OFFICE OF
INSPECTOR GENERAL
U.S. DEPARTMENT OF THE INTERIOR

Inspection

Selected DOI Bureaus Generally Awarded $300 Million in IIJA and IRA Financial Assistance Properly—Opportunities Exist To Improve Pre-Award Risk Processes

Report No. 2025-ISP-027

July 2026

Memorandum Report

JUL 20 2026

To: Katherine Spomer
Acting Director, Office of Grants Management

From: Nicki Miller
Assistant Inspector General for Audits, Inspections, and Evaluations

Subject: Final Inspection Report – *Selected DOI Bureaus Generally Awarded $300 Million in IIJA and IRA Financial Assistance Properly—Opportunities Exist To Improve Pre-Award Risk Processes*
Report No. 2025-ISP-027

This memorandum transmits our inspection report on the U.S. Department of Interior's (DOI's) Infrastructure Investment and Jobs Act (IIJA)[1] and Inflation Reduction Act (IRA)[2] financial assistance obligations. In our April 2025 report[3] on U.S. Fish and Wildlife Service (FWS) IRA-funded endangered species recovery efforts, we noted an 862-percent increase in FWS' obligations between October 2024 and January 2025, with increases primarily occurring in December 2024, which led us to identify significant increases in IRA obligations at other DOI bureaus. Based on these findings, we chose to conduct our current inspection to determine whether a limited selection of IIJA and IRA grant obligations made between November 5, 2024, and January 20, 2025, were made in accordance with laws, regulations, policies, and procedures. See Attachment 1 for our scope and methodology.

We tested six large obligations that the Bureau of Reclamation (BOR), FWS, and National Park Service (NPS) incurred and found that they were generally awarded in accordance with applicable laws, regulations, policies, and procedures. However, we noted some deficiencies in BOR, FWS, and NPS processes for assessing risks posed by applicants prior to obligating funds. Specifically, BOR and FWS financial assistance risk assessments did not comply with DOI policies, and NPS did not accurately assess the risk of its financial assistance applicants before obligating funds. In addition, before obligating funds, NPS did not request proof of liability insurance for one award as required by its standard operating procedures.

Background

DOI's mission is to protect and manage the Nation's natural resources and cultural heritage; provide scientific and other information about those resources; and honor its trust responsibilities to American Indians, Alaska Natives, Native Hawaiians, and affiliated Island Communities. DOI's 11 bureaus and numerous offices are responsible for implementing this mission.[4]

[1] Pub. L. No. 117-58.

[2] Pub. L. No. 117-169.

[3] *Flash Report: U.S. Fish and Wildlife Service's Inflation Reduction Act Endangered Species Recovery Efforts* (Report No. 2024-ISP-012), issued Apr. 2025.

[4] DOI has a number of departmental offices that include the Office of the Secretary; the Office of Policy, Management and Budget; and the Office of the Solicitor.

The IIJA was signed into law on November 15, 2021, and DOI received more than $30 billion for various infrastructure projects associated with water, drought, and wildfire resilience; ecosystem restoration; legacy pollution cleanup; and Tribal climate resilience and infrastructure.

The IRA was signed into law on August 16, 2022, and DOI received approximately $6.6 billion for water management and conservation efforts in long-term drought areas; conservation, protection, and resiliency of lands and resources; Tribal climate resilience and adaptation; and restoration projects.

Infrastructure Investment and Jobs Act

$30 billion for water and drought resilience, ecosystem restoration, Tribal climate resilience and infrastructure, legacy pollution cleanup, and Indian water rights settlements.

Inflation Reduction Act

$6.6 billion for water management and conservation efforts in long-term drought areas.

DOI is using financial assistance such as grants, cooperative agreements,[5] and master cooperative agreements[6] (hereinafter, "financial assistance agreements") to spend a majority of its IIJA and IRA funds. Once a bureau awards a financial assistance agreement, an obligation is incurred, which is a legally binding agreement that will result in expenditures either immediately or in the future.

The Office of Grants Management (PGM) is responsible for providing executive leadership, oversight, and policy for financial assistance agreements across DOI. These responsibilities include drafting and implementing DOI-wide financial assistance policies and guidance, ensuring adequate internal controls for financial assistance, and providing DOI-wide financial assistance workforce planning and strategy. On April 17, 2025, Secretary's Order No. 3429, *Consolidation, Unification, and Optimization of Administrative Functions*, announced the consolidation of many administrative functions within DOI's Office of the Secretary. Under this order, all financial assistance responsibilities will be centralized under PGM. During the consolidation process, DOI's bureaus continue to have their own financial assistance offices that establish policies, procedures, and guidance and award and administer financial assistance agreements.[7] Awarding officials at these offices typically work closely with program personnel, who are subject matter experts, to award financial assistance agreements.

Bureaus perform several steps before awarding financial assistance agreements to recipients. These steps include:

- Issuing a "Notice of Funding Opportunity" to provide public notice of the availability of financial assistance funding. This announcement includes details such as eligibility, scope of work, application instructions, deadlines, and evaluation criteria.
- Receiving applicants' project proposals, which may include technical narratives, budgets, and project timelines.
- Reviewing and evaluating applicants' project proposals, which may include an administrative check for completeness and eligibility, a technical review in which subject matter experts evaluate the technical merit of the project, and a budget review.
- Conducting a risk assessment on the applicants to assess their financial and administrative capabilities.
- Issuing a "Notice of Award" that sets terms and conditions and results in obligating the funds.

