



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



DATE: March 11, 2010

REPLY TO  
ATTN OF: 10703-2-KC (2)

TO: Dave White  
Chief  
Natural Resources Conservation Service

ATTN: Lesia Reed  
Deputy Chief  
Strategic Planning and Accountability Division

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

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

Under the American Recovery and Reinvestment Act of 2009 (Recovery Act), the Natural Resources Conservation Service (NRCS) received \$145 million for its Watershed Protection and Flood Prevention Operations Program (Watershed Operations). In enacting the Recovery Act, Congress emphasized the need for accountability and transparency concerning how these funds would be expended. The Office of Inspector General (OIG) initiated this review to assess NRCS' activities and ensure that the agency has adequate controls for implementing its watershed activities. Specifically, since Recovery Act funds were intended to promote economic recovery and to preserve and create jobs, we assessed whether NRCS considered the economic impact of projects when it selected them for funding.

We found that, although NRCS stated on its Recovery Act website<sup>1</sup> and implementation plan<sup>2</sup> that it focused on selecting projects to promote economic recovery in areas most affected by the recession, the crucial factors NRCS actually used to select projects were environmental factors such as flood mitigation, fish and wildlife concerns, water conservation, water quality, and erosion.

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<sup>1</sup> Web address - [http://www.recovery.gov/Transparency/agency/reporting/agency\\_reporting5program.aspx?agency\\_code=12&progplanid=7587](http://www.recovery.gov/Transparency/agency/reporting/agency_reporting5program.aspx?agency_code=12&progplanid=7587)

<sup>2</sup> NRCS American Reinvestment and Recovery Act Final Implementation Plan, dated May 15, 2009.

When we discussed this selection process with NRCS officials, they stated that they considered the unemployment rates in the areas where the projects are located, but that unemployment rates were not a required factor in selecting the projects. They also stated that they did not believe the projects would have a significant effect on the local economy. We were also told that the majority of NRCS projects are located in rural areas and agency officials consider all rural areas to be economically distressed. In addition, they said that while they did not necessarily target economically distressed areas, their main objective was to get the projects started quickly in order to create jobs and stimulate the economy. However, when we asked for documentation to support their analyses of the economic need for these projects, NRCS officials could not provide any documentation. We also noted that NRCS' latest data<sup>3</sup> provided to us showed that less than 1 percent of these funds were disbursed.

Due to how these projects were selected, over a third of the Recovery Act funding will not go to counties that were the most economically distressed. NRCS allocated about \$59 million to fund 75 projects in areas where unemployment rates for *all* counties in the project area were *below* the national average—which was 8.1 percent<sup>4</sup>—but NRCS *rejected* funding for 45 projects (that would total \$97 million) in areas where the unemployment rate for *all* counties in the project area exceeded the national average (see table below). For example, NRCS rejected a project<sup>5</sup> totaling \$1.66 million in an Alabama county, even though that county's unemployment rate was 18.5 percent—more than double the national average. At the same time, NRCS funded a \$4.9 million project<sup>6</sup> near Morgantown, West Virginia, although the unemployment rate was just 3.6 percent. The attached map shows the locations of the cited projects. NRCS officials could not provide reasons why projects in economically distressed areas were not selected for funding.

In the table below, we summarize NRCS' key decisions.

NRCS allocated about \$59 million to fund 75 projects in areas where unemployment rates for *all* counties in the project area were *below* the national average—which was 8.1 percent per the Bureau of Labor Statistics data—but NRCS *rejected* funding for 45 projects totaling \$97 million in areas where the unemployment rate for *all* counties in the project area exceeded the national average.

	Number of Projects	Total Project Funds
Unfunded projects where unemployment rates in all affected counties were greater than the national average of 8.1 percent	45	\$96,579,696
Funded projects where unemployment rates in all affected counties were below the national average of 8.1 percent	75	\$58,856,500

<sup>3</sup> Most current data provided by NRCS was dated September 30, 2009.

<sup>4</sup> Bureau of Labor Statistics, February 2009 data.

<sup>5</sup> The purpose of the project was "flood prevention."

<sup>6</sup> Per the NRCS factsheet, the project purpose is "Improving the water quality will increase the recreational revenue for the communities along its reaches and reduce public health problems related to people coming in contact with the water."

