



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



Audit



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U.S. DEPARTMENT OF THE INTERIOR

APR 10 2026

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 Should Improve Transparency in Inflation Reduction Act-Funded Drought Mitigation Agreements and Check to Ensure Funds Are Not Awarded to Excluded Parties*
Report No. 2023-WR-035

This memorandum transmits our audit report on the Bureau of Reclamation's Inflation Reduction Act-funded drought mitigation efforts in the Lower Colorado River Basin.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.

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

Audit**The Bureau of Reclamation Should Improve Transparency in Inflation Reduction Act-Funded Drought Mitigation Agreements and Check to Ensure Funds Are Not Awarded to Excluded Parties****Objective**

To determine whether the Bureau of Reclamation (BOR) awarded and administered drought mitigation funds in compliance with the Inflation Reduction Act (IRA) and applicable laws and regulations.

Recommendations

We make three recommendations that, if implemented, will help BOR improve transparency and reduce its risk of awarding IRA funds to entities that might otherwise be ineligible. The three recommendations are resolved.

Risk Areas

Contract & Financial Assistance Oversight



Environmental Impact

Findings

We found that BOR generally complied with the IRA and applicable laws and regulations when awarding drought mitigation funds. We audited BOR's actions to protect the Lower Colorado River Basin through its use of \$2.6 billion in IRA drought mitigation funds. BOR allocated \$1.4 billion to short-term water conservation projects (or Bucket 1 projects) and \$1.2 billion to long-term durable infrastructure water projects (or Bucket 2 projects). BOR awarded drought mitigation funds using water-related contracts, which were processed as miscellaneous obligations² in internal financial systems. While BOR's approach is allowed per applicable law, regulation, and policy, we found that there are opportunities for improvement. Classifying awards as miscellaneous obligations results in decreased public transparency regarding the expenditure of over \$2 billion in Federal funds as of March 31, 2025, particularly when compared to other funding mechanisms. We addressed additional issues associated with Bucket 2 agreements in Report No. 2023-WR-035-A, *Risks Identified for Inflation Reduction Act Funds Awarded by the U.S. Bureau of Reclamation for Drought Mitigation Projects*, issued July 2025. Also, BOR did not take required steps to ensure that funding is not provided to suspended or debarred entities.

We note that, regardless of the use of miscellaneous obligations and the failure to perform suspension and debarment checks, BOR officials told us that BOR is accomplishing its water conservation mission. For calendar year 2023, BOR officials stated that IRA-funded agreements conserved approximately 500,000 acre-feet of water, raising Lake Mead's elevation by seven feet. However, many factors affect the volume of water in Lake Mead, and we cannot assess whether the elevation increase was a result of IRA-funded efforts.

Impact

When BOR issued water-related contracts for IRA awards in the Lower Colorado Basin, it recorded the transactions as miscellaneous obligations in its internal financial systems. The Federal Funding Accountability and Transparency Act requires agencies to make information on Federal awards available to the public via a single, searchable website, which is USASpending.gov, but miscellaneous obligations are not required to be and are not included. Accordingly, the public has little insight concerning the use of these funds. Further, by not performing suspension and debarment checks, BOR could potentially enter into agreements with entities that are excluded from doing business with the Federal Government, resulting in potential misuse or loss of Federal funds.

² Miscellaneous obligations are financial transactions that are not processed through acquisition. They may include items such as inter/intra-agency agreements, travel, training, charge card, and other authorized purchases. Miscellaneous obligations are not regulated by the Federal Acquisition Regulation, Title 2 of the Code of Federal Regulations (Grants and Agreements), the Indian Self-Determination and Education Assistance Act (Pub. L. No. 93-638), or the U.S. Department of Treasury's G-Invoicing (used by Federal agencies to manage intragovernmental transactions).

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Introduction

Objective

Our objective was to determine whether the Bureau of Reclamation (BOR) awarded and administered drought mitigation funds in compliance with the Inflation Reduction Act (IRA) and applicable laws and regulations. We audited BOR's actions to protect the Lower Colorado River Basin (LCRB) through its use of IRA funds, totaling \$2.6 billion.³

BOR uses three funding categories, which it terms "Buckets," to disburse IRA funds for water conservation purposes: Bucket 1A, Bucket 1B, and Bucket 2. These categories are discussed in detail below. In short, Buckets 1A and 1B⁴ are designed to accomplish short-term water reductions and Bucket 2 is for long-term durable infrastructure water projects.

To accomplish our objective, we reviewed seven Bucket 1A agreements from seven unique water-entitlement holders,⁵ totaling \$317 million, and one \$82 million Bucket 1B agreement. In August 2024, BOR entered into three Bucket 2 agreements, which we subsequently reviewed. After examining those agreements and applicable Federal guidelines, we issued a management advisory informing BOR of specific risks associated with Bucket 2 agreements.⁶

See Appendix 1 for our audit scope and methodology, where we outline the audit fieldwork procedures we conducted, including those that did not result in any reportable findings. These fieldwork procedures covered staffing and resources, solicitation and approval processes, data collection, oversight, and reporting requirements. Appendix 2 contains the list of abbreviations used in this report.

Background

According to BOR, the Lower Colorado River is a critical water source for approximately 40 million people and thousands of acres of agricultural land in the southwestern United States and Mexico (Figure 1). Over the past two decades, this region has been heavily impacted by prolonged drought. Increasing temperatures, a reduced snowpack in the Rocky Mountains, and lower-than-average rainfall have led to substantial decreases in the river's flow to Lake Mead and Lake Powell. Falling lake levels threaten water supplies not only for urban centers but also for agricultural areas and various ecosystems that rely on this water. As a result, water scarcity has prompted Federal action to increase water conservation and interstate cooperation to address these issues.

³ The IRA appropriated \$4 billion to BOR for drought mitigation. From this amount, we excluded two drought mitigation allocations that were outside the scope of this audit: \$250 million for the Salton Sea and \$155 million for the Upper Colorado River Basin. These projects will be discussed in separate audits by our office.

⁴ In this audit, we collectively refer to Buckets 1A and 1B as Bucket 1.

⁵ A [water entitlement holder](#) is an entity or individual that has a legal right to divert and use water from a specific source. These entitlements are granted through water contracts, Supreme Court decisions, or reservations of water for Federal purposes by the U.S. Department of the Interior.

⁶ [Risks Identified for Inflation Act Reduction Funds Awarded by the U.S. Bureau of Reclamation for Drought Mitigation Projects](#), Report No. 2023-WR-035-A, issued July 2025.

Figure 1: Map of Colorado River Basins



Source: BOR.

Based on historical acts and compacts, the three Lower Basin States—Arizona, California, and Nevada—as well as Mexico, are entitled to annual deliveries of Lower Colorado River water as shown in Figure 2.

Figure 2: Annual Lower Colorado River Water Entitlement for Lower Basin States and Mexico

State	Apportionment (million acre-feet*)
Arizona	2.8
California	4.4
Mexico	1.5
Nevada	.03

Source: BOR.

* An acre-foot of water is the amount of water it takes to cover an acre of land one-foot deep and equals 325,851 gallons. In 2018, an acre-foot was enough to supply about three California homes a year.

