

Part A

MANAGEMENT'S DISCUSSION AND ANALYSIS

OVERVIEW

The Management's Discussion and Analysis (MD&A) serves as a high-level overview of the U.S. Department of Agriculture (USDA) Forest Service's performance in fiscal year (FY) 2006. This report is designed for those individuals interested in the progress and status of the agency.

The MD&A also discusses the agency's compliance with legal and regulatory requirements, including the Federal Managers' Financial Integrity Act (FMFIA), the Federal Financial Management Improvement Act (FFMIA), Inspector General Act, and other key legal and regulatory requirements. This MD&A presents financial and performance highlights and related information, as well as the agency's progress on the President's Management Agenda (PMA).

Mission Statement

The Forest Service operates under the following mission:

Sustain the health, diversity, and productivity of the Nation's forests and grasslands to meet the needs of present and future generations.

The Forest Service's commitment to land stewardship and public service is the framework within which the national forests and grasslands are managed.

Organizational Structure

The Forest Service operates under the guidance of the USDA Under Secretary for Natural Resources and Environment. Forest Service policy is implemented through nine regional offices, six research offices, one State and Private Forestry (S&PF) area office, the Forest Products Laboratory, the International Institute of Tropical Forestry, with 868 administrative units (which include forests, districts, and research labs) functioning in 46 States, Puerto Rico, and the Virgin Islands.

Reporting to the Chief are the deputy areas: Business Operations; Research and Development; National Forest System (NFS); S&PF; as well as the Chief Financial Officer. Please see the Forest Service's organizational chart in Appendix A for additional information.

In the later sections of this audit report pertaining to the financial statements and notes, the discussion revolves around "responsibility segments," rather than deputy areas. Deputy areas are administrative groupings while responsibility segments are constructs used to assess net costs.

The Forest Service's mission includes the following four major responsibility segments:

National Forests and Grasslands. This responsibility segment includes protection and management of an estimated 193 million acres of NFS land, which includes 35 million acres of designated wilderness areas. In addition, the Forest Service partners with other nations and organizations to foster global natural resource conservation and sustainable development of the world's forest resources.

Forest and Rangeland Research. This responsibility segment is responsible for research and development of forestry and rangeland management practices to provide scientific and technical knowledge for enhancing and protecting the economic productivity and environmental quality of the estimated 1.6 billion acres of forests and associated rangelands in the United States.

State and Private Forestry. This responsibility segment uses cooperative agreements with State and local governments, tribal governments, forest industries, and private landowners to help protect and manage non-Federal forests and associated rangeland and watershed areas.

Wildland Fire Management. This responsibility segment is responsible for protection of life, property, and natural resources on an estimated 193 million acres of NFS lands and the estimated 20 million acres of adjacent State and private lands.

Some of the responsibility segment names are the same as those used for deputy areas, but the terms are not synonymous.

DEMANDS AND RISKS

Several known demands and unforeseen risks may impact the USDA Forest Service's organizational capacity to meet its mission or financial responsibilities in the near term.

The legacy decentralization of the Forest Service proved beneficial from the standpoint of employees who were highly knowledgeable about the local communities: from appropriate land management to meet the local natural resource needs to developing local partnerships and handling local politics. Yet, there proved to be parts of decentralization that were not as positive, such as the redundancy of the agency's administrative processes for finances, human resource management, and technical support. This redundancy required an intensive use of resources and was unnecessarily expensive.

The Business Operations Transformation Program, now in its second year, is an agency wide initiative to improve the Forest Service's organizational efficiency over a span of several years. Chief Dale Bosworth recently called this an "Agency Transformation," emphasizing that all Forest Service employees are responsible for the success of these changes to our business operations.

The transformation will standardize and centralize many of the budget and finance processes; improve the quality and efficiency of the agency's technology services; and standardize and centralize human resource (HR) processes into a strategy for human capital management. The design of these transforming projects will also increase the Forest Service's ability to meet the needs of its internal and external customers as the agency redirects critical funds from administrative functions back to mission-critical programs.

But, the newly centralized processes are not yet functioning at their most efficient and effective levels. The Albuquerque Service Center (ASC) for Budget and Finance, which brought nearly 450 employees to a consolidated center in FY 2005, continues to identify problems, monitor progress, and create solutions to challenges, including travel and payment activity. Over the past year, large numbers of payments were late to contractors, partners, utility companies, and employees, partially due to the consolidation of services, but also because some services provided by the USDA's Office of the Chief Financial Officer (OCFO) in New Orleans, LA, were significantly reduced after Hurricane Katrina. The agency continues to work diligently in overcoming these issues.

Further, as work with the National Finance Center (NFC) has gone more slowly than planned in implementing new systems for human capital management, the Forest Service has delayed the move of these functions to the ASC. Planned completion for the move is September 2007.

The Forest Service continues to have challenges in the early detection of invasive species and in managing wildfire risks because State and local planning and zoning ordinances provide limited protection of open spaces. Urban encroachment into large tracts of private forest lands has created a new kind of rural community, and national forest and grassland program managers struggle to mitigate the effects of urban sprawl.

The Chief of the Forest Service previously identified invasive species as a major threat to the Nation's forest and rangeland resources, but this must now be extended to aquatic invasive species. In a 2004 Program Assessment Rating Tool (PART) assessment, the Office of Management and Budget (OMB) determined that the agency lacked focus, consistency, and cooperation across all deputy levels in the development of invasive pest management strategies. Cooperation within the Forest Service and collaboration with USDA Animal and Plant Health Inspection Service should improve the focus of and consistency in managing forest pests and decrease the potential risk of infestations.

The Forest Service's primary focus for invasives is their prevention, early detection, and eradication before they become widespread and do extensive damage to ecosystems. Ongoing strategies include the

slow-the-spread strategy for gypsy moth infestations; conclusion of the early detection and rapid response pilot study for bark beetles, with a planned 2007 national implementation; and an update to the National Insect and Disease Map, with a national risk assessment of tree mortality due to major outbreaks of insects and diseases.

Rising fire suppression expenditures are driving up the 10-year average suppression costs. These expenditures are affecting the Forest Service's ability to deliver an interdisciplinary program within a constrained budget. Ongoing efforts to address rising suppression costs include a FY 2008 proposal of an alternative budget process that partitions the suppression account into *initial response* and *emergency accounts*. This proposal mitigates transfers of funds from other agency appropriations that have the potential to disrupt or eliminate numerous activities and projects to manage forests and grasslands, conduct research, or help State or private landowners manage their lands.

Although important to the mission, the expansion of National Response Plan assignments brings a tremendous impact on the agency's ability to meet its mission. Long-term participation in hurricane recovery efforts and other assignments will further impede the agency's primary firefighting mission and may compromise attainment of the agency's performance goals.

Law suits filed against the fire program may also impact the agency's ability to fight wildland fire. Courts have instructed the Forest Service to rethink the fire planning process as two fire management plans have been determined to be decision-making documents and, therefore, are subject to the National Environmental Policy Act (NEPA). The Forest Service is addressing this challenge by retooling the existing format for fire management plans, separating NEPA decisions from those on staffing and budget. The agency has also been required to complete a NEPA assessment on the use of retardant in fire suppression. If regulatory agencies determine through an endangered species consultation that current safeguards are not adequate, there is the potential for a reduced use of fire retardant, which may hinder Forest Service effectiveness in limiting the size of some wildland fires.

FINANCIAL STATEMENT HIGHLIGHTS FOR 2006

The Forest Service produces a series of financial statements on a quarterly basis to summarize the activity and associated financial position of the agency. The five principal statements are as follows:

- Balance Sheet
- Statement of Net Cost
- Statement of Changes in Net Position
- Statement of Budgetary Resources
- Statement of Financing

In producing these statements, the agency seeks to provide relevant, reliable, and accurate financial information related to Forest Service activities. Analysis of the agency's September 30, 2006, financial statements provides the following highlights. The exhibits below reflect the comparative amounts for FY 2006 and FY 2005.

Assets

The Forest Service reports \$7.7 billion in assets at the end of September 30, 2006. This represents a decrease of 5 percent from FY 2005 amounts and is partially attributed to a decrease in Fund Balance with Treasury (FBwT). FBwT for the periods ending September 30, 2006 and 2005, decreased \$310 million, or 7 percent, due to catastrophic wildland fire activity.

The three major asset categories are shown in Exhibit 1.

Exhibit 1: Assets (in millions)

ASSET	2006	2005	Difference	
			Dollars	Percentages
General Property, Plant, and Equipment	\$3,585	\$3,695	(\$110)	(3%)
Fund Balance with Treasury	3,877	4,187	(310)	(7%)
Accounts Receivable, Intragovernmental, and Non-Intragovernmental	254	269	(15)	(6%)
Total of Major Categories	\$7,716	\$8,151	(\$435)	(5%)
Other Asset Categories	25	20	5	25%
Grand Total Assets	\$7,741	\$8,171	(\$430)	(5%)

General Property, Plant, and Equipment (General PP&E) consists primarily of forest road surface improvements, culverts, bridges, campgrounds, administrative buildings, other structures, and equipment.

General PP&E also includes assets acquired by the Forest Service to be used for conducting business activities, such as providing goods or services. General PP&E does not include the value of heritage assets¹ or stewardship assets².

Heritage and stewardship assets do not have a readily identifiable financial value and are not recorded within the financial statements of the Forest Service. A more in-depth discussion of heritage and stewardship assets is presented in the Financial Statement Note 5 Heritage Assets and Stewardship Land, and also the Required Supplementary Information.

¹ Heritage assets are assets that are historical or significant for their natural, cultural, aesthetic, or other important attributes that are expected to be preserved indefinitely.

² Stewardship assets are primarily land held by the agency as part of the NFS and not acquired for, or in connection with, other General PP&E.

FBwT consists primarily of funds derived from congressional appropriations and funds held in trust for accomplishing purposes specified by law. FBwT is available to the agency to pay authorized expenses and to finance purchase commitments based on apportionments by the OMB. "Accounts receivable" consists of amounts due from other Federal entities or the public as a result of the delivery of goods, services, and specific activities performed by the Forest Service.

Liabilities and Net Position

Liabilities

The Forest Service reported \$2.3 billion in liabilities as of September 30, 2006, representing probable future expenditures arising from past events. This amount represents an increase of 15 percent from September 30, 2005. This change was partially due to an increase in Other Liability Categories. For the periods ending September 30, 2006 and 2005, the balance increased \$347 million, or 37 percent, primarily due to increased fire accruals.

The major liability amounts for accounts payable, unfunded leave, Federal Employees' Compensation Act (FECA) benefits, payments to States, and other liabilities appear in Exhibit 2.

Exhibit 2: Liabilities (in millions)

LIABILITIES	2006	2005	Difference	
			Dollars	Percentages
Accounts Payable, Intragovernmental and Non-Intragovernmental	\$55	\$134	(\$79)	(59%)
Unfunded Leave and FECA Benefits	592	579	13	2%
Payments to States	398	378	20	5%
Other Liability Categories	1,282	935	347	37%
Grand Total Liabilities	\$2,327	\$2,026	\$301	15%

Federal agencies, by law, cannot make any payments unless Congress has appropriated funds for such payments and OMB has apportioned the funds. A portion of liabilities reported by the Forest Service however, is currently not funded by congressional appropriations. For example, the unfunded amounts include employees' annual leave (earned, but not yet taken) and FECA benefits that have accrued to cover liabilities associated with employees' death, disability, medical, and other approved costs that have not yet been appropriated.

