



United States Department of Agriculture



OFFICE OF INSPECTOR GENERAL

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Forest Service's Controls Over its 2018 Supplemental Disaster Appropriations

Audit Report 08702-0001-41

OIG reviewed FS' controls over its use of 2018 supplemental disaster appropriations intended for FS-related activities to respond to and recover from natural disasters.

OBJECTIVE

To determine whether FS: (1) properly used supplemental disaster funds to identify damages caused by the 2017 hurricanes and fires; and (2) implemented activities to restore, repair, or rehabilitate sites and facilities in accordance with applicable laws and regulations.

REVIEWED

At the time of our review, FS was in the early stages of its projects and, as such, the regions were still in the process of awarding contracts, grants, and agreements. Because of this, we reviewed FS' administration and oversight over contracts, grants, and agreements to determine the adequacy of the pre-award and award process. We performed a limited review of the post-award process due to a lack of activities.

RECOMMENDS

Determine if IAs should comply with OMB's 24-month expenditure requirement and, if needed, consult with the Office of the General Counsel. Clarify to all regions this requirement's applicability to IAs.

WHAT OIG FOUND

In response to hurricanes, wildfires, and other natural disasters, the Further Additional Supplemental Appropriations for Disaster Relief Requirements, 2018 (Act) provided approximately \$84 billion in emergency supplemental appropriations on February 9, 2018. The Forest Service (FS) received approximately \$119.8 million of the \$84.3 billion to conduct restoration and repair activities, ongoing assessments, and mitigation work on public and private land. FS allocated these funds among six of its geographic regions and the International Institute of Tropical Forestry.

The Office of Inspector General (OIG) reviewed FS' controls over its 2018 supplemental disaster appropriations disbursed in fiscal years (FY) 2018 and 2019. Our review did not identify any instance where FS improperly used its supplemental disaster funds to identify damages caused by the 2017 hurricanes and fires. However, we found that Regions 5 and 8 inconsistently applied FS' direction on the Office of Management and Budget's (OMB) requirement for grantees to expend all obligated funds within 24 months. Specifically, Region 5 concluded that OMB's requirement did not apply to interagency agreements (IA) while Region 8 determined that it indeed did. This occurred because FS did not clarify to its regions whether the requirement was applicable to all agreements. As a result, unless FS clarifies its guidance or obtains a waiver from OMB, important disaster relief projects based on IAs could be interrupted or delayed as the recipients may be required to return unspent disaster relief funds at the end of 24 months—regardless of whether their disaster relief projects are complete.

FS agreed with our finding and recommendations, and we accepted management decision on all recommendations.



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



DATE: September 5, 2019

AUDIT
NUMBER: 08702-0001-41

TO: Vicki Christiansen
Chief
Forest Service

ATTN: Antoine Dixon
Chief Financial Officer

FROM: Gil H. Harden
Assistant Inspector General for Audit

SUBJECT: Forest Service's Controls Over its 2018 Supplemental Disaster Appropriations

This report presents the results of the subject review. Your written response to the official draft is included in its entirety at the end of the report. We have incorporated excerpts from your response, and the Office of Inspector General's (OIG) position, into the relevant sections of the report. Based on your written response, we are accepting management decision for all two audit recommendations in the report, and no further response to this office is necessary.

In accordance with Departmental Regulation 1720-1, final action needs to be taken within 1 year of each management decision to prevent being listed in the Department's annual Agency Financial Report. For agencies other than the Office of the Chief Financial Officer (OCFO), please follow your internal agency procedures in forwarding final action correspondence to OCFO.

We appreciate the courtesies and cooperation extended to us by members of your staff during our audit fieldwork and subsequent discussions. This report contains publicly available information and will be posted in its entirety to our website (<http://www.usda.gov/oig>) in the near future.

