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TO: Thomas Schultz
Chief
Forest Service

ATTN: Jennifer McGuire
Acting Chief Financial Officer
Forest Service

FROM: Yaris Rivera Rojas (for) Steve Rickrode
Acting Assistant Inspector General for Audit

SUBJECT: Prior OIG Engagements Relevant to the Forest Service's Disaster Relief Supplemental Appropriations Funding Provided under the American Relief Act, 2025.

The American Relief Act, 2025, Pub. L. No. 118-158, signed on December 21, 2024, provided more than \$39.8 billion to the USDA to carry out projects and activities related to agricultural disaster assistance. Of this amount, the Act provided more than \$6.3 billion to the Forest Service (FS) for the following expenses related to wildfires, hurricanes, and other natural disasters that occurred during calendar years 2022–2024 (i.e., disaster-related expenses) and other specified activities.

- \$68.1 million for FS Operations disaster-related expenses.
- \$26 million for FS Forest and Rangeland Research disaster-related expenses.
- \$208 million for FS State, Private, and Tribal Forestry disaster-related expenses, which includes \$14 million for Forest Health Protection assistance to States for an emerging eastern spruce budworm outbreak.
- \$2.5 billion¹ for FS National Forest System, which includes more than \$2.4 billion for disaster-related expenses and \$75 million for the construction or maintenance of fuel breaks.
- \$3.5 billion² for FS Capital Improvement and Maintenance disaster-related expenses.

As part of the Office of Inspector General's (OIG) oversight responsibility, we reviewed the results of prior OIG and Government Accountability Office (GAO) engagements that were relevant to the supplemental disaster funding provided by the American Relief Act, 2025.³ We identified areas with reported past weaknesses and recommendations that may provide FS insight when disbursing funds allotted by the American Relief Act, 2025. These results will help FS design new programs and determine whether to maintain or further strengthen controls of existing programs that receive the supplemental disaster funding. By maintaining strong controls,

¹ The American Relief Act, 2025, provided \$2,523,000 for these National Forest System expenses.

² The American Relief Act, 2025, provided \$3,525,000 for these Capital Improvement and Maintenance expenses.

³ We included in our review recent related engagements with recommendations tracked by the Office of the Chief Financial Officer.

agencies are better suited to provide the supplemental funds to those most impacted by disasters, while helping reduce or prevent potential fraud, waste, and abuse.

Based on our review, we identified the following findings and recommendations that FS may consider to help ensure its activities and programs operate effectively with the proper control environment. These engagements are listed in chronological order (most recent first). According to information maintained by the Office of the Chief Financial Officer (OCFO), as of March 6, 2025, some of the recommendations associated with these prior audits have not yet been implemented. These outstanding recommendations are noted as applicable.

Relevant OIG Reports

- *IIJA – Legacy Road and Trail Remediation Program - Region 6:*^{4 5} OIG reported that we were unable to validate that Region 6 selected projects. As a result, Forest Service has reduced assurance that Region 6 considered all eligible projects and then properly prioritized and selected the most meritorious Legacy Road and Trail (LRT) projects. Therefore, we questioned Region 6’s fiscal years (FYs) 2022 and 2023 LRT costs, totaling more than \$13.8 million. Additionally, we identified that Region 6 approved and allocated LRT funds to 11 ineligible tasks within 2 approved projects. As a result, Region 6 held more than \$630,000 in LRT funds for ineligible tasks within approved projects, thus making these funds unavailable for other eligible LRT projects or tasks. These questioned costs were fully included in the total \$13.8 million discussed above.

OIG recommended that, during the project selection process, Region 6 use the numerical point scoring guidance specified by the Washington Office and prioritize eligible projects and document the information reviewed and decisions made when determining LRT project eligibility and scoring. Additionally, we recommended Region 6 establish controls to confirm task eligibility before approving projects and review the two projects with ineligible tasks to recover any improperly spent LRT funding. According to OCFO, as of March 6, 2025, three of the four recommendations remain open.

- *IIJA – Legacy Road and Trail Remediation Program - Region 3:*⁶ OIG reported that we were unable to validate the project scoring and eligibility determinations for the 15 projects Region 3 selected in fiscal years (FYs) 2022 and 2023. This occurred because the regional project selection team did not formally document the information reviewed and decisions made when the team determined eligibility and assigned evaluation points for each LRT project proposal. As a result, we questioned Region 3’s FY 2022 and 2023 LRT costs, totaling more than \$5.5 million. We did not identify reportable issues with Region 3’s controls over project spending, including Buy American Provisions.

OIG recommended that Forest Service Region 3 strengthen its LRT project selection process going forward by formally documenting the information reviewed and decisions made when determining LRT project eligibility and scoring to allow for independent review. According to OCFO, as of March 6, 2025, FS implemented the recommendation.

⁴ Audit Report 08601-0006-31, *IIJA – Legacy Road and Trail Remediation Program – Region 6*, Dec. 2024.

