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FEDERAL TIMBER SALES

Forest Service Could
Improve Efficiency of
Field-Level Timber
Sales Management by
Maintaining More
Detailed Data





Highlights of [GAO-07-764](#), a report to congressional requesters

Why GAO Did This Study

For years, GAO has raised concerns about the ability of the Department of Agriculture's Forest Service (Service) to track the amounts it obligates for and spends on timber sales and to use this information in managing the sales. Timber sales are generally carried out by ranger districts (the lowest level of the Service's decentralized organizational structure), which are overseen by national forest offices. The Bureau of Land Management (BLM) within the Department of the Interior also conducts timber sales. This report examines the extent to which (1) the Forest Service tracks timber sales-related obligations and expenditures, including the extent to which the Service uses this information in making management decisions; (2) BLM tracks timber sales-related obligations and expenditures; and (3) both agencies track their timber sales-related revenue.

What GAO Recommends

GAO recommends actions the Forest Service can take to ensure that its field managers have the obligation and expenditure data they need to manage effectively. In commenting on a draft of this report, the Forest Service generally agreed with its findings and recommendations. Similarly, the Department of the Interior agreed with the report's contents.

www.gao.gov/cgi-bin/getrpt?GAO-07-764.

To view the full product, including the scope and methodology, click on the link above. For more information, contact Robin M. Nazzaro at (202) 512-3841 or nazzaror@gao.gov.

FEDERAL TIMBER SALES

Forest Service Could Improve Efficiency of Field-Level Timber Sales Management by Maintaining More Detailed Data

What GAO Found

The Forest Service tracks the funds it spends to conduct timber sales—such as funds for personnel and equipment—in a way that does not provide the detailed data many field managers, such as district rangers and forest supervisors, told us they need in order to properly manage these sales. The Service's accounting system aggregates obligation and expenditure data by the programs that fund the sales—such as the Forest Products Program and the Salvage Sale Program—and by national forest, rather than by individual timber sale or by ranger district. Forest Service headquarters officials told us that field managers do not need sale-by-sale or district-level data. However, many field managers told us that such data are crucial to their management of timber sales. For example, without such data to monitor the progress and cost of individual sales, field managers have difficulty both knowing when to redirect resources among sales and assessing the cost-effectiveness of individual sales. Without detailed data in the Service's accounting system, many field managers have developed manual "cuff records," such as spreadsheets, to maintain obligation and expenditure data at the individual sale or ranger district level. However, maintaining these cuff records can be time consuming, according to field managers, and can thus take time away from conducting "on the ground" activities such as overseeing timber harvests. Although headquarters officials said that aggregating data has reduced the cost of managing the accounting system data, the resources field managers are expending to compensate for the lack of detailed system data may partially offset those savings. However, the Service does not know the cost of maintaining cuff records, and it has not systematically identified field managers' information needs.

BLM, in contrast to the Forest Service, tracks many timber sales obligations and expenditures by individual sale. BLM has chosen to maintain detailed data in order to allow its field managers to use these data in managing timber sales—by, for example, monitoring the progress and cost of sales. As a result of BLM's approach, field managers have access to detailed data without relying on cuff records.

Overall, the Forest Service and BLM have systems that track revenue data by timber sale. These systems track the volume, type, and value of timber harvested; generate bills to timber purchasers; and track payments against those bills. Both agencies have struggled with, but are resolving, the challenge of tracking revenue from sales conducted under their stewardship contracting authority. Stewardship contracts generally involve the exchange of goods, such as timber, for contract services, such as thinning of brush. The Forest Service recently added a module to its accounting system to track revenue from stewardship contracting projects, while BLM has developed a database for this purpose.

Contents

Letter		1
	Results in Brief	3
	Background	5
	The Forest Service’s Aggregation of Obligation and Expenditure Data Hinders Field-Level Project Management	14
	The Bureau of Land Management’s Detailed Data Help Managers Monitor Projects	20
	Both Agencies Have Systems That Track Revenue by Timber Sale	22
	Conclusions	26
	Recommendation for Executive Action	27
	Agency Comments	27
Appendix I	Objectives, Scope, and Methodology	29
Appendix II	Comments from the Forest Service	32
Appendix III	Comments from the Department of the Interior	33
Appendix IV	GAO Contact and Staff Acknowledgments	34
Figures		
	Figure 1: Forest Service Regions	7
	Figure 2: BLM-Administered Lands and State Jurisdictions	12

Abbreviations

BLM	Bureau of Land Management
CBS	Collections and Billing System
FFIS	Foundation Financial Information System
FFS	Federal Financial System
K-V	Knutson-Vandenberg
MIS	Management Information System
SCID	Stewardship Contracting Information Database
TIM	Timber Information Management system
TSA	Timber Sale Accounting system
TSIS	Timber Sale Information System

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United States Government Accountability Office
Washington, DC 20548

June 27, 2007

The Honorable Tom Harkin
Chairman
Committee on Agriculture, Nutrition, and Forestry
United States Senate

The Honorable Jeff Bingaman
Chairman
Committee on Energy and Natural Resources
United States Senate

As the steward for more than 190 million acres of federal land, the Department of Agriculture's Forest Service (Service) undertakes a myriad of land management projects to sustain the land's health, diversity, and productivity. Such projects may involve harvesting marketable timber, such as fuel reduction projects designed to thin heavy undergrowth and dense stands of trees, and salvaging (i.e., removing) dead and dying trees. In fiscal year 2006, the sale of timber generated revenue of over \$221 million for the Service.

The Service has a decentralized structure consisting of the Washington Office and the field. The field consists of nine regions that oversee 155 national forests; the forests, in turn, oversee hundreds of ranger districts. Timber harvests, like other land management projects, are generally conducted by the Service's ranger districts and national forests, and the Service places considerable decision-making authority in managers at these field offices. The Service funds its land management projects through various programs.¹ These programs include wildlife and fish management, forest products, grazing management, and so forth. Timber sales involving the harvest of live trees are generally conducted under the Forest Products Program, while sales involving the salvage of dead or dying trees are generally conducted under the Salvage Sale Program.

¹The Service allocates funds by budget line item; these items generally correspond to programs. For the purposes of this report, we will refer to the budget line items as programs.

Forest Service timber sales activities have long been controversial, in part because of concerns over the ecological and financial costs associated with harvesting timber. For years, we, along with other organizations, have questioned the Service's ability to track the amount it spends on timber sales, as well as the Service's ability to use these data to make management decisions about its operations. For example, for fiscal years 1992 through 1997, the Department of Agriculture's Office of Inspector General reported that the Forest Service's accounting data—including data associated with timber sales—were not reliable. We reported a similar finding in 2001. Further, in 2003 and again in 2006, we reported that the Service does not maintain data on the actual cost of individual work activities, including timber sales, and as a result cannot assess the extent to which these activities yielded accomplishments commensurate with the dollars spent on them.

In this context, you asked us to examine the Service's current mechanisms for tracking timber sales-related obligations and expenditures,² as well as timber sales-related revenue. In addition, given that the Bureau of Land Management (BLM) within the Department of the Interior also conducts timber sales, you asked us to include that agency in our review as well. Specifically, we agreed to determine the extent to which (1) the Forest Service tracks timber sales-related obligations and expenditures, including the extent to which the Service uses this information in making management decisions; (2) BLM tracks timber sales-related obligations and expenditures, and how BLM's methods for doing so compare with those of the Forest Service; and (3) the Forest Service and BLM track their timber sales-related revenue.

