



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



Audit

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INSPECTOR GENERAL
U.S. DEPARTMENT OF THE INTERIOR

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Memorandum

To: Scott Cameron
Principal Deputy Assistant Secretary – Water and Science
Exercising the Delegated Authority of the Commissioner, Bureau of Reclamation

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

Subject: Final Audit Report – *The Bureau of Reclamation's Salton Sea Restoration Efforts Incurred Unsupported Costs and Were Not Sufficiently Monitored*
Report No. 2024-WR-026

This memorandum transmits our audit report on the Inflation Reduction Act funded-financial assistance agreements awarded by the Bureau of Reclamation for Salton Sea restoration efforts.¹

We will track open recommendations for resolution and 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 at aie_reports@doioig.gov.

cc: Rotimi Abimbola, Chief of Staff, Office of Policy, Management and Budget

¹ The issuance of this report was delayed because of the lapse in the U.S. Department of the Interior's appropriations that occurred from October 1, 2025, through November 12, 2025.

Audit

The Bureau of Reclamation's Salton Sea Restoration Efforts Incurred Unsupported Costs and Were Not Sufficiently Monitored

Objectives

To assess whether expenditures associated with two Inflation Reduction Act (IRA) financial assistance agreements awarded by the Bureau of Reclamation (BOR) for Salton Sea restoration efforts were allowable and supported and to determine whether BOR developed and implemented sufficient plans, controls, and oversight to achieve its restoration goals for the Salton Sea.

Recommendations

We make eight recommendations that, if implemented, will help BOR improve its monitoring and oversight of its financial assistance agreements. All recommendations are resolved but not implemented.

Monetary Impact

\$66,647 Questioned Costs

Risk Areas

Contract & Financial Assistance Oversight



Environmental Impact

Findings

Of the \$70,577 the Torres-Martinez Desert Cahuilla Indian Tribe charged to its IRA-funded grant, we found that \$66,647 contained unsupported direct payroll costs, associated fringe benefits, and indirect costs because of improper timekeeping and labor cost allocation procedures. We did not find unallowable or unsupported costs related to the cooperative agreement with the California Department of Water Resources. We also found that BOR failed to amend the grant's scope of work in a timely manner. Lastly, we found deficiencies in BOR's oversight of both Salton Sea financial assistance agreements, including site visit documentation that was insufficiently detailed or untimely and performance reports that were insufficiently detailed.

Impact

We conducted this audit early in the performance period to assess BOR's planning and oversight efforts and to identify areas for improvement before the majority of the obligated funds are expended. After reviewing \$6,384,949 in expenditures charged to the financial assistance agreements within the audit scope, we determined that improper timekeeping and labor cost allocation procedures resulted in excess charges to the Tribe's grant. Specifically, we questioned over \$66,000 in unsupported payroll-related costs representing 94 percent of all expenditures examined in the grant agreement. Unless the Tribe changes its practices in allocating payroll costs, this issue may affect current and future expenditures charged to the grant. In total, BOR has committed \$250 million in IRA funding to assist California in addressing ecological threats and public health risks associated with declining water levels in the Salton Sea. BOR and the financial assistance agreement recipients are required to comply with the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, 2 C.F.R. Part 200, which provides requirements for accountability, transparency, risk management, and cost principles. BOR's lack of oversight and monitoring may compromise its ability to ensure Federal funds are used efficiently, effectively, and for their intended purposes. BOR should implement oversight procedures given the significant dollar value, public health considerations, and ecological importance of these awards.



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Introduction

Objectives

Our objectives were to assess whether expenditures associated with two Inflation Reduction Act² (IRA) financial assistance agreements³ issued by the Bureau of Reclamation (BOR) for Salton Sea restoration efforts were allowable and supported and to determine whether BOR developed and implemented sufficient plans, controls, and oversight to achieve its restoration goals for the Salton Sea.

See Appendix 1 for our audit scope and methodology.

Background

The Salton Sea is an inland saline lake located in the Sonoran Desert in southeastern California (Figure 1). It was formed in 1905 when a levee on the Colorado River failed, allowing water to flow into the area for 18 months. The Salton Sea is about 37 miles long and 12 miles wide and has the largest surface area of all the inland water bodies in California. Due to the significant loss of wetlands in California and other areas, the California Department of Fish and Wildlife determined that the Salton Sea ecosystem is one of the most important wetlands for birds in North America.

Figure 1: Map of the Salton Sea



Source: California Department of Water Resources.

² Inflation Reduction Act of 2022, Pub. L. 117-169.

³ In this audit, we apply the definition of financial assistance contained in 2 C.F.R. 200.1(1), which defines Federal financial assistance as agreements that assist non-Federal entities in the form of grants, cooperative agreements, non-cash contributions or donations of property, direct appropriations, food commodities, or other financial assistance.

History and Changing Ecology

In the 1950s and 1960s, the Salton Sea was a recreational destination, offering attractive opportunities for boating, fishing, and bird watching. Rising salinity levels started to threaten the fishery, and continuous agricultural and municipal discharges led to eutrophication⁴ and odor problems. By the 1990s, algal blooms began to grow in the sea, millions of birds and fish died, and questions were raised about the sustainability of the ecosystem.

The water flowing into the sea is primarily agricultural, municipal, and industrial discharge—including about four million tons of dissolved salts every year—from the Imperial and Coachella Valleys in California as well as Mexicali, Mexico.⁵ The sea's salt concentration has increased over time since the water's only outflow is evaporation. The salinity of the Salton Sea is about 45 grams per liter, 30 percent greater than the ocean, threatening the sustainability of its delicate ecosystem.

Given the surrounding desert climate and shallowness of the sea, large swaths of the lakebed are exposed as the water levels recede. Toxins that have been deposited in the lakebed are released into the air as dust and mobilized by strong winds, creating inhalation exposures. The exposure to potentially hazardous wind-blown dust has both known and likely unforeseen public health implications.

