



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

BUREAU OF RECLAMATION'S SUSTAINABLE WATER MANAGEMENT PROGRAMS AND ACTIVITIES



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

SEP 30 2014

Memorandum

To: Lowell Pimley
Acting Commissioner, Bureau of Reclamation

From: Kimberly Elmore *Kimberly Elmore*
Assistant Inspector General for Audits, Inspections, and Evaluations

Subject: Final Evaluation Report – Bureau of Reclamation's Sustainable Water
Management Programs and Activities
Report No. WR-EV-BOR-0026-2013

This memorandum transmits the results of our evaluation of the Bureau of Reclamation's (USBR) sustainable water management programs and activities. We evaluated three financial assistance programs under the WaterSMART (Sustain and Manage America's Resources for Tomorrow) Program: Water and Energy Efficiency Grants, Water Conservation Field Service Program grants, and cooperative agreements under the Title XVI Water Reclamation and Reuse program.

Overall, we found that USBR manages these financial assistance programs well, but it should take additional steps to improve its management of the WaterSMART Program to ensure transparency and fairness in its financial assistance programs. Our evaluation identified an overlap in grants awarded by two of the financial assistance programs, determined that one financial assistance program has no guidance on the maximum funding limitations of grant awards, and found ineligible costs totaling \$18,404.67. We offer six recommendations that we believe, if implemented, will help improve USBR's role in managing the WaterSMART Program.

Based on USBR's September 24, 2014 response to the draft report, we consider recommendation 5 to be resolved and implemented, and recommendations 1, 2, 3, 4, and 6 to be resolved but not implemented. We will refer recommendations 1, 2, 3, 4, and 6 to the Office of Policy, Management and Budget to track implementation.

The legislation creating the Office of Inspector General requires that we report to Congress semiannually on all audit, inspection, and evaluation reports issued; actions taken to implement our recommendations; and recommendations that have not been implemented.

A response to this report is not required. If you have any questions regarding this memorandum or the subject report, please contact me at 202-208-5745.

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Results in Brief

The Bureau of Reclamation (USBR) plays a crucial role in helping the Nation manage and sustain the current supply of fresh water in rivers, lakes, aquifers, and other sources, and preserve a healthy ecosystem to ensure supplies for the future. USBR's WaterSMART (Sustain and Manage America's Resources for Tomorrow) Program provides scientific knowledge and financial support to help water management agencies efficiently meet their responsibilities of balancing current supplies with the demand to develop new ones.

To evaluate USBR's management of sustainable water programs and activities, we reviewed three financial assistance programs under the WaterSMART Program. We reviewed Water and Energy Efficiency Grants, Water Conservation Field Service Program grants, and cooperative agreements under the Title XVI Water Reclamation and Reuse Program.

We found that, overall, USBR manages the WaterSMART Program well, but we identified several areas in which USBR could improve WaterSMART to ensure transparency and fairness in its financial assistance programs:

- We found that the water and energy efficiency grants and the water conservation field service grants were awarded for the same water use efficiency activities, creating an overlap between the two grant programs and creating an appearance that grantees received funds from different programs to complete the same or similar tasks.
- We found that the water conservation field service program does not have definitive guidance on funding limitations, causing the maximum funding amount of awards to be unclear and creating the potential for concerns about fairness to grant applicants.
- We found that USBR does not thoroughly document its financial assistance program grant files to include adequate analysis and verification of water savings.
- We identified two instances in which grantees did not submit the required information on their final performance reports to USBR.
- We identified \$18,404.67 in ineligible costs resulting from a water conservation field service program grantee that did not meet cost-share requirements.
- We found that USBR uses the WaterSMART Program's Catalog of Federal Domestic Assistance number for water conservation activities that are not part of the WaterSMART Program.

In March 2014, we issued four Notices of Potential Findings and Recommendations to USBR's Denver Office and one to USBR's Upper Colorado Regional Office reporting many of the findings detailed in this report. USBR generally concurred with our findings and recommendations and has begun

addressing some of the issues. We offer six recommendations in this report that we believe, if implemented, will help USBR improve its management of the WaterSMART Program.

Introduction

Objective

We reviewed financial assistance awarded to three WaterSMART (Sustain and Manage America's Resources for Tomorrow) programs in fiscal years 2011 through 2013 to evaluate the Bureau of Reclamation's (USBR) management of sustainable water management programs and activities. Specifically, we reviewed the selection, award, monitoring and accomplishments of Water and Energy Efficiency Grants (WEEG), the Title XVI Water Reclamation and Reuse program (Title XVI), and the Water Conservation Field Service Program (WCFSP). Appendix 1 details the full scope and methodology of this report.