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Background and Objectives

Background

On February 9, 2018, the Further Additional Supplemental Appropriations for Disaster Relief Requirements, 2018 (Act) provided \$84.3 billion in emergency supplemental appropriations to respond to and recover from hurricanes (including Hurricanes Harvey, Irma, and Maria), wildfires, and other natural disasters.¹ The U.S. Department of Agriculture (USDA) Forest Service (FS) received approximately \$119.8 million of this amount in supplemental disaster appropriations to conduct restoration and repair activities, ongoing assessments, and mitigation work on public and private land. This included \$91.6 million for Capital Improvement and Maintenance, \$20.7 million for the National Forest System, and \$7.5 million for State and Private Forestry.

FS allocated the supplemental disaster appropriations among six of its geographic regions as well as the International Institute of Tropical Forestry.² The regions primarily obligated these funds through contracts, grants, and agreements. The funds were allocated to the following regions: Northern Region (Region 1) in Missoula, Montana; Southwestern Region (Region 3) in Albuquerque, New Mexico; Intermountain Region (Region 4) in Ogden, Utah; Pacific Southwest Region (Region 5) in Vallejo, California; Pacific Northwest Region (Region 6) in Portland, Oregon; and Southern Region (Region 8) in Atlanta, Georgia.

The Southern Region (Region 8) and the Pacific Southwest Region (Region 5) received their supplemental disaster appropriations at the end of March 2018. Region 8 received \$83.1 million of FS' total appropriated \$119.8 million (69 percent), which represented the highest amount received by any FS region towards hurricane disaster response.³ Region 8 obligated \$22 million (27 percent) of its funds, including \$12 million to respond to immediate disaster needs in Puerto Rico.⁴ Region 5 received \$7.2 million of FS's total appropriated \$119.8 million (6 percent) to remedy wildfire damage in California and obligated \$7.1 million (99 percent) of its funds—the highest percent of obligated funds by any region.⁵

On March 30, 2018, the Office of Management and Budget (OMB) issued a memorandum providing guidance to agencies regarding the Act's statutory requirements. In its memo, OMB clarified participating agencies' responsibility to implement internal controls and abide by grant expenditure requirements related to any supplemental disaster appropriations received. Specifically, this memo stated that grant funds provided by the Act must be expended by the

¹ Further Additional Supplemental Appropriations for Disaster Relief Requirements, 2018, Pub. L. No. 115-123, div. B, subdiv. 1, 21208(b), 132 Stat. 65, 108.

² The International Institute of Tropical Forestry is a FS research and technology transfer institute located in San Juan, Puerto Rico.

³ Region 8 encompasses 13 States (Alabama, Arkansas, Florida, Georgia, Kentucky, Louisiana, Mississippi, North Carolina, Oklahoma, South Carolina, Tennessee, Texas, and Virginia) and Puerto Rico.

⁴ The \$12 million in expenditures were incurred prior to May 2018 and were initially charged to regular appropriations using separate disaster codes. The region made adjustments to transfer the expenditures to disaster supplemental appropriations after receiving the disaster supplemental funds.

⁵ As of September 30, 2018, our two selected regions (Region 5 and Region 8) obligated \$29.4 of \$90.3 million (33 percent).

grantees within the 24-month period following the agency's obligation of those funds, unless waived by the director of OMB. Further, the memo clarified that each agency must include in the grant's terms and conditions a requirement for the grantee to return to the agency any funds not expended within the 24-month period.⁶

To meet OMB's requirements, FS' Washington Office (WO) developed internal controls to identify risks associated with funded activities and established unique program fund codes for tracking and monitoring awards. In addition, WO provided direction instructing its regions to follow OMB's requirement for their grant and agreement awards. Although the Act and OMB guidance only refer to grant funds, the FS direction requires all grants and agreements to comply with the 24-month expenditure requirement.

FS uses grants to provide funds to non-Federal entities for a public purpose as authorized by the Federal Grant and Cooperative Agreement Act of 1977 (FGCAA).⁷ It also relies on partnership agreements (such as participating agreements) to pursue projects with a mutual benefit by leveraging contributions from partnering nonprofit organizations for work on or near the National Forest System.⁸ Although a partnership agreement is not considered a grant and is therefore not covered by FGCAA, it does provide FS the flexibility to accomplish its wide-ranging work and mission objectives. In addition to partnership agreements, FS also uses interagency agreements (IA) to work closely with other Federal agencies to carry out joint or shared activities to achieve resource management goals, leading to increased efficiency and reduced overhead costs. FS awarded several IAs using supplemental disaster appropriations, including agreements with the Department of Transportation's Federal Highway Administration (FHWA) and the Department of the Interior's U.S. Fish and Wildlife Service (FWS), National Park Service, and Bureau of Land Management.