[5] A cooperative agreement is a type of financial assistance award that is like a grant but requires substantial programmatic involvement and collaboration between the funding agency and the recipient in carrying out a public purpose. It provides the initial amount of the financial assistance to the recipient, and amendments can be made to provide additional funding or modify the terms, as needed.

[6] A master cooperative agreement is an unfunded agreement that establishes overarching terms and conditions for multiple anticipated projects, with task agreements issued under the master cooperative agreement to fund specific tasks or projects.

[7] As of April 13, 2026, PGM stated that the consolidation was still ongoing.

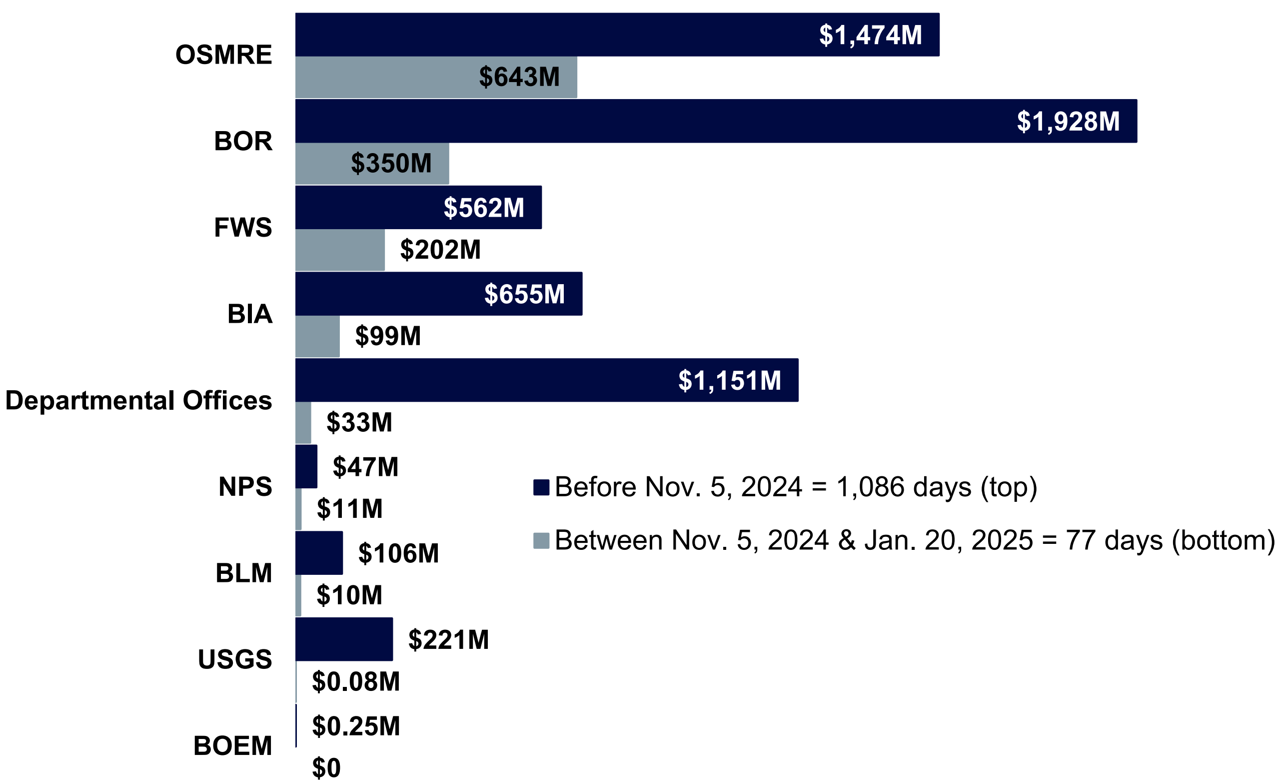
On December 23, 2024, in keeping with our mission to help DOI prevent fraud, waste, and abuse in DOI programs and operations, the Inspector General issued a memorandum to bureaus identifying risks that may occur when funding awards are expedited. In particular, the memorandum stated that our prior work had found that accelerating expenditures or obligations can lead Federal personnel to bypass or ignore internal controls, policies, and routine procedures. The memorandum noted that previous oversight has shown that such activity poses unique challenges and creates a heightened risk of fund mismanagement, waste, and fraud. The memorandum further stated that expedited obligation of funds that were expected to be awarded over time can create an untenable oversight mandate for a workforce appropriately sized for a slower rate of obligations.

IIJA and IRA Financial Assistance Obligations

We analyzed the IIJA and IRA financial assistance obligations from the Bureau of Indian Affairs (BIA), Bureau of Land Management (BLM), Bureau of Ocean Energy Management (BOEM), BOR, FWS, NPS, Office of Surface Mining Reclamation and Enforcement (OSMRE), U.S. Geological Survey (USGS), and departmental offices.