Background

USBR reported that the Nation faces increasing water resource challenges. Aging infrastructure, rapid population growth, depleting groundwater resources, impaired water quality, increased human and environmental uses, and climate change all play a role in determining the amount of fresh water available at any given place and time. Water shortages and water-use conflicts have become more commonplace in many areas of the United States.

To meet these challenges, Congress passed the SECURE (Science and Engineering to Comprehensively Understand and Responsibly Enhance) Water Act of 2009, which directed the U.S. Department of the Interior (DOI) to develop a sustainable water management policy. In February 2010, the Secretary of the Interior issued Secretarial Order No. 3297, implementing the SECURE Water Act by establishing the WaterSMART Program to work with States, tribes, local governments, and nongovernmental organizations to secure and stretch water supplies for use by existing and future generations to benefit people, the economy, and the environment.

USBR plays a key role in the WaterSMART Program as DOI's main water management agency. Focused on improving water conservation and helping water resource managers make wise decisions, USBR administers grants, cooperative agreements, scientific studies, technical assistance, and scientific expertise in support of the WaterSMART Program.

WaterSMART Programs and Funding

The WaterSMART Program combined existing water conservation programs, including Title XVI, WCFSP, the Cooperative Watershed Management Program, and Basin Studies with new initiatives, to include WaterSMART grants (WEEG is included in the WaterSMART grants).

The types of projects funded through WaterSMART's financial assistance agreements cover agricultural, municipal, and industrial waters. For example, WEEG provides funding for projects that conserve and use water more efficiently,

protect endangered and threatened species, facilitate water markets, or carry out other activities to address climate-related impacts on water or prevent any water-related crisis or conflict. WCFSP provides funding for water management planning, implementation of efficiency measures, and demonstration projects. Title XVI awards cooperative agreements for water reuse projects that reclaim and reuse municipal, industrial, domestic, or agricultural wastewater. Reclaimed water from these projects can be used for a variety of purposes, such as environmental restoration, fish and wildlife, ground water recharge, power generation, or recreation.

During fiscal years 2011 through 2013, USBR awarded 383 financial assistance agreements: 170 to WEEG, 167 to WCFSP, and 46 to Title XVI. The WaterSMART Program received funding of \$52.2 million in fiscal year 2013 (see Figure 1).