Salton Sea Management Program

In 2015, then-California Governor Jerry Brown formed the Salton Sea Task Force with principal staff and members of various California state agencies to identify short- and medium-term goals to respond to air quality and ecological threats at the Salton Sea. The task force developed and implemented the Salton Sea Management Program (SSMP) through departments within the California Natural Resources Agency (CNRA) and the California Environmental Protection Agency. The SSMP also specified actions to improve public outreach and local partnerships and established short- and medium-term goals for dust suppression and habitat restoration projects.

In 2018, the CNRA, the California Department of Water Resources (CDWR), and the California Department of Fish and Wildlife started implementing SSMP Phase 1, a 10-year plan to address air quality and ecological threats at the Salton Sea. This development phase is designed to expedite habitat construction and suppress dust on 29,800 acres of exposed lakebed. It also focuses on protecting public health and addressing near-term environmental improvements until a long-term restoration solution is developed.

IRA Funding for the Salton Sea

The IRA authorized \$4 billion to BOR for grants, contracts, and financial assistance agreements to mitigate the impacts of drought in the Reclamation States.⁶ Subsequently, in December 2022, the U.S. Department of the Interior (DOI), the CNRA, the Imperial Irrigation District (IID), and the Coachella Valley Water District (CVWD) signed the *Commitment to Support Salton Sea Management Related to Water Conservation in the Lower Colorado River Basin*.⁷ This agreement recognizes the reduction of inflows into the Salton Sea due to drought and the resulting likelihood that system conservation activities will accelerate exposure of the lakebed and increase the salinity of the Salton Sea, resulting in worse air quality and degraded aquatic habitat. The parties committed to a set of concrete actions to accelerate SSMP implementation. BOR's primary commitments

⁴ Eutrophication occurs when a body of water becomes enriched with nutrients, increasing the amount of plant and algae growth. It can result in harmful algal blooms, dead zones, and fish kills.

⁵ Mexicali is the capital city of Baja California, Mexico, located on the U.S.-Mexican border, directly across from Calexico, California.

⁶ BOR manages, develops, and protects water resources for the American public in 17 States: Arizona, California, Colorado, Idaho, Kansas, Montana, Nebraska, Nevada, New Mexico, North Dakota, Oklahoma, Oregon, South Dakota, Texas, Utah, Washington, and Wyoming.

⁷ This document details the collective commitment to the Salton Sea and surrounding communities and commitments to facilitate additional voluntary conservation measures in the Lower Colorado River Basin.

include up to \$250 million in IRA funds for staffing, project implementation, and science support to expand and accelerate projects at the Salton Sea to address air quality, improve public health, and restore wildlife habitat.

The two projects we reviewed are in SSMP Phase 1 and are receiving IRA funds via financial assistance awards. One project is to expand the 4,100-acre Species Conservation Habitat, home to birds and fish and a source to improve air quality at the Salton Sea. BOR awarded a \$245 million cooperative agreement to CDWR in August 2023 that will add 7,000 acres of aquatic habitat to the Species Conservation Habitat (Figure 2).

Figure 2: Expansion Work on 1.9-mile Berm



Source: CDWR.

The second project is the Torres-Martinez Wetland Project, an effort to build shallow wetlands along the northern edge of the Salton Sea. In September 2023, BOR awarded a \$2 million IRA grant to the Torres-Martinez Desert Cahuilla Indian Tribe for capacity building and Salton Sea restoration support. Both projects support the SSMP by evaluating construction and operation techniques that can later be used to create a mid- to deep-water fish habitat at the Salton Sea.

Our audit did not review IRA funds that BOR has committed to the IID and the CVWD to improve Salton Sea conditions because these awards had not been made at the time of our audit. See Figure 3 for more information related to the total IRA funds BOR has committed to Salton Sea restoration.

Figure 3: BOR’s Salton Sea Restoration Awards as of July 24, 2025

Recipient	Committed*	Obligated†	Expended‡
CDWR	\$245,000,000	\$245,000,000	\$40,385,184
Tribe	\$2,000,000	\$2,000,000	\$158,109
IID	\$2,000,000	\$2,000,000	\$0
CVWD	\$1,000,000	\$0	\$0
Totals	\$250,000,000	\$249,000,000	\$40,543,293

Source: USAspending.gov (“Obligated” and “Expended” amounts).

* Committed funds represent the Federal funding given under the *Commitment to Support Salton Sea Management Related to Water Conservation in the Lower Colorado River Basin*.

† Obligated funds are a legal outlay of funds to an activity. Once obligated, these funds are available for use or disbursement.

‡ Expended funds are charges made by the recipient to the program for which the Federal awards are received.

Results of Audit

We found that the Tribe did not properly allocate payroll costs to Grant Agreement R23AP00500, causing the Federal grant to be overcharged. We did not find unallowable or unsupported costs related to the cooperative agreement with CDWR. We also found that BOR was not sufficiently monitoring and overseeing both financial assistance agreements. Without proper oversight, BOR cannot assure the public and other stakeholders that it mitigates risks identified during the pre-award process and that the public is receiving the full intended benefit of the Federal award funds. Additionally, a lack of sufficient oversight increases the risk that Federal funds might be misused.

The Tribe Failed to Properly Allocate Payroll Costs to Grant

According to Federal regulations at 2 C.F.R. § 200.405(a), grant recipients should allocate payroll costs between the award and non-award activities an employee works on. When we spoke to Tribal employees, we discovered that the two grant-charging employees worked on activities not related to the grant, such as assisting air quality monitoring staff, loading trucks, and caring for fish. Instead of allocating their payroll costs between grant-funded activities and activities unrelated to the grant, the employees coded 100 percent of their time to the grant. This resulted in excess costs being charged to the grant.

