



# FOREST SERVICE

## Year-end Financial Reporting Significantly Improved, but Certain Underlying Problems Remain

Highlights of [GAO-03-538](#), a report to the Chairman and Ranking Minority Member, Subcommittee on Forests and Forest Health, Committee on Resources, House of Representatives.

### Why GAO Did This Study

Since 1996, we have periodically reported on Forest Service financial management problems that we, the U.S. Department of Agriculture’s Office of the Inspector General, and other independent auditors have identified. We have designated the Forest Service financial management as a high-risk area since 1999. Because of these longstanding financial management deficiencies, the Subcommittee asked GAO to report on the Forest Service’s progress in correcting its financial management problems and on remaining challenges and actions underway to address those challenges.

### What GAO Recommends

- We recommend that the Forest Service develop a comprehensive financial management strategy that
- defines financial management goals and objectives,
  - specifies corrective actions,
  - identifies target dates and resources needed,
  - identifies responsible parties, and
  - prioritizes and links improvement initiatives, including USDA financial management systems enhancements.

The Forest Service concurred with our recommendations and indicated that it is developing a strategic plan.

[www.gao.gov/cgi-bin/getrpt?GAO-03-538](http://www.gao.gov/cgi-bin/getrpt?GAO-03-538).

To view the full report, including the scope and methodology, click on the link above. For more information, contact McCoy Williams at (202) 512-6906 or [williamsm1@gao.gov](mailto:williamsm1@gao.gov).

### What GAO Found

The Forest Service has made significant progress toward achieving financial accountability, receiving its first “clean” or unqualified audit opinion on its financial statements for fiscal year 2002. This was attained because top management dedicated considerable resources to address accounting and reporting deficiencies. We consider this a positive step; however, sustaining this outcome and achieving financial accountability will require more than obtaining year-end numbers for financial statement purposes.

The Forest Service continues to face several major challenges, many of which resulted in unfavorable audit opinions in the past. Specifically, the Forest Service’s fiscal year 2002 financial statement audit report disclosed material internal control weaknesses related to its two major asset accounts—fund balance with the U.S. Department of the Treasury, and property, plant, and equipment—as well as for certain estimated liabilities, payroll processes, computer security controls, and software application controls related to its procurement and property systems. Further, the Forest Service has not addressed the challenges of replacing or enhancing legacy feeder systems and implementing a financial management field operation that supports efficient and effective day-to-day financial operations and routinely produces reliable and timely financial information.

The Forest Service has corrective actions underway or planned that are intended to resolve these problems, including a financial management strategic plan. If this plan is to serve as a “road map” toward financial accountability, the Forest Service needs to ensure that its plan is comprehensive, integrating and prioritizing the various corrective action initiatives underway and planned.

**History of Forest Service Audit Reports**

Fiscal year	Opinion	Material internal control weaknesses	Noncompliance with laws and regulations
1991	Adverse	X	X
1992	Adverse	X	X
1993	Qualified	X	X
1994	Qualified	X	X
1995	Adverse	X	X
1996	No Audit <sup>a</sup>	No audit	No audit
1997	Disclaimer	X	X
1998	Disclaimer	X	X
1999	Disclaimer	X	X
2000	Disclaimer	X	X
2001	Disclaimer	X	X
2002	Unqualified	X	X

Source: USDA Inspector General and KPMG audit reports.

<sup>a</sup>The Forest Service chose not to prepare financial statements in an effort to focus on correcting accounting and reporting weaknesses.