In conducting our work, we reviewed Forest Service timber sales accounting policies and procedures; financial system manuals and documentation; reports from systems in place to track obligations, expenditures, and revenue; and databases and spreadsheets devised by field offices to track this information. We visited numerous field locations because the Forest Service is a decentralized agency. Our work included visiting six of the nine Forest Service regional offices and at least one national forest office in each of six regions. We also interviewed officials

²An agency incurs an obligation when it places an order, signs a contract, purchases a service, or takes other actions that require the government to make payments immediately or in the future. An expenditure occurs when the payment is actually made (i.e., when funds are actually transferred). The U.S. budget uses obligational accounting to control the use of funds and ensure that agencies comply with appropriations law.

of five ranger districts. We also visited the Service's Washington Office and the Albuquerque Service Center, which performs many Forest Service accounting functions. Our BLM work included reviewing BLM timber sales accounting policies and procedures, financial system manuals and documentation, and reports from systems in place to track obligations, expenditures, and revenue. In addition, we visited the National Business Center in Denver, Colorado; two state offices; one district office; and one field office. At each of these Forest Service and BLM locations, we interviewed officials responsible for tracking timber sales and managing related obligations, expenditures, and revenue, and we reviewed related policies, procedures, and records. We conducted our review from April 2006 through April 2007 in accordance with generally accepted government auditing standards, which included an assessment of data reliability and internal controls. Additional information on our scope and methodology appears in appendix I.

Results in Brief

The Forest Service tracks the funds it spends on timber sales, including obligations and expenditures for personnel and equipment, in a way that does not provide the detail that many field managers, such as district rangers and national forest supervisors, said they need in order to make management decisions—for example, in deciding how to allocate or redirect resources among sales. The Service does not track timber sales-related obligation or expenditure data by individual sale but rather aggregates these data by the programs that fund the sales—such as the Forest Products Program or the Salvage Sale Program. Also, within these programs, the Service recently stopped tracking obligations and expenditures at the ranger district level, where timber sales are generally carried out, and now tracks them instead at the national forest level. Forest Service headquarters officials said that the aggregation of obligation and expenditure data at the forest level was part of an effort to reduce the proliferation of job codes in the accounting system and the associated data management costs. These officials said that the aggregate data are “good enough” and that field managers do not need more detailed data. However, many field managers we talked with said that detailed data are crucial to their timber sales management efforts. Without obligation and expenditure data on individual sales, for example, field managers said they cannot compare actual expenditures on sales with planned expenditures, identify potential inefficiencies across sales, or identify resources available for redirection to another sale if needed. Further, without data on program obligations and expenditures at the ranger district level, field managers said they cannot efficiently compare actual and planned program obligations and expenditures across districts to

ensure that spending is occurring as planned. To compensate for the lack of detailed data, many field managers have independently developed a variety of so-called “cuff records,” such as spreadsheets, containing information they deem essential for managing their timber sales. Field managers we spoke with said that maintaining these cuff records is time consuming—for example, one forest official said he spends about 20 percent of his time gathering and analyzing the data he needs to manage timber sales. As a result, although the aggregation of data has decreased the Service’s recognized data management costs, it has increased the time spent by some field managers on tracking this information through cuff records, thus raising questions about the actual cost savings resulting from the aggregation of data. Moreover, the Service has not systematically determined the information needs of its field managers or the extent to which actual cost savings may be offset by the cost of maintaining cuff records. We are recommending actions the Service can take to improve its managers’ ability to use obligation and expenditure data to understand the actual cost of work activities and make management decisions accordingly.

In contrast to the Forest Service, BLM can track timber sales data by individual sale, thereby allowing field managers to use these data in managing the sales—including comparing planned and actual expenditures, identifying potential inefficiencies across sales, and redirecting resources among sales when needed. For example, using the unique job code assigned to each timber sale conducted under the Forest Ecosystem Health and Recovery Fund, managers can track all obligations and expenditures on each sale—from those incurred during the planning phase (e.g., on environmental assessments) to the final administrative expenditures involved in closing the sale. BLM chose to maintain detailed data because its managers find them necessary in making decisions about, for example, how to allocate resources or reduce expenditures. At the project level, for example, managers can track actual expenditures and compare them with planning estimates. More broadly, managers can analyze several years of data to identify trends in expenditures across offices. These data can then reveal how efficient offices are in accomplishing projects and inform decisions about reallocating resources among offices or programs.

Both the Forest Service and BLM have systems that track and report revenue data by timber sale. Both agencies’ systems track the volume, type, and value of timber harvested by individual timber sale; automatically generate bills to timber purchasers; and track payments against those bills. Over the past few years, both agencies have struggled

with, but are now resolving, the challenge of tracking revenue from timber sales conducted under their stewardship contracting authority. Stewardship contracts generally involve the exchange of goods, such as timber, for contract services, such as thinning of small trees and brush. Such exchanges can be difficult to account for with traditional accounting systems. The Forest Service has recently added a module to its accounting system to track stewardship contracting revenue, and BLM has developed an agencywide database for stewardship contracting information.

We provided a draft of this report to the Secretaries of Agriculture and the Interior for review and comment. The Forest Service and the Department of the Interior generally agreed with our report; their comment letters are presented in appendixes II and III, respectively.

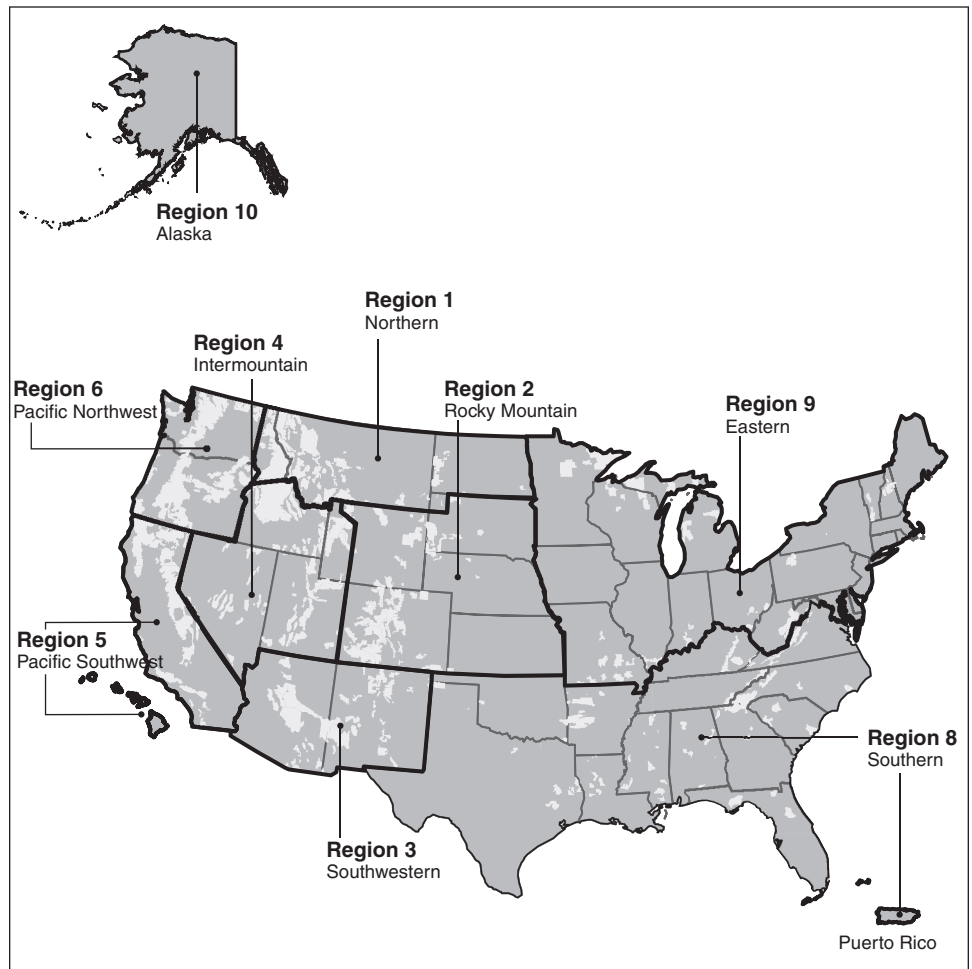
Background

Both the Forest Service and BLM conduct timber sales as part of their management of public land. However, the agencies differ in their organizational structure and in the sources of funding they use for carrying out timber sales. Timber sales activities involve staff time and, in some cases, equipment and supplies, to identify the sale area, conduct the required environmental analyses, solicit bids, prepare the timber sale contract, mark the sale boundary and the trees to be cut or left, and monitor the harvest operations and reforestation activities.