The grant agreement requires the Tribe to comply with Federal regulations, including requirements regarding the allocation of costs to Federal awards. For example, Federal regulations state that costs are allocable to a particular Federal award if the services involved are chargeable or assignable to that Federal award in accordance with the relative benefits received.⁸ Also, regarding the allocation of indirect costs,⁹ all activities which benefit from the recipient's indirect costs will receive an appropriate allocation of indirect costs.¹⁰ Regulations also state that the cost of fringe benefits like annual leave are allowable if the costs are equitably allocated to all related activities, including Federal awards, and required by law, organization-employee agreement, or an established recipient policy.¹¹

In addition to Federal regulations, the Tribe's payroll policy and procedure manual states that salaries and wage allocations between multiple activities must be properly supported on employee timesheets and that employee wages covered by more than one funding source must be itemized per activity or project.¹² Also, BOR policy regarding monitoring activities and site visits requires reviews of organizational procedures to ensure that the recipient complies with applicable Federal regulations, such as the allocability of costs charged to the Federal award.¹³

⁸ 2 C.F.R. § 200.405(a).

⁹ 2 C.F.R. § 200.1 defines indirect costs as those costs incurred for a common or joint purpose benefitting more than one cost objective. Examples of indirect costs include general administrative expenses, depreciation on buildings, equipment and capital improvements, and operations and maintenance expenses. Generally, Federal grant recipients are allowed to charge a percentage of direct costs (such as supplies and payroll) to grants in order to recover the indirect costs associated with those direct expenses.

¹⁰ 2 C.F.R. § 200.405(b).

¹¹ 2 C.F.R. § 200.431(b)(2).

¹² *Torres-Martinez Desert Cahuilla Indian Tribe Payroll Policy and Procedure Manual* § 2000, Policy § 1.2, September 2010.

¹³ BOR, ACM 01-01, *Requirements for Award and Administration of Financial Assistance Agreements (Grants and Cooperative Agreements)*, section 5.C.(5), November 2024.

We found that the Tribe did not properly allocate payroll costs and associated fringe benefits and indirect costs¹⁴ according to the actual time employees spent working on the grant. Employees acknowledged during interviews that they worked on non-grant activities even though their time was charged to the grant.

This issue occurred because the Tribe did not follow its timekeeping policies and lacked a process to allocate time by activity on a consistent basis. We learned that Tribal employees record their time by scanning their finger when they start and end their day rather than recording time manually or intermittently and that the process for accounting for time spent on multiple activities is performed on a case-by-case basis upon request from an employee’s supervisor. The supervisor of the grant-charging employees was aware of the policy requiring itemizing time by activity and stated that the failure to properly record payroll hours was an oversight due to limited staffing and the need to shift employees between projects. BOR officials told us that they were not aware of this issue because they did not review the Tribe’s timekeeping procedures and ensure that the Tribe was following them.

Because of improper timekeeping and labor cost allocation procedures, the Tribe improperly charged the Federal grant for costs not associated with the grant. This allocation issue went undetected because BOR did not properly review the Tribe’s organizational and timekeeping procedures.

Without reports detailing the time spent on non-grant activities, we cannot determine the extent of overcharge. As a result, we are questioning all costs associated with payroll as unsupported. We question \$66,647 in payroll-related expenditures submitted by the Tribe for reimbursement in the first and second quarters of calendar year 2024 due to unsupported payroll, fringe benefits, and indirect costs (see Figure 4). We performed detailed transactional testing on three of the four (\$3,565 of \$3,590) remaining non-payroll-related equipment costs incurred during those periods and did not determine any reportable audit findings. The Tribe submitted subsequent expenditure reimbursement requests to BOR after we conducted our transactional testing. It is likely these reimbursement requests contain costs affected by the same timekeeping issues that we found.

Figure 4: Summary of Unsupported Costs

Cost Type	Disallowed Costs
Direct payroll	\$42,000
Fringe benefits	\$18,682
Indirect costs	\$5,765
Total	\$66,647

Source: OIG analysis of the Tribe’s accounting records.

¹⁴ The Tribe allocates indirect costs to the grant agreement using an indirect cost rate agreement negotiated by the DOI Interior Business Center. The agreement contains an indirect cost rate to use on grants, contracts, and other agreements with the Federal Government to which Pub. L. 93-638 and C.F.R. Part 200 apply. The indirect rate is applied to a direct cost base, which comprises total direct costs, less capital expenditures, and passthrough funds. Because we questioned direct costs related to unsupported payroll costs, we also questioned the proportional indirect costs.

Recommendations

We recommend that BOR:

1. Resolve the \$66,647 in questioned costs related to unsupported payroll, fringe, and indirect costs charged to Grant Agreement R23AP00500.
2. Identify similar instances where the Torres-Martinez Desert Cahuilla Indian Tribe requested reimbursement of unsupported payroll expenditures and associated indirect costs that were not allocable to the grant and resolve those costs.
3. Direct the Torres-Martinez Desert Cahuilla Indian Tribe to develop and implement a consistent procedure for allocating time based on actual activity worked on Federal grants.
4. Review the Torres-Martinez Desert Cahuilla Indian Tribe's organizational procedures to ensure that the Tribe complies with applicable Federal regulations.

BOR Did Not Sufficiently Oversee and Monitor Salton Sea Financial Assistance Agreements

As required by Federal regulations, BOR performed risk assessments related to the two financial assistance agreements and identified specific monitoring activities it would perform. We reviewed BOR's performance of those monitoring activities and found that BOR did not implement and document monitoring activities to properly oversee the Salton Sea agreements. Specifically, BOR did not sufficiently and timely document site visits, did not properly review recipient performance reports, and did not amend the grant in a timely manner when it was alerted that the award objectives and scope had significantly changed. Additionally, BOR did not ensure that the Tribe's grant included sufficient details regarding award goals and objectives.