Federal Actions Prompting Western Water Conservation

In May 2005, the Secretary of the Interior directed BOR to develop additional strategies to improve coordinated management of reservoirs in both the Upper and Lower Colorado Basins. Each year, the Secretary is required

to declare the river’s water supply availability conditions for each of the Lower Division Basin States as normal, surplus, or shortage.⁷

In December 2007, the Secretary signed a record of decision⁸ containing guidelines for lower basin shortages and the coordinated operations for Lake Powell and Lake Mead (2007 Interim Guidelines). These guidelines, which began in 2008 and expire in 2026, were established to implement strategies for Colorado River management by, among other things, creating a system of tiers to reflect each lake’s operational level and subsequent shortage conditions. According to the 2007 Interim Guidelines, Arizona and Nevada are required to accept mandatory cuts to water deliveries based on Lake Mead’s water elevation level, specifically when it drops below 1,075 feet.

In 2019, Arizona, California, Colorado, Nevada, New Mexico, Utah, and Wyoming submitted the *Colorado River Drought Contingency Plan* (DCP) to Congress. The DCP requires additional mandatory cuts to Arizona, Nevada, and California⁹ whenever Lake Mead’s water elevation drops below 1,090 feet. For example, on January 1, 2023, the water elevation at Lake Mead was 1,047.61 feet. Under the interim guidelines, this elevation required mandatory cuts to Arizona and Nevada of 400,000 and 17,000 acre-feet, respectively. This also triggered additional mandatory cuts under the DCP to Arizona and Nevada of 192,000 and 8,000 acre-feet, respectively (see Figure 3). The mandatory cuts to water deliveries during this time were 592,000 acre-feet for Arizona, approximately 21 percent of the State’s annual apportionment, and 25,000 acre-feet for Nevada, approximately 8 percent of the State’s annual apportionment.

Figure 3: Mandatory Cuts to Arizona, Nevada, and California Water Deliveries (in Thousand Acre-Feet) Under Specific Programs

Lead Mead Elevation (feet)	2007 Interim Guidelines		Drought Contingency Plan			Total Cuts
	AZ	NV	AZ	NV	CA	
1,090-1,075	0	0	192	8	0	200
1,075-1,050	320	13	192	8	0	533
1,050-1,045	400	17	192	8	0	617
1,045-1,040	400	17	240	10	200	867
1,040-1,035	400	17	240	10	250	917
1,035-1,030	400	17	240	10	300	967
1,030-1,025	400	17	240	10	350	1,017
<1,025	480	20	240	10	350	1,100

Source: OIG created using information from Imperial Irrigation District.

Note: Various guidelines and plans affect water consumption along the Lower Colorado River. The more Lake Mead’s elevation falls, the more severe the cuts to water deliveries become.

For context, Lake Mead’s water level at full capacity is 1,229 feet. Historically, Lake Mead’s water level was approximately 1,220 feet and was 1,214 feet in 2000. The lake’s water level decreased as much as 173 feet from 2000 through 2022. If this happens again, at the lake’s level as of March 2025 (1,066 feet), power generation at Hoover Dam would cease (which occurs at 950 feet) and the lake would be considered a “dead

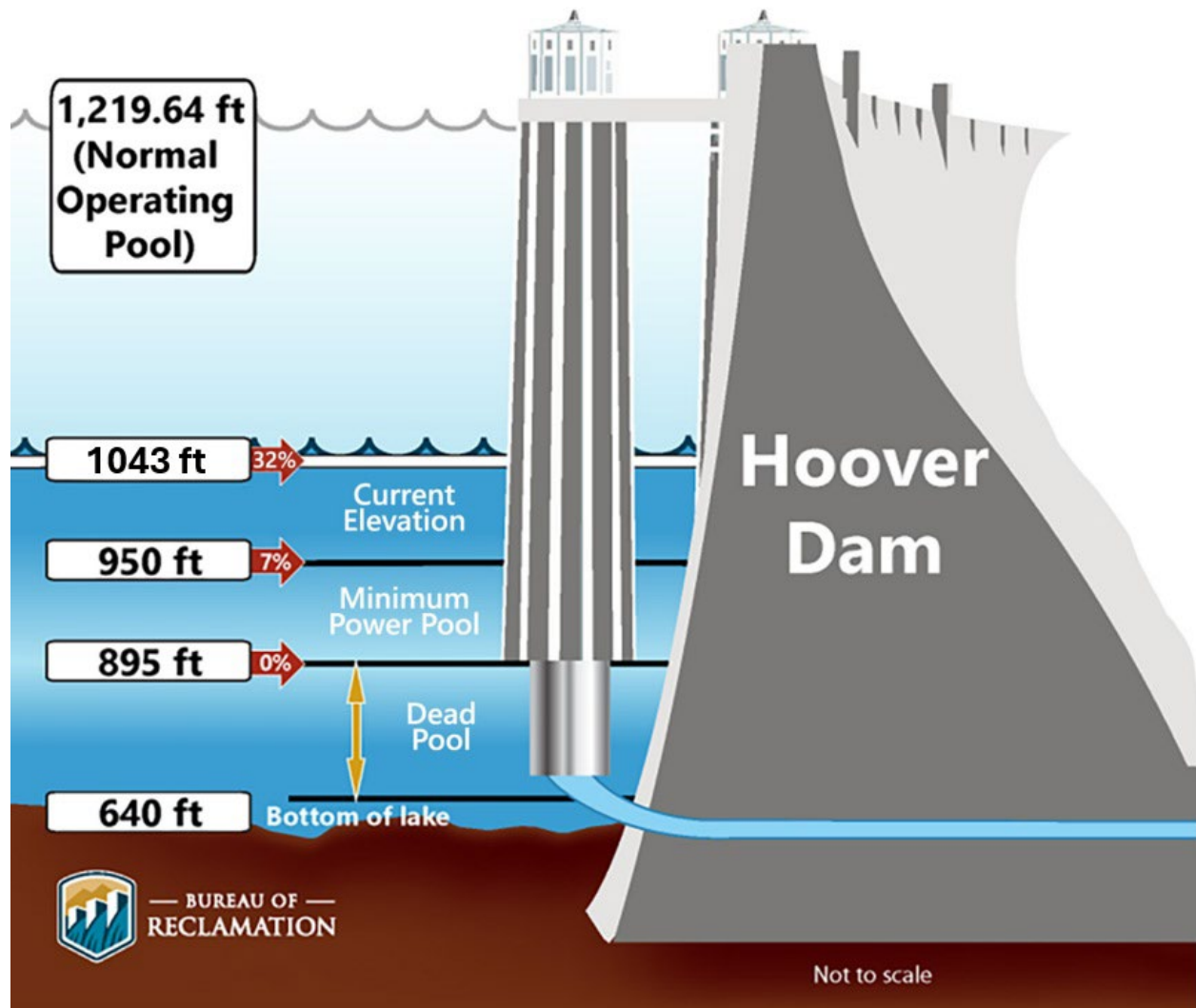
⁷ We note that BOR did not develop detailed regulations and criteria for water supply shortage conditions.

⁸ U.S. Department of the Interior, *Colorado River Interim Guidelines for Lower Basin Shortages and the Coordinated Operations for Lake Powell and Lake Mead*, December 2007, <https://www.usbr.gov/lc/region/programs/strategies/RecordofDecision.pdf>.

⁹ California has been sheltered from mandatory conservation during droughts due to its senior rights to Colorado River water. The DCP allowed for cuts to California’s deliveries for the first time, but they have never been triggered.

pool” (which occurs at 895 feet). This means that water would not be able to pass through the dam gates and move downstream. See Figure 4 for an illustration of how these water elevations affect Hoover Dam.

Figure 4: Illustration of Lake Elevations Required to Avoid Minimum Power and Dead Pool Levels at Lake Mead and Hoover Dam*



Source: BOR and OIG.