Forest Service Organization

The Forest Service manages 193 million acres of national forests and grasslands. The Service has nine regions that oversee 155 national forests; the forests, in turn, oversee more than 600 ranger districts. Each region (see fig. 1) encompasses a broad geographic area, headed by a regional forester who reports directly to the Chief of the Forest Service and provides leadership for, and coordinates the activities of, the various forests within the region. Each forest, headed by a supervisor, allocates the budget and coordinates activities among the various ranger districts within the forest. Each ranger district, headed by a district ranger, conducts or oversees “on the ground” activities such as construction and maintenance of trails; operation of campgrounds; management of wildlife habitat; and the sale and harvest of forest products, including timber. The districts vary in size from 50,000 acres to more than 1 million acres.

Figure 1: Forest Service Regions



Source: Forest Service.

Note: The Forest Service has no Region 7.

Forest Service Timber Sales-Related Funding

The Forest Service's timber sales-related activities are funded by a variety of appropriations. Within the Service's appropriations, there are several programs (or "budget line items") directly or indirectly related to timber sales. For the Forest Products Program, which is responsible for most timber sales-related activity, the Forest Service received about \$277.6 million of its \$1.5 billion national forest system appropriation in fiscal year 2006. However, the Forest Products Program is not limited to timber sales; some expenditures within the program are associated with other products, such as mushrooms and decorative grasses and foliage. The Service issues

permits that allow individuals to gather such products from the forests, whether for personal use or for sale. Conversely, not all timber sales-related expenditures are included in the Forest Products Program. Certain timber sales' planning expenses, for example, might be borne by other programs—including vegetation and watershed management or wildlife and fish management—if the primary purpose of the sale is to improve vegetative conditions or wildlife habitat rather than to provide commercial timber.

The Forest Service also uses various other funds to pay for timber sales-related activities, including (1) the Knutson-Vandenberg Trust Fund, (2) the Salvage Sale Fund, (3) the Brush Disposal Fund, (4) the Timber Sales Pipeline Restoration Fund, and (5) stewardship contracting revenue.

- **The Knutson-Vandenberg (K-V) Trust Fund**, established by the Knutson-Vandenberg Act of 1930 (16 U.S.C. §§ 576-576b),³ was created to collect a portion of timber sales revenue to pay for the reforestation of areas from which timber is cut. The reforestation projects eligible for such funding include growing trees for planting, planting trees, sowing seeds, removing weeds and other competing vegetation, and preventing animals from damaging new trees. The act was amended in 1976 to allow the Forest Service to use these funds for other timber sales area improvement activities, such as creating wildlife habitat. It was amended again in 2005 to authorize expenditures within the entire Forest Service region in which the timber sales occurred. In fiscal year 2006, the Forest Service allocated \$40 million of K-V funds for forest product sales under the expanded authority, and another \$77.6 million of K-V funds for activities conducted under the original K-V authority.
- **The Salvage Sale Fund**, derived from salvage sale revenue, is used to pay for preparing and administering future salvage sales.⁴ The fund may also be used to pay for the design, engineering, and supervision of construction of roads associated with such sales. The Salvage Sale Fund was created by the National Forest Management Act of 1976 (16 U.S.C. 472a(h)).⁵ Individual salvage sale timber contracts designate the

³Act of June 9, 1930, Ch. 416, 46 Stat. 527; Pub. L. No. 94-588, § 18, 90 Stat. 2962 (1976); Pub. L. No. 109-54, § 412, 119 Stat. 551 (2005).

⁴Timber sales are generally referred to either as green sales, which involve the harvest of live trees, or as salvage sales, which involve the harvest of trees that are dead, dying, or damaged by wind, fire, disease, or insects.

⁵Pub. L. No. 94-588, § 14, 90 Stat. 2958 (1976), as amended.

amount of receipts to be collected and transferred to the Salvage Sale Fund. For fiscal year 2006, the Forest Service allocated \$75.8 million for salvage sales.

- **The Brush Disposal Fund**, derived from payments made by timber purchasers, is used to pay for the removal of brush and debris that result from logging.⁶ For fiscal year 2006, the Forest Service allocated \$11.6 million from the Brush Disposal Fund for this purpose. The Brush Disposal Fund is a permanent fund created to allow the deposit of funds to pay for certain brush disposal work on all timber sales, including salvage sales. Forest Service staff complete brush disposal work using funds collected as an additional charge to the purchaser, based on the amounts paid for the trees harvested. The funds are deposited in the Brush Disposal Fund, and the Service generally seeks to spend them within 3 years of the completion of the sale. Brush disposal usually entails chipping or burning vegetative debris from the sale, such as stumps, broken treetops, tree limbs and branches, or damaged brush resulting from logging operations. Brush disposal is also referred to as slash disposal.
- **The Timber Sales Pipeline Restoration Fund**, authorized by the Omnibus Consolidated Rescissions and Appropriations Act of 1996 (Pub. L. No. 104-134), is used to pay for certain eligible timber sales. For fiscal year 2006, the Forest Service had \$2.5 million in the pipeline fund. The act created this fund to receive a portion of the receipts from certain timber sales released under the fiscal year 1995 Supplemental Appropriations for Disaster Assistance and Rescissions Act. The revenue deposited in the fund is to be used for the preparation of timber sales not funded by annual appropriations and to fund certain recreation projects. Specifically, 75 percent of the revenue is to be used for the preparation of green timber sales on national forest and certain BLM lands, and 25 percent is to be used for recreation projects.
- **Stewardship contracting revenue**, derived from stewardship projects involving the sale of timber, is used to pay for future stewardship projects.⁷ For fiscal year 2006, the Forest Service had \$1.7 million in such revenue available. Stewardship contracting involves the

⁶Act of Aug. 11, 1916, ch. 313, 39 Stat. 462, as amended.

⁷The law stated that the land management goals of stewardship contracts include road and trail maintenance, watershed restoration, and prescribed burning and noncommercial tree removal to improve forest health.

use of any of several contracting authorities that were first authorized for use by the Forest Service on a pilot basis in October 1998. The Omnibus Consolidated and Emergency Supplemental Appropriations Act for 1999 established stewardship contracting authority to achieve national forest land management goals that meet local and rural community needs.⁸ Prominent among the stewardship contracting authorities is the ability to (1) trade goods—timber, for example—for contract services, such as thinning of small trees and brush, and (2) retain for use in future stewardship projects any revenue generated through selling forest products such as timber, rather than returning the revenue to the Department of the Treasury, as is required for traditional timber sales. Although stewardship contracting was initially established as a demonstration project that involved a limited number of individual projects within the Forest Service and was to end in 2002, the Consolidated Appropriations Resolution of 2003, among other things, extended the use of stewardship contracting authority to 2013, eliminated the limit on the number of projects, authorized commercial tree removal for forest health purposes as a project purpose, and extended the authority to BLM.⁹

The Forest Service's tracking of its timber sales-related expenditures has been the subject of several of our previous reports. For example, in 2001 we reported that serious accounting and financial reporting deficiencies precluded an accurate determination of the total costs associated with the timber sales program and, in fact, rendered the Service's cost information unreliable.¹⁰ In 2003, we noted that the Service could not accurately report on the actual costs of individual work activities.¹¹ And in 2006, we reported that the Forest Service did not have a system that allowed it to determine the cost of its activities below the program level, resulting in a continuing

⁸Pub. L. No. 105-277, § 347, 112 Stat. 2681-298 (1998). The Forest Service is authorized to use either contracts or agreements in implementing stewardship projects. In this report, we refer to all such arrangements as contracts.

⁹Pub. L. No. 108-7, § 323, 117 Stat. 275 (2003). For further information about the Forest Service's use of stewardship contracting authority, see our report *Federal Land Management: Additional Guidance on Community Involvement Could Enhance Effectiveness of Stewardship Contracting*, [GAO-04-652](#) (Washington, D.C.: June 14, 2004).

¹⁰GAO, *Financial Management: Annual Costs of Forest Service's Timber Sales Program Are Not Determinable*, [GAO-01-1101R](#) (Washington, D.C.: Sept. 21, 2001).