BOR's post-award monitoring plans for the Tribe and CDWR require annual and semi-annual site visits, respectively. BOR directives and standards require that site visits be documented and include specific documentary requirements as deemed appropriate by the grants officer or grants officer technical representative.¹⁵ Some of these documentary requirements include reviewing actual performance against reported performance, interviewing key personnel, and reviewing organizational procedures to ensure that the recipient complies with applicable Federal regulations and award terms and conditions. Additionally, Federal regulations require that performance reports submitted by the recipients compare "actual accomplishments to the objectives of the Federal award" and include "the reasons why established goals were not met, if appropriate."¹⁶

Federal regulations require prior written approval from the Federal awarding agency to change the scope or objective of the project.¹⁷ Also, the Tribe's grant states that BOR must give prior written approval for changes in the scope of work or budget and any changes to the agreement should be made through formal amendments. Federal regulations also require prior written approval when transferring funds between the budgeted construction and non-construction work under a Federal award.¹⁸

¹⁵ BOR, ACM 01-01, *Requirements for Award and Administration of Financial Assistance Agreements (Grants and Cooperative Agreements)*, November 2024.

¹⁶ 2 C.F.R. § 200.329(c)(2).

¹⁷ 2 C.F.R. § 200.308(f)(1).

¹⁸ 2 C.F.R. § 200.308(f)(9).

Federal regulations at 2 C.F.R. § 200.301(a) require the Federal awarding agency to “clearly communicate the specific program goals and objectives in the Federal award, including how the Federal agency will measure the achievement of the goals and objectives, the expected timeline, and information on how the recipient must report the achievement of program goals and objectives.” The Federal agency should also clearly communicate any expected outcomes, such as outputs and service performance, as well as any public impact of them, along with targets, baseline data, or data collections that the recipient is responsible for measuring and reporting.¹⁹ Federal regulations also require that, where applicable, performance goals be included in the Federal award.²⁰ Additionally, BOR procedures require that the scope of work for financial assistance agreements sufficiently detail the activities to be funded under the agreement and include a milestone plan identifying major tasks.²¹

We found that BOR was not sufficiently overseeing and monitoring the Salton Sea financial assistance agreements. Specifically, BOR could not provide adequate documentation of its site visits for either agreement. BOR was required to complete quarterly monitoring reports for the financial assistance agreements according to the post-award monitoring plans. However, two of the seven monitoring reports we reviewed were signed by BOR staff nearly six months after the end of the monitoring period. Furthermore, the monitoring reports stated that site visits occurred but did not provide enough detail to support that all the required reviews and monitoring actions took place.

Additionally, BOR accepted two performance reports from the Tribe that did not meet Federal requirements. Specifically, the performance reports did not contain sufficient information to compare actual accomplishments to the objectives of the award or explain why milestones were not met.

Lastly, the objectives and scope of the Tribe’s project changed but the grant was not amended as required by Federal regulations. We found that there were significant anticipated changes to the agreement, including eliminating capital expenditures²² and reallocating those funds to a professional services contract. Around February 5, 2024, a BOR official responsible for grant oversight was aware that the agreement needed to be amended, yet the agreement was not amended as of April 17, 2025. The grant agreement’s scope of work also lacked the specific detail needed to adequately measure whether the Tribe had made progress on the activities outlined in the grant. For example, the Tribe was tasked to perform “Coordination with Salton Sea Partners” with a planned completion date of September 2028, the end of the five-year period of performance. No additional details or interim milestones were outlined in the grant for that task, thus there is no way to measure progress toward completing the task.

These issues occurred because BOR officials were unaware of and therefore did not follow BOR’s oversight and monitoring policies or Federal regulations related to financial assistance awards. We found that the BOR official responsible for performing site visits was unaware of the documentation requirements related to those visits. When we brought this issue to BOR’s attention, it stated that Federal regulations do not specify documentation requirements for site visits and that BOR policy allows flexibility for grants officers and grants officer technical representatives to exercise discretion in documenting items as deemed appropriate.²³ While BOR’s policy allows discretion, we found that the monitoring reports we reviewed did not address items that BOR’s policy²⁴ states should be included, such as comparing actual expenditures against reported expenditures and actual performance against reported performance. Regarding the timeliness issue with the monitoring reports, BOR stated that its internal policies on post-award monitoring do not contain a specific timeline for submissions or signatures. BOR also stated that it was unaware that reviewing performance

¹⁹ 2 C.F.R. § 200.301(a).

²⁰ 2 C.F.R. § 200.211(a).

²¹ BOR, *Bureau of Reclamation Standard Procedures for the Award and Administration of Financial Assistance Awards*, April 2024.

²² Capital expenditures within the grant agreement included construction costs for a building and purchasing a vehicle.

²³ We do not disagree with this interpretation.

²⁴ BOR, ACM 01-01, *Requirements for Award and Administration of Financial Assistance Agreements (Grants and Cooperative Agreements)*, § 5.C.(5), November 2024.

reports for completeness was its responsibility.²⁵ Regarding the lack of an amendment to the agreement, BOR officials stated that they were aware that an amendment needed to be issued to change the grant's scope. However, they allowed work to continue on the grant absent an amendment because they were waiting on the recipient to request the amendment. BOR said recipient staff unavailability and delays in the recipient obtaining its required internal approvals prohibited BOR from amending the grant.

