



United States
General Accounting Office
Washington, D.C. 20548

Accounting and Information
Management Division

B-281966

February 8, 1999

The Honorable John R. Kasich
Chairman, Committee on the Budget
House of Representatives

Subject: Financial Management: Forest Service's Efforts to Achieve Financial
Accountability

Dear Mr. Chairman:

This letter is the fifth in a series of status reports responding to your request in July 1996 that we monitor the Forest Service's progress in improving the reliability of its accounting and financial data. This letter summarizes the information provided during a January 25, 1999, briefing to your office regarding corrective actions that the Forest Service has taken thus far in fiscal year 1999, as well as the key remaining tasks it must still perform in order to ensure the reliability of its accounting and financial data. The briefing slides are attached.

The Forest Service has recently hired experienced staff to fill key financial management and systems positions. The Forest Service is also in the process of consolidating its budgeting, financial management, financial systems development and operations, and related analytical and quality assurance functions into a new central office headed by the Chief Financial Officer. This new organization and management team will help provide the strong management and leadership needed by the Forest Service to correct its long-standing accounting deficiencies and achieve financial accountability.

At the same time, the Forest Service still faces major challenges and tight time frames if it is to achieve its goal of an unqualified audit opinion on its fiscal year 2000 financial statements; implement its new accounting system, the Foundation Financial Information System, by October 1, 1999; hire additional skilled accounting and systems personnel; and produce reliable financial information that can be used for making business decisions. In addition, the Forest Service must decide how to deal with a key issue regarding its autonomous field structure as it relates to financial management. In particular, the Forest Service

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must decide whether it will mirror the national office's financial management organizational structure throughout the field, including hiring chief financial officers at the regional level. In summary, as we have emphasized in our prior reports, achieving financial accountability will require the concentrated effort and sustained commitment of Forest Service management and staff.

In January 1999, we designated Forest Service financial management as a high-risk area. Since 1990, we have periodically reported on government operations identified as high risk because of their greater vulnerabilities to waste, fraud, abuse, and mismanagement. Our high-risk status reports are now provided at the start of each new Congress and the latest, High-Risk Series: An Update (January 1999, GAO/HR-99-1), was recently issued. Over time, as high-risk operations have been corrected and other risks have emerged, we have removed areas from the list and added new ones to keep the Congress current on areas needing attention. The Forest Service's high-risk designation means that we will be giving sustained attention to monitoring its efforts to achieve financial accountability.

We conducted our work from December 1998 through January 1999 in accordance with generally accepted government auditing standards. We requested comments on our draft briefing slides from the Forest Service and the U.S. Department of Agriculture's (USDA) Office of the Chief Financial Officer and Office of the Inspector General. These parties provided some clarifying comments that we incorporated into our slides as appropriate.

We are sending copies of this letter to the Ranking Minority Member of your Committee, the Secretary of Agriculture, the USDA Chief Financial Officer, the Chief of the Forest Service, the Forest Service's Chief Financial Officer, the Director of the Office of Management and Budget, and other interested parties. Copies will also be made available to others upon request.

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We will continue to monitor Forest Service progress and periodically report to you. If you have any questions about this letter or the earlier briefing, please contact me at (202) 512-9508 or McCoy Williams, Assistant Director, at (202) 512-6906.

Sincerely yours,

A handwritten signature in cursive script, appearing to read "Linda Calbom".

Linda M. Calbom
Director, Resources, Community,
and Economic Development, Accounting
and Financial Management Issues

Enclosure

(913844)

GAO Accounting and Information
Management Division

Forest Service

**Briefing on Efforts to Achieve Financial
Accountability**

January 25, 1999

GAO Purpose

To report on the Forest Service's efforts to achieve financial accountability

- Discuss corrective actions taken in fiscal year 1999
- Identify key tasks remaining

GAO Scope and Methodology

Focused on critical tasks that the Forest Service must address to achieve financial accountability

- Attended briefings on Foundation Financial Information System (FFIS) activities
- Interviewed IG and Forest Service officials
- Reviewed the following documents
 - consultant's reports
 - Forest Service project plans
 - Forest Service Y2K certification reports
 - the IG's assessment of corrective actions

GAO Background

- Since August 1996, the Forest Service, the IG, and the CFO have worked together to correct the accounting and financial reporting problems identified in the fiscal year 1995 IG audit report
- Since December 1996, GAO has reported and/or testified on
 - how unreliable financial data hampers the agency's and the Congress' decisionmaking ability
 - how the lack of accountability exposes the Forest Service to mismanagement and misuse of its assets
 - Forest Service efforts to improve financial accountability

GAO Actions Taken in Fiscal Year 1999 and
Key Tasks Remaining

- Organizational structure
- FFIS
- Accounting deficiencies

GAO Actions Taken in Fiscal Year 1999 - Organizational Structure

- Restructured the national office to include both Budget and Financial Management functions under the Forest Service CFO
- Hired experienced staff to fill key financial management and systems positions

Actions Taken in Fiscal Year 1999 - FFIS

- **USDA contracted with Logistics Management Institute to conduct a study of feeder systems**
- **Developed detailed project plan**
- **Completed testing on 8 of 16 critical financial systems for Y2K compliance**

GAO Actions Taken in Fiscal Year 1999 - Accounting Deficiencies

- Prepared a high level action plan to address real property accounting deficiencies
- Completed physical inventory of personal property
- Completed physical inventory of real property (except for road assets)
- Contracted with PricewaterhouseCoopers to study core competency of accounting functions

GAO Key Tasks Remaining - Organizational Structure

- Establish the following staff offices under the Forest Service CFO
 - FFIS Project Management Office
 - Financial Reports & Analysis
- Hire accountants for newly created positions
- Decide whether to establish a Deputy Regional Forester for Financial Management (CFO) within each region

GAO Key Tasks Remaining -
FFIS

- Complete business process reengineering
- Integrate or interface feeder systems with FFIS
- Fully implement and convert all data to FFIS by Oct. 1, 1999
- Complete testing on remaining 8 critical financial systems and certify all critical systems as Y2K compliant by March 31, 1999

GAO Key Tasks Remaining - Accounting Deficiencies

- Include financial management responsibilities in job descriptions at the forest level
- Develop a detailed quality assurance plan for analyzing and tracking inventory data
- Complete inventory of road assets
- Integrate Accounts Payable and Accounts Receivable functions into accounting system

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