



U.S. Department of Agriculture

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Office of Inspector General  
Great Plains Region

# **Audit Report**

## **Hurricane Relief Initiatives: Emergency Watershed Protection Program and Disposal of Dead Animals**

Report No. 50601-12-KC  
October 2007

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UNITED STATES DEPARTMENT OF AGRICULTURE

OFFICE OF INSPECTOR GENERAL

Washington D.C. 20250



October 18, 2007

REPLY TO

ATTN OF: 50601-12-KC

TO: Arlen L. Lancaster  
Chief  
Natural Resources Conservation Service

ATTN: William J. Gradle  
Acting Director  
Operations Management and Oversight Division

FROM: Robert W. Young /s/  
Assistant Inspector General  
for Audit

SUBJECT: Hurricane Relief Initiatives: Emergency Watershed Protection Program and Disposal of Dead Animals

**Summary**

In the wake of Hurricanes Katrina and Rita, the Natural Resources Conservation Service (NRCS) provided funding in the impacted States for the Emergency Watershed Protection Program (EWP) which was used to restore channels and levees and for the Disposal of Dead Animals initiative<sup>1</sup> to remove and dispose of dead poultry. Our review was conducted in Louisiana and Mississippi and focused primarily on whether initial EWP funding<sup>2</sup> was put to best use across the multi-State disaster area. We also evaluated the propriety of assistance payments issued by the Department of Agriculture (USDA) to assist producers with the disposal of dead poultry.

As part of the initiatives, NRCS initially allocated \$23.9 million in EWP funds to the impacted areas. Initial EWP funding for Louisiana and Mississippi approximated \$10.5 million and \$7.5 million, respectively. Our review disclosed that the initial funding was used to support contract obligations for exigent projects in Louisiana and serious, but nonexigent projects in Mississippi. While each State individually obligated funding to its highest priority projects, we noted that the initial EWP funding was not obligated to the highest priority projects across the entire disaster impacted area. Within each State, we found that NRCS management controls were

<sup>1</sup> EWP funds can be used to facilitate the disposal of dead animals where disaster conditions represent the cause for animal death and the dead animal(s) constitute a debris impairment to an eligible watershed area.

<sup>2</sup> Initial EWP funding for the 2005 hurricanes was secured from remaining fund balances administered for previous disasters in other States, and does not take into consideration the \$300 million subsequently appropriated for EWP through the "Department of Defense, Emergency Supplemental Appropriations to Address Hurricanes in the Gulf of Mexico, and Pandemic Influenza Act," signed December 30, 2005.

in place and functioning as intended to identify eligible sponsor entities and watershed project areas, to solicit bids and award contracts, and to inspect and verify the completion of designed channel restorations and levee repairs. Inspections of selected project areas supported the priority designations assigned by Damage Survey Report (DSR) teams, as well as confirmed the completion of contracted work. Nothing came to our attention during the audit that caused us to believe the system of management controls over EWP disaster activities was not adequate.

Due to the urgent need to dispose of dead poultry following the hurricanes, the Department authorized assistance payments to producers to help offset the costs associated with the removal and disposal of poultry. We noted that the assistance rate paid by NRCS for producer costs associated with the removal and disposal of poultry was based on the number of poultry houses subject to clean out<sup>3</sup>, rather than the number of dead poultry subject to disposal/burial. This method of providing assistance did not provide for equitable payments to producers as some poultry houses contained a capacity number of birds, whereas other poultry houses were nearly empty. Thus, the assistance rate was not commensurate with the actual work required by producers to dispose of poultry. NRCS changed its methodology for determining eligible assistance during the application and payment process, but did not reevaluate payments issued at the onset of the process to ensure that no disparate treatment occurred.

For future major disasters, we recommend that NRCS evaluate the use of program funding across the multi-State disaster area to ensure that available funding can be put to the highest priority or best use. In addition, to ensure that no disparate treatment occurred, we continue to recommend that NRCS require the offices to reassess all cases to ensure payments were correct and equitable. NRCS' response to our audit report (provided in its entirety in exhibit A) shows that NRCS believes they have addressed both recommendations. The Office of Inspector General (OIG) position to NRCS' written response is provided in the OIG Position section for the recommendations.

