



United States
Department of
Agriculture

Forest
Service

April 2005



Forest Service Performance and Accountability Report—Fiscal Year 2004



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Message From the Chief

This fiscal year (FY) 2004 Performance and Accountability Report is the Forest Service's first chance to gauge our success and shortcomings over the past year. This report is also our first opportunity to measure our performance against the targets set in our new *USDA Forest Service Strategic Plan for Fiscal Years 2004–2008*.

In 2003, the agency focused on the four threats to conservation. These threats—growing danger of catastrophic fires due to hazardous fuel buildups; the spread of invasive species; loss of open space; and unmanaged outdoor recreation, particularly the unmanaged use of off-highway vehicles—increasingly keep us from delivering clean air, abundant water, and healthy habitat for fish and wildlife.

The new 2004–2008 Strategic Plan addresses these threats by providing six goals with performance measures to evaluate our success: (1) reduce the risk from catastrophic wildland fire, (2) reduce the impact from invasive species, (3) provide outdoor recreational opportunities, (4) help meet energy resource needs, (5) improve watershed condition, and (6) conduct mission-related work in addition to that which supports the agency goals. As a subset of these long-term goals and their targets in the new strategic plan, this 2004 Performance and Accountability Report addresses the agency's executive priorities.

This report presents an analysis of both our achievements and the challenges we face. The results reported here show the dedication and passion of Forest Service employees working shoulder to shoulder with our partners, communities, and other stakeholders for the sustainability of the health, diversity, and productivity of our Nation's forests and grasslands.

In FY 2004, the Forest Service:

- Developed new tools under the Healthy Forests Initiative and Healthy Forests Restoration Act to reduce process gridlock, including established stewardship contracting categorical exclusions that enable priority fuel treatment and forest restoration to proceed quickly and revised the administrative appeals process specific to fuels and forest health projects.
- Achieved significant hazardous fuels reduction.
- Saved an estimated \$20 million as a result of a service-wide Information Technology Competitive Sourcing Study.
- Initiated business process reengineering for our Human Resources and Financial Management Staffs.

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- Issued a proposal for a national approach to motorized use on the national forests and grasslands to enhance recreational opportunities for the public and better roads, trails, and areas.
 - Adopted and used the Office of Management and Budget's Program Assessment Rating Tool to assess the performance of our wildland fire management program, the Forest Legacy Program, programs for improving and maintaining national forest land, programs addressing invasive species, and our land acquisition program.
 - Created a Partnership Office to focus on strengthening and building partnerships integral to the sustainability of the Nation's forests and grasslands.
 - Entered into an agencywide memorandum of understanding with the Bureau of Land Management, the U.S. Fish and Wildlife Service, and private conservation organizations to improve access for hunting and fishing opportunities on Federal lands and to increase the availability of information about such opportunities to better serve hunters and anglers.

At a time when our need for performance and fiscal accountability has never been greater or our management challenges more demanding, this report provides a powerful new tool, a way to build organizational and individual accountability, identify achievement, and improve effectiveness and efficiency. This report, which links to our new strategic plan as well as to our performance budget and annual program direction, documents results that will inform our future course.

The financial and performance data presented in this report are complete and reliable. This report also documents our progress toward complying with the Federal Managers' Financial Integrity Act (FMFIA). Except for areas of improvement identified in this report, the Forest Service is providing reasonable assurance that our systems of internal control comply with FMFIA's objectives. Additionally, based on the work performed during FY 2004, the agency's financial management systems comply substantially with the objectives of FMFIA, with the exception of any financial system nonconformities identified in this report. The "Management Controls, Systems, and Compliance with Laws and Regulations" section of this report presents findings from the Office of Inspector General and the agency's planned actions to resolve those challenges.

Furthermore, the Forest Service is working to ensure the continued strength and focus of our financial integrity in an effort to centralize financial operations and reengineer many of the associated processes. The new, centralized organization, located in Albuquerque, NM, will be fully staffed and functional in early FY 2006.

We have again accomplished our goal of achieving an unqualified, “clean” audit opinion in FY 2004. This third consecutive unqualified audit opinion demonstrates that the agency is making positive strides in financial and performance accountability and sustainability.

We have an obligation to the American people to deliver the mission as efficiently and effectively as possible. With continued sharp focus on financial, budgetary and performance accountability, we will meet that obligation.



Dale N. Bosworth
Chief



Foreword

The *Forest Service Performance and Accountability Report—Fiscal Year 2004* has been prepared in accordance with the Report Consolidation Act of 2000 and the Office of Management and Budget's direction. As required by law, this document integrates the Forest Service's annual performance report with its annual consolidated financial statements as of September 30, 2004. It also includes the resulting KPMG LLP¹ report on the agency's financial statements, internal controls, and compliance with laws and regulations. A summary of Forest Service accomplishments and plans for addressing major management challenges and program risks, identified through Office of Inspector General and Government Accountability Office reports, may be found in the Management's Discussion and Analysis section.

All comments regarding this report are welcome. To learn more about the Forest Service and to download the electronic version of the performance and accountability report, visit <http://www.fs.fed.us>.

Address comments to:

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¹ KPMG LLP (KPMG) is an independent auditor.



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Management's Discussion and Analysis

The Management's Discussion and Analysis (MD&A) serves as a high-level overview of the U.S. Department of Agriculture (USDA) Forest Service's performance in fiscal year (FY) 2004. The report is designed for those individuals interested in the progress and status of the agency.

The MD&A also discusses the agency's compliance with legal and regulatory requirements, including the Federal Managers' Financial Integrity Act (FMFIA), the Federal Financial Management Improvement Act (FFMIA), Inspector General Act Amendments (referred to hereafter as the Audit Follow-Up), and other key legal and regulatory requirements. This MD&A presents financial and performance highlights and related information, as well as the agency's progress on the President's Management Agenda (PMA).

Mission Statement

The mission of the USDA Forest Service is to:

Sustain the health, diversity, and productivity of the Nation's forests and grasslands to meet the needs of present and future generations.

The Forest Service's commitment to land stewardship and public service is the framework within which the national forests and grasslands are managed.

Organizational Structure

In order to improve the efficiency and effectiveness of Forest Service program delivery, the agency requested approval in 2004 from USDA to reorganize from six deputy areas to five deputy areas, each reporting directly to the Office of the Chief.

The deputy areas are now Business Operations; Programs, Legislation, and Communication; Research and Development; National Forest System (NFS); and State and Private Forestry (S&PF).

This administrative reorganization:

- Eliminated the Budget and Finance (B&F) Deputy Area and moved B&F to the Business Operations Deputy Area, under the direction of the Associate Deputy Chief for Finance.
- Established the Regulatory and Management Services Staff.
- Separated the Forest and Rangeland Management Staff into the Forest Management Staff and the Range Management Staff.

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- Separated the Recreation, Wilderness and Heritage Resources Staff into the Recreation and Heritage Resources Staff and the Wilderness and Wild and Scenic Rivers Staff.
 - Established the Tribal Relations Staff.

This improved organizational structure enables the Forest Service to be more agile and to adapt its program delivery to meet the natural resources focus and initiatives of the 21st century.

Beyond the Washington Office and reporting directly to the Office of the Chief are:

- Six forest and range experimental stations.
- The Forest Products Lab in Madison, WI.
- S&PF in the Northeastern Area.
- International Institute of Tropical Forestry at the University of Puerto Rico, Agricultural Experimental Station.
- Nine regional offices.

Please see the FY 2004 Organizational Chart, which has been submitted to USDA for approval, following this section.

In the later sections of this Performance and Accountability Report pertaining to the financial statements and notes, the discussion revolves around “responsibility segments,” rather than deputy areas. Deputy areas are administrative groupings while segments are constructs used to assess net costs.

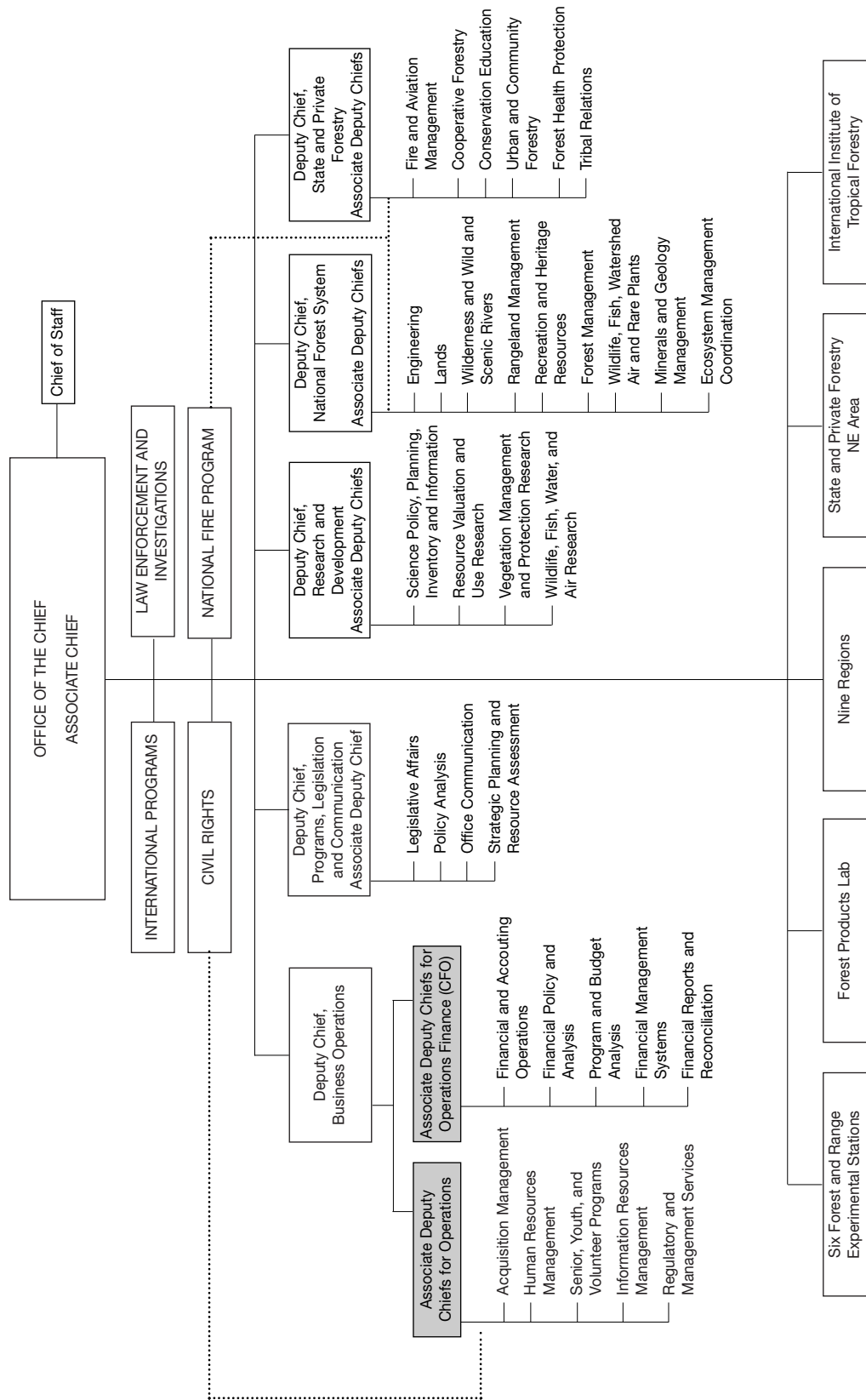
The Forest Service’s mission includes the following four major segments. Previously, the Working Capital Fund (WCF) was the fifth component listed. It was removed because it does not meet the criteria for a major mission segment, in accordance with the Office of Management and Budget (OMB) Bulletin No. 01-09, *Form and Content of Agency Financial Statements*. The WCF supports the functions of the remaining four major segments instead of being a unique segment.

- National Forests and Grasslands. Protection and management of an estimated 192 million acres of NFS land that includes an estimated 34 million acres of designated wilderness areas. In addition, the Forest Service partners with other nations and organizations to foster global natural resource conservation and sustainable development of the world’s forest resources.
- Forest and Rangeland Research. Research and development of forestry and rangeland management practices to provide scientific and technical knowledge for enhancing and protecting the economic productivity and environmental quality of the estimated 1.6 billion acres of forests and associated rangelands in the United States.

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- State and Private Forestry. Use of cooperative agreements with State and local governments, tribal governments, forest industries and private landowners to help protect and manage non-Federal forests and associated rangeland and watershed areas.
 - Wildland Fire Management. Protection of life, property, and natural resources on NFS lands and the estimated 20 million acres of adjacent State and private lands.

Some of the segment names are the same as those used for deputy areas, but the terms are not synonymous.

U.S. Department of Agriculture Forest Service



Future Demands and Risks

In FY 2003, the Forest Service defined what it saw as the four greatest threats to the health of the Nation's forests and grasslands: fire and fuels, invasive species, loss of open space, and unmanaged recreation. The agency recognized that successfully addressing these threats requires that all business and financial practices meet the highest standards.

The FY 2004 Executive Priorities—the Forest Service's 2004 Key Performance Indicators—not only maintain a focus on the uncertainty of wildland fires and invasive species, but also track the agency's performance in mitigating the effects of the loss of open space and unmanaged outdoor recreation.

The following external factors will challenge the Forest Service's ability to achieve the desired outcomes in the FY 2004 Executive Priorities and, therefore, the long-term goals of the Strategic Plan for 2004-2008—

- Continuing regionwide drought in the Western United States and continuing local weather patterns leading to stressed forest vegetation, increased insect and disease activity, and a pattern of catastrophic wildland fires.
- Continuing serious threat of catastrophic wildfires, especially near communities with a buildup of hazardous fuels in the wildland-urban interface (WUI).
- Continuing transfers of funds appropriated for other purposes to the wildland fire suppression account to pay for suppression costs. Numerous activities and projects designed to acquire and manage forests and grasslands, conduct research, or to help State or private landowners manage their lands are disrupted or completely forgone because of these transfers.
- Increasing economic losses caused by the impacts to natural resources by invasive species, such as the Sudden Oak Death epidemic in California.
- Increasing challenges to managing wildfire risks and wildlife habitat because State and local planning and zoning ordinances provide limited protection for open space.
- Diminishing capability to manage ever-increasing recreation visits—more than 204 million visits to national forests and grasslands in FY 2003—because of increasing high-priority workload in wildland fire activities.
- Diminishing ability to conduct basic stewardship activities—for example, reforestation needs have steadily increased for the past 4 years (primarily within wildland fire areas) while reforestation activities have steadily declined.

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- Challenge of timely reporting of the Consolidated Financial Statements and Notes, a critical piece of this FY 2004 Performance and Accountability Report, while integrating the Forest Service's Financial Management reorganization at a highly accelerated pace.
 - Unforeseen impacts from competitive sourcing and business process reengineering (BPR), especially in information technology, human resources, and financial management.

The President's Management Agenda

From its inception, the PMA has served as the focal point for the Forest Service's efforts to improve agency management and performance. All five PMA initiatives are integrated thoroughly into Forest Service management plans. Agency leadership at all levels has emphasized the initiatives.

Performance and Budget Integration

Designing and Implementing a Performance Accountability System

During the past 2 years, Forest Service leaders designed the framework of the Performance Accountability System (PAS)—as a process and a system, integrated with the budget.

- In December 2002, the Forest Service began designing a performance accountability process and system to integrate planning, budget, performance accountability, and financial management. The PAS meets agency performance management needs, the performance and budget integration goals of the PMA, and the requirements of the Government Performance and Results Act (GPRA).
- Through a series of Credibility Through Accountability (CTA) workshops, the Forest Service has created customer-focused outcomes and performance measures for all programs. The Alaska Region developed a model that will combine these elements into a Regional Strategic Business Plan that will influence 2006 budget allocations. If the model is acceptable, those metrics and the CTA model will be fully implemented by FY 2007.
- Based on a recommendation from a contract assessment concluded at the end of FY 2003, the Executive Leadership Team (ELT) adopted the Hyperion Performance Scorecard System for the PAS, contingent upon a proof-of-concept presentation to the National Leadership Team. A final decision by the ELT to fully deploy the PAS is anticipated based on results of the pilot test in the Alaska Region and the agency's Information Resource Board's recommendation.
- At the project level, the agency launched a project work-planning tool called WorkPlan in May 2003. WorkPlan offers a consistent approach to project planning and tracking across the agency, replacing several variations of an older tool that has been in use since the 1980s. The PAS and WorkPlan will bridge the gaps among the legacy tracking and reporting systems, becoming the integration mechanisms to plan, implement, track, and report Forest Service activities.

Improved Financial Management

Committed to sustaining an unqualified audit opinion in FY 2004 financial statements, the Forest Service has focused on Business Process Reengineering (BPR) for the agency's financial management functions. Three permanent teams, organized around key issues identified in the 2003 audit, were mobilized in FY 2004 to meet the accelerated timeframes.

The financial management BPR will be fully implemented in the first quarter of FY 2006. The results of this BPR, which will consolidate financial management, will ensure an organizational structure that provides efficient and cost effective service on a sustainable basis while providing substantial cost savings to the agency.

Budget and Finance

Significant efforts have been made in FY2004 to improve both the effectiveness and efficiency of the B&F organization. B&F has been reorganized under the Deputy Chief for Business Operations and is now led by an Associate Deputy Chief/Chief Financial Office (CFO). Staff Directors for Budget and Finance and Accounting report to the Associate Deputy Chief/CFO.

The key objectives in FY 2004 were to: (1) to sustain the two, consecutive unqualified audit opinions, and (2) embark on a Financial Management Improvement Project (FMIP) that includes an aggressive plan to centralize finance, accounting, and budget execution functions. This effort is well underway. The Forest Service contracted for consultant support that has assisted in developing a business case, a detailed project plan, and a communications plan. The consultants have provided project support to design new business processes which are now complete, and will provide continuing support to build the new business processes, and migrate them to the centralized service center. They will also provide change management services, such as migration planning and execution, workforce planning and execution, risk mitigation, and on-going project communications support.

The Forest Service has selected Albuquerque, NM, as the site for its centralized financial service center. Teams of Forest Service and consultant resources have been designated and will be trained prior to centralizing the functions. The center is expected to open in February 2005 and business will be migrated during the remainder of 2005, concluding in the first quarter of FY 2006.

In FY 2004, the Forest Service reduced the number of centralized payment centers for emergency equipment rental agreements from four to two and centralized all casual firefighter pay at one center in Ogden, UT. Efforts to enter incident obligations into the

Foundation Financial Information System (FFIS) within 3 days of the beginning of an incident were highly successful in FY 2003 and have been continued in FY 2004.

In response to internal and external concerns regarding systems of internal control, the agency initiated the Short Term Internal Control (STIC) Monitoring program with collaboration from B&F personnel in the field and headquarters. This involved ensuring policy and procedures were adequate, developing internal control checklists for business processes, conducting sampling on all 153 accounting centers, and analyzing results to address noted weaknesses. Improvements are being measured and this effort will continue in FY 2005. The STIC effort achieved only a moderate degree of success. Improvements were achieved; however, the improvements were not sufficient to eliminate certain material weaknesses in internal control.

The Forest Service has focused significant attention on financial data quality in FY 2004. These efforts have included analysis of individual Treasury symbol general ledger account balances and prescribed account relationships. While material issues have been identified, researched, and resolved as a result of these efforts, many of the corrections were made late in the year. Forest Service is committed to a more consistent approach to improve data quality in a timely manner.