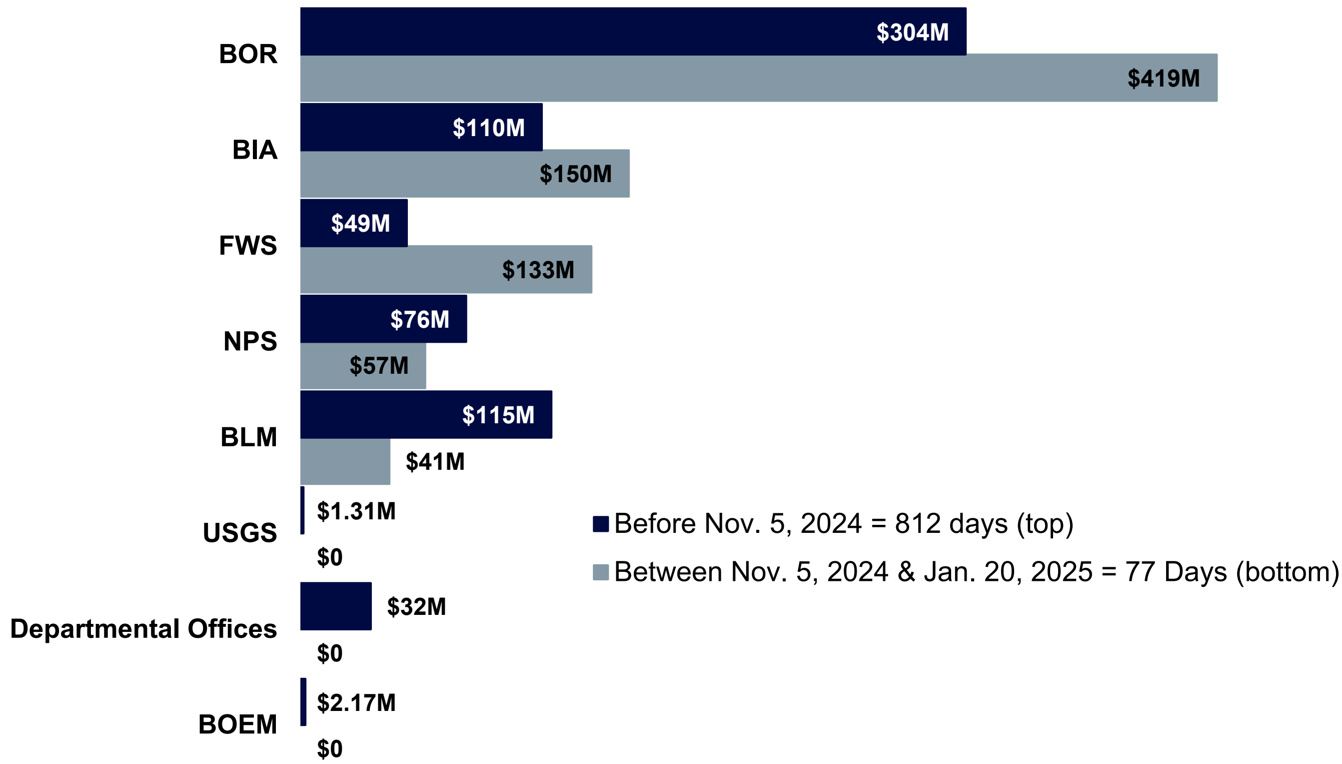
Specifically, we compared (1) the total dollar amount of obligations made by each bureau since the enactment of the IIJA (November 15, 2021) and IRA (August 16, 2022) until November 5, 2024, and (2) the total dollar amount of obligations made between November 5, 2024, and January 20, 2025 (see Figures 1 and 2). For the IIJA funding, the bureaus obligated more funding in the nearly three years before November 5, 2024, than the period after this date. In contrast, for IRA funding, obligations increased significantly between November 5, 2024, and January 20, 2025, as compared to the just over two years before this time period.

Figure 1: IIJA Financial Assistance Obligations by Bureau Before and After November 5, 2024



Source: OIG analysis of Financial and Business Management System (FBMS) data.

Figure 2: IRA Financial Assistance Obligations by Bureau Before and After November 5, 2024



Source: OIG analysis of FBMS data.

As demonstrated in Figure 2 above, the IRA obligations for four bureaus—BOR, BIA, FWS, and NPS—increased substantially after November 5, 2024.[8] In fact, BOR, BIA, and FWS had more obligations during the two-and-a-half months between November 5, 2024, and January 20, 2025, than during the 24-month period between the enactment of the IRA in August 2022 and November 5, 2024. For example, BOR obligated $304 million from August 16, 2022, to November 5, 2024; however, from November 5, 2024, to January 20, 2025, it obligated $419 million.

Given the potential risks related to accelerating obligations and the amount of IRA obligations made between those dates, we inspected whether a sample of obligations made during that timeframe were obligated in accordance with laws, regulations, policies, and procedures. For BOR, FWS, and NPS,[9] we selected a small subset of their awards for review. Specifically, we selected six financial assistance awards—one IIJA-funded and one IRA-funded for each bureau—valued at approximately $300 million (see Figure 3).

Figure 3: Selected Sample of IRA and IIJA Awards

Bureau	Funding Source	Amount
BOR	IIJA	$31,000,000
	IRA	$154,000,000
FWS	IIJA	$50,000,000
	IRA	$57,500,000
NPS	IIJA	$3,355,000
	IRA	$4,313,495
Total		**$300,168,495**

Source: OIG analysis of FBMS data.