During pre-award review of the recipients, BOR officials classified both agreements as "other than low risk" and implemented risk mitigation actions, such as annual site visits, to monitor the agreements. Without properly performing these risk mitigation actions, BOR cannot assure the public and other stakeholders that it has fully mitigated the risks it identified during the pre-award process. Additionally, in accepting insufficient performance reports and not amending the agreement to reflect changes to the scope of work or establishing detailed and measurable objectives within the scope of work, BOR is unable to assess outcomes and measure the effectiveness of the financial assistance provided to the Tribe. Furthermore, one purpose of monitoring actions is to proactively identify risks of misuse of Federal funds. Without properly monitoring the awards and documenting BOR's analysis based on its monitoring actions, Federal funds might be misused.

Recommendations

We recommend that BOR:

5. Update Bureau of Reclamation financial assistance oversight policies to include minimum documentation requirements for post-award monitoring site visits.
6. Update Bureau of Reclamation financial assistance oversight policies to include specific timeliness requirements for the review, approval, and submission of the monitoring activity reports.
7. Ensure all staff responsible for oversight and monitoring of financial assistance agreements are aware of all existing and updated Bureau of Reclamation policies and Federal requirements related to oversight and monitoring of financial assistance agreements.
8. Amend the scope of work for Grant Agreement R23AP00500 to include detailed, measurable objectives that the Torres-Martinez Desert Cahuilla Indian Tribe is responsible for achieving under the award.

²⁵ BOR policy requires BOR to undertake these monitoring activities. BOR, ACM 01-01, *Requirements for Award and Administration of Financial Assistance Agreements (Grants and Cooperative Agreements)*, § 5. C. (3) File Documentation and Monitoring Activities, November 2024.

Conclusion and Recommendations

Conclusion

As of March 2025, BOR has awarded \$247 million in financial assistance awards to CDWR and the Tribe for ecosystem and habitat restoration projects in the Salton Sea to address issues directly caused by drought. We found that the Tribe did not properly allocate payroll costs to the grant agreement, causing the Federal grant to be overcharged. We also found that BOR did not sufficiently monitor and oversee the financial assistance agreements. Without proper oversight, BOR cannot assure the public and other stakeholders that it mitigates risks identified during the pre-award process and that the public is receiving the full intended benefit of the Federal awards. Additionally, a lack of sufficient oversight increases the risk that Federal funds might be misused.

BOR's oversight deficiencies include insufficient and untimely documentation of site visits, inadequate performance report reviews, untimely submissions of monitoring reports, lack of an amendment for known changes in the scope of work, and lack of detailed and measurable objectives within the scope of work. These deficiencies occurred because BOR officials were unaware of and did not follow BOR's oversight and monitoring policies. BOR's policies also did not specify when to submit relevant monitoring reports and documentation. By not properly following its policies, BOR cannot assure that it has mitigated risks assessed during the pre-award process. Additionally, in accepting insufficient performance reports from the Tribe and not amending the grant agreement to reflect changes to the scope of work, BOR cannot ensure that the American public is receiving the full intended benefit of the grant. Furthermore, by not properly monitoring the awards and documenting BOR's monitoring actions, there is an increased risk that Federal funds could be mismanaged or misused.

We make eight recommendations to help BOR improve its monitoring and oversight of its financial assistance agreements, including ensuring recipients are adhering to Federal cost principles when charging expenditures to the awards.

Recommendations Summary

We provided a draft of this report to BOR for review. BOR concurred with all eight recommendations, and we consider all recommendations resolved. BOR stated in its response to each recommendation that it will coordinate with the now-consolidated DOI Financial Management and Financial Assistance functional areas, as appropriate, to take corrective actions. On some specific recommendations, BOR stated that it does not have independent authority to address the recommendations because of the consolidation, and we expect that BOR will provide us with information about its coordination efforts as part of the recommendation tracking and follow-up process.

Below we summarize BOR's responses to our recommendations as well as our comments on its responses. See Appendix 4 for the full text of BOR's response.

We recommend that BOR:

1. Resolve the \$66,647 in questioned costs related to unsupported payroll, fringe, and indirect costs charged to Grant Agreement R23AP00500.

BOR Response: BOR concurred with the recommendation and stated that it will coordinate with the now-consolidated Financial Management functional area at DOI to initiate a financial review to identify and resolve unsupported payroll, fringe, and indirect costs. BOR provided an April 30, 2026 target implementation date.

Status: Resolved. We will track implementation under Recommendation No. 2024-WR-026-01.²⁶

OIG Comment: The recommendation will be implemented when BOR provides documentation to support that costs related to the unsupported payroll, fringe, and indirect costs have been resolved.

2. Identify similar instances where the Torres-Martinez Desert Cahuilla Indian Tribe requested reimbursement of unsupported payroll expenditures and associated indirect costs that were not allocable to the grant and resolve those costs.

BOR Response: BOR concurred with the recommendation and stated that it will coordinate with the now-consolidated Financial Management functional area at DOI to initiate a financial review to identify and resolve unsupported costs. BOR provided an April 30, 2026 target implementation date.

Status: Resolved. We will track implementation under Recommendation No. 2024-WR-026-02.

OIG Comment: The recommendation will be implemented when BOR provides documentation demonstrating that it has identified and resolved similar instances of unsupported payroll and indirect costs.

3. Direct the Torres-Martinez Desert Cahuilla Indian Tribe to develop and implement a consistent procedure for allocating time based on actual activity worked on Federal grants.

BOR Response: BOR concurred with the recommendation and stated that it will coordinate with the now-consolidated Financial Management and Financial Assistance functional areas at DOI to initiate a financial review, which will include policies and procedures related to management of Federal grants, and will work with the Tribe to develop and implement a consistent procedure to allocate time based on actual activity worked on Federal grants. BOR provided an April 30, 2026 target implementation date.

Status: Resolved. We will track implementation under Recommendation No. 2024-WR-026-03.

OIG Comment: The recommendation will be implemented when BOR provides documentation demonstrating that the Tribe has developed and implemented a procedure for allocating time based on actual activity worked on Federal grants.