Competitive Sourcing

In FY 2004, the Forest Service's competitive sourcing effort focused on completing the 3 standard studies of approximately 1,330 full-time equivalents (FTEs) that were begun in FY 2003. For studies completed in FY 2002 and FY 2003, the agency cancelled 1 standard study involving approximately 20 FTEs and implemented 25 streamlined studies and direct conversions of an estimated 1,150 FTEs. No new competitive sourcing studies were initiated in FY 2004.

Progress thus far includes the following achievements:

- A 1,200 FTE service-wide study of information technology infrastructure resulted in an estimated annual savings of \$20 million.
- Two standard studies of maintenance functions in Region 5 (California) were completed in January, with an estimated annual savings to the agency of \$4 million.
- The Forest Service cancelled its competitive sourcing trails maintenance competition in Region 10 (Alaska) because no private sector or public reimbursable offers were received and no savings were anticipated.
- Studies completed in FY 2003 were estimated to save \$419,000 in FY 2004; the actual savings were \$520,000.

In FY 2005, the Forest Service plans to study approximately 100 FTEs within the communications/public affairs function.

Expanded Electronic Government

The Forest Service is deeply involved in both Departmental and Government-wide electronic government (e-Gov) activities. The Forest Service has the Government-wide e-Gov lead in the Recreation One Stop and Safecom/Wireless programs. The Safecom/Wireless initiative is an umbrella program to help local, tribal, State, and Federal public safety agencies improve their public safety response through more effective, efficient interoperable wireless communications. The program has achieved the following accomplishments:

- Procured the contract for the National Recreation Reservation Service.
- Served as a testing site for integrated acquisition environment.

Strategic Management of Human Capital

The Annual Workforce Planning Process continued with both field-level and agencywide analysis of attrition and retirement trends, hiring projections, diversity profiles, and competency needs.

For FY 2004, each field unit incorporated results from workforce planning into unit recruitment plans and produced an agency workforce plan summary.

The agency also undertook the following in FY 2004:

- Tied SES performance elements and GS-14 and GS-15 managers' performance standards to the goals and objectives in the *USDA Forest Service's Strategic Plan for Fiscal Years 2004–08*.
- Deployed competency training through courses such as New Employee Orientation and Basic Supervision.
- Developed enhancements to the Forest Service's Web-based training tracking system.
- Started the first session of Senior Leaders program.
- Produced a manager's desk guide on human resource tools related to competitive sourcing.
- Continued Field Forums to expose emerging leaders to the Washington/Headquarters environment.

Knowledge Management Work in Support of the President's Management Initiative

In FY 2004, the Forest Service Knowledge Management (KM) Working Group accomplished the following goals:

- Surveyed a range of technologies for capturing knowledge through employee interviews, and currently is testing the most promising candidates.
- Developed a draft decision model for evaluating potential communities of practice as well as KM systems to pursue as pilot projects.
- Chose portal and software packages that provide infrastructure for KM tools.
- Worked with the USDA National Agricultural Library to further develop Forest Service topics in the USDA taxonomy.
- Created Intranet-based communication tools to enhance internal communication on KM topics.
- Initiated an agencywide inventory of KM practices, systems, and tools.

Management Controls, Systems, and Compliance With Laws and Regulations

Management Controls

FMFIA requires agencies to provide an assurance statement that Federal programs are operated efficiently and effectively. Agencies also must provide reasonable assurance that obligations and costs comply with applicable laws and regulations; Federal assets are safeguarded against fraud, waste, and mismanagement; and transactions are accounted for and properly recorded.

In FY 2004, the Forest Service took the steps necessary to ensure that evaluations of the system of internal controls for the Forest Service have been conducted in accordance with OMB guidelines and comply with the standards prescribed by the Comptroller General. The evaluations include assessments as to whether the financial management systems and internal accounting and administrative controls within the Forest Service are in compliance with the standards prescribed by the Comptroller General and provide reasonable assurance that the following objectives are met.

1. Obligations and costs comply with applicable laws.
2. Funds, property, and other assets are safeguarded against waste, loss, or mismanagement.
3. Revenues and expenditures are properly recorded and accounted for to permit the preparation of reliable financial and statistical reports and to maintain accountability over assets.

The results of the evaluations indicate that the system of internal accounting and administrative control of the Forest Service in effect during the fiscal year ending September 30, 2004, taken as a whole, comply with the requirement to provide reasonable assurance that the above mentioned objectives were achieved within the limits described in the preceding paragraph. The evaluations identified the following material deficiencies as fully corrected or reassessed and determined to be no longer material:

- **FS-91-02:** Adequacy of Financial Systems
- **FS-00-01:** Performance Reporting
- **FS-92-01:** Administration of Lands Special Use Permits
- **FS-01-01:** Timber Sale Environmental Analysis
- **FS-03-01:** Internal Control Weaknesses
- **FS-03-02:** USDA Information Security Weaknesses

Subsequent to the Forest Service filing of the FY 2004 FMFIA Report, financial statement audit activities and agency monitoring indicated the corrective actions related to the material weakness in financial management controls were not fully effective. In addition, the financial statement audit activities disclosed a new material weakness and indicated that the three prior-year financial material weaknesses had not been fully corrected. Accordingly, Forest Service will report a new FMFIA material weakness in financial management controls to include compliance with accounting standards, particularly for certification of undelivered order and reporting accruals. In addition, Forest Service has continuing weaknesses related to system security issues, which are part of a USDA material weakness.

The following pages contain the justification or corrective actions taken for these material deficiencies.

Material Deficiency Number	Material Deficiency	Year Identified	Original Estimated Completion Date	Actual Completion Date	Source of Deficiency
FS-91-02	Adequacy of Financial Systems: The financial accounting system lacks controls needed in the accounting and reporting subsystems to ensure financial information is reliable and funds are adequately controlled.	FY 1989, 1991	FY 2003	4th Qtr FY 2004 (1 item remaining to complete—revisions to handbooks, manuals—2nd quarter FY 2005)	Management reviews, and OIG and GAO audits

Deficiency Status: Corrected.

Detailed Description of the Process Used To Verify and Validate Completion of Corrective Actions: Management reviews and Office of Inspector General (OIG) and Government Accountability Office (GAO) audits.

Detailed Description of Corrective Actions or Milestones Implemented During FY 2004:

- Developed and provided a set of critical training courses to improve financial management.
- Performed an assessment of training needs and target audiences, in coordination with B&F national training coordinator. Recent training included Financial Management (two courses), Timber Sale Financial Management (three courses), Account Relationship, Real Property Accounting, Acquisition Management/Property/Grants and Agreements conference, Advanced Standard General Ledger, Basic Standard General Ledger, Project Cost Accounting System, FFIS database (weekly February 18 to May 13, and on July 29, 2004). Financial management training for line officers is being evaluated and pilot offerings considered through corporate training.
- Continued the revisions of financial management manuals and handbooks to update policy. The system of CFO Bulletins, carrying the same force and effect as policy incorporated into the directives system, also continued in FY 2004. Thus far, 17 CFO Bulletins have been published in FY 2004. As of August 25, 2004, published 21 revisions to the Forest Service Handbooks (FSH) / Manual (FSM), had 12 items on hold, and had published 10 interim directives. This is approximately a 47-percent overall completion to date. Agency emphasis leading to management changes in

the directives area greatly fostered the issuance of 20 of 21 revisions in FY 2004. With this continued approach, the agency anticipates completion in the second quarter FY 2005.

- Completed the Incident Obligations Pilot in FY 2003, using both manual and electronic transmission of obligations data from incidents to the FFIS database.

Strategic Plan and Annual Performance Plan Goal and Objective to Which the Corrective Actions Apply, if Applicable: USDA Goal 5. A—Operate an efficient, effective, and discrimination-free organization. *Objective 5.2.A*—Improve organizational productivity, accountability, and performance.

Section 4 System Nonconformance to Which the Corrective Actions Apply, if Applicable:

Note: In both FY 2002 and FY 2003, the Forest Service FFIS financial system and feeder systems produced financial statements that subsequently received an unqualified audit opinion.

Material Deficiency Number	Material Deficiency	Year Identified	Original Estimated Completion Date	Actual Completion Date	Source of Deficiency
FS-00-01	Performance Reporting: The Forest Service lacks effective internal controls over the quality of data included in its performance accomplishment report under GPRA.	FY 2000	FY 2003	FY 2004	OIG audit

Deficiency Status: Reassessed.

Detailed Description of the Process Used To Verify and Validate Completion of Corrective Actions: Management reviews and OIG and GAO audits.

Detailed Description of Corrective Actions or Milestones Implemented During FY 2004:

- Continued development of performance reporting and PAS.
- Established PAS implementation plan to guide implementation of a performance-based budgeting process. Designed and developed performance measures and a business model in the Credibility Through Accountability process in the Alaska Region.
- Began development of prototype, completed initial market research and cost-benefit alternative analysis for further evaluation, and planned testing and implementation for FY 2005 and FY 2006.

Strategic Plan and Annual Performance Plan Goal and Objective to Which the Corrective Actions Apply, if Applicable: USDA Goal 5.A—Operate an efficient, effective, and discrimination-free organization. *Objective 5.2.A*—Improve organizational productivity, accountability, and performance.

Section 4 System Nonconformance to Which the Corrective Actions Apply, if Applicable: Not applicable.

Material Deficiency Number	Material Deficiency	Year Identified	Original Estimated Completion Date	Actual Completion Date	Source of Deficiency
FS-92-01	Administration of Lands Special Use Permits: Lands Special Use Permits are not being administered to a standard consistent with law, regulation, or policy.	FY 1992	FY 2003	2nd quarter FY 2005 projected	GAO audit

Deficiency Status: Reassessed.

Detailed Description of the Process Used To Verify and Validate Completion of Corrective Actions: Management and analytical reviews.

Detailed Description of Corrective Actions or Milestones Implemented During FY 2004:

- Published final interim directive in National Environmental Policy Act (NEPA) handbook on July 6, 2004. OMB re-determined that the Forest Service cost recovery rule is significant for purposes of interagency consistency with Bureau of Land Management's final rule (rights-of-way regulation). However, evolving changes in the BLM rule, as well as reduced staffing levels in Forest Service Lands, have slowed progress on finalizing the agency's rule, which put publication of the final rule at risk. Additionally, the pilot authority to retain and spend cost recovery fees is due to expire September 30, 2004, and has yet to be extended. Updating the FSM and FSH is contingent upon publication and implementation of Cost Recovery Regulations.

Strategic Plan and Annual Performance Plan Goal and Objective to Which the Corrective Actions Apply, if Applicable: USDA Goal 3.A—Maintain and enhance the Nation's natural resources and environment. *Objective 3.3.A*—Provide multiple benefits to people from the Nation's natural resources.

Section 4 System Nonconformance to Which the Corrective Actions Apply, if Applicable: Not applicable.

Material Deficiency Number	Material Deficiency	Year Identified	Original Estimated Completion Date	Actual Completion Date	Source of Deficiency
FS-01-01	Timber Sale Environmental Analysis: Administrative controls over the analysis and preparation of environmental documents and implementation of mitigation measures applicable to timber sales have not been effective. Heritage resources, water quality, and threatened, endangered, or sensitive species and their habitat may be adversely affected.	FY 2001	FY 2004	4th quarter FY 2004	Management review and OIG audit

Deficiency Status: Corrected.

Detailed Description of the Process Used To Verify and Validate Completion of Corrective Actions: Management reviews and OIG and GAO audits.

Detailed Description of Corrective Actions or Milestones Implemented During FY 2004:

- Completed revisions to FSM and FSH for standard review procedures of environmental assessments and published on July 6, 2004.
- Completed revisions to applicable FSM and FSH for implementing NEPA and other environmental regulations and published on July 6, 2004.
- Completed training and tool listing for NEPA and Endangered Species Act completed in the fourth quarter of 2003.
- Established new training for forest NEPA Coordinators in the second quarter of FY 2004.
- Awarded contract during fourth quarter of FY 2004 to identify additional NEPA training needs. This is a continuous process of evaluation and development of new tools and training.

Strategic Plan and Annual Performance Plan Goal and Objective to Which the Corrective Actions Apply, if Applicable: USDA Goal 3.A—Maintain and enhance the Nation’s natural resources and environment. *Objective 3.1.A*—Maintain the productive capacity of the natural resource base for future generations; *3.2.A*—Protect the quality of the Nation’s environment; and *3.3.A*—Provide multiple benefits to people from the Nation’s natural resources.

Section 4 System Nonconformance to Which the Corrective Actions Apply, if Applicable: Not applicable.

Material Deficiency Number	Material Deficiency	Year Identified	Original Estimated Completion Date	Actual Completion Date	Source of Deficiency
FS-03-01	Internal Control Weaknesses: Overall financial management controls were not adequate to ensure that misstatements in amounts that would be material could occur and not be detected within a timely period.	FY 2003	FY 2003	FY 2004	OIG audit 08401-1-FM

Deficiency Status: Reassessed. Completion of action items underway.

Detailed Description of the Process Used To Verify and Validate Completion of Corrective Actions: Management reviews and OIG and GAO audits.

Detailed Description of Corrective Actions or Milestones Implemented During FY 2004:

Corrective Action Description	Complete Description of Corrective Action	Completion Date of Corrective Action
Service-level agreements	Developed service-level agreements with USDA NFC, including specific responsibilities, roles, clearing timelines, and escalation procedures for resolution with the agreement terms.	1st quarter 2004
Budget and clearing accounts	Analyzed the composition of budget and clearing accounts and determined the proper disposition of the balances in accounts 12F3875 and 12F3885 on at least a quarterly basis. (Analysis has begun on a monthly basis.)	4th quarter 2004
Revenue generating business processes	Identified all revenue generating sources maintained in the budget clearing account and determined disposition. (Identified revenue sources and issued direction to field requiring monthly transfer or justification of balances in budget clearing.)	4th quarter 2004
Supervisory approval of timesheets	Implemented adequate system controls in Paycheck to ensure that employee's supervisor of record appropriately reviews and approves timesheets. (PAYCHECK7 implemented; Job Corps sites to be completed in next 2 months.)	4th quarter 2004
Accurate transaction recording for PP&E	Developed training materials, trained the trainers, and held training classes for staffs responsible for PP&E transactions. (Completed.)	3rd quarter 2004
Supervisory review of property transactions	Issued new policy direction requiring supervisory review of data input of property transactions. (Identified and issued compensating controls to ensure the accuracy of data input.)	4th quarter 2004
Capitalization controls	Issued new policy guidance regarding improving the design and operation of labor cost and other cost capitalization controls. (Final review of Chapter 20 of PP&E Handbook completed; and approved and signed by management. Sent to Directives for issuance in August 2004.)	4th quarter 2004
Certify payroll	Determined a process where line officers certify that payroll records are correct. (Issued June 23 letter requiring line officers/unit managers complete a quarterly certification of all employees on payroll.)	4th quarter 2004

Strategic Plan and Annual Performance Plan Goal and Objective to Which the Corrective Actions Apply, if Applicable: USDA Goal 5. A—Operate an efficient, effective, and discrimination-free organization. *Objective 5.2.A*—Improve organizational productivity, accountability, and performance.

Section 4 System Nonconformance to Which the Corrective Actions Apply, if Applicable: Not applicable.

Material Deficiency Number	Material Deficiency	Year Identified	Original Estimated Completion Date	Actual Completion Date	Source of Deficiency
FS-03-02	USDA Information Security Weaknesses	FY 2003	FY 2003	FY 2004	OIG audit 08401-2-FM

Deficiency Status: Reassessed.

Detailed Description of the Process Used To Verify and Validate Completion of Corrective Actions: Management reviews and OIG and GAO audits.

Detailed Description of Corrective Actions or Milestones Implemented During FY 2004:

Corrective Action Description	Complete Description of Corrective Action	Completion Date of Corrective Action
Infra applications	Updated the Infra application's security plan to require management review of user activity logs. (Recommendations were addressed as part of Forest Service certification and accreditation of applications.)	4th quarter 2004
Assess IT security risks	Developed and implemented an agency-wide IT risk assessment process. (Drafted the information security risk assessment policy. The final review is in progress.)	4th quarter 2004
IT security plans	Issued direction that requires that security plans be updated when there are major changes to the plan and that they be reviewed and changed, if needed, at least annually. Formally chartered Computer Incident Response Team (CIRT). Completed IT security plans for all units and in compliance with USDA regulations. (When new IT organization is in place, individual unit plans will no longer be a requirement at regional levels. There will only be one plan incorporating all units.)	July 14, 2004
Use of badges	Required the use of badges for all employees and visitors at all data processing facilities and the use of a log in which all visitors sign in and out. (To prepare for new organization, completed draft policy on physical security requiring badges. Currently, this is under review by technical team. Provided all employees with access to required high-standard Security Awareness Training.)	4th quarter 2004
Background investigations	Completed the servicewide "background investigations" and "security clearances" policy for IRM positions and functions requiring background investigations. Policy is currently in review. Due to the new IT organization, this policy will be implemented, proactively, as the new organization positions are filled.	4th quarter 2004

Corrective Action Description	Complete Description of Corrective Action	Completion Date of Corrective Action
Access to separated employees	Established direction for reporting separation of employees and removing access privileges. (Direction will be implemented with new organization to facilitate enforcement and servicewide policy and procedures on access controls.) Made dramatic changes in computer access procedures to strengthen security (e.g., completed process for supervisory approval and annual authentication for remote access dial-up users on July 14.)	4th quarter 2004
User access lists	Implemented operational and technical improvements that enable maintenance of a servicewide list of users with access to the Forest Service network, e-mail system, and critical business applications. Reviewed risks posed by existing network account management procedures and implemented changes (e.g., new security warning banner, draft network perimeter policy.)	4th quarter 2004
Internet points of presence	Developed plan to transition valid services to authorized Internet points of presences based on analysis of discovery and technical solutions required. (Implemented specific access control vulnerabilities noted on FSWeb servers. Obtained waiver from USDA to enter into contract with ISP as back-up to Internet Web servers. ISP provides additional security and firewall.)	3rd quarter 2004 (more to implement with new organization)

Strategic Plan and Annual Performance Plan Goal and Objective to Which the Corrective Actions Apply, if Applicable: USDA Goal 5. A—Operate an efficient, effective, and discrimination-free organization. *Objective 5.2.A*—Improve organizational productivity, accountability, and performance.

Section 4 System Nonconformance to Which the Corrective Actions Apply, if Applicable: Forest Service systems are not compliant with Federal Financial Systems requirements; the agency is working with the USDA to address these issues.

Financial Systems

Under FFMIA, agencies are required to report whether financial management systems substantially comply with the Federal financial management systems requirements, Federal accounting standards, and the U.S. Government Standard General Ledger (SGL) at the transaction level. If an agency is not in compliance with the FFMIA, a remediation plan is required to bring the agency's financial management systems into substantial compliance.

The Forest Service has evaluated its financial management systems under the FFMIA for the fiscal year ended September 30, 2004, and certifies that the financial management systems are not in full compliance with FFMIA. While Forest Service posting models are now SGL compliant at the transaction level, current audit activities and agency monitoring indicate issues with implementation of accounting standards, including those for revenue recognition and reporting of accruals. With regards to information security policies, procedures, and practices, Forest Service completed certification and accreditation of four agency systems; however, the auditors have not confirmed the results. The Forest Service continues to have issues with general control environment.