Essentially, NRCS allocated Recovery Act funds for watershed operations in much the same manner that it allocated appropriated funds for its regular non-Recovery Act programs. While OIG acknowledges that environmental concerns are important considerations for these projects, the Recovery Act specifically states the purposes of the Act are “to preserve and create jobs and promote economic recovery” and “to assist those most impacted by the recession.”<sup>7</sup> In addition, the Office of Management and Budget’s (OMB) guidance to all Federal agencies states that all Federal agencies include selection criteria “that have, to the greatest extent, a demonstrated or potential ability to . . . deliver programmatic results . . . [and] achieve economic stimulus by optimizing economic activity and the number of jobs created or saved in relation to the Federal dollars obligated.”<sup>8</sup> Therefore, we recommend that NRCS reconsider its current selection criteria and replace them with criteria for selecting unfunded projects in line with the purposes of the Recovery Act. If NRCS disagrees or if funds under this program have been fully obligated, then NRCS needs to clarify—to OMB and the public—that the method it is actually using to select projects does not give priority to economic considerations, such as the economic distress or unemployment factors of the area where the project will occur.

Recommendations:

1. Reconsider NRCS’ current selection criteria and replace them with criteria for funding projects in accordance with the specific purposes of the Recovery Act. If new criteria are not developed, provide clarification on the appropriate Recovery Act website and to OMB that details the actual methodology used to analyze and select projects for Recovery Act funding.
2. Provide justification for funding projects (75 totaling \$59 million) where unemployment rates in the project areas are less than the national average, instead of projects (45 totaling \$97 million) located in areas where the unemployment rate is greater than the national average.

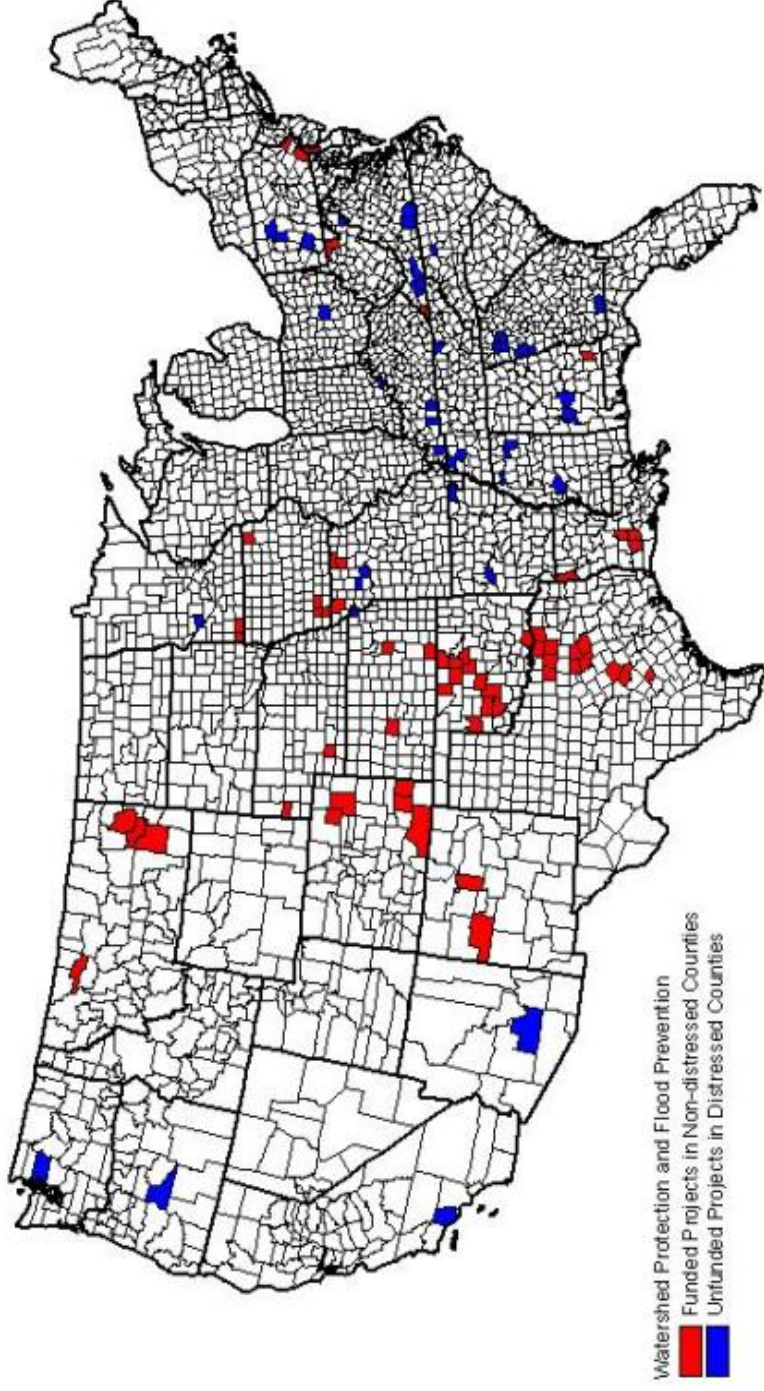
Please provide a written response to this letter within five days, outlining your proposed actions. If you have any questions or concerns, please contact me at (202) 720-6945, or have a member of your staff contact Ernest M. Hayashi, Audit Director, Farm and Foreign Agricultural Division, at (202) 720-2887.