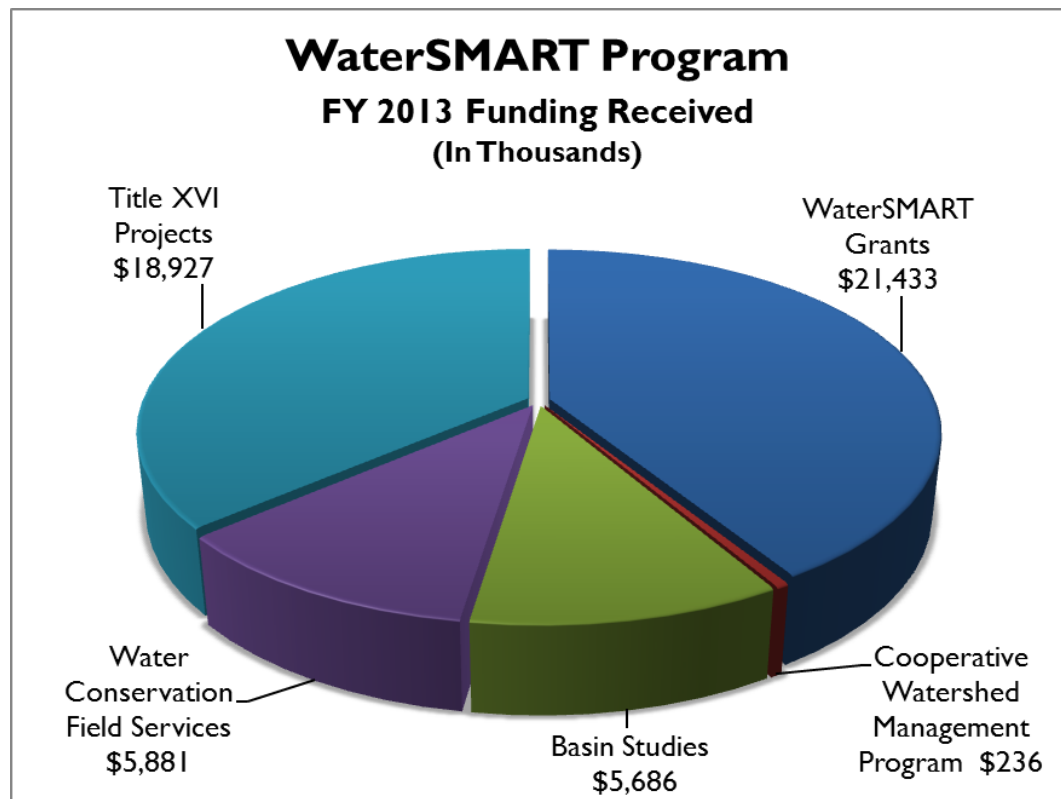


Figure 1. Breakdown of Federal funding awarded to the WaterSMART Program in fiscal year 2013.

Selecting and Awarding Financial Assistance Agreements

The selection process involves an initial screening, an Application Review Committee (ARC) review and ranking, and a red-flag review. The funding opportunity announcement (FOA) grants officer completes the initial screening and reviews all applications to assess an applicant's eligibility and the non-Federal cost share and to ensure the application meets FOA requirements.

Eligibility requirements vary by program but generally, an applicant must be a State, Indian tribe, irrigation district, water district, or other organization with water or power delivery authority located in the Western United States or the United States territories. The FOA grants officer then forwards the accepted applications, which could include components of water conservation, energy, or water recycling, to the ARC for further review and consideration. The ARC, which is generally composed of USBR staff with expertise specific to information on the application, reviews and ranks applications submitted. Finally, USBR offices complete the red-flag review by reviewing the top-ranked applications and identifying any reasons a proposed project would not be feasible or otherwise advisable. In addition, during this review, USBR staff addresses any specific concerns or questions raised by the ARC, and conducts a preliminary budget review to evaluate the applicant's ability to meet cost-share requirements, which is the applicant's responsibility to cover 50 percent or more of project costs.

The selection criteria differ for each program, and are outlined in each program's FOA. USBR's Denver Office manages all pre-award activities for WEEG and Title XVI, and once a recipient is selected, the appropriate regional office assumes responsibility for managing and monitoring the activities. Unlike WEEG and Title XVI, WCFSP grants are awarded, managed, and monitored at the regional office level and in some cases at the field office level. Of USBR's five regions, only three regional offices award WCFSP grants, which are the Upper Colorado, Lower Colorado, and the Great Plains regions. The Mid-Pacific and Pacific Northwest regions stopped awarding WCFSP grants after fiscal year 2011 and 2012, respectively.

Calculating Water Savings

Each year, USBR reports the water savings expected to result from water conservation activities funded that year. Water savings for each funded project are based on estimates of the number of acre-feet of water expected to be conserved annually once the project becomes operational. One acre-foot of water provides the annual needs of one or two households.

Beginning in 2010, DOI established a series of outcome-based performance goals to help focus on key initiatives. One of the five goals DOI identified as a high priority for fiscal years 2010 and 2011 was water conservation. The goal was to increase the available water supply up to 350,000 acre-feet by the end of fiscal year 2011 through USBR programs. For fiscal years 2012 and 2013, DOI extended the goal to increase the available water supply to 730,000 acre-feet by the end of fiscal year 2013. According to USBR officials, DOI achieved its goal by estimating water savings from the three WaterSMART programs we reviewed—WEEG, WCFSP, and Title XVI—which contributed approximately 657,000 acre-feet to the overall goal. The remainder of the goal was met with savings from non-WaterSMART programs.

Findings

Overlap Between WEEG and WCFSP Grants

During our evaluation, we identified three cases in which grant recipients received overlapping funding from WEEG and WCFSP. In each case, the grantee received funds from both programs in the same fiscal year for different phases of the same projects. For example, we reviewed a WEEG grant and WCFSP grant awarded to the Arch Hurley Conservancy District in fiscal year 2011. USBR awarded both grants for the application of sodium bentonite to different parts of a canal, which is a natural sealant that provides a bond with the soil to create an impenetrable liner in the soil. We also reviewed a WEEG grant and a WCFSP grant awarded to the Florida Farmers Ditch Company that were both provided for lining different parts of a canal. In the third case, we reviewed a WEEG grant and a WCFSP grant awarded to the Southern Nevada Water Authority to support the water authority's landscape rebate program.

While neither WEEG nor WCFSP guidelines preclude these types of water-use efficiency activities, these awards created an appearance that grantees were “double dipping” to obtain funds from different programs to complete similar tasks. While both WEEG and WCFSP have established criteria for the type of water-use efficiency activities they can fund, an overlap exists because both programs award funding for similar activities.