[8] Some of the increases in obligations during this period may have been attributable to the unavailability of DOI's financial system due to system upgrades in October 2024. Because system access for the bureaus was restored incrementally between November 4, 2024, and November 18, 2024, a backlog in entering obligations may have occurred.

[9] We removed BIA from our scope because additional authorities pursuant to the Indian Self-Determination and Education Assistance Act (Pub. L. No. 93-638, codified at 25 U.S.C. § 5301 *et seq.*) govern agreements with Tribes.

Results of Inspection

Overall, we determined that the six BOR, FWS, and NPS financial assistance awards we reviewed were made in accordance with applicable laws, regulations, policies, and procedures. However, we reviewed the bureaus' policies for assessing risks posed by applicants prior to the issuance of Federal awards and identified the following deficiencies:

- BOR and FWS policies for financial assistance risk assessments did not comply with DOI policy.
- NPS did not accurately assess the risk of its financial assistance applicants prior to issuing Federal awards.
- NPS did not request proof of liability insurance for one award, as required by its standard operating procedures.

BOR and FWS Financial Assistance Risk Assessments Policies Did Not Comply With DOI Policy

Federal regulations require agencies to establish and maintain policies and procedures for conducting risk assessments to evaluate the risk posed by applicants before issuing Federal awards.[10] Departmental policy established such procedures, which include completing a DOI-specific "Financial Assistance Risk Assessment Checklist."[11] When completing this checklist, awarding officials are required to review the applicant's most recent single audit or independent audit to assess the applicant's financial stability and determine whether the applicant has effective internal controls in place for managing and spending Federal funding. If neither audit exists, the awarding official requires the applicant to complete a "Financial Capability Questionnaire" or the bureau to conduct a review to ensure that the applicant has policies and procedures in place to meet financial management standards. DOI policy permits bureaus to expand DOI's risk assessment checklist to include additional risk factors as long as the elements contained in DOI's checklist are incorporated verbatim.

We found that BOR and FWS risk assessment policies did not fully comply with DOI policy. In particular, contrary to DOI policy, BOR's risk assessment checklist did not require awarding officials to review the applicants' independent audit if a single audit was not available. In addition, we found that although DOI policy requires this step, FWS' risk assessment policy and related checklist did not use a "Financial Capability Questionnaire" when an applicant lacked both a single and independent audit.

In our discussions with DOI and the bureaus, we received a number of explanations for the noncompliance issues we identified. Specifically, BOR officials stated that they did not understand that DOI policy requires them to review a recipient's independent audit when no single audit is available.

Additionally, FWS officials stated that they were not aware that the "Financial Capability Questionnaire" is a required element of DOI's risk assessment policy and that neither Federal regulations nor DOI policy explicitly required its use. FWS officials informed us that in cases where applicants lack single and independent audits, instead of having the applicant complete the questionnaire, project officers (1) assess the applicant's financial management capability by reviewing the application package—which includes a detailed budget breakdown, budget and project narrative, and other organizational information—and (2) rely on the applicant's assurance statement—which certifies that its financial management system complies with applicable requirements outlined in the regulations. However, these steps do not adequately demonstrate that an applicant has an adequate accounting system capable of properly managing Federal funds. The questionnaire has more than 25 detailed questions regarding an applicant's accounting system and its property, procurement, and travel policies. Simply reviewing the application package and relying on a self-certification does not provide the same level of assurance as the comprehensive assessment required by the questionnaire.

[10] 2 C.F.R. § 200.206(b).

[11] DOI-PGM-POL-0016, *Pre-Award Risk Assessment and Post-Award Monitoring*, effective July 1, 2024.

Lastly, according to a PGM official, the risk assessment checklists at BOR and FWS that deviated from DOI's checklist were not reviewed at the PGM Director level. Before PGM was established in 2018, the Office of Acquisition and Property Management (PAM) was responsible for developing DOI's financial assistance policies; in 2016, PAM created DOI's risk assessment policy, which superseded its 2011 Financial Assistance Monitoring Protocol. In 2024, PGM reissued this risk assessment policy under its authority. Both the previous 2016 PAM policy and current PGM policy (1) allowed bureaus to include additional risk factors in their checklists as long as the elements contained in DOI's checklist were incorporated verbatim and (2) required the Director of PAM or PGM to review and approve when bureaus deviated from DOI's checklist. However, when PGM issued an updated policy in 2024, the PGM Director did not review BOR's and FWS' checklists to ensure they incorporated all of the requirements of DOI's checklist; instead, PGM added a note to the policy stating, "all previous bureau or offices risk assessment checklists approved by Office of Acquisition and Property Management are still valid."[12] Given that the review and approval of the bureaus' checklists likely occurred almost a decade earlier under PAM, and that the bureaus' risk assessment checklists may have changed over time, it would have been prudent for PGM to review any bureau checklists that deviated from DOI's checklist rather than issuing a blanket approval.

By not evaluating the independent audit when a single audit is not available or is not current and not requiring an applicant to complete the "Financial Capability Questionnaire," FWS and BOR risk awarding funds to applicants that may lack adequate internal controls, financial management systems, or the capacity to comply with applicable statutory, regulatory, and award requirements.