Objectives

Our overall objective was to evaluate FS' administration and oversight of its 2018 supplemental disaster assistance funding for Capital Improvements and Maintenance, the National Forest System, and State and Private Forestry projects. Specifically, our objectives were to determine whether FS properly used its supplemental disaster funds to identify damages caused by the 2017 hurricanes and fires and implemented activities to restore, repair, or rehabilitate sites and facilities in accordance with applicable laws and regulations.

We had no reportable findings regarding our first objective as we did not note any instances, during our review, where FS improperly used its 2018 supplemental disaster funds to identify damages caused by the 2017 hurricanes and fires. We examined Region 5's and Region 8's project identification and selection process. However, the regions had already identified the projects for which they obtained 2017 disaster-related appropriations. We did, however, identify

⁶ OMB, *Implementation of Internal Controls and Grant Expenditures for the Disaster Related Appropriations*, Memorandum M-18-14 (Mar. 30, 2018).

⁷ Federal Grant and Cooperative Agreement Act of 1977, Pub.L. No. 95-224, 92 Stat.3.

⁸ A partnership agreement is defined under the Cooperative Funds and Deposits Act of 1975, Pub. L. No. 94-148. Partnership agreements are not subject to FGCAA requirements. Mutual interest and mutual benefit are the critical elements of a partnership agreement, and mutual benefit must be non-monetary.

a reportable issue related to our second objective. During the time of our work, FS was still in the early stages of performing its repair, restoration, and rehabilitation projects and, as such, the regions were in the process of awarding contracts, grants, and agreements. Because of this, we reviewed FS' administration and oversight over contracts, grants, and agreements to determine the adequacy of the pre-award and award process. We performed a limited review of the post-award process due to a lack of activities.

Finding 1: FS Needs to Clarify the Applicability of Grant Expenditure Requirement

We found that the two FS regions we reviewed—Regions 5 and 8—inconsistently applied FS’ direction on OMB’s requirement that grantees expend all obligated funds within 24 months. Specifically, Region 5 concluded that OMB’s requirement did not apply to IAs, while Region 8 determined that it did.^{9, 10} This occurred because FS’ direction did not clarify whether the requirement was indeed applicable to all agreements. As a result, unless FS clarifies its guidance or obtains a waiver from OMB, important disaster relief projects such as a 4-year road construction project in Puerto Rico based on IAs could be interrupted or delayed, as the recipients may be required to return unspent disaster relief funds at the end of 24 months—regardless of whether their disaster relief projects are complete.

The Further Additional Supplemental Appropriations for Disaster Relief Requirements, 2018 (Act)¹¹ requires grant funds under disaster supplemental appropriations to be expended by the grantees within the 24-month period after being obligated unless waived by the director of OMB. Further, each agency must include the time limitation in the grant’s terms and conditions and require the grantee to return to the agency any funds not expended within that 24-month period.¹² Subsequently, OMB’s March 30, 2018, memo required agencies to specify criteria for the approval of grant applications or proposed plans for the use of grant funds and ensure that each proposed grant activity has clear timelines for completion within the 24-month period.¹³

In response to inquiries from regional offices on the applicability of OMB’s requirement, WO provided direction in August 2018 that required both grants and agreements to comply with the 24-month expenditure limitation. FS’ direction stipulated the inclusion of the expenditure requirement as a term in all grant and agreement awards.