Exhibit 1. *The Forest Service Remediation Plan for FY 2004*

Section	Instance	Remediation	Target Date
Accounting standards	Revenue recognition at the point of sale for maps and the national recreation reservations system.	Implement a business process to recognize revenue at point of sale for remaining business processes.	June 2004 Completed
Standard General Ledger (SGL) compliance at the transaction level	Proper SGL posting at the transaction level.	Modify posting model for special and non-revolving trust funds to remove improper accounting for budgetary resources.	December 2003 Completed
		Identify, analyze, and correct invalid posting models.	September 2004 Completed
Information security policies, procedures, and practices	The four financial systems are undergoing Certification and Accreditation (C&A) this fiscal year: <ul style="list-style-type: none"> • Automated Timber Sale Accounting System (ATSA) • Travel • PAYCHECK • Infra 	All four systems were initially targeted to be completed by September 30; however, due to delays with the contractors and GSA, the C&A will be completed by October 29, 2004.	September 2004 Completed

Forest Service's Financial Highlights for 2004

The Forest Service produces an annual series of financial statements to summarize the activity and associated financial position of the agency. The principal statements include a Consolidated Balance Sheet, Consolidated Statement of Net Cost, Consolidated Statement of Change in Net Position, Consolidated Statement of Financing, and a Combined Statement of Budgetary Resources. In producing these statements, the agency seeks to provide relevant, reliable, and accurate financial information related to Forest Service activities.

In fiscal year 2004, the USDA Forest Service corrected its fiscal year 2003 financial statements to:

- A. Properly align budgetary and proprietary account relationships and correct certain related budgetary and proprietary posting errors in:
 - The Wildland Fire Management Fund
 - The National Forest System Fund
 - The Roads and Trails Special Fund
 - The Land Between the Lakes Management Trust
 - Other various special and trust funds
- B. Correct errors in various suspense and deposit clearing funds.
- C. Correct an overstatement in Fund Balance with Treasury and associated custodial liability.
- D. Correct errors in recording certain revenue transactions.
- E. Correct offsetting receipts.

Analysis of the agency's September 30, 2004, financial statements highlights the following key points.

Assets

The Forest Service reports \$7.5 billion in assets at the end of September 30, 2004. This represents an increase of 3 percent over FY 2003 amounts. This change is attributed to an increase in fund balance with Treasury and related to an increase in funds for fire-fighting. The tables below reflect the restated amounts for FY 2003.

The three major asset categories are shown in exhibit 2.

Exhibit 2. *Assets*

	2004	2003	Difference	
	(in millions)		Dollars	Percentages
General Property, Plant, and Equipment	\$3,807	\$3,851	(\$44)	(1%)
Fund Balance with Treasury	3,506	3,263	243	7%
Accounts Receivable, Intragovernmental and Other	163	146	17	12%
Total of Major Categories	\$7,476	\$7,260	\$216	3%
Other Asset Categories	14	15	(1)	(7%)
Grand Total Assets	\$7,490	\$7,275	\$215	3%

General Property, Plant, and Equipment (General PP&E) consists primarily of forest road surface improvements, culverts, bridges, campgrounds, administrative buildings, other structures, and equipment.

General PP&E also includes assets acquired by the Forest Service to be used for conducting business activities, such as providing goods or services. General PP&E does not include the value of heritage assets (agency assets that are historical or significant for their natural, cultural, aesthetic, or other important attributes that are expected to be preserved indefinitely) or the value of stewardship assets (primarily land held by the agency as part of the NFS and not acquired for, or in connection with, other General PP&E). Although heritage and stewardship assets may be considered priceless, they do not have a readily identifiable financial value and are not recorded within the financial statements of the Forest Service. A more indepth discussion of stewardship assets is presented in the Required Supplementary Stewardship Information section.

Fund Balance with Treasury consists primarily of funds derived from congressional appropriations and funds held in trust for accomplishing purposes specified by law. Finally, accounts receivable consists of amounts due from other Federal entities or the public as a result of the delivery of goods, services, and specific activities performed by the Forest Service.

Fund Balance with Treasury (congressional appropriations and trust funds) is available to the agency to pay authorized expenses and to finance purchase commitments based on apportionments by the OMB.

Liabilities and Net Position

The Forest Service reported \$1.9 billion in liabilities at the end of September 30, 2004, representing probable future expenditures arising from past events. This amount represents a decrease of 16 percent from September 30, 2003, amounts. Part of this decrease was due to a \$188 million payment to Treasury Judgment Fund in FY 2004. The major liability amounts, unfunded leave, Federal Employees' Compensation Act (FECA) benefits, and custodial liabilities appear in exhibit 3.

Exhibit 3. *Liabilities*

	2004	2003	Difference	
	(in millions)		Dollars	Percentages
Unfunded Leave and FECA Benefits	\$602	\$634	(\$32)	(5%)
Payments to States	380	288	92	32%
Other Liability Categories	906	1,316	(410)	(31%)
Grand Total Liabilities	\$1,888	\$2,238	(\$350)	(16%)

Federal agencies, by law, cannot make any payments unless Congress has appropriated funds for such payments and the OMB has apportioned the funds. A portion of liabilities reported by the Forest Service on September 30, 2004, however, is currently not funded by congressional appropriations. For example, the unfunded amounts needed to pay for employees' annual leave, earned but not yet taken, and FECA benefits that have accrued to cover liabilities associated with employees' death, disability, medical, and other approved costs that have not yet been appropriated. Another major category is the Payments to States. These represent funds held by the agency in special receipt accounts pending transfer to the appropriate party.

A net position of \$5.6 billion is reported for FY 2004. This represents an increase of 11 percent over FY 2003 amounts. The change is attributed to numerous factors, including a decrease in net cost of operations. Net position represents unexpended appropriations consisting of undelivered orders, as well as unobligated funds and the cumulative results of operations, as shown in exhibit 4.

Unexpended appropriations reflect spending authority made available by congressional appropriation that has not yet been used. Cumulative results of operations reflect the cumulative effect of financing in excess of expenditures.

Exhibit 4. *Net Position*

	2004	2003	Difference	
	(in millions)		Dollars	Percentages
Unexpended Appropriations	\$1,511	\$1,350	\$161	12%
Cumulative Results of Operations	4,091	3,687	404	11%
Total Net Position	\$5,602	\$5,037	\$565	11%

Net Cost of Operations

The Forest Service's net cost of operations was \$5 billion for the year ended September 30, 2004.

Earned revenue from the public includes such items as the sale of forest products (timber and firewood); recreational opportunities (campgrounds); mineral resources; livestock grazing; and special land-use fees for power generation, resorts, and other business activities conducted on NFS lands. The Forest Service also performs reimbursable activities, such as work completed mainly for other Federal agencies, in accordance with the Economy Act.

The Forest Service distributes a portion of earned revenues to eligible States in accordance with existing laws. These payments to the States, in accordance with the Secure Rural Schools and Community Self-Determination Act of 2000, benefit public schools and roads in communities hosting national forests and pays for local forest stewardship projects.

Expenses

Forest Service program costs for the year ended September 30, 2004, are \$5.9 billion. This represents a 7-percent decrease from FY 2003. The decrease results from a much less intense fire season, as compared to FY 2003, and less costs attributable to intragovernmental activities associated with national emergencies such as the Columbia space shuttle recovery and containment of exotic Newcastle Disease. In addition, the agency spent \$100 million less on land acquisition in FY 2004 as a result of changing priorities.

Exhibit 5 illustrates program costs by segment for the years ended September 30, 2004 and 2003. The 2003 presentation has been reclassified to eliminate the previously reported Working Capital Fund.

Exhibit 5. *Gross Expenses*

	2004	2003	Difference	
	(in millions)		Dollars	Percentages
Program Costs				
National Forests and Grasslands	\$3,444	\$3,638	(\$194)	(5%)
Forest and Rangeland Research	342	315	27	9%
State and Private Forestry	418	382	36	9%
Wildland Fire Management	1,715	2,011	(296)	(15%)
Total Program Costs	\$5,919	\$6,346	(427)	(7%)

Budgetary Resources

The Forest Service had budget authority of approximately \$5.9 billion in FY 2004 and \$5.8 billion in FY 2003. The funding received in FY 2004 represents a slight increase (1 percent) over that received in FY 2003.

Improper Payments Information Act of 2002

The Improper Payments Information Act¹ (IPIA), the Recovery Auditing Act,² and OMB's M-03-07³ provide guidance to assist Federal agencies in identifying and collecting erroneous disbursements. The Forest Service is complying with these requirements by working under a USDA pilot program through an interagency agreement with U.S. Treasury's FedSource. The majority of the Forest Service's procurement data mining, error identification, and subsequent recovery are scheduled to take place in the second quarter of FY 2005. The following is information that USDA and the Forest Service have shared with OMB and others regarding progress to date in carrying out the intent of these laws.

Risk Susceptible Area

Wildland Fire Suppression Management.

Statistical Sampling Process Estimating Program Error Rate Analysis

The risk for erroneous payments in the Wildland Fire Suppression Management program is through the procurement contracts. To fulfill the requirements of both IPIA and the recovery-audit initiative, the Forest Service entered into a contract with a recovery-audit contractor. In addition to the procurement contracts, the recovery auditors will have access to disbursement data to find possible disbursing errors. The number of erroneous payments detected through the recovery-audit work will determine the erroneous-payment rate for this program. The Forest Service will work with OMB and USDA's Office of the Chief Financial Officer (OCFO) to ensure that the program is fully tested and meets the goals of IPIA.

Corrective Actions Planned

The recovery auditing contract includes recommendations for control improvements, if any, to mitigate future overpayments. Management improvement plans will be developed based on the type and number of erroneous payments found and the control improvements recommended by the recovery auditor. Data mining activity is expected to begin in November 2004, with preliminary results available by December 31, 2004. The first recoveries are expected to occur in the second quarter of FY 2005.

¹ IPIA was authorized in Public Law 107-300.

² The Recovery Auditing Act was authorized in 31USC 3561-3567, Section 831.

³ This report is OMB's FY 2004 Performance and Accountability Reports and Reporting Requirements for the Financial Report of the United States Government, July 22, 2004.

Forest Service's Performance Highlights for 2004

The Executive Priorities

The ELT of the Forest Service selected the FY 2004 performance measures included in this MD&A. These measures, termed Executive Priorities, were identified as key performance measures aligned to the *USDA Forest Service Strategic Plan for Fiscal Years 2004-2008*.

The measures dealing with associated national and unit commitments were communicated to the regions, stations, and area (RSAs) line officers, as well as Washington Office staff, through the annual program direction. These measures were confirmed and final commitments provided for each RSA in the mid-year review letter. The RSAs responded to this letter by providing a forecast as to whether they expected to meet, exceed, or fall short of their commitments.

Starting this year, the Executive Priorities were also included in individual performance plans for all members of the Senior Executive Service (SES) and for supervisory GS-14s and GS-15s.

To meet accelerated reporting timelines, the Forest Service used 9-month actual and 3-month estimated or projected⁴ accomplishments for the commitment associated with the performance measures in the MD&A. These items are reported through various databases and consolidated for review and analysis by the Program and Budget Analysis Staff. Actual results for projected performance information will be available mid-December 2004.

The following Forest Service Performance Scorecard highlights the agency's achievements toward the FY 2004 Executive Priorities, as identified by desired strategic outcomes. All achievements are *projected* and may change based on 12-month actual performance information, due mid-December 2004. Three of the Executive Priorities do not have specific measurement protocols.

For a discussion on the projected results and a schedule of planned actions for actual unmet or exceeded Executive Priorities, refer to the section following the Performance Scorecard.

⁴ Projected results for FY 2004 (9-month actuals and 3-month estimates) come from P&BA's Essbase (version dated October 1, 2004 at 12:45).

USDA Forest Service's Performance Scorecard for FY 2004

Projected Accomplishments by Executive Priorities	RESULTS
Reduced risk from catastrophic wildland fire	
1,294,598 acres of hazardous fuels within the WUI that are treated with Direct Hazardous Fuels dollars ⁵	EXCEEDED
313,770 acres of hazardous fuels within the WUI that are treated with Other (Not Direct Hazardous Fuels) dollars	EXCEEDED
100 percent of acres of hazardous fuels treated within the WUI are identified as high priority through collaboration consistent with the 10-year Comprehensive Strategy Implementation Plan	MET
398,319 acres treated with Direct Hazardous Fuels dollars that are in Condition Classes 2 or 3 in Fire Regimes 1, 2, or 3 outside the WUI	UNMET⁶
253,114 acres treated with Other (NOT Direct Hazardous Fuels) dollars that are in Condition Classes 2 or 3 in Fire Regimes 1, 2, or 3 outside the WUI	UNMET
100 percent of acres treated are in Condition Classes 2 or 3 in Fire Regimes 1, 2, or 3 outside the WUI that are identified as high priority through collaboration consistent with the 10-year Plan	MET
29,711 acres brought into stewardship contracts	New Baseline
Communities at risk with completed and current fire management plans or risk assessments	No specific measurement protocol in FY 2004
125,000 acres covered by partnership agreements	New Baseline
Reduced impact from invasive species	
85,081 acres of noxious weeds acres treated	EXCEEDED
1,046,482 acres treated for selected invasives species	MET
High-quality recreation provided	
64,866 miles of road maintained to standard (high clearance and passenger)	EXCEEDED
22 percent of road maintained to standard (high clearance and passenger)	EXCEEDED
19,743 facilities maintained to standard	EXCEEDED
49.2 percent of facilities maintained to standard	EXCEEDED
22,657 miles of trail maintained to standard	EXCEEDED
17 percent of trail maintained to standard	EXCEEDED
215 rights-of-way acquired to provide public access	UNMET

⁵ This Executive Priority is also a performance measure reported at the Department level.

⁶ For all UNMET or EXCEEDED Executive Priorities, please see the following section on Notes to the FY 2004 Performance Scorecard.

Projected Accomplishments by Executive Priorities	RESULTS
National Forest System lands covered by travel management implementation plans	No specific measurement protocol in FY 2004
Improved watershed condition	
130 watershed assessments completed	EXCEEDED
1,618,000 acres of nonindustrial private forest land under approved stewardship management plans ⁷	MET
217,999 acres of terrestrial habitat enhanced to achieve desired ecological conditions	UNMET
14,771 acres of lake habitat enhanced to achieve desired ecological conditions	EXCEEDED
1,797 miles of stream habitat enhanced to achieve desired ecological conditions	MET
Improved productivity and efficiency	
76 percent of the Nation for which forest inventory and analysis (FIA) information is accessible to external customers	New Baseline
86 percent of performance data were current and complete	New Baseline
640,481 acres of land adjustments to conserve the integrity of undeveloped lands and habitat quality (sum of next three rows)	UNMET
54,896 acres adjusted (exchanged) to conserve the integrity of undeveloped lands and habitat quality	UNMET
50,954 acres acquired to conserve the integrity of undeveloped lands and habitat quality	UNMET
534,632 acres protected by Legacy Program to conserve the integrity of undeveloped lands and habitat quality	EXCEEDED
12 Land Management Plans (LMPs) revisions completed	UNMET
9 percent of LMPs revisions completed	UNMET
Proportion of data within information systems that are current to standard	No specific measurement protocol in FY 2004
112 forest plan monitoring reports completed	EXCEEDED
94 percent of forest plan monitoring reports completed	EXCEEDED

⁷ Data from States for this Executive Priority are for July 1, 2003 to June 30, 2004.

Notes to the FY 2004 Performance Scorecard

The Forest Service developed a process that enables the agency to project annual accomplishments, prior to the close of the fiscal year, using existing data sources and tools. For FY 2004, the Forest Service developed and tested a report that compared the planned accomplishments with the projected accomplishments in WorkPlan or other databases of record, such as NFPORS, Infra, and TIMS/STARS. These reports were available for the field to use in validating accomplishment data for the Executive Priorities.

By July 23, 2004, all field units recorded actual performance numbers for the first 9 months of the fiscal year in WorkPlan⁸ or other data sources of record. In early August, the Washington Office pulled the field units' data for the first 9-month accomplishments to consolidate the data and making reports available by unit and Executive Priority for validation.

In late August, the field units provided their 3-month estimates, providing explanations for all UNMET or EXCEEDED accomplishments that deviated more than 5 percent below or above the planned FY 2004 numbers. The regional offices summarized their units' data and each regional forester certified that performance information for the first 9 months and the year-end projections for the Executive Priorities had been validated, with supporting documentation that was available upon request.

Finally, in mid-September, Washington Office program staffs completed their review, validation, and analysis of the FY 2004 projected performance information. **The 12-month actual performance data will be available in early December 2004**, as field units update WorkPlan and the other data sources to reflect the actual accomplishments for FY 2004. All Executive Priorities with an UNMET or EXCEEDED achievement will be handled as discussed below.

Planned Actions and Schedule for Achieving an Unmet Executive Priority

For every Executive Priority whose projected FY 2004 performance was unmet or exceeded, OMB Circular A-11 requires the agency to develop planned remedial actions and a schedule for these actions. The actions and schedule, which will occur in FY 2005, will be addressed in the FY 2005 performance budget.

OMB states that a description of the actions being taken, and the accompanying schedule, may be omitted for an unachieved performance measure where external factors, such as a natural disaster, were the sole cause for non achievement, and the agency lacks the

⁸ Roads data will be recorded in WorkPlan for the 9-month actual performance, but full-year actual performance will be recorded in the Roads Analysis Report (RAR).

capacity or authority to affect these factors or entities. There have been instances in the past several years where catastrophic wildland fires affected the Forest Service's capacity to accomplish its targets. This has not been the case in FY 2004.

Also, the Forest Service may conclude that it is not practical or feasible to report accomplishments for a performance measure. In this case, the agency may choose to discontinue or adjust the Executive Priority in the future.

Performance Trends

The Forest Service's FY 2004 Executive Priorities are the key performance measures for the agency in this Performance and Accountability Report. For several Executive Priorities, this is the first year for reporting these measures as they may be the result of OMB's PART findings or are important to our stakeholders. Consequently, there will be no trend information for these first-year Executive Priorities.

Exhibit 6. Performance Trends for 2000-2004

Trends in Performance Measures	2000	2001	2002	Actual 2003 Performance	Projected 2004 Performance
Goal 1: Reduce the risk from catastrophic wildland fire					
Number of acres of hazardous fuels within the WUI that are treated with Direct Hazardous Fuels (FN) dollars	--	--	--	--	1,294,598 ⁹
Number of acres of hazardous fuels within the WUI that are treated with Other (FNOTH) dollars	NA ¹⁰	611,551	764,367	1,114,106	313,770
Number of acres treated with Direct Hazardous Fuels (FN) dollars that are in Condition Classes 2 or 3 in Fire Regimes 1, 2, or 3 outside the WUI	--	--	--	--	398,319 ¹¹
Number of acres treated with Other (FNOTH) dollars that are in Condition Classes 2 or 3 in Fire Regimes 1, 2, or 3 outside the WUI	772,375	750,146	493,536	339,239	253,114
Goal 2: Reduce the impacts from invasive species					
Noxious weeds acres treated	121,946	143,938	130,868	138,742	85,081
Goal 3: Provide high-quality recreation while sustaining natural resources					
Miles of road maintained to standard (high-clearance and passenger)	(69,984+51,733)	(51,576+30,056)	(49,299+27,499)	(56,696 + 53,980)	64,866 ¹²
Miles of trail maintained to standard	24,065	40,800	30,649	30,608	22,657
Goal 5: Improve watershed condition					
Watershed assessments completed	130	154	134	115	130
Acres of nonindustrial private forest land under approved stewardship management plans	1,437,360	1,616,986	1,640,000	1,717,000	1,618,000
Acres of terrestrial habitat enhanced to achieve desired ecological conditions	192,373	241,123	209,472	230,528	217,999
Miles of stream habitat enhanced to achieve desired ecological conditions	1,687	2,193	2,001	1,375	1,797
Acres of lake habitat enhanced to achieve desired ecological conditions	18,147	18,428	18,217	16,429	14,771

⁹ In FY 2003, two measures were combined, and performance by funding categories FN and FNOTH was not broken out.