NPS Did Not Always Accurately Assess the Risk of Its Financial Assistance Applicants

As discussed above, DOI policy requires awarding officials to review the applicant's single audit or independent audit. If neither audit exists, the awarding official must require the applicant to complete a "Financial Capability Questionnaire" or the bureau to conduct a review to ensure that the applicant has policies and procedures in place to meet financial management standards.

We found that NPS did not always accurately assess the risk posed by financial assistance applicants before issuing Federal awards. Specifically, in both awards sampled, we identified inaccuracies in how officials completed the applicants' risk assessments.

For the first award, the awarding official did not ensure the grants management specialist responsible for the risk assessment completed it accurately prior to issuing the award. Specifically, due to the absence of a single or independent audit, the grants management specialist who completed the risk assessment required the applicant to submit the "Financial Capability Questionnaire," in accordance with DOI and NPS policies. However, after we requested documentation of this questionnaire, the awarding official informed us that the grants management specialist incorrectly completed the risk assessment; the awarding official clarified to us that the applicant had an independent audit and thus did not complete the questionnaire. Although NPS provided the independent audit to us as part of the award file, due to the error in the risk assessment, there is no evidence that the NPS official reviewed the independent audit to confirm the applicant had the financial capacity and internal controls necessary to manage Federal funds before awarding approximately $3.4 million.

For the second award, the awarding official relied on an outdated independent audit obtained at the time the master agreement was executed—approximately two-and-a-half years earlier—rather than obtaining the applicant's most recent audit when awarding the task agreement under the master agreement. This practice is inconsistent with DOI and NPS policies, which require current financial information to accurately assess risk at the time of award. Thus, NPS awarded approximately $4.3 million without reviewing the most recent independent audit, limiting its ability to identify any changes in the applicant's financial condition that may have occurred since the prior audit.

According to NPS' Deputy Bureau Financial Assistance Chief, risk assessments have been a longstanding challenge at NPS. This official told us that previous NPS Financial Assistance Policy Branch annual internal control reviews of selected awards identified pre-award issues similar to those we found. For example, in fiscal

[12] BOR and FWS did not have documentation of PAM's formal approval of their checklists.

years 2024 and 2025, the internal control reviews identified errors in 15 percent and 7 percent of the sampled awards, respectively. Common errors included missing or inaccurate information in the risk assessments, reliance on outdated audits, and a lack of documentation demonstrating that a risk assessment had been completed.

Inaccuracies in conducting risk assessments occurred primarily because NPS did not require a formal review or additional oversight of the risk assessments completed by awarding officials. With the exception of the annual internal control review conducted on a limited selection of awards, NPS did not have a process in place to verify the accuracy or completeness of risk assessments at the time of award. According to NPS' Deputy Bureau Financial Assistance Chief, although NPS has made its own internal recommendations based on the findings of these reviews, its policy office lacks the capacity to ensure that these recommendations are implemented. Given that the annual internal control reviews and resulting recommendations did not effectively resolve the recurring issues, implementing a process to review awarding officials' risk assessments at the time of award would improve compliance and reduce errors.

We also learned that a lack of training contributed to risk assessment inaccuracies. Despite the known risk assessment deficiencies, NPS did not provide consistent training to all its awarding officials and subject matter experts on how to appropriately perform risk assessments—such training could reinforce proper procedures and ensure awarding officials remain current on requirements. Since 2020, NPS developed a training video on how to perform risk assessments; however, the training video was intended for only new awarding officials and subject matter experts when it could also be used as refresher training for all awarding officials and subject matter experts. Additionally, NPS provided a pre-award training that included a training slide on risk assessments, but this training was provided to only a portion of its awarding officials and subject matter experts.

Without accurately assessing risk, NPS risks awarding Federal funds to applicants that may not have the financial capacity to manage them appropriately, which can lead to mismanagement of Federal funds, noncompliance with award requirements, and increased risk of waste, fraud, or abuse. Furthermore, the lack of a reliable risk assessment process undermines NPS' ability to ensure that Federal funds are awarded in accordance with applicable policies and regulations.

In One Award, NPS Did Not Obtain Proof of Liability Insurance

One of the NPS awards in our sample included indemnification language[13] and liability insurance requirements; however, the awarding official did not request proof of insurance coverage or require the applicant to demonstrate that it had financial resources in an amount the Government deemed sufficient to cover claims brought by third parties, as required by NPS' standard operating procedures. Specifically, NPS awarded a task agreement under a master cooperative agreement that incorporated the terms of the relevant master cooperative agreement, including a requirement that the applicant obtain liability insurance. The awarding official did not request proof of the liability insurance when awarding the task agreement and explained that, in his interpretation, liability insurance was not mandatory because the master agreement stated that the applicant was required to either obtain liability insurance or demonstrate sufficient present financial resources. This official implied that the applicant had demonstrated sufficient financial resources to meet this requirement. However, he could not provide any documentation or supporting analysis to confirm that such a determination had been made at the time of the award.

Failure to obtain proof of liability insurance increases the risk that a recipient may incur uninsured liability for negligent acts, potentially leading to insolvency. Such insolvency may result in nonperformance of project deliverables, objectives, and milestones, thereby placing Federal funds at risk of not achieving intended program outcomes.