¹¹GAO, *Forest Service: Little Progress on Performance Accountability Likely Unless Management Addresses Key Challenges*, [GAO-03-503](#) (Washington, D.C.: May 1, 2003).

focus on budget management without a corresponding focus on cost management.¹²

BLM Organization

BLM administers more land than any other federal agency—about 261 million acres. Of that amount—most of which is located in the western states, including Alaska—roughly 69 million acres (about 26 percent) are commercial forests and woodlands. BLM’s organizational structure includes national, state, and field-level units. National units include BLM’s headquarters office as well as national centers with specific service and support responsibilities, such as the National Business Center in Denver, Colorado. State-level units consist of 12 state offices that implement BLM’s activities in one or more states. Field-level units include 144 district and field offices that carry out the “on the ground” activities, including timber sales, under the supervision of the BLM state offices. Figure 2 shows BLM-administered lands and the boundaries of BLM state jurisdictions.

¹²GAO, *Managerial Cost Accounting Practices: Department of Agriculture and the Department of Housing and Urban Development*, [GAO-06-1002R](#) (Washington, D.C.: Sept. 21, 2006).

Figure 2: BLM-Administered Lands and State Jurisdictions



Source: BLM.

BLM Timber Sales-Related Funding

BLM's timber sales-related activities are funded through various appropriations. BLM conducts timber sales under two separate forestry programs. Most of BLM's timber program is associated with the agency's lands in western Oregon, which are managed expressly for the purpose of providing a permanent source of timber supply, protecting watersheds, regulating stream flow, contributing to the economic stability of local communities and industries, and providing recreational facilities under the

provisions of the Oregon and California Sustained Yield Act of 1937.¹³ These lands, heavily forested with Douglas fir and western hemlock species, are responsible for the majority of BLM's timber production. BLM timber sales undertaken in western Oregon are funded by the Oregon and California Grant Lands appropriation; in fiscal year 2006, BLM allocated \$27.1 million for the sale of this timber. The remainder of BLM's timber sales occur on other lands, which are managed for multiple uses, including the sale of timber. These timber sales are funded by the Management of Lands and Resources appropriation, which was \$10.4 million in fiscal year 2006.

In addition to these appropriations, BLM's timber sales-related activities rely on the Forest Ecosystem Health and Recovery Fund, the Timber Sales Pipeline Restoration Fund, and funds from stewardship contracting activities. The Forest Ecosystem Health and Recovery Fund, which funds timber salvage sales, is derived from the federal share of revenue from BLM salvage sales and forest health restoration treatments.¹⁴ This revenue is made available to BLM for planning and preparing salvage timber for disposal, the administration of salvage timber sales, and subsequent site preparation and reforestation. Since fiscal year 1998, the fund has also been available for forest health restoration treatments, including timber sales designed to release trees from competing vegetation, control tree densities, or treat hazardous fuels. BLM's Timber Sales Pipeline Restoration Fund operates under the same legislation pertaining to the Forest Service's pipeline fund. Finally, authority for stewardship contracting was originally limited to the Forest Service but was extended to BLM in fiscal year 2003. When BLM was first granted stewardship contracting authority, the Assistant Secretary of the Interior for Land and Minerals Management had to approve each stewardship contracting project. That approval has since been delegated to the state directors. Generally, stewardship contracts valued at \$100,000 or more are handled by BLM's National Business Center or by the Oregon State Office, while those valued at less than \$100,000 are handled by the state office that originated them.

¹³43 U.S.C. 1181a et seq.

¹⁴The federal share of revenue is that portion of revenue not paid to the counties in accordance with the requirements of 43 U.S.C. 1181f and 43 U.S.C. 1181-1 et seq., and Pub. L. No. 106-393.

The Forest Service's Aggregation of Obligation and Expenditure Data Hinders Field-Level Project Management

The Forest Service tracks obligation and expenditure data at the program and forest levels through its accounting system—the Department of Agriculture's Foundation Financial Information System (FFIS). In fiscal year 2000, when it transitioned to FFIS, the Service lost the ability to track information—such as employees' actual time charges and supply purchases—at the project level (i.e., individual timber sale level). Instead, FFIS aggregates data at the program level. Currently, neither FFIS nor any other automated system tracks obligations and actual expenditures at the project level. Beginning in fiscal year 2006, as a cost-saving measure, the Service removed from FFIS the codes that had previously associated program obligations and expenditures with individual ranger districts. To compensate for the lack of detailed information, field managers have spent considerable time and effort to develop and maintain a variety of “cuff records,” such as spreadsheets, that contain the data they need to manage their projects, including timber sales.

The Forest Service Tracks Obligations at the Program and Forest Levels

Through FFIS, the Forest Service tracks, at the program and forest levels, timber sales-related obligations from the National Forest Fund as well as from the K-V, brush disposal, salvage sale, pipeline, and stewardship funds. These obligations include costs for personnel, vehicles, and supplies and equipment. Personnel costs related to timber sales include time spent preparing for a sale (e.g., identifying the sale area and completing related environmental analyses), administering the sale contract, monitoring the harvest, and conducting or overseeing the postharvest reforestation and restoration activities.

Since its transition to FFIS, the Service has aggregated data on obligations at the program level rather than at the project level. Staff charge their time to a job code that represents the program most applicable to the activities they conducted—for example, to the job code associated with the Forest Products Program or the Vegetation and Watershed Management Program. Overall, according to Forest Service officials, staff time is by far the Service's biggest expenditure—about 75 percent or 80 percent of the total. Other expenditures include vehicles and supplies, such as paint for marking sale boundaries and marking trees to be cut or left.

In addition to grouping data by program, FFIS also aggregates the program data at the forest level. For example, when staff at the ranger district level, where projects are carried out, complete their timesheets, the program job code to which they charge time indicates the national forest with which their district is associated. The code does not, however, indicate the district or the specific project with which the transaction is associated.

Obligations for supplies and equipment are also tracked at the forest level. Previously, FFIS contained “subunit” job codes that tied this information to ranger districts.¹⁵ Beginning in fiscal year 2006, as a cost-saving measure, the Forest Service removed these subunit job codes for timber sales-related activities.

For stewardship contracting activities, on the other hand, no separate job code exists in FFIS by which to identify staff time and other obligations related to these activities. FFIS has no code for stewardship contracting activities because the Forest Service does not have a budget line item for these activities. Rather, stewardship contracting is considered a tool for accomplishing various forest management objectives. Accordingly, staff time and other obligations for stewardship contracting activities are charged to the one or more programs that benefit from the stewardship project and are thus included in these programs’ obligations. For example, if the wildlife program were expected to derive a benefit from a stewardship thinning project (e.g., because the project would result in more open space for elk), then the wildlife program would fund part of the cost of that project. Field offices maintain spreadsheets to track the monthly progress of individual stewardship contracting projects and the payment mechanisms involved in each one (e.g., nonmonetary credits earned for service work, payments from appropriated funds or trust funds, and payments from revenue retained from stewardship projects).

Cost Issues Prompted the Forest Service to Further Aggregate Data

The Forest Service’s decision to further aggregate data at the forest level beginning in fiscal year 2006—that is, to reduce reporting to a single job code per program per forest—was intended as a cost-saving measure. By reducing the number of job codes in use, the Service would in turn reduce the associated number of records that are maintained in FFIS, thereby reducing its data management costs. The Forest Service determined that a significant portion of the records was associated with job codes used to track information associated with ranger districts. According to officials of the Forest Service’s Office of the Chief Financial Officer, removing these job codes was part of a continuing effort, begun in fiscal year 2004, to reduce the “proliferation” of job codes that was leading to increased data management costs, and doing so resulted in savings of about \$8.9 million in 2006 dollars from fiscal year 2004 through fiscal year 2006.

¹⁵The Forest Service refers to national forests as “units”; thus, a ranger district is a “subunit.”

Forest Service headquarters officials, and some regional officials, told us that detailed tracking of data is not needed at the ranger district or project level and, consequently, that it was not an efficient use of Service funds to pay the costs associated with this unnecessary level of detail. According to one regional official, for example, district or project information is not needed to manage at the forest level; the forest supervisor just needs to know how close the forest is to achieving its objectives and how much of its allocation is still available for obligation. Tracking at the program level frees up time to do actual work, he said, rather than tracking multiple job codes. Other officials also said they were not convinced that forest and district managers needed to track all of the information they had historically maintained. Agency records, said one official, were not designed to be a “personal diary” for managers.