In an era of increased U.S. Government transparency, we believe it is important that USBR ensure grant decisions are fair, clear, and equitably awarded among applicants.

Recommendation

We recommend that USBR:

- I. Develop and implement policy and procedures to differentiate between WEEG and WCFSP grants awarded in support of water-use efficiency activities.

WCFSP Guidance on Funding Limitations is Inadequate

USBR awards WCFSP grants for the purpose of water conservation planning and efficiency improvements. Grant applicants compete within their region or area for financial assistance. The documents we reviewed at three USBR regions provided no clear guidance for USBR staff to follow regarding the maximum award amount of WCFSP grants.

In May 2009, USBR issued bureauwide guidance for fiscal year 2010 WCFSP funding opportunity announcements. The memorandum instructed the regions to limit WCFSP awards to no more than \$100,000 per agreement; however, it did not establish criteria for the WCFSP grants awarded after this time. The memorandum stated that USBR planned to incorporate the guidance into the Reclamation Manual Directives and Standards for WCFSP grants, but our review found that this was not done.

In addition to the May 2009 guidance, we found two other documents that discussed the existence of a \$100,000 grant award limit. In October 2012, USBR issued “WaterSMART A Three-Year Progress Report.” The progress report states the WCFSP grant awards are limited to \$100,000. USBR’s 2012 budget justifications also stated that WCFSP grant awards are generally limited to \$100,000 per project.

The grant files that we reviewed, however, reflect that the Regional offices are not adhering to the \$100,000 award limit and that USBR’s guidance is therefore inadequate. We identified four instances in which the initial grant award exceeded \$100,000 or grant modifications were made that increased the award total to more than \$100,000. For example, we found that the initial WCFSP grant awarded to the Pelger Mutual Water Company totaled \$129,000. Another example was a \$100,000 WCFSP grant to Arch Hurley Conservancy District that was modified just 1 month later to add an additional \$100,000, for a total award amount of \$200,000.

Recommendation

We recommend that USBR:

2. Establish and implement definitive guidance on WCFSP funding limitations, including a process for increasing funding through grant modifications.

Documenting Analysis of Reported Acre-Feet

USBR is responsible for meeting and reporting on DOI’s goal to increase the available water supply through water conservation programs. The WaterSMART Program is USBR’s primary method for supporting the goal by awarding grants for water conservation projects and reporting to the Secretary the estimated acre-feet of water conserved through each program.

A USBR official told us they review applicants’ estimates of water conservation during the pre-award phase through the ARC and “red-flag” review process, rather than verifying actual amounts of water conserved. We found, however, that USBR’s financial assistance files did not document the steps USBR took to

analyze and verify that grant recipients' estimates of acre-feet of water conserved were reasonable and supported.

USBR officials informed us they have recently begun performing technical analysis on a limited number of WaterSMART grant projects each year—both before and after construction on the project—as part of their efforts to certify and verify water savings reported toward DOI's conservation goal. We acknowledge the action USBR has taken to improve this process.

Recommendation

We recommend that USBR:

3. Require clear documentation regarding the analysis conducted for acre-feet of water conserved prior to awarding grants, and ensure that the resulting determination is adequately documented in both the selection files and in the individual financial assistance agreements.

Final Performance Reports

USBR requires a final performance report from all recipients of a financial assistance agreement. At the conclusion of the agreement, a recipient must prepare a final performance report that contains a brief comparison of actual accomplishments with the goals and objectives provided in the application. We found that final performance reports generally captured the overall accomplishments of USBR's financial assistance agreements. Of the 35 financial assistance agreements we reviewed that had final performance reports, we identified two agreements for WCFSP grants that did not provide information about the overall grant accomplishments.

In addition, we found that the funding opportunity announcements for awards made under the WEEG program require final performance reports to include a discussion of whether the grantee met project objectives and goals, the amount of water conserved, and, if applicable, information and calculations supporting the amount of water conserved. WCFSP awards do not require grantees to report this information.

The two final performance reports that we reviewed for WCFSP grants did not include the overall accomplishments resulting from work performed under the grant. In addition, neither report included details about the amount of water conserved or the acre-feet saved even though both grants have acre-feet counted toward DOI's conservation goal.

Recommendation

We recommend that USBR:

4. Ensure WCFSP grant final performance reports capture the project objectives, goals, and accomplishments and, if applicable, require a discussion of the amount of water conserved.