4. Review the Torres-Martinez Desert Cahuilla Indian Tribe's organizational procedures to ensure that the Tribe complies with applicable Federal regulations.

BOR Response: BOR concurred with the recommendation and stated that it will coordinate with the now-consolidated Financial Management and Financial Assistance functional areas at DOI to perform a financial review, that will include policies and procedures related to management of Federal grants, and it work with the Tribe to ensure that it complies with applicable Federal regulations. BOR provided an April 30, 2026 target implementation date.

Status: Resolved. We will track implementation under Recommendation No. 2024-WR-026-04.

OIG Comment: The recommendation will be implemented when BOR provides documentation demonstrating that it has reviewed the Tribe's organizational procedures and ensured those policies comply with applicable Federal regulations.

5. Update Bureau of Reclamation financial assistance oversight policies to include minimum documentation requirements for post-award monitoring site visits.

²⁶ The numbering convention we use to track recommendations is the report number followed by sequential recommendation digits.

BOR Response: BOR concurred with the recommendation and stated that it will coordinate with the now-consolidated Financial Assistance functional area at DOI to address the recommendation. BOR also stated that it does not have independent authority to update policies due to the consolidation. BOR provided an April 30, 2026 target implementation date.

Status: Resolved. We will track implementation under Recommendation No. 2024-WR-026-05.

OIG Comment: The recommendation will be implemented when BOR provides the updated financial assistance oversight policies, which include minimum documentation requirements for post-award monitoring site visits. Given BOR's statement that it does not have independent authority to update policies, we may, if appropriate, redirect this recommendation to the appropriate bureau or office once consolidation is fully implemented.

6. Update Bureau of Reclamation financial assistance oversight policies to include specific timeliness requirements for the review, approval, and submission of the monitoring activity reports.

BOR Response: BOR concurred with the recommendation and stated that it will coordinate with the now-consolidated Financial Assistance functional area at DOI to address the recommendation, noting that it does not have independent authority to update policies due to the consolidation. BOR provided an April 30, 2026 target implementation date.

Status: Resolved. We will track implementation under Recommendation No. 2024-WR-026-06.

OIG Comment: The recommendation will be implemented when BOR provides the updated policies, which include specific timeliness requirements for the review, approval, and submission of the monitoring activity reports. Given BOR's statement that it does not have independent authority to update policies, we may, if appropriate, redirect this recommendation to the appropriate bureau or office once consolidation is fully implemented.

7. Ensure all staff responsible for oversight and monitoring of financial assistance agreements are aware of all existing and updated Bureau of Reclamation policies and Federal requirements related to oversight and monitoring of financial assistance agreements.

BOR Response: BOR concurred with the recommendation and stated that it will coordinate with the now-consolidated Financial Assistance functional area at DOI to address Federal training recommendations and requirements, noting that it does not have independent authority to update policies due to the consolidation. BOR provided an April 30, 2026 target implementation date.

Status: Resolved. We will track implementation under Recommendation No. 2024-WR-026-07.

OIG Comment: The recommendation will be implemented when BOR provides documentation demonstrating that it has ensured that BOR staff responsible for oversight and monitoring of financial assistance agreements are aware of all existing and updated BOR policies and Federal requirements related to overseeing and monitoring financial assistance agreements. Given BOR's statement that it does not have independent authority to update policies, we may, if appropriate, redirect this recommendation to the appropriate bureau or office once consolidation is fully implemented.

8. Amend the scope of work for Grant Agreement R23AP00500 to include detailed, measurable objectives that the Torres-Martinez Desert Cahuilla Indian Tribe is responsible for achieving under the award.

BOR Response: BOR concurred with the recommendation and stated that it will coordinate with the now-consolidated Financial Assistance functional area at DOI to work with the Tribe to amend the financial assistance agreement to include measurable objectives that relate to the scope of work. BOR provided an April 30, 2026 target implementation date.

Status: Resolved. We will track implementation under Recommendation No. 2024-WR-026-08.

OIG Comment: The recommendation will be implemented when BOR provides the amended Grant Agreement R23AP00500 containing detailed and measurable objectives within the scope of work.

Appendix 1: Scope and Methodology

Scope

We audited BOR IRA-funded activities related to ecosystem and habitat restoration within the Salton Sea. Specifically, our objectives were to assess whether expenditures associated with two financial assistance agreements BOR awarded for Salton Sea restoration efforts were allowable and supported and to determine whether BOR developed and implemented sufficient plans, controls, and oversight to achieve its restoration goals for the Salton Sea under the IRA.

The audit scope included two IRA-funded financial assistance agreements issued by BOR:

- Grant Agreement R23AP00500, issued to the Tribe on September 1, 2023.
- Cooperative Agreement R23AC00479, issued to CDWR on August 29, 2023.

Methodology

We conducted this performance audit 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 that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

We assessed whether internal control was significant to the audit objectives. We determined that BOR's control activities and the following related principles were significant to the audit objectives:

- Management should design control activities to achieve objectives and respond to risks.
- Management should implement control activities through policies.
- Management should use quality information to achieve the entity's objectives.
- Management should externally communicate the necessary quality information to achieve the entity's objectives.

We tested the operation and reliability of internal controls over activities related to our audit objectives. Our tests and procedures included:

- Gathering background information on the work and mission of BOR relating to the Salton Sea and other drought mitigation efforts in the Lower Colorado River Basin.
- Interviewing officials at BOR's Salton Sea program office and financial assistance branch, CDWR Salton Sea management office, CDWR Division of Engineering construction branch, and the Tribe finance and program office.
- Reviewing evidence that supports BOR's plans and controls related to the Salton Sea.
- Reviewing BOR's oversight and monitoring activities of the financial assistance agreements, including required documentation.