Several headquarters officials, including Albuquerque Service Center officials, told us that field managers could use the Service’s planning and budgeting system, known as WorkPlan, to monitor their projects. WorkPlan is an automated system in which project managers estimate how much they will spend on one or more work activities, such as preparing or administering timber sales. Managers prepare their WorkPlans at the beginning of the fiscal year—entering into each plan the personnel, vehicles, and other equipment they anticipate they will need to carry out the planned activities. Managers are free to choose the level of specificity associated with their WorkPlans. For example, one manager might create a single WorkPlan to encompass a district’s entire timber sales program, while another might create an individual WorkPlan for each planned timber sale or for each phase of a timber sale.

However, field managers we talked to said that, while they find the WorkPlan system a valuable planning tool, it does not meet their need for detailed information on what they have obligated or actually expended. That is, the WorkPlan system obtains data on obligations and actual expenditures from FFIS—which, as noted earlier, aggregates these data by program and national forest, not by ranger district, project, or individual WorkPlan. Similarly, while other Service systems, such as the Forest Service Activity Tracking System, contain project-level information, that information does not include obligation or actual expenditure data. The headquarters official responsible for overseeing program activities in the national forest system agreed that the WorkPlan system cannot provide field managers with such data at the district or project level. This official, and other headquarters officials, said that field managers who felt that this detailed information was necessary must develop their own tracking mechanisms.

Lacking the System Data They Need, Many Field Managers Rely on Cuff Records

Although several Forest Service officials contend that information on district- and project-level obligations and expenditures is not needed, managers we talked to at various levels of the Service's field organization said they rely on cuff records, such as spreadsheets, to track this information and help manage their projects. For example, these managers told us that by using cuff records to track project obligations and expenditures, they can more easily determine whether obligations and expenditures are charged to the appropriate programs, manage forest or regional allocations, and respond to outside requests for information about agency timber sales. The amount of time and effort required to develop and maintain such cuff records is necessitated by the lack of a system that maintains data on obligations and actual expenditures at the district or project level.

Field managers we interviewed said they rely on cuff records to accumulate the detail they find necessary to track projects' progress and ensure that obligations and expenditures are being charged to the appropriate programs, as well as to ensure that their projects' on-the-ground progress keeps pace with the obligations and expenditures associated with the projects. One forest official said, for example, that the subunit codes (the ones that were eliminated through the move to aggregated data) are necessary to keep track of districts' obligations and expenditures. Accordingly, he continues to use these codes in his cuff records. Additionally, he requires each district to account for its obligations and expenditures on a project-by-project basis (in addition to using WorkPlan) and to provide those data to him so that he can track this information against the overall allocation for the forest. By comparing obligations and expenditures with the on-the-ground progress of individual projects, this manager can determine whether project spending is on schedule and whether funds need to be reallocated toward (or away from) individual projects to ensure that forest priorities are accomplished.

Such tracking of project spending is important because a project might encounter unexpected costs—for example, unanticipated steps might need to be taken in order to remedy damage caused by a mudslide. If the project is of high priority, according to Forest Service officials we interviewed, the project manager will need to shift funds from other, lower priority projects in order to provide the additional funds needed to complete the high-priority project. However, without district- or project-level data on obligations, it is difficult—if not impossible—to know which other projects have funds available to shift to the priority project, as well as to understand the potential effects on the projects from which funds were moved.

At another forest, an official noted that it is now “almost impossible,” without the subunit job codes, to track obligations and expenditures at the district level. Regarding the forest’s K-V fund, for example, this official used to be able to maintain K-V fund balances by district; to do that now, he counts on district managers to keep cuff records. Further, the forest developed a K-V tracking spreadsheet, which is now the only tool available to officials at that forest for tracking the K-V funds and needs among projects.

With the removal of the subunit codes from FFIS, several field managers told us they must depend on their cuff records to detect and correct erroneous transactions to ensure that their limited funds are spent as intended. In one region, for example, an official said she routinely scours the FFIS transaction register—which shows, for an individual program or forest, a record of each obligation—looking for erroneous charges. Because the list of transactions for a single program or forest can be hundreds of pages long, she checks only transactions over \$1,000. When she finds a charge that seems potentially erroneous (e.g., a name she does not recognize or a credit card purchase that is questionable for a given program), she queries the managers of the staff areas. These managers then must investigate the potentially incorrect charges and correct them, if appropriate. This official said she spent 15 percent to 20 percent of her time in fiscal year 2006 using her cuff records to track down potentially erroneous charges and correct them. She found, for example, that numerous time charges had been miscoded, resulting in a total of about \$60,000 being erroneously charged to the timber program; she followed up and had those charges removed. This inefficient verification and correction process is used because the Forest Service does not have a system that links each charge with an individual district, by project, to enable officials to more easily detect erroneous charges.

Other managers we spoke with expressed similar concerns about their diminished ability—since the shift to aggregated data—to identify costs for particular activities and to monitor obligations against their forests’ allocation. When multiple districts charge the same code, managers cannot tell—without keeping detailed cuff records—who might be charging more time or obligating more money than planned to a code or charging the wrong code. If more time or money is spent on a project than was planned, a manager must be prepared to either delay further work on the project or redirect funds from other projects to compensate. However, in order to take either of these steps in time to avert overspending, the manager must have timely information on each project’s expenditures. The effects of exceeding allocations can go beyond the project in which it occurs, or

even beyond the forest. For example, officials in one region told us that a forest within the region had exceeded its allocation for planning so substantially that planning activities throughout the region had to be curtailed in order to compensate for the forest's error.¹⁶ As a result, these managers have created cuff records to monitor projects as they proceed.

Finally, many Forest Service staff we spoke with said they keep cuff records so that they can respond to the many requests they receive for information. For example, according to officials in different regions, timber industry groups, congressional staff, and others frequently ask for information on individual timber sales, including information on the volume of timber offered and associated costs, particularly unit rates to produce timber (in dollars per thousand board feet).¹⁷ Responding to these requests is difficult, according to Service officials we interviewed, because the Service does not maintain information at the timber sales level; rather, managers must resort to cuff records in order to furnish the information.

Given the labor-intensive and time-consuming nature of maintaining the various cuff records in existence throughout the Forest Service, the actual cost savings resulting from the Service's decision to aggregate data are not clear because substantial field resources are being expended to compensate for the unintended effects of this decision. That is, while the reduction in job codes maintained in FFIS has helped the Service decrease its recognized data management costs, it has at the same time resulted in additional, uncalculated costs in staff time devoted to tracking obligation and expenditure data at the district level. In fact, the information we gathered from managers in the field seems to contradict the assertion of a Forest Service official, noted earlier, that tracking obligations and expenditures at the forest level frees up time to do actual work rather than tracking multiple job codes. Instead, field managers told us that the time they need to spend tracking has actually increased because the system no longer provides this information at the district level. In addition, neither FFIS nor WorkPlan tracks obligations and actual expenditures at the project level. Consequently, field managers who wish to track district- or project-level data must do so manually. Forest Service headquarters officials told us that the agency has not attempted to determine the

¹⁶Responsibility for fund control, by program, is at the regional level.

¹⁷A thousand board feet is a common measure of timber volume. One board foot equals 12 inches by 12 inches by 1 inch.

amount of time currently spent by field managers tracking this information or the associated costs of doing so.

