



COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON, D.C. 20548

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The Honorable Henry S. Reuss, Chairman
Subcommittee on Conservation and
Natural Resources
Committee on Government Operations
House of Representatives



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Dear Mr. Chairman:

In accordance with your request of November 22, 1972, and subsequent agreements with your office, we are reporting on our followup of actions taken to implement the recommendation from our 1966 report to the Congress on the need to resolve differences in procedures used by Federal timber management agencies in appraising timber offered for sale (B-125053, Dec. 29, 1966).

We made our inquiries at the Office of Management and Budget (OMB); the headquarters and Pacific Northwest regional office of the Forest Service, Department of Agriculture; and the headquarters and Portland, Oregon, Service Center of the Bureau of Land Management (BLM), Department of the Interior. Although our 1966 report also covered Interior's Bureau of Indian Affairs, we limited our followup to the Forest Service and BLM because their timber management programs are more comparable.

The Forest Service and BLM have resolved some differences in their appraisal procedures but they have not resolved others even though the Congress stated in 1956 that uniform procedures were to be established and OMB, the Forest Service, and BLM had expended considerable efforts since then toward establishing greater uniformity. Also, the agencies have underway a joint study to improve and simplify appraisal procedures. Although this study could lead to greater uniformity, it is not primarily directed at establishing uniform procedures.

On the basis of the results of the agencies' past efforts and the lack of specific current efforts to establish uniform procedures, we believe it unlikely that the agencies will resolve the remaining differences in their appraisal procedures in the near future.

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The results of our inquiries and our conclusions are discussed in more detail after the following summary of events relating to Federal timber sale procedures prior to our 1966 report and the findings and recommendations from our 1966 report.

SUMMARY OF EVENTS PRIOR TO 1966 REPORT

In an August 1956 report on Federal timber sale policies, the Joint Committee on Federal Timber¹ stated that Federal timber-selling agencies should have uniform policies, methods, and procedures. During the next 10 years, the Forest Service and BLM, under Bureau of the Budget (BOB) direction, conducted interagency studies of Federal timber sale procedures. The agencies identified appraisal procedure differences that caused wide variations in appraisal elements, but, as shown in the following summary, they did not resolve these differences.

- August 1959: BOB stated that the public was concerned about different practices by the Forest Service and BLM in managing timberland in Oregon. BOB advised that increased consistency in policies and procedures would undoubtedly be in the public interest, and it stated its intention to assign personnel to work with the Departments of Agriculture and the Interior to bring about more uniformity in commercial timber management practices.
- October 1959: In a letter to the Secretaries of Agriculture and the Interior, BOB identified areas where timber sale practices were different and requested intensive cooperative efforts to achieve uniformity.
- January 1961: The Secretaries of Agriculture and the Interior forwarded a report to BOB that identified areas of differing policies and procedures, and they recommended that two existing interagency committees--one in Washington, D.C., and one in Portland, Oregon--be given

¹Formally titled the "Special Subcommittee on the Legislative Oversight Function of the Senate Committee on Interior and Insular Affairs and the Subcommittee on Public Works and Resources of the House Government Operations Committee."

increased authority for recommending uniform timber management practices.

- August 1961: The interagency committees were assigned responsibility for recommending measures to achieve basically uniform timber sale policies and procedures. A memorandum of understanding between BLM and the Forest Service stated that the phrase "basically uniform" policies, procedures, and practices should not be construed to mean that absolute uniformity in all matters was a required goal but rather that the agencies should work toward uniformity, particularly with respect to basic data, and recommend sound and practicable steps.
- August 1963: The Portland committee submitted a report to the Washington committee showing the variations in appraised values that would occur if Forest Service and BLM timber appraisal procedures were applied to the same tract of timber.
- November 1963: The Washington committee decided that further study and analysis of the reasons for variations were needed because of wide differences in significant appraisal elements identified in the August 1963 comparison.
- September 1964: The Portland committee updated the August 1963 comparative study to reflect April 1964 conditions and indicated that it had done all it could, short of a full-fledged study aimed at recommending changes in either or both of the agencies' appraisal procedures, and that these changes would involve major points. The committee said that guidance was needed on its intended course and the ideas behind it.
- October 1965: During the review on which our December 1966 report was based, the Washington committee chairman advised us that the committee's intended course was to coordinate the agencies' activities and that attaining uniform procedures was not necessary.
- February and March 1966: In commenting on our 1966 report, the Forest Service and the Department of the Interior

agreed that it would be desirable to attain greater uniformity in their appraisal procedures.

March 1966: BOB, in commenting on our 1966 report, advised us that (1) following its review of reports submitted by the Departments of Agriculture and the Interior, in response to the President's February 1965 request to implement the Government's policy of setting fair and equitable prices or rates for services or resources sold, it had requested the Departments to further study timber sale policies and procedures, (2) it would take whatever actions were deemed possible, prior to completion of the study, to resolve identified undesirable inconsistencies in Federal appraisal procedures, (3) the President was deeply interested in the fair and equitable treatment of all users of public resources, and (4) it was confident that the Departments would be able to resolve remaining problems through their close partnership.