[13] Per 2 C.F.R. § 200.447, the Federal Government is obligated to indemnify the recipient or subrecipient only to the extent expressly provided for in the Federal award.

Conclusion

While the six financial assistance obligations we reviewed—awarded between November 2024 and January 2025—were made in accordance with applicable law, policy, and regulation, we identified deficiencies in the bureaus' pre-award risk assessment activities. Given the significant funding provided to DOI from the IIJA and IRA, $30 billion and $6.6 billion respectively, it is important to accurately assess the risk of financial assistance applicants before issuing Federal awards. Performing thorough risk assessments can help identify applicants with financial, operations, and compliance weaknesses that could lead to waste, fraud, or misuse of Federal funds. Such assessments also enable bureaus to mitigate risks through specific award terms and conditions and monitoring plans. Identifying risks early can also help prevent performance problems and increase the likelihood that funded programs achieve their intended goals.

Likewise, obtaining proof of insurance helps recipients avoid insolvency by reducing exposure of significant, unexpected financial losses, which could ultimately jeopardize the proper use of Federal funds or result in the loss of Federal investments.

We make six recommendations that, if implemented, will improve DOI's financial assistance award processes and ensure financial assistance is awarded to applicants that can manage funds responsibly and achieve program goals. As described above, the bureaus' financial assistance functions are in the process of being consolidated under PGM. In light of this effort, we have addressed our recommendations to PGM for action instead of addressing them to the specific bureaus.

Recommendations

We provided a draft of this report to PGM for review. PGM concurred with all six recommendations, and we consider all recommendations resolved. Below we summarize PGM's response to our recommendations, as well as our comments on its response. See Attachment 2 for the full text of PGM's response.

We recommend that DOI's Office of Grants Management:

1. Review and approve all bureau risk assessment checklists that deviate from DOI's checklist.

   PGM Response: PGM concurred with the recommendation and stated that it will develop a new standardized pre-award risk assessment tool that evaluates both entity-level risk and project-specific risk. According to PGM, "This tool will be implemented and memorialized as part of the Department-wide risk assessment policy requiring all DOI awarding Grants Officers to use the new pre-award risk assessment tool to ensure consistency in its implementation." In addition, it stated that for those bureaus that have not been unified under PGM, PGM will be required to review and pre-approve any adjustments or deviations to the risk assessment.

   PGM provided a February 15, 2027 target implementation date.

   Status: Resolved. We will track implementation under Recommendation No. 2025-ISP-027-01.[14]

   OIG Comment: The recommendation will be implemented when PGM provides documentation demonstrating that any deviations from DOI's risk assessment tool have been pre-approved for those bureaus that have not been unified under PGM.

2. Ensure that BOR revises its risk assessment policy and related checklist to align with DOI's policy requirements to evaluate the applicant's financial reports and to review the applicant's independent audit when a single audit is not available for the applicant.

[14] The numbering convention we use to track recommendations is the report number followed by sequential recommendation digits.

PGM Response: PGM concurred with the recommendation and stated that the new risk assessment tool (described in more detail in the response to Recommendation 1) will be "inclusive of a requirement to review an applicant's independent audit when a single audit is not available."

PGM provided a February 15, 2027 target implementation date.

Status: Resolved. We will track implementation under Recommendation No. 2025-ISP-027-02.

OIG Comment: This recommendation will be implemented when PGM provides documentation demonstrating the new tool clearly requires a review of the independent audit when a single audit is not available.

3. Ensure that FWS revises its risk assessment policy and related checklist to align with DOI's policy requirement that an applicant complete a "Financial Capability Questionnaire" when the applicant does not have a single or independent audit.

   PGM Response: PGM concurred with the recommendation and stated that the new risk assessment tool (described in more detail in the response to Recommendation 1) will be "inclusive of the 'Financial Capability Questionnaire' when the applicant does not have a single or independent audit."

   PGM provided a February 15, 2027 target implementation date.

   Status: Resolved. We will track implementation under Recommendation No. 2025-ISP-027-03.

   OIG Comment: This recommendation will be implemented when PGM provides documentation demonstrating the new tool clearly requires that an applicant complete the "Financial Capability Questionnaire" when the applicant does not have a single or independent audit.

4. Ensure that NPS revises its risk assessment policies and procedures to require a review of the awarding officials' financial assistance risk assessments prior to the issuance of an award to ensure the assessments are accurate, complete, and supported by current documentation at the time of the award.

   PGM Response: PGM concurred with the recommendation and stated that the new risk assessment tool (described in more detail in the response to Recommendation 1) and policy "will include the requirement for review of the risk assessment prior to award issuance."

   PGM provided a February 15, 2027 target implementation date.

   Status: Resolved. We will track implementation under Recommendation No. 2025-ISP-027-04.

   OIG Comment: This recommendation will be implemented when PGM provides documentation demonstrating the tool and the policy include a requirement to review the risk assessment prior to award issuance to ensure the assessments are accurate, complete, and supported by current documentation.

5. Ensure that NPS develops and implements regular training for awarding officials on how to properly conduct and document financial assistance applicant risk assessments, including requiring the use of up-to-date financial audits and adhering to relevant policy guidance.