* This illustration uses a lake elevation of 1,043 feet, which occurred in November 2022.

As a result of the 2007 Interim Guidelines, BOR began efforts to modify low reservoir operations at Lake Powell and Lake Mead, reducing releases from these reservoirs to address continued drought and low runoff conditions in the basins. In May 2022, drought mitigation operations to protect Lake Powell were implemented under the Upper Basin *Drought Response Operations Agreement*, and Glen Canyon Dam releases were further reduced. These actions provided about 1 million acre-feet of additional water to help protect Lake Powell levels.

BOR has used other programs to reduce water, encourage water conservation, and mitigate the effects of drought along the Lower Colorado River. Two examples are the Pilot System Conservation Program and the 500-Plus Plan. The Pilot System Conservation Program, implemented from 2015 through 2019, was developed to reduce consumptive use of Lower Colorado River water and increase storage capacity in Lake Mead. The 500-Plus Plan, implemented in December 2021, was designed to conserve 500,000 acre-feet or

more beyond DCP reductions. In both programs, BOR used water-related contracts to disburse funds for water conservation purposes.¹⁰

IRA-Funded Water Conservation

Signed on August 16, 2022, the IRA appropriated \$4 billion to the Secretary of the Interior to use through the end of fiscal year 2026 for activities that specifically mitigate the impact of drought in western states.¹¹ BOR plans to allocate these funds primarily to the LCRB, with smaller amounts for the Upper Colorado River Basin and other basins experiencing comparable levels of long-term drought. As of March 31, 2025, approximately \$2.6 billion of the \$4 billion has been allocated to the LCRB, while \$2 billion has been awarded (see Figure 5).

Figure 5: IRA Funds Allocated to the LCRB as of March 31, 2025

Program	Allocated*	Awarded†	Remaining
Short Term (Bucket 1)	\$1,395,200,000	\$1,355,628,470	\$39,571,530
Long Term (Bucket 2)	\$1,205,700,000	\$656,825,482	\$548,874,518
Totals	\$2,600,900,000	\$2,012,453,952	\$588,446,048

Source: BOR data.

* Amounts BOR budgeted per program; these amounts are subject to change.

† Amount of all signed agreements issued under the specified category.

In response to the IRA, BOR established the Lower Colorado River Basin System Conservation and Efficiency Program (LC Conservation Program) to carry out its IRA responsibilities to address the drought crisis and distribute IRA funds to water conservation projects. Like the Pilot System Conservation Program and the 500-Plus Plan, the LC Conservation Program uses water-related contracts to distribute funds. BOR's Boulder Canyon Operations Office (BCOO) manages water and hydropower resources along the Colorado River in Arizona, Nevada, and California. In addition to scheduling and accounting for the delivery of Colorado River water and power, the office implements the LC Conservation Program.

The LC Conservation Program is composed of three funding categories:

- Bucket 1A addresses short-term water reductions and pays water-entitlement holders to reduce water use in the short term.¹² The price paid per acre-foot-conserved is determined by the length of each agreement.¹³
- Bucket 1B allows water-entitlement holders to submit water conservation plans to reduce their Colorado River water use. However, these agreements differ from Bucket 1A agreements because they do not have a set price; instead, water-entitlement holders propose a price per acre-foot and provide an economic explanation for the price. Some reasons that may justify a higher price include increased costs due to changes in conservation methodologies, economic impacts to communities, and

¹⁰ The water-related contracts BOR uses for IRA-funded drought mitigation actions are agreements between it and water-entitlement holders that outline the obligations of the parties, including the terms and conditions for the activities that implement the LC Conservation Program Plan. By entering into the agreement, the participant grants access to BOR to perform periodic on-site inspections. Participants must follow applicable Federal, State, and local environmental, cultural, and paleontological resource protection laws and regulations throughout the term of the agreement.

¹¹ 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.

¹² Only Lower Colorado River water-delivery contract or water-entitlement holders and Central Arizona Project water-contract or water-entitlement holders are eligible to participate and submit proposals.

¹³ BOR determined these prices through discussions and calculations with its economists who evaluated the prices that two prior programs paid per acre-foot and how successful the programs were in conserving water. BOR also considered input from water-entitlement holders.

extraordinary agricultural impacts, as well as additional California Environmental Quality Act and National Environmental Policy Act studies that may be required.

- Bucket 2 projects are designed for long-term, durable system efficiency improvements aimed at additional system conservation and are typically construction or infrastructure projects. In May 2023, BOR requested proposals for projects for Bucket 2 funding from water-delivery-contract holders and water-entitlement holders. BOR received 84 project proposals, including from Tribes in California, Nevada, and Arizona. These proposals included a wide variety of system conservation projects such as canal lining, desalination projects, landscape conversion, and irrigation efficiency. The potential cost of these proposals ranged from \$327,000 to more than \$1.4 billion per project. Each proposal was required to show economic justification for the price, a plan description, a proposed conservation amount, verification methodologies, and an approximate timeframe for startup and completion.

See Figure 6 for a breakdown of funding for each bucket.

Figure 6: Lower Colorado Conservation Program Buckets

Bucket	Description	Funding
1A	1-to-3-year set-price agreements	Year 1: \$330/acre-feet Year 2: \$365/acre-feet Year 3: \$400/acre-feet
1B	Water-entitlement holder-proposed agreements	Varies based on terms of reduction in use
2	Long-term agreements	Varies by project

Source: BOR data.

Results of Audit

We found that while BOR generally complied with the IRA and applicable laws and regulations when awarding drought mitigation funds, there are opportunities for improvement. Compared to other funding mechanisms such as Federal grants or cooperative agreements, BOR's choice to award funds using water-related contracts processed in its financial systems as miscellaneous obligations results in decreased public transparency. As of March 31, 2025, BOR's use of miscellaneous obligations affects over \$2.6 billion in Federal funds awarded pursuant to the IRA. In addition, we found that BOR failed to ensure that funding was not provided to suspended or debarred entities.

Regardless of the use of miscellaneous obligations and the failure to perform suspension and debarment checks, BOR officials told us that BOR is accomplishing its water conservation mission. For calendar year 2023, BOR officials stated that IRA-funded agreements conserved approximately 500,000 acre-feet, raising the elevation of Lake Mead by seven feet. Many interrelated factors can affect the volume of water in Lake Mead, such as upstream releases, snowmelt, precipitation, and extraordinary withdrawals. Although these issues are outside the scope of our audit work—we cannot, for example, assess the extent to which an increase in elevation was a direct result of IRA-funded efforts—we acknowledge that BOR believes that the program has been successful. Additionally, consistent with program goals, we also observed that three Lower Colorado River water users worked together to leverage IRA funding to use water that may have gone unused while allowing Lower Colorado River water to remain in Lake Mead.

BOR Generally Complied With Laws, Regulations, and BOR Policy When Awarding Drought Mitigation Funds

We found that BOR generally complied with the IRA and applicable laws and regulations when awarding drought mitigation funds. The IRA authorizes the use of grants, contracts, and financial assistance for drought mitigation consistent with Reclamation laws. BOR elected to award drought mitigation funds using water-related contracts that were processed in internal financial systems as miscellaneous obligations in accordance with BOR's *Reclamation Manual*.

