



UNITED STATES DEPARTMENT OF AGRICULTURE

OFFICE OF INSPECTOR GENERAL

Washington, D.C. 20250



DATE: December 16, 2009

REPLY TO

ATTN OF: 10703-2-KC (1)

TO: Dave White  
Chief  
Natural Resources Conservation Service

ATTN: Lesia Reed  
Deputy Chief  
Strategic Planning and Accountability Division

FROM: Robert W. Young /s/  
Assistant Inspector General  
for Audit

SUBJECT: American Recovery and Reinvestment Act - Watershed Protection and Flood  
Prevention Operations Program

The Department of Agriculture's Natural Resources Conservation Service (NRCS) received \$145 million through the American Recovery and Reinvestment Act of 2009 (Recovery Act) for its Watershed Protection and Flood Prevention Operations Program (Watershed Operations). Watershed Operations provides financial and technical assistance to States, local governments, and Tribes, for projects including watershed protection, flood mitigation, and water quality improvements. Individual project agreements are made between NRCS State offices and the local recipients. To date, the Secretary of Agriculture has announced selection of grant proposals totaling \$127.1 million to State and local governments for 80 watershed projects. As of September 23, 2009, 75 obligations totaling \$31.6 million with disbursements of \$614,000 have been made.

The Recovery Act requires the Office of Inspector General (OIG) to oversee the use of these funds. To that end, we initiated this review in order to determine if NRCS has adequate controls for implementing its watershed activities.

Based on our review, we found that although NRCS issued guidelines<sup>1</sup> to award recipients regarding their reporting requirements, those guidelines were not specific enough. The Office of Management and Budget (OMB) requires that recipients report to a designated web site – <https://www.FederalReporting.gov> – the amount of the award, the amount they received, and the

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<sup>1</sup> NRCS National Bulletin NB-130-9-4, dated September 17, 2009.

amount they spent.<sup>2</sup> If recipients have received or spent no funds, then OMB requires that they report zeroes.<sup>3</sup> Reporting no funds received or spent is important because it will enable OMB to judge the speed at which funds are being sent out and spent.

NRCS initially directed recipients only to report the amounts they have received or spent, but not the amount awarded. Additionally, NRCS made no mention of recipients' obligation to report zeroes if they had received or spent no funds. As a result, recipients may not be reporting all of the information OMB requires.

We found two cases in which recipients likely did not correctly report according to OMB's guidelines. The NRCS State office in Minnesota awarded two recipients funds totaling \$420,000, but those funds had not been disbursed by the end of the reporting period. The NRCS State office did not expect these recipients to report nor did they report, as they had yet to receive the actual funds. OMB, however, requires that these two recipients report the amount awarded, and then zeroes for the amounts received and spent.

NRCS concurs with this approach and has now revised its original position and drafted a bulletin that will require recipients to report to <https://www.FederalReporting.gov> the awarded amount. NRCS anticipated finalizing this bulletin and distributing it to State offices by December 11, 2009. The bulletin had still not been issued as of the drafting of this interim report.

Given the Federal Government's concerns about the accountability and transparency of Recovery Act funds, we are recommending that NRCS:

Finalize its draft guidance to its State offices so that it corresponds to OMB's requirements and provide recipients with clear directions on how they are to report to <https://www.FederalReporting.gov> regarding the amount awarded as well as amounts received and spent.

Please provide a written response to this letter within 5 business days, outlining your proposed actions. If you have any questions or concerns, please contact me at 720-6945, or have a member of your staff contact Ernest M. Hayashi, Director, Farm and Foreign Agricultural Division, at 720-2887.

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<sup>2</sup> Recovery.gov, Recipient Reporting Data Model V3.0 for the Quarter Ended September 30, 2009.

<sup>3</sup> OMB Guidance M-09-21, Section 2.5, dated June 22, 2009.

United States Department of Agriculture



Natural Resources Conservation Service  
P.O. Box 2890  
Washington, D.C. 20013

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January 20, 2010

**SUBJECT:** Response to Office of the Inspector General (OIG) Fast Report 10703-2-KC(1), American Recovery and Reinvestment Act – Watershed Protection and Flood Prevention Operations Program

**TO:** Tracy LaPoint  
Acting Assistant Inspector General for Audit  
U.S. Department of Agriculture

In response to the OIG Request for Information dated December 16, 2009, the Natural Resources Conservation Service (NRCS) sent out National Bulletin 130-10-2, dated December 18, 2009, to the State Conservationists, advising them to notify American Recovery and Reinvestment Act (ARRA) fund recipients of their responsibility to report ARRA awards at the time of obligation at [www.federalreporting.gov](http://www.federalreporting.gov). State Conservationists were directed to inform recipients of their responsibility for reporting the amount of the award, the amount of funds received, and the amount expended on ARRA project activities, in addition to several other required data elements.

Since this time, NRCS has delivered Webinars and forwarded additional guidance to State Conservationists and other staff, further reinforcing compliance with the Office of Management and Budget requirements. Early indications from the first quarter of fiscal year 2010 indicate a 95 percent reporting rate for first-time reporters, suggesting that NRCS outreach efforts have been effective.

If you require additional information to address these concerns, please contact Lesia A. Reed, Deputy Chief for Strategic Planning and Accountability, at (202) 720-6297.

/s/Virginia Murphy (for)

Dave White  
Chief

cc: Virginia (Ginger) Murphy, Associate Chief, NRCS, Washington, DC  
Mike Martinez, Special Assistant to the Chief, NRCS, Washington, DC  
Lesia A. Reed, Deputy Chief for Strategic Planning and Accountability, NRCS, Washington, DC  
Tony Kramer, Deputy Chief for Easements and Landscape Planning, NRCS, Washington, DC  
Craig Derickson, Deputy Chief for Financial Assistance and Community Development, NRCS, Washington, DC  
George Cleek, Acting Director, Easement Programs Division, NRCS, Washington, DC  
Mike Permenter, Acting Compliance Team Leader, Operations Management Division, NRCS, Washington, DC

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