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<sup>7</sup> American Recovery and Reinvestment Act of 2009, Sections 3(a)(1) and (2).

<sup>8</sup> OMB M-09-15, “Updated Implementing Guidance for the American Recovery and Reinvestment Act of 2009,” April 3, 2009.

NRCS  
American Recovery and Reinvestment Act  
Watershed Protection and Flood Prevention Projects



"The map above shows all counties in the 48 contiguous States and identifies in red the county location of 75 projects where unemployment rates for *all* counties in the project area were *below* the national average but were funded and identifies in blue the county location of the 45 projects where the unemployment rate for *all* counties in the project area exceeded the national average but went unfunded."

**USDA'S**

**NATURAL RESOURCES CONSERVATION  
SERVICE**

**RESPONSE TO AUDIT REPORT**



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

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March 25, 2010

**SUBJECT:** Natural Resources Conservation Service (NRCS) Response to the Office of the Inspector General Report (OIG) Audit Report 10703-2-KC (2) – American Recovery and Reinvestment Act (ARRA)—Watershed Protection and Flood Prevention Operations Program (Watershed Operations) Projects

**TO:** Gil H. Harden  
Acting Assistant Inspector General for Audit  
Office of the Inspector General

This memorandum is in response to the Office of the Inspector General (OIG) memorandum of March 11, 2010. Your report suggested several recommendations regarding the selection of projects under Watershed Operations using ARRA funds. In particular, OIG maintains that NRCS misrepresented the NRCS project selection criteria for ARRA-funded Watershed Operations projects, and has failed to focus project selection in the most economically distressed communities. Your recommendations also request justification for the selection or rejection of particular project proposals.

Attached are the written responses to your report's recommendations. If you require additional information, please contact Lesia A. Reed, Deputy Chief for Strategic Planning and Accountability, at (202) 720-6297.

Virginia L. Murphy for  
Dave White  
Chief

Attachment

cc:

Virginia (Ginger) L. Murphy, Associate Chief, NRCS, Washington, D.C.  
Lesia A. Reed, Deputy Chief for Strategic Planning and Accountability, NRCS,  
Washington,  
D.C.

Anthony J. Kramer, Deputy Chief for Easements and Landscape Planning, NRCS,  
Washington,  
D.C.

Mike Martinez, Special Assistant to the Chief, NRCS, Washington, D.C.  
Dana D. York, Director, Conservation Planning and Technical Assistance Division, NRCS,  
Washington, D.C.

Mike Permenter, Acting Compliance Team Leader, Compliance Division, NRCS,  
Washington, D.C.

## Attachment 1

Since NRCS believes that OIG's report reflects that OIG misunderstands the applicable framework, NRCS is introducing its response by first providing some basic background information prior to responding to OIG's specific recommendations.

### **BACKGROUND:**

NRCS received \$145 million under ARRA to fund Watershed Operations projects. NRCS based its project selection criteria upon statutory, regulatory, and guidance factors – in that order and ensuring consistency within this hierarchy of legal authorities. NRCS summarizes below the statutory, regulatory, and policy guidance that create the framework for project selection.

#### Statutory Project Selection Criteria

NRCS utilized the statutory criteria identified in ARRA and Watershed Operations. ARRA requires NRCS to allocate funds to Watershed Operations projects 1) "that can be fully funded and completed with the funds appropriated"<sup>1</sup> within ARRA timeframes and 2) towards activities that "can commence promptly following enactment of this Act."<sup>2</sup> These are the only two specific project selection criteria for Watershed Operations mandated by ARRA. NRCS believes that these prompt commencement and completion factors provide the project selection criteria for creating the economic stimulus purposes of the funding.