Cost-Share Requirements

All three of the financial assistance programs we reviewed had a cost-share requirement, meaning that a recipient of a financial assistance award must be capable of sharing at least 50 percent or more of the total project costs with the Federal Government. WEEG and WCFSP include a 50 percent cost-share requirement, while Title XVI has a 75 percent cost-share requirement. Our review of cost-share requirements was limited to reviewing the final financial reports submitted by grantees. We did not conduct an audit of the claimed costs.

Of the 76 financial assistance agreements we reviewed, we determined that grants under these programs generally met the cost-share requirements, but we did identify one WCFSP grant that did not meet the requirements.

In September 2011, USBR's Mid Pacific Region awarded a WCFSP grant for \$70,000 to the City of Roseville, CA, to replace high-flush toilets with high-efficiency toilets and to retrofit inefficient irrigation technology with more efficient technology in commercial landscapes. The final financial report submitted at the conclusion of the agreement stated that USBR paid \$51,246 and the City of Roseville paid \$32,841. Thus, the grantee did not meet the 50 percent cost-sharing requirement, resulting in \$18,405 of ineligible costs.

Recommendation

We recommend that USBR Mid Pacific Regional Director:

5. Resolve the ineligible costs of \$18,405 for the WCFSP grant awarded to the City of Roseville.

Grant Classification

All Federal programs, projects, services, and activities that provide assistance or benefits to the American public have a Catalog of Financial Domestic Assistance (CFDA) number to help identify and report on those activities. A USBR official told us that USBR has over 50 catalog numbers, the highest in DOI.

During our evaluation, we identified a Bay Delta Restoration Program (CALFED) grant for water-use efficiency that had not been cataloged with other CALFED grants under the CFDA number 15.533, the CALFED Bay-Delta Program. Instead, this grant was cataloged under number 15.507, the WaterSMART Program.

We know that the CFDA number for the WaterSMART Program has existed for quite some time and was used for previous water programs. USBR officials also told us that the statutory authority used for WaterSMART grants can be used for other grants. Based on this information, we understand why USBR classified the CALFED grant for water-use efficiency under the CFDA number for the WaterSMART Program. We believe, however, that this makes it more difficult for USBR to accurately report activities associated with each water program grant.

In response to our Notice of Potential Findings and Recommendations regarding CFDA numbers, USBR acknowledged the need to revise the CFDA number for CALFED and is currently in the process of finalizing the fiscal year 2014 CFDA updates for submission to DOI's Office of Acquisition and Property Management.

Recommendation

We recommend that USBR:

6. Expand the definition of grant activities conducted under the CFDA number for CALFED to include all CALFED water use and efficiency grant activities.

Conclusion and Recommendations

Conclusion

Water is the lifeblood of communities and citizens across the Nation and USBR is responsible for leading Federal efforts in the West toward sustainable water resources. The WaterSMART Program and its component financial assistance entities provide the framework used by DOI to pursue a sustainable water future for the Nation. Overall, USBR manages grants well under WEEG, Title XVI, and WCFSP. We believe that our six recommendations will further improve and strengthen USBR's management of the WaterSMART Program.

Recommendations Summary

USBR responded to our draft on September 24, 2014. According to its response, USBR concurred with our recommendations. Based on USBR's response, we consider recommendation 5 resolved and implemented, and recommendations 1, 2, 3, 4, and 6 resolved but not implemented (see Appendix 5). We are referring the recommendations to the Assistant Secretary for Policy, Management and Budget for tracking.

We recommend that:

1. USBR develop and implement policy and procedures to differentiate between WEEG and WCFSP grants awarded in support of water-use efficiency activities.

USBR Response: USBR concurred with the recommendation. USBR will review existing Reclamation Manual Directives & Standards for USBR's water conservation activities and revise as necessary. The USBR Director, Policy and Administration will implement the recommendation by June 30, 2016.

2. USBR establish and implement definitive guidance on WCFSP funding limitations, including a process for increasing funding through grant modifications.

USBR Response: USBR concurred with the recommendation. USBR will review existing Reclamation Manual Directives & Standards for USBR's water conservation activities and revise as necessary. The USBR Director, Policy and Administration will implement the recommendation by June 30, 2016.

3. USBR increase documentation regarding the analysis conducted for acre-feet of water conserved prior to awarding grants and ensure that the resulting determination is adequately documented in both the selection files and in the individual financial assistance agreements.

USBR Response: USBR concurred with the recommendation. USBR will issue guidance to ensure that all documentation in the selection files and in the individual financial assistance agreements is complete, including information regarding the analysis conducted in determining acre-feet of water conserved, where appropriate. The USBR Director, Management Service Office will implement the recommendation by December 31, 2015.