We found that the regional [REDACTED] at our selected regions inconsistently applied FS’ direction to their agreement awards. At Region 5, we reviewed an IA and a participating agreement.^{14, 15} Both agreements were awarded before the region received FS’ direction in August 2018. To comply with the requirement, the [REDACTED] modified the participating agreement to include the term. However, the region postponed the modification of the \$2.1 million IA with FHWA because FHWA had notified the region that the agreement funds could not be expended within 24 months due to the anticipated construction period and

⁹ Region 5 had obligated 99 percent of its supplemental disaster funds as of Sept. 30, 2018. It awarded 8 projects in total, including 4 contracts and 4 agreements. One of the agreements was an IA.

¹⁰ Region 8 had obligated 27 percent of its supplemental disaster funds as of September 30, 2018. It awarded 41 projects in total, including 28 contracts, 10 agreements, and 3 grants. Five of the 10 agreements were IAs.

¹¹ Further Additional Supplemental Appropriations for Disaster Relief Requirements, 2018, Pub. L. No. 115-123, div.B, subdiv.1, 132 Stat. 65.

¹² Further Additional Supplemental Appropriations for Disaster Relief Requirements, 2018, Pub. L. No. 115-123, div.B, subdiv.1, 21208(b), 132 Stat. 65, 108

¹³ OMB, Implementation of Internal Controls and Grant Expenditures for the Disaster Related Appropriations, Memorandum M-18-14 (Mar. 30, 2018).

¹⁴ Region 5 awarded four agreements as of September 2018.

¹⁵ A participating agreement is a partnership agreement. Participating agreements are a cost-sharing arrangement in which FS and the cooperator(s) share mutual interests and benefit in the same qualitative way from the agreement.

environmental limitations. Initially, Region 5 planned to request a waiver from OMB. However, the region concluded that since the supplemental disaster funds were “no-year” funds, its IA was not subject to the 24-month grant expenditure requirement.¹⁶

At Region 8, we selected and reviewed an IA, a participating agreement, and two grants.¹⁷ All of the selected grants and agreements were awarded prior to Region 8’s receipt of FS’ direction. While one [REDACTED] had modified the two selected grants in accordance with OMB’s requirement, another [REDACTED] handling the agreements was unaware of the requirement. After we provided FS’ direction to this [REDACTED], this individual subsequently modified the IA with FWS¹⁸ as well as the selected IA with FHWA—to complete a \$1.8 million, 4-year road construction project in Puerto Rico.¹⁹ The modification of Region 8’s IA with FWS was executed in January 2019, but the modification of its IA with FHWA was still pending with FHWA.²⁰

Once we determined that both Regions 5 and 8 inconsistently applied FS’ direction on OMB’s grant expenditure requirement to their agreements, we made an inquiry to the WO Acquisition Management’s (AQM) Grants and Agreements (G&A) Policy Branch to obtain its interpretation of the grants and agreements and to clarify the requirement. The G&A [REDACTED] explained that, while the grants and agreements are governed by different authorities, they each help FS accomplish its mission objectives. In particular, a partnership agreement—such as a participating agreement—allows FS to pursue a partnership for mutual benefit or a mutual interest project and is unique to FS.^{21, 22} However, the G&A [REDACTED] did not clarify whether agreements, specifically IAs, were subject to OMB’s expenditure requirement.

The AQM [REDACTED] who developed the FS direction stated that, although the grant expenditure requirement in OMB’s memorandum refers to grants, [REDACTED] did not think it was improper to include the partnership agreements in the direction, as the partnership agreement serves as FS’ major award instrument. However, [REDACTED] explained the original intent was to apply OMB’s expenditure requirement to all grants and agreements (such as partnership agreements) awarded to non-Federal entities.²³ When we asked [REDACTED] whether IAs with other Federal agencies should be subject to the requirement, [REDACTED] said that IAs were not taken into consideration during the development of the direction. Based on our discussion, [REDACTED] said [REDACTED] may need to consult with

¹⁶ As defined by the appropriations act or statute providing the funds, a “no-year” appropriation remains available for obligation without a FY limitation.

¹⁷ As of September 2018, Region 8 awarded three grants, five interagency agreements, and five participating agreements.

¹⁸ The IA with FWS was not in our sample, but was similarly awarded prior to the receipt of FS’ direction.