While ARRA identifies many purposes for its funding, none of its provisions requires that all funds meet all purposes or that all funded programs must give same weight to achieving these different purposes. Watershed Operations projects are an investment in "environmental protection, and other infrastructure that will provide long-term economic benefits."<sup>3</sup> Moreover, ARRA identifies principles concerning the use of funds, including that they should be managed and expended so as to achieve identified ARRA purpose, including "commencing expenditures and activities as quickly as possible consistent with prudent management."<sup>4</sup>

While OIG's report criticizes NRCS for not focusing ARRA funds on the most "economically distressed" counties, ARRA itself only uses the term "economically distressed" twice, neither of which relate at all to the requirements for prompt commencement identified in NRCS appropriations.<sup>5</sup>

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<sup>1</sup> ARRA, Public Law 111-5, 123 Stat. 115, at 117.

<sup>2</sup> Id.

<sup>3</sup> Id. at 116.

<sup>4</sup> Id.

<sup>5</sup> In particular, ARRA identifies specifically for FHWA projects that "in selecting projects to be carried out with funds apportioned under this heading, priority shall be given to projects that are projected for completion within a 3-year time frame, and are located in economically distressed areas as defined by section 301 of the Public Works and Economic Development Act of 1965, as amended (42 U.S.C. 3161)." ARRA, 123 Stat. 206. Under the tax provisions at Division B, Title I of ARRA, the term is used related to identification of recovery zones for purposes of issuing recovery bonds: "For purposes of this part, the term 'recovery zone' means— ...“(2) any area designated by the issuer as economically distressed by reason of the closure or realignment of a military installation pursuant to the Defense Base Closure and Realignment Act of 1990....” ARRA, 123 Stat. 349. Neither of these provisions apply to NRCS Watershed Operations projects.



The Watershed Operations statutory criteria includes that: 1) projects must be for flood prevention, management of water, or conservation and proper utilization of land, and 2) funding can be provided for project implementation at such time as NRCS and the interested local organization have agreed on a project plan, NRCS has determined that the benefits exceed the costs, and the local organization has met the requirements for participation in carrying out the project.

### Regulatory Selection Criteria

NRCS regulations for Watershed Operations can be found at 7 CFR part 622. Section 622.2(c) of Title 7 of the Code of Federal Regulations identifies the authorized project purposes, including watershed protection, conservation and proper utilization of land, flood prevention, agricultural water management including irrigation and drainage, public recreation, public fish and wildlife, municipal and industrial water supply, hydropower, water quality management, ground water supply, agricultural pollution control, and other water management. Section **622.5 identifies that there are numerous guidelines and regulations that must be followed when carrying out watershed projects, including National Environmental Policy Act regulations and the Economic and Environmental Principles and Guidelines for Water and Related Land Resources Implementation Studies** issued by the Water Resources Council.

### Policy Guidance Selection Criteria

The Office of Management and Budget (OMB) has issued several memoranda to guide Agency implementation of ARRA. OMB distributed guidance for project selection through OMB Memorandum M-09-15. In this guidance, OMB identified that agencies should: 1) develop selection criteria that are transparent and merit-based; 2) support projects that have, among other things and to the greatest extent, a demonstrated or potential ability to deliver programmatic results; optimize economic activity and the number of jobs created or saved in relation to the Federal dollars obligated; and achieve long-term public benefits (investing in technological advances in science and health; investing in environmental protection, and other infrastructure; fostering energy independence; or improving educational quality); and 3) take additional policy considerations into account, to the extent permitted by law and practicable, such as “supporting projects” that ensure compliance with equal opportunity laws and principles, support small businesses including disadvantaged business enterprises, engage in sound labor practices, promote local hiring, and engage with community-based organizations.<sup>6</sup>

Pursuant to OMB guidance, NRCS developed and posted an ARRA implementation plan, “NRCS American Reinvestment and Recovery Act Final Implementation Plan”, dated May 15, 2009, (hereafter “implementation plan” or “NRCS Implementation Plan”), regarding how the agency intended to implement ARRA funds, including how Watershed Operations projects would be selected. This implementation plan improves transparency of how ARRA funds would be expended. OIG’s report focused upon phraseology in this implementation

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<sup>6</sup> OMB Memorandum M-09-15, at §1.6. Neither ARRA nor OMB guidance requires, or even mentions, that agencies should focus project selection on economically distressed areas or that agencies should use unemployment rates in project selection. In fact, the term “economically distressed” areas does not appear anywhere in OMB guidance, defined or otherwise. While optimization of economic activity may be served by such focus, it was not identified by OMB at all in its guidance.

plan, and does not review NRCS adherence to specific statutory, regulatory, and Executive direction provided for project selection.