   PGM Response: PGM concurred with the recommendation and stated that it "will deliver mandatory training for DOI-wide financial assistance staff, including awarding officials, grants management specialists, and other personnel involved in the preaward risk review process. In addition, effective fiscal year 2028, financial assistance risk assessment training will become a core class for all DOI-wide awarding officials to maintain their awarding certification."

   PGM provided a February 15, 2027 target implementation date.

   Status: Resolved. We will track implementation under Recommendation No. 2025-ISP-027-05.

OIG Comment: This recommendation will be implemented when PGM provides documentation demonstrating it has developed training and requires it as a regular, core course for all awarding officials.

6. Ensure that NPS develops and implements a mechanism to ensure that awarding officials obtain and verify proof of liability insurance when such coverage is required under financial assistance agreements.

   PGM Response: PGM concurred with the recommendation and stated that the new risk assessment tool (described in more detail in the response to Recommendation 1) will be "inclusive of a feature to validate proof of liability insurance, when applicable." PGM further stated, "The policy will also reference the requirement verification of proof of liability insurance coverage when such coverage is required for DOI financial assistance agreements."

   PGM provided a February 15, 2027 target implementation date.

   Status: Resolved. We will track implementation under Recommendation No. 2025-ISP-027-06.

   OIG Comment: This recommendation will be implemented when PGM provides documentation demonstrating the new tool and policy include a mechanism to verify proof of liability insurance, when applicable.

We will track open recommendations for implementation. We will notify Congress of our findings, and we will report semiannually, as required by law, on actions you have taken to implement the recommendations and on recommendations that have not been implemented. We will also post a public version of this report on our website.

If you have any questions about this report, please contact me aie_reports@doioig.gov.

Attachments (2)

Attachment 1: Scope and Methodology

Scope

Our inspection focused on DOI's IIJA and IRA financial assistance obligations made between November 5, 2024, and January 20, 2025.

Methodology

We conducted our inspection in accordance with the *Quality Standards for Inspection and Evaluation* as put forth by the Council of the Inspectors General on Integrity and Efficiency. We believe that the work performed provides a reasonable basis for our conclusions and recommendations.

To accomplish our objectives, we:

- Gathered background information and gained an understanding of the bureaus' processes related to obligating funds through financial assistance agreement awards.

- Obtained and reviewed relevant laws, regulations, policies, and procedures related to the subject inspection.

- Reviewed prior audits, inspections, and evaluations applicable to the subject inspection.

- Interviewed DOI and bureau officials.

- Evaluated and summarized the trends in IIJA and IRA financial assistance obligations from the enactment of the IIJA and IRA through January 20, 2025.

- Summarized and compared bureau-level IIJA and IRA financial assistance obligations made prior to November 5, 2024, and between November 5, 2024, and January 20, 2025.

- Judgmentally selected six financial assistance awards made by BOR, FWS, and NPS between November 5, 2024, and January 20, 2025, to determine whether laws, regulations, policies, and procedures were followed prior to making the awards. We focused on these dates due to the significant increase in IRA obligations that occurred after November 5 as compared to the obligations during the preceding time period starting with the IRA's enactment in 2022. Our sample selection included the three bureaus with the largest amount of IRA obligations after November 5, 2024—BOR, FWS, and NPS.[15] We selected the largest[16] IIJA- and IRA-funded awards for each the three bureaus in our sample.

- Reviewed BOR, FWS, and NPS financial assistance supporting documents and tested the selected awards against relevant laws, regulations, policies, and procedures.

- We evaluated BOR, FWS, and NPS financial assistance policies and procedures to determine if they complied with DOI policies and procedures.

[15] We removed BIA from our scope because of its unique statutory framework and distinct compliance requirements outside of 2 C.F.R. Part 200.

[16] For BOR, we selected the third largest IIJA financial assistance award because the U.S. Government Accountability Office informed us that it was already reviewing the first and second largest awards in our sample.

Attachment 2: Response to Draft Report

PGM's response to our draft report follows on page 13.

United States Department of the Interior

OFFICE OF THE SECRETARY
Washington, DC 20240

Memorandum

To: Nicki Miller
Office of Inspector General Audit, Inspection, and Evaluation

Through Andrea L. Brandon ANDREA BRANDON Digitally signed by ANDREA BRANDON Date: 2026.06.17 11:27:21 -04'00'
Deputy Assistant Secretary – Budget, Finance, Grants and Acquisition

From: Katherine Spomer KATHERINE SPOMER Digitally signed by KATHERINE SPOMER Date: 2026.06.18 15:23:31 -04'00'
Acting Director, Office of Grants Management

Subject: Office of Grants Management's Response to report entitled: *Draft Inspection, Selected DOI Bureaus Generally Awarded $300 Million in IIJA and IRA Financial Assistance Properly—Opportunities Exist to Improve Pre-Award Risk Processes (Report No. 2025-ISP-027)*

Thank you for the opportunity to respond to the aforementioned Office of Inspector General Draft Inspection Report No. 2025-ISP-027. The Draft Inspection identified a total of six (6) recommendations for the Department of Interior that applied to the National Park Service (NPS), Bureau of Reclamation (BOR) and the U.S Fish and Wildlife Service (FWS). The Department of the Interior's (DOI) Office of Grants Management (PGM) has reviewed the Report, concurs with the recommendations, and is taking proactive steps to strengthen DOI's pre-award risk assessment processes across the Department. We also acknowledge that with the unification of financial assistance functions and responsibilities to the Office of Grants Management and prior OIG reports identifying similar weaknesses across various financial assistance programs, PGM is committed to ensuring that risk assessment processes across DOI are accurate, comprehensive, and consistently applied. These planned actions will strengthen financial assistance internal controls, support responsible stewardship of Federal resources, and reduce the potential risk of waste, fraud, or misuse of Federal funds. The DOI's responses are outlined below:

Recommendation 1: Review and approve all bureau risk assessment checklists that deviate from DOI's checklist.

