

Part E

OTHER ACCOMPANYING INFORMATION

Unaudited

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MAJOR MANAGEMENT CHALLENGES

The Reports Consolidation Act of 2000 requires the USDA Office of the Inspector General (OIG) to identify and annually report the most serious management challenges facing USDA and its agencies.

OIG examined previously issued audit reports where corrective actions have yet to be taken, assessed ongoing investigative and audit work to identify significant vulnerabilities, and analyzed new programs and activities that could pose significant challenges due to their range and complexity. In response to OIG’s report, the Forest Service prepared a corrective action plan to address the challenges in the coming fiscal year.

In August 2008, OIG identified corrective actions the Forest Service did not complete as planned for FY 2008. For some management challenges, the corrective actions were taken, but the management challenge may be ongoing and will be tracked for FY 2009, as well. The following exhibits report FY 2008 accomplishments and planned FY 2009 corrective actions, if necessary.

Implementation of Strong, Integrated Management Control (Internal Control) Systems Still Needed
<ul style="list-style-type: none"> ▪ Improve Forest Service internal controls and management accountability to manage its resources, measure its progress towards goals and objectives, and accurately report its accomplishments
FY 2008 Accomplishments
Completed corrective actions to successfully implement the Government Performance and Results Act—GPR (August 2008)
Performed an annual systems assessment of all Forest Service financial/mixed financial systems (August 2008)
Conducted oversight reviews on performance accountability within various regions (July 2008)
FY 2009 Planned Actions
Obtain closure on remaining OIG audit recommendations on performance reporting [OIG 08401-8-FM / # 16]
Provide better oversight of national firefighting contract crews by implementing controls to monitor and ensure adequate training and ensure preseason language assessments and certifications [OIG 08601-42-SF]
Conduct annual systems self-assessment for all financial and mixed financial systems
Conduct Washington Office oversight reviews on performance accountability in regions and issue report
Implement 65 percent of corrective actions identified through the A-123, Appendix A for financial processes
Close 70 percent of open OIG audits and audit recommendations in FY 2009
Close 70 percent of open GAO audits and audit recommendations in FY 2009

Continuing Improvements Needed in IT Security

- Emphasize security program planning and management oversight and monitoring
- Establish an internal control program throughout the systems' lifecycle
- Identify, test, and mitigate IT security vulnerabilities (risk assessments)
- Improve access controls
- Implement appropriate application and system software change control
- Develop disaster contingency (service continuity) plans
- Address computing problems and mitigate the impact to users

FY 2008 Accomplishments

Closed 70 percent of the actions necessary to obtain official closure on the two outstanding OIG IT audits—OIG Audit # 08099-6-SF and OIG Audit # 08401-2-FM

Continued with the implementation of the Secure CAP program by implementing NIST 800-53 controls

The IT Material Weakness was downgraded in FY 2008.

Better Forest Service Management and Community Action Needed To Improve the Health of the National Forests and Reduce the Cost of Fighting Fires

- Develop methods to improve forest health
- Establish criteria to reduce the threat of wildland fires

FY 2008 Accomplishments

Developed national guidance for the regions to use in assessing the risks¹ from wildfires (March 2008)

Assessed the effectiveness of hazardous fuels treatments and restoration projects (September 2008)

Accomplished, but a recurring process performed annually. Conducted large fire cost reviews and implement corrective actions, as applicable (September 2008)

FY 2009 Planned Actions

Assess effectiveness of hazardous fuels treatments and restoration projects [OIG 08601-6-AT / # 1]

Obtain clarification on both the Forest Service and the States' protection responsibilities in the WUI and on other private properties that are threatened by wildfires

If a State is responsible, provide direction and begin renegotiation of WUI protection responsibilities in large fire suppression responsibilities [OIG 08601-44-SF]

Conduct large fire cost reviews and implement corrective actions, as applicable

Develop partnerships with States and counties to facilitate development of fire prevention ordinances for use in planning and zoning in WUI areas

¹ In FY 2007, the Forest Service began using the Hazardous Fuels Priority Allocation System, a decision support system that analyzes risk and fire potential. The agency directed regions to use this system or a similar system to allocate to the national forests.