¹⁹ The performance period for the participating agreement was less than 24 months, so no modification was needed. However, Region 8 understood that all agreements including participating agreements should comply with the OMB requirement.

²⁰ The [REDACTED] followed up on the status of the modification in January 2019 after submitting the modification document to FHWA in December 2018. As of May 6, 2019, the [REDACTED] had not received any response from FHWA.

²¹ Partnership agreements involve activities that take place both on and off National Forest System land, where both FS and its partner share mutual interests and benefits from the project work. Each partnership agreement comes with its own set of requirements, limits, and opportunities.

²² The partnership agreement is not covered by FGCAA and is therefore not considered financial assistance (for example, grants and cooperative agreements).

²³ Both Region 5 and Region 8 understood that participating agreements should comply with the OMB requirement.

the Department's Office of the General Counsel (OGC) about the applicability of the requirement to IAs, and [REDACTED] agreed that FS needed to clarify such applicability to its regions.

We discussed the issue with WO officials, and they generally stated that IAs should not be subject to the 24-month grant expenditure requirement. They agreed to provide such clarification to the regions and stated that FS would provide references from regulations to support its explanations regarding the applicability of the requirement to the various types of agreements.

As FS still has supplemental disaster relief funds to award G&As, it is important for FS to clarify to the regions whether the grant expenditure requirement is applicable to IAs. As of the end of February 2019, FS still had 61 percent of its \$119.8 million disaster relief funds to be obligated nationwide and Region 8 had 65 percent of its funds yet to be awarded.²⁴ In light of this, FS should determine the applicability of the grant expenditure requirement for IAs and provide clarification to all regions.

Recommendation 1

Determine if IAs should comply with OMB's 24-month grant expenditure requirement and, if needed, consult with OGC.

Agency Response

In its July 18, 2019, response, FS Stated:

The USDA Forest Service concurs with this recommendation. The Forest Service finds that there is enough instruction from the OMB M-18-14 memo to determine if an IA must use the Grant Expenditure provision. The Forest Service's Financial Policy Staff has conducted the necessary research and determined that an OGC consultation is not currently necessary.

The Department of Treasury defines an Interagency Agreement as a written agreement between two Federal agencies, or major organizational units within an agency, which specifies goods/services to be furnished or tasks to be accomplished by one agency (the servicing agency) in support of the other (the requesting agency). This relationship is not considered a Grant or Cooperative Agreement. Thus, the OMB provision does not apply to Interagency Agreements. If the Forest Service is transferring FY 2018 disaster relief funds to another servicing agency that plans to use the funds in a grant or cooperative agreement, it is the responsibility of the servicing agency to enforce the OMB Grant Expenditure provision.

FS completed this corrective action as of July 18, 2019.

²⁴ For Region 8, in addition to contracts, grants, and agreement awards, the remaining funds will also be used for FS personnel, supplies, and travel costs associated with disaster relief efforts.

OIG Position

We accept FS' management decision on this recommendation.

Recommendation 2

Clarify to all regions the applicability of OMB's 24-month grant expenditure requirement to IAs.

Agency Response

In its July 18, 2019, response, FS stated:

The USDA Forest Service concurs with this recommendation. The Forest Service has written formal guidance that reiterates the OMB guidance regarding the expenditure of grant funds, and has included clarification to all regions that this guidance does not apply to Interagency Agreements. The guidance letter further clarifies that if the receiving agency chooses to use the funds on a grant or cooperative agreement, then the OMB provisions do apply and it is the receiving agency's responsibility to ensure the provisions are being met. The guidance is attached.

FS completed the corrective action on July 1, 2019.

OIG Position

We accept FS' management decision on this recommendation.