A major program generating unfunded liabilities is the Payments to States, which is a program authorizing annual revenue-sharing payments to States for public schools and public roads in the county or counties in which the national forests are located. A portion of the Payments to States program is funded with agency receipts; the balance is recorded as an unfunded liability for which the Department of Treasury (Treasury) general receipts are apportioned in the following year when the payments are made.

The agency receipts are funds held by the Forest Service in special receipt accounts, pending transfer to the appropriate party. A portion of the Payments to States to be paid in the next fiscal year is based on receipts collected during the current fiscal year, while the remaining liability is funded by Treasury general receipts.

Net Position

The Forest Service reported a net position of \$5.4 billion for FY 2006, representing a decrease of 12 percent from FY 2005 amounts. The change is attributed to numerous factors, including a decrease in Appropriations Received and an increase in Appropriations Used. Net position represents unexpended appropriations consisting of undelivered orders, as well as unobligated funds and the cumulative results

of operations. In accordance with SFFAS 27 *Identifying and Reporting Earmarked Funds*, earmarked funds that the USDA Forest Service has program management responsibility for are presented separately on the Statement of Changes in Net Position, and both earmarked and other fund totals are included in Exhibit 3.

Unexpended appropriations reflect the spending authority that is made available by congressional appropriation, but has not been used. Cumulative results of operations reflect the cumulative effect of financing in excess of expenditures.

Exhibit 3: Net Position (in millions)

NET POSITION	2006	2005	Difference	
			Dollars	Percentages
Unexpended Appropriations	\$1,054	\$1,792	(\$738)	(42%)
Cumulative Results of Operations	4,360	4,353	7	1%
Total Net Position	\$5,414	\$6,145	(\$731)	(12%)

Net Cost of Operations

The Forest Service's net cost of operations was \$5.9 billion for the year ended September 30, 2006.

Earned revenue from the public includes such items as the sale of forest products (timber and firewood); recreational opportunities (campgrounds); mineral resources; livestock grazing; and special land use fees for power generation, resorts, and other business activities conducted on NFS lands. The Forest Service also performs reimbursable activities, such as work completed mainly for other Federal agencies, in accordance with the Economy Act.

The Forest Service distributes a portion of its earned revenues to eligible States in accordance with laws such as the Secure Rural Schools and Community Self-Determination Act of 2000, to benefit public schools and roads in communities hosting national forests. These payments also pay for local forest stewardship projects.

Expenses

Forest Service program costs are \$6.9 billion for the year ended September 30, 2006, representing a 19-percent increase from FY 2005. The agency spent significantly more fighting wildfires in 2006, during one of the biggest fire seasons in recent years.

Exhibit 4 illustrates program costs by responsibility segment for the years ended September 30, 2006, and September 30, 2005.

Exhibit 4: Gross Expenses (in millions)

GROSS EXPENSES	2006	2005	Difference	
			Dollars	Percentages
Program Costs				
National Forests and Grasslands	\$3,521	\$3,419	\$102	3%
Forest and Rangeland Research	357	329	28	9%
State and Private Forestry	416	389	27	7%
Wildland Fire Management	2,643	1,694	949	56%
Total Program Costs	\$6,937	\$5,831	\$1,106	19%

Budgetary Resources

The Forest Service had budget authority of approximately \$5.4 billion in FY 2006 and \$5.8 billion in FY 2005. The funding received in FY 2006 represents a decrease of 7 percent from that received in FY 2005. This is due primarily to a decrease in fire appropriations in FY 2006.

KEY PERFORMANCE GOALS AND RESULTS FOR 2006

Strategies and Resources

The Government Performance and Results Act (GPRA) provides a framework under which Federal agencies prepare strategic plans, annual plans, and performance reports to set performance goals and then report on the extent to which they are achieved. Within GPRA's framework, Forest Service's executive leadership selected a set of key performance measures, the Executive Priorities, to measure the agency's effectiveness and results in the FY 2006 Audit Report. Several of these Executive Priorities are long-standing measures of performance for the agency and its stakeholders. The remaining Executive Priorities were developed in collaboration with USDA and OMB in several PART³ assessments since 2002. Please see the FY 2006 Annual Performance Report section of the Performance and Accountability Report (P&AR), which will be issued during the first quarter of 2007 and available on the USDA Forest Service's web-site, for additional information on PART assessments. This report will be issued at a later date.

Performance accountability is an integral part of the Forest Service's operating standards for work planning and accomplishment reporting. The agency assigns performance targets to Washington Office Staffs, regions, stations, and the Northeast Area based on the Forest Service's Strategic Goals and Objectives, as well as input from executive leaders as to on-the-ground capability. Each Forest Service unit then develops a program of work consisting of that unit's specific projects, creating project plans in the agency's WorkPlan system that align with the strategic plan, congressional direction, resource management plans, and budget allocation. Program managers and staffs are able to monitor and update the WorkPlan projects throughout the fiscal year to reflect changed conditions.

The agency enters its performance data in designated systems or databases, and summarizes at the regional level. The quality of the reported accomplishment data is reviewed at the regional level, requiring regional foresters to certify that the Executive Priorities are *complete* and *reliable*, and document those data items that do not meet the standard. Each region submits the certified regional performance to the Washington Office Programs and Budget Analysis (P&BA) Staff prior to the agency reporting to USDA, OMB, and Congress. The Associate Chief of the Forest Service then uses this certified performance reporting in the individual performance evaluations for regional foresters and other senior executives.

Performance and Trends

The Forest Service projects fiscal yearend accomplishments for the Executive Priorities. Targets and projected performance for FY 2006, actual performance for the Executive Priorities in FY 2005, and trends for FYs 2002-2005, if available, may be found in Exhibit 5, Performance and Trends 2002—2006. It is important to note that the FY 2006 achievements are *preliminary* and may change when the full 12 months of accomplishments are reported to P&BA in the first quarter of FY 2007.

In the FY 2007 Forest Service Budget Justification, the agency's performance budget, program managers provided explanations for unmet Executive Priority Measures from FY 2005, based on 12-month actual accomplishments, reported in December 2005. See Chapter 3, Performance Management of the Budget Justification, at <http://www.fs.fed.us/aboutus/budget/>.

Explanations for unmet 2005 Executive Priorities included:

- The success or failure of partnerships, with the Forest Service experiencing unexpected opportunities or unpredictable results;

³ OMB's PART is a systematic method to assess performance, focusing on a program's contribution to achieving an agency's strategic and program performance goals.

- Measures not performing well against annual *outputs*, as they demonstrate unpredictable variation year to year, and should be viewed as *outcomes* over multiple years; and
- Complex planning requirements for which meeting the target is conditional, or dependent upon the approval of an unpredictable planning process.

At midyear in FY 2006, the regional offices reported their potential for meeting, or not meeting, the Executive Priorities. National Program Managers could then take corrective action to attain these key performance goals by fiscal yearend.

The Forest Service made progress in FY 2006 toward the strategic objective of “restoring and maintaining species diversity in the terrestrial and aquatic ecosystems” in watersheds on NFS lands. Partnerships attributed to over-accomplishment for “acres of terrestrial habitat enhanced or restored” due to leveraging funds with contributions, while implementing projects that also reduced hazardous fuels. Often, it is the case that the NEPA process and other prework were completed in FY 2005.

While some regions anticipated accomplishing less than the targeted amount at midyear for “miles of stream enhanced or restored,” or “acres of lake habitat enhanced or restored,” the preliminary performance reporting for the entire agency dispels this at 123.5 and 124.5 percent, respectively. The Executive Priorities for “acres of terrestrial habitat enhanced” and “acres of lake habitat enhanced” were also overachieved in FY 2005, but no further action was needed, as reported in the Forest Service’s FY 2007 Budget Justification. The agency attributed this overachievement to favorable weather conditions and reconstruction of a nonfunctioning fish ladder, respectively.

Performance for the individual components of “acres of land adjustments to conserve the integrity of undeveloped lands and habitat quality” varies from year to year, causing the trend to fluctuate. It is reasonable to expect complex processes, such as conveyances and donations of land to extend longer than a 12-month period; more often, these processes take a minimum of 18 months. In midyear performance reporting, several regions anticipated unmet targets for this Executive Priority. Regions reported that several expected land purchases proved unsuccessful:

- An offer was rejected by the landowner as being insufficient compensation;
- Difficulty in getting private owners to agree on a final sale configuration for appraisal; and
- Reconfiguration of an acquisition, resulting in the per acre purchase price being higher than initially anticipated, resulting in fewer acres acquired.

However, by fiscal yearend, the preliminary combined performance was 151 percent, with “acres of donations” and “acres protected by the Forest Legacy Program” over-accomplishing, and “acres of conveyance” under-accomplishing its target.

Natural processes, such as long-term drought, affected the Executive Priority for “acres of hazardous fuels treated,” resulting in fluctuations in annual performance and trend. Some regions reported under-accomplishment at midyear, stating that the risk was too great that prescribed fire treatments could escape and, under current conditions, cause inadvertent consequences to local communities.

At midyear, the regions expected under-accomplishment for the “number of land management plans (LMPs) developed and revised.” Those national forests and grasslands currently revising the LMPs under the new planning rule reported needing more time for review by the regional offices and the national program managers. The regions were experiencing schedule delays as the Forest Service interpreted the new planning rule. The preliminary performance reporting for this Executive Priority supports the regions’ assertion with only 10 of the planned 20 LMPs completed by fiscal yearend.

There were other conditional constraints reported at midyear. One region reported that a level of funding was not authorized to meet the targets for facilities maintained to standard, rights-of-way (ROW) acquired, and trails maintained to standard. The lack of funding did not seriously affect the agency’s overall

accomplishment for these measures, with preliminary performance at 97.5 percent for “number of facilities to standard,” 92 percent for “number of ROW acquired,” and 100 percent for “miles of trail maintained to standard.” The over-accomplishment for “miles of trail maintained to standard” may have been due to the shifting priority to the planning and implementation of the off-highway vehicle rule, as reported by another region.

Reliable Performance Measurement

In 2005, the Forest Service issued an interim directive to improve internal control over performance data reporting. The directive clarified the roles and responsibilities of line officers and Forest Service staff positions, including staff directors and program managers. During FY 2005, every regional office conducted two field reviews (at a national forest or grasslands) to assess the quality of data reported by the field for the Executive Priorities. The same process was employed for FY 2006 in combination with the Washington Office Oversight Reviews, performed by the P&BA Staff. Five regions performed Performance Measure Review and Validation—the internal control reviews, and four regions hosted the Washington Office for the Oversight Reviews. Please see the Annual Performance Report section of the P&AR, which will be issued during the first quarter of FY 2007 and available on the USDA Forest Service's web-site, for the results of these reviews.