The audit was conducted in conjunction with the President's Council on Integrity and Efficiency (PCIE) as part of its examination of the Federal Government's relief efforts in the aftermath of Hurricanes Katrina and Rita. As such, a copy of this report will be forwarded to the PCIE Homeland Security Working Group which is coordinating Inspector General reviews of this important subject.

## **Background**

The NRCS mission is to provide leadership in a partnership effort to help producers conserve, maintain, and improve natural resources and the environment. EWP exists to help sponsoring governmental entities and individuals implement emergency recovery measures to relieve imminent hazards to life and property created by a natural disaster that causes sudden

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<sup>3</sup> Clean out of a poultry house refers to the activities associated with the removal of dead chickens and any necessary follow up, such as washing, disinfecting, etc., to ready the house for subsequent housing of chickens.

impairment of a watershed area.<sup>4</sup> Examples of emergency recovery measures include removal of debris from channels, restoration of vegetation, and stabilization of channel banks. EWP assistance is only available when public or private landowners, land managers, land users, or others have exhausted all other resources or have insufficient funding available to provide adequate relief from applicable hazards.

NRCS makes EWP assistance available through project sponsors.<sup>5</sup> Sponsors generally contribute a share of project costs by providing funds or services. The sponsor's cost-share rate is normally 25 percent, with NRCS contributing 75 percent, except in limited resource areas where NRCS can contribute up to 90 percent of the project costs. Due to the widespread devastation caused by hurricanes in 2005, the NRCS Deputy Chief for Programs provided authority for the State Conservationists in hurricane affected States to waive the sponsor cost-share requirement in situations where sponsor contributions of funds or services were not feasible.<sup>6</sup>

Watershed impairments identified by sponsors are subject to assessment by NRCS' DSR teams that consist of an engineer, a biologist, and a resource conservationist. These teams evaluate the potential threat to health, life, or property presented by the existing impairment and estimated the cost to restore the watershed back to pre-existing conditions. EWP projects are then advertised for competitive bid to potential contractors in accordance with the Federal Acquisition Regulations. In the aftermath of Hurricanes Katrina and Rita, expedited contracting provisions were temporarily instituted for damage clean up. Successful bidders worked with a contracting officer representative and an inspector to assure proper completion of the specified statement of work. NRCS provides cost-share assistance for practices associated with the removal of public health and safety threats and restoration of the natural environment following disasters. NRCS will only provide assistance for measures that provide protection from additional flooding and soil erosion; reduce threats to life and property; restore the hydraulic capacity to the natural environment; and are economically and environmentally defensible and technically sound.

In September 2005, NRCS announced that poultry farmers who sustained catastrophic losses caused by the hurricanes may qualify for financial assistance from NRCS working in cooperation with the local Soil and Water Conservation District. The assistance was available to facilitate the disposal of dead birds; assistance payments were limited to \$1,250 per poultry house.

On December 30, 2005, the "Department of Defense, Emergency Supplemental Appropriations to Address Hurricanes in the Gulf of Mexico, and Pandemic Influenza Act" (the Act) appropriated \$300 million to repair damages resulting from hurricanes that occurred during 2005. The legislation authorized the Secretary of Agriculture to make payments to landowners and land users to pay for up to 75 percent of the cost resulting from damage caused by hurricanes and to use funds for financial and technical assistance to remove and dispose of animal carcasses that could adversely affect health and safety in hurricane affected counties.

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<sup>4</sup>Authority by section 216 of the "Flood Control Act of 1950" (Public Law (P.L.) 81-516) and section 403 of the "Agricultural Credit Act of 1978" (P. L. 95-334), as amended by section 382 of the "Federal Agriculture and Reform Act of 1996" (P. L. 104-127).

<sup>5</sup>Sponsor must be a State or political subdivision, thereof, qualified Native American tribe or tribal organization, or unit of local government.

<sup>6</sup>*Emergency Watershed Protection (EWP) Manual*, 390-V-NEWPPM, First Edition, section 624.11 "Waivers", dated July 2006.

## **Objectives**

We evaluated whether the initial EWP funding allocated to hurricane affected States was put to the best use in relation to sustained damage and the achievement of desired results. In pursuing this objective, we evaluated the adequacy of management controls over administration of EWP, assessed the reasonableness of EWP reimbursements, and assessed the impact of waived or revised procedures applicable to the 2005 hurricane disasters. We also evaluated USDA's efforts to assist agricultural producers with the removal and disposal of dead animals.