¹⁰ Not applicable.

¹¹ In FY 2003, two measures were combined, and performance by funding categories FN and FNOTH was not broken out.

¹² In prior years, high-clearance road miles and passenger car miles were reported separately. The trend numbers are reported above as (high-clearance miles and passenger miles).

Exhibit 6. Performance Trends for 2000-2004

Trends in Performance Measures	2000	2001	2002	Actual 2003 Performance	Projected 2004 Performance
Goal 6: Improve productivity and efficiency					
Acres adjusted (exchanged) to conserve the integrity of undeveloped lands and habitat quality	139,445	128,913	42,817	29,171	54,896
Acres acquired to conserve the integrity of undeveloped lands and habitat quality	139,445	128,913	42,817	75,476	50,954
Acres protected by Legacy Program to conserve the integrity of undeveloped lands and habitat quality ¹³	31,263	84,709	57,009	128,349	534,632
Number of forest plan monitoring reports completed ¹⁴	87	104	92	91	112

¹³ This performance measure was previously reported as "Conservation of environmentally important forests threatened by conversion to non-forest uses."

¹⁴ This performance measure was previously reported as "LMP monitoring and evaluation reports."

Data Sources for the Executive Priorities

The following discussion describes the data sources used for the Executive Priorities. Management of invasive species and accessibility of Forest Service programs and facilities had incomplete or unreliable data sources.

WorkPlan

At the project level, the Forest Service launched a work-planning tool—**WorkPlan**—in May 2003. Full implementation of WorkPlan occurred at the beginning of FY 2004. WorkPlan continues to make significant enhancements to improve functionality; providing timely and useful planning, financial, and accomplishment information for managers at all agency levels; and integrating data from a number of systems.

WorkPlan offers a consistent approach to project planning and tracking across the agency, replacing several variations of an older tool used since the 1980s. The PAS and WorkPlan will bridge the gaps among the legacy tracking and reporting systems, becoming the integration mechanisms to plan, implement, track, and report Forest Service activities.

Infra

The Forest Service uses Infra as an integrated data management tool to manage and report accurate information and associated financial data on the inventory of constructed features, such as buildings, dams, bridges, water systems, roads, trails, developed recreation sites, range improvements, administrative sites, heritage sites, general forest areas, and wilderness.

Forest Service tracks NEPA analysis and recent decisions using Infra's Range Module. This Range Module, which is used on all national forests with a livestock grazing program, contains current information for nearly all grazing allotments on NFS lands.

Database queries are used to report the number of allotment acres administered to standard. The Forest Service's Wilderness Program continued its national upward reporting exercise using Infra-WILD, first conducted in FY 2002. Infra-WILD data is used for program management and public information dissemination and forms the basis for the State of the Wilderness Report, currently under development.

Most roads, trails, and facilities data are obtained through the Forest Service Infra corporate database system. Infra data entry takes place at the field level; therefore, limitations or inconsistencies exist in the data's accuracy. Currently, the only active process for data verification and validation are condition surveys throughout the year. The facilities

program began reviewing existing data for accuracy and will edit the data as needed. These surveys provide a look at the progress of the performance measures.

Although trail data are currently incomplete, the Forest Service expects the Infra trails module, complemented by cost information, and assessment and condition data from the trails Assessment and Condition Survey, to provide complete trail information by local, regional, and national levels, as well as by State and political divisions.

The facilities program uses the facilities condition index in Infra as a measure to assess the condition of every building.

Performance Measures Accountability System

The Performance Measures Accountability System (PMAS) is the S&PF Deputy Area performance management system. It relates measurements to the corresponding national and unit commitments.

The PMAS is used by S&PF staff to meet reporting requirements of GPRA for year-end accomplishment reporting, to meet legal requirements (i.e., Title VI), and in accordance with Forest Service directives. Data are captured from the States, forests, and other cooperators to generate these reports.

National Fire Plan Operations and Reporting

The National Fire Plan Operations and Reporting System (NFPORS) is an interagency system mandated by Congress. The Forest Service is the primary owner of this system, but it partners in its use with the Department of the Interior's Bureau of Indian Affairs, Bureau of Land Management, U.S. Fish and Wildlife Service, and National Park Service.

The following exhibit identified the data source for the Executive Priorities and how the accomplishments were measured in FY 2004.

Exhibit 7. *Accomplishment Reporting for the Executive Priorities*

Executive Priority Data Source	How Accomplishments Are Reported	
Hazardous fuels treated within the WUI	NFPORS	<p>The Forest Service tracked this performance measure as two separate Executive Priorities: one was treating acres using Hazardous Fuels Program funds (FN), and one treating acres using other funding (FNOTH).</p> <p>Accomplishment data are entered by field units (districts or forests) as accomplishments are contracted (for contracts) or carried out (for force account).</p>
Hazardous fuels treated within the WUI	NFPORS	<p>This accomplishment is reported as what percent of acres of hazardous fuels treated were identified as high priority through collaboration consistent with the 10-year Comprehensive Strategy Implementation Plan.</p>
Hazardous fuels treated outside WUI but in condition class 2 or 3 in fire regimes 1, 2, or 3	NFPORS	<p>The Forest Service tracked this performance measure as two separate Executive Priorities: one was treating acres using Hazardous Fuels Program funds (FN), and one treating acres using other funding (FNOTH).</p> <p>Accomplishment data are entered by field units (districts or forests) as accomplishments are contracted (for contracts) or carried out (for force account).</p>
Hazardous fuels treated outside WUI but in condition class 2 or 3 in fire regimes 1, 2, or 3	NFPORS	<p>This accomplishment is reported as what percent of but in condition class 2 or 3 in fire hazardous regimes 1, 2, or 3 fuels treated were identified as high priority through collaboration consistent with the 10-year Comprehensive Strategy Implementation Plan.</p>
Stewardship contract improvements	WorkPlan	<p>This is the number of contract-awarded acres brought into stewardship contracts that improve the health of NFS land having the greatest potential for catastrophic wildland fire. For accomplishment reporting in FY 2004, the measure is equivalent to applicable contract/agreement.</p>
Communities at risk with completed and current fire management plans or risk assessments	Washington Office Staff, NFPORS	<p>Completed projects should meet the standard as identified in the NFP. The number of communities at risk will be published in the Federal Register.</p>
Lands covered by partnership agreements	Washington Office S&PF Staff	<p>The National Association of State Foresters (NASF) and State Foresters are responsible for providing Community Wildfire Protection Plans (CWPP) performance information to Forest Service regional office contacts or NFPORS.</p>
Noxious weeds treated	WorkPlan	<p>This is a new indicator. The measure is the number of acres of non-Federal hazardous fuels treated through partnership. State Foresters Staff report accomplishments to Forest Service regional office contacts or NFPORS directly.</p>
		<p>This accomplishment is reported when the treatment of noxious weed infestations was completed by the Forest Service. If contracted, report treated acres contracted. Work plans or maps of project areas including project descriptions should document the treatments completed. Units reported all acres actually treated by an acceptable method for the specific objective of controlling noxious weed spread and/or reducing noxious weed density and area of occupation.</p> <p>For biological control methods where a population of biocontrol agents was to be established (e.g., insects, fungus, bacterium, etc.), units report 5 acres of accomplishment for each release of a biocontrol agent. Separate 5-acre accomplishments are reported for releases of biocontrol agents that are separated from each other by at least 1/4 of a mile. Accomplishments for biological control agents are claimed for the year of release only. Natural expansions of the biocontrol agent's population are not considered additional accomplishments.</p>

Exhibit 7. Accomplishment Reporting for the Executive Priorities (continued)

Executive Priority	Data Source	How Accomplishments Are Reported
Selected species treated	Washington Office FHP and NFS Staffs	Acres treated for Gypsy moth, Hemlock woolly adelgid, White pine blister rust, and invasive plants from FHP and NFS programs.
Miles of trails maintained to standard	WorkPlan	The Forest Service tracked miles of trails maintained to standard as identified in Meaningful Measures trails component. This accomplishment is reported in miles and as percent of total.
Miles of high clearance and passenger roads maintained to standard	WorkPlan (12-month actual performance reported in the Roads Accomplishment Report)	This accomplishment is reported in miles and percent and is the sum of the following: Miles of objective maintenance level 1 and 2 roads that are maintained in accordance with standards for the applicable maintenance level at year-end. Miles of objective maintenance level 3, 4, and 5 roads that are maintained in accordance with standards for the applicable maintenance level at year-end.
Number of facilities maintained to standard	Infra	Facilities to standard have a FCI rating of .10 or less which is good and fair buildings added together. Units assumed total number of facilities to be 40,100 to calculate percent for SP. This accomplishment is reported as number of facilities and percent of total.
Rights-of-way acquired	WorkPlan	The Forest Service tracks the total number of road and trail right-of-way easements acquired, resolved through other lands activities, or by cooperative effort. These activities coincide with Categories I, II, and III on the existing annual Rights-of-Way Acquisition Report (FS-5400-25 4/92).
Percent of NFS lands covered by travel management implementation plans	WorkPlan	The Forest Service tracks the percentage of acres of NFS land that is covered by contemporary access and travel management (ATM) decisions that address OHV management and are consistent with the revised forest plan direction. This accomplishment is reported by regional offices after compilation of what the field units reported in WorkPlan for acreage covered by travel management plans.
Watershed assessments completed	WorkPlan	Watershed (landscape scale ecosystem) assessments are characterizations of ecosystems at the landscape or watershed scale that provide integrated assessment of information relevant to a broad range of possible resource management activities. These assessments identify resource management opportunities necessary to implement land management plans and achieve desired conditions, as well as Forest Service strategic goals and other policy requirements. Assessments do not produce decision documents, but do identify options that managers can evaluate during formal planning activities, including identifying current and reference conditions, addressing changes in conditions and explaining their significance, identifying management issues, and making recommendations based on the assessment. They are based on existing information and do not include additional resource inventories. This accomplishment is reported as the number of watershed or landscape assessments completed using guidelines for ecosystem analysis at the landscape or watershed scale.

Exhibit 7. Accomplishment Reporting for the Executive Priorities (continued)

Executive Priority	Data Source	How Accomplishments Are Reported
Terrestrial wildlife habitat restored or enhanced	WorkPlan	<p>Terrestrial habitat: This accomplishment is the sum of acres of terrestrial habitat and acres of TES terrestrial habitat. Terrestrial habitat: Units report total number of acres restored or enhanced to achieve desired future condition of habitat. Improvements were through application of a variety of management techniques, such as prescribed burns, seeding to improve foraging habitat for game and nongame species, or manipulating vegetation to obtain desired habitat condition for the benefit of wildlife. Units count an acre only once for the current fiscal year and only if it achieved desired future condition.</p> <p>TES terrestrial habitat: Units reported acres of TES terrestrial habitat that were restored or enhanced using nonstructural improvements in the reporting year using appropriated funds for the explicit purpose of improving TES habitat.</p> <p>Accomplishments are reported when improvements are completed. If work was contracted, units reported accomplishments when the project work was obligated. Work plans or maps of project areas, including project descriptions, should document the improvements completed.</p>
Streams restored or enhanced	WorkPlan	<p>This accomplishment is the sum of miles of inland fish streams and anadromous fish streams restored or enhanced.</p> <p>Inland fish: Units report the miles of inland fish-bearing rivers and streams that were restored or enhanced using structural or nonstructural improvements in the reporting year (using inland fish appropriated funds). It is assumed that restoration/enhancement activities addressed environmental features limiting the productive capability of the particular river/stream. Units included the portion of streams that were measurably improved through implementation of habitat improvement measures.</p> <p>For example: If stabilization of an active slump may eliminate a major sediment source impacting spawning and rearing habitat in a 3-mile stream reach, then units reported the entire 3 miles of river with improved production capability.</p> <p>Anadromous fish: Units report the miles of anadromous fish-bearing rivers and streams that were restored or enhanced using structural or nonstructural improvements in the reporting year (using appropriated funds used for the explicit purpose of improving fish habitat). It is assumed that restoration/enhancement activities address environmental features limiting the productive capability of the particular river/stream. Units included the portion of streams that were measurably improved through implementation of habitat improvement measures.</p> <p>Accomplishments are reported when improvements are completed. If work is contracted, units report the accomplishment when the project work is obligated. Work plans or maps of project areas including project descriptions should document the improvements completed.</p>
Lakes restored or enhanced	WorkPlan	<p>This accomplishment is the sum of: Inland fish-bearing lakes, ponds, and reservoirs and anadromous fish-bearing lakes, ponds, and reservoirs.</p> <p>Inland fish: Units report the surface acres of inland fish-bearing lakes, ponds, and reservoirs that were enhanced with structural or nonstructural improvements in the reporting year. It is assumed that restoration/enhancement activities address environmental features limiting the productive capability of the particular water body. The units include the portion of the water bodies that were measurably improved through implementation of habitat improvement measures. For example, if placement of an aerator</p>

Exhibit 7. Accomplishment Reporting for the Executive Priorities (continued)

Executive Priority	Data Source	How Accomplishments Are Reported
<p>Nonindustrial private forest land under approved stewardship management plans.</p>	<p>PMAS</p>	<p>provides for over-winter survival in a 10-acre lake, then report the entire 10 acres of lake with improved production capability.</p> <p>Anadromous fish: Units report the surface acres of anadromous fish-bearing lakes, ponds, and reservoirs that were enhanced using structural or nonstructural improvements in the reporting year with appropriated funds used for the explicit purpose of improving anadromous fish habitat. It is assumed that restoration/enhancement activities address environmental features limiting the productive capability of the particular water body. Units include the portion of the water bodies that were measurably improved, through implementation of habitat improvement measures. For example, if placement of a fish weir provides access to a 10-acre lake, then report the entire 10 acres of lake with improved production capability.</p> <p>The accomplishment is reported when improvements are completed. If work is contracted, units report accomplishment when the project work is obligated. Work plans or maps of project areas including project descriptions should document the improvements completed.</p> <p>NOTE: FY 2004 data is not available from States until November 19, 2004. Acres reported are for FY 2003.</p> <p>This accomplishment is reported as the number of acres of land under approved Forest Stewardship Plans in FY 2003.</p>
<p>Percent of the Nation for which forest inventory and analysis information is accessible to external customers</p>	<p>FIA Staff</p>	<p>FIA data available to the public are quality assured and current, less than 2 years old. The accomplishment was reported in the FIAReport 9 and by FIA Staff.</p>
<p>Land adjustments to conserve the integrity of undeveloped lands and habitat quality</p>	<p>WorkPlan</p>	<p>Accomplishments are reported when the documents of conveyance are recorded within the fiscal year. Documentation consists of the official land status files. The accomplishment is the sum of acres adjusted (exchanged), acres acquired, and acres protected by purchase or conservation easement.</p> <p>Acres adjusted: The total number of acres that are acquired and conveyed through land exchanges, transfers, interchanges and conveyances, excluding Sisk Act (December 4, 1967) acquisitions and excluding S&PF Legacy acquisitions. Partial interests acquired through the previously mentioned adjustments are included in this code and can include, but are not limited to, mineral interests, conservation easements, etc.</p> <p>Acres acquired: The number of acres that are acquired through land purchase or donation, including conservation easements or interest in land, for NFS purposes.</p> <p>Acres protected: The number of acres that are protected by purchase or by conservation easements.</p>
<p>Land Management Plan (LMP) revisions/new plans completed</p>	<p>WorkPlan</p>	<p>This accomplishment is reported when a Record of Decision (ROD) based on the Final Environmental Impact Statement (FEIS) is signed by the regional forester. A number larger than 1 is acceptable for a unit only when multiple land management plans exist for that administrative unit.</p>

Exhibit 7. Accomplishment Reporting for the Executive Priorities (continued)

Executive Priority	Data Source	How Accomplishments Are Reported
Land Management Plan (LMP) monitoring and evaluation reports	WorkPlan	<p>This accomplishment is reported when a NFS unit completes an "Annual Monitoring and Evaluation Report" in accordance with respective plan requirements; regional direction; FSH, FSM, and planning regulation guidance on what to monitor; and associated Washington Office policy direction.</p> <p>Reports are based on monitoring data and information gathered during the previous fiscal year; focus on evaluation of plan implementation; and provide an overview of resource conditions and trends as they relate to indicators and criteria for sustainability, with specific attention to the effects of management on ecological system structure and function.</p>
Performance data are current and complete	Washington Office P&BA Staff	The accomplishment is the percent of RSAs providing certification forms that their unit's accomplishment data is current and complete.
Proportion of data within information systems that are current to standard	Washington Office Business Operations Staff	A team is continuing to work through definitions and how the measurement may be operationalized.
Grazing allotment decisions signed (analyzed/NEPA)	Infra	Units report grazing allotments that were analyzed and completed during the fiscal year. Analysis and project level decisions are issued in conformance with provisions of NEPA. Accomplishments are reported once a decision was signed. One decision may be prepared for several grazing allotments, so the reportable item was the number of allotments for which analyses were completed and decisions signed.

Exhibit 8. 2004 Planned and Actual Performance for the Executive Priorities

2004 Performance Measures	2004 Planned	9-month Actual	3-month Estimate	Projected 2004 Performance	Percent (%) Accomplished
Goal 1: Reduce the risk from catastrophic wildland fire					
Number of acres of hazardous fuels within the WUI that are treated with Direct Hazardous Fuels dollars	1,016,759	1,180,870	113,728	1,294,598	127%
Number of acres of hazardous fuels within the WUI that are treated with Other (Not Direct Hazardous Fuels) dollars	292,720	150,485	163,285	313,770	107%
Percent of acres of hazardous fuels treated within the WUI that are identified as high priority through collaboration consistent with the 10-year Comprehensive Strategy Implementation Plan	100%	100%	100%	100%	100%
Number of acres treated with Direct Hazardous Fuels dollars that are in Condition Classes 2 or 3 in Fire Regimes 1, 2, or 3 outside the WUI	590,876	372,417	25,902	398,319	67%
Number of acres treated with Other (NOT Direct Hazardous Fuels) dollars that are in Condition Classes 2 or 3 in Fire Regimes 1, 2, or 3 outside the WUI	317,084	135,583	117,531	253,114	80%
Percent of acres treated that are in Condition Classes 2 or 3 in Fire Regimes 1, 2, or 3 outside the WUI that are identified as high priority through collaboration consistent with the 10-year Plan	100%	100%	100%	100%	100%
Number of acres brought into stewardship contracts	90,000 ¹⁵	9,160	20,551	29,711	New Baseline
Percent of communities at risk with completed and current fire management plans or risk assessments	NA	NA	NA	No specific measurement protocol in FY 2004	NA
Number of acres covered by partnership agreements	NA	NA	NA	125,000	New Baseline
Goal 2: Reduce the impacts from invasive species					
Noxious weeds acres treated	67,438	36,912	48,169	85,081	126%
Number of acres treated for selected invasives species	1,046,482	784,862	261,620	1,046,482	100%

¹⁵ Planned performance for this measure was adjusted to 55,000 acres based on mid-year reviews, but the correction was not made to the master performance reporting data.