4. USBR ensure WCFSP grant final performance reports capture the project objectives, goals, and accomplishments and, if applicable, require a discussion of the amount of water conserved.

USBR Response: USBR concurred with the recommendation. USBR will review existing Reclamation Manual Directives & Standards for USBR's water conservation activities and revise as necessary. The USBR Director, Policy and Administration will implement the recommendation by June 30, 2016.

5. USBR's Mid Pacific Regional Director resolve the ineligible costs of \$18,405 for the WCFSP grant awarded to the City of Roseville.

USBR Response: USBR concurred with the recommendation. USBR worked with the City of Roseville and discovered the City requested \$51,245.57 from USBR when the request should have been in the amount of \$42,043.22. The City submitted a reimbursement to USBR for \$9,292.35 to appropriately account for the 50 percent cost-share requirement.

6. USBR expand the definition of grant activities conducted under the CFDA number for CALFED to include all CALFED water use and efficiency grant activities.

USBR Response: USBR concurred with the recommendation. USBR revised the CFDA for the CALFED to include awards made in support of that program under the statutory authority of Public Law 111-11, Section 9504(a). This update was provided to the Department's Office of Acquisition and Property Management on March 31, 2014. USBR anticipates that the update will be published on the www.CFDA.gov website by September 30, 2014. The USBR Director, Management Services Office will implement the recommendation by December 31, 2014.

Appendix I: Scope and Methodology

Scope

We reviewed the U.S. Department of the Interior's (DOI) Bureau of Reclamation's (USBR) management of three financial assistance programs from fiscal years 2011 through 2013: Water and Energy Efficiency Grants (WEEG); Title XVI Water Reclamation and Reuse Program (Title XVI); and Water Conservation Field Service Program (WCFSP) under the WaterSMART (Sustain and Manage America's Resources for Tomorrow) program.

The WaterSMART Program combines multiple existing programs with new initiatives. During our survey period, we focused on four of WaterSMART's largest programs: WEEG; Title XVI; Landscape Conservation Cooperatives (LCC); and Cooperative Watershed Management Program (CWMP). Since LCC and CWMP grants do not have projects counted toward DOI's goal for water conservation, we eliminated these two programs from our scope and added WCFSP to focus on the three WaterSMART programs that contribute to DOI's goal.

Methodology

We conducted our evaluation 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.

We performed our fieldwork from January through April 2014 and evaluated the WaterSMART Program to assess USBR's management of the Program and the accomplishments made toward reaching Program goals.

To accomplish our objective, we—

- reviewed the laws, regulations, policies, and budget justifications as they relate to the WaterSMART Program;
- reviewed “WaterSMART: A Three-Year Progress Report” and “Water 2025: Preventing Crises and Conflict in the West,” both issued by USBR in 2012 and 2005, respectively;
- selected and reviewed a judgmental sample of 76 WaterSMART financial assistance files from a population of approximately 383 files from fiscal years 2011 through 2013;
- reviewed funding opportunity announcements for all three financial assistance programs;
- analyzed the output of program data from the Information Monitoring and Tracking System (IMATS); and
- interviewed USBR officials with WaterSMART Program responsibilities, including grant officers; grant officer technical representatives; application

review committee members; WEEG, Title XVI, and WCFSP coordinators; Government Performance and Results Act coordinator; regional audit liaisons, and an internal review official.

We also interviewed or contacted USBR personnel and reviewed WaterSMART Program financial assistance agreement files at several USBR office locations:

- Washington Office in Washington, DC.
- Policy and Administration at the Denver Federal Center in Denver, CO.
- Lower Colorado Regional Office in Boulder City, NV.
- Upper Colorado Regional Office in Salt Lake City, UT.
- Mid-Pacific Regional Office in Sacramento, CA.

Appendix 2: Prior Report Coverage

The U.S. Department of the Interior (DOI) Office of Inspector General (OIG) issued two prior reports that we found to be relevant to our current evaluation. In September 2011, OIG issued “U.S. Department of the Interior Program Startup Evaluation,” (Report No. ER-EV-MOA-0001-2010). In this report, we reported four different models of program planning used by five bureaus within DOI. One of the performance-based models reviewed was used by USBR for the WaterSMART Program. The report concluded that USBR’s performance-based program planning model focused on the ability of grantees to support the objectives of the Program and consisted of an integrated set of planning, reviewing, and monitoring procedures that cascade down through the organization, providing a link between the grantee performance and overall strategy of the Bureau. The report offered no recommendations and was intended to provide a resource for DOI and its bureaus to use when planning new programs or modifying existing programs.