## **Scope and Methodology**

Based on the magnitude of destruction inflicted by Hurricanes Katrina and Rita, as well as the initial levels of EWP funding directed to the hurricane affected States, we judgmentally selected Louisiana and Mississippi as the States in which to conduct our review. Of a total \$23.9 million in EWP funds, \$10.5 million was allocated to Louisiana and \$7.5 million was allocated to Mississippi. Supplemental funding of \$300 million was provided under the Act and included an \$88 million allocation for Louisiana and a \$107 million allocation for Mississippi.

Within each State, we visited a sample of judgmentally selected field locations based on the number of approved contracts and the dollar amounts of obligated project funding. Selected field locations included Plaquemines, St. Tammany, Tangipahoa, Terrebonne, Vermilion, and Washington parishes in Louisiana and Forrest, Lamar, Pearl River, Perry, and Walthall counties in Mississippi. We performed fieldwork from November 2005 through May 2006. The review was performed in accordance with generally accepted Government auditing standards.

At the national, State, and field office levels, we interviewed agency personnel responsible for the administration and management of EWP program operations. In addition, we reviewed laws, regulations, policies, procedures and program documents to verify and evaluate program implementation. We interviewed representatives of 12 sponsoring organizations (7 in Louisiana and 5 in Mississippi) responsible for the identification and maintenance of channels impaired by hurricane deposited debris and breached levees to evaluate NRCS efforts in identifying potential sponsor organizations and providing program information/education. Within each Louisiana parish and Mississippi county visited, we judgmentally selected either one or two sponsoring organizations based on the dollar value and number of approved EWP contracts supported by the sponsoring organization. We inspected the restored channels and levees funded through 28 judgmentally selected EWP contracts. In Louisiana, we inspected channels and levees restored through 19 contracts totaling over \$4.3 million of a total 77 contracts totaling in excess of \$9 million. Sample contracts were judgmentally selected based on obligated dollar amounts and in an effort to provide diversity in evaluating the work of various contractors. In Mississippi, we inspected channels covered by nine EWP contracts totaling over \$1.2 million. At the time of our review, Mississippi had obligated about \$3.3 million for 12 EWP project areas.

With respect to dead livestock disposal, funds spent for the removal and disposal of dead animals in Louisiana and Mississippi totaled nearly \$1.4 million at the time of our review. We also reviewed documentation maintained at one field office in Mississippi for 13 of 15 producers who had requested and received assistance to facilitate the removal and disposal of dead animals.

### **Findings and Recommendations**

#### ***Initial Allocations of EWP Funding Not Directed to the Highest Priority Projects across the Disaster Impacted Area***

Initial allocations of EWP funding distributed to the hurricane affected States were not always devoted to the highest priority projects across the disaster affected areas (multiple States). Initial allocations were based on individual State level estimates of existing watershed impairments, but prior to the assessment and prioritization of specific EWP project areas by DSR teams. As a result, the initial funding for one State was insufficient to award contracts for all of its projects designated as exigent, whereas the initial funding for another State was used to award contracts for serious but non-exigent projects.

The *EWP Manual* sets forth the following funding priorities for recovery measures.

1. Exigency situations.
2. Sites where there is a serious, but not immediate threat to human life.
3. Sites where buildings, utilities, or other important infrastructure components are threatened.
4. Other funding priorities authorized by the Chief of NRCS.<sup>7</sup>

The *EWP Manual* defines exigencies as situations that demand immediate action to avoid potential loss of life or property, including situations where a second natural disaster event may occur shortly thereafter that could compound the impairment, cause new damages and the potential loss of life if action to remedy the situation is not taken immediately. Such situations require work to be completed within 10 days from the time the site is accessible, or when funding is approved.<sup>8</sup>

Shortly after Hurricanes Katrina and Rita ravaged the Gulf Coast, the NRCS national office contacted other States to determine existing EWP fund balances available for reallocation to States affected by the 2005 hurricanes. Within this reallocation of existing EWP funds, Louisiana received \$10.5 million and Mississippi received \$7.5 million to initiate the process of identifying and assessing priority needs. In addition, the Deputy Chief for Programs delegated authority to the State Conservationist in hurricane affected States to waive the sponsor cost share requirement (25 percent) in cases where such a waiver was deemed appropriate. On December 30, 2005, the Act provided an additional \$300 million in EWP funding. Since the Act limited NRCS'

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<sup>7</sup>*EWP Manual* 390-V-NEWPPM, First Edition, section 502.14 B, dated July 2006.