Exhibit 5: Performance and Trends for 2002-2006

Executive Priorities	Trend in Actual Accomplishments				Performance		
	2002	2003	2004	2005	2006 Targets ⁴	Preliminary Effective 9/30	2006 Results
Goal 1: Reduce the risk from catastrophic wildland fire							
1.1. a-c	Number of acres of hazardous fuels treated 1) in the wildland/urban interface (WUI); and 2) in Condition Classes 2 or 3 in Fire Regimes 1,2, or 3 outside the WUI						
	Acres treated with Direct Hazardous Fuels dollars—WUI	764,367	1,114,106	1,320,317	--		
	Acres treated with Direct Hazardous Fuels dollars—outside WUI	493,536	339,239	418,135	--		
					--		
	Acres treated within—WUI				1,581,302	1,383,000	1,181,470 85.4%
	Acres treated—outside WUI				535,602	417,000	402,677 96.6%
	Acres treated other dollars—WUI	--	--	274,330	--		
	Acres treated other dollars—outside WUI	--	--	215,400	--		
	TOTAL acres treated					1,800,000	1,584,147⁵ 88.0%
	Percent of acres identified as high priority through collaboration					100%	100%
1.1.g	Number of acres brought into stewardship contracts	--	--	41,834	35,478	0	71,604 N/A
1.3.a	Percent of communities at risk ⁶ with completed and current fire management plans or risk assessments from National Association of State Foresters (NASF)	--	--	Protocol in development	11,413	23%	22% 95.6%
1.3.b	Number of acres covered by partnership agreements		--	125,000	145,979	152,750	76,750 50.2%
<i>For final numbers, see http://www.fs.fed.us/plan/par/2006/docs/revised-table-5.pdf</i>							

⁴ Forest Service adjusted FY 2006 targets after Congress appropriated the funding requested in the President's Budget. Therefore, the targets will not match those in the Forest Service's FY 2006 Budget Justification—the agency's performance budget.

⁵ These Executive Priorities have changed in FY 2006, no longer requiring that acres treated in non-WUI be in Fire Regime 1, 2, or 3 and Condition Class 2 or 3.

⁶ The State Foresters are ultimately responsible for community hazard mitigation plans. They are not required to report the *number* of plans expected for completion in a current fiscal year, as Forest Service reported in FY 2005.

Executive Priorities	Trend in Actual Accomplishments				Performance			
	2002	2003	2004	2005	2006 Targets ⁴	Preliminary Effective 9/30	2006 Results	
Goal 2: Reduce the impacts from invasive species								
2.1.b	Acres treated for selected invasive species	--	--	1,066,921	1,083,566	574,351	--	--
--	Noxious weeds acres treated	130,868	138,742	103,703	120,040	80,800	--	--
	Acres treated for selected invasive species, noxious weeds, and invasive plants on NFS, State, and private lands	--	--	--	1,203,606	655,151	931,000⁷	142.1%
Goal 3: Provide high-quality recreation while sustaining natural resources								
3.1.a	The 3-year average number of fatalities on the passenger car network							
--	Miles of road maintained to standard (high-clearance and passenger)	76,798	110,676	103,748	72,376	65,508	62,542	95.5%
3.1.a	Miles of trail maintained to standard	30,649	30,608	23,160	25,208	20,557	22,599	110.0%
3.1.b	Number of facilities to standard	--	--	15,465	26,238	26,970	26,289	97.5%
3.1.e	Number of ROW acquired to provide public access			182	229	172	158	91.9%
3.2.a	Percent of NFS lands covered by travel management implementation plans	--	--	--	--	Not targeted ⁸	1,176,000⁹	N/A
Goal 4: Consider opportunities for energy development and the supporting infrastructure								
4.1.a	Percent of energy facility and corridor applications approved within prescribed timeframes							
--	Percent of energy facility applications	--	--	65%	17%	45%	70%	155.5%
--	Percent of oil and gas applications	--	--	33%	12%	45%	28%	62.2%
<i>For final numbers, see http://www.fs.fed.us/plan/par/2006/docs/revised-table-5.pdf</i>								

⁷This measure was tracked separately prior to FY 2006. The accomplishments for previous years and the FY 2006 individual targets are identified in the two lines above. FY 2006 accomplishments are now combined into one measure.

⁸ The implementation schedule was not known at the time the Program Direction was published. The final implementation schedule was released in a letter from the Chief, dated June 8, 2006 and assigned a target of 3 million acres for FY 2006.

⁹ Percent of NFS lands, at 193 million acres would equal 0.6 percent. This is 1 percent in FY 2008 Department Estimate.

Executive Priorities		Trend in Actual Accomplishments				Performance		
		2002	2003	2004	2005	2006 Targets ⁴	Preliminary Effective 9/30	2006 Results
Goal 5: Improve watershed condition								
5.1.a	Number of inventoried forest and grassland watersheds in fully functioning condition as percentage of all watersheds	--	--	30%	30%	40%	31%	77.5%
5.1.b	Acres of nonindustrial private forest land under approved stewardship management plans	1,640,000	1,717,000	1,450,000	1,590,464	1,575,000	1,600,000	101.5%
5.3.a	Acres of terrestrial habitat enhanced to achieve desired ecological conditions	209,472	230,528	218,727	230,867	196,716	247,217	125.6%
5.3.a	Miles of stream habitat enhanced to achieve desired ecological conditions	2,001	1,375	1,788	1,623	1,457	1,799	123.4%
5.3.a	Acres of lake habitat enhanced to achieve desired ecological conditions	18,217	16,429	12,451	19,250	13,743	17,116	124.5%
Goal 6: Improve productivity and efficiency								
6.1.a	Percent of Nation for which current ¹⁰ Forest Inventory and Analysis (FIA) is accessible to external customers	--	--	76%	76%	72%	88%	122%
6.2.c	Extent to which performance data are current and complete	--	--	86%	Baseline	Not targeted	100%	N/A
6.5.a	Number of Land and Resource Management Plans developed and revised			12	10	20	10	50%
6.3.a	Acres of land adjustments to conserve the integrity of undeveloped lands and habitat quality							
--	Acres adjusted (conveyed)	15,553	29,171	56,948	353,770	20,824	16,697	80.2%
--	Acres acquired (donated)	42,817	75,476	45,884	48,216	37,545	60,353	160.7%
--	Acres protected by Forest Legacy Program	57,009	128,349	563,186	46,181	230,000	358,500	156%
	TOTAL acres of land adjustments	114,749	232,996	666,018	448,167	288,369	435,550	151%
6.5.b	Proportion of data in information systems that is current to standard	--	--	Protocol in development	Protocol in development	Not targeted	44.48%	N/A
6.5.c	Number of forest plan monitoring reports completed	92	91	96	105	90	92	102.2%

For final numbers, see <http://www.fs.fed.us/plan/par/2006/docs/revised-table-5.pdf>

¹⁰ FIA data made available to the public are quality assured and current (defined as less than 2 years old). Congressional hearings in 1999 exempted Alaska and Hawai'i from the total land base (denominator) used for this measure. These lands were included in the total for FY 2004, creating a false decrease in the percent accomplished.

Procedures over Performance Reporting

In FY 2005, USDA Office of Inspector General (OIG) found that the usefulness of performance measures and the accuracy of reporting processes within the Forest Service are often flawed. This was attributed to the agency's decentralized management structure and willingness to delegate broad authority without having an adequate system of internal control to ensure that policies established by top management are followed. In response, an interim directive (February 2005) implemented the first annual review by the regions, stations, and area (RSAs) to verify the interpretation of the measures, adherence to standards and reporting schedules, and that data quality or its limitations were recorded in supporting documentation. Through these reviews, program managers across the agency identified inconsistencies in the field's interpretation of management's direction. The results of these reviews were certified by line officers to assure completeness and reliability.

Exhibit 6 is management's direction to the field for reporting accomplishments for the Executive Priorities.

Exhibit 6: Priority Measures, Data Sources, and Accomplishment Reporting

Executive Priority	Data Source	How Accomplishments Are Reported
<p>Number of acres of high-priority hazardous fuels treated</p> <p>The percent of these acres that were identified as "high priority" as defined in the 10-Year Implementation Plan</p>	<p>National Fire Plan Operations and Reporting System (NFPORS)</p> <p>Timber Information Management (TIM)</p>	<p>The Forest Service tracked this Executive Priority using these measures:</p> <ul style="list-style-type: none"> ▪ Acres of non-wildland/urban interface (non-WUI) high-priority hazardous fuels treated ▪ Acres of wildland/urban interface (WUI) high-priority hazardous fuels treated ▪ Acres of forest lands treated to achieve healthier conditions <p>New in FY 2006 is the "forest lands treated to achieve healthier conditions." This measure is the number of acres of forest lands treated using timber sales, with a primary purpose of achieving healthier conditions or other desired conditions. This does not include timber sales where the primary purpose is forest products production.</p> <p>Field units report accomplishments when completed or contracted.</p>
<p>Number of acres covered by stewardship contracts; agreements awarded</p>	<p>Corporate Data Warehouse (CDW)</p>	<p>This measure is the number acres brought into stewardship contracts based on either contract-awarded acres or executed agreement acres.</p>
<p>Percent of communities at risk with completed and current fire management plans or risk assessments</p>	<p>Washington Office Staff</p> <p>NFPORS</p>	<p>This measure is the number of completed projects that meet the standard as identified in the National Fire Plan. The number of communities-at-risk is published in the Federal Register.</p> <p>The National Association of State Foresters (NASF) and State Foresters are responsible for providing Community Wildfire Protection Plans (CWPP) performance information to Forest Service regional office contacts or NFPORS.</p>
<p>Number of acres covered by partnership agreements</p>	<p>Washington Office S&PF Staff</p>	<p>The measure is the number of acres of non-Federal hazardous fuels treated through partnership agreements.</p>
<p>Number of acres treated for selected invasive species, noxious weeds, and invasive plants on NFS lands and S&PF cooperators' lands</p>	<p>Forest Health Protection (FHP) Database</p> <p>NFPORS</p> <p>WorkPlan</p>	<p>This measure is the total for acres of Federal <u>and</u> acres of S&PF cooperators' lands protected by one or more treatments to control invasive pests and weeds. If thinning follows spraying, the acres count only once.</p> <p>The treatment and retreatment of invasive plant infestations, including noxious weeds, contribute to this Executive Priority.</p> <p>Accomplishment is reported either when the Forest Service completes the treatment, or when contracted.</p>