The Bureau of Land Management's Detailed Data Help Managers Monitor Projects

In contrast to the Forest Service, BLM uses its Management Information System (MIS) to track timber sales-related obligations and expenditures at a level of detail useful to managers throughout the organization. Drawing from the Department of the Interior's Federal Financial System (FFS), MIS tracks timber sales obligations—such as employee time charges, supplies, and equipment—at various levels. For example, MIS tracks obligations by funding source and activity type, then by office and, in many cases, individual timber sale. The two funding sources most closely associated with timber sales are the Oregon and California Grant Lands appropriation and the Forest Ecosystem Health and Recovery Fund. As for activity types, those related to timber sales include (1) managing commercial timber sales and (2) restoring forests and woodlands through timber sales (e.g., managing salvage sales). MIS also tracks obligations by office, at both the state office level and the field organization level (e.g., district offices and field offices). Lastly, MIS tracks obligations by specific project, such as a specific timber sale or stewardship project, when a project code is assigned. Project codes are required for all sales conducted through the Forest Ecosystem Health and Recovery Fund, including salvage sales, but are optional for sales conducted with other funds, including commercial sales. For commercial sales, for example, managers are free to assign codes to individual projects but are not required to do so if they do not believe it is necessary. In some locations, according to a BLM official, an office may conduct only one or two timber sales a year and, thus, may not find project codes necessary to identify individual sales. In one location, BLM officials said they assign project codes after the general planning work has been completed; in another location, officials said they assign project codes once funding approval has been received. Staff working on a specific timber sale would charge their time to the relevant funding code, activity code, office code, and project code.

Using MIS has allowed BLM to maintain and monitor obligations and expenditures at various levels of detail without relying on complicated cuff records, as the Forest Service does. For example, an official from BLM's National Business Center said that the job codes assigned to timber sales conducted under the Forest Ecosystem Health and Recovery Fund allow managers to track all data on an individual sale—from the planning phase (e.g., on environmental assessments) to the final administrative activities involved in closing the sale. In other cases, a state office official said, individual project codes are not assigned (e.g., for sales conducted

through the Timber Sales Restoration Pipeline Fund), but those sales can be identified by activity code and location, allowing managers to track information at those levels. This official said he also uses MIS to generally monitor district offices' obligations and expenditures. For example, MIS data allow him to compare the vehicle and labor obligations and expenditures one office charged to the timber program with the same type of obligations and expenditures charged by other offices.

The level of detail available in BLM's system is a function of the agency's experience in the 1990s, according to a BLM official, when the agency began losing money on timber sales and officials struggled with how to handle the reporting of these losses. One of the alternatives discussed was not calculating timber sales expenditures at all, so that they would not potentially embarrass the agency politically—an option that this official referred to as “contrived obfuscation.” Instead, with an eye toward providing full transparency and performance accountability, BLM took the opposite tack, according to this official; it decided to track data at an even more detailed level.

Detailed expenditure data—captured in a cost accounting system—help managers understand how expenditures can be controlled without sacrificing service to the public. For example, managers of BLM's Wild Horse and Burro Program in Utah were able to use MIS to track expenditures on each work activity associated with the program.¹⁸ Program managers identified expenditures for each activity and determined that the largest expenditures were for labor, particularly in conducting the adoption process and doing postadoption inspections, and for feed expenditures during the preadoption holding period. Armed with this information, BLM was able to reduce its labor expenditures by making greater use of volunteers and reduce its feed expenditures by capturing animals just prior to scheduled adoptions. In 1998, BLM collected slightly more than 5,700 animals. After changing the process in 1999, based on expenditure data, the program collected more than 7,700 animals and reduced the expense of holding and feeding them by \$600,000 (about \$710,000 in 2006 dollars).

MIS has also proven useful in allowing BLM managers to make expenditure-based decisions with regard to timber sales. For example,

¹⁸These work activities are planning and completing adoptions; gathering, holding, monitoring, and taking censuses of animals; and conducting compliance inspections.

expenditure data were used to determine the efficiency and effectiveness of individual BLM state timber programs. Trend data were generated for several years to compare how effectively the individual BLM state offices were accomplishing their projects relative to their expenditures. This information was used to move funding and resources among state offices to more effectively meet program goals and bureau priorities.

Both Agencies Have Systems That Track Revenue by Timber Sale

The Timber Sale Accounting system maintains the Forest Service's timber sales revenue data, while two systems—the Timber Sale Information System and the Collections and Billing System—maintain BLM's timber sales revenue data. Both agencies' systems track sale and harvest information by individual timber sale; they also automatically bill purchasers and track payments. Both agencies also have systems for tracking revenue generated under their stewardship contracting authority, after initially struggling with how to implement the systems.

Forest Service's Timber Sale Accounting System Maintains Revenue Data

The Forest Service's Timber Sale Accounting (TSA) system maintains data on all timber-related revenue. The system tracks the volume, type, and value of timber harvested by individual timber sale; automatically generates bills to timber purchasers; and tracks payments against these bills. TSA tracks revenue from sales conducted with appropriated monies as well as those conducted with monies from the salvage sale and pipeline funds. TSA also tracks payments made by purchasers to fund reforestation and brush disposal activities. Recently, the Forest Service added a module to TSA to track revenue stemming from activities conducted under its stewardship contracting authority. These activities often involve the exchange of timber for services and thus can be difficult to account for with traditional systems.

TSA maintains timber sales revenue data by individual timber sale contract or permit. Each contract or permit is given a unique identifying number in TSA, which provides a standardized process for managing the financial aspects of timber sales contracts and permits. (Permits involve the sale of forest products other than timber, such as firewood, mushrooms, Christmas trees, and decorative grasses and foliage.) TSA produces a monthly statement of account for each contract and permit; this statement contains a detailed breakdown of activities under that contract or permit and ensures accurate computation of revenue due the government.

The revenue comes to the government in the form of cash or credits. Cash comes from timber purchasers' payments of bills for timber volume

removed, or stumpage. A Forest Service sale inspector inspects the sales units at least once a month and reports the volume of timber harvested. TSA then automatically calculates the amount due, based on the amount harvested and the product rate, and generates a bill to the purchaser. Once payment is received, TSA distributes the cash to the appropriate revenue accounts, such as the National Forest System Fund, the K-V fund, and the Salvage Sale Fund. TSA also supplies this information to FFIS, where it is recognized as earned income.¹⁹

TSA also tracks “purchaser credits” and “cost share credits.” Purchaser credits represent the value of road construction or reconstruction the timber purchaser performed. The purchaser receives credit for the work, which is deducted from the appraised value of stumpage.²⁰ TSA tracks the purchaser credits used to pay for (or offset) stumpage from year to year, as well as the balance of outstanding (unused) credits. TSA also tracks cost share credits, which represent the value of construction or reconstruction costs shared between the Forest Service and the purchaser. For example, if the Forest Service contributed materials, such as rock for a road surface, and the purchaser did the work, the value of the purchaser’s share would appear in TSA. Purchaser and cost share credits can be used to pay for timber removed by the purchaser.

Stewardship contracting has posed challenges for the Forest Service because the barterlike aspect of stewardship contracting can make it difficult to account for using traditional accounting systems. As a result, the Forest Service has struggled to incorporate into TSA a way to track the collection and distribution of revenue stemming from stewardship contracts. The accounting theory governing what are essentially barter transactions (although the value of both the timber and the services is appraised) is demanding, according to a regional official, and TSA programmers have devoted much time to this area.

¹⁹In its audit report on the Forest Service’s fiscal year 2006 financial statements, KPMG, the Service’s independent auditor, noted that 7 of the 208 timber sales revenue transactions tested were not recognized in the correct year. The report said that, although the Forest Service continues to improve its accounting operations, such deficiencies result in additional time and effort on the part of Service staff to research and resolve.

²⁰For contracts awarded prior to April 1, 1999, however, credits owed the purchaser for roadwork were not subtracted from the appraisal value (as is done for contracts awarded since April 1, 1999) but, rather, offset the stumpage value when the timber was removed.

Until recently, the Forest Service had not automated the accounting for all activities conducted through stewardship contracts. Staff had to use manual spreadsheets to track, outside of TSA, the value of timber removed and the value of service work completed, thereby allowing them to compute the amount the purchaser owed for timber volume removed, if any. Accordingly, data on stewardship contracting activities have been entered into TSA for only the past few years, and the data were incomplete, according to the system administrator. In October 2006, during our review, the Forest Service implemented a TSA module that tracks most of the stewardship contracting data.