<sup>8</sup>*EWP Manual* 390-V-NEWPPM, First Edition, section 501.7, "Exigency Situations", dated July 2006.

contribution to 75 percent, the agency did not have the option to waive the sponsor's cost share. On January 27, 2006, USDA announced that Louisiana and Mississippi would receive supplemental allocations of EWP funding totaling in excess of \$88 million and \$107 million, respectively.

Our review of EWP in Louisiana showed that initial funding was used to award contracts for debris removal and levee repair projects determined to be "exigent" or of the highest priority by DSR teams. However, the initial allocation of funding was insufficient to award contracts for all of the exigent designated projects within the State. As such, some projects designated as exigent were tabled until additional EWP funding was made available. Figures provided by the Louisiana State NRCS Office supported delayed completion or implementation of 38 DSR projects (30 associated with Hurricane Katrina and 8 associated with Hurricane Rita) with estimated costs approximating \$5.7 million due to lack of available financial and/or technical assistance funds. Our inspections of 19 projects supported the exigent priorities established by the DSR teams, as we noted houses and businesses located along the banks of channels that were subject to flooding, had the impairments not been addressed and the anticipated levels of normal rainfall occurred.

In contrast, initial funding directed to Mississippi was used to award contracts for debris removal projects that were determined "serious" but not exigent by DSR teams. We noted that the Mississippi State NRCS Office had awarded far fewer project contracts for lesser dollar amounts than its counterpart in Louisiana at the time of our review. We further noted that funded projects in Mississippi consisted of numerous small segments of multiple watershed channels, in contrast to the expansive stretches of single watershed channels funded in Louisiana. We inspected 9 Mississippi projects and again concurred with the designated priorities established by the DSR teams.

The noted differences in designated priority levels for EWP projects in Louisiana and Mississippi lead us to question whether initial EWP funding was put to best use in funding the highest priority projects across the entire disaster area. While we acknowledge that each State individually obligated funds to its highest priority project areas, the difference between funding projects in one State designated as exigent vs. funding projects in another State designated as serious, but non-exigent, could have subjected the agency to criticism. The appropriation of \$300 million in supplemental funding for EWP provided the opportunity for remaining exigent projects in Louisiana to receive funding; however, the legislation reestablished the 25 percent sponsor cost share. Thus, exigent projects in Louisiana funded under the supplemental appropriation will require a 25 percent sponsor cost share, whereas serious, but not exigent, projects in Mississippi funded through the initial allocation of EWP funds received 100 percent cost reimbursement. In the future, agency officials should balance the preference for program implementation and administration based on the philosophy of locally led conservation with the need for national office oversight to ensure the allocation and obligation of funds to the highest priority needs.

**Recommendation 1**

For future major disasters, evaluate the use of program funding across the multi-State disaster area to ensure that available funding can be put to the highest priority or best use.

**NRCS Response**

“Hurricane Katrina was the most devastating natural disaster in the history of the United States. Once the magnitude was known, both Louisiana and Mississippi advised they had exigency situations. An initial allowance provided the Emergency Watershed Protection (EWP) Program funding for exigency situations in both States. Mississippi’s exigency requests were met. However, Louisiana advised they had multi-million dollar exigency needs based on the fact that the damage was so widespread and catastrophic. As more excess EWP funding became available, the determination was made to split the funding between Louisiana and Mississippi in an equitable manner. This decision was made knowing that NRCS would receive \$300 million as an emergency supplemental appropriation, which would satisfy known funding needs within all States affected at that time. Providing equitable amounts to Louisiana and Mississippi allowed both States to proceed with hurricane cleanup efforts. Providing EWP funding to only Louisiana would have caused recovery efforts in Mississippi to cease until the \$300 million was appropriated.