Executive Priority	Data Source	How Accomplishments Are Reported
Miles of trails maintained to standard	WorkPlan	This measure is the miles of trails receiving the annual amount of maintenance performed with the annual appropriation.
Miles of road maintained	12-month actual performance reported in Roads Accomplishment Report (RAR)	This measure is the miles of road (passenger and high-clearance) on which at least one maintenance activity is performed during the fiscal year, measured without regard to width of road or number of lanes. Performing a condition survey is not maintenance.
Number of facilities maintained to standard	Infra	Number of facilities maintained to standard, including recreation sites.
Number of ROW acquired	WorkPlan	The Forest Service tracks the total number of road and trail Right of Way (ROW) easements acquired, resolved through other lands activities, or by cooperative effort. These activities coincide with Categories I, II, and III on the existing annual Rights-of-Way Acquisition Report (FS-5400-25 4/92).
Number of acres of NFS lands covered by travel management implementation plans	WorkPlan	<p>This accomplishment is the acres of NFS lands on administrative units or ranger districts for which a motor vehicle use map has been published in conformance with new travel management regulation in 36 CFR 212.56.</p> <p>Accomplishment is reported for all NFS acres when a unit has completed the designation of routes and areas for motor vehicle use in conformance with 36 CFR 212.51, and identified those designations in a motor vehicle use map pursuant to 36 CFR 212.56.</p> <p>There is no accomplishment until the use map is completed.</p>
Number of oil and gas applications processed in prescribed timeframes	WorkPlan	<p>This measure tracks the processing for applications within prescribed timeframes:</p> <ul style="list-style-type: none"> ▪ 60 days, if the land availability decision is made ▪ 18 months, if requiring a land availability decision ▪ 180 days, if requiring an environmental assessment (EA) ▪ 18 months, if requiring an environmental impact statement (EIS). <p>Units report a potential nomination as 1,000 acres if the lease application is not filed. This is the numerator for the strategic plan measure, which is a percent.</p>
Number of energy facility applications processed within prescribed timeframes	WorkPlan	<p>This measure is the number of special use applications processed within the projected timeline, as determined by the authorizing officer for electric transmission lines, oil or gas pipelines, and renewable energy generation facilities.</p> <p>This is the numerator for the strategic plan measure, which is a percent.</p>
Percent of watersheds in fully functioning condition	WorkPlan	Forests use coarse filter watershed analysis to assign fifth-level hydrologic units into three condition classes. The focus is on watershed stability and the ability to attain beneficial uses.
Acres of terrestrial habitat restored or enhanced	WorkPlan	<p>This measure is the total number of threatened and endangered species and non-threatened and endangered species acres restored or enhanced to achieve desired future condition of habitat. Management activities may include prevention, control, and mitigation against infestations of invasive species (plants, vertebrates, invertebrates, or pathogens) that impact terrestrial wildlife and associated habitats.</p> <p>Accomplishment is reported when the improvement is complete. If work is contracted, the accomplishment is reported when the work is obligated.</p>
Miles of streams restored	WorkPlan	This measure reports the miles of anadromous and inland fish bearing rivers and streams that were restored or enhanced using structural or nonstructural improvements.

Executive Priority	Data Source	How Accomplishments Are Reported
Acres of lakes restored	WorkPlan	This measure reports the surface acres of anadromous and inland fish-bearing lakes, ponds, and reservoirs, which were enhanced using structural or non-structural improvements.
Number of acres of nonindustrial private forest (NIPF) under approved stewardship management plans	Performance Measures Accountability System (PMAS)	This measure reports the number of acres of NIPF forest lands that are covered by newly approved forest stewardship management plans.
Percent of the Nation for which FIA information is accessible to external customers	FIA Staff	Forest Inventory & Analysis (FIA) data available to the public are quality assured and current (less than 2 years old).
Acres of lands acquired or adjusted, including fee title and conservation easements, to conserve the integrity of undeveloped lands and habitat quality on NFS lands and S&PF cooperators' lands	WorkPlan, Forest Legacy Information System (FLIS)	<p>The Forest Service tracked this Executive Priority using these measures:</p> <ul style="list-style-type: none"> ▪ Number of acres acquired through land purchase or donation, including conservation easements or interests in land, for NFS purposes. ▪ Number of acres acquired and conveyed, through land exchanges, transfers, interchanges and conveyances, including acres acquired and conveyed under the Small Tracts Act and Townsite Act. ▪ Number of acres protected by the program through fee simple purchases or conservation easements. <p>Accomplishments are reported when the documents of conveyance are recorded within the fiscal year.</p>
Number of LMP revisions/new plans completed	WorkPlan	This measure reports an accomplishment when a regional forester signs a Record of Decision, based on a Final EIS. If multiple LMPs exist for an administrative unit, it is possible for a unit to report more than one accomplishment.
LMP monitoring and evaluation reports	WorkPlan	<p>This accomplishment is reported when a unit completes an "Annual Monitoring and Evaluation Report" in accordance with respective plan requirements; regional direction; Forest Service Manual (FSM), Forest Service Handbook (FSH), and planning regulation guidance on what to monitor; and associated Washington Office policy direction.</p> <p>Reports are based on monitoring data and information gathered during the previous fiscal year; focus on evaluation of plan implementation; and provide an overview of resource conditions and trends as they relate to indicators and criteria for sustainability, with specific attention to the effects of management on ecological system structure and function.</p>
Extent to which performance data are current and complete	Washington Office P&BA Staff	The accomplishment is the percent of RSAs providing certification forms that their unit's accomplishment data is current and complete.
Proportion of data within information systems that are current to standard	Washington Office Business Operations Staff	<p>The Forest Service Strategic Plan includes the strategic objective, "Develop and maintain the processes and systems to provide and analyze scientific and technical information to address agency priorities." The performance measure for this objective became the Executive Priority, "proportion of data which is current to standard."</p> <p>FY 2006 is the first year the Forest Service had the capability to capture this information, using both the Standard Data Evaluation Tool (SDET) and the Resource Mapping Evaluation Toolset (RMET).</p> <p>SDET measures tabular databases in certain developed national applications. RMET measures Geographic Information Systems (GIS) data at a national forest or grassland administrative unit. The Executive Priority directly measures quantity, but not quality of these data. The accomplishment reports:</p>

Executive Priority	Data Source	How Accomplishments Are Reported
		<ul style="list-style-type: none"> ▪ Automated Lands Project (ALP), selected core portions ▪ Resource Information System (NRIS), selected core portions ▪ Infra, for roads and trails, as they are significant components of wildlife habitat ▪ GIS, for datasets with established Forest Service-wide standards

PRESIDENT'S MANAGEMENT AGENDA

The Deputy Chief for Business Operations provides oversight for the President's Management Agenda (PMA) implementation within the USDA Forest Service. These PMA initiatives are integral to the strategy to improve the management and performance of the Federal Government in the following five areas:

- Strategic Management of Human Capital
- Competitive Sourcing
- Improved Financial Performance
- Expanded Electronic Government
- Budget and Performance Integration

The PMA includes three scores toward its standards for achievement: green, yellow, and red. The Forest Service is "Getting to Green" when it successfully demonstrates achievement for OMB's green standards for success. The following discussion demonstrates the agency's results.

Strategic Management of Human Capital

OMB'S GREEN STANDARD	STATUS AND PROGRESS
<p><i>Implemented a comprehensive Human Capital Plan, analyzed the results, and integrated them into decision making processes to drive continuous improvement.</i></p>	<p>Prior to the implementation of the PMA, the Forest Service developed and implemented a comprehensive Human Capital Management process in partnership with the National Academy of Public Administration. One outcome of the Human Capital Management process was the initiation of the agencywide and regional workforce planning in FY 2001 and FY 2004, respectively, which identified several key Human Capital issues:</p> <ul style="list-style-type: none"> ▪ Projected attrition and hiring with a focus on staff and skill shortages in key disciplines ▪ Impacts of an aging workforce ▪ Alignment of the workforce to meet mission priorities. <p>These issues were especially evident in the agency's Business Operations workforce, where attrition-based downsizing, increased retirements, and geographic dispersion had created significant competency gaps, age-distribution imbalances, and budget misalignments. In response, the agency implemented the Business Operations Transformation Program, using the tools of competitive sourcing and business process reengineering (BPR) as drivers of the process.</p> <p>Throughout FY 2006, the Forest Service continued monitoring for improved program delivery, realigned budgets, and reduced indirect costs; improved tracking and evaluation of business process; and an increased capability to develop key competencies, recruit trainees, and focus on priorities. The increased number of retirements and the resulting skills deficits are drivers for several agencywide initiatives for continuous improvement: the National Incident Management Organization; the Leadership Success Program; and an ambitious competitive sourcing program.</p>

OMB'S GREEN STANDARD	STATUS AND PROGRESS
<p><i>Analyzed and optimized existing organizational structures from service and cost perspectives, using redeployment and delayering as necessary and integrating competitive sourcing and E-Gov solutions; and has process(es) in place to address future changes in business needs.</i></p>	<p>Past BPR and competitive sourcing studies have recommended major restructuring and, in some cases, centralization of business functions. This restructuring is currently underway and will continue through FY 2008 for Budget and Finance (B&F), IT, and Human Resource Management (HRM).</p> <p>The former B&F organization of about 1,175 full-time equivalents (FTEs) has been restructured at the ASC, to a centralized service center of approximately 450 employees. The business plan for this restructuring projects annual ongoing steady-state savings of \$38 million.</p> <p>The former IT organization of about 1,200 FTEs has been restructured and fully implemented into a new ISO, which successfully competed for the work under an A-76 Competitive Sourcing process. This fully functional organization includes approximately 600 employees in several centers and in the Washington Office. The business plan for this restructuring projects an annual steady state savings of \$29 million.</p> <p>The BPR study for HRM recommended that the former organization of about 800 FTEs be restructured into a centralized organization of 400 employees, most would be in a central service center. The phased transition to the new HR Service Center began operations of Phase I functions in the summer of 2006, and will continue through completion in September 2007. The business plan for this restructuring projects an annual steady state savings of \$22 million.</p>
<p><i>Succession strategies, including structured executive development programs, result in a leadership talent pool and continuously updated to achieve results.</i></p>	<p>The Forest Service has developed succession strategies and implemented structured executive development programs to ensure a talented pool of future leaders for the agency. In 2007, under the new centralized HR organization, a training and development Center of Excellence will be established to provide a strategic focus to Forest Service training and development. USDA's AgLearn learning management system will support employees as they develop their individual development plans, register for courses, and record their professional development.</p> <p>The Senior Leader Development Program, a comprehensive year-long focus on Office of Personnel Management's leadership competencies, is the first in a series of new leadership development programs that the Forest Service is implementing over the next few years. In FY 2005, the first class of 40 participants graduated and, in FY 2006, there were two classes of 74 participants.</p> <p>In addition to the long-term development program, the Forest Service offers future leaders the opportunity to develop their potential through a national curriculum designed for managers and supervisors. A total of 733 students were reached by these courses in FY 2006: HR Management: <i>What Supervisors and Managers Need to Know</i>, <i>Practical Leadership Skills for New Managers</i> and in <i>Leadership Skills for Experienced Supervisors and Managers</i>.</p> <p>The Forest Service also encourages its employees to apply for competitive leadership development programs offered outside of the agency. Employees from across the Forest Service compete for available slots in a variety of long-term programs. In FY 2006, 59 employees attended leadership development programs outside the Forest Service: 31 are participating in USDA Graduate School programs; 1 in Brookings – LEGIS; 11 in Leadership in a Democratic Society; and 15 in Senior Executive Service (SES).</p> <p>For any and all employees new to the Forest Service, a national New Employee Orientation program provides Web-based orientation to complement the annual New Employee Conference.</p>
<p><i>Has performance appraisal plans and awards programs for all SES and managers, and more than 60% of the workforce, that effectively:</i></p> <ul style="list-style-type: none"> ▪ <i>Link to agency mission, goals and outcomes;</i> 	<p>Both the Strategic Management of Human Capital and the Budget and Performance Integration PMA initiatives require that Federal agencies: link to agency mission, goals, and outcomes; hold employees accountable for results appropriate for their level of responsibility; differentiate between various levels of performance; and provide consequences based on performance.</p>