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In our December 1966 report we showed how certain differences in appraisal procedures, such as using various methods to compute profit and risk allowance or using different sources for lumber price data, resulted in different values' being given like stands of timber. We recommended that BOB take action to insure that the agencies jointly develop and apply the most desirable appraisal procedures that would resolve the differences discussed in the report as well as any other differences disclosed by the study requested by BOB.

FOLLOWUP ON ACTIONS TAKEN

Following our 1966 report, the Forest Service and BLM resolved some of the differences identified in the report, such as a method of establishing the allowance for profit and risk. In September 1968, as a result of the study performed for BOB, the Forest Service's Pacific Northwest region (which covers Oregon and Washington) and BLM's Portland Service Center jointly issued a draft manual entitled "Interim Manual for Appraisal of Federal Timber." The manual was revised in May 1969 and in December 1969 Forest Service headquarters approved it.

Our inquiries in February and March 1971 showed that the Forest Service's Pacific Northwest region was implementing the manual but that BLM had not approved it for implementation. Our comparison of BLM procedures with those in the manual pointed out that several differences, some of which were the same or similar to those discussed in our 1966 report, continued to exist.

Some of the identified procedural differences involved (1) a number of recovery studies used in determining the lumber and veneer grade recovery from logs, (2) the source of lumber-grade selling prices used for determining the average log selling value, (3) the data, pertaining to milling operations, used in determining the proportion of end products derived from each log grade, (4) the method and information used in updating selling price data, (5) the method and source of data used in developing allowances for lumber manufacturing costs, and (6) the development of tree-to-truck cost allowances. Although we did not analyze how the differences could result in different valuations, such differences, as demonstrated in the 1966 report, can result in different appraisals values for like stands of timber, which can be inequitable to both the Government and timber purchasers.

In April 1971 we informed BLM of the results of our comparison and requested its comments on (1) any problems that had prevented it from approving the interim manual and (2) actions taken or to be taken to resolve such problems.

In May 1971 BLM responded that it had not pressed for a resolution of differences in appraisal procedures because it was awaiting completion of Forest Service and timber industry meetings on appraisals. A Forest Service official advised us on December 10, 1971, that those meetings might continue indefinitely because of difficulties in resolving questions on appraisal procedures.

In December 1971 we informed OMB of the results of our inquiry and stated that there seemed to be little likelihood of an early resolution by the two agencies of the differences in their appraisal procedures. We asked OMB for its views on the apparent impasse and whether it planned any further action to achieve a uniformity of procedures.

OMB's March 1972 reply stated that the Government should make every effort to achieve practicable uniformity in the sale of timber by the two agencies. OMB also stated that it had requested Agriculture and Interior to report to it on the uniformity achieved and on their plans to resolve remaining appraisal differences.

In April 1972 Agriculture reported to OMB that:

- The Forest Service and BLM had agreed on uniform procedures in 1969 and that the Forest Service had adopted most features of those procedures shortly thereafter.
- Since then a few shortcomings had been detected in the uniform procedures and the Forest Service was reviewing possible major changes directed at resolving the problems.
- The Forest Service would work with BLM to solve the problems in a manner which would contribute to more uniform procedures.
- Plans were being made for a review of Forest Service appraisals by a Forest Service and timber industry group and, if agreement could be reached for BLM participation, such a review might contribute to greater uniformity.

The Department of the Interior made similar comments to OMB in May 1972.

In a March 1973 letter OMB told us that the Forest Service and BLM were represented in a joint study group to review procedures and explore ways to improve and simplify appraisals. OMB said that this could lead to increased uniformity.

In May 1973 a BLM field official, who is BLM's appraisal representative on the joint study, told us that the study, which covers timber sale appraisal procedures in Oregon and Washington, could result in some increased uniformity but no special efforts were being made to establish uniform procedures. Also in October 1973 Forest Service and BLM headquarters officials told us that no special efforts were being made in the joint study to establish uniform procedures.

CONCLUSIONS

The Forest Service and BLM have not explained why they cannot resolve appraisal procedure differences in accordance with the desires of the Congress and the Government's objective that all users of public resources be treated fairly and equitably. The failure of the agencies' past efforts and the lack of specific current efforts to establish uniform appraisal

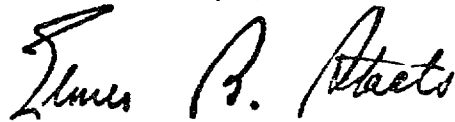
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procedures indicate that it is unlikely that the agencies will resolve the remaining differences in timber appraisal procedures in the near future.

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During our review we held discussions with officials responsible for the matters covered in this report. In accordance with agreements reached with your office, however, we have not requested the Departments of Agriculture and the Interior or OMB to review and comment on this report. We do not plan to distribute this report further unless you agree or publicly announce its contents.

Sincerely yours,

A handwritten signature in cursive script, reading "James B. Axtell".

Comptroller General
of the United States