The Office of the Inspector General’s (OIG) report mentions that NRCS was able to provide 100 percent cost share in accordance with its waiver provision, but the subsequent emergency supplemental language only allowed the Federal cost share of 75 percent. During the OIG exit conference, OIG expressed concern that since NRCS did not send the initial funding to Louisiana, with the greater need for exigency funding, that some sponsors were required to provide their 25 percent cost share. No sponsors were eliminated from participating in the program based upon the requirement to provide the 25 percent cost share. Moreover, the sponsors received the cost share from a Louisiana State fund specifically set up to help Parishes recover from the disaster. The \$50.9 million hurricane emergency supplemental also eliminated the 75 percent cost-share limit and allowed for NRCS to determine the appropriate cost share for the remaining \$300 million emergency supplemental in accordance with NRCS policy.

OIG’s recommendation to evaluate the program is easily done by a review of funding since Hurricane Katrina. NRCS maintains funding to provide for exigency situations. Only when sufficient funding is accumulated will projects on the EWP funding needs list be funded. This year has been unprecedented in the number of exigency situations, primarily in the Midwest and Central portion of the Nation. We have been able to fully fund all exigency requests in all cases.”

**OIG Position**

NRCS stated (see exhibit A for the response in its entirety) that it has in place an evaluation process to review funding on a disaster basis since Hurricane Katrina and all exigency

circumstances have been funded to date. However, we are unable to accept this management decision without being provided further assurance that the NRCS funding process described ensures all exigency situations resulting from a disaster are funded prior to non-exigency situations in the event future funding is limited.

***Assistance Rate for Disposal of Dead Poultry Not Commensurate with Required Activity***

In the aftermath of the hurricanes, NRCS also provided a process whereby producers with dead poultry could receive assistance to help with the costs of removal and disposal of the dead birds. We found that the assistance rate paid by NRCS, for producer costs associated with the removal and disposal of dead poultry, was established in relation to the number of poultry houses subject to clean out, rather than the number of dead birds subject to disposal/burial. As such, the assistance rate was not commensurate with the activity for which assistance was being provided and payments to producers were not always reasonable based on the amount of work to be performed. We also noted that the assistance rate was not limited to reimbursement of actual cost incurred by producers. Producers certified to the completion of required work, but were not required to submit invoices supporting actual expenses incurred in the disposal of dead poultry.

Our review of 13 of 15 producer files at one Mississippi field office showed that producers initially received assistance at the rate of \$1,250 per poultry house subject to clean out, regardless of the number of birds housed in each facility. For example, on September 19, 2005, Producer A certified the completed clean out of two poultry houses containing 1,000 dead chickens; Producer B certified the clean out of one poultry house containing 15,000 dead chickens. Producer A received \$2,500 in assistance (\$1,250 per house), whereas Producer B received only \$1,250 in assistance. Producer B received only half the amount of assistance received by Producer A, although Producer B was responsible for the disposal/burial of 14,000 more dead chickens than Producer A.

Analysis of producer assistance payments processed by the local field office and interview with the District Conservationist confirmed that within the timeframe over which producer applications were processed (approximately two months) the agency recognized the inconsistency between the assistance payment rate and the activity for which assistance was being provided, and began processing producer assistance payments based on the number of dead poultry subject to disposal/burial. We support the agency action to adjust the assistance payment rate as the payment rate was established in terms of a maximum amount that was not to be exceeded, rather than a flat rate. However, we question whether producers who maintained poultry houses at near capacity levels and received their assistance payment at the onset of the process actually received sufficient assistance for the work involved in the disposal of the dead chickens. In the State of Mississippi, approximately \$800,000 was paid to assist producers with the costs of disposing/burying 7 million chickens.

**Recommendation 2**

Evaluate whether producers who received assistance at the onset of the payment process for the removal and disposal of dead poultry received reasonable amounts of assistance based on the required work performed. Initiate appropriate corrective actions for all cases where the amount of assistance was not reasonable based on the number of poultry subject to disposal/burial.

**NRCS Response**

“NRCS National Headquarters conducted an evaluation of how NRCS in Mississippi provided funding for the disposal of dead poultry. Within days after the disaster, Mississippi conducted an analysis to determine the appropriate amount of funding necessary to remove and properly dispose animal carcasses, primarily poultry, once it became apparent that millions of chickens had perished. The determination was made that \$1,250 per poultry facility was a sufficient amount to reimburse producers or pay contractors if they provided the service.