Miscellaneous obligations are financial transactions defined by U.S. Department of the Interior (DOI) as documents not processed through acquisition, which may include items such as inter- and intra-agency agreements, travel, training, charge card, and other authorized purchases.¹⁴ As noted previously, BOR policy defines a miscellaneous obligation as a transaction not regulated by the Federal Acquisition Regulation (FAR), Title 2 of the Code of Federal Regulations (Grants and Agreements), the Indian Self-Determination and Education Assistance Act (Pub. L. No. 93-638), or the U.S. Department of the Treasury's G-Invoicing (used by Federal agencies to manage intragovernmental transactions).¹⁵ Because miscellaneous obligations are processed in DOI's financial system without an approval workflow, DOI limits the circumstances in which they can be used. Other examples of approved uses of miscellaneous obligations include land acquisitions, tort claims, and Equal Employment Opportunity settlements.

While BOR is permitted by law, regulation, and policy to record water-related contracts as miscellaneous obligations, we nonetheless identified opportunities for improvement as described below.

¹⁴ *Policy on Appropriate Uses of Miscellaneous Obligations*, issued May 2013.

¹⁵ *Reclamation Manual*, FIN-10-01, "Miscellaneous Obligations," issued Oct. 2019.

BOR's Use of Miscellaneous Obligations for IRA Funds Results in Less Transparency Compared to Other Funding Mechanisms

As discussed above, when BOR issues a water-related contract, it records the agreement as a miscellaneous obligation in its internal financial management systems, consistent with the BOR *Reclamation Manual*. Unlike financial assistance awards such as Federal grants or cooperative agreements, miscellaneous obligations are not reported publicly, resulting in decreased transparency compared to other possible funding instruments.

As of March 2025, BOR has obligated over \$2 billion for IRA-funded drought mitigation projects in the LCRB through mechanisms that result in relatively limited public insight into the awards and the funding recipients, which are generally water districts in the LCRB.

The Federal Funding Accountability and Transparency Act requires agencies to make information on Federal awards available to the public via a single, searchable website, which is USASpending.gov. Because they are not treated as acquisitions or financial assistance awards,¹⁶ miscellaneous obligations are not included in USASpending.gov, and there is no method for BOR to manually report this category of expenditures to USASpending.gov. Had BOR issued these awards as financial assistance agreements, expenditure data would have been captured automatically by USASpending.gov, and there would be a greater level of public and other stakeholder awareness of how these IRA funds are being used.

BOR developed a dashboard specifically to address IRA spending, which BOR officials stated would list newly awarded projects, with financial information on IRA projects updated weekly. However, BOR's dashboard does not contain the extent of financial data related to the agreements that otherwise would appear on USASpending.gov, such as recipient names and obligated amounts by fiscal year. Moreover, as of March 31, 2025, the dashboard is not publicly accessible.

On its public-facing website, BOR published a document containing some information related to a subset of IRA awards in the Lower Colorado region. This document contains the recipient's name, volumes of water conserved, and costs, but lacks the details that would be available on USASpending.gov. First, the document lists only Bucket 1 awards, not Bucket 2 awards. Second, it is unclear whether the cost data relates to allocated funds, awarded funds, or expended funds. Lastly, the document does not state when it was updated.

BOR officials told us that BCOO employees responsible for implementing the LC Conservation Program and awarding IRA-funded water-related contracts are not certified grants fiscal officers or Federal contracting officers; therefore, they lack the proper certifications to enter into other types of award vehicles, such as FAR contracts or grant agreements, which are award instruments that are automatically reported on USASpending.gov. For this reason, BOR and BCOO have relied on water-related contracts for these awards as they always have. As discussed in our July 2025 management advisory, however, reliance on BOR's historical practices does not account for the fact that the funding amounts at issue here are exponentially greater and therefore arguably the subject of heightened public interest.

Even though BOR is not required to use a different funding vehicle and, accordingly, not required to make information about water-related contracts and their recipients publicly available, general principles and analysis identify the benefits of a public understanding of Federal spending. For example, in 2021, the U.S. Government Accountability Office reviewed a similar issue related to other transaction agreements (OTAs). Like miscellaneous obligations, OTAs are not subject to the FAR, and selected Federal agencies were not publicly reporting the use of this funding. In its report, the Government Accountability Office stated:

Transparency in federal spending is desired by policymakers and the public. For example, the Federal Funding Accountability and Transparency Act of 2006—which established

¹⁶ Under the FAR, "acquisition" means acquiring, by contract with appropriated funds, supplies or services (including construction) by and for the use of the Federal Government through purchase or lease. "Federal financial assistance" is assistance that recipients or subrecipients receive or administer in the form of grants, cooperative agreements, or other assistance agreements in accordance with in 2 C.F.R. Part 200.

USAspending.gov—and the Digital Accountability and Transparency Act of 2014 require agencies to disclose spending data on certain federal awards, including contracts and grants. While an agency official—in response to public inquiries on the availability of OTA data on USAspending.gov—noted that the acts are not applicable to OTAs, the Digital Accountability and Transparency Act of 2014 aims to establish government-wide data standards to provide consistent, reliable, and searchable spending data that are displayed accurately for taxpayers and policymakers. Additionally, federal internal control standards state that an agency’s management should design information systems and externally communicate quality information to achieve objectives and address related risks.¹⁷

Based on its analysis, the Government Accountability Office recommended in part that the relevant executive agencies provide information about certain OTAs to the public. We believe that the same concepts apply to the miscellaneous obligations at issue here. Moreover, the benefits of public transparency have been identified in executive orders. For example, Executive Order No. 14222, *Implementing the President’s “Department of Government Efficiency” Cost Efficiency Initiative*, directed agencies to “build centralized systems to record every payment issued by the agency’s contracts and grants and that each payment justification shall be posted publicly.”¹⁸ Given these principles, we encourage BOR to consider alternative approaches, particularly given the substantial public resources being expended on these water-related contracts for awarding IRA funds.

Recommendation

We recommend that BOR:

1. Implement a method for publicly reporting more detailed data regarding Inflation Reduction Act funds awarded to non-Federal entities via miscellaneous obligations.

BOR Did Not Review the Federal Exclusions List to Determine if Water-Entitlement Holders Were Suspended or Debarred

The suspension and debarment process is designed to assess whether an entity poses a business risk (e.g., has engaged in misconduct or has a history of poor performance or noncompliance) to Federal programs and, if so, to manage that risk long term. Executive departments and agencies, including DOI, are required to determine if entities seeking to do business with the Federal Government are prohibited from participating in Federal programs before entering into any business relationship.

Federal procurement law¹⁹ requires Federal agency officials responsible for awarding contracts to review the System for Award Management database (SAM.gov) and the Federal Awardee Performance and Integrity Information System and to consider this information “with regard to any offer or proposal.” The law further states that the contract file “shall document the manner in which the material in the database was considered in any responsibility determination or past performance evaluation.”²⁰

DOI Acquisition, Assistance, and Asset Policy No. 39, *Pre-award Eligibility Screening Requirements*, applies to acquisition and nonprocurement awards. The policy requires bureaus and offices to develop policies and procedures for awarding officials to review the Federal exclusions list for both the entity receiving the award and the named individuals on the award before selecting a final award recipient. Specifically, this guidance requires this suspension and debarment check using data from SAM.gov at two points in the process: (1) after

¹⁷ Government Accountability Office, *COVID-19 Contracting: Actions Needed to Enhance Transparency and Oversight of Selected Awards*, GAO-21-501, July 2021.

¹⁸ Exec. Order No. 14222, 90 Fed. Reg. 11,095 (Feb. 26, 2025).

¹⁹ 41 U.S.C. § 2313(e)(2).