In November 2011, OIG issued “U.S. Department of the Interior Program Startup Inspection: Bureau of Reclamation WaterSMART Grant Program,” (Report No. ER-IS-BOR-0012-2011). In this report, we reported the WaterSMART Program did not have policies and procedures in place to manage the Program in such a way that would ensure long-term continuity. The report made one recommendation to the USBR Commissioner to develop and implement clear internal programmatic policies and procedures that focus on managing the Program to ensure continuity if personnel changes occur.

Appendix 3: Schedule of Potential Monetary Impact

Grant Number	USBR Claimed Costs	City of Roseville Claimed Costs	Rec #	Ineligible Costs
RI IAP20092	\$51,245	\$32,841	5	\$18,405

Appendix 4: U.S. Bureau of Reclamation Response

The U.S. Bureau of Reclamation response to our draft report follows on page 18.



United States Department of the Interior
BUREAU OF RECLAMATION
Washington, DC 20240

IN REPLY REFER TO:
84-27400
ADM-8.00

MEMORANDUM

To: Office of Inspector General
Attn: Assistant Inspector General for Audits, Inspections, and Evaluations

Through: Anne J. Castle *Anne J. Castle*
Assistant Secretary – Water and Science

SEP 24 2014

From: Lowell D. Pimley
Acting Commissioner

Robert J. Zient

SEP 17 2014

Subject: The Bureau of Reclamation's Response to the Office of Inspector General (OIG) Draft Report, *Bureau of Reclamation's Sustainable Water Management Programs and Activities*, Report No. WR-EV-BOR-0026-2013

The OIG in its August 14, 2014, draft report, *Bureau of Reclamation's Sustainable Water Management Programs and Activities*, requested that Reclamation inform the OIG of the planned course of action to address and implement the recommendations in the subject report. The requested information is attached.

If you have any questions or require additional information, please contact Elizabeth Cordova-Harrison, Director, Management Services Office, at 303-445-2783.

Attachment

The Bureau of Reclamation's Response to the
Office of Inspector General (OIG) Draft Evaluation Report
Bureau of Reclamation's Sustainable Water Management Programs and Activities
Report No. WR-EV-BOR-0026-2013

August 2014

General Comments: In multiple areas of the introductory sections of the report, including the transmittal memorandum (second paragraph) and the third paragraph of page 1 under "Results in Brief," the draft report claims that, "[United States Bureau of Reclamation] USBR could improve WaterSMART to ensure transparency and *fairness* in its financial assistance programs" (emphasis added). The implication that the "fairness" of these programs is currently compromised appears as well within the third paragraph of page 6 under "Overlap Between Water and Energy Efficiency Grants (WEEG) and Water Conservation Field Service Program (WCFSP) Grants." Reclamation believes it would be more accurate to characterize these recommendations as intended to increase the effectiveness of both WaterSMART Grants (WEEG projects) and the WCFSP and to ensure that the programs have distinct parameters to meet distinct goals. We believe that the focus on "fairness" may lead to confusion; both programs are competitive, with Funding Opportunity Announcements (FOAs) posted for full public disclosure on www.Grants.gov, a well-documented and impartial review and evaluation of proposals against the evaluation criteria established in the FOA, and a documented selection process where decisions did not deviate from the recommendations established by the Application Review Committees. Please note that Reclamation does not disagree with the recommendation itself, especially as it relates to consistency and differentiation between the WEEG and WCFSP programs.

In addition, the draft report notes that WCFSP and WEEG grants were awarded "for the same water use efficiency activities, creating an overlap between two grant programs and creating an appearance that grantees received funding from different programs to complete the same or similar tasks." (See page 1, first bullet.) The draft report also states that these awards created an appearance of "double dipping to obtain funds from different programs to complete similar work" (See page 6, second paragraph.) Reclamation does not disagree with the recommendation to implement policy to differentiate between these activities. However, we believe that the draft report as written (use of "double dipping" and "same") may lead to the mistaken impression that Reclamation has funded the "same" project twice. In fact, as other parts of the report explain, the evaluation found instances in which WCFSP and WEEG grants provided funding for different phases of a larger project. We suggest revising the draft report to clarify that point.

Response to OIG Recommendations

Recommendation 1: USBR develop and implement policy and procedures to differentiate between WEEG and WCFSP grants awarded in support of water-use efficiency activities.

