



United States  
Department of  
Agriculture

Forest  
Service

April 2005



# Forest Service Performance and Accountability Report—Fiscal Year 2004







United States  
Department of  
Agriculture

Forest Service

April 2005



# Forest Service Performance and Accountability Report— Fiscal Year 2004



---

## Message From the Chief

This fiscal year (FY) 2004 Performance and Accountability Report is the Forest Service's first chance to gauge our success and shortcomings over the past year. This report is also our first opportunity to measure our performance against the targets set in our new *USDA Forest Service Strategic Plan for Fiscal Years 2004–2008*.

In 2003, the agency focused on the four threats to conservation. These threats—growing danger of catastrophic fires due to hazardous fuel buildups; the spread of invasive species; loss of open space; and unmanaged outdoor recreation, particularly the unmanaged use of off-highway vehicles—increasingly keep us from delivering clean air, abundant water, and healthy habitat for fish and wildlife.

The new 2004–2008 Strategic Plan addresses these threats by providing six goals with performance measures to evaluate our success: (1) reduce the risk from catastrophic wildland fire, (2) reduce the impact from invasive species, (3) provide outdoor recreational opportunities, (4) help meet energy resource needs, (5) improve watershed condition, and (6) conduct mission-related work in addition to that which supports the agency goals. As a subset of these long-term goals and their targets in the new strategic plan, this 2004 Performance and Accountability Report addresses the agency's executive priorities.

This report presents an analysis of both our achievements and the challenges we face. The results reported here show the dedication and passion of Forest Service employees working shoulder to shoulder with our partners, communities, and other stakeholders for the sustainability of the health, diversity, and productivity of our Nation's forests and grasslands.

In FY 2004, the Forest Service:

- Developed new tools under the Healthy Forests Initiative and Healthy Forests Restoration Act to reduce process gridlock, including established stewardship contracting categorical exclusions that enable priority fuel treatment and forest restoration to proceed quickly and revised the administrative appeals process specific to fuels and forest health projects.
- Achieved significant hazardous fuels reduction.
- Saved an estimated \$20 million as a result of a service-wide Information Technology Competitive Sourcing Study.
- Initiated business process reengineering for our Human Resources and Financial Management Staffs.

- 
- Issued a proposal for a national approach to motorized use on the national forests and grasslands to enhance recreational opportunities for the public and better roads, trails, and areas.
  - Adopted and used the Office of Management and Budget's Program Assessment Rating Tool to assess the performance of our wildland fire management program, the Forest Legacy Program, programs for improving and maintaining national forest land, programs addressing invasive species, and our land acquisition program.
  - Created a Partnership Office to focus on strengthening and building partnerships integral to the sustainability of the Nation's forests and grasslands.
  - Entered into an agencywide memorandum of understanding with the Bureau of Land Management, the U.S. Fish and Wildlife Service, and private conservation organizations to improve access for hunting and fishing opportunities on Federal lands and to increase the availability of information about such opportunities to better serve hunters and anglers.

At a time when our need for performance and fiscal accountability has never been greater or our management challenges more demanding, this report provides a powerful new tool, a way to build organizational and individual accountability, identify achievement, and improve effectiveness and efficiency. This report, which links to our new strategic plan as well as to our performance budget and annual program direction, documents results that will inform our future course.

The financial and performance data presented in this report are complete and reliable. This report also documents our progress toward complying with the Federal Managers' Financial Integrity Act (FMFIA). Except for areas of improvement identified in this report, the Forest Service is providing reasonable assurance that our systems of internal control comply with FMFIA's objectives. Additionally, based on the work performed during FY 2004, the agency's financial management systems comply substantially with the objectives of FMFIA, with the exception of any financial system nonconformities identified in this report. The "Management Controls, Systems, and Compliance with Laws and Regulations" section of this report presents findings from the Office of Inspector General and the agency's planned actions to resolve those challenges.

Furthermore, the Forest Service is working to ensure the continued strength and focus of our financial integrity in an effort to centralize financial operations and reengineer many of the associated processes. The new, centralized organization, located in Albuquerque, NM, will be fully staffed and functional in early FY 2006.

---

We have again accomplished our goal of achieving an unqualified, “clean” audit opinion in FY 2004. This third consecutive unqualified audit opinion demonstrates that the agency is making positive strides in financial and performance accountability and sustainability.

We have an obligation to the American people to deliver the mission as efficiently and effectively as possible. With continued sharp focus on financial, budgetary and performance accountability, we will meet that obligation.



Dale N. Bosworth  
Chief





---

## Foreword

The *Forest Service Performance and Accountability Report—Fiscal Year 2004* has been prepared in accordance with the Report Consolidation Act of 2000 and the Office of Management and Budget's direction. As required by law, this document integrates the Forest Service's annual performance report with its annual consolidated financial statements as of September 30, 2004. It also includes the resulting KPMG LLP<sup>1</sup> report on the agency's financial statements, internal controls, and compliance with laws and regulations. A summary of Forest Service accomplishments and plans for addressing major management challenges and program risks, identified through Office of Inspector General and Government Accountability Office reports, may be found in the Management's Discussion and Analysis section.

All comments regarding this report are welcome. To learn more about the Forest Service and to download the electronic version of the performance and accountability report, visit <http://www.fs.fed.us>.

Address comments to:

Forest Service, USDA  
Strategic Planning and Resource Assessment Staff  
Mail Stop 1129  
1400 Independence Avenue, SW.  
Washington, DC 20250-1129

---

<sup>1</sup> KPMG LLP (KPMG) is an independent auditor.



---

## Contents

Message From the Chief .....	i
Foreword .....	v
Management's Discussion and Analysis .....	1
Mission Statement .....	3
Organizational Structure .....	3
Future Demands and Risks .....	7
The President's Management Agenda .....	9
Management Controls, Systems, and Compliance With Laws and Regulations ..	14
Forest Service's Financial Highlights for 2004 .....	26
Forest Service's Performance Highlights for 2004 .....	31
Performance Trends .....	36
Data Sources for the Executive Priorities .....	39
Annual Performance Report .....	49
The Executive Priorities .....	51
Performance Measures Matter .....	53
Goal 1: Reduce the Risk of Catastrophic Wildfire .....	54
Goal 2: Reduce the Impacts From Invasive Species .....	62
Goal 3: Provide Outdoor Recreational Opportunities .....	69
Goal 4: Help Meet Energy Resource Needs .....	76
Goal 5: Improve Watershed Condition .....	81
Goal 6: Conduct Mission-Related Work To Support the Agency's Goals .....	89
Other Executive Priorities .....	100
Program Assessment Rating Tool .....	101
Program Evaluations .....	111
Financial Section .....	117
Message From the Chief Financial Officer .....	119
Report of the Office of Inspector General .....	121
Independent Auditor's Report .....	125

---

Management’s Response to Audit Report . . . . .	153
Limitations of the Financial Statements . . . . .	155
Consolidated and Combined Financial Statements . . . . .	157
Notes to the Consolidated and Combined Financial Statements . . . . .	163
Required Supplementary Information (Unaudited) . . . . .	187
Required Supplementary Stewardship Information (Unaudited) . . . . .	202
Appendixes . . . . .	209
A. Accomplishing the Mission . . . . .	211
B. Founding Legislation and History of the Forest Service’s Traditional Role . . . . .	219
C. Acronyms and Abbreviations . . . . .	221
D. Forest Service Internet Links . . . . .	225
E. Feedback to the Forest Service . . . . .	227