Exhibit 8. 2004 Planned and Actual Performance for the Executive Priorities (continued)

2004 Performance Measures	2004 Planned	9-month Actual	3-month Estimate	Projected 2004 Performance	Percent (%) Accomplished
Goal 3: Provide high-quality recreation while sustaining natural resources					
Miles of road maintained to standard (high clearance and passenger)	54,800	43,238	21,628	64,866	118%
Percent of road maintained to standard (high clearance and passenger)	18%	15%	7%	22%	118%
Number of facilities maintained to standard	15,465	15,871	3,872	19,743	128%
Percent of facilities maintained to standard	38.5%	39.6%	09.6%	49.2%	128%
Miles of trail maintained to standard	19,630	12,471	10,186	22,657	115%
Percent of trail maintained to standard	15%	9%	8%	17%	115%
Number of ROW acquired to provide public access	244	123	92	215	88%
Percent of NFS lands covered by travel management implementation plans	NA	NA	NA	No specific measurement protocol in FY 2004	NA
Goal 5: Improve watershed condition					
Watershed assessments completed	122	41	90	130	107%
Acres of nonindustrial private forest land under approved stewardship management plans	1,618,000	1,213,000	405,000	1,618,000	100%
Acres of terrestrial habitat enhanced to achieve desired ecological conditions	232,350	123,531	94,468	217,999	94%
Miles of stream habitat enhanced to achieve desired ecological conditions	1,860	930	868	1,797	97%
Acres of lake habitat enhanced to achieve desired ecological conditions	10,953	10,335	4,436	14,771	135%

Exhibit 8. 2004 Planned and Actual Performance for the Executive Priorities (continued)

2004 Performance Measures		2004 Planned	9-month Actual	3-month Estimate	Projected 2004 Performance	Percent (%) Accomplished
Goal 6: Improve productivity and efficiency						
Percent of the Nation for which forest inventory and analysis information is accessible to external customers		NA	76%	0	76%	New Baseline
Extent to which performance data are current and complete		NA	NA	NA	86%	New Baseline
Acres of land adjustments to conserve the integrity of undeveloped lands and habitat quality to conserve the integrity of undeveloped lands and habitat quality (sum of next 3 rows)		699,461	606,111	34,370	640,481	84%
Acres adjusted (exchanged) to conserve the integrity of undeveloped lands and habitat quality		341,536	42,315	12,581	54,896	16%
Acres acquired to conserve the integrity of undeveloped lands and habitat quality		57,925	38,985	11,968	50,954	0%
Acres protected by Legacy Program to conserve the integrity of undeveloped lands and habitat quality		300,000	524,811	9,821	534,632	178%
Number of Land Management Plans (LMPs) of revisions completed		14	9	3	12	86%
Percent of LMPs of revisions completed		11%	7%	2%	9%	86%
Proportion of data within information systems that are current to standard		NA	NA	NA	No specific measurement protocol in FY 2004	NA
Number of forest plan monitoring reports completed		105	29	82	112	106%
Percent of forest plan monitoring reports completed		88%	25%	69%	94%	106%

Annual Performance Report

The Executive Priorities

The Executive Leadership Team of the U.S. Department of Agriculture (USDA) Forest Service selected the FY 2004 performance measures included in the *Forest Service Performance and Accountability Report—Fiscal Year 2004* (P&AR). These measures, termed Executive Priorities, were identified as key performance measures aligned to the *USDA Forest Service Strategic Plan for Fiscal Years 2004-2008*.

To meet accelerated reporting timelines, the Forest Service used 9-month actual and 3-month estimated or projected accomplishments for the commitment associated with the performance measures in the Management's Discussion and Analysis section. These items were reported through various databases and consolidated for review and analysis by the Program and Budget Analysis Staff.

Meeting the Accelerated Congressional Timeline

The Forest Service developed a process that enables the agency to project annual accomplishments, prior to the close of the fiscal year, using existing data sources and tools.

For FY 2004, the Forest Service developed and tested a report that compared the planned accomplishments with the projected accomplishments in WorkPlan or other databases of record, such as the National Fire Plan Operations and Reporting System (NFPORS) and the Infrastructure database (Infra). These reports were available for the field to use in validating accomplishment data for the Executive Priorities.

By July 23, 2004, all field units recorded actual performance numbers for the first 9 months of the fiscal year in WorkPlan¹ or other data sources of record. In early August, the Washington Office pulled the field units' data for the first 9-month accomplishments to consolidate the data and make reports available by unit and Executive Priority for validation.

In late August, the field units provided their 3-month estimates, providing explanations for all accomplishments that deviated more than 5 percent above or below the planned FY 2004 numbers. The regional offices summarized their units' data. Each regional forester certified that performance information for the first 9 months and the year-end projections for the Executive Priorities had been validated, with supporting documentation available upon request.

¹ Roads data will be recorded in WorkPlan for the 9-month actual performance, but full-year actual performance will be recorded in the Roads Analysis Report (RAR).

Finally, in mid-September, Washington Office Program Staffs completed their review, validation, and analysis of the FY 2004 projected performance information. The *12-month actual performance data will be available in mid-December 2004*, as field units update WorkPlan and the other data sources to reflect the actual accomplishments for FY 2004.

Planned Actions and Schedule for Achieving an Unmet Executive Priority

For every Executive Priority whose projected FY 2004 performance was unmet or exceeded, the Office of Management and Budget (OMB) Circular A-11 requires the agency to develop planned remedial actions and a schedule for these actions. The actions and schedule, which will occur in FY 2005, will be addressed in the FY 2005 performance budget.

OMB's direction states that a description of the actions being taken, and the accompanying schedule, may be omitted for an unachieved performance measure where external factors, such as a natural disaster, were the sole cause for nonachievement and the agency lacks the capacity or authority to affect these factors or entities. There have been instances in the past several years where catastrophic wildland fires affected the Forest Service's capacity to accomplish its targets. This has not been the case in FY 2004.

Also, the Forest Service may conclude that it is not practical or feasible to report accomplishments for a performance measure. In this case, the agency may choose to discontinue or adjust the Executive Priority for the future.

Performance Measures Matter

Over the past year, the Forest Service Executive Leadership Team determined priorities to help focus agency programs on the most critical issues requiring concentrated effort. The team focused these priorities into a common strategic direction embodied in the Strategic Plan. This new plan addresses the four greatest threats to conservation—growing fire danger due to the buildup of hazardous fuels; the spread of invasive species; loss of open space; and unmanaged recreation, particularly use of off-highway vehicles (OHVs). These four threats increasingly keep the Forest Service from delivering clean air, abundant water, and healthy habitat. The plan addresses these threats through six strategic goals, with performance measures and 2008 targets to meet these goals.

The PA&R uses the new Strategic Plan as the foundation for its performance reporting, with a strong emphasis on accountability. The agency's executive leadership has worked to develop Executive Priorities to further help the Forest Service address those issues of greatest concern. These Executive Priorities were adopted as national commitments with targets allocated to the regions. In addition, the allocated commitments and targets formed a key part of the performance expectations for the Forest Service's Senior Executive Service performance evaluations and agreements. These measures support the agency's new Strategic Plan, as well as the President's Management Agenda for Budget and Performance Integration.

The FY 2004 P&AR gauges how the Forest Service is meeting the targets set by its new Strategic Plan, and reflected, in part, in the USDA Strategic Plan. The results reported here will be used by the agency to make any needed corrections and adjustments to stay on its planned course.

The goals and measures of the Strategic Plan, the annual performance budget proposal and program direction, and a continued focus on the measures in this P&AR all help approximately 32,000 employees create and deliver the programs and services on the ground at the local level. They help employees fulfill the mission mandates for research and assistance to other Federal entities, States, and private landowners, as well as the stewardship responsibilities for the millions of acres of magnificent forest and rangeland resources entrusted to the Forest Service.

Goal 1: Reduce the Risk of Catastrophic Wildfire

Strategic Outcome

Reduced risk to communities and the environment from catastrophic wildland fire.

In FY 2004, the Forest Service minimized the harmful effects of wildland fires to communities and natural resources by reducing the flammability of hazardous fuels in forests, woodlands, shrublands, and grasslands. To accomplish this, the agency sought landscape-scale improvements in hazardous fuels by prioritizing vegetative treatments across national forests for Condition Classes 2 and 3 in Priority Fire Regimes (1, 2, and 3).

In addition to hazardous fuels reduction, these treatments may have also included:

- Invasive species mitigation.
- Insect and disease prevention or control.
- Watershed improvement.
- Fish and wildlife enhancement.
- Range betterment.
- Stand density management.

For information on condition classes and fire regimes, or on approaches to reducing risk from wildland fire, refer to: *A Collaborative Approach for Reducing Wildland Fire Risks to Communities and the Environment: 10-Year Comprehensive Wildland Fire Strategy* (Department of the Interior and Department of Agriculture, 2001).

Achieving the outcome of this goal requires focusing on the following objectives:

Strategic Objective: Improve the health of National Forest System (NFS) lands that have the greatest potential for catastrophic wildland fire.

Performance Measure	Planned	Projected	Result
Number of acres of hazardous fuels treated with Direct Hazardous Fuels (FN) dollars that are in the wildland-urban interface (WUI)	1,016,759	1,294,598	127%
Number of acres of hazardous fuels treated with Other (FNOTH) dollars that are in the WUI	292,720	313,770	107%
Percent of acres of hazardous fuels treated that are in the WUI that are identified as high priority through collaboration consistent with the National Fire Plan (NFP) 10-Year Comprehensive Strategy and Implementation Plan	100%	100%	100%
Number of acres treated with Direct Hazardous Fuels (FN) dollars that are in Condition Classes 2 or 3 in Fire Regimes 1, 2, or 3 outside the WUI	590,876	398,319	67%
Number of acres treated with Other (FNOTH) dollars that are in Condition Classes 2 or 3 in Fire Regimes 1, 2, or 3 outside the WUI	317,084	253,114	80%
Percent of acres of hazardous fuels treated that are in Condition Class 2 or 3 in Fire Regimes 1, 2, or 3 outside the WUI that are identified as high priority through collaboration consistent with the NFP 10-Year Comprehensive Strategy and Implementation Plan	100%	100%	100%
Number of acres brought into stewardship contracts	90,000 ²	29,711	New Baseline

Strategies, Resources, and Underlying Factors

Hazardous Fuels Reduction

The Hazardous Fuels Reduction Program oversees the first six performance measures listed above.

Hazardous fuels reduction, funded with direct Hazardous Fuels (FN) dollars, was accomplished in the WUI, or outside the WUI, in Condition Classes 2 or 3 and in the Fire Regimes 1, 2, or 3 through two activities: prescribed fire and mechanical thinning. Prescribed fires are conducted primarily in the spring, with additional activity in the late fall. Mechanical thinning is used throughout the field season.

Each Forest Service region developed an integrated 5-year strategy for restoring fire-dependent ecosystems, the compilation of which serves as a framework to implement meaningful change at the landscape scale. The national strategy is to integrate the Forest Service programs to achieve the collective goal for FY 2004. As such, the regional strategies are not limited to the Hazardous Fuels Reduction program, but also address ways in which NFS programs—Forest Products, Wildlife, and Vegetation Management—contribute to ecosystem restoration.

² Planned performance for this measure was adjusted to 55,000 acres based on mid-year reviews, but the correction was not made to the master database for performance reporting data. As a new measure, the projected results will serve as a new baseline.

A standardized interagency tool, Fire Regimen Condition Class (FRCC), determines the degree of departure from natural vegetation and disturbance regimes. Assessing FRCC for an area guides management objectives and helps set priorities for treatments.

Allowing naturally ignited wildland fires to reduce hazardous fuels depends on weather, drought, and the fire season. If the fire season is severe, as it has been with drought conditions in the past few years, it may not be possible to use wildland fires as a treatment option because of the higher risk of escaped fires. If the Western United States experiences favorable weather conditions throughout the summer, however, it will be possible to meet or exceed the target.

For fuels reduction activities funded with Direct Hazardous Fuels dollars—

Results within the WUI were projected at **1,294,598 acres**, or **127 percent** of the planned amount.

Results outside the WUI, in Condition Classes 2 or 3 and in the Fire Regimes 1, 2, or 3, were projected at **398,319 acres**, or **67 percent** of the planned amount.

Nonnatural factors can also contribute to the success of the program. Litigation and appeal of National Forest Fire Management Plans and individual hazardous fuels treatment projects may impede the agency's ability to complete planned projects.

Hazardous fuels reduction not funded with direct Hazardous Fuels (FNOTH) dollars is accomplished within the WUI or outside the WUI in Condition Classes 2 or 3 and in the Fire Regimes 1, 2, or 3 using activities such as timber sales, wildlife habitat restoration, watershed improvements, and noxious weed treatments. Stewardship contracting allows the Forest Service to support local communities, exchanging needed services for material removed from the treatment area. The agency is evaluating methods of identifying the larger benefits of strategically treating selected areas to achieve a wider area of "protected" acres. This effort will be quantified in future performance and accountability reports.

These projects also depend on weather conditions and ultimately on the severity of the fire season. In recent years, the transfer of program funds to fire suppression caused the postponement of many of these activities.

Appeals and litigation also have been significant factors in delaying or stopping these types of projects. The new Categorical Exclusion and other tools should expedite completion of projects and aid the Forest Service in achieving or exceeding the planned FY 2004 targets.

For fuels reduction activities not funded with Direct Hazardous Fuels dollars—

Results in the WUI were projected at **313,770 acres**, or **107 percent** of the planned amount.

Results outside the WUI, but in Condition Classes 2 or 3 and in the Fire Regimes 1, 2, or 3 were projected at **253,114 acres**, or **80 percent** of the planned amount.

All hazardous fuels treatments within the WUI or within Condition Class 2 or 3 and Fire Regime 1, 2, or 3 outside of the WUI are, by definition, high priority as stated in the NFP 10-Year Plan. These projects account for more than 90 percent of the total hazardous fuels accomplishment. More than 75 percent of the total acres treated are within the WUI, while an additional 15 percent are high-priority, non-WUI acres. The remaining acres of accomplishment are located outside the WUI in Condition Class 2 or 3, Fire Regime 4 or 5, and account for less than 10 percent of the total treatment acres. These acres are not high priority and are treated based on need and opportunity at the discretion of the management unit.

Stewardship Contracts

The number of acres brought into stewardship contracts in FY 2004 was projected at **29,711 acres**, and is a new baseline for coming years.

The Forest Service measured the number of acres brought into stewardship contracting as the number of contract or agreement-awarded acres. This measure gauges how effective the Forest Service has been in meeting the agency's goal of reducing the risk from catastrophic wildland fire by improving the health of the Nation's forests and grasslands.

Stewardship contracting is a relatively new tool available for widespread use within the Forest Service. Due to this limited history, no trend data are available.

The following factors affect stewardship contracts:

- Appeals and litigation of planned and/or approved projects.
- Reallocation of resources and personnel for emergency wildfire suppression.
- Increasing demands on the agency's human and financial resources and the resulting reduced ability to work with and through other jurisdictions and stakeholder groups.

Strategic Objective: Assist 2,500 communities and those non-NFS lands most at risk with developing and implementing hazardous fuels reduction and fire prevention plans and programs.

Performance Measure	Planned	Projected	Result
Percent of communities at risk with completed and current fire management plans or risk assessments	NA	No specific measurement protocol in FY 2004	NA
Number of acres covered by partnership agreements.	NA	125,000	New Baseline

Strategies, Resources, and Underlying Factors

Communities at Risk and Partnership Agreements

No national commitment and no specific measurement protocol were established for FY 2004. The State Fire Assistance Program is responsible for the percent of “communities at risk with completed and current fire management plans or risk assessments” and the number of “acres covered by partnership agreements.”

State governments coordinate the “communities at risk” measure, but the information is not available to the Forest Service at this time. The National Association of State Foresters (NASF) is working to provide a baseline this year.

Research and Development’s Results in Reducing the Risk of Catastrophic Wildfire

Forest Service scientists released maps of the WUI and communities in proximity to it for the lower 48 States. This is the first consistent representation of the WUI, as defined in the Federal Register, across the Nation, enabling analysis at the national, State, or local levels. Maps are available at <http://silvis.forest.wisc.edu/Library/WUILibrary.asp>.

Researchers completed flight-testing the newly developed FireMapper thermal-imaging radiometer technology. In one of its first tactical applications, FireMapper provided critical fire-spread intelligence to the southern California interagency fire operations center during the October 2003 fire emergency in southern California. FireMapper uses new night-vision technology to measure thermal radiation from spot fires and intense flaming fronts alike. Resulting data provided a detailed and synoptic view of fire spread that has not previously been available. Fire managers and researchers use FireMapper to improve fire suppression operations, fire-fighting safety, and our understanding of the behavior and impacts of wildland fire.

Research scientists developed a computer model to aid the public in protecting their property from wildfire in the WUI areas. The model helps to evaluate landscaping choices, such as retaining native vegetation, providing privacy, conserving water, and saving energy, while providing options for fire safety.

Forest Service scientists developed predictive tools (<http://www.firelab.org>) that assess the effects of fuel and restoration treatments on buildings and structures; fish, wildlife, and threatened and endangered species habitat; air quality; carbon sequestration balances and dynamics; water resources and hydrological processes; and invasive species populations. Target audiences include fuels management specialists, resource specialists, National Environmental Policy Act (NEPA) planning team leaders, and line officers in the Forest Service and the Department of the Interior; community leaders; and educators.

Research scientists developed the FERGI (Fire enhanced runoff and gully initiation) model to determine where treatments can be useful and where they may not be. The model predicts changes in runoff and erosion given the topography, soils, fire severity, weather, and proposed treatments. This new source of information will help managers understand the costs, benefits, and alternatives of fuel and restoration treatments. A Web-based application is in development.

Forest Service researchers provided post-fire mitigation and restoration assistance to the White Mountain Apache Tribe that helped them restore riparian wetlands and sources of plants used by the Tribe for religious and medicinal purposes. Research scientists provided extensive training and synthesis of science on the effects of fire on watershed processes and native fishes and aquatic habitats. Research scientists also provided models of aquatic systems response to changing fire regimes at scales relevant to management.

Forest Service scientists, cooperators, and managers from the Bitterroot National Forest gathered and mapped information about the complex interrelationships that exist between the natural resources of the Bitterroot Front and the local community residents who live and work in this area. This information is being used to select fuel treatment sites and methods in a manner that achieves fuel reduction goals in ways that are sensitive to local community values.

A team of Forest Service scientists and staff from S&PF analyzed several millions dollars worth of NFP grants intended to stimulate utilization and marketing of small diameter woody biomass. Economic Action Program managers are using the study results to adjust their funding strategies and better focus their efforts to enhance the utilization and marketing of small-diameter woody biomass in the future.

Researchers provided critical information to fire managers regarding evacuations and fire strategies in western Montana and southern California using aircraft-borne remote sensing instruments. Scientists used maps of fire perimeters based on satellite data in conjunction with fire behavior prediction models to estimate fire spread under various weather scenarios in Montana.

Changes in Smoke Management Regulations

In 2004, the Air Resource Management Program of the Forest Service's Rocky Mountain Region worked closely with the State of Colorado to revise the State's smoke management regulation (CO-Regulation 9) to provide more flexibility for using prescribed fire as a management tool. One highlight of this effort was the State's adoption of a Forest Service proposal to allow the use of air curtain destructors (ACDs) to burn clean wood waste from hazardous fuel reduction projects. ACDs offer a more environmentally friendly alternative to the currently approved method of open pile burning.