⁵ OIG will also be issuing a capping report by May 2025, that summarizes issues identified during the audits of Region 3 and Region 6’s implementation of the IIJA Legacy Road and Trail Remediation Program.

⁶ Audit Report 08601-0005-31, *IIJA – Legacy Road and Trail Remediation Program - Region 3*, Dec. 2024.

- *IIJA – Collaborative Aquatic Landscape Restoration Program:*⁷ OIG reported that the agency did not always properly track its allocated funds for salaries and expenses (S&E). While FS had controls for budgeting and selecting projects for Collaborative Aquatic Landscape Restoration (CALR) funds, the agency did not design specific controls to track its fiscal year (FY) 2022 CALR S&E separately from other IIJA S&E funds. As a result, FS cannot accurately report how it expended the funds allocated for CALR S&E in FY 2022, resulting in more than \$5.7 million in questioned costs. Furthermore, FS did not establish a process to ensure selected CALR project proposals were tracked and completed timely. Without a process to track and monitor CALR rehabilitation projects, FS could be noncompliant with the Act’s requirement to discontinue funding for a project that fails to achieve results for more than 2 consecutive years.

OIG recommended that FS establish and implement a method to track the amount of CALR S&E funds expended separately from other IIJA National Forest System S&E funds. Additionally, we recommended that FS establish and implement a process to track and monitor CALR project proposals and their results. According to OCFO, as of March 6, 2025, the two recommendations are open.

- *IIJA – Hazardous Fuels Management:*⁸ OIG reported that FS did not separately track FYs 2022 and 2023 Infrastructure Investment and Jobs Act (IIJA), Division J Hazardous Fuels Management funds. As a result, FS could not accurately report how much it spent for FYs 2022 and 2023 hazardous fuels management, resulting in \$205.6 million in questioned costs. Additionally, we found that FS did not fully document its rationale for prioritizing and selecting projects. As such, FS’ decision-making process was not transparent, resulting in reduced assurance that the most critical projects were selected.

OIG recommended FS establish and implement an accounting structure to track the amount of funds expended based on its appropriated provision and purpose, and update FS guidance to require documentation to support the rationale used to prioritize and select hazardous fuels projects at the Washington Office. According to OCFO, as of March 6, 2025, FS implemented the two recommendations.

- *IIJA – Community Wildfire Defense Grant Program for At-Risk Communities:*⁹ OIG reported that FS may have exceeded the \$9,160,800 spending limit on salary, expense, and administrative costs in FY 2022. We found that FS transferred or obligated more than \$46.2 million in Community Wildfire Defense Grant (CWDG) funding related to salary, expense, and administrative costs, which exceeded the limit by more than \$37 million. We also found that FS did not track how the CWDG funding that it transferred into its FS Operations account was spent, which put the agency at risk of spending CWDG funding on expenses that were not allowed under IIJA. As a result, FS was at an increased risk of violating the Antideficiency Act, though FS officials disagreed with our interpretation of this IIJA provision and maintained that the agency used the funding in accordance with IIJA. Lastly, OIG reported FS did not have grant agreements in place for 5 of our 10 sampled applications as of September 20, 2023, even though the application period had

⁷ Inspection Report 08801-0002-22, *IIJA – Collaborative Aquatic Landscape Restoration Program*, Dec. 2024.

⁸ Inspection Report 08801-0001-21, *IIJA – Hazardous Fuels Management*, Sept. 2024.

⁹ Inspection Report 08801-0002-24, *IIJA – Community Wildfire Defense Grant Program for At-Risk Communities*, Aug. 2024.

closed on October 7, 2022. As a result, these 5 grant recipients could not begin implementing CWDG awards for more than 11 months after the application deadline.

OIG recommended FS establish and implement a control activity in its accounting structure, to track the IJA – State and Private Forestry funds expended in the FS Operations account, that would ensure funds were expended on allowable IJA provisions. FS should also implement control activities in its application awarding process to improve the timeliness of grant agreements being executed after the application closing date. According to OCFO, as of March 6, 2025, one of the two recommendations remains open.

- *Regional Forester Authorities for Cost Share Agreements - Inspection*:¹⁰ OIG reported that, while FS had established adequate controls surrounding Cooperative Fire Protection Agreements (CFPAs), the agency did not establish adequate controls surrounding cost share agreements (CSAs), which are instrumental in establishing the actual share of the overall fire suppression cost FS pays. Without controls to ensure CSAs are consistent with their corresponding CFPAs, there was no assurance that the costs FS paid for fire suppression were fair and equitable. We also found that the FS Washington Office had not established a formal process for reviewing and approving regions' supplemental standard operating procedures (SOPs) for administering CFPAs and reimbursable agreements. Without this process, FS had reduced assurance that regions timely submit supplemental SOPs to the Washington Office for review and approval. Finally, FS did not adequately address the Washington Office SOP in its directives system, specifically the handbook. As a result, FS risked that the Washington Office SOP may not be fully implemented as intended.