OMB'S GREEN STANDARD	STATUS AND PROGRESS
<ul style="list-style-type: none"> ▪ Hold employees accountable for results appropriate for their level of responsibility ▪ Differentiate between various levels of performance (i.e., multiple performance levels with at least one summary rating above Fully Successful); and ▪ Provide consequences based on performance. The agency is working to include all agency employees under such systems. 	<p>USDA issued direction in FY 2004 that at least 60 percent of employees' performance plans must align with agency mission and goals. The Forest Service subsequently issued direction that 100 percent of agency employees will have credible measures of performance, aligned with the mission and their units' performance goals and objectives.</p> <p>In order to differentiate between various levels of performance, the Forest Service planned to transition to a multilevel performance management system in FY 2006. A framework was established within the existing pass/fail performance appraisal program that is migrated to the multilevel plan. This transition has been delayed until first quarter of FY 2007.</p>
<p><i>Reduced under representation, particularly in mission-critical occupations and leadership ranks; established processes to sustain diversity.</i></p>	<p>The Forest Service's National Recruitment Council coordinates recruitment efforts, develops planning and recruitment tools, and provides direction for a system of National Recruitment Initiatives, based at 12 targeted universities. Since FY 2003, a system of monitoring and accountability has measured agency progress in addressing key workforce planning issues. Results indicate minority hiring in FY 2004 increased by over 50 percent over previous years and the use of the Student Career Experience Program (SCEP) hiring authority had more than doubled. Similar results continued through FY 2005 and into 2006. These results enable the Forest Service to focus its hiring decisions and improve diversity hiring.</p>
<p><i>Significantly reduced skill gaps in mission critical occupations and competencies, integrated competitive sourcing and E-Gov solutions into gap reduction strategy.</i></p>	<p>A skill-gap analysis was conducted for 10 key occupations using the Logistics Management Institute Workforce Analysis Model. After adjusting for program shifts, the model indicated no skill-gaps projected in these 10 occupations through FY 2008. Therefore, at this time, it is not anticipated that the Forest Service will need to close skill gaps in mission critical occupations.</p> <p>However, the agency plans to conduct competitive sourcing feasibility studies on 21,000 FTEs by FY 2009. The decisions that result from these studies could result in changes in skill requirements and the shifting of some skills requirements to outside of the agency increasing workforce flexibilities in times of program shifts.</p> <p>The Forest Service is maintaining an internal talent pool, for which competencies for the mission-critical occupations were imported into the AgLearn system. On-line and traditional classroom courses will be associated with these competencies, so that employees can quickly and efficiently enroll in the courses that best address their individual competency gaps.</p> <p>The Forest Service and USDA are currently developing the capability of AgLearn to measure competency gaps and track progress in closing them systemically on an agencywide basis. For example, in FY 2006, a fire competency assessment was conducted for teams responding to various types of emergencies. This assessment identified the skill gaps in fire suppression activities, which justified the need to establish the specialized National Incident Management Organization teams on a permanent, rather than ad hoc basis.</p> <p>Continuing through FY 2007, the Forest Service will undertake a major skill transformation strategy involving its fire suppression workforce. The end result of this strategy will be an increase in the agency's professional workforce, focused on the General Biological Science (401) occupational series. In the past 3 years, this series has shown a net annual growth rate of 8 percent per year increasing from 1,451 permanent employees in 2003 to 1,807 permanent employees at the beginning of 2006. Projections of attrition and accessions over the next 5 years indicate no significant skill gaps even with a continued 8 percent growth rate in the occupational series.</p>
<p><i>Has made significant progress and demonstrates continued improvement toward meeting agreed-upon aggressive hiring timeline goals.</i></p>	<p>Approximately 80 percent of permanent staffing actions are accomplished using the Avue Digital Service (ADS) On-line Classification and Staffing System. Overall hiring cycles average 20 days from the closing date of the announcement to job offer. Forest Service provided an analysis of SES actions to USDA, identifying issues and opportunities to streamline the process for filling</p>

OMB'S GREEN STANDARD	STATUS AND PROGRESS
<p><i>timeline goals.</i></p>	<p>SES positions.</p>
<p><i>Uses outcome measures to make human capital decisions, demonstrate results, make key program and budget decisions, and drive continuous improvement in the agency.</i></p>	<p>The Forest Service was a key member of the team that successfully developed the USDA Human Capital Accountability System. The agency continues to use this tool to monitor progress in achieving milestones set down in the plan. Since FY 2003, the Forest Service has reported quarterly in a detailed Human Capital Management Report on its accomplishments in Human Capital Management program areas.</p> <p>The Office of Personnel Management conducted a Human Capital Management and HR Accountability Review of the Forest Service's headquarters and three field offices in FY 2005, and acknowledged positive accomplishments in Talent Management, Performance Culture, Leadership/Knowledge Management and HR Accountability.</p> <p>The Forest Service has designed the Performance Accountability System (PAS) to integrate performance data and budget data systems into a single automated tracking and reporting system. Once implemented, PAS will provide a vehicle through which key performance metrics in all program areas, including Human Capital Management, can be established, tracked, and reported in a comprehensive and integrated system. Currently, several components of the system are being piloted with full operations scheduled to begin in October 2006.</p>

Competitive Sourcing

OMB'S GREEN STANDARD	STATUS AND PROGRESS
<p><i>Has an OMB approved "green" competition plan to compete commercial activities available for competition.</i></p>	<p>The agency is currently revising its 2006-2010 "Green Plan" for submission to USDA and subsequent OMB approval. The USDA has been supportive of all studies undertaken by the agency.</p> <p>The Forest Service competitive sourcing program focuses on:</p> <ul style="list-style-type: none"> ▪ Identifying and evaluating functions for competition that are likely to result in significant savings; ▪ Conducting feasibility studies to assess the viability of conducting an A-76 competition on the function; ▪ Planning for and carrying out competitive sourcing competitions in accordance with Congressional and OMB guidelines; ▪ Reviewing, if necessary, competitive sourcing performance decisions; ▪ Implementing decisions; and, ▪ Measuring and reporting on competition and implementation results.
<p><i>Publicly announces standard competitions in accordance with the schedule outlined in the agency "green" competition plan.</i></p>	<p>The standard competition for Communication Functions was publicly announced on June 29, 2006 consistent with the agency's plan.</p> <p>The schedule in the "Green Plan" focuses primarily on feasibility studies, which are the means to examine the practicality of conducting a public-private competition. Feasibility studies are conducted in accordance with the "Green Plan" schedule within the constraints of the competitive sourcing appropriations cap. Follow-on competitions are based on management decisions as a result of feasibility study findings and in consideration of appropriation limitations.</p>
<p><i>Since January 2001, has completed at least 10 competitions (no minimum number of positions required per competition) or has completed a sufficient number of large competitions to demonstrate meaningful use of competitive sourcing.</i></p>	<p>The agency has completed at least 10 competitions since 2001.</p> <p>The IT Infrastructure competition has led to major improvements as to how these services are delivered within the agency. It is estimated that the 541-FTE ISO will generate savings greater than \$100 million over 5 years.</p> <p>Two roads maintenance studies that were completed in 2003 are generating a combined savings of over \$1.785 million per year.</p> <p>Streamlined maintenance studies conducted in 2003 which resulted in the MEO being the lowest cost did not produce the savings and performance enhancements anticipated. As a result, these studies were not implemented. Lessons learned from this process helped the agency to better focus its competitive sourcing efforts towards more promising studies.</p>
<p><i>In the past four fiscal quarters, completed 90% of all standard competitions in a 12-month timeframe or timeframe otherwise approved in accordance with OMB Circular A-76.</i></p>	<p>No standard competitions were completed in the last four fiscal quarters. The Standard Competition for Communication Activities, announced June 29, 2006, is on schedule to be completed in the 12-month timeframe.</p>
<p><i>In the past four fiscal quarters, completed 95% of all streamlined competitions in a 90-day timeframe or timeframe otherwise approved in accordance with OMB A-76.</i></p>	<p>No streamlined competitions were conducted in the last four fiscal quarters.</p>
<p><i>In the past year, canceled fewer than 10% of publicly announced standard and streamlined competitions.</i></p>	<p>No publicly announced standard or streamlined competitions were cancelled in the last four fiscal quarters.</p>

OMB'S GREEN STANDARD	STATUS AND PROGRESS
<p><i>Has OMB reviewed written justifications for all categories of commercial activities determined to be unsuitable for competition.</i></p>	<p>The agency submitted written justifications for all categories of commercial activities determined to be unsuitable for competition with its 2006 FAIR Act inventory submission to USDA. These categories included "Commercial Reason Code A" and "Inherently Governmental." To date, the justifications have not been disapproved or approved and whether they have been reviewed by OMB is unknown. The agency worked closely with Department of the Interior to ensure consistency in coding and justifications for positions related to fire activities.</p>
<p><i>Structures competitions in a manner to encourage participation by both private and public sectors as typically demonstrated by receipt of multiple offers and/or by documented market research, as appropriate.</i></p>	<p>Market research is conducted as a part of the feasibility study process and is a factor in determining whether a competition should be announced. Documented market research is a basis for competition structure.</p>
<p><i>Regularly reviews work performed once competitive sourcing studies are implemented to determine if performance standards in contract or agreement with agency provider are met and takes corrective action when provided services are deficient.</i></p>	<p>Quality Assurance Surveillance Plans are implemented and performance continuously monitored for all service providers. Performance information is monitored by the contracting officers and overseen by the headquarters Competitive Sourcing Program Office (CSPO). The CSPO also conducts periodic field reviews to assess service provider performance. Corrective actions are taken, as appropriate, when provided services are deficit.</p> <p>In May 2006, an agency contracting officer terminated a contract service provider after serious performance issues identified by the agency were not rectified by the provider.</p> <p>For FY 2007: Review of ISO Competitive Sourcing Study, and Review of Road Maintenance Competitive Sourcing Study.</p>
<p><i>To maintain green status, agency:</i></p>	
<p><i>Has positive anticipated net savings and/or significant performance improvements from competitions completed either in last fiscal year for which data has been officially reported to Congress by OMB or in the past three quarters, and</i></p>	<p>Not applicable; no competitions were completed in last fiscal year or in the past three quarters.</p> <p>Performance improvements and positive actual achieved savings are being realized from studies completed prior to FY 2005.</p>
<p><i>Through sampling, independently validates that savings to be achieved for the prior fiscal year were realized.</i></p>	<p>Achieved savings are calculated based on actual expenditures and are validated independently by the CSPO. Actual, not anticipated, savings are recognized and reported as realized savings. The agency is reviewing its processes for monitoring, collecting, and reporting performance information and will strengthen the processes currently in place.</p>