ACDs introduce controlled, high velocity air across the upper portion of an enclosed combustion chamber containing clean wood waste. The powerful curtain of air traps unburned particles under the curtain in the high temperature zone. This reduces the number of escaping particulates, resulting in a cleaner burn with less air pollution emissions.

Pile burning on Colorado's Front Range and near other sensitive communities in the wildland-urban interface has become more restricted recently due to air pollution concerns and other issues such as fire escape risk. ACD use is expected to provide greatly expanded opportunities for wood waste combustion, reduce air pollution emissions, allow the option for outsourcing of wood waste disposal operations, further mitigate pile burn escape risks, and demonstrate to the public that the Forest Service is using every tool it has to reduce hazardous fuels while protecting air quality.

For more information on the Forest Services' Air Resource Management Program, visit <http://www.fs.fed.us/r6/aq/natarm/r2/r2home.html>.

Computer Software Helps Homeowners Assess Threat from Wildfires

Millions of homes are at risk from wildland fires each fire season. The Center for Urban Forest Research at the Pacific Southwest Research Station announced the development of a new software application that helps residents in urban-wildland interface zones to protect their property from wildfire. The software is designed to guide residents in evaluating landscaping placement and management options to make fire safety choices, as well as enhance the beauty of their property, retain native vegetation, provide privacy, conserve water, and saving energy.

This program provides a computer model that enables residents (users) to visually place their home on their lot and interactively add, remove, grow, and prune vegetation. They can then evaluate changing risk of their home burning as an indicator bar on the monitor turns from green (low risk) to yellow (moderate risk) to red (high risk) in response to varying amounts of radiant heat on the house. Research conducted at the National Institute of Standards and Technology provided the fire behavior principles behind the software.

The fire module is currently being coupled with a similar energy assessment module (EnergyWise) and water model (WaterWise) to estimate the effects of vegetation placement on storm-water runoff, landscape water use, and energy use. The fire module portion of the software is available for use at <http://www.ecosmart.gov>.

For more information on the Center for Urban Forest Research, visit <http://wcufre.ucdavis.edu>

Model to Evaluate Tradeoffs in Management of Postfire Runoff and Erosion

Large wildfires can profoundly influence mountain watersheds, leading to increased erosion, debris torrents, and negative effects on water quality and sensitive species. Postfire Burned Area Emergency Rehabilitation (BAER) focuses considerable effort to mitigate these events, but controversy exists about its effectiveness and expense.

Scientists at the Rocky Mountain Research Station's laboratory in Boise, ID, have developed new information to help managers understand the costs and benefits of and alternative methods to BAER. A new model called the Fire Enhanced Runoff and Gully Initiation (FERGI) Model predicts changes in runoff and erosion for specific topography, soils, fire severity, weather, and proposed treatments. In application, FERGI enables managers to determine where treatments may or may not be useful. A Web-based application is in development.

In fiscal years 2003 and 2004, Rocky Mountain Research Station scientists worked with the Boise National Forest to analyze data from three wildfires that took place in Idaho. Using information supported by FERGI, the scientists decided to forgo contour-felled log treatments over much of the area because marginal benefits could not be justified. Decisions like this can save literally millions of dollars by enabling managers to focus on work that supports more resilient aquatic systems. Subsequent thunderstorms produced massive debris flows leaving no obvious watershed treatments to choose from, underscoring the utility of FERGI and its effectiveness in this decisionmaking process.

To learn more about fire and aquatic ecosystems, visit <http://www.fs.fed.us/rm/boise/teams/fisheries/fire/firehome.htm>



Evaluating burned hill slopes common in BAER analysis. Research has led to new models that allow managers to more effectively prioritize limited resources.

Goal 2: Reduce the Impacts From Invasive Species

Strategic Outcome

Fewer impacts from invasive species due to healthier forests and grasslands.

Invasive species—particularly insects, pathogens, plants, and aquatic pests—pose a long-term risk to the health of the Nation’s forests and grasslands by interfering with natural and managed ecosystems, degrading wildlife habitat, reducing the sustainable production of natural resource-based goods and services, and increasing the susceptibility of ecosystems to other disturbances, such as fire and flood.

Economic impacts to forests and grasslands from invasive species exceed \$4 billion per year, without considering the “cost” of environmental consequences, such as loss of native plants and animals in large areas.

Achieving the outcome of this goal requires focusing on the following objectives:

Strategic Objective: Improve the effectiveness of treating selected invasive species on the Nation’s forests and grasslands.

Performance Measure	Planned	Projected	Result
Noxious Weeds Acres Treated	67,438	85,081	126%
Number of acres treated for selected invasives species	1,046,482	1,046,482	100%

Strategies, Resources, and Underlying Factors

Invasive Species

An important component of the Forest Service invasive species program is to interrupt the increasing trend and begin to reduce the impacts and spread of invasive species across all forests and rangelands.

To address the invasive species threat to our native ecosystems, the economy, and human health, the agency developed a *National Strategy and Implementation Plan for Invasive Species Management* that will guide Forest Service invasive species work through four program elements: prevention, early detection and rapid response, control and management, and rehabilitation and restoration.

The Forest Service will align the following program objectives to the invasive species strategy:

- Work jointly with the USDA Animal and Plant Health Inspection Service (APHIS) to prevent, detect, and promptly eradicate new introductions of invasive species into terrestrial and aquatic ecosystems, including nonnative insects and pathogens of forests and trees of America.
- Manage populations of established invasive species using prevention, suppression, and restoration tactics to reduce impacts and restore ecosystems.
- Involve partners in developing a nationally consistent risk-modeling approach that enhances the use of risk maps at national, State, regional, and local scales.
- Implement risk-based detection surveys to identify forest vulnerability to invasive species based on availability of susceptible hosts, suitable environmental conditions for invasion, and likely movement pathways of invasive species.
- Cooperate with other Federal, State, tribal, and nongovernmental partners in conservation education efforts that increase public awareness of invasive species and encourage support and participation in management actions.

The following factors outside the control of the Forest Service might affect progress:

- Increasing demands on the agency's human and financial resources and the resulting reduced ability to work with and through other jurisdictions and stakeholder groups.
- Accelerated susceptibility and mortality of forest trees from drought, insects, and pathogens.
- Introduction of new species of insects, pathogens, and invasive plants into the United States.
- Legal and regulatory constraints limiting the full range of plant, animal, insect, and disease management treatments.

Acres Treated for Noxious Weeds

On NFS lands, noxious weeds:

- Weaken natural and managed ecosystems.
- Degrade wildlife habitat.
- Reduce the sustainable production of natural resource-based goods and services.
- Increase the susceptibility of ecosystems to other disturbances, such as fire and flood.

Regarding invasive plants, the FY 2004 national commitment for noxious weed control was increased by approximately 11 percent over FY 2003. FY 2004 results were projected at **85,081 acres** treated, for **126 percent** of the planned acres.

Since invasive plants know no boundaries, noxious weeds impact State and private forests in the same way they impact national forests and grasslands.

The FY 2004 national allocation for invasive species was doubled over FY 2003, contributing to the agency meeting this target.

Acres Treated for Selected Invasive Species

The Forest Health Protection (FHP) staff is responsible for measuring the percent of acres treated for selected invasive species (gypsy moth and white pine blister rust) on all forested lands, including NFS and cooperative lands.

FHP seeks to achieve the following intended outcomes:

- Implement and support actions to detect and prevent introduction of invasive species into recently disturbed ecosystems, such as those affected by high-intensity wild-land fires.
- Eradicate new infestations of highly damaging invasive species (Asian longhorned beetle, sudden oak death (SOD), and emerald ash borer).
- Manage populations of established targeted invasive species using prevention, suppression, and restoration tactics to reduce impacts and restore ecosystems.
- Develop and test better methods to prevent, detect, control, and monitor invasive species and implement these techniques to restore forest and range ecosystems.

To achieve the intended outcomes, FHP is implementing comprehensive, collaborative plans to manage gypsy moth, hemlock woolly adelgid, and invasive plants. These strategies include activities to prevent, eradicate, and suppress spread of the pests, as well as projects to restore damaged forest lands.

FHP fully funded the gypsy moth program including the “Slow the Spread” program. Results for FY 2004 were projected at **1,046,482 acres** treated, or **100 percent** of the planned acres.

In addition to the Forest Service invasive species strategy, the agency completed specific strategies to deal with invasive plants, SOD, and white pine blister rust. These strategies are at different stages of implementation. For example, efforts in managing the white

pine blister rust have focused on development of resistant stock and intensive management of plantations. The availability of resistant material will enable the Forest Service to implement restoration activities on acres impacted by this pest.

Treatment activities for newly introduced invasive species, such as SOD and emerald ash borer, are not yet well developed. For these species, survey and monitoring programs have been implemented. For example, the agency conducts surveys for SOD in 37 States. Pests are eradicated where new infestations are detected, such as the eradication effort of SOD in Oregon on 60 acres.

Effective treatments and strategies are in place for gypsy moth and some of the invasive plants. The agency reports acres treated for these selected invasive species. The strategies include prevention, eradication, slow-the-spread, and restoration of impacted ecosystems.

Implementing one or more elements of the strategy depends on the extent and spread of the pest population, drought, wildfire, and other environmental conditions. Treatments are then planned and prioritized to achieve the most effective and efficient outcomes.

For some invasive plant species and hemlock woolly adelgid, biological control agents are being developed and tested; the effectiveness of these agents is not yet proven. Thus, treated acres are not reported. In other cases, treatments may not be implemented because of collapse of the pest population, wildfires, or litigation and other administrative priorities. For new introductions of pests, limited knowledge of the biology and mode of the spread of the invasive species may prevent the agency from implementing an effective treatment.

To assess overall program effectiveness, the Program Assessment Rating Tool (PART) will be used in conjunction with the FY 2006 program development process.

Research and Development's Results in Reducing the Impact of Invasive Species

SOD could have global economic implications for forests, horticultural, and agricultural industries. Because of the large number of susceptible host species, many of which are popular ornamental plants shipped internationally from production nurseries, there is a great potential to spread the pathogen. Forest Service researchers and cooperators identified the cause of the disease, provided national insight to tree species affected or at risk, served as the basis for national and international regulatory policy, and delivered possible management and control options. The Forest Service is continuing to provide support to existing (and potential) management actions and regulatory policy as the potential range of the SOD expands.

Scientists developed a new tool to predict which species are most likely to cause ecological and economic damage. This tool, based on an Australian/New Zealand Weed Risk Assessment protocol, provides a reliable, documented, and scientifically based method of assessing potential impacts of exotic species on natural and agricultural ecosystems. It provides agencies and managers with a basis for setting priorities for control and prevention. It is being used by the State of Hawaii to develop outreach programs to the horticultural industry to reduce sale of potentially invasive species.

Forest Service scientists provided their understanding of bark beetle-fungal interactions in a recent publication of *Science*. Their findings will improve the ability to accurately assess the risk of Southern pine beetle leading to improved on-the-ground management decisions. Scientists also developed improved detection strategies for the banded elm bark beetle, a recently detected exotic bark beetle.

The hemlock woolly adelgid (HWA) threatens to destroy hemlock ecosystems in the eastern United States and no effective control measures have been developed. Forest Service scientists recently released the Chinese lady beetle, *Scymnus sinuanodulus*, in Pennsylvania and Southern Appalachia in an effort to biologically control HWA. Agents such as lady beetles are the most promising approach to controlling HWA.

Forest Service led the attack on the new invasive pest, Emerald Ash Borer, providing methods for detection, control, quarantine, and eradication to protect the Nation's forests with minimal disruption to international trade.

Researchers developed a national strategic logic model for invasive species research that illustrates linkages between Forest Service goals and outputs. The model identified output and outcome performance measures that are specific, measurable, accountable, results-oriented, and time-bound. The model also provided a framework for the development of the Forest Service *National Strategy and Implementation Plan for Invasive Species* and was an exhibit for Forest Service Research performance and accountability in OMB's assessment tool, PART.

The Emerald Ash Borer “Creates” Valuable Products

The emerald ash borer (EAB), an exotic woodboring beetle, has killed more than 6 million ash trees in Michigan, Canada, and parts of Ohio, Indiana, and Maryland. Damage is estimated at \$10 million and climbing. State, Federal, and international governments are implementing quarantine on EAB infested wood, in an effort to halt the spread of EAB.

In southeastern Michigan, the Forest Service, the Michigan Department of Agriculture, and the Michigan Department of Natural Resources are cooperating to contain the EAB. Healthy and infested ash trees are being removed in a “fire break” zone around the infested area. Millions of infested and healthy ash trees will be removed. As these trees are removed, they are felled, chipped, and either burned or sent to landfills.

Although the beetles kill ash trees by cutting off their water supply, most of the material in the trees is not damaged and can be used for value-added products. These products include flooring, cabinets, furniture, and implement handles. Most material currently being landfilled or burned can be recycled into value-added products. Removal and disposal costs are reduced by recycling this material.

The Forest Service Economic Action Program and the Michigan Department of Natural Resources are working with the Southeastern Michigan Resource Conservation and Development Council to demonstrate how recycled infested ash trees can be turned into value-added products.

For more information on Region 9 activities, visit <http://www.fs.fed.us/r9>.

This 32-inch diameter ash log will be processed into lumber and railroad ties. EAB galleries can be seen on the log’s surface.



Thwarting Invasive Species in the Monongahela National Forest

Monongahela National Forest employees and volunteers removed hundreds of pounds of garlic mustard in June and July 2004 in an effort to slow the spread of a noxious weed invader.

One mustard “pull” was conducted on 1¹/₃ miles of decommissioned road. When Forest Service geologist Linda Tracy discovered an entire length of road with a vigorous stand of the invasive plant, she contacted a State agency to alert them of her find. Working on steep slopes over the course of 3 days, just less than 5 acres of garlic mustard were pulled and carefully bagged. This amounted to 115 plastic garbage bags, each weighing about 35 pounds, or a total of 2 tons of material.

Approximately 180 person-hours were spent pulling and bagging garlic mustard. The bags were then hauled down the mountain by hand or on crude sleds. Great care was taken to avoid ripping the heavy-duty plastic bags, which could have loosed any ripe seeds and led to another infestation.

Another significant pull occurred in the virgin spruce area of Gaudineer Knob. Although the patch pulled was only about 1/10 acre in size, it was growing in an ecologically sensitive area. A third pull cleared about 5 acres of the invasive plant. Before the “pull,” parts of the cleared area were estimated at 90-percent mustard coverage.

As demonstrated here, invasive species will spread and ultimately alter ecosystem functionality by pushing out and replacing native vegetation, causing loss of biodiversity. As noted under the Chief’s four threats, these invasives require immediate attention. To put the situation into context, our country spends approximately \$138 billion per year in total economic damages and control costs.

To learn more about Monongahela National Forest activities, please visit <http://www.fs.fed.us/r9/mnf>.

Goal 3: Provide Outdoor Recreational Opportunities

Strategic Outcome

High-quality outdoor recreational opportunities exist on the National Forests and Grasslands

The Forest Service continued to provide high-quality recreational experiences for the American public, especially in the national forests near the growing urban centers. To provide benefits for all recreation users, the Forest Service maintained public access to its facilities, roads, and trails, and acquired new rights-of-way (ROWs) for public access to NFS lands.

Achieving the outcome of this goal requires focusing on the following objectives:

Strategic Objective: Improve public access to NFS land and water and provide opportunities for outdoor health-enhancing activities.

Performance Measure	Planned	Projected	Result
Miles of trail maintained to standard	19,630	22,657	115%
Percent of trail maintained to standard	15%	17%	115%
Number of facilities maintained to standard	15,465	19,743	128%
Percent of facilities maintained to standard	38.5%	49.2%	128%
Number of ROW acquired to provide public access	244	215	88%
Miles of road maintained to standard (high-clearance and passenger) ³	54,800	64,866	118%
Percent of road maintained to standard (high-clearance and passenger)	18%	22%	118%

Strategies, Resources, and Underlying Factors

Trails Maintained to Standard

The agency projected **22,657 miles** of trail maintained to standard, or **115 percent** accomplishment. This is **17 percent** of the total miles of trail.

Roads Maintained to Standard

The National Forest Road System is one of the foundations for the achievement of the agency's strategic plan and goals. The road system provides access for public use, man-

³ This performance measure will not be found, as worded, in the Forest Service Strategic Plan 2004-2008. It is most closely related to *Performance Measure 3.1.b: The 3-year average of fatalities on the passenger car network* because the condition of the road surface is related to the likelihood of fatalities.

agement activities, and protection of NFS lands. The Forest Service Manual (FSM) provides direction for maintenance planning and responsibilities, requiring development of comprehensive annual maintenance plans using available resources for the highest priorities.

Servicewide appropriations for road maintenance have been less than annual maintenance needs for many years. On a year-to-year basis, deferred maintenance backlogs have increased while the amount of roads maintained in accordance with applicable standards has decreased. As expected, these trends continued in FY 2004. Consequently, much of the road system is in poor condition and continues to deteriorate, affecting resources, resource programs, and public recreation.

In FY 2004, the agency achievements were projected at **64,866 miles** of roads maintained to standard, for **118 percent** of the planned target. While this planned accomplishment was met, it is for only 18 percent of the total miles of road on NFS lands.

Facilities Maintained to Standard

Those facilities maintained to standard have a Facility Condition Index (FCI) rating of .10 or less, which equates to buildings that would be considered in good and fair condition. A total of 40,100 buildings are used to calculate percent to standard.

The Forest Service facilities program maintains buildings, developed recreation sites, dams, and other facilities. These facilities provide the work environment for approximately 32,000 employees and have the capacity to serve the recreation needs of nearly 2.1 million people at one time. More than half of these facilities have exceeded their design life and are more than 40 years old.

Annual maintenance includes work performed to preserve the serviceability of a facility, such as preventive maintenance, repairs, and replacement of damaged or worn out components. It includes work needed to meet laws, regulations, codes, best management practices, and other applicable standards, as long as the original intent or purpose of the facility remains unchanged. Annual maintenance also includes demolition, dismantling, and disposing of unneeded facilities. Proper maintenance is essential to providing efficient public service and maintaining the value of the Government's infrastructure investment.

Maintenance that is not performed as needed or scheduled is defined as *deferred maintenance*. Deferred maintenance causes deterioration of facility performance, increased repair costs, and a decrease in facility value. Forest Service facilities currently have a deferred maintenance backlog of approximately \$400 million. Annual maintenance costs are estimated at \$75 million.

To meet this challenge, the Forest Service has taken the following actions:

- Developed a warehouse view in the Infra for the regions to review progress on a monthly basis.
- Improved the definition of the standard across all units because it was not consistently interpreted.
- Removed deferred maintenance figures from Infra on completed projects.

To make significantly more progress, the Forest Service must also take the following actions:

- Monitor performance in monthly conference calls with regional engineering staff.
- Update or populate deferred maintenance and replacement value figures in Infra to complete the FCI calculation.
- Monitor expenditures and Infra data to identify if regions are making progress or lagging behind.

Typically, each wildfire season affects units across the Forest Service, impeding the agency's ability to perform current condition surveys and update and revise replacement value data in Infra.

For FY 2004, the agency's accomplishments were projected at **19,743 facilities** maintained to standard, achieving **128 percent** of the planned number.