²⁰ *Id.*

BOR receives an application or proposal and (2) immediately prior to the award. The policy also requires awarding officials to document this review.

BOR policy states that miscellaneous obligations²¹ are not subject to the FAR (contracts), 2 C.F.R. Part 200 (financial assistance), or Pub. L. 93-638 (contracts and grants to Tribes). We determined that notwithstanding BOR policy, these IRA awards are subject to Governmentwide suspension and debarment requirements because DOI exempted only water “service contracts and repayments entered into pursuant to [other statutory authority]” from coverage under its suspension and debarment regulations.²²

We found that BOR did not perform suspension and debarment checks of water-entitlement holders prior to awarding IRA funds. To enter into an agreement for IRA Bucket 1 funding, BOR required applicants to register on SAM.gov and obtain a unique entity identifier. The unique entity identifiers, when entered into SAM.gov, can be used to perform the necessary checks. Because this information is provided to BOR, it should have been able to perform suspension and debarment checks after receiving an application or before issuing a payment. During our review of Bucket 1 agreement files, however, we did not identify documentation of any suspension and debarment checks. When asked, BOR officials were unable to provide specific information on where in the agreement approval process suspension and debarment checks could have taken place. We therefore concluded that BOR did not conduct any required suspension and debarment checks prior to IRA Bucket 1 agreements being approved and funding awarded.

BOR officials told us that water-entitlement holders have rights to Colorado River water either through law or prior appropriation. As such, BOR stated that there is nothing it could or would do if the suspension and debarment review indicated the entity was suspended or debarred. We acknowledge BOR’s fiduciary responsibility to honor the legal rights of water-entitlement holders to Colorado River water; however, we disagree with its analysis that even if an entity were suspended or debarred, BOR would be nonetheless required to award it an IRA-funded agreement. To the contrary, participation in the LC Conservation Program is voluntary, and BOR is not required to award IRA funds to any particular entity if it deems doing so could harm U.S. interests. Additionally, processes exist that would allow BOR to seek exemptions from suspension and debarment restrictions under extraordinary circumstances when it is in the Government’s interest to do.

The lack of a suspension and debarment analysis occurred because BCOO does not have a formal process for performing suspension and debarment checks before entering into IRA-funded agreements with water-entitlement holders. By not reviewing the Federal exclusions list to determine if water-entitlement holders are suspended or debarred, BOR could potentially issue significant supplemental funding to entities that are excluded from doing business with the Federal Government because of previous misconduct or a history of poor performance or noncompliance. This could result in Federal funding being awarded to entities that pose a business risk to BOR and the Federal Government and could result in the misuse or loss of Federal funds. To avoid this risk, BOR should implement suspension and debarment checks for all IRA-funded agreements to the extent required by Federal law.

²¹ *Reclamation Manual*, FIN 10-01.

²² DOI provides procedures for nonprocurement debarment and suspension actions at 2 C.F.R. Part 1400 pursuant to the FAR for grants and agreements. FAR Subpart 9.4 requires them for procurement transactions.

Recommendations

We recommend that BOR:

2. Immediately require the appropriate staff to review the Federal exclusions list before issuing Inflation Reduction Act-funded agreements and to document the review in the agreement file.
3. Develop and implement policies requiring staff to document review of the Federal exclusions list before issuing agreements that use Inflation Reduction Act funds.

Other Matters

Transfer Agreements Among Stakeholders

Throughout the Lower Colorado River Basin, many agreements, compacts, and other pieces of legislation govern water transfers between various water-entitlement holders along the river. One major agreement was signed on October 10, 2003, through which the State of California, Imperial Irrigation District (IID), Metropolitan Water District of Southern California (MWD), San Diego County Water Authority (SDCWA), and Coachella Valley Water District entered into the Quantification Settlement Agreement (QSA). The goal of this agreement was to establish major Colorado River water conservation and transfer programs, stabilize water supplies for up to 75 years, and reduce the State's demand on the river to its 4.4-million-acre-foot entitlement. Among other agreements, the QSA provided for a large-scale annual water transfer of 200,000 acre-feet per year from IID to SDCWA beginning in 2021.²³

During this audit, we observed a promising practice whereby, in 2023, MWD, SDCWA, and IID entered into an agreement that leveraged California water supplies and funding from an IRA Bucket 1B agreement to conserve Lower Colorado River water and mutually benefit all three parties.

Due in part to a particularly wet winter in California, MWD was able to sell SDCWA 50,000 acre-feet of surplus water supplies, which allowed SDCWA to reduce its annual 200,000 acre-feet of Lower Colorado water purchase from IID by 50,000 acre-feet. IID then entered into a Bucket 1B agreement with BOR for 50,000 acre-feet at the price it would have received from SDCWA. This allowed BOR and IID to enter into an agreement to conserve 50,000 acre-feet in Lake Mead, since IID no longer needed to sell it to SDCWA.

We highlight the collaboration by these parties to move water for the public's benefit and conserve Lower Colorado River water, especially as partnerships and collaboration become more critical to water conservation. This type of arrangement was made possible largely because California was experiencing an unusually wet winter, which provided the State a surplus of water that could be moved to regions that typically rely on water from the Lower Colorado River.

One SDCWA official familiar with the arrangement stated that MWD sold SDCWA excess water it had from various supplies—including the State Water Project—which allowed IID to conserve water under the terms of its IRA agreement and subsequently kept in Lake Mead. If not for this arrangement, a significant portion of the 50,000 acre-feet MWD sold to SDCWA may have otherwise gone unused, which would be inconsistent with drought mitigation programmatic goals.

Pursuant to an IRA Bucket 1B agreement between BOR and IID, IID agreed to expand its On-Farm Efficiency Conservation Program to conserve 50,000 acre-feet per year that would be left in Lake Mead. Additionally, IID reduced its annual QSA water transfer to SDCWA by 50,000 acre-feet that would also remain in Lake Mead. SDCWA entered into an agreement with MWD to purchase 50,000 acre-feet of surplus water that MWD had access to so that SDCWA could still obtain its annual need of 200,000 total acre-feet of water that it otherwise would have received from IID via the QSA agreement.

²³ IID transfers 200,000 acre-feet to MWD, which in turn delivers that water to the SDCWA through a delivery agreement.

Conclusion and Recommendations

Conclusion

As of March 2025, BOR has awarded over \$2 billion to water-entitlement holders for water conservation efforts in the LCRB. We identified risks posed by recording those awards as miscellaneous obligations and communicated our concerns and recommendations to DOI and BOR in a management advisory. In this audit, we found that, while permitted, BOR's choice of funding vehicle leaves opportunities for improvement. Specifically, there was limited transparency into how this funding was spent because financial data related to these awards are not available on USASpending.gov. Additionally, BOR did not review the Federal exclusions list during the agreement approval process as required by law.

Because BOR awarded funds as water-related contracts that were processed in internal financial systems as miscellaneous obligations, data related to the awards were not captured in USASpending.gov. BOR told us that it did not consider other funding vehicles because none of its staff responsible for awarding the IRA agreements are certified as contract or grants officers and therefore lacked the authority to enter into acquisitions or financial assistance agreements. BOR did not conduct suspension and debarment checks because it does not have a formal process for performing those checks before entering into IRA-funded agreements with water-entitlement holders. BOR also stated that there is nothing it could or would do if the suspension and debarment review indicated the entity was suspended or debarred; however, we concluded that BOR is not required to enter into agreements with any particular entity if it would be against the Government's interest to do so.