In its implementation plan, NRCS identifies that ARRA's major purposes are "to create jobs and promote economic recovery, especially to those areas most affected by the recession."<sup>7</sup> This is the NRCS implementation plan's means for summarizing ARRA for background purposes and NRCS did not represent it as a focus or specific ranking or project selection criterion.

The implementation plan does identify a four-step process to "ensure projects proposed for funding will provide jobs for people in economically distressed communities and accomplish mission critical conservation work." This language is not presented as specific project selection criteria, but again as a narrative way to identify that projects will be selected to meet ARRA purposes and conservation benefits. The four step process included: 1) State Conservationists recommended projects based upon their economic defensibility, environmental soundness, and readiness for immediate implementation; 2) National Program Leader review of the State Conservationist's recommendations that considered geographic distribution, economic impacts, and other benefits of the proposed portfolio of work for balance and to accomplish NRCS strategic goals including the project benefit to an economically distressed community; 3) Deputy Chief for Programs review to ensure consistency with ARRA priorities and overall balance; and 4) Chief final selection with the Under Secretary, NRE and Secretary approval.<sup>8</sup>

While the phraseology of "economically distressed community" is mentioned, it is in reference to ensuring balance that NRCS strategic goals were being met as a consideration among other factors. The "proposed portfolio of work" is in terms of the package of recommended projects as a whole, and not particular to any one project. Nowhere did NRCS state, imply, or represent that it would base Watershed Operations project selection upon a county's unemployment rates.

While county-level unemployment rates were not specifically considered, NRCS did include background information about the State unemployment rate and the number of jobs estimated to be created by each of the recommended projects in its review of the package of the recommended projects as a whole.<sup>9</sup> This identification is consistent with Step 2 of the four-step process as a consideration among many of the review of the other benefits of the proposed portfolio of recommended projects for balance and to accomplish NRCS strategic goals and information certainly related to the "project benefit to an economically distressed community."<sup>10</sup>

It is quite apparent from a review of the NRCS Implementation Report that the primary project selection factors were related to the "shovel readiness" of a project in clear adherence to the ARRA requirement that funds be available for prompt commencement of a

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<sup>7</sup> NRCS Implementation Plan, at page 1-1.

<sup>8</sup> NRCS Implementation Plan, at page 2-2.

<sup>9</sup> Id. (See Step 2).

<sup>10</sup> It appears that OIG places emphasis upon the term "economically distressed area" in Step 2 while NRCS places emphasis upon "project benefit," i.e. jobs. Consistent with the implementation plan, NRCS used the unemployment and job information as a factor at a different level of review. Rather than a factor used to select the recommended projects, it was a consideration among others for the portfolio of work of all the recommended projects. The criteria identified in Step 1 were the primary project selection factors considered and directly implemented the statutory project selection criteria.

project. In particular, under Step 1, State Conservationists recommended projects based upon their readiness for immediate implementation. Further, NRCS specifically identifies in its report that funding would take place in two phases. NRCS committed the first 60 percent of the funds, approximately \$85,000,000, to 55 projects considered “shovel ready” and which were expected to begin project implementation in 60-120 days following award. NRCS specified that the second phase of funding would go towards projects that would begin implementation within 180 days or less. NRCS then explained that projects that have not been awarded in a timely manner may have the remaining funding withdrawn, and that withdrawn funds would then be redistributed to new projects or projects exceeding expectations.

#### **OIG RECOMMENDATION:**

Reconsider NRCS’ current selection criteria and replace them with criteria for funding projects in accordance with the specific purposes of the Recovery Act. If new criteria are not developed, provide clarification on the appropriate Recovery Act website and to OMB that details the actual methodology used to analyze and select projects for Recovery Act funding.

#### **NRCS RESPONSE:**

NRCS finds that its Watershed Operations project selection criteria are in accordance with ARRA’s specific statutory mandates, and the methodology it followed appropriately represented in its implementation report. Therefore, NRCS does not believe any modifications are necessitated based upon the analysis and recommendation OIG provided in its report.