OIG recommended that FS: require that all CSAs undergo a second level review and establish a standardized process for the review, incorporate the second level review controls into the Washington Office SOP, establish a formal process for reviewing and approving regions' supplemental SOPs and incorporating the process into the Washington Office SOP, and adequately address the Washington Office SOP in the FS handbook. According to OCFO, as of March 6, 2025, FS implemented the six recommendations.

- *Forest Service Use of Settlement Funds*:¹¹ OIG reported that FS had the authority to invest and retain interest on some funds that were maintained in interest-bearing accounts; however, the agency did not have the authority to retain interest earned on settlement funds like other Federal agencies. Without legislation amending FS' authority, the value of settlement funds diminishes over time, possibly resulting in budget shortfalls for restoration work. Considering that restoration projects can take years or even decades to complete, the loss of interest earnings can lead to long-term losses. For instance, had FS retained interest earned on the account balances from active settlements during fiscal years 2015–2019, FS could have received more than \$7.6 million to supplement ongoing restoration efforts. OIG also reported that, in 2016, FS allotted \$936,579 of funding and budget authority from an agency-level environmental settlement fund account to a

¹⁰ Inspection Report 08801-0001-41, *Regional Forester Authorities for Cost Share Agreements - Inspection*, Oct. 2021.

¹¹ Audit Report 08601-0011-41, *Forest Service Use of Settlement Funds*, Mar. 2021.

Washington Office subaccount without a detailed work plan for use of the funds. The funds remained in the subaccount unspent and were not returned to the agency-level account to be made available to the units responsible for performing environmental actions at covered sites. If these funds were not allotted back to the agency-level account, they could not be used for their intended purpose, and FS risked using the funds for purposes that could violate the terms of the settlement agreement.

OIG recommended that FS work with the Department to pursue legal authority to retain interest earned on settlement funds. It should also return \$936,579 from the assigned Washington Office subaccount to the appropriate settlement account and reinforce existing guidance to ensure only FS units with approved detailed work plans are allotted settlement funds and budget authority. According to OCFO, as of March 6, 2025, FS implemented the three recommendations.

- *Forest Service Grant for Roadless Area Management in the State of Alaska*:¹² OIG reported that FS had authority under the National Environmental Policy Act to provide funding to facilitate Alaska’s participation in the State-specific rulemaking, as a cooperating agency. However, the processes FS used to award the \$2 million grant to Alaska did not comply with Federal laws and regulations. Specifically, FS modified an existing Cooperative Forestry Assistance Act of 1978 grant between FS and Alaska. FS officials stated that they needed to quickly award this grant to Alaska to facilitate its efforts to develop a State-specific Roadless Rule exemption. The Cooperative Forestry Assistance Act of 1978 was an Act designated for Federal assistance to State and private forests, not Federal forests such as the Tongass National Forest. Further, FS’ decision to issue this grant by modifying an existing grant did not comply with Federal laws and regulations related to competition for discretionary program funding. As a result, we found that stakeholders were unaware that Federal funding was available for the purposes of this grant.

OIG recommended that FS work with the Office of the General Counsel to develop and implement a plan to use the funding in compliance with Federal laws and regulations, and pending OGC’s review, cease all payments related to this grant. According to OCFO, as of March 6, 2025, FS implemented the two recommendations.

Related GAO Reports

We also noted the following GAO reports that FS may want to consider, which include findings and recommendations relevant to the funding provided by the American Relief Act, 2025:

- *High-Risk Series: Heightened Attention Could Save Billions More and Improve Government Efficiency and Effectiveness*,¹³
- *Forest Service: Fully Following Leading Practices for Agency Reforms Would Strengthen Prescribed Fire Program*,¹⁴

¹² Inspection Report 08801-0001-24, *Forest Service Grant for Roadless Area Management in the State of Alaska*, Dec. 2020.

¹³ GAO-25-107743, *High-Risk Series: Heightened Attention Could Save Billions More and Improve Government Efficiency and Effectiveness*, Feb. 2025.

¹⁴ GAO-24-106239, *Forest Service: Fully Following Leading Practices for Agency Reforms Would Strengthen Prescribed Fire Program*, June 2024.

- *Disaster Contracting: Action Needed to Improve Agencies' Use of Contracts for Wildfire Response and Recovery*,¹⁵ and
- *Wildfire Smoke: Opportunities to Strengthen Federal Efforts to Manage Growing Risks*.¹⁶

This memorandum contains publicly available information and will be posted in its entirety to our website (<https://usdaoig.oversight.gov>).

¹⁵ GAO-23-105292, *Disaster Contracting: Action Needed to Improve Agencies' Use of Contracts for Wildfire Response and Recovery*, Apr. 2023.

¹⁶ GAO-23-104723, *Wildfire Smoke: Opportunities to Strengthen Federal Efforts to Manage Growing Risks*, Mar. 2023.

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