Because miscellaneous obligations are not reported on USASpending.gov, and information BOR reports on its website includes few details on awards, the public has little awareness into how over \$2.6 billion in taxpayer dollars are being spent. Furthermore, by not performing suspension and debarment checks on water-entitlement holders, BOR could potentially issue supplemental funds, like those authorized under the IRA, to entities that are ineligible to do business with the Federal Government because of previous misconduct or a history of poor performance or noncompliance. This could result in BOR awarding supplemental Federal funding to entities that pose a business risk to BOR and the Federal Government and could result in the misuse or loss of Federal funds.

We make three recommendations to help BOR improve transparency and reduce its risk of awarding IRA funds to entities that might otherwise be ineligible.

Recommendations Summary

We provided a draft of this report to BOR for review. While BOR concurred with the three recommendations, it indicated that its corrective actions would only be implemented in the Lower Colorado Basin region; the descriptions of planned actions are specific to the Lower Colorado Basin. The language of the recommendations, though, are directed toward all IRA-funded drought mitigation agreements awarded by BOR and not only to those in a single region. We therefore consider Recommendations 1 through 3 unresolved. Below we summarize BOR's response to our recommendations, as well as our comments on its responses. See Appendix 3 for the full text of BOR's response.

We recommend that BOR:

1. Implement a method for publicly reporting more detailed data regarding Inflation Reduction Act funds awarded to non-Federal entities via miscellaneous obligations.

BOR Response: BOR concurred with the recommendation and stated that it supports our recommendation for greater transparency in reporting more detailed data concerning miscellaneous

obligations. Specifically, BOR stated the Lower Colorado Basin region will report outlays associated with IRA miscellaneous obligations, including allocated funds, awarded funds, and expended funds, on its public-facing website. BOR added that it believes the implementation of the enhanced public reporting will address the underlying concerns that we raised in a previously issued management advisory, Report No. 2023-WR-035A.²⁴ BOR stated that it believes its proposed resolution to address this recommendation satisfies the intent and will resolve Recommendation 1 in Report No. 2023-WR-035A.

In February 2026, BOR provided us additional documentation to support implementation of this recommendation. It included links on the Lower Colorado Basin region's website to listings of the region's Bucket 1 and Bucket 2 projects. These listings include the recipient's name, total cost, and total expended so far for each project.

BOR provided a February 28, 2026 target implementation date.

Status: Unresolved. We will follow up with BOR regarding resolution of Recommendation No. 2023-WR-035-01.²⁵

OIG Comment: We are encouraged that BOR's Lower Colorado Basin region concurs with the recommendation, and the actions it plans to take would involve most of the IRA-funded miscellaneous obligations. However, the language of the recommendation is not limited to the Lower Colorado Basin region and instead refers to the need for BOR to publicly report detailed data regarding IRA funds awarded via miscellaneous obligations. Our records establish that two other BOR regions awarded approximately \$271 million in IRA-funded miscellaneous obligations for drought mitigation. This recommendation will be resolved when BOR agrees to implement this recommendation for all BOR regions that award IRA-funded miscellaneous obligations. This recommendation will be implemented when BOR provides documentation demonstrating that it has reported detailed data concerning miscellaneous obligations on its website.

We reviewed the supporting documentation that BOR provided in February 2026 and, as noted, are encouraged by the steps BOR's Lower Colorado Basin region has taken to improve transparency by reporting recipient names, total cost, and expenditures. As BOR moves forward, we note that additional useful information may include the fiscal years when funds were obligated and the agreement numbers for each project. We found the current reporting difficult to locate on the BOR website and note that making this information more prominent on the BOR website would enable easier navigation.

Based on the information received to date, we do not believe that implementing this recommendation will resolve Recommendation 1 in Report No. 2023-WR-035A. That recommendation, which addressed IRA long-term funding of durable infrastructure water projects, was to immediately suspend awarding IRA funds using miscellaneous obligations due to the lack of built-in accountability measures and heightened risk of fraud, waste, and abuse as a result. Conversely, the focus of Recommendation 1 in this audit report addresses the lack of information available to the public and other stakeholders based on the fact that miscellaneous obligations are not automatically reported on the public-facing website USASpending.gov. Put another way, although the issues are related, increasing publicly available information regarding IRA awards does not resolve the increased risks of fraud, waste, and abuse or lack of cost principles, procurement standards, and accountability measures regarding this type of funding agreement as identified in Report No. 2023-WR-035A.

2. Immediately require the appropriate staff to review the Federal exclusions list before issuing Inflation Reduction Act-funded agreements and to document the review in the agreement file.

²⁴ *Risks Identified for Inflation Reduction Act Funds Awarded by the U.S. Bureau of Reclamation for Drought Mitigation Projects*, Report No. 2023-WR-035A, issued in July 2025.

²⁵ The numbering convention we use to track recommendations is the report number followed by sequential recommendation digits.

BOR Response: BOR stated that the Lower Colorado Basin region concurred with the recommendation and that the region had already implemented a process for reviewing exclusions through SAM.gov prior to finalizing IRA-funded agreements.

BOR stated that implementation is complete; therefore, it did not provide a target implementation date.

Status: Unresolved. We will follow up with BOR regarding resolution of Recommendation No. 2023-WR-035-02.

OIG Comment: While we are encouraged that the region concurred with the recommendation and took actions to implement it, the language of this recommendation was directed to all of BOR's IRA-funded agreements. This recommendation will be resolved when BOR agrees to implement this recommendation for all IRA-funded agreements, including those awarded by other BOR regions. This recommendation will be implemented when BOR provides documentation demonstrating it has implemented the process for reviewing SAM.gov exclusions prior to finalizing IRA-funded agreements in all regions.

Concurrently with this audit, we also audited BOR's and the Upper Colorado River Commission's (UCRC's) award and administration of drought mitigation funds provided by the IRA.²⁶ In that audit, we found that BOR's grant recipient did not perform exclusion list checks and recommended that BOR work with the recipient to perform such checks. In contrast to this report's concurrence, BOR's response to the report auditing the UCRC's actions stated that it did not concur with the recommendation because water-entitlement holders are not subject to exclusion list checks. As set forth in that report, we disagree with this conclusion based on our analysis that the UCRC agreements qualify as covered transactions under the nonprocurement debarment and suspension regulations in 2 C.F.R. § 180.200 and 2 C.F.R. Part 1400. Given BOR's recognition of the benefit of checking exclusion lists in this report, we encourage BOR to more generally to adopt this approach. As set forth in Report No. 2024-WR-007, we acknowledge that BOR there stated that it would take steps to ensure that award recipients are financially responsible and conduct their activities lawfully before issuing further agreements. We continue to emphasize, though, the significant potential benefits of reviewing these lists as well as of the consistency that doing so would provide.

3. Develop and implement policies requiring staff to document review of the Federal exclusions list before issuing agreements that use Inflation Reduction Act funds.

BOR Response: BOR stated that the Lower Colorado Basin region concurred with the recommendation and that the region has implemented verification of Federal exclusions and specifically concurred with the need to document the process. BOR also stated that the region documents support of the verification in agreement files.

BOR stated that implementation is complete; therefore, it did not provide a target implementation date.

Status: Unresolved. We will follow up with BOR regarding resolution of Recommendation No. 2023-WR-035-03.

