



United States Department of Agriculture
Office of Inspector General
Washington, D.C. 20250



DATE: August 12, 2011

AUDIT
NUMBER: 08703-4-SF (3)

TO: Thomas L. Tidwell
Chief
Forest Service

ATTN: Donna M. Carmical
Chief Financial Officer

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

SUBJECT: Los Padres National Forest, Costs Overpaid to California Conservation Corps –
Recovery Act – Forest Service Trail Maintenance and Decommissioning Fast
Report (3)

The American Recovery and Reinvestment Act of 2009 (Recovery Act) provided the Department of Agriculture (USDA) with \$28 billion in funding.¹ Of this amount, \$1.15 billion was specifically allotted to the Forest Service (FS) to fund the projects that directly accomplish its mission of sustaining the nation's forests and grasslands, creating jobs, and promoting U.S. economic recovery. Congress, in enacting the Recovery Act, emphasized the need for accountability and transparency in the expenditure of funds. Further, on February 18, 2009, the Office of Management and Budget (OMB) issued initial guidance that required Federal agencies to establish rigorous internal controls, oversight mechanisms, and other approaches to meet the accountability objectives of the Recovery Act.² OMB issued additional guidance on April 3, 2009, to clarify existing requirements and establish additional steps that must be taken to facilitate the accountability and transparency objectives of the Recovery Act. Moreover, OMB emphasized that, due to the unique implementation risks of the Recovery Act, agencies must take steps, beyond standard practice, to initiate the additional oversight mechanisms.³ The USDA's Office of Inspector General (OIG) was charged with the responsibility of overseeing FS and

¹ Public Law 111-5, February 17, 2009.

² Office of Management and Budget Memorandum M-09-10.

³ Office of Management and Budget Memorandum M-09-15.

other agencies' activities in order to ensure Recovery Act funds are spent in a manner that minimizes the risk of improper use.

The Recovery Act included \$650 million for FS' Capital Improvement and Maintenance Program, of which FS allocated \$100 million for trail maintenance and decommissioning. From March 2009 to January 2010, FS approved 90 trail projects nationwide. We statistically selected 20 of these trail projects for review. The selected projects included a \$2.6 million regionwide *Wilderness Trail Project*, located in FS' Pacific Southwest Region (Region 5).

For this *Wilderness Trail Project*, we statistically selected five participating agreements (agreements)⁴ and six contracts, totaling \$1.3 million for review.⁵ We visited the Southwest Economic Recovery Operation Center (EROOC)⁶ in Vallejo, California, to obtain our selected contracts and agreements. We also visited three National Forests,⁷ including Los Padres National Forest (LPNF) in Goleta, California, to review project files, interview key FS staff, and inspect the trail sites. FS awarded three of our five selected agreements, totaling \$1.1 million,⁸ to a single cooperator,⁹ the California Conservation Corps (CCC), a State agency.

Our review found that LPNF incorrectly reimbursed CCC for estimated costs, rather than for its actual costs. This occurred because both LPNF and CCC personnel responsible for the project were unaware of FS' reimbursement requirements; they relied on an incorrect past practice in which LPNF always paid CCC an agreed-upon estimated rate. As a result, FS overpaid CCC \$64,096 for labor costs.¹⁰ This issue, along with any others identified, will be compiled into a final report at the conclusion of our audit.

For participating agreements, the FS Handbook states, "the Forest Service is permitted to reimburse only those actual costs (direct and indirect) incurred by the cooperator in performing the project."¹¹ In addition, the agreement signed by both LPNF and CCC states, "The U. S. Forest Service shall reimburse the Cooperator for the U. S. Forest Service's share of actual expenses incurred..."¹²

⁴ A participating agreement allows FS to partner with public and private organizations to cooperatively perform mutually beneficial projects.

⁵ Twenty contracts and eleven agreements were awarded under the project as of September 2010.

⁶ FS established four EROOCs across the country: Southwest EROOC in Vallejo, California; Northwest EROOC in Sandy, Oregon; Intermountain EROOC in Golden, Colorado; and East EROOC in Atlanta, Georgia. The EROOCs are responsible for executing and managing the contracts, grants, and agreements under the Recovery Act.

⁷ The three national forests are in California: Los Padres National Forest, Mendocino National Forest, and Cleveland National Forest.

⁸ Three agreements were awarded to CCC by Los Padres National Forest, Mendocino National Forest, and Cleveland National Forest for \$642,000, \$180,000, and \$280,096, respectively.

⁹ A cooperator is an individual or entity that voluntarily cooperates with FS on a project and is willing to formalize the relationship by entering into a Memorandum of Understanding or agreement.

¹⁰ As of February 2011, CCC claimed \$460,000 out of \$642,000 awarded by LPNF. The overpayment of \$64,096 is about 14 percent of the total claim amount.

¹¹ Forest Service Handbook 1509.11_70.3, dated October 20, 2009.