Once poultry producers became aware of the opportunity for NRCS funding to remove and dispose of poultry, several requests were received that involved either facilities that were not filled to capacity or facilities where only a minimal number of dead poultry occurred. While there are “fixed” costs to mobilize or set up equipment, a portion of the cost is based upon the number of poultry disposed. NRCS District Conservationists immediately contacted the State office for guidance. The State advised that the amount of funding should be based on the total number of dead poultry when producers had several facilities partially affected. A typical facility houses approximately 15,000-20,000 poultry.

We found in our evaluation that NRCS in Mississippi originally established an appropriate amount and modified its reimbursement when producers with minimal numbers of dead poultry requested assistance. This modification assured that no overpayments were made for only minimal numbers of disposed dead poultry.”

**OIG Position**

We are unable to accept management decision without additional action by NRCS. Our review of the poultry disposal payments processed by one field office support application of the change in policy for determining eligible payment amounts that was effective on September 23, 2005 (initial date of producer application for which estimated and actual payment amounts were limited based on number of verified dead birds). The change in policy was disseminated through the area office, providing a “rough” suggestion for determining the number of eligible poultry houses based on number of dead birds, as follows:

<u>Number of Dead Chickens</u>	<u>Eligible Poultry Houses</u>
Less than 10,000	1 House
10,000 to 40,000	1 to 2 Houses
40,000 to 80,000	2 to 4 Houses
80,000 to 120,000	4 to 6 Houses
Greater than 120,000	6 to 8 Houses

Our analysis showed that three of the four producer applications for dead poultry disposal assistance processed by one field office after the established change in policy were appropriately limited based on the number of verified dead birds. The fourth producer's application appeared to be overpaid as the producer received \$2,500 for a certified loss of two poultry houses containing only 1,900 dead birds. Also, our analysis showed payment inconsistencies to 6 of 9 producers who filed applications for dead poultry disposal assistance prior to the change in policy. Our analysis showed that through September 22, 2005, producers received assistance for the certified number of poultry houses subject to loss, despite the fact that the numbers of verified dead birds indicated that these poultry houses were not operating at or near capacity levels. Details of the six payments follow:

<u>Application Date</u>	<u>Certified Loss</u>	<u>Verified Number of Dead Birds</u>	<u>Accepted for Payment</u>	<u>Payment Amount</u>
09/12/05	2 houses	5,000	09/21/05	\$2,500
09/12/05	3 houses	15,000	09/19/05	\$3,750
09/16/05	2 houses	1,000	09/19/05	\$2,500
09/19/05	4 houses	21,000	09/22/05	\$5,000
09/22/05	4 houses	4,000	09/23/05	\$5,000
Not shown	3 houses	15,000	09/23/05	\$3,750

Based on these inconsistencies for 6 of 9 payments processed prior to the change in policy, we continue to question whether assistance payments received were equitable in the disposal of the dead poultry. In addition, the change in policy was disseminated through the area office by e-mail and only provided a "rough" suggestion for determining the number of eligible poultry houses based on number of dead birds. Therefore, to ensure that no disparate treatment occurred, we continue to recommend that NRCS require the offices to reassess all cases to ensure payments were correct and equitable to enable us to accept the management decision for the recommendation.

Departmental Regulation 1720-1 requires a reply within 60 days describing the additional assurance and reassessments made or planned and the timeframes for implementation for the two recommendations. The regulation also requires a management decision to be reached on all recommendations within a maximum of 6 months from report issuance and final action to be taken within 1 year of the management decision.

We appreciate the courtesy and cooperation extended to us by your staff during this review.

# Exhibit A – NRCS Response

Exhibit A – Page 1 of 3

United States Department of Agriculture



Natural Resources Conservation Service  
P.O. Box 2890  
Washington, D.C. 20013

SEP 21 2007

SUBJECT: OIG Audit Report No. 50601-12-KC - Hurricane Relief Initiative:  
Emergency Watershed Protection Program and Disposal of Dead

TO: Robert W. Young  
Assistant Inspector General for Audit  
Office of the Inspector General

This memorandum transmits the Natural Resources Conservation Service's (NRCS) response to the Office of the Inspector General (OIG) draft report, "Hurricane Relief Initiative: Emergency Watershed Protection Program and Disposal of Dead Animals" (OIG 50601-KC).