Within TSA, the monetary activity associated with stewardship contracts is now tracked using two unique revenue codes. The first code represents a suspense account that contains monies collected from timber purchasers as advance payments—that is, money to pay for timber that is removed before the service work has been completed. In these cases, the advance monies are used to pay for the timber volume removed. Then, as the service work is performed, those monies are automatically refunded to the purchaser, and the stewardship credits are applied as payment for the volume removed to date. When all the service work has been completed and there is expected to be additional timber volume to be paid for with cash (i.e., when the value of the timber exceeds the value of the service work), then the remaining suspense fund money is transferred to the retained receipts account. This account, represented by the second revenue code, is a region- and forest-specific revenue account that contains cash collected for timber when the value of the timber exceeded the value of the service work. In other words, a contractor has to pay the Forest Service only if the total timber value exceeds the total cost of services. The retained receipts account may be used to fund additional stewardship sales that have been approved by the regional forester.

With the October 2006 addition of the stewardship accounting module, TSA now tracks the amount of stewardship work to be performed, the amount performed to date, the volume and value of timber removed, and any cash paid the contractor for service work performed (when the value of the service work exceeded the value of the timber). TSA automatically applies the available stewardship credits to pay for timber volume removed to date.

Although TSA now has a module designed to capture monetary transactions related to stewardship contracts, regions and forests said they will continue maintaining spreadsheets to track the monthly progress of individual stewardship contracting projects and the payment

mechanisms involved in each one. For example, the spreadsheets track nonmonetary “accrual” transactions, which represent the accrued value of credits earned by contractors for service work completed. These earned stewardship credits (nonmonetary) are used to “pay” for timber harvested and are important because the Forest Service has to know how much credit to extend when the purchaser wants to cut timber. Without this credit, the Service would demand a cash payment before the timber could be cut. Accordingly, stewardship work paid for with credits must be tracked separately from work paid for with cash. Every month, the field offices send their completed spreadsheets to the Albuquerque Service Center, which enters into FFIS the nonmonetary accrual information. At the end of April 2007, the service center was working on automating this process as well.

BLM Uses Two Systems to Track Timber Sales Revenue

In tracking timber sales revenue, BLM uses the Timber Sale Information System (TSIS) and the Collections and Billing System (CBS). TSIS maintains specific contract data for individual timber sales, including the volume, type, and value of timber harvested. Amounts owed by purchasers are calculated in TSIS and then entered into CBS, which is BLM’s official revenue accounting system. CBS generates bills sent to purchasers and records collections received for contracts. TSIS and CBS track revenue from sales conducted with appropriated monies in addition to those conducted with monies from the Forest Ecosystem Health and Recovery Fund and the Timber Sales Restoration Pipeline Fund.

TSIS and CBS maintain timber sales revenue data by individual timber sale contract through a unique sale number. This alphanumeric sale number identifies the state where the sale takes place, the field office administering it, the year, and the sequential sale number for that office in that year.

Throughout the month, information from TSIS on timber harvest activity is entered into CBS, which generates bills sent to purchasers. These bills are based on the quantity and value of the timber harvested but may also include things such as road maintenance fees. At the end of each month, data in CBS and TSIS are reconciled.

Collections are received either in the form of a check sent from the purchaser directly to the sale office or as an electronic funds transfer sent directly to the bank. All collections are posted to CBS, and a unique transaction number is included in the posting. This transaction number is generated either by CBS (for collections sent to the sale office) or by the

bank (for collections electronically transferred there). When collection posting is complete, CBS automatically produces a statement that is then used to update TSIS. Data in the two systems are again reconciled. The reporting system in CBS allows staff to track revenue in various ways, such as by sale, purchaser, type of timber, or fund.

BLM developed a separate system for recording revenue from timber sales conducted under stewardship contracting authority, the Stewardship Contracting Information Database (SCID). For revenue from stewardship contracts, BLM uses CBS to track monetary collections and SCID to track credits. Upon approval of a new stewardship contracting project, initial project information is entered into SCID, and each project is assigned a special project code that is used in both SCID and CBS.²¹ Financial and project progress information is reported monthly in both systems. Because of the special circumstances created by the unique nature of stewardship contracting, BLM has devised collections solutions for the different types of contracts. One requirement common to both regular timber sales and stewardship contracting is that, prior to cutting or removing any forest products from BLM-administered lands, a contractor must either pay in advance for the product or provide some form of security as a payment bond. For stewardship contracts, the contractor has the additional option of using earned conservation credits (similar to the Forest Service's stewardship credits) in lieu of an advance payment or a payment bond. Contractors' advance payments are recorded in CBS and directed to a deposit suspense account. When the value of the product removed exceeds the amount deposited, the contractor makes additional payments, which are entered into CBS and directed to the regular stewardship contract product sales fund.

Conservation credits are also tracked in SCID. When the value of the product removed is equal to or lesser than the value of the contractor's conservation credits, transactions are recorded in SCID. Once a contractor's conservation credits have been exhausted, payments for further product removed are recorded in CBS.

Conclusions

The Forest Service, like other federal agencies, is faced with limited resources with which to carry out multiple activities, such as maintaining

²¹Stewardship contracts involving projects funded by the Forest Ecosystem Health and Recovery Fund retain the project code already assigned them.

campgrounds and trails, protecting wildlife habitat, and providing a supply of forest products to society. Given this multitude of pressing needs, the Service's efforts to reduce its data management costs—and thus allow more dollars to be directed to on-the-ground activities through which the Service carries out its mission—would appear laudable. As an unintended consequence, however, the agency has made it more difficult and resource intensive for field managers to manage the very activities that the Service seeks to emphasize. And because many field officials are maintaining cuff records to compensate for the lack of detailed data available from the Service's system, the Service cannot ensure that the hoped-for level of cost savings will materialize. That is, reductions in the Service's recognized data management costs may be offset by increases in the use of field resources to fill in the data gaps. More broadly, maintaining detailed data on the cost of the Service's various activities would not only assist field managers as they carry out the Service's mission but also allow the Service to better assess and improve the efficiency and cost-effectiveness of these activities and thereby improve its fiscal accountability.

Recommendation for Executive Action

To ensure that field managers responsible for carrying out Forest Service operations have the data they need to manage effectively, and to provide the Congress and the public with useful cost data to assess the fiscal accountability of Service operations, we recommend that the Secretary of Agriculture direct the Chief of the Forest Service to systematically determine the information needs of the field managers on whom the Service relies to carry out its operations, and, based on the results of this analysis, take appropriate action to provide data that meet those information needs. The Service might consider, for example, creating a subsidiary system to track obligations and expenditures at a detailed level without further burdening the Department of Agriculture's primary system, FFIS.

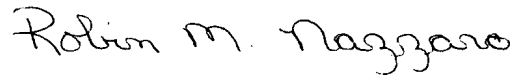
Agency Comments

We provided the Departments of Agriculture and the Interior with a draft of this report for review and comment. The Forest Service generally agreed with the findings and recommendations in the report. Similarly, the Department of the Interior generally agreed with the report's contents. The Forest Service's and Interior's written comments are reproduced in appendixes II and III, respectively.

As agreed with your offices, unless you publicly announce the contents of this report earlier, we plan no further distribution until 30 days from the

report date. At that time, we will send copies to interested congressional committees, the Secretaries of Agriculture and the Interior, the Chief of the Forest Service, the Director of the Bureau of Land Management, and other interested parties. We will also make copies available to others upon request. In addition, the report will be available at no charge on the GAO Web site at <http://www.gao.gov>.

If you or your staff have any questions about this report, please contact me at (202) 512-3841 or nazzaror@gao.gov. Contact points for our Offices of Public Affairs and Congressional Relations may be found on the last page of this report. GAO staff who made major contributions to this report are listed in appendix IV.



Robin M. Nazzaro
Director, Natural Resources
and Environment

Appendix I: Objectives, Scope, and Methodology

Our overall objective was to examine the current mechanisms used by the Department of Agriculture’s Forest Service (Service) for tracking timber sales-related obligations, expenditures, and revenue. In addition, given that the Department of the Interior’s Bureau of Land Management (BLM) also conducts timber sales, we included that agency in our review. Specifically, our objectives were to determine the extent to which (1) the Forest Service tracks timber sales-related obligations and expenditures, including the extent to which the Service uses this information in making management decisions; (2) BLM tracks timber sales-related obligations and expenditures, and how BLM’s methods for doing so compare to those of the Forest Service; and (3) the Forest Service and BLM account for their timber sales-related revenue.