Acquiring Road and Trail Rights-of-Way

ROW support effective public service by providing appropriate access to NFS lands for the public's use and enjoyment. Legal ROW enable needed maintenance and improvements to the road and trail system to address health and safety, resource degradation, and fire issues. Secure ROW enhance the ability to improve and protect watersheds and habitat, sustaining viable populations of desired species. Timely acquisition of needed ROW is a primary objective for successful management of NFS lands.

To accomplish these objectives, the agency proposed to take the following actions:

- Develop a long-term strategy for acquiring priority ROW.
- Continue to improve the skill base of realty staff to facilitate economical case processing.

For FY 2004, the Forest Service acquired a projected **215 ROW**, or **88 percent** of the planned number.

The following significant underlying factors outside the control of the Forest Service affected progress toward this long-term goal in FY 2004:

- Increasing relocation of the public into the rural landscape.
- Increasing unwillingness by private and non-Federal governmental entities to grant access, particularly through non-Federal lands within the urban interface.
- Increasing cost of agency efforts and cost pool assessments.

Strategic Objective: Improve the management of OHV use to protect natural resources, promote safety of all users, and minimize conflicts among various uses through the collaborative development and implementation of locally based travel management plans.

Performance Measure	Planned	Projected	Result
Percent of NFS lands covered by travel management implementation plans	NA	No specific measurement protocol in FY 2004	NA

Travel Management Plans

The Travel Management Planning strategy has progressed more slowly than anticipated. No national commitment and no specific measurement protocol were established in FY 2004. A firm schedule will be established in FY 2005.

Research and Development's Results in Providing Outdoor Recreation Opportunities

Forest Service researchers synthesized a previously unorganized body of knowledge to develop fundamental principles providing the theoretical and conceptual foundation for recreation ecology and its management impacts.

Scientists and Alaska cooperators surveyed nonresident recreational anglers for information needed to plan for management of the Situk River. Analysis from this survey enabled creation of management alternatives across multiple land classifications and State and Federal jurisdictions.

Researchers and cooperating Federal agencies published *Outdoor Recreation for 21st Century America*, an assessment of public demand for recreational opportunities on the Nation's forests and other natural lands. This research formed the basis for the recreation analyses in the *National Report on Sustainable Forests—2003*, the RPA Forest and Rangelands Assessment, national forest plan updates, State comprehensive outdoor

recreation plans, and a number of private organizations' strategic plans. Information is available at <http://www.srs.fs.fed.us/trends>.

Scientists cooperated with national and regional recreation managers to complete a 5-year study of recreational use on all national forests. The National Visitor Use Monitoring system was developed for monitoring of national forest recreation, employing innovative national-to-ground level sampling strategies and statistical estimation procedures to provide reliable measures of the recreation benefits being provided by the national forests. More information can be found at <http://www.fs.fed.us/recreation/programs/nvum/reports/>.

Forest Service and university scientists jointly completed the first national assessment of the status of the National Wilderness Preservation System and its associated values. This broad-scale assessment employed the latest technology for using regional and nationwide spatial data to examine the social values, economic uses, and natural conditions of the wilderness system within a landscape context. This work was part of the RPA Forest and Rangeland Assessment and will be published as a book entitled *The Multiple Values of Wilderness*.

Forest Service scientists examined the management and use of OHV on the national forests in California. Results of this research are now available for use by OHV managers, community members, and OHV groups and organizations.

Scientists completed a study of the recreation fee demonstration program for a southeastern forest. Findings highlighted ways to strengthen the program through a greater focus on customer service and by targeting the expenditure of fee revenues.

Enhancing the South Fork Salmon River Fishing Experience

During the summer Chinook salmon fishing season, thousands of anglers gather along the South Fork Salmon River and the adjacent road on the Boise and Payette National Forests. A unique partnership between the two forests, Valley County Idaho Sheriff's Department, Idaho Department of Fish and Game, the Nez Perce Tribe, and Southwest Idaho Resource Advisory Committee has improved fishing access and reduced resource damage to enhance recreational opportunities for anglers.

Critical actions taken by the partnership include constructing stairways to the river to ease erosion problems caused by angler-created trails, creating and designating specific parking areas away from streambanks, adding trash bins and sanitation facilities, and prohibiting overnight camping. Because glass containers often break and become a safety hazard, the improved fishing conditions also restricted possession and storage of glass containers in the river corridor. These changes have increased public safety and enhanced access for emergency vehicles and residents of the nearby community of Yellow Pine.

The forest representatives and their partners also created a facility where anglers could obtain information about fishing and camping areas, and posted signs outlining safety measures appropriate use of the area for the purpose of protecting anglers and reducing resource damage.

With resources provided by the project's partners, further improvements to access, parking, and camping opportunities are planned. Measures taken by this partnership has helped the Forest Service provide enhanced recreational opportunities for constituents.

For more information on the Boise National Forest, please visit <http://www.fs.fed.us/r4/boise>.



An angler's prize—a Chinook Salmon.

Wayne National Forest's Wheelin' Sportsmen

Ohio's Wayne National Forest hosted the first "Wheelin' Sportsmen Fishing Day" on April 9, 2004. The National Wild Turkey Federation (NWTf) partnered with the Wayne National Forest to host a fishing event designed to introduce the public to the new accessible boardwalk at Lake Vesuvius. The Wheelin' Sportsmen group is an outreach program established by the NWTf to provide physically challenged individuals with opportunities to participate in outdoor activities such as fishing, hunting, bird watching, and other sports.

The Ohio Department of Natural Resources Division of Wildlife stocked the lake with approximately 1,300 rainbow and golden trout. Miranda Cremeans, a local teenager actively involved with the project since its planning stage, was given the honor of releasing the first fish.

This outing brought together family and friends to enjoy the beautiful day outdoors. Even Smokey Bear visited, reminding everyone of the importance of fire prevention. NWTf furnished food, and the Ohio University Southern Nature Center provided drinks for participants. Over the course of the day, almost 400 people attended Fishing Day.

Although originally planned as a one-time event, the first Wheelin' Sportsmen Fishing Day was so successful that it will become an annual occurrence.

For more information on the eastern region, please visit <http://www.fs.fed.us/r9>.



The new boardwalk on Lake Vesuvius enables visitors of all ages and abilities to try their hand at fishing.

Cultural Celebration in Perry County, Tennessee

Perry County Family Trees is a recreational event that celebrates family history and cultural heritage in Tennessee. This event was inspired by the linkage of forests and rivers to the area's early settlers and features local music and utilitarian arts talent. The concept for this cultural celebration was developed by the Buffalo-Duck River Resource Conservation & Development (RC&D) Council, partnering with local communities, the Tennessee Arts Commission, and the Forest Service's Land Between the Lakes National Recreation Area. A partnership grant from the Forest Service and the National Endowment for the Arts funded the June 2004 activities that included folk plant workshops, Native American pow wows, bluegrass and gospel music concerts, and heritage exhibits. More than 3,000 people attended these activities in a county with a population of 7,700.

This newly created tourist destination has boosted the economies of local communities, enabling towns in Perry County to improve their downtown areas, fund a chamber of commerce, preserve historic sites, and develop tourism-based businesses. The success of this program has provided recreation and enhanced community arts and music programs. This partnership also fosters economic viability, making a significant positive impact in this rural area.

For more information on the Southern Region's activities, please visit <http://www.fs.fed.us/r8>.

Goal 4: Help Meet Energy Resource Needs

Strategic Outcome

Consider opportunities for energy development and the supporting infrastructure on forests and grasslands to help meet the Nation's energy needs.

A specific strategy is currently being developed to address this strategic goal and objectives within the context of the Forest Service's multiple use mandate. The new strategy will be implemented within the 2004 to 2008 Strategic Plan window.

The strategic objectives are:

Strategic Objective: Work with other agencies to identify and designate corridors for energy facilities, improve the efficiency of processing permit applications, and establish appropriate land tenure (including transferability clauses) in easements and other authorizations to provide for long-term project viability.

Strategic Objective: Stimulate commercial use of small-diameter trees from NFS lands for biomass energy.

Research and Development's Results in Helping Meet Energy Resource Needs

Forest Service researchers released the Forest Inventory and Analysis (FIA) BioSum computer model, demonstrating the potential use of fire hazard reduction treatments to meet energy needs. It was specifically designed to address policy issues, such as the effectiveness of a transportation subsidy for woody biomass, and could be used to compare the effectiveness of this type of subsidy versus a subsidy on the production of electricity generated from biomass (including agricultural or municipal wastes).

Researchers developed a Life-Cycle Assessment Model of the use of wildland biomass for electrical generation. The model analyzes the costs, benefits, and environmental impacts associated with alternative policy scenarios for directing low-value woody biomass obtained from hazardous fuels treatments into energy applications.

For the Department of Energy's Biomass Vision, research scientists developed the Fuel Treatment Evaluator, a Web-based tool to help assess the biomass potential from forests. The tool allows users to identify and prioritize hazardous fuel reduction opportunities in forests based on their departure from historic natural fire regimes, their need for thinning, and their proximity to the WUI.

Research evaluation of a new biomass bundling machine indicates biomass bundling can be a cost-effective forest management tool. Biomass bundling reduces fire risk, avoids prescribed fire limitations, improves storage life of residues, and improves the recovery of biomass for utilization.

In northern Minnesota, researchers provided technical and logistic support to two public utilities commissions implementing a large-scale biomass project. The project, using hybrid poplar as a renewable and sustainable supply of green energy, has the potential to provide 35 megawatts of renewable power, more than \$700 million in gross revenues (and the creation and retention of more than 170 jobs) for 20 years to Hibbing and Virginia, MN.

Olguin's Sawmill Retrofits For Small Diameter Materials

Olguin's, Inc., in Taos, NM, operated as a large diameter sawmill from 1964 to 2003. In August 2003, the Carson National Forest awarded Olguin's two Economic Action grants totaling \$114,000. These grants helped update the company's business marketing plan and procure equipment to expand its capability for producing value-added products from small diameter trees. The equipment enabled the company to diversify its existing set of products—traditional vigas, latillas, fuel wood, and rough lumber—and add five new product lines—including posts, poles, and finished lumber and mouldings—that all use small diameter trees and reduce fire risk to communities. By July 2004, Olguin's had produced 10,000 posts and poles. The planer/molder enabled the mill to produce finished dimensional lumber for the first time. Olguin's is one of the few mills in the State capable of producing finished lumber.

The mill works in partnership with 10 suppliers that remove material from hazardous fuel projects in communities adjacent to the Carson and Santa Fe National Forests. The Economic Action grants also contribute to a sustainable economy in an area that has long been economically depressed. The mill added 2 new employees in 2004 and provides 11 jobs.

For more information on the Carson National Forest, visit <http://www.fs.fed.us/r3/carson>.



Mill workers remove bark from small-diameter trees.



Olguin's, Inc., welcoming committee.

Wood Chips Have the Power

What does a business do with woody material removed for the purpose of reducing hazardous fuels? One solution—use wood chips for energy. The Forest Service’s State and Private Forestry Technology Marketing Unit is partnering with the U.S. Department of Energy (DOE) through the National Renewable Energy Laboratory and one of its subcontractors, Community Power Corporation, to demonstrate the BioMax 15, a state-of-the-art, transportable, and environmentally friendly biopower system that uses forest residues to produce electricity and heat suitable for small enterprises, rural homes, and schools.

Two businesses in New Mexico and one school in Colorado fired up modular biopower systems in 2004 that use wood chips from forest restoration activities to produce electricity and heat for their facilities.

Small, modular biopower technology holds tremendous opportunities for offsetting some local energy needs, using low-value forest thinnings and as an “in-the-woods” processing operation capable of grid connection. Although biopower technology is still in the precommercial phase, these projects are important in the efforts to reduce the risk from catastrophic wildland fire and help meet energy resource needs locally.

For more information on the Forest Service’s State and Private Forestry Technology Marketing Unit, please visit <http://www.fpl.fs.fed.us/tmu/welcome.htm>.



Forest Service Chief Dale Bosworth congratulates partner Walt Robb of Community Power Corporation on successfully getting several “BioMax 15” sites up and running in 2004 to use wood chipped from hazardous fuel materials removed from the wildland-urban interface.

Conservation Silviculture: Management of Koa Forests in Hawaii

Working in partnership with The Nature Conservancy of Hawaii and Kamehameha Schools, Forest Service scientists have developed new insights into the silviculture of koa (*Acacia koa*). Koa is one of the world's most valuable woods for high-end furniture and accessories, and contribute tens of millions of dollars to Hawaii's economy.

Following a disturbance, such as fire or substrate scarification (breaking of the ground surface), koa regenerates prolifically from long-lived seeds in the soil. Where seedlings are protected from grazing, the result is a dense stand of young koa trees with an understory of alien grasses. Thinning and grass control enhance the survival and growth of koa, leading to more valuable trees and improved conditions for native plants.

By demonstrating benefits to private landowners that sound forest management is both economically and ecologically rewarding, they are encouraged to grow and maintain valuable trees and native plants for economic gain and ecosystem health. These long-term benefits will provide incentive to slow the conversion of privately held forested lands to suburban development and pastures. Ultimately, maintaining these ecologically sound forests will result in landscape-scale conservation for forests in the State of Hawaii, the home of one-third of the Nation's threatened and endangered species.

To learn more about Hawaii's resources through the Pacific Southwest Research Station, visit <http://www.fs.fed.us/psw>.



Koa trees, indigenous to the Hawaiian Islands, are a valuable resource for this State. Photo courtesy of Jack Jeffrey, U.S. Fish and Wildlife Service.

Goal 5: Improve Watershed Condition

Strategic Outcome

Fully functional and productive watersheds

Many Americans depend on NFS watersheds for their public water supplies at home and while enjoying outdoor recreation as they visit the national forests and grasslands.

Sustaining functional watershed conditions over time maintains the productive capacity of the Nation's land and water.

In FY 2004, the Forest Service worked toward achieving the desired ecological conditions of the Nation's watersheds through enhancements to stream, lake, and terrestrial habitat, as well as completing over 100 watershed assessments for future enhancements of these habitats. The agency also provided technical, educational, and planning assistance through State forestry agency partners, thus ensuring the long-term management of important private forest resource areas.

Achieving the outcome of this goal requires focusing on the following objectives:

Strategic Objective: Assess and restore high-priority watersheds and maintain riparian habitat in these watersheds.

Performance Measure	Planned	Projected	Result
Watershed assessments completed	122	130	107%
Acres of nonindustrial private forest (NIPF) land under approved stewardship management plans	1,618,000	1,618,000	100%

Strategies, Resources, and Underlying Factors

Watershed Assessments Completed

Assessments evaluate current land and resource conditions at, or above, the watershed scale. The Forest Service uses assessments to increase the knowledge base of the agency for subsequent decisionmaking at the forest plan level and project level.

Watershed-scale assessments help identify and prioritize projects to implement forest plans, resulting in improved and protected watershed conditions, ecological conditions that sustain viable populations, and restored and maintained forest and grassland ecosystems. Assessments consider information on ecosystem function, vegetation structure, ecosystem capabilities, and the limits to sustained production, and thus improve the agency's capability to provide sustainable levels of uses, values, products, and services.

The agency continued the transition toward meeting its long-term goal of a shorter watershed assessment cycle by projecting completion of **130** high-priority watershed **assessments**.

The timeliness of watershed assessments affects forest plan revision and amendment efforts and projects. The planning efforts may also be affected by possible reductions in the scope and analysis associated with the assessments.

To accomplish these objectives, the Forest Service will take the following actions:

- Continue transition to a shorter watershed assessment cycle to meet forest plan development and plan implementation.
- Improve the capacity to provide the scientific and technological information needed to address the agency's priorities in assessing watershed conditions.
- Digitally store, characterize, and display the current hydrologic and associated watershed conditions of five field hydrologic unit watersheds within a corporate database.
- Implement and track watershed restoration and improvement activities in an integrated and financially efficient manner to achieve desired conditions.

Nonindustrial Private Forest Land (NIPF) under Approved Stewardship Management Plans

The Forest Stewardship Program (FSP) provides technical, educational, and planning assistance through State forestry agency partners to NIPF owners to encourage and enable the active long-term forest management of important private forest resource areas. The primary focus of the FSP is the development of comprehensive, multiresource management plans that provide landowners with the information they need to manage their forests for a variety of products and services.

The FSP is shifting from its historic delivery of assistance to landowners on a first-come, first-served basis to a more strategic or focused approach that directs assistance to affect targeted forest resource areas. The program is also investing in the development of spatial assessment tools to enable partner forest agencies to track accomplishments in terms of forest resource outcomes through time, and to strategically focus program assistance in the future.

In FY 2004, actual results were **1,618,000 acres** of NIPF under approved stewardship management plans, or **100 percent** of the planned acres. This performance information reflects actual results due to the States' June 30 – July 1 fiscal year.

Strategic Objective: Restore and maintain native and desired nonnative plant and animal species diversity in terrestrial and aquatic ecosystems and reduce the rate of species endangerment by contributing to species recovery.

Performance Measure	Planned	Projected	Result
Acres of terrestrial habitat enhanced to achieve desired ecological conditions	232,350	217,999	94%
Miles of stream habitat enhanced to achieve desired ecological conditions	1,860	1,797	97%
Acres of lake habitat enhanced to achieve desired ecological conditions	10,953	14,771	135%

Strategies, Resources, and Underlying Factors

Enhancement of Terrestrial, Lake, and Stream Habitats

The enhancement of terrestrial habitat includes actions to restore, recover, and maintain habitat and ecosystem conditions necessary for healthy populations of wildlife. Providing appropriate ecological conditions for these species is integral to meeting the agency mission and its legal requirements to provide for plant and animal community diversity, species recovery, and to avoid new listings of threatened or sensitive species. Improvements include, but are not limited to, maintaining early successional habitats, regenerating aspen and oaks, seeding to improve forage conditions, and developing water sources for wildlife in arid habitats.

In FY 2004, terrestrial habitat restored or enhanced on NFS lands was projected at **217,999 acres**, or **94 percent** of the acres planned for the year.

A significant portion of these acres also contributed to improved forest health conditions and reduced risks of catastrophic wildfires. With better integration of wildlife specialists into the analysis of hazardous fuels, the Forest Service can now also meet wildlife objectives during those treatments.

Also benefiting wildlife objectives are the anticipated 2,000 partnerships that form an integral part of this program.

Several factors affect the success of the wildlife habitat management program. Support to other program activities requires the skilled services of journey-level biologists, leaving them with less time to spend in core wildlife habitat management activities. Redirection of funds to wildfire suppression, along with reassignment of personnel into suppression activities, has caused an erosion of partnerships and program accomplishments. Salary and cost pool assessment increases have reduced the amount of funds available to accomplish on-the-ground improvements. These improvements will largely be accomplished with funding other than from Wildlife and Fisheries Management.

In FY 2004, the Forest Service projected that it restored or enhanced **14,771 acres** of lake habitat and **1,797 miles** of stream habitat, or **135 percent** and **97 percent**, respectively.

Lake habitat was restored or enhanced to desired ecological condition by taking the following actions:

- Adding spawning gravel, structural habitat, liming, and fertilization to improve and maintain productivity for both warmwater fish (e.g., bass and bluegill) and coldwater fish (e.g., trout and salmon).
- Attracting the interest and support of many small rural communities located near national forest lakes, resulting in the support of volunteer efforts and matching funds from local angling groups, nearby communities, and businesses.