Reclamation's Response: Concur. Reclamation will review existing Reclamation Manual (RM) Directives & Standards (D&S) for Reclamation's water conservation activities and revise as necessary. Revisions will first be included as part of a temporary RM D&S. A temporary RM D&S allows for the prompt release of these policies and procedures while Reclamation completes required steps to gather and address external comments. This approach allows for feedback based upon actual implementation of the requirements contained in the RM D&S. A temporary RM D&S has the full force of a permanent RM D&S and will become permanent within one year of issuance with or without modifications based upon comments received.

Responsible Official: Roseann Gonzales, Director, Policy and Administration

Target Implementation Date: The target implementation date for issuing the temporary RM D&S is June 30, 2016.

Recommendation 2: USBR establish and implement definitive guidance on WCFSP funding limitations, including a process for increasing funding through grant modifications.

Reclamation's Response: Concur. Reclamation will review existing RM D&S for Reclamation's water conservation activities and revise as necessary. Revisions will first be included as part of a temporary RM D&S. A temporary RM D&S allows for the prompt release of these policies and procedures while Reclamation completes required steps to gather and address external comments. This approach allows for feedback based upon actual implementation of the requirements contained in the RM D&S. A temporary RM D&S has the full force of a permanent RM D&S and will become permanent within one year of issuance with or without modifications based upon comments received.

Responsible Official: Roseann Gonzales, Director, Policy and Administration

Target Implementation Date: The target implementation date for issuing the temporary RM D&S is June 30, 2016.

Recommendation 3: USBR increase documentation regarding the analysis conducted for acre-feet of water conserved prior to awarding grants and ensure that the resulting determination is adequately documented in both the selection files and in the individual financial assistance agreements.

Reclamation's Response: Concur. Reclamation will issue guidance to ensure that all documentation in the selection files and in the individual financial assistance agreements is complete, including information regarding the analysis conducted in determining acre-feet of water conserved, where appropriate.

Responsible Official: Elizabeth Cordova-Harrison, Director, Management Services Office

Target Implementation Date: December 31, 2015

Recommendation 4: USBR ensure WCFSP grant final performance reports capture the project objectives, goals, and accomplishments and, if applicable, require a discussion of the amount of water conserved.

Reclamation's Response: Concur. Reclamation will review existing RM D&S for Reclamation's water conservation activities and revise as necessary. Revisions will first be included as part of a temporary RM D&S. A temporary RM D&S allows for the prompt release of these policies and procedures while Reclamation completes required steps to gather and address external comments. This approach allows for feedback based upon actual implementation of the requirements contained in the RM D&S. A temporary RM D&S has the full force of a permanent RM D&S and will become permanent within one year of issuance with or without modifications based upon comments received.

Responsible Official: Roseann Gonzales, Director, Policy and Administration

Target Implementation Date: The target implementation date for issuing the temporary RM D&S is June 30, 2016.

Recommendation 5: USBR's Mid-Pacific Regional Director resolve the ineligible costs of \$18,405 for the WCFSP grant awarded to the City of Roseville.

Reclamation's Response: Concur. WaterSMART grant with the City of Roseville (City) ended on December 31, 2012. During the grant closeout process, Reclamation identified that the City had not fulfilled its cost share requirements and that its final Federal Financial Reports and Progress Reports were incorrect. Reclamation has worked with the City to be reimbursed the ineligible costs in July 2014.

Responsible Official: David Murillo, Director, Mid-Pacific Region

Target Implementation Date: Reclamation's Mid-Region implemented and completed the OIG's recommendation in July 2014.

Recommendation 6: USBR expand the definition of grant activities conducted under [Catalog of Financial Domestic Assistance] CFDA number for [California Water Security and Environmental Enhancement program] CALFED to include all CALFED water use and efficiency grant activities.

Reclamation's Response: Concur. Reclamation revised the CFDA for the CALFED to include awards made in support of that program under the statutory authority of *Public Law 111-11, Section 9504(a)*. This update was provided to the Department's Office of Acquisition and Property Management on March 31, 2014. It is anticipated that the update will be published on the www.CFDA.gov website by September 30, 2014.

Responsible Official: Elizabeth Cordova-Harrison, Director, Management Services Office

Target Implementation Date: December 31, 2014

Appendix 5: Status of Recommendations

Recommendations	Status	Action Required
1, 2, 3, 4, & 6	Resolved but not implemented.	No further response to the Office of Inspector General is required. We are referring the recommendations to the Assistant Secretary for Policy, Management and Budget for tracking.
5	Resolved and implemented.	No further response to the Office of Inspector General is required.

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