NRCS believes the four-step project selection process identified in the NRCS implementation report clearly shows adherence to the ARRA statutory requirements of prompt commencement and completion of projects. While NRCS appreciates OIG’s acknowledgement that “environmental concerns are important considerations for these projects,” the environmental reviews questioned by OIG are intended to ensure that the project is ready to be implemented and will meet Watershed Operations statutory purposes, and in adherence to ARRA purposes to provide funding for environmental protection and other infrastructure that will provide long-term economic benefit. In fact, these environmental reviews are directly related to whether the project could be appropriately commenced and completed promptly. Further, ARRA funded an existing program with known environmental and infrastructure purposes. Thus, the “environmental concerns” are not separate and apart from meeting ARRA’s Watershed Operations purposes.

While NRCS respectfully disagrees with the analysis and recommendations in the OIG report,<sup>11</sup> NRCS believes that rollback of withdrawn and unused funds identified in the NRCS implementation plan presents an opportunity to focus efforts more on economically distressed areas. In particular, as NRCS reviews projects for progress, and funds are identified for reallocation, NRCS will select any new projects through the four-step process, but its review will prioritize those projects in economically distressed areas to the extent

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<sup>11</sup> Essentially, OIG is holding NRCS accountable for results that do not comport with non-applicable project selection criteria based upon a definition from a different agency’s appropriations that NRCS was not required to use and did not identify or purport it would use. See footnote 12, *infra*.

practicable based upon available funding and time remaining to implement. NRCS will consider different types of information for determining whether an area is economically distressed, including relevant USDA data. The Bureau of Labor unemployment statistics<sup>12</sup> may or may not have relevance to evaluating the economic distress of the rural communities to which NRCS provides service. Once decided, NRCS will notify OIG of the factors it will use to identify economically distressed areas and how it will prioritize, to the extent practicable, new projects accordingly. NRCS will also review this criterion and determine whether any updates to its implementation plan are needed to reflect its incorporation into the process.

#### **OIG RECOMMENDATION:**

Provide justification for funding projects (75 totaling \$59 million) where unemployment rates in the project areas are less than the national average, instead of projects (45 totaling \$97 million) located in areas where the unemployment rate is greater than the national average.

#### **NRCS RESPONSE:**

NRCS does not believe that OIG's use of the term "justification" is appropriate since nowhere did NRCS state, imply, or represent that it would base Watershed Operations project selection upon a counties' unemployment rates in relationship to the national average. NRCS followed the applicable statutory, regulatory, and guidance criteria in its selection of watershed operations projects using ARRA funds, with emphasis on "projects that can be fully funded and completed with the funds appropriated in this Act, and to activities that can commence promptly following enactment of this Act."<sup>13</sup> Further, no statutory, regulatory, OMB guidance, or NRCS Implementation Plan provision criteria requires, recommends, or even mentions the use of county unemployment data as a project selection criterion.<sup>14</sup>

In contrast, OIG does not mention in its report the specific ARRA project selection criteria associated with the funds made available for Watersheds Operations, i.e. that the projects be fully funded and completed with the funds appropriated within ARRA timeframes and towards activities that can commence promptly following ARRA enactment. To the extent

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<sup>12</sup> Based upon its reference to Bureau of Labors Statistics data, OIG's report apparently equates "promoting economic recovery in areas most affected by the recession" with one of the criteria from the definition as used in the ARRA appropriations to the Federal Highway Administration, identified *supra* footnote 5. In particular, 42 USC 3161 provides: "For a project to be eligible for assistance . . . , the project shall be located in an area that, on the date of submission of the application, meets 1 or more of the following criteria: **(1) Low per capita income** The area has a per capita income of 80 percent or less of the national average. **(2) Unemployment rate above national average** the area has an unemployment rate that is, for the most recent 24-month period for which data are available, at least 1 percent greater than the national average unemployment rate. **(3) Unemployment or economic adjustment problems** The area is an area that the Secretary [of Transportation] determines has experienced or is about to experience a special need arising from actual or threatened severe unemployment or economic adjustment problems resulting from severe short-term or long-term changes in economic conditions.

<sup>13</sup> ARRA, 123 Stat. 116.

<sup>14</sup> OIG's reference to inapplicable statutory provisions and OMB guidance is insufficient to support either a requirement that NRCS adopt different project selection criteria, or the suggestion that NRCS' failure to adopt such criteria was in variance to ARRA purposes. In actuality, none of the provisions cited by OIG required, recommended, or even mentioned the use of unemployment data as a project selection criterion, or even the identification of economically distressed areas.

that OIG seeks reasons for NRCS not funding the 45 projects identified in its report, please see attached spreadsheet, Attachment 2, summarizing this information.