Improved Financial Performance

OMB'S GREEN STANDARD	STATUS AND PROGRESS
<i>Receives an unqualified audit opinion on its annual financial statements.</i>	For the fifth consecutive year, the Forest Service received an unqualified audit opinion on its financial statements.
<i>Meets financial statement reporting deadlines.</i>	In FY 2006, the Forest Service met its reporting deadlines.
<i>Reports in its audited annual financial statements that its systems are in compliance with the Federal Financial Management Improvement Act.</i>	The Forest Service reported in its FY 2006 annual assurance statement that the agency was in substantial compliance with the FFMA. Some of the agency's systems were not in compliance with Section 1 that requires certification and accreditation of the financial management systems but the agency was in compliance with Sections 2, 3, and 4. The FY 2006 Financial Statement Audit Report identified one area of noncompliance with Section 2. Overall, the Forest Service believes it is in substantial compliance with the FFMA for its systems.
<i>Has no chronic or significant Anti-Deficiency Act Violations.</i>	The Forest Service has no known chronic or significant Anti-Deficiency Act violations for FY 2006.
<i>Has no material auditor-reported internal control weaknesses.</i>	OIG Audit Reports No. 08401-3-FM and 08401-2-FM identified a material weakness regarding the Forest Service IT General Controls Environment. Significant progress has been made to resolve this material weakness. The agency has developed policy and procedures to manage its general controls environment and is working to implement and monitor compliance with the new policy.
<i>Has no material noncompliance with laws or regulations; AND</i>	Various instances of noncompliance were identified in the FY 2005 Financial Statements Audit report related to Federal Accounting Standards. As of September 30, 2006, the Forest Service has no material noncompliance with laws and regulations. The Forest Service issued policy and procedures for the proper accounting treatment of leases, the proper accounting treatment of internal use software, and plans to conduct Associated training during FY 2007. Monitoring of these areas will be performed as part of the normal quality assurance review process of agency programs.
<i>Has no material weaknesses or non-conformances reported under Section 2 and Section 4 of the Federal Managers' Financial Integrity Act that impact the agency's internal control over financial reporting or financial systems.</i>	The Forest Service has two material weaknesses under the headings "Information Technology General Controls Environment" and "Financial Management and Reporting Process".
<i>Is implementing a plan to continuously expand the scope of its routine data use to inform management decision-making in additional areas of operations.</i>	The implementation of GPRA, called Managing for Results (M4R) in the Forest Service, is progressing. The Performance Accountability System (PAS) is in its third year of a 5-year rollout to integrate budget, financial, and performance data to support improved management decision-making. The Forest Service had two releases of PAS during FY 2006, providing timely access to planning, financial, and accomplishment information for managers at all agency levels. During FY 2007, the Forest Service will expand PAS to integrate performance and accomplishment data from additional sources.
<i>Currently produces accurate and timely financial information that is used by management to inform decision-making and drive results in key areas of operations.</i>	The initial release of the PAS provided widespread access to budget, financial, planning, and accomplishment data. This system will allow managers to monitor budget planning, execution, and performance for improved management decision-making.

Expanded Electronic Government

OMB'S GREEN STANDARD	STATUS AND PROGRESS
<p><i>Has an Enterprise Architecture linked to the Federal Enterprise Architecture (FEA) rated "effective" using OMB's EA Assessment tool.</i></p>	<p>The Forest Service Enterprise Architecture repository captures the models, business rules, statements of strategic intent, stakeholder identification and exchange information, and related information for the agency's e-Gov initiatives.</p> <p>In FY 2006, the agency attached Performance Reference Model (PRM) classifications to its applications with business case documentation and through interviews of the application sponsors and requirements teams by Forest Service Enterprise Architecture Staff.</p> <p>The Forest Service Enterprise Architecture repository incorporates the FEA reference models and these classification schemes are being applied to artifacts stored in the Forest Service Enterprise Architecture Repository.</p>
<p><i>Has acceptable business cases (security, measures of success linked to the Enterprise Architecture, program management, risk management, and cost, schedule, and performance goals) for all major systems investments.</i></p>	<p>Elements of a business case include security; enterprise architecture measures; program management; risk management; and cost, schedule, and performance goals narrative.</p> <p>Major Forest Service IT system investments were considered acceptable to OMB as of June 30, 2006, and in particular had completed IT Security Certification and Accreditation (C&A).</p>
<p><i>Has demonstrated, using earned value management (EVM) or operational analysis, cost and schedule overruns, and performance shortfalls, that average less than 10% for all major IT projects</i></p>	<p>As of April 2006, USDA's Chief Information Officer reported that three IT investments meet the EVM threshold, while 5 investments do not. Investments meeting this threshold are: ConnectHR; FPA's Analysis System, Phase 2; and Infra. IT investments that did not meet this threshold are: NRIS, ROSS, TIM-FACTS, the FPA Preparedness Module, and PAS.</p> <p>USDA's EVM requirement to monitor and correct cost and schedule overruns was implemented as of June 30, 2006.</p>
<p><i>Submits quarterly status reports in remediating IT security weaknesses</i></p>	<p>Forest Service is current with IT Security weakness remediation reporting.</p>
<p><i>Inspector General verifies the effectiveness of the Department-wide IT Security Remediation Process</i></p>	<p>OIG Audit Reports No. 08401-3-FM and 08401-2-FM identified a material weakness regarding the IT general controls environment, but significant progress to resolve it has been made.</p> <p>The agency developed policy and procedures to manage its general controls environment and is working to implement and monitor compliance with the new policy. The agency expects this will result in more efficient financial accountability, and will redirect all cost savings toward programs.</p>
<p><i>Has 90% of all IT systems properly secured (certified and accredited);</i></p>	<p>Forest Service has achieved 100 percent of its IT C&A targets.</p>
<p><i>Has implemented all of the appropriate E-Gov initiatives rather than creating redundant or agency unique IT projects.</i></p>	<p>The Forest Service is using and/or developing agency interfaces to all applicable Federal and USDA E-Gov initiatives including:</p> <ul style="list-style-type: none"> • e-Authentication • e-Learning • e-Grants • USDA Portal • USDA Web Content Management • USDA Document Management • USDA Integrated Acquisition System • Federal Travel System • Geospatial One-Stop • Recreation One-Stop • USDA Universal Telecommunications Network • FirstGov.gov and USDA.gov Web page branding • USDA Employee Services Web site • USA Jobs Web site

Budget and Performance Integration

OMB'S GREEN STANDARD	STATUS AND PROGRESS
<p><i>Senior agency managers meet at least quarterly to examine reports that integrate financial and performance information that covers all major responsibilities of the Department. Agency demonstrates improvement in program performance and efficiency in achieving results.</i></p>	<p>Forest Service implemented a new budget formulation process in FY 2005, providing the National Leadership Team (NLT) the opportunity to integrate budget and performance information in several alternative scenarios prior to preparing the FY 2007 budget request.</p> <p>At the 2006 NLT meeting, leadership again assessed the agency's prior year performance results in annual budget and performance documents.</p> <p>Preliminary performance was published in the 2005 P&AR, while 12-month actual performance information was reported in the FY 2007 Budget Justification.</p> <p>As the agency continues to improve its program effectiveness and reduce operational costs, the focus moves <i>from</i> performance accountability weaknesses to achieving results for mission-critical natural resource priorities.</p>
<p><i>Strategic plans contain a limited number of outcome-oriented goals and objectives.</i></p> <p><i>Annual budget and performance documents incorporate measures identified in the PART and focus on the information used in the senior management report described in the first criterion.</i></p>	<p>Currently, the Forest Service's Strategic Plan 2004-2008 contains few outcome-oriented goals and objectives. The agency continues to move toward improved outcomes, especially as management's commitment to performance accountability increases. In FY 2006, Forest Service developed a comprehensive set of outcome-oriented performance measures for all business operations functions to be implemented in FY 2007.</p> <p>The FY 2005 P&AR discussed the means by which the Forest Service demonstrates performance accountability. The annual performance report section of the P&AR—a GPRA requirement—describes progress toward PART milestones, preliminary reporting by strategic goal and outcome, and the research that guarantees results for the future:</p> <ul style="list-style-type: none"> ▪ A strategic context for the Executive Priorities measures, the agency's key performance goals ▪ <i>Accountability through Assessment</i>—the PART assessments, with OMB's recommendations, milestones, and Forest Service actions ▪ <i>Accountability to the Executive Priorities</i>—the preliminary results for FY 2005 ▪ <i>Accountability to the Future</i>—R&D's contribution for future results.
<p><i>Has performance appraisal plans and awards programs for all SES and managers, and more than 60% of agency positions that effectively:</i></p> <ul style="list-style-type: none"> ▪ <i>Link to agency mission, goals and outcomes;</i> ▪ <i>Hold employees accountable for results appropriate to their level of responsibility;</i> ▪ <i>Differentiate between various levels of performance;</i> ▪ <i>Provide consequences based on performance. Provide consequences based on performance. The agency is working to include all agency employees under such systems.</i> 	<p>Both the Strategic Management of Human Capital and the Budget and Performance Integration PMA initiatives require that Federal agencies: link to agency mission, goals, and outcomes; hold employees accountable for results appropriate for their level of responsibility; differentiate between various levels of performance; and provide consequences based on performance.</p> <p>USDA issued direction in FY 2004 that at least 60 percent of employees' performance plans must align with agency mission and goals. The Forest Service subsequently issued direction that 100 percent of agency employees will have credible measures of performance, aligned with the mission and their units' performance goals and objectives.</p> <p>In order to differentiate between various levels of performance, the Forest Service planned to transition to a multilevel performance management system in FY 2006. A framework was established within the existing pass/fail performance appraisal program that is migrated to the multilevel plan. This transition has been delayed until first quarter of FY 2007.</p>
<p><i>Reports the full cost of achieving performance goals accurately in budget and performance documents and can accurately estimate the marginal cost (+/- 10%) of changing performance goals.</i></p>	<p>The Forest Service budget is structured around programs, many of which support multiple objectives. In FY 2006, the work planning system was updated to directly tie projects funded under various programs and their planned accomplishments to strategic plan goals and objectives. The FY 2006 workplans provide baseline planned expenditure and accomplishment information by strategic plan goal and objective at the forest, regional, and national level. This information can be used to estimate the cost of changing goals and objectives starting in FY 2007.</p>

OMB'S GREEN STANDARD	STATUS AND PROGRESS
<p><i>Has at least one efficiency measure for all PARTed programs.</i></p>	<p>In this initial round of PART assessments—the first 5-year cycle—the Forest Service developed at least one efficiency measure for all PARTed programs.</p> <p>Efficiency measures by strategic goal were submitted to USDA for the FY 2007 budget.</p>
<p><i>Uses PART evaluations to direct program improvements, and PART ratings and performance information are used consistently to justify funding requests, management actions, and legislative proposals.</i></p> <p><i>Less than 10% of agency programs receive a 'Results Not Demonstrated' rating for more than two years in a row.</i></p>	<p>FY 2006 and FY 2007 Budget Justifications, as well as the FY 2005 and FY 2006 Audit Report contained performance information and progress on Forest Service PART evaluations.</p> <p>See an overview of Forest Service's PART assessments in Chapter 3 of the FY 2007 Budget Justification at http://www.fs.fed.us/aboutus/budget/.</p> <p>To review progress toward the PART milestones for FY 2006, see the Annual Performance Report section of the P&AR at http://www.fs.fed.us/plan/par/2006/. This report will be issued during the first quarter of FY 2007.</p> <p>OMB is in the first 5 years of its schedule to assess 20 percent of all Federal programs each year. The Forest Service has completed seven PART assessments to date (through the fiscal year 2007 President's Budget Request).</p> <p>Two of these assessments were <i>reassessments</i> from earlier PART analyses, which resulted in improved performance measures and improved scores.</p> <p>For the 2008 President's Budget Request, completed in FY 2006, the Forest Service performed two <i>new</i> assessments, in addition to completing two reassessments.</p>

MANAGEMENT CONTROLS, SYSTEMS, AND COMPLIANCE WITH LAWS

FY 2006 Financial Statement Audit Report Results

The FY 2006 Financial Statement Audit report identified two material weaknesses under the headings “Information Technology General Controls Environment” and “Financial Management and Reporting Process”. In addition, the report identified 11 reportable conditions. The FY 2007 FMFIA and FFMI corrective action plans are being developed to address these and other deficiencies as included in the report.

