



UNITED STATES DEPARTMENT OF AGRICULTURE

OFFICE OF INSPECTOR GENERAL

Washington D.C. 20250



DATE: April 12, 2010

REPLY TO

ATTN OF: 08703-0001-Hy (2)

TO: Thomas L. Tidwell
Chief
Forest Service

ATTN: Janet M. Roder
Dianna Capshaw
Audit Liaisons

FROM: Tracy LaPoint/s/
Acting Assistant Inspector General
for Audit

SUBJECT: Work Projects Funded in Counties with Low Economic Distress Scores

The American Recovery and Reinvestment Act of 2009 (Recovery Act) provided \$1.15 billion for the Forest Service to use for work projects that further its mission of sustaining the nation's forests and grasslands. In passing the Recovery Act, Congress emphasized the need for accountability and transparency in the expenditure of these funds. The Office of Management and Budget (OMB) issued guidance on February 18, 2009, that requires Federal agencies to establish rigorous internal controls, oversight mechanisms, and other approaches to meet the accountability and transparency objectives of the Recovery Act.¹ Our role, as mandated by the Recovery Act, is to oversee agency activities and to ensure funds are expended in a manner that minimizes the risk of improper use.

Congress, through enactment of the Recovery Act, directed the Forest Service to use the \$1.15 billion in economically distressed areas to preserve and create jobs.² Thus, the funds generally are to be used to promote economic recovery in areas of high unemployment. The Forest Service, to meet this mandate, established a scoring system to determine the most suitable areas to fund work projects. The Forest Service's system calculated a composite score for each county in the nation. The composite scores were calculated for each county using employment data provided by the Bureau of Labor Statistics, an agency within the Department of Labor. Agency officials used the composite score to determine the economic distress level for each county. Based on this analysis, agency officials categorized each county based on the degree of distress and provided each with a rank of 0 (lowest distress level score) to 10 (highest distress level

¹ On April 3, 2009, OMB issued "Updated Implementing Guidance for the American Recovery and Reinvestment Act of 2009."

² American Recovery and Reinvestment Act of 2009 (Pub. L. 111-5, 123 Stat. 115) Section 3 (a) and (b).

score).³ The Forest Service's scoring system considered geographic areas with a score of four or lower to be minimally impacted by the recession.

In February 2009, the Chief of the Forest Service requested that field staff⁴ submit proposals for work projects that could be funded by the Recovery Act. The field staff submitted over 2,700 projects for consideration. Some of those submissions included multiple projects that were combined into larger projects. Agency management used the composite score to determine the most suitable projects to fund. The projects were ultimately approved by the Executive Leadership Team.⁵ The review process was designed to ensure that all proposed projects met the agency's criteria and the intent of the Recovery Act. On March 23, 2009, the Forest Service proposed 695 work projects, which were approved from May through September 2009.

We evaluated the scoring system and concluded that it had properly identified and classified economically distressed areas within the agency's geographic boundaries. However, we found that agency officials did not always use the scoring system to determine the specific work projects to fund. Consequently, 110 of the 695 selected projects were not located in areas deemed to be economically distressed by the agency's scoring system. The 110 projects were located in areas that received a score of between zero and four, and amounted to about \$100 million of the \$1.15 billion received by the agency. Thus, agency officials expended \$100 million in areas with low rates of unemployment, which likely did little to preserve or create jobs as intended by the Recovery Act.

The Forest Service expended another \$174.7 million in counties that received a medium distress score. While the scoring system determined that the counties had some economic distress, we question whether the expenditures met the Recovery Act's goal of creating and preserving jobs in areas most impacted by the recession. In our view, the Forest Service should have expended all Recovery Act funds in counties that received a composite score equal to or above seven.

We attributed the use of funds in low distressed areas primarily to the introduction of other criteria to select work projects by agency officials. These other criteria included the ability of a unit to complete work on time, whether the project was ready to begin, and the potential benefit that would be derived from completing a work project. Forest Service staff at the local, regional, and Washington Office levels informed us that they introduced these criteria into the decision process when considering projects to propose. These criteria were not unreasonable by themselves. However, in our view, it diverted attention from selecting projects located strictly in counties with a high economic distress score.

Agency officials also routinely combined small work projects from an entire State and, in some cases, several States, into larger proposals. These combined projects included work proposals with both high and low distress level scores. The projects generally had similar descriptions and were less than \$100,000 each, and were from the following categories: roads, trails, abandoned mines, facilities, ecosystems and watersheds, hazardous fuels, forest health, ecosystem

³ The ranking system was divided as follows: a score of 8 - 10 was considered high to very high distress; a score of 7 was considered medium/high distress; a score of 5 - 6 was considered medium distress; and a score of 0 - 4 was considered low distress.