OIG Comment: While we are encouraged that the region concurred with the recommendation and took actions to implement it, the language of this recommendation applies to all of BOR's IRA-funded agreements. This recommendation will be resolved when BOR agrees to implement this recommendation for all IRA-funded agreements, including those awarded by other BOR regions. This recommendation will be implemented when BOR provides documentation demonstrating it has implemented the process for documenting the Federal exclusions list review in all regions. Accordingly, BOR should provide a target implementation date or establish mitigating measures until the recommendation is fully implemented.

²⁶ *The Bureau of Reclamation Needs To Improve Transparency for Inflation Reduction Act-Funded Water Conservation Efforts in the Upper Colorado River Basin*, Report No. 2024-WR-007.

Appendix 1: Scope and Methodology

Scope

We audited BOR's IRA-related activities from August 16, 2022, the day IRA was enacted, through April 16, 2024, including its use of \$2.6 billion in IRA drought mitigation funds allocated for LCRB. BOR's allocations included \$1.4 billion for short-term water conservation projects (referred to as Bucket 1 projects) and \$1.2 billion for long-term durable infrastructure water projects (referred to as Bucket 2 projects). While our audit objective was to broadly review BOR's implementation of this IRA program, we focused on Bucket 1 awards because BOR's initial Bucket 2 awards did not occur until late 2024.

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.

Prior to starting the audit, we identified certain areas most likely to contain significant risk to BOR's process of soliciting, approving, and administering IRA-funded agreements. These areas included how BOR managed its staffing and resources in response to the demands placed on it by implementing the IRA, solicited water-entitlement holders to apply for Bucket 1A and Bucket 1B funding, approved IRA-funded agreements, collected data for verification purposes, performed oversight activities, and reported its water conservation accomplishments.

We conducted interviews, analyzed documentation, and conducted site visits to meet with BOR officials, MWD, SDCWA, and IID. We also traveled to Blythe, California, and surrounding locations to assess the water accounting processes BOR uses to fulfill its annual reporting requirements.

During the audit, we assessed whether there was a difference between how BOR approved non-IRA water-related contracts and IRA-funded agreements. We selected a judgmental sample of IRA-funded Bucket 1A²⁷ and 1B²⁸ water conservation application packages out of 17 agreements totaling \$428 million. Our judgmental sample consisted of seven agreements from seven unique water-entitlement holders with a combined obligated amount of \$317 million (74 percent of the total awarded amount).

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 establish an organizational structure, assign responsibility, and delegate authority to achieve the entity's 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.

²⁷ We did not include Bucket 2 contracts in this audit because, as of March 2024, there were no approved Bucket 2 contracts in place.

²⁸ We tested the only Bucket 1B agreement between BOR and IID.

- 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 as it relates to water conservation.
- Interviewing officials, including BOR's regional office management, staff and senior officials in BOR headquarters.
- Reviewing evidence that supports BOR's solicitation, approval, oversight, and administration activities.
- Conducting site visits to BOR's offices in Boulder City, Nevada; Washington, DC; and Blythe.

We found deficiencies in internal control resulting in our findings related to BOR's use of miscellaneous obligations and its lack of suspension and debarment checks.

We relied on computer-generated data provided by BOR staff to a limited extent when selecting our agreement approval sample and testing payment accuracy for the sole IID Bucket 1B agreement. We confirmed the validity of such data, as appropriate, by reviewing supporting source documents. Based on our review and tracing, we determined that the data were sufficiently reliable, accurate, and applicable for the purposes of our audit.

Based on the results of our initial assessments, we assigned a level of risk and selected a judgmental sample of eight agreements from seven unique water-entitlement holders for testing. We used auditor judgment and considered risk levels relative to other audit work performed to determine the degree of testing performed in each area. 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. We did not identify any reportable findings during our testing of other areas, as outlined below.

Staffing and Resources

We interviewed senior BOR officials regarding the bureau's ability to carry out the LC Conservation Program and to understand how BOR planned to address potential challenges. One BOR official told us that staffing is a challenge across BOR and not just for implementing the IRA in the Lower Colorado River Basin. Another BOR official we interviewed told us that BOR did not experience any challenges or issues in approving IRA-funded agreements. We were also told that BOR is hiring more staff and leveraging existing programs under the IRA to address any staffing issues that may arise. However, we did not identify any delays in BOR's administration of the Bucket 1A and 1B agreements we reviewed.

Solicitation Process

During our review of BOR's solicitation process, we first examined whether BOR provided eligible parties adequate notice of the opportunity to apply for IRA-funded opportunities through the LC Conservation Program. BOR provided us with a complete list of its 108 Lower Colorado River water-entitlement holders, which we used along with BOR's funding opportunity letters for Buckets 1A, 1B, and 2 to determine whether funding opportunities were fairly and equitably advertised to all appropriate parties.

BOR requested and received pre-solicitation comments from water-entitlement holders that it incorporated into the solicitation. We did not identify any instances where eligible water-entitlement holders did not receive BOR's request for input. Likewise, we were encouraged to see that BOR incorporated input from pre-solicitation comments into its Bucket 2 funding opportunity letter.

Approval Process

We assessed whether there was a difference in BOR’s approval process for water-related contracts funded by the IRA and water-related contracts funded by other sources. We sampled eight IRA-funded agreements from seven different water-entitlement holders across Bucket 1A and Bucket 1B totaling \$395 million.²⁹ Our testing did not identify any reportable issues related to BOR’s approval processes when evaluating water-entitlement holders’ proposals to receive IRA funding. We determined that BOR maintained the appropriate segregation of duties within the approval process, including proper signoffs in accordance with its directives and standards per its delegated authority.

We also assessed whether the approved applications met the selection criteria stated in the LC Conservation Program funding opportunity letter. We concluded that BOR ensured the approved proposals met the required criteria for its applicants, which included a history of Colorado River water use and the ability to verify and account for actual conservation.

Data Collection

To issue accurate payments per the terms of a particular agreement, BOR needs accurate and timely data. A network of monitoring stations records water data at various points along the Lower Colorado River. These data points help BOR measure diversions (water removed from the system at a particular point) and return flows (water returned to the system) to calculate overall consumptive use (water permanently removed from the system). BOR uses these data to determine the actual water conserved via IRA-funded agreements. This ensures proper and accurate payment as well as measurable conservation savings (such as the one depicted in Figure 7). These data are published in the annual *Colorado River Water Accounting and Use Report*, which BOR submits to Congress each May.

Figure 7: Mohave Valley Irrigation and Drainage District Flow Meter



Source: OIG.

We visited the Blythe Hydrographic Office, a remote field office of BOR’s Boulder Canyon Operations Office to determine how BOR staff track and measure water in the Lower Colorado River. BOR staff conduct a verification process called “ground truthing” four times a year: February, April, July, and December. The ground truthing team implements the normalized difference vegetation index, which satellites use to remotely verify if a

²⁹ As of March 2024, there are no approved Bucket 2 contracts in place, so we excluded Bucket 2 from testing.

field has a crop, indicating the use of water, or if a field is fallowed, indicating a lack of water use, through the use of a flood gate (such as the one shown in Figure 8). BOR performs normalized difference vegetation index verification on 100 percent of the fields enrolled in the LC Conservation Program.

We interviewed BOR staff multiple times regarding the data collection and verification process, joined BOR staff on their field verifications, and viewed stream gauges in the field. We reviewed BOR's data collection systems and its methodologies and examined its procedures. We did not identify any reportable issues with how BOR collected water data used in its *Colorado River Water Accounting and Use Report*.

Figure 8: Mohave Valley Irrigation and Drainage District Flood Gate



Source: OIG.