Federal Managers' Financial Integrity Act

The FMFIA¹² requires Federal agencies to conduct ongoing evaluations of the adequacy of the systems of internal accounting and administrative control and to report all material weaknesses found through these evaluations. Federal agencies are required to provide reasonable assurance that the following objectives are being met:

- Programs operate efficiently and effectively;
- Obligations and costs comply with applicable laws and regulations;
- Funds, property, and other assets are safeguarded against waste, loss, or mismanagement; and
- Revenues and expenditures are properly recorded and accounted for to permit the preparation of reliable financial and statistical reports and to maintain accountability over assets.

During FY 2006, the Forest Service took the steps necessary to ensure that evaluations of the system of internal controls for the agency have been conducted in accordance with OMB guidelines and comply with the standards prescribed by the Comptroller General. The Forest Service annual, internal, evaluation included assessments regarding whether the financial management systems and internal accounting and administrative controls were in compliance with the standards prescribed by the Comptroller General. The results of the assessment, conducted at all levels throughout the agency, indicate that the agency's controls, in general, are achieving their intended objectives and during FY 2006 provide reasonable assurance that the above-mentioned objectives have been met. Except for the material weaknesses and reportable conditions identified through the Financial Statement Audit process and discussed below, the Forest Service identified no additional deficiencies during this annual, internal, process.

In FY 2006, as a result of audits conducted by OIG, the Forest Service reported the following OIG audit-identified material weaknesses, reportable conditions, and noncompliance issues as part of the FMFIA process.

Material Weaknesses

- **05-01MW**—Improvement needed in financial accounting and reporting policies, practices and procedures - Inadequate Accountability for Undelivered Orders
- **05-02MW**—Forest Service Needs to Continue to Improve its Financial Management and Reporting Process
- **00-01MW**—USDA Information Security Weaknesses

Reportable Conditions

- **92-01RC**—Administration of Lands Special Uses Permits
- **05-03RC**—Forest Service has not effectively implemented GPRA

¹² This is also known as the Integrity Act.

Noncompliance Issues

- **05-04NC**—Controls related to Physical Inventories of Capital Assets Need Improvement
- **05-05NC**—Forest Service Does not Obligate all Transactions required by Appropriations Law
- **05-06NC**—Forest Service may not be in Compliance with 31 USC 1517

As of September 30, 2006, the Forest Service completed all corrective actions for FMFIA items 05-01MW, 05-02MW, 05-04NC, 05-05NC, 05-06NC, and 92-01RC and requested OCFO remove these deficiencies, identified in FY 2005 and prior Financial Statement audits, from the list of agency material weaknesses. The Forest Service has completed all actions and forwarded requests for closure of the specific audit recommendation to OCFO along with documentation to substantiate completion of any required action. The FMFIA items above were related to management decisions between the Forest Service and USDA. The financial statement auditors reviewed FY 2005 and prior findings and recommendations, and determined that 05-02MW and 05-05NC remain open. During FY 2007 the Forest Service will address these open items.

Planned corrective actions are ongoing for the FMFIA reported material weakness 00-01MW, and FMFIA reported reportable condition 05-03RC. The following tables contain justification, status of corrective actions, and explanation of remaining steps required to close the material weaknesses, based on the FY 2006 corrective action plans.

FMFIA Reportable Condition and Material Weakness Action Plans

REPORTABLE CONDITION FS05-03RC				
Description: Implementation of GPRA				
Reference: 08601-01-HY				
Responsible Staff: Audit Liaison, P&BA, and SPRA Staffs				
Corrective Actions	Action Completed	Revised Completion Date	Reason Corrective Actions Were Not Completed	FY 2007 Action Plan for Corrective Actions Not Met
Implement the current/revised corrective actions to resolve the audit recommendations from the previous GPRA audit.	8/23/2006			
Implement the internal controls component of the Performance and Accountability System (PAS).		9/30/2007	Pending review of request for change in management decision and closure. Request denied 8/23/2006.	Complete scheduled action in compliance with management decision.
Incorporate within the performance element on managing work assignments, a standard to assure information reported is adequate, reliable, verifiable, and useful.		9/30/2007	Pending review of request for change in management decision and closure. Request denied 8/23/2006.	Complete scheduled action in compliance with management decision.
Validate that Forest Service managers and executives have been evaluated on performance accountability.		9/30/2007	Pending review of request for change in management decision and closure. Request denied 8/23/2006.	Complete scheduled action in compliance with management decision.
Establish a process to incorporate within the P&AR the reporting of materially inadequate performance data, reasons for inadequate data, and actions being taken to remedy the material inadequacy.		9/30/2007	Pending review of request for change in management decision and closure. Request	Complete scheduled action in compliance with management decision.

REPORTABLE CONDITION FS05-03RC				
Description: Implementation of GPRA				
Reference: 08601-01-HY				
Responsible Staff: Audit Liaison, P&BA, and SPRA Staffs				
Corrective Actions	Action Completed	Revised Completion Date	Reason Corrective Actions Were Not Completed	FY 2007 Action Plan for Corrective Actions Not Met
			denied 8/23/2006.	
Identify unmet targets and goals, and plans to address the unmet goals in the P&AR.	8/23/2006			

MATERIAL WEAKNESS FS00-01MW				
Description: Information Technology Security				
Reference: 08401-2-FM, 08401-6-FM				
Responsible Staff: IRM				
Corrective Actions	Action Completed	Revised Completion Date	Reason Corrective Actions Were Not Completed	FY 2007 Action Plan for Corrective Actions Not Met
Document decommissioning of Purchase Order Normal Tracking and Inventory System (PONTIUS) and Purchase Order System (PRCH), the conversion process to IAS, and results of the reconciliation of transactions converted from PRCH to IAS.	6/20/2006			
Develop, communicate, and establish controls for management approval for archiving, deleting, and sharing ATSA data.	8/15/2006			
Develop and implement a user access review policy and procedure for the HHS PMS application.	6/30/2006			
Issue letters to employees reminding them of their responsibility to abide by Forest Service information security and privacy policies and participate in mandatory security awareness training.	6/30/2006			
Coordinate with EMIS application owner to ensure that controls are effective, reports are reviewed, reconciliations are performed, and issues are resolved promptly.	5/3/2006			
Develop new action plan, identify additional resources to accomplish tasks, and obtain Office of the Chief Information Officer and OCFO approvals. ¹³				

Federal Financial Management Improvement Act

The FFMIA¹⁴ of 1996 requires Federal agencies to implement and maintain financial management systems that substantially comply with the following:

1. Federal financial management system requirements;
2. Applicable Federal Accounting Standards;
3. The Standard General Ledger (SGL) at the transaction level; and
4. Information security policies, procedures, and practices.

¹³ The IRM corrective action plan for FY 2006 is being revisited and a new FY 2007 comprehensive plan is being developed in accordance with USDA direction.

¹⁴ This is known as the Improvement Act.

The Federal Information Security Management Act (FISMA) of 2002 added the fourth reporting requirement for FFMIA. Under the FFMIA, agencies are required to annually report whether financial management systems substantially comply with the FFMIA. If systems are found not in compliance, a remediation plan is required to bring the agency's financial management systems into substantial compliance.

FY 2006 Results

For FY 2006, the Forest Service is in substantial compliance with the FFMIA, although the financial statements audit report noted instances of noncompliance where the agency's financial management systems did not comply with Federal financial management system requirements, applicable Federal accounting standards, or the U.S. Standard General Ledger at the transaction level.

The Forest Service developed a remediation plan to aggressively implement corrective actions to resolve all Improvement Act and FISMA noncompliance issues. As of September 30, 2006, the Forest Service completed significant corrective actions regarding its financial management systems and made progress in resolving FISMA noncompliance issues. The agency continues to make progress toward resolving two remaining issues within the general control environment. The development and implementation of entity wide software and hardware management policies and procedures will require complete review and revision because of Forest Service's organizational restructuring and is now targeted for completion in the third quarter, FY 2007. In addition, certification and accreditation of systems in full compliance with OMB Circular A-130 and National Institute of Standards and Technology's (NIST) Special Publication 800-37 is scheduled for completion by third quarter, FY 2007.

The following tables contain justification, status of corrective actions, and explanation of remaining steps required to achieve full compliance with the FFMIA, based on the FY 2006 corrective action plans

FFMIA Remediation Plans

SECTION 1—FEDERAL FINANCIAL MANAGEMENT SYSTEMS REQUIREMENTS					
Agency Point of Contact: IRM					
References: 08401-2-FM, 08401-6-FM					
Description	Corrective Actions	Target Completion Date	Actual Completion Date	Reason Corrective Actions Were Not Completed	FY 2007 Action Plan for Corrective Actions Not Met
System C&As	Certify and accredit the Forest Service Computer Base GSS, Travel, Connect HR, Automated Timber Sales Accounting (ATSA), Paycheck, and Infra in compliance with OMB Circular A-130 and NIST Special Publication 800-37.	6/30/2007		IT corrective action plans underwent a comprehensive review at the end of FY 2006 to validate scheduled actions and revise target dates.	Pending finalization
Strategic Plan and Annual Performance Plan Goal and Objective to which the Corrective Actions apply, if applicable.					

SECTION 4—INFORMATION SECURITY POLICIES, PROCEDURES, AND PRACTICES					
Agency Point of Contact: IRM					
References: 08401-2-FM, 08401-6-FM					
Description	Corrective Actions	Target Completion Date	Actual Completion Date	Reason Corrective Actions Were Not Completed	FY 2007 Action Plan for Corrective Actions Not Met
Software Management Policy	Develop entity wide software management policy and procedures and install the latest software versions, service packs, and security patches (and remove out-dated versions).	2/28/2007		IT corrective action plans underwent a comprehensive review at the end of FY 2006 to validate scheduled actions and revise target dates.	Pending finalization
Strategic Plan and Annual Performance Plan Goal and Objective to which the Corrective Actions apply, if applicable.					