- Reviewing site visit and quarterly meeting invitations between CDWR and BOR, designs on project mapping to identify required DOI land, and the signed land use agreement, as well as interviewing CDWR staff to determine BOR's involvement in the cooperative agreement.
- Reviewing recipient controls for paying, recording, and submitting expenditures for reimbursement.
- Reviewing recipient procurement standards and processes.
- Conducting site visits to the Salton Sea Species Conservation Habitat worksite in Brawley, California; the Torres-Martinez Reservation in Thermal, California; and the CDWR headquarters in Sacramento, California.

We used expenditure information from the recipients' accounting system/enterprise resource planning systems to perform a judgmental selection of expenditures for audit tests. Also, as part of our detailed expenditure testing for both agreements, we selected payroll expenditures which were supported by electronic timesheets generated from the recipients' timekeeping systems.

We confirmed the validity of such data, as appropriate, by observing the data query in real time with the recipients and reviewing supporting source documents. Based on our review and tracing, we determined that the data were sufficiently reliable, accurate, and applicable for our audit.

Based on the results of our initial assessments, we assigned risk levels to both agreements and selected a judgmental sample of transactions to test. We used auditor judgment and considered risk levels relative to other audit work performed to determine the degree of testing performed for each agreement. Our sample selections were not generated using statistical sampling; therefore, we did not project the results of our tests to the total population of transactions.

For the Tribe's agreement, our population comprised 133 expenditure transactions totaling \$70,577. We removed all direct payroll, fringe, and associated indirect costs and questioned those costs due to unreliable payroll records. We judgmentally selected three of the four remaining expenditure transactions, totaling \$3,565, for detailed testing. For CDWR's agreement, our population comprised 112 expenditure transactions totaling \$8,669,289. We performed a judgmental sample and selected 24 expenditure transactions totaling \$6,314,372 for testing.

We found deficiencies in internal control resulting in our two findings of improperly recorded payroll hours on the Tribe's agreement and insufficient monitoring and oversight of the Tribe's and CDWR's financial assistance agreements. We did not identify any reportable findings during our testing of other areas, as outlined below.

Plan for the Salton Sea

We interviewed BOR officials to determine their plan for achieving BOR's Salton Sea restoration goals. BOR's Salton Sea Project Manager stated that BOR plans to help implement the SSMP. BOR does not have a separate plan for the Salton Sea because under the Quantification Settlement Agreement,²⁷ California is responsible for the Salton Sea restoration. In August 2016, DOI and the CNRA entered into a memorandum of understanding which recognized California as the lead of Salton Sea management and established a goal for Federal support of the SSMP. In addition to determining the plans, we reviewed agency-level controls in place to ensure BOR's ability to administer the financial assistance agreements. This included reviewing directives and standards contained in BOR's *Reclamation Manual* and bureauwide standard procedures for the award and administration of financial assistance awards. We also interviewed BOR officials to determine how BOR formed the team that administers the IRA-funded financial assistance agreements, the process of assigning responsibility and delegating duties, and the adequacy of staffing and resources. We determined that BOR's

²⁷ Signed on October 10, 2003, the Quantification Settlement Agreement defined the rights for a portion of California's Colorado River entitlement. As a result of this agreement, the Imperial Irrigation District transfers water to other users in California and the State assumes responsibility for the Salton Sea restoration. SB654: 2003 (Machado) Chapter 613.

plans and goals for the Salton Sea restoration effort align with and directly support California's SSMP through issuing IRA-funded financial assistance agreements. At the time of our fieldwork, we also concluded that the BOR team administering the financial assistance agreements was adequately staffed and maintained the expertise needed to conduct its required oversight and monitoring responsibilities.

Progress Made on the Financial Assistance Awards

To assess progress made on the goals of the financial assistance agreements and verify the accuracy of the recipient progress performance reports, we conducted two site visits to the Salton Sea region to meet with BOR officials and the financial assistance recipients. We met with CDWR and its construction contractors at the Salton Sea Species Conservation Habitat expansion work site in Brawley. We interviewed personnel to obtain an overview of the project's construction process, understand their roles in the project performance, and understand the status of the project. We accompanied BOR, CDWR, and contractors to the active construction site to verify the progress made and to identify work being performed on the habitat restoration project. Additionally, we interviewed the construction contractors, construction management consultants, and CDWR personnel to determine how they track and measure progress used to invoice CDWR and to determine whether BOR was performing its substantial involvement requirements specified in the cooperative agreement.

Figure 5: Scraper Moving on Haul Road Toward the Sea



Source: OIG.

We also met with the Tribe on its reservation to interview the Project Manager and grant-charging employees on the status of work performed on the grant and overall goals. Additionally, we observed the Torres-Martinez Wetlands Project worksite and verified the details in the Tribe's progress performance reports.

Figure 6: Water Quality Cell at the Torres-Martinez Wetlands Project



Source: OIG.

CDWR Controls Over Expenditures

We interviewed CDWR officials to understand their standard operating procedures and internal controls for paying, recording, and submitting expenditures for reimbursement. This included obtaining and reviewing the relevant policies and procedures for specific cost elements charged to the financial assistance agreements. These cost elements included direct payroll and fringe, construction contract, and consultant costs. We also performed a detailed walkthrough of CDWR's construction invoice review process as construction contract costs are most of the costs charged to the agreement.

We gained an understanding of CDWR's procurement standards and processes to determine whether they comply with 2 C.F.R. 200.317 through 200.327 (Procurement Standards). Additionally, we reviewed the process by which California leveraged existing construction and consultant contracts and expanded the scope of works within them to incorporate the IRA funding objectives. We did not identify any reportable findings related to these reviews.

Appendix 2: Monetary Impact

Description	Unsupported Costs
Direct payroll	\$42,200
Fringe benefits	\$18,682
Indirect costs	\$5,765
Total	\$66,647

Source: OIG.