⁴ This included region, station, and area staff.

⁵ The Executive Leadership Team consists of the Chief, the Deputy Chiefs, the Chief Financial Officer, and representatives from International Programs, External Affairs, and Civil Rights.

Thomas L. Tidwell

management, fuel and ecosystem restoration, and wood to energy. According to agency officials, they performed this action to improve the chance that projects would be selected and approved for completion. They also informed us that they knew Recovery Act funds would be used for projects with low distress scores, but considered other factors such as the ability to complete and monitor projects in some areas. For instance, they did not want to propose too many projects in counties with high distress scores if there were insufficient personnel to either implement or monitor the work. Finally, they approved some projects with low distress levels that met the resource benefit requirements of the Recovery Act, such as projects involving wildland fire management.

We discussed the details of our review and our conclusions with Forest Service Washington officials on March 25, 2010. They generally agreed with our conclusions and agreed to implement corrective actions. We recommend that the Forest Service:

- determine if work has begun on projects with a low distress score. For those projects not started, divert unobligated funds to projects with high distress scores (seven or higher); and
- report to the public the amount of Recovery Act funds approved for work projects with a low distress score that have already begun or been completed, and explain the reasons for approving those projects.

Please provide a written response within 5 business days outlining your proposed corrective action regarding these matters. 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.

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: May 4, 2010

Subject: Response to Work Projects Funded in Counties with Low Economic Distress Scores -
OIG Report #08703-0001-HY (2)

To: Tracy LaPoint, Acting Assistant Inspector General For Audit

This letter is in response to the subject Office of Inspector General (OIG) report dated April 12, 2010. The OIG reviewed the criteria used by the Forest Service to distribute Recovery Act funding, and determined the Agency distributed 8 percent of funding in areas not considered “economically distressed.” The OIG report states: “the Recovery Act directed the Forest Service to use the \$1.15 billion in economically distressed areas to preserve and create jobs”. However, the Act discusses assisting those “most impacted by the recession” as well as to meet other purposes. The use of “economic distress” was part of an internal process developed by the Forest Service to target areas identified by the Agency as most impacted from the recession and to support the restoration of the economic health of America.

In recognizing that some areas are more impacted than others, the Forest Service developed an internal process containing six guiding principles for project selection, one of which was to focus project selection in the areas with the most economic distress. A detailed description of the Forest Service selection process is available on the website-<http://www.fs.fed.us/fstoday/ARRA/criteria.html>. To effectively meet the intent of the Recovery Act, the Forest Service funded some projects outside of the locations that were noted in the highest distress scores. Given this approach, the Agency was able to meet the intent of the Act while focusing recovery funding in the areas found to be most impacted by the recession.

Some of the Agency reasons for providing funding in areas less impacted amounting to 8 percent of the Recovery funding were:

- The first set of projects, approximately 10 percent of recovery funding, were selected expeditiously to create jobs, and were selected before the distress scores were developed (“commencing expenditures and activities as quickly as possible”—Recovery Act).
- Projects were selected on Tribal Lands as directed by the Act (“partnerships with Federal, State, local, tribal or non-profit groups that serve young adults”— Recovery Act).
- Some projects were selected in “other” areas to avoid saturation of operating capacity in higher targeted areas which could possibly jeopardize project execution (“agencies shall manage and expend the funds made available in this Act so as to achieve the purposes specified in subsection (a), including commencing expenditures and activities as quickly as possible consistent with prudent management.”— Recovery Act).
- Projects were selected to support Job Corps and youth programs as directed by the Act (“the Secretary of Agriculture shall utilize, where practicable, the Public Lands Corps, Youth Conservation Corps, Student Conservation Association, Job Corps and other related partnerships”— Recovery Act).



- The Agency selected related watershed restoration and ecosystem enhancement projects in areas of lesser distress that are related to Capital Improvement and Maintenance projects that occur in areas of higher economic distress areas (“including related watershed restoration and ecosystem enhancement projects” —Recovery Act).

The OIG Report recommends the Forest Service determine if work has begun on projects with a low distress score and for those projects not started, divert unobligated funds to projects with high distress scores (seven or higher). Forest Service does not concur with this recommendation because it is not applicable and all projects for the Forest Service have started. The OIG report also recommends that the Forest Service report to the public the amount of Recovery Act funds approved for work projects with a low distress score that have already begun or been completed, and explain the reasons for approving those projects. Forest Service concurs with this recommendation and corrective action has been implemented. The Agency has updated the website to contain the information concerning the results of the selection process.

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

cc: Dave Dillard
Rita Stevens
Tim DeCoster
Jennifer McGuire