#### OIG Recommendation 1

For future major disasters, evaluate the use of program funding across the multi-State disaster area to ensure that available funding can be put to the highest priority or best use.

#### **Agency Response:**

Hurricane Katrina was the most devastating natural disaster in the history of the United States. Once the magnitude was known, both Louisiana and Mississippi advised they had exigency situations. An initial allowance provided the Emergency Watershed Protection (EWP) Program funding for exigency situations in both States. Mississippi's exigency requests were met. However, Louisiana advised they had multi-million dollar exigency needs based on the fact that the damage was so widespread and catastrophic. As more excess EWP funding became available, the determination was made to split the funding between Louisiana and Mississippi in an equitable manner. This decision was made knowing that NRCS would receive \$300 million as an emergency supplemental appropriation, which would satisfy known funding needs within all States affected at that time. Providing equitable amounts to Louisiana and Mississippi allowed both States to proceed with hurricane cleanup efforts. Providing EWP funding to only Louisiana would have caused recovery efforts in Mississippi to cease until the \$300 million was appropriated.

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conference, OIG expressed concern that since NRCS did not send the initial funding to Louisiana, with the greater need for exigency funding, that some sponsors were required to provide their 25 percent cost share. No sponsors were eliminated from participating in the program based upon the requirement to provide the 25 percent cost share. Moreover, the sponsors received the cost share from a Louisiana State fund specifically set up to help Parishes recover from the disaster. The \$50.9 million hurricane emergency supplemental also eliminated the 75 percent cost-share limit and allowed for NRCS to determine the appropriate cost share for the remaining \$300 million emergency supplemental in accordance with NRCS policy.

OIG's recommendation to evaluate the program is easily done by a review of funding since Hurricane Katrina. NRCS maintains funding to provide for exigency situations. Only when sufficient funding is accumulated will projects on the EWP funding needs list be funded. This year has been unprecedented in the number of exigency situations, primarily in the Midwest and Central portion of the Nation. We have been able to fully fund all exigency requests in all cases.

#### OIG Recommendation 2

Evaluate whether the producers who received assistance at the onset of the payment process for the removal and disposal of dead poultry received reasonable amounts of assistance based on the required work performed. Initiate appropriate corrective actions for all cases where the amount of assistance was not reasonable based on the number of poultry subject to disposal/burial.

#### **NRCS Response:**

NRCS National Headquarters conducted an evaluation of how NRCS in Mississippi provided funding for the disposal of dead poultry. Within days after the disaster, Mississippi conducted an analysis to determine the appropriate amount of funding necessary to remove and properly dispose animal carcasses, primarily poultry, once it became apparent that millions of chickens had perished. The determination was made that \$1,250 per poultry facility was a sufficient amount to reimburse producers or pay contractors if they provided the service.

Once poultry producers became aware of the opportunity for NRCS funding to remove and dispose of poultry, several requests were received that involved either facilities that were not filled to capacity or facilities where only a minimal number of dead poultry occurred. While there are "fixed" costs to mobilize or set up equipment, a portion of the cost is based upon the number of poultry disposed. NRCS District Conservationists immediately contacted the State office for guidance. The State advised that the amount of funding should be based on the total number of dead poultry when producers had several facilities partially affected. A typical facility houses approximately 15,000-20,000 poultry.

We found in our evaluation that NRCS in Mississippi originally established an appropriate amount and modified its reimbursement when producers with minimal numbers of dead poultry

# **Exhibit A** – NRCS Response

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requested assistance. This modification assured that no overpayments were made for only minimal numbers of disposed dead poultry.

If you need further assistance, please contact William J. Gradle, Acting Director, Operations Management and Oversight Division, at (202) 720-9135.



Arlen L. Lancaster  
Chief

Informational copies of this report have been distributed to:

Chief, NRCS

Attn: Agency Liaison Officer

(10)

Government Accountability Office

(1)

Office of Management and Budget

(1)

Office of the Chief Financial Officer

Director, Planning and Accountability Division

(1)