Oversight

We reviewed BOR's oversight process to determine whether it was adequate. BOR's *Reclamation Manual* does not outline how BOR should oversee water-related contracts; however, specific oversight and monitoring requirements are contained in the terms of each agreement. We interviewed BOR officials and staff most likely to perform oversight functions and relied on our own analysis and judgment of approved agreements to assess the reasonableness of BOR's oversight actions. BOR uses internal data and measurement systems to calculate water conservation savings by water-entitlement holders. Using this information, BOR bases its water-related contract payments only on the actual water volumes conserved. The agreements state that a water-entitlement holder will conserve "up to (x) number of acre-feet." This language provides a level of flexibility for not obtaining the agreed-upon conservation goals, but any deficit does not constitute a lack of performance by the entity. For example, water-entitlement holders may estimate that they will conserve up to 125,000 acre-feet in a year. If they conserve less than the amount stated in the contract, BOR only pays the water-entitlement holder for the water they ultimately conserve. Conversely, if the water-entitlement holder conserves more than the agreed-upon amount, BOR only pays for the amount specified in the agreement.

BOR staff detailed monitoring stipulations within each agreement to verify the volume of system conservation water created. The monitoring procedures depend on the nature of each agreement and range from the existing Colorado River water order approval process and tracking, as part of the annual *Colorado River Water Accounting and Use Report*, to in-person verification of fallowed fields enrolled in the LC Conservation Program. As stated previously, we visited the Blythe Hydrographic Office, accompanied BOR staff through its ground truthing process, interviewed BOR staff multiple times regarding their data collection and verification process, and reviewed the data collection systems. Due largely to BOR's oversight as outlined in the

water-related contract and the frequency, sophistication, and history of data collection, we did not deem it necessary to perform additional work in this area.

Reporting Requirements

According to the IRA, the Secretary of the Interior is required to submit to Congress a report that describes any expenditures under IRA § 50233 no later than one year after the date of enactment and each year thereafter until September 30, 2026. We reviewed BOR's IRA implementation report and verified that it complied with IRA reporting requirements. However, we found that BOR issued that report on October 30, 2023, two-and-a-half months after it was due to Congress. A BOR official involved in the report stated during an interview that the report took longer than expected because BOR needed to compile IRA-funding information, and the report had to go through various parties for review prior to issuance. BOR was required to submit its second annual report to Congress by September 30, 2024. As of April 2025, the report had not been submitted to Congress. A BOR official told us that BOR waited until October 2024 to capture data to submit with the report and that changes in BOR leadership and communications with the Office of Management and Budget had caused further report issuance delays. We encouraged the official to submit the report to Congress.

Review of BOR's Bucket 1B Agreement With Imperial Irrigation District

On December 6, 2023, BOR and IID signed the first IRA Bucket 1B agreement. The agreement was for IID to conserve 100,000 acre-feet for calendar year 2023 for \$77.6 million, or \$776 per acre-foot. In January 2024, we expanded our audit plan to include steps to review and test that 2023 agreement, making the agreement the eighth in our review. Like audit tests we performed on Bucket 1A agreements, we analyzed similar aspects of the Bucket 1B agreement, including the approval process and the reasonableness of the price per acre-foot, as well as tested the accuracy of BOR's disbursements.

We met with officials at BOR's regional office in Boulder City; its headquarters in Washington, DC; and a BOR field office in Blythe, and we visited SDCWA and IID to gain an understanding of how the price per acre-foot was established. After reviewing documentation; conducting interviews; and reviewing contracts between BOR, water-entitlement holders, and others, we did not identify any reportable issues with how the price per acre-foot was established for this agreement. Regarding BOR's approval process, we did not identify any issues with BOR's LC Conservation Program approval process related to Bucket 1 agreements, and we did not identify any reportable issues with how BOR approved IID's Bucket 1B agreement.

We reviewed payments related to the Bucket 1B agreement for LC Conservation Program between BOR and IID for calendar year 2023. After reviewing the terms of the agreement and payment receipts, we did not identify any concerns regarding the accuracy of BOR's payments to IID under the Bucket 1B agreement.

Appendix 2: Abbreviations

Abbreviation	Definition
BCOO	Boulder Canyon Operations Center
BOR	Bureau of Reclamation
DCP	Colorado River Drought Contingency Plan
DOI	U.S. Department of the Interior
FAR	Federal Acquisition Regulation
IID	Imperial Irrigation District
IRA	Inflation Reduction Act
LCRB	Lower Colorado River Basin
MWD	Metropolitan Water District of Southern California
OTA	Other Transaction Agreement
QSA	Quantification Settlement Agreement
SDCWA	San Diego County Water Authority

Appendix 3: Response to the Draft Report

BOR's response to our draft report follows on page 22.



United States Department of the Interior

BUREAU OF RECLAMATION
Washington, DC 20240



IN REPLY REFER TO:

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VIA ELECTRONIC MAIL ONLY

Memorandum

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

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

SCOTT
CAMERON

Digitally signed by
SCOTT CAMERON
Date: 2026.01.08
14:01:49 -05'00'

Subject: The Bureau of Reclamation's Response to the Office of Inspector General (OIG) Audit (*The U.S. Bureau of Reclamation Should Improve Transparency of Inflation Reduction Act-Funded Drought Mitigation Agreements*, Report No. 2023-WR-035)

The Bureau of Reclamation (Reclamation) has reviewed draft report No. 2023-WR-035 and has provided responses to the recommendations below:

Recommendation 1: *Implement a method for publicly reporting more detailed data regarding Inflation Reduction Act (IRA) funds awarded to non-Federal entities via miscellaneous obligations.*

Reclamation's Response: Reclamation concurs and supports the Office of Inspector General's recommendation for greater transparency in reporting more detailed data concerning miscellaneous obligations. Such an initiative is consistent with fundamental principles of fiscal responsibility and public accountability, ensuring taxpayers can clearly see how their money is allocated and utilized. Increased public transparency also aligns with guidance from the Government Accountability Office and established principles for providing consistent, reliable, and searchable data for taxpayers and policymakers regarding the use of federal funds.

The Lower Colorado Basin (LCB) Region will report outlays associated with IRA Miscellaneous Obligations on its public-facing website. LCB will clarify whether the cost data relates to allocated funds, awarded funds, or expended funds. It will also state when the document was last updated.

Reclamation believes the implementation of the enhanced public reporting described above will address the underlying concerns raised in the Management Advisory Report. By increasing transparency and providing greater detail on the use of miscellaneous obligations, Reclamation believes this approach satisfies the intent of Recommendation #1 and supports resolution of the open recommendation in Report No. 2023-WR-035A.

Responsible Official: Lower Colorado Basin Regional Director

Target Implementation Date: 2/28/2026

Recommendation 2: *Immediately require the appropriate staff to review the Federal exclusions list before issuing Inflation Reduction Act-funded agreements and to document the review in the agreement file.*

Reclamation's Response: LCB Region concurs with the need to document the existing process. LCB Region implemented a process for reviewing exclusions through Sam.gov prior to finalizing IRA funded agreements.

Responsible Official: Lower Colorado Basin Regional Director

Target Implementation Date: Complete

Recommendation 3: *Develop and implement policies requiring staff to document review of the Federal exclusions list before issuing agreements that use Inflation Reduction Act funds.*

Reclamation's Response: LCB Region concurs with the need to document the exiting process. LCB Region implemented verification of federal exclusions. Documentation supporting the review is now included in the agreement files.

Responsible Official: Lower Colorado Basin Regional Director

Target Implementation Date: Complete

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).

Attachments

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

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