PGM's Response: Concur. PGM will develop a new standardized preaward risk assessment tool that evaluates both entity-level risk and project-specific risk. This tool will be implemented and memorialized as part of the Department-wide risk assessment policy requiring all DOI awarding Grants Officers to use the new pre-award risk assessment tool to ensure consistency in its implementation. In addition, should any adjustments or deviations be deemed necessary, review and pre-approval will be required by PGM, for DOI Offices and Bureaus that have not been unified under PGM.

Responsible Official: Katherine Spomer, Acting Director, PGM

Target Implementation Date: February 15, 2027

<u>**Recommendation 2:**</u> Ensure that BOR revises its risk assessment policy and related checklist to align with DOI's policy requirements to evaluate the applicant's financial reports and to review the applicant's independent audit when a single audit is not available for the applicant.

PGM's Response: Concur. PGM will develop a new standardized preaward risk assessment tool that evaluates both entity-level risk and project-specific risk. This tool will be inclusive of a requirement to review an applicant's independent audit when a single audit is not available. The tool will be implemented and memorialized as part of the Department-wide risk assessment policy requiring all DOI awarding Grants Officers to use the new pre-award risk assessment tool to ensure consistency in its implementation. In addition, should any adjustments or deviations be needed to be made, review and pre-approval will be required by PGM, for DOI Offices and Bureaus that have not centralized under PGM.

Responsible Official: Katherine Spomer, Acting Director, PGM

Target Implementation Date: February 15, 2027

<u>**Recommendation 3:**</u> Ensure that FWS revises its risk assessment policy and related checklist to align with DOI's policy requirement that an applicant complete a "Financial Capability Questionnaire" when the applicant does not have a single or independent audit.

PGM's Response: Concur. PGM will develop a new standardized preaward risk assessment tool that evaluates both entity-level risk and project-specific risk. This tool will be inclusive of the "Financial Capability Questionnaire" when the applicant does not have a single or independent audit. The tool will be implemented and memorialized as part of the Department-wide risk assessment policy requiring all DOI awarding Grants Officers to use the new pre-award risk assessment tool to ensure consistency in its implementation. In addition, should any adjustments or deviations is determined to be necessary, review and pre-approval will be required by PGM, for DOI Offices and Bureaus that have not centralized under PGM.

Responsible Official: Katherine Spomer, Acting Director, PGM

Target Implementation Date: February 15, 2027

<u>**Recommendation 4:**</u> Ensure that NPS revises its risk assessment policies and procedures to require a review of the awarding officials' financial assistance risk assessments prior to the issuance of an award to ensure the assessments are accurate, complete, and supported by current documentation at the time of the award.

PGM's Response: Concur. PGM will revise the Department-wide pre-award risk assessment policy and develop for implementation new award risk assessment tool to supplement requiring all DOI awarding Grants Officers and responsible Bureau officials to use the new pre-award risk assessment tool. The policy will include the requirement for review of the risk assessment prior to award issuance.

Responsible Official: Katherine Spomer, Acting Director, PGM

Target Implementation Date: February 15, 2027

Recommendation 5: Ensure that NPS develops and implements regular training for awarding officials on how to properly conduct and document financial assistance applicant risk assessments, including requiring the use of up-to-date financial audits and adhering to relevant policy guidance.

PGM's Response: Concur. PGM will deliver mandatory training for DOI-wide financial assistance staff, including awarding officials, grants management specialists, and other personnel involved in the preaward risk review process. In addition, effective fiscal year 2028, financial assistance risk assessment training will become a core class for all DOI-wide awarding officials to maintain their awarding certification.

Responsible Official: Katherine Spomer, Acting Director, PGM

Target Implementation Date: February 15, 2027

Recommendation 6: Ensure that NPS develops and implements a mechanism to ensure that awarding officials obtain and verify proof of liability insurance when such coverage is required under financial assistance agreements.

PGM's Response: Concur. PGM will develop a new standardized preaward risk assessment tool that will evaluate both entity-level risk and project-specific risk, inclusive of a feature to validate proof of liability insurance, when applicable. The policy will also reference the requirement verification of proof of liability insurance coverage when such coverage is required for DOI financial assistance agreements.

Responsible Official: Katherine Spomer, Acting Director, PGM

Target Implementation Date: February 15, 2027

cc: Andrea L. Brandon, Deputy Assistant Secretary – Budget, Finance, Grants and Acquisition
Katherine Spomer, Acting Director – Office of Grants Management
Yolande Norman-Moore, Deputy Director – Office of Grants Management

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U.S. DEPARTMENT OF THE INTERIOR

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