Scope and Methodology

We conducted an audit survey of FS' controls over its 2018 supplemental disaster appropriations. The primary purpose of the survey was to evaluate FS' controls over its disbursement of supplemental disaster funds (for example, contracts, grants, and agreement awards) prior to initiating any future audit work. The scope of our survey work covered FYs 2018 through 2019.^{25, 26} To accomplish our objectives, we visited and performed fieldwork at WO and two regional offices: Region 5 in Vallejo, California; and Region 8 in Atlanta, Georgia. We non-statistically selected and reviewed two of six FS regions that received funding.²⁷ We selected the two regions—Region 5 and Region 8—as they had the highest monetary amounts appropriated and obligated and had different types of disaster damages (such as damage due to wildfires versus hurricanes, respectively).²⁸ We performed our fieldwork from September 2018 through March 2019.

To assess FS' controls over its 2018 supplemental disaster appropriations, we non-statistically selected and reviewed 10 of 49 projects from the two selected regions.²⁹ The 10 projects consisted of 4 contracts, 2 grants, and 4 agreements issued during our scope period. We selected projects using distinct instruments³⁰ with the highest obligated monetary amounts and projects with obligated amounts exceeding \$250,000. We additionally reviewed the two regions' expenditures. For Region 5, we reviewed a force account used for the disaster-related work.³¹ For Region 8, we non-statistically selected and reviewed 5 of its 26 types of expenditures, based on the highest dollar amount.^{32, 33}

To meet our audit survey objectives, we:

²⁵ We conducted an audit survey when FS regions were still in the initial stages of their 2018 supplemental disaster appropriations funded projects. FS had awarded some contracts and G&As, but the majority of their actual work had either just started or had not completed by the time of our visits.

²⁶ Because we only conducted an audit survey, our scope covered 1 month of FY 2019: October 2018—the month we completed our site visits.

²⁷ FS has allocated the funds among six of its geographic regions and the International Institute of Tropical Forestry.

²⁸ We identified that FS allocated \$83.1 of \$119.8 million (69 percent) to Region 8, which was the highest percentage of the obligated appropriations and funds used for hurricane disasters. Region 5 obligated \$7.1 million of its \$7.2 million (99 percent) in allocated funds, which was the highest percentage of the obligated appropriations and funds used for post-fire infrastructures.

²⁹ For Region 8, we selected 6 of its 41 total projects (nearly 15 percent) and for Region 5, we selected 4 of its 8 total projects (50 percent).

³⁰ The distinct instruments included: task orders for pre-existing parent contracts, stand-alone contracts, grants, participating agreements, and IAs.

³¹ The force account was a purchase order by the FS Enterprise Program to provide assistance in the affected areas.

³² To provide timely emergency response in the hurricane disaster area, Region 8 expended \$12 million prior to receiving its 2018 supplemental disaster funds. Subsequently, the region made adjustments to charge these expenditures to supplemental disaster funds.

³³ For Region 8, we selected the following expenditures: adjustments (see Footnote 35), intra-USDA purchase orders (via the FS Enterprise Program to provide training in the affected areas), PACS expense G/L (used to pay salaries and travel expenses to employees assigned to disaster recovery work), SmartPay2 (used for supplies and services in the hurricane damaged areas), and reallocations and travel obligations (used to fund a FS employee's relocation expenses due to transfer of station to Puerto Rico to work on disaster-related projects).

- reviewed applicable laws, regulations, and Federal and FS-specific national and regional policies and procedures related to FS supplemental disaster appropriations;
- interviewed WO officials regarding their budget execution process, acquisition and procurement process, program operations and oversight, and information systems;
- reviewed and assessed FS records and supporting documentation such as disaster funding allocation reports, contracts, grants, and agreements data, and WO internal reviews of the regions;
- interviewed selected regional budget and program staff, [REDACTED], and [REDACTED] regarding their administration and oversight of the supplemental disaster projects;
- reviewed and assessed the sampled projects' supporting documentation such as pre-award, award, and post-award documents and invoices to ensure their compliance with Federal and FS-specific regulations and requirements;³⁴ and
- reviewed and assessed the sampled FS expenditures to verify their accuracy and appropriateness.

During the course of our audit survey, we did not solely rely on information from any agency information systems. While we obtained limited information regarding FS' computer systems, we make no representation regarding the adequacy of these systems or the information generated from them because evaluating the effectiveness of the information systems (or information technology controls) was not one of the audit survey objectives.