Implementation of Improper Payment Act Requirements Needs Improvement

- Agencies that have identified programs that are susceptible to improper payments need to develop and implement action plans to reduce the amount of these payments

FY 2008 Accomplishments

Attained FY 2008 improper payment target rate of 2.56 percent and/or improper payment recovery target of \$340,000 (May 2008)

OIG IPIA Audit (08601-47-SF) was closed in FY 2008

IMPROPER PAYMENTS INFORMATION ACT (IPIA)

The Improper Payments Information Act (IPIA) requires each agency to assess all agency programs and identify which, if any, program(s) may be subject to high risk with respect to improper payments, and take corrective measures, as necessary. Throughout FY 2008, Forest Service recovered prior-year improper payments through an independent contractor with oversight by a designated Forest Service point of contact.

For FY 2007 disbursements, USDA determined four funds to audit, with one fund requiring a statistical sample. Forest Service identified the Wildland Fire Suppression (WFSU) program again as its single *high-risk* program area related to payments. The agency selected a sample from the FY 2007 WFSU outlays for evaluation, using an estimated **2.5 percent** +/- margin of error rate with a **90**-percent confidence level, resulting in **362** samples. For the FY 2007 disbursements, the error rate, when extrapolated, resulted in the annual estimated improper payments amounts for the WFSU program of \$232,000 (see following chart).

Exhibit 1. Summary of IPIA Evaluation

Category	Population Outlays	Tested Outlay Amount	Population Insufficient Documentation		Population Improper Payment Error	
			Dollars	Rate	Dollars	Rate
Contract Payments	\$845,242,603	\$26,019,441	\$0.00	0.00%	\$0.00	0.00%
PCMS	59,087,166	1,694,356	0.00	0.00	107,597	0.18
Employee Payroll and Travel; and Casual Pay	465,698,916	18,153,189	0.00	0.00	124,759	0.03
TOTALS	\$1,370,028,685	\$45,866,986	\$0.00	0.00%	\$232,356	0.02%

The review of disbursements for the Mandatory Working Funds and Mandatory Payment Funds indicated an error rate of 0 percent (0%).

The consolidation of accounting and fire payment functions has significantly reduced both improper payments and interest on late payments.

Exhibit 2. Reduction of Interest on Late Payments

Reduction of Interest on Late Payments	2006	2007	2008
Interest Amount	\$1,572,633	\$1,187,933	\$810,256
Percent Interest Reduction from 2006		24.46%	48.48%
Improper Payments to Outlays Limited to Wildland Fire Suppression	2006	2007	2008
Outlays	\$1,411,907,115	\$1,370,028,685	--
Improper Payments	\$13,352,901	\$232,356	--
Percent Improper Payment to Outlays	0.95%	0.02%	--

Forest Service also began implementing a paperless system and processes to reduce the risk of making future improper payments. Implementation commenced in FY 2007; the Forest Service has seen significant reduction in interest payments. When fully implemented in FY 2009, the agency should realize continued reduction in interest payments.

The 2008 improper payments will be tested in FY 2009.

SUMMARY OF FINANCIAL AUDIT AND MANAGEMENT ASSURANCES

Exhibit 3. Summary of Financial Statement Audit

Audit Opinion		Unqualified				
Restatement		No				
Material Weakness	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
The Forest Needs To Continue To Improve Its General Controls Environment (Downgraded to a Significant Deficiency in FY 2008)	1				1	0
Total Material Weaknesses	1	--	--	--	1	0

The following exhibit provides a listing of Forest Service material weaknesses and the financial system nonconformance, as related to the management’s assurance for FMFIA and the certification for FFMIA.

Exhibit 4. Summary of Management Assurances

Effectiveness of Internal Control over Financial Reporting (FMFIA § 2)						
<i>Statement of Assurance</i>						
Material Weakness	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
None	0					0
Total Material Weaknesses	0	--	--	--	--	0

Effectiveness of Internal Control over Operations (FMFIA § 2)						
<i>Statement of Assurance</i>						
Material Weakness	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
None	0					0
Total Material Weaknesses	0	--	--	--	--	0

Conformance with Financial Management System Requirements (FMFIA § 4)						
<i>Statement of Assurance</i>						
Material Weakness	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
The Forest Needs To Continue To Improve Its General Controls Environment (Downgraded to a Significant Deficiency in FY2008)	1				1	0
Total Material Weaknesses	1	--	--	--	1	0

Compliance with Federal Financial Management Improvement Act (FFMIA)		
	Agency	Auditor
Overall Substantial Compliance	No	No
1. System Requirements	No	No
2. Accounting Standards	Yes	Yes
3. U.S. Standard General Ledger at Transaction Level	No	No
4. Information security policies, procedures, and practices	No	No