To determine how the Forest Service tracks timber sales-related obligations and expenditures and the extent to which Service managers use this information to make decisions about their programs, we reviewed agency documents and interviewed officials in headquarters and in six of the nine Forest Service regional offices about their timber sales accounting policies and procedures. Because the Forest Service has no agencywide system to track obligations and expenditures at the project level, we visited Forest Service regional offices in Alaska, Georgia, Montana, Oregon, Utah, and Wisconsin to interview officials responsible for tracking timber sales projects and their related obligations and expenditures.¹ At each of these regional offices, we interviewed officials responsible for tracking timber sales-related obligations, expenditures, and revenue, and officials responsible for planning and conducting timber sales-related activities. We also met with officials of one or more forest offices in each of six regions, as well as officials of five ranger districts, to discuss what information they need, the methods they use to capture it, and how they use it in managing their day-to-day operations.² During our site visits, we collected and reviewed records used to identify and track timber-related data. These included “cuff records,” such as individually maintained computer spreadsheets and databases, along with manual modifications made to reports generated by the WorkPlan system. During

¹These states contain, respectively, the Forest Service’s Alaska, Southern, Northern, Pacific Northwest, Intermountain, and Eastern regional offices.

²The information we gathered from field managers was not intended to be representative of all field managers. Instead, our interest was in gaining a perspective from these managers about the data they need and use in managing their projects. Our interviews ultimately revealed some recurring common themes across the locations we visited.

one visit, we also accompanied an “activity review team” from the regional office on its site visits to evaluate field activities. We also reviewed documents and reports related to the Department of Agriculture’s existing financial system, the Foundation Financial Information System (FFIS). We also reviewed previous work by GAO and the Department of Agriculture’s Office of Inspector General.

Because BLM was not the primary focus of our review, our study of the extent to which it tracks timber sales-related obligations and expenditures was more limited than our work at the Forest Service. Additionally, unlike the Forest Service, BLM employs standardized agencywide guidance and systems to track this information at the project level; therefore, significant variation across different geographic locations was unlikely. Nevertheless, in order to interview officials responsible for tracking timber sales projects and their related obligations and expenditures, we visited several BLM locations, including the BLM state office in western Oregon that manages the majority of the agency’s timber program, as well as a district office in Oregon; the BLM state office in Idaho, where we spoke with officials from the state office, one district office, and two field offices; and one field office in Montana. In addition, we visited BLM headquarters in Washington, D.C., and the National Business Center in Denver, Colorado, and we conducted telephone interviews with BLM officials knowledgeable about the agency’s cost accounting practices and systems. We obtained and reviewed documents on BLM’s policies, procedures, and practices for tracking timber sales obligations and expenditures, including system manuals and other documentation for BLM’s Timber Sale Information System (TSIS), Management Information System (MIS), and the Department of the Interior’s Federal Financial System (FFS). Finally, we relied, in part, on GAO’s previous work on accounting practices within the Department of the Interior.³

During our visits to Forest Service and BLM offices, including their respective budget and finance centers, we learned how both agencies account for timber sales-related revenue. We reviewed relevant portions of agency manuals and handbooks and documents detailing procedures to identify and report revenue, including revenue that the agencies manage through participation in an interagency agreement governing timber sales financed by the Timber Sales Pipeline Restoration Fund. We reviewed

³GAO, *Managerial Cost Accounting Practices at the Department of the Interior*, GAO-07-298R (Washington, D.C.: May 24, 2007).

detailed descriptions of the Forest Service's revenue process, systems, and its internal controls prepared by the independent auditor, KPMG, during KPMG's annual audit of the Forest Service's financial statements, and we read the fiscal year 2006 audit report. We reviewed KPMG's overall approach and sampling methodology and determined that KPMG's relevant findings were sufficiently reliable for understanding sales-related revenue in the Forest Service. We also obtained information about the Forest Service's Timber Information Management (TIM) system, which contains detailed information on timber sales contracts. We also obtained information about the Timber Sale Accounting (TSA) system, which maintains timber sales revenue data, and interviewed the system administrator. To gain an understanding of how TIM and TSA maintain data, we held discussions with cognizant officials on internal controls over timber sales contracts, data entry practices, and revenue collection procedures. For BLM, we followed the same general procedures with respect to the following revenue tracking systems: the Collections and Billing System (CBS), FFS, and TSIS. Finally, in addition to reviewing both agencies' standard systems for timber revenue collection, we interviewed Forest Service and BLM officials about the progress they are making in designing or modifying systems to track revenue associated with stewardship contracting projects. Based on the collective information and findings from our discussions and interviews, we believe these data are sufficiently reliable for (separately and comparatively) reporting on systems for tracking timber sales-related revenue in the Forest Service and BLM.

We conducted our review from April 2006 through April 2007 in accordance with generally accepted government auditing standards, which included an assessment of data reliability and internal controls.

Appendix II: Comments from the Forest Service



United States
Department of
Agriculture

Forest
Service

Washington
Office

1400 Independence Avenue, SW
Washington, DC 20250

File Code: 1420/2400

Date: JUN 15 2007

Robin M. Nazzaro
Director, Natural Resources and Environment
Government Accountability Office
441 G. Street, NW
Washington, DC 20548

Dear Ms. Nazzaro:

Thank you for the opportunity to review and comment on the draft Government Accountability Office report GAO-07-764, "Federal Timber Sales: Forest Service Could Improve Efficiency of Field-Level Timber Sale Management by Maintaining More Detailed Data." The Forest Service generally agrees with the GAO findings and recommendations and has no additional comments on the report. Implementation of the recommendations will require careful examination of the processes and reporting requirements across the agency's program areas. We would be happy to work with GAO in such an examination. If you have any questions, please contact Sandy T.

Coleman, Assistant Director for GAO/OIG Audit Liaison Staff, at 703-605-4699.

Sincerely,

A handwritten signature in black ink, appearing to read "Abigail R. Kimbell".

ABIGAIL R. KIMBELL
Chief

cc: Richard Fitzgerald, Corbin Newman, Clarice Wesley, Jesse L King

Appendix III: Comments from the Department of the Interior



United States Department of the Interior

OFFICE OF THE SECRETARY
WASHINGTON, D.C. 20240

JUN 18 2007

Ms. Robin M. Nazzaro
Director, Natural Resources and Environment
Government Accountability Office
441 G Street, N.W.
Washington, D.C. 20548

Dear Ms. Nazzaro:

Thank you for the opportunity to review and comment on the Government Accountability Office (GAO) draft report entitled "Federal Timber Sales: Forest Service Could Improve Efficiency of Field-Level Timber Sale Management by Maintaining More Detailed Data" (GAO-07-764). The Department of the Interior (DOI) offers the following comments:

The DOI agrees with your findings and conclusions relative to the Bureau of Land Management (BLM). Your report makes no specific recommendations to the BLM.

The BLM places great emphasis on accountability at all levels of the organization. Inherent in this expectation is financial performance. As you note, our Management Information System and associated data management systems allow the BLM managers to track performance down to the Field Office level. Field Office managers are, thus, able to track project progress, costs, and revenues to adjust resource allocations and assess the cost effectiveness of specific management activities.

If you have any questions, please call Andrea Nygren, BLM Audit Liaison Officer, Division of Evaluations and Management Services, at 202-452-5153, Mark Buckbee, Acting Chief, Division of Forests and Woodlands, at 202-452-5029, or Scott Lieurance, Senior Forester, Division of Forests and Woodlands, at 202-452-0316.

Sincerely,

C. Stephen Allred
Assistant Secretary
Land and Minerals Management

Appendix IV: GAO Contact and Staff Acknowledgments

GAO Contact

Robin M. Nazzaro, (202) 512-3841 or nazzaror@gao.gov

Staff Acknowledgments

In addition to the individual named above, Stephen Gaty, Assistant Director; Lisa Brownson; Sandra Davis; Barry Grinnell; Angela Pleasants; and Pam Tumler made key contributions to this report. Nancy Crothers, Denise Fantone, Tim Guinane, Kevin Jackson, Rich Johnson, Phil McIntyre, and Jack Warner also made important contributions to this report.

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