impacted by the recession, and (4) To invest in transportation, environmental protection, and other infrastructure that will provide long-term economic benefits. However, in order to avoid the appearance of misappropriation, the Forest Service will recover or adjust costs for the cell phones in question.



OIG Recommendation #3: Ensure responsible FS personnel understand the different program requirements for Recovery Act projects.

Forest Service Response: The region has held discussions with program officials to reiterate full understanding of program requirements for Recovery projects, and will follow-up with formal communication reminders by August 1, 2010.

OIG Recommendation #4: Work with CCWD to allocate the existing expenditures among the three Forest Service programs based on specific activities.

Forest Service Response: Forest Service has implemented corrective action and successfully processed an accounting adjustment to reallocate the existing expenditures among the appropriate Forest Service programs funds, (supporting documentation enclosed).

If you have any additional questions, please contact Donna Carmical, Chief Financial Officer, (202) 205-1321, dcarmical@fs.fed.us.

/s/ Donna M. Carmical
DONNA M. CARMICAL
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