OIG identified in its report that NRCS did not fund a particular project in an Alabama county that had an unemployment rate of 18.5 percent, double the national average. The Alabama project identified is the Mush Creek Watershed Project that involved a funding request of \$1.66 million for a structural repair. The engineering report had not been completed because it had to secure the required approval from National Headquarters Conservation Engineering Division in order to qualify for approval during Phase 1 or Phase 2 selections. Upon later Engineering approval, Mush Creek Watershed Project was considered for funding in Phase 3 approval process, but Alabama NRCS said they could not obligate the funding by the deadline date of September 30, 2010, thus not meeting a key requirement of ARRA funding.

## CONCLUSION

The NRCS Implementation Report set forth the manner in which NRCS would implement ARRA's specific goals and criteria applicable to Watershed Operations projects. The meaning given to any aspect of the report must be viewed in light of the overall statutory structure in which NRCS provides its assistance under Watershed Operations with ARRA funds.<sup>15</sup>

NRCS believes that ARRA's goals are not best served by scrutinizing an isolated phrase in the implementation plan: 1) taken out of context, 2) imposing upon it an operative meaning that was not intended at the time the phrase was drafted, or 3) negating how it has been implemented in accordance with the overall framework of the document in which it appears.

Projects were recommended for funding based upon their economic defensibility, environmental soundness, and readiness for implementation. NRCS then reviewed the portfolio of recommended projects as a whole for geographic distribution and other factors. NRCS' selection and implementation of its Watershed Operations projects meet NRCS representations in its implementation report. These criteria ensure that NRCS is supporting "projects that have, among other things and to the greatest extent, a demonstrated or potential ability to deliver programmatic results."<sup>16</sup>

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<sup>15</sup> OIG's report iterates discussions between OIG and NRCS personnel regarding the use of unemployment rates as a project selection criterion. Those discussions must be viewed in light of the established implementation framework and the stage in implementation in which the discussions took place. Statements made regarding the presumed effect on the local economy were based upon one professional's personal opinion, and was not an agency opinion that had been incorporated into the implementation framework. It is not until construction contracts are bid and awarded that the impact to the local economy can be fully evaluated. NRCS contracting personnel had described to OIG at several of these discussions the outreach efforts to encourage local and small business participation in the competition process, none of which appeared in OIG's summary of these discussions. Similarly, it is not an NRCS position that all rural areas are economically distressed. It is, however, an NRCS position that NRCS considered unemployment rates at one level of project review, but not as a project selection criteria, and that unemployment rates were not a required factor in project selection. It is also an NRCS position, and an ARRA mandate, that the main objective was to fund projects that could commence and be completed promptly.

<sup>16</sup> OMB Memorandum M-09-15, at §1.6.

NRCS fulfilled the purposes for which ARRA made funds available for Watershed Operations funds by utilizing the economic defensibility and environmental soundness selection criteria, in accordance with program requirements. ARRA's economic stimulus goals are achieved through the prompt commencement and completion criteria. ARRA's long-term economic benefit goals are achieved through the investment in environmental protection and infrastructure.

NRCS embraced these goals in the selection and implementation of its Watershed Operations projects. The selected projects will generate an estimated 2137 jobs, prevent flood damage, provide cleaner water for communities, promote recreational opportunities to support local and regional tourism, and a myriad of other benefits that were the type of economic impact intended by ARRA allocating funds towards the environmental protection and infrastructure purposes of Watershed Operations. NRCS will continue to work with OIG on how to improve its implementation of ARRA. The funding of new projects with withdrawn and unused funds presents an opportunity for NRCS to focus even greater resources to the American citizens and communities who have been impacted by this nationwide economic crisis.