Financial Management Systems

The Forest Service's overall financial systems framework consists of the Department wide FFIS and the Financial Data Warehouse (FDW).

FFIS requires the various feeder systems to deliver scheduled deposits of financial data. Financial data include receivables, commitments, accruals, billing and payment activities, working capital fund, employee travel reimbursements, transfer of station reimbursements, travel authorization management, reimbursable and advance collection agreements, timber sale accounting activities, uniform allowance activities, and payments to States.

These feeder systems ensure timely and accurate delivery of data into the financial accounting systems processing records on a daily basis.

Financial data are loaded nightly into the FDW, facilitating the Forest Service and USDA's reporting and analysis requirements for performance reporting, audit follow-up information, and activities performed by Government and contracted personnel.

FY 2006 Results

Over the past 2 years, the Forest Service completed a BPR study covering all financial accounting and budget execution activities. The BPR study resulted in the reorganization of the B&F workforce into a centralized Financial Accounting and Budget Execution operation. This smaller centralized workforce increased efficiencies for the agency by automating many of the manual processes used in the decentralized workforce.

FY 2006 accomplishments include:

- To support the centralized B&F operation, the Forest Service implemented the Financial Transaction Request System (FTRS). FTRS electronically transfers collection and billing information from the field units that was transferred via FAX machines before the BPR.
- Transition of operational and system responsibilities for the Forest Service's Uniform Allowance Program from the Human Capital Management Staff to the Financial Management Staff;
- Implementation of the All Service Receipts System v1.3 that facilitates land use payments to States;
- Replacement of outdated microfiche processes for archiving ATSA data and reports with Web-based technology. This new technology enables Forest Service personnel to access online reports, with archives back to FY 2004.

In addition, the Forest Service continues the certification and accreditation process for all systems categorized as “Financial” or “Mixed Financial” systems.

Finally, the Forest Service is collaborating with USDA on the implementation of a Department-wide Travel system; and in the selection, design, and implementation of the next-generation financial management system. The agency anticipates implementing the new financial management system in FY 2010.

Federal Information Security Management Act

The FISMA provides the framework for securing the Federal Government's information technology. Departments covered by the Paperwork Reduction Act must implement the requirements of FISMA, reporting annually to OMB and Congress on the effectiveness of the agency's security programs and independent OIG evaluations. Security audit findings, security deficiencies identified in systems through the Certification and Accreditation (C&A) process, and security deficiencies identified in self-assessments are listed and tracked in the FISMA Plan of Actions and Milestones (POAM), which is updated monthly and reported to USDA quarterly for inclusion in its FISMA Report to OMB.

The Forest Service is aware of the vulnerability of its assets and financial data due to error or fraud and is in the process of correcting the information security controls material weakness. Plans are in place to address this significant deficiency, as well as any associated reportable conditions, as identified in the FY 2006 Annual FISMA Report.

FY 2006 Results

Although the Forest Service did not resolve all information security weaknesses as planned for FY 2006, the agency continues to make progress in implementing the necessary corrective actions to resolve remaining weaknesses. Information security corrective actions (also FMFIA/FFMIA corrective actions) completed this fiscal year include:

- Developed and published policy covering critical areas of IT Contingency Planning, IT Restricted Space Physical Security, Data Backup and Recovery, and System C&A.
- Published policy and approved operating procedures for the agency's Computer Incident Response Team¹⁵.
- Developed and implemented a user-access review policy and procedure for the HHS PMS application.
- Developed, communicated, and established controls for management approval for archiving, deleting, and sharing ATSA data.
- Issued letters to employees reminding them of their responsibility to abide by Forest Service information security and privacy policies and participate in mandatory security awareness training.
- Coordinated with Equipment Management Information System application owner to ensure that controls are effective, reports are reviewed, reconciliations are performed, and issues are resolved promptly.

¹⁵ The Computer Incident Response Team charter, establishing its authority, was signed by the Chief Information Officer (CIO) on October 5, 2006.

The Forest Service will continue with plans to complete the correction of the information security controls material weakness in FY 2007.

Inspector General Act Amendments of 1988

The Inspector General Act requires management to complete all final actions on audit recommendations within 1 year of the date of the Inspector General's final audit report.

As of September 30, 2006, the Forest Service officially closed five outstanding audits. An audit is "outstanding" if it remains open 1+ years of reaching management decision on all audit recommendations.

Since 2002, the agency has increased its efforts to reduce the number of unimplemented audits pending final action. The audit inventory at the end of FY 2003 was 26; FY 2004 was 21; FY 2005 was 14, and FY 2006 was 13. The explanation for delays in implementing recommendations includes the development and implementation of new/revised directives and systems.

Per the Inspector General Act reporting requirements, agencies must report the dollar value of disallowed costs and funds to be put to better use. A disallowed cost (DC) is a questioned cost that management sustains or agrees is not chargeable to the Government. Funds to be put to better use (FTBU) are funds that OIG has recommended could be used more efficiently if management took actions to implement and complete the recommendation. The following are the results from the reporting period of October 1, 2005, to September 30, 2006.

FY 2006 Results

DC and FTBU (in thousands)				
	DC ¹⁶		FTBU ¹⁷	
	Reports	Value	Reports	Value
Balance 9/30/2005	1	\$140.5	5	\$42,164.7
New	0	0	0	0
Total	1	\$140.5	5	\$42,164.7
Closed	0	0	3	30,661.5
Balance 9/30/2006	1	\$140.5	2	\$11,503.2

Improper Payments Information Act

The Improper Payments Information Act (IPIA) requires each Federal agency to assess all programs and identify which, if any, program(s) may be subject to high risk with respect to improper payments. Agencies are also required to implement any needed corrective measures. For FY 2006 disbursements, USDA determined four funds to audit, with one fund requiring a statistical sample. Forest Service identified the Wildland Fire Suppression (WFSU) program again as its single *high-risk* program area related to payments. The Forest Service selected a sample from the FY 2006 WFSU outlays for evaluation, using an estimated 2.49 percent error rate with a 90% confidence level which resulted in 166 samples.

For the FY 2005 disbursements, the error rate, when extrapolated, resulted in the annual estimated improper payments amounts for the WFSU program of \$7.1 million. Our review of disbursements for the NFS, S&PF, Capital and Improvement Maintenance, Forest and Rangeland Research, and Wildfire Management Funds indicated an error rate of 0%.

¹⁶ DC balance is OIG Audit No. 08801-02-TE.

¹⁷ FTBU balance is comprised of OIG Audit No. 08801-02-TE (\$1,173.9) and OIG Audit No. 08003-05-SF (\$10,329.3).

During FY 2006, the OIG conducted an audit on improper payments at the Forest Service. As of the end of the fiscal year, the OIG issued a draft audit report 08601-47-SF, "Improper Payments - Monitoring the Progress of Corrective Actions for High-Risk Programs in the Forest Service."

In brief, the audit report recommended the Forest Service report in the 2006 audit report the annual estimated amount of improper payments for all programs identified as high risk as required by the IPIA. In response, the information is now included in this section as required. The agency is currently providing comments on the draft report, and will reach management decision on the audit recommendations in FY 2007.

Internal Controls Over Financial Reporting (A-123, Appendix A)

The Forest Service implemented the revised requirements of OMB's Circular A-123 "Management's Responsibility for Internal Controls," and Appendix A, "Internal Controls over Financial Reporting." USDA identified 8 cycles and 47 processes that were applicable for assessment under these requirements.

The eight cycles included Funds Control, Funds Management, HRM, Grant Management, Procurement, Revenue Management, Property Management, and Financial Reporting. In addition, IT (computer controls) was also considered a component of the Forest Service's self-assessment. Each process was mapped and evaluated for internal control design effectiveness.

For the 2006 Assurance Year (ending June 30 of the fiscal year), Forest Service identified 16 of the 47 processes to test, while the remaining 31 processes are in remediation for one of five reasons:

- Audit Finding
- Management Issue
- Re-engineering
- Migration
- Design Deficiency

The testing requirements were stringent and designed to identify control deficiencies, reportable conditions, and material weaknesses.

Of the 16 processes tested, the two that passed completely are in the Funds Management Cycle. Nine reportable conditions and two material weaknesses were identified, although the material weaknesses were known to be pre-existing. The Forest Service is currently testing the results of remediation activities to determine whether the weaknesses still exist and whether the level of material weakness is still appropriate.

As a result, the Forest Service compiled a listing of 56 deficiencies—ranging from control deficiency to material weakness—into a Summary of Aggregated Deficiencies; developed remediation plans for the identified deficiencies; and began implementing a monitoring process.

For the 2007 Assurance Year, Forest Service intends to test every control and expand the scope of testing to include field processes. Due to time constraints and resources available, Forest Service was unable to test all field processes completely in 2006. Mapping of the field processes is currently underway; testing should commence in January and end in June 2007.

An additional evaluation of remediation activity and redesigned controls is also currently underway.

Anti-Deficiency Act Compliance

The USDA Forest Service provides assistance for emergency incidents on other than USDA Forest Service lands. A footnote provided on the apportionment for 12X1115, Wildland Fire Management, indicated that no more than \$100 million of fire suppression funds could be spent on aviation resources. The USDA Forest Service was under the impression that there were two lines of authority within the apportionment document, appropriated budget authority for activities funded by fire suppression funds and reimbursable budget authority for emergency activities that would be reimbursed. On August 3, 2006 the agency had ordered \$117 million in aviation resources. Of that amount, \$32 million was related to reimbursable budget authority which would be reimbursed by states and other entities and \$75 million was related to fire suppression activities funded by appropriated fire suppression budget authority. The agency has been diligent in its efforts to track and comply with apportionment restrictions, and as we approach ceilings imposed by footnotes, request an increase in funding. When an aviation increase was requested on August 3, 2006 we were advised by the USDA Office of Budget and Program Analysis (OBPA) that we had a potential Anti-Deficiency Act violation of the ceiling imposed by the apportionment. On August 4, 2006, OMB signed another apportionment increasing the aviation footnote to \$175 million. As requested by USDA OBPA, the USDA Forest Service requested a legal opinion from the Office of General Counsel regarding the aviation footnote. To date, no decision has been reached.

Limitations of Financial Statements

The Forest Service has prepared its financial statements to report its financial position and results of operations pursuant to the requirements of 31 U.S.C. 3515 (b).

The Forest Service statements have been prepared from its books and records in accordance with Generally Accepted Accounting Principles for Federal entities and the formats prescribed by OMB. The statements, however, are in addition to the financial reports used to monitor and control budgetary resources, which are prepared from the same books and records.

These statements should be read with the understanding that they are for a component of the U.S. Government, a sovereign entity. Liabilities not covered by budgetary resources cannot be liquidated without the enactment of an appropriation by Congress. The Federal Government can abrogate the payment of all liabilities, other than for contracts.