¹² Recovery Act Participating Agreement No. 10-PA-11059702-056, P.3, dated November 25, 2009.

During our site visit to LPNF, we found that FS paid five CCC invoices, totaling \$460,000, that were based on estimated tour rates rather than actual costs. A tour is an estimated number of days (5 to 30 days) for a trail crew to complete a specified amount of work on a trail. Specifically, four invoices (totaling 20 tours) were based on an estimated rate of \$22,500 for each 8-10 day tour, and another invoice used an estimated rate of \$10,000 for a single 5-day tour.

We raised our concern about the reimbursement practice to LPNF officials; this prompted CCC headquarters to internally review the expenses charged to LPNF. The CCC regional analyst determined that CCC overcharged LPNF \$64,096 for labor costs.¹³ CCC's Administrative Service Division Chief, who is responsible for the agreements, explained that the overbilling error occurred because the local CCC project coordinator was unaware of FS' reimbursement requirements and had mistakenly used an estimated rate, rather than the actual project costs to bill FS.

The LPNF program manager explained that they had partnered with CCC for about 8 years and had always used an agreed-upon estimated rate to reimburse CCC. He stated that he had inherited the incorrect reimbursement practice when he started administering agreements several years ago. The LPNF program manager assumed it was appropriate to reimburse CCC the same way with Recovery funds. We reviewed an ongoing non-Recovery Act agreement between LPNF and CCC, and we noted that LPNF also reimbursed CCC based an estimated rate instead of the actual cost.

In addition to LPNF, we found that another national forest participating in the *Wilderness Trail Project* had reimbursed CCC based on using an estimated rate. According to staff from this national forest, they have always reimbursed CCC based on using an estimated rate for non-Recovery Act projects.

We discussed the above issue with the Southwest EROC Grants & Agreements specialist responsible for the Recovery Act agreements. He admitted that LPNF was not a unique case in Region 5 because other national forests used a similar reimbursement practice with CCC. He concurred that FS is required to only pay for the actual cost incurred for the project; he further emphasized that in the future FS will only pay the cooperators for actual expenses. Additionally, he stated that FS will issue CCC a bill to collect the overpayment. He had already communicated this issue to all agreement specialists in his region.

Since this estimated reimbursement method may not be isolated to just Region 5, and it affected Recovery Act funds, we recommend that FS: (1) issue specific notice requiring FS program managers to ensure payments for participating agreements are based on actual costs and not on an estimated rate; and (2) recover from CCC the \$64,096 overpayment identified at LPNF.

¹³ OIG together with the CCC Regional Analyst reconciled all of the project expenses with its supporting documentation.

Please provide a written response within 5 days outlining your proposed corrective action for this issue. If you have any questions, please contact me at (202) 720-6945, or have a member of your staff contact William Henderson, Acting Director, Rural Development and Natural Resources Division, at (202) 690-4483.

cc:

Jennifer McGuire, Director of Audit and Assurance, Forest Service

Linda Smith, Supervisory Accountant, Forest Service

Dianna Capshaw, Supervisory Accountant, Forest Service

Erica Banegas, Branch Chief, Forest Service

Sandy Coleman, Branch Chief, Forest Service

Janet Roder, OIG Audit Liaison, Forest Service

Agency's Response

USDA'S

FOREST SERVICE

RESPONSE TO AUDIT REPORT



File Code: 1430

Date: August 25, 2011

Route To:

Subject: Response to ARRA Fast Report 08703-4-SF (3) Los Padres National Forest, Costs Overpaid to California Conservation Corps - Recovery Act - Forest Service Trail Maintenance and Decommissioning Fast Report (3)

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

This letter is in response to Office of the Inspector General (OIG) Fast Report No. 08703-4-SF regarding the Los Padres National Forest (LPNF) costs overpaid to the California Conservation Corps (CCC) for a Forest Service (FS) Trail Maintenance and Decommissioning Recovery Act project received on August 12, 2011. The FS generally concurs with the recommendations and the response for each is as follows:

OIG Recommendation #1: Issue specific notice requiring FS program managers to ensure payments for participating agreements are based on actual costs and not on an estimated rate.

Forest Service Response: The Forest Service generally concurs with this recommendation. Guidance to Program Managers will be issued regarding reimbursement requirements based on the grant agreements made with the cooperator. Guidance will be issued by September 15, 2011.

OIG Recommendation #2: Recover from CCC the \$64,096 overpayment identified at LPNF.

Forest Service Response: The Forest Service concurs with this recommendation. The excess funds reimbursed to CCC were recovered on May 16, 2011. A screen print of the recovery in the FS financial system is enclosed (Enclosure A) and a copy of the bill for collection (Enclosure B).

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

/s/ Donna M. Carmical
DONNA M. CARMICAL
Chief Financial Officer

Enclosure



cc: Sandy T Coleman
Erica Y Banegas
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Melissa Dyniec
Lenise Lago