We conducted this audit survey in accordance with Generally Accepted Government Auditing Standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe the evidence we obtained provides a reasonable basis for our findings and conclusions based on our audit survey objectives.

³⁴ We did not visit any project sites because majority of the projects had either not yet finished or just begun. We reviewed FS' monitoring activities, including FS fund disbursement records, for selected contracts, grants, and agreements.

Abbreviations

AQM.....	Acquisition Management
FGCAA.....	Federal Grant and Cooperative Agreement Act of 1977
FHWA	Federal Highway Administration
FS	Forest Service
FWS	U.S. Fish and Wildlife Service
FY	fiscal year
G&A.....	Grants and Agreements
█.....	█
IA.....	interagency agreement
OIG	Office of Inspector General
OGC.....	Office of the General Counsel
OMB	Office of Management and Budget
USDA.....	Department of Agriculture
WO.....	Washington Office

**FOREST SERVICE'S
RESPONSE TO AUDIT REPORT**



File Code: 1430**Date:** July 18, 2019**Route To:****Subject:** Forest Service Response to Reach Management Decision on OIG Report No. 08702-0001-41 Forest Service's Controls Over its 2018 Supplemental Disaster Appropriations**To:** Gil H. Harden, Assistant Inspector General for Audit, Office of Inspector General

Thank you for the opportunity to review and comment on Office of Inspector General (OIG) Report Number 08702-0001-41. The Forest Service concurs with the findings and recommendations and appreciates the time and effort that went into the report. The Agency's response to the audit recommendation is enclosed. Additionally, the Agency has implemented corrective actions for each recommendation and the supporting documentation is attached.

Please contact Antoine L. Dixon, Chief Financial Officer, at (202) 205-0429 or

antoine.dixon@usda.gov with any questions.

//Signed//

VICTORIA CHRISTIANSEN

Chief

Enclosure (1)



USDA Forest Service (FS)

Office of Inspector General (OIG) Audit Report No. 08702-0001-41

Forest Service's Controls Over its 2018 Supplemental Disaster Appropriations

Official Draft Issued June 25, 2019

Response to the Official Draft Report /Management Decision Request

Recommendation 1: Determine if Interagency Agreements (IAs) should comply with OMB's 24-month grant expenditure requirement and, if needed, consult with the Office of the General Counsel (OGC).

FS Response: The USDA Forest Service concurs with this recommendation. The Forest Service finds that there is enough instruction from the OMB M-18-14 memo (**Rec 1 TAB A**) to determine if an IA must use the Grant Expenditure provision. The Forest Service's Financial Policy Staff has conducted the necessary research (**Rec 1 TAB B**) and determined that an OGC consultation is not currently necessary.

The Department of Treasury defines an Interagency Agreement as a written agreement between two Federal agencies, or major organizational units within an agency, which specifies goods/services to be furnished or tasks to be accomplished by one agency (the servicing agency) in support of the other (the requesting agency) (**Rec 1 TAB C, page 3-4**). This relationship is not considered a Grant or Cooperative Agreement. Thus, the OMB provision does not apply to Interagency Agreements. If the Forest Service is transferring FY 2018 disaster relief funds to another servicing agency that plans to use the funds in a grant or cooperative agreement, it is the responsibility of the servicing agency to enforce the OMB Grant Expenditure provision.

Estimated Completion Date: Completed

Recommendation 2: Clarify, to all regions, the applicability of OMB's 24-month grant expenditure requirement to IAs.

FS Response: The USDA Forest Service concurs with this recommendation. The Forest Service has written formal guidance that reiterates the OMB guidance regarding the expenditure of grant funds, and has included clarification to all regions that this guidance does not apply to Interagency Agreements. The guidance letter further clarifies that if the receiving agency chooses to use the funds on a grant or cooperative agreement, then the OMB provisions do apply and it is the receiving agency's responsibility to ensure the provisions are being met. The guidance is attached (**Rec 2 TAB A**).

Estimated Completion Date: Completed

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