Appendix 3: Abbreviations

Abbreviation	Definition
BOR	Bureau of Reclamation
CDWR	California Department of Water Resources
CNRA	California Natural Resources Agency
CVWD	Coachella Valley Water District
DOI	U.S. Department of the Interior
IID	Imperial Irrigation District
IRA	Inflation Reduction Act
SSMP	Salton Sea Management Program

Appendix 4: Response to the Draft Report

BOR's response to our draft report follows on page 20.



United States Department of the Interior

BUREAU OF RECLAMATION
Washington, DC 20240



IN REPLY REFER TO:

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NOV 25 2025

VIA ELECTRONIC MAIL ONLY

Memorandum

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

From: Scott Cameron 
Principal Deputy Assistant Secretary – Water and Science
Exercising the delegated Authority of the Commissioner,
Bureau of Reclamation

Subject: The Bureau of Reclamation's Response to the Office of Inspector General (OIG)
Audit (*The Bureau of Reclamation's Salton Sea Restoration Program Incurred
Unsupported Costs and Lacks Sufficient Monitoring*, Report No. 2024-WR-026)

The Bureau of Reclamation has reviewed draft report No. 2024-WR-026 and has provided responses to the recommendations below:

Recommendation 1: *Resolve the \$66,647 in questioned costs related to unsupported payroll, fringe, and indirect costs charged to Grant Agreement R23AP00500*

Reclamation's Response: Reclamation concurs. Reclamation will coordinate with the now consolidated Financial Management functional area at DOI to initiate a financial review to identify and resolve unsupported costs payroll, fringe, and indirect costs.

Responsible Official: Lower Colorado Basin Regional Director

Target Implementation Date: 4/30/2026

Recommendation 2: *Identify similar instances where the Torres-Martinez Desert Cahuilla Indian Tribe requested reimbursement of unsupported payroll expenditures and associated indirect costs that were not allocable to the grant and resolve those costs.*

Reclamation's Response: Reclamation concurs. Reclamation will coordinate with the now consolidated Financial Management functional area at DOI to initiate a financial review to identify and resolve unsupported costs.

Responsible Official: Lower Colorado Basin Regional Director

Target Implementation Date: 4/30/2026

Recommendation 3: *Direct the Torres-Martinez Desert Cahuilla Indian Tribe to develop and implement a consistent procedure for allocating time based on actual activity worked on Federal grants.*

Reclamation's Response: Reclamation concurs. Reclamation will coordinate with the now consolidated Financial Management and Financial Assistance functional areas at DOI to initiate a financial review including policies and procedures related to management of Federal Grants and will work with the Torres-Martinez Desert Cahuilla Tribe to develop and implement a consistent procedure for allocating time based on actual activity worked on Federal grants.

Responsible Official: Lower Colorado Basin Regional Director

Target Implementation Date: 4/30/2026

Recommendation 4: *Review the Torres-Martinez Desert Cahuilla Indian Tribe's organizational procedures to ensure that the Tribe complies with applicable Federal regulations.*

Reclamation's Response: Reclamation concurs. Reclamation will coordinate with the now consolidated Financial Management and Financial Assistance functional areas at DOI to perform a financial review including policies and procedures related to management of Federal Grants and will work with the Torres-Martinez Desert Cahuilla Indian Tribe to ensure that the Tribe complies with applicable Federal regulations.

Responsible Official: Lower Colorado Basin Regional Director

Target Implementation Date: 4/30/2026

Recommendation 5: *Update Bureau of Reclamation financial assistance oversight policies to include minimum documentation requirements for post-award monitoring site visits.*

Reclamation's Response: Reclamation concurs. Reclamation will coordinate with the now consolidated Financial Assistance functional area at DOI to address recommendations. Reclamation does not have independent authority to update policies due to the consolidation.

Responsible Official: Lower Colorado Basin Regional Director

Target Implementation Date: 4/30/2026

Recommendation 6: *Update Bureau of Reclamation financial assistance oversight policies to include specific timeliness requirements for the review, approval, and submission of the monitoring activity reports.*

Reclamation's Response: Reclamation concurs. Reclamation will coordinate with the now consolidated Financial Assistance functional area at DOI to address recommendations. Reclamation does not have independent authority to update policies due to the consolidation.

Responsible Official: Lower Colorado Basin Regional Director

Target Implementation Date: 4/30/2026

Recommendation 7: *Ensure all staff responsible for oversight and monitoring of financial assistance agreements are aware of all existing and updated Bureau of Reclamation policies and Federal requirements related to oversight and monitoring of financial assistance agreements.*

Reclamation's Response: Reclamation concurs. Reclamation will coordinate with the now consolidated Financial Assistance functional area at DOI to address federal training recommendations and requirements. Reclamation does not have independent authority to update policies due to the consolidation.

Responsible Official: Lower Colorado Basin Regional Director

Target Implementation Date: 4/30/2026

Recommendation 8: *Amend the scope of work for Grant Agreement R23AP00500 to include detailed, measurable objectives that the Torres-Martinez Desert Cahuilla Indian Tribe is responsible for achieving under the award.*

Reclamation's Response: Reclamation concurs. Reclamation will coordinate with the now consolidated Financial Assistance functional area to work with the recipient to amend and include measurable objectives that relate to the scope of work.

Responsible Official: Lower Colorado Basin Regional Director

Target Implementation Date: 4/30/2026

For additional information, please contact Assistant Regional Director Christi Davis-Kernan at 702-293-8090, or via e-mail at CDavisKernan@usbr.gov

For the hearing impaired, please call the Federal Relay System at (800) 877-8339 (TTY)

Attachment

cc: Assistant Secretary – Water and Science
Attn: Andrea Travnicek
(w/atts)







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

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