## Attachment 2

State	Project	County(ies)	Amount Requested	Response to: brief explanation for not recommending funding the 48 projects
AK	Delta Clearwater	Southeast Fairbanks	\$11,250,000	*Project not ready for immediate funding.
AL	Mush Creek	Dallas	\$1,660,000	Did not have Engineering concurrence for remedial action.
AL	Powell Creek	Marengo	\$940,000	Did not have Engineering concurrence for remedial action.
AR	Poinsett	Poinsett	\$3,680,000	*Project not ready for immediate funding.
AR	Poinsett	Poinsett	\$1,625,000	*Project not ready for immediate funding.
AR	Big Slough	Clay	\$2,250,000	*Project not ready for immediate funding.
AR	Ozan Creeks	Hempstead	\$2,000,000	*Project not ready for immediate funding.
AR	Ozan Creeks	Hempstead	\$145,500	Was funded in Phase 3 approvals.
AR	North Fork Of Ozan Creek	Hempstead	\$2,250,000	*Project not ready for immediate funding.
AR	Poteau River	Scott	\$162,500	Was funded in Phase 3 approvals
AR	South Fourche	Logan	\$109,900	Was funded in Phase 3 approvals
AZ	Fredonia	Coconino	\$8,300,000	Did not have Engineering concurrence for remedial action.
AZ	Apache Junction-Gilbert	Pinal	\$5,200,000	Did not have Engineering concurrence for remedial action.
FL	Fisheating Creek Marsh	Glades	\$800,000	Did not have Engineering concurrence for remedial action.
IA	West Fork Of Big Creek	Ringgold	\$475,000	*Project not ready for immediate funding.
IA	Turkey Creek	Cass	\$345,000	*Project not ready for immediate funding.
IA	Troublesome Creek	Cass	\$345,000	*Project not ready for immediate funding.
IA	Twelve Mile Creek	Union	\$258,750	*Project not ready for immediate funding.
IN	Prairie Creek (Daviess)	Daviess	\$3,600,000	Did not have Engineering concurrence for remedial action.
KS	Grasshopper-Coal Creek	Atchinson	\$596,450	*Project not ready for immediate funding.
KS	Squaw Creek Lower Wolf	Doniphan	\$2,106,328	*Project not ready for immediate funding.
KY	East Fork Of Pond River	Christian	\$546,000	Did not have Engineering concurrence for remedial action
KY	West Fork Of Mayfield Creek	Graves	\$112,000	Did not have Engineering concurrence for remedial action
KY	Mud River	Logan	\$5,315,000	Project determined "not eligible" for ARRA funding.
KY	Mud River	Logan	\$374,000	Was funded in Phase 3 approvals.
KY	Mud River	Logan	\$374,000	Did not have Engineering concurrence for remedial action
KY	Mud River	Logan	\$314,000	Did not have Engineering concurrence for remedial action
KY	Mud River	Logan	\$314,000	Did not have Engineering concurrence for

				remedial action
MO	Big Creek-Hurricane Creek	Carroll	\$950,000	*Project not ready for immediate funding.
MO	West Fork Of Big Creek	Harrison	\$950,000	*Project not ready for immediate funding.
MS	Yazoo-Piney Creek	Yazoo	\$1,125,000	*Project not ready for immediate funding.
MS	Yazoo-Arkabutla Creek	Tate	\$1,125,000	*Project not ready for immediate funding.
MS	L tl.Talla – Oaklimeter Creek	Union	\$750,000	*Project not ready for immediate funding.
MS	Town Creek	Lee	\$1,500,000	*Project not ready for immediate funding.
NC	Deep Creek Yadkin	Yadkin	\$3,795,368	Funded by Annual Program Allocation-not mix funds rule
NM	T Or C Williamsburg Arroyos	Sierra	\$675,000	*Project not ready for immediate funding.
OK	Washita –Sugar Creek	Caddo	\$645,000	Did not have Engineering concurrence for remedial action
OK	North Deer Creek	Pottawatamie	\$50,000	Did not have Engineering concurrence for remedial action
OK	Washita-Bear Creek	Custer	\$445,000	Did not have Engineering concurrence for remedial action
OK	Washita-Bear Creek	Custer	\$200,000	Did not have Engineering concurrence for remedial action
TN	North Fork-Forked Deer River	Gibson	\$100,000	*Project not ready for immediate funding.
TN	Reelfoot-Indian Creek	Obion	\$1,875,000	*Project not ready for immediate funding.
TX	Attoyac Bayou	Nacogdoches	\$47,000	Funded by Annual Program Allocation-not mix funds rule.
TX	Salado Creek	Bexar	\$167,000	Funded by Annual Program Allocation-not mix funds rule.
TX	Elm Creek (1250)	Taylor	\$2,358,000	*Project not ready for immediate funding.
TX	Choctaw Creek	Grayson	\$209,000	*Project not ready for immediate funding.
TX	Choctaw Creek	Grayson	\$489,000	*Project not ready for immediate funding.

\*Projects that did not have a current project plan, with a recent review date, updated environmental documentation, and that were not ready for immediate funding.