Stream habitat was restored or enhanced to desired ecological condition by taking the following actions:

- Connecting fragmented habitats at human-made barriers.
- Restoring habitat parameters and functional processes to a normal range of variability for the channel type using watershed restoration techniques.
- Reducing sediment input and streambank erosion through structural and nonstructural in-stream, riparian, and upland treatments.
- Restoring riparian habitat functions for natural recruitment of large wood.
- Creating pools within streams to provide hiding cover and increased spawning gravel for fish.

Several factors have combined to reduce the success of the fisheries and the aquatic staff at meeting national commitments. Program staffing and funding have remained flat, or declined, over the past 5 years while program costs have increased. The challenge of eradicating aquatic invasive species while protecting and restoring native species has increased the complexity and cost of projects throughout the Nation.

In recent years, the need to transfer budgeted funds from the wildlife and fish habitat management programs into wildfire suppression and the diversion of aquatic staff and contracting specialists from stream and lake project work during the summer months into fire suppression tasks have resulted in a reduction of achievements in relation to planned accomplishments.

Project planning also has become increasingly complex. The Land Management Plan (LMP) revision schedule and work required to comply with Section 7 of the Endangered

Species Act to support other programs (i.e., biological assessments and consultation) require the skilled services of journey-level biologists who are then not available for habitat enhancement activities. The transfer of resources to support the suppression of wildfires, hazardous fuels reduction, and land management planning will likely increase and persist at high levels throughout the decade.

A comprehensive fisheries and watershed program review was completed during FYs 2003 and 2004. The review team recommended 39 action items to strengthen aquatic program performance and accountability. Among those items was a recommendation to conduct a national assessment of fisheries and watershed staffing and professional development needs to better align the workforce with current needs. In addition, programmatic consultations were completed in two regions that will facilitate completion of watershed restoration planning activities.

Research and Development's Results in Improving Watershed Condition

Wetlands are a major source of dissolved organic carbon and other elements. Forest Service scientists studied the movement of carbon, compounds, and other elements from terrestrial to aquatic zones in watersheds with significant wetland acreage. This research established basic values for carbon, nitrogen, and phosphorous that forest managers will use to develop methods for evaluating watershed conditions.

Research scientists developed a model to assess the potential of streams to support selected species of salmon and trout to help managers identify which watersheds are highest priority for restoration.

Scientists developed standardized forest carbon stock tables and guidelines to predict carbon storage and dynamics in forest systems, providing a basis for consistent estimation of the quantity of carbon sequestered, and the emissions reduced, by different forestry activities. This work contributes to the Department of Energy's 1605(b) Voluntary Greenhouse Gas Accounting Rules and Guidelines program, and, in the future, may be used to determine carbon credits. Scientists, policymakers, and land managers will use these data and models to mitigate potential climate change effects and help quantify the added value that carbon credits can bring to traditional forestry.

Sedimentation from soil erosion degrades water systems and sites. To improve the effectiveness of mitigation treatments and provide management options for sedimentation, the Forest Service developed Web-based modeling tools to determine management options. These modeling tools were used more than 45,000 times during FY 2004 via the Web.

Conserving Wetlands After Wildfires

In June 2002, the Rodeo-Chediski wildfire, the largest in Arizona history, burned hundreds of thousands of acres of White Mountain Apache tribal lands. Postfire stabilization efforts initially focused on protecting life and property in the tribal villages that lie downstream from the fire, but attention soon turned to the dozens of springs, wet meadows, and sinkhole lakes that dot the scorched landscape. These wetlands retain runoff; recharge groundwater; provide habitat for turkey, deer, frogs, and medicinal plants; and have cultural significance. Many local tribal members were gravely concerned about the effects of the fire to these places.

Rocky Mountain Research Station scientists in Flagstaff, AZ, developed a technique to reverse the wetlands degradation process by placing rock riffle formations within the carved channels to encourage the deposition and retention of fine sediments, which in turn speeds the growth of wetland plants, such as sedges and bulrushes. Although the rock formations mimic natural streambed features, the enormous scale of modern wildfires causes incisions to occur too quickly and over too large an area for the natural recovery processes to stabilize the streams. Replacing these formations and removing structures, such as culverts, that encourage scour rather than deposition can speed the recovery of streams and prevent wetlands from being lost.

For more information concerning watersheds and riparian ecosystems in Flagstaff, AZ, visit www.rmrs.nau.edu/lab/4302.



This photo demonstrates the recognition of adverse effects of post-fire flood flows in important wetlands and how restoration technology can be applied to conserve wetlands that are ecologically critical and culturally significant to Native Americans.

Off-Highway Vehicle-Ravaged Landscape Transformed

The Lefthand Canyon Restoration Project is located on the Boulder Ranger District of the Arapaho and Roosevelt National Forests. The Forest Service, Colorado State Parks Trails Program, Wildland Restoration Volunteers, Trailridge Runners, Walsh Environmental, and Northern Colorado Trail riders banded together to transform a landscape ravaged by off-highway vehicles into an ecologically restored watershed and recreation area.

The partnership used \$250,000 in grants to post travel routes, provide visitor information, and staff on-the-ground management. Soil stabilization and runoff control measures were installed.

One of the group's greatest accomplishments was the restoration of a 4-acre meadow, once a barren and rutted wasteland, into an aesthetically pleasing, higher quality wildlife habitat. Although only 4 acres were restored, the restorative effects cover an area twice that size. The Forest Service is developing a long-term plan for using and restoring the entire area. The goal of the plan is to manage the area for recreation while maintaining a healthy watershed.

This restoration project is designed to combine management practices that protect newly restored areas and prevent further damage to the Lefthand watershed, which provides water to 15,000 people in the Lefthand Water District.

For more information on the Arapaho and Roosevelt National Forests, please visit <http://www.fs.fed.us/r2/arnf>.

Lime Creek Prescribed Fire on the Boise and Sawtooth National Forests

As part of the Lime Creek prescribed burn project, fire managers on the Mountain Home and Fairfield Ranger Districts and Boise and Sawtooth National Forests burned nearly 2,700 acres in October 2003 to enhance aspen growth. Aspen is critical to many Idaho ecosystems because it provides nesting for 13 species of cavity-nesting birds on the Boise and Sawtooth National Forests, big game forage, aspen buds for grouse, species diversity, fall scenery, and fire-resistant vegetation during part of the tree's life cycle.

The Lime Creek project, a series of prescribed fires to be carried out on 9,000 acres over 4 to 6 years, burned more than 1,750 acres in 2002 during the project's first phase. Because the project treats aspen stands over a large landscape and will help improve big game summer range, the Rocky Mountain Elk Foundation has contributed \$10,000 towards the next phase of Lime Creek burning to help support aerial ignition.

"We have lost about 60 percent of the aspen acres in this area, as Douglas fir, sagebrush, and other species have encroached," said Forest Service fuels planner Bill Powlishen. "Many of the aspen stands in this area are not regenerating, and once aspen disappears, it can take centuries to be restored."

For more information on prescribed burns in Region 4, visit <http://www.fs.fed.us/r4/boise>.



Low humidity, warm temperatures, and generally dry conditions created the right mix to rejuvenate the aspen stands.



A Ruffed Grouse—one of the many species benefiting from the Lime Creek prescribed fire.

Goal 6: Conduct Mission-Related Work To Support the Agency's Goals

Strategic Outcome

Productive and efficient agency programs support the mission of the Forest Service

The Forest Service provides direction for natural resource stewardship through direct land management practices, indirect management under partnership agreements, and research and development programs. The agency also provides many goods and services—such as recreational opportunities, clean water, and wood products—to the American people. The agency consistently strives to maintain the organizational structure and capacity to deliver the necessary mission-related work.

Achieving the outcome of this goal requires focusing on the following objectives:

Strategic Objective: Provide current resource data, monitoring, and research information in a timely manner.

Performance Measure	Planned	Projected	Result
Percent of the Nation for which FIA information is accessible to external customers	NA	76%	New Baseline

Strategies, Resources, and Underlying Factors

Forest Inventory and Analysis Data Accessible to External Customers

The Research and Development (R&D) Deputy Area is responsible for the percent of the Nation's forested lands for which FIA information is accessible by external customers.

During congressional hearings in April 1999, Alaska and the Hawaiian Islands were exempted from the annualized inventory because they required special approaches, costing \$21 million a year for Alaska alone under the existing system. Consequently, in the early years of FIA, these areas were excluded from the "percent of Nation" calculation. However, many believed these areas should be included to more accurately reflect the area of United States inventoried under new funding, regardless of approach. In FY 2004, the Forest Service adjusted the calculation and included a table in the FIA annual report to reflect both calculations—the 48 States or the entire Nation.

In FY 2003, the Forest Service made FIA data accessible for 40 of the 48-State base (not including Alaska and Hawaii), providing a 100-percent accomplishment of the planned amount. But in FY 2004, with the implementation of the four new States, FIA data is now available for external customers in 44 States, which is **76 percent** of the

Nation's (now including Alaska and Hawaii) forested lands. This will serve as a new baseline for FY 2005.

Forest Service FIA data was accessible for external customers for 53 percent of the Nation in FY 2001 and 62 percent in FY 2002.

To store and process the annualized inventory data, FIA completed the development of the National Information Management System (NIMS). R&D also provides the FIA annual business report with a full accounting of program funding and accomplishments, including the number of peer-reviewed and other publications produced.

R&D compiles and disseminates information on a wide array of ecological attributes, while continuing to serve traditional customers who require timely information on forest resources. Keeping this information current is one of the chief interests of FIA customers.

FIA objectives include providing annual updates for all forested lands sampled as part of the annual inventory and producing complete analytical reports for each State. A total of \$56,653,000 in Forest Service funding was made available in FY 2004 for the FIA program. These funds were combined with approximately \$10 million in partner contributions, primarily States and other Federal land managers, to provide more than 400 employee-years of effort.

The FIA program consists of a remote sensing phase (sampling forest plots at approximately 1 plot per 6,000 acres) and a subsample of forest plots measured for a broader suite of forest ecosystem indicators (enhanced samples). The program seeks to implement an annual FIA program that measures at least 10 percent of forest plots per year in the Western United States and 15 percent in the East, as well as 20 percent of the enhanced sample locations in all States. Annual compilations of the most recent information will be provided along with full reporting at 5-year intervals. FIA is not currently fully funded to achieve its goal of annualized inventory in all 50 States, Puerto Rico, and the Trust Territories as mandated by law and agreed to by the agency.

In severe fire seasons, the redirection of funding to emergency fire suppression activities forces the Forest Service to suspend many nonfire work activities. This suspension can affect the number of people available for fieldwork and cause delays in annualized implementation in all States. To achieve full implementation of annualized inventory at current funding levels, FIA will consider the use of single-person crews where safety issues can be resolved, relying more heavily on remote sensing options where potentially reduced data detail and quality will not compromise the integrity of the results. FIA may also lengthen the remeasurement cycle on its field samples. One-person crews may not be feasible in the West because of terrain and access issues.

Strategic Objective: Meet Federal financial management standards and integrate budget with performance.

Performance Measure	Planned	Projected	Result
Extent to which performance data are current and complete	NA	86%	New Baseline

Strategies, Resources, and Underlying Factors

Extent to which Performance Data are Current and Complete

This measure is the percent of regions/stations/area providing certification forms to the Program and Budget Analysis Staff, certifying that their unit’s accomplishment data is current and complete. For FY 2004, accomplishment for this performance measure was 86 percent and will serve as a baseline for the future.

In the past, these data were collected through manual input of performance data by individual units into standardized reporting spreadsheets for submission to the Washington Office. The spreadsheets were collected, consolidated, and validated at the regional level. Beginning in FY 2003, to ensure data integrity and their review by leadership, certification of the data by the regional forester was required before submission to the Washington Office. This certification states, “Information as reported has been validated and supporting documentation is available upon request.”

During FY 2004, the Forest Service has been converting to a more systematic process in which most performance data will be collected through the WorkPlan program, which tracks project management, day-to-day operations, and fiscal data at the unit level. The agency anticipates that this new process of routinely collecting performance data will yield more accurate and timely performance data to leaders at every organizational level, while providing an information base to match costs with outputs. For those reporting areas where the performance data reside in an automated system other than WorkPlan, the agency is working with system owners to extract needed information directly into reporting worksheets rather than requiring manual input.

Concerns include: potential unforeseen technical glitches in WorkPlan as data fields are populated; and possible interoperability issues as WorkPlan is integrated with other systems. Because the national headquarters historically collected performance information only in July and October from every unit, it is likely that some units relied on institutional memory and informal records to complete the data call. The agency anticipates that by using WorkPlan to integrate data collection into normal operations, the data received will be more accurate and complete. In addition, the agency anticipate that direct links to other data sets will reduce human errors from re-entering data into the reporting system.

Strategic Objective: Maintain the environmental, social, and economic benefits of forests and grasslands by reducing their conversion to other uses.

Performance Measure	Planned	Projected	Result
Acres of land adjustments to conserve the integrity of undeveloped lands and habitat quality. This measure is the sum of the following three measures:	699,461	640,481	92%
• Acres adjusted to conserve the integrity of undeveloped lands and habitat quality	341,536	54,896	16%
• Acres acquired to conserve the integrity of undeveloped lands and habitat quality	57,925	50,954	88%
• Acres protected by the Forest Legacy Program (FLP) to conserve the integrity of undeveloped lands and habitat quality	300,000	534,632	178%

Strategies, Resources, and Underlying Factors

Acres of Land Adjustments

Land consolidation through acquisition or exchange enables the agency to better manage Federal lands within, or adjacent to, NFS administrative boundaries. Securing land through acquisition or exchange helps reduce future management costs; responds to urban and community needs; addresses fragmentation; promotes conservation; and improves aquatic, forest, and rangeland ecosystems.

Many areas within or immediately adjacent to existing national forests contain important resources that, if acquired, will help the agency meet critical objectives related to public outdoor recreation opportunities, critical wildlife habitat, and wilderness or other congressionally designated areas. Acquisition of inholdings can substantially reduce boundary management costs and reduce the impacts associated with converting use of adjacent lands, such as trespass and resource degradation or fragmentation.

Over the next several years, key opportunities are expected for exchange or purchase of lands from industry and other private landholders for the national forests. Many areas within or immediately adjacent to existing national forests contain important resources. These purchases will also improve management efficiency and decrease property management administration costs.

To accomplish the above objective, the Forest Service planned the following actions:

- Conduct land adjustments to protect the public benefits that are provided by private forests and conserve contiguous forest areas.
- Conduct statewide planning, working collaboratively with other Federal, State, and local governments to develop a land-adjustment strategy that meets the strategic goals and objectives of the Forest Service, as well as these other entities.

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- Identify opportunities for acquiring properties at highest risk for conversion of use and habitat degradation and that can provide access for public acquisition.
 - Consider acquiring less-than-fee interests (conservation easements) when fee ownership is not needed to meet agency goals.
 - Continue to improve the skill base of realty staff to facilitate economical case processing.

The Forest Service adjusted (exchanged) a projected **54,896 acres** for **16 percent** of planned acres in FY 2004. There were **50,954 acres** acquired in FY 2004, for **88 percent** of planned acres.

Several factors outside the control of the Forest Service affected its progress in FY 2004, including the following challenges:

- Intermingling of non-NFS lands, and the increase in the subsequent parcelization of these lands.
- Funding transfers to cover firefighting expenditures.
- Increasing cost of agency efforts and cost pool assessments.

On State and private lands, the Forest Service's FLP conserves environmentally important forests threatened by conversion to nonforest uses through the acquisition of land or interests in land. The program operates on a willing buyer-willing seller basis and is a nonregulatory, incentive-based private forest land conservation program. This ensures that both traditional uses of private lands and the public values of America's forest resources are protected for future generations.

Acquisitions are based on a project-selection process that uses national criteria to assess critical resource values, development threats, unique environmental features, traditional forest uses, potential leverage of non-Federal funds, and the history of ongoing efforts. The Forest Service, together with the States, prioritizes potential acquisitions into a national FLP project list for Administration approval. The program requires cost-share participation and leverages Federal investments to accelerate accomplishments.

The FLP protected **534,632 acres** in FY 2004. This significant increase over the planned acres is due to the closing of one large project that received 3 years of funding—the Maine West Branch project, which protected 329,000 acres. Results for FY 2004 were **178 percent** of the planned acres.

In acquisition process, there may be a lag of 18 to 24 months between FLP project selection and successful acquisition, making reporting difficult to calculate against a planned number of acres. This lag is caused not only by the usual real estate transaction

process, but also an average 12-month delay between project selection (through the agency and State process) and the confirmation of funding through the appropriations cycle.

For this reason, FLP accomplishment targets are based on a formula that tracks past performance and applies those results to predict the next year's target. In addition, due to the willing buyer-willing seller nature of FLP projects, a transaction may not be accomplished. The FLP has emphasized a readiness factor to increase the due diligence that a project undergoes before it is proposed for Federal funding, and thus reduce uncertainty, but some landowner circumstances and decisions are beyond the agency's control and can result in expected accomplishments failing to come to fruition.

The total accomplishment for acres of land adjustments in FY 2004 was **589,528 acres**, or **84 percent** of the planned acres.

Strategic Objective: Develop and maintain the processes and systems to provide and analyze scientific and technical information to address agency priorities.

Performance Measure	Planned	Projected	Result
Number of LMP revisions completed	14	12	86%
Percent of LMP revisions completed	11%	9%	86%
Proportion of data within information systems that are current to standard	NA	No specific measurement protocol in FY 2004	NA
Number of forest plan monitoring reports completed	105	112	106%
Percent of forest plan monitoring reports completed	88%	94%	106%

Strategies, Resources, and Underlying Factors

Development or Revision of Land and Resource Management Plans

The National Forest Management Act (NFMA) requires that each unit of the NFS have a LMP that may be amended, as appropriate, but formally revised every 10 to 15 years to address changing conditions related to natural resources, management goals, and public use. Designed to improve the agency's knowledge base, LMPs document the results of forestwide analyses and decisionmaking.

Results are accomplished when a revision is completed, based on the Chief's National LMP Revision Schedule. This schedule identifies a timetable for the revision of all existing national forest, grassland, prairie, and other NFS unit LMPs.

Revisions were projected at **12 LMPs** or **86 percent** of those scheduled for *completion* in FY 2004, in accordance with the Chief's National Revision Schedule.

Performance numbers for FY 2004 have decreased because of a reduction in the budget for Land Management Planning. The reduction has a direct influence on the length of time it takes to complete a revision, thereby reducing the number of completed plans.

To develop or revise LMPs, the Forest Service:

- Continues to emphasize that all LMP revisions are to be completed within the timeframe in the Chief's National Revision Schedule.
- Ensures that the Chief's National Revision Schedule is appropriate, given funding and resource information availability.
- Revises planning regulations. Regulations at 36 CFR 219 for the development, amendment, and revision of NFS LMPs are being revised. The revised regulations are expected to make substantial changes to forest, grassland, and prairie planning procedures to expedite the planning process.

Factors affecting the agency's progress in FY 2004 included the following challenges:

- The increasing amount of the agency's budget spent on planning, analysis, resolution of challenges, and congressional earmarks.
- The average amount of time to get from project initiation to project completion under the 1982 Planning Rule.
- Uncertainty associated with publication of the New Planning Rule and its effect on transition requirements for revisions under way.

Proportion of Data within Information Systems That Are Current to Standard

No national commitment and no specific measurement protocol for this performance measure were established for FY 2004. A team is continuing to work through definitions and how this measure may be operationalized in the future.

Forest Plan Monitoring Reports

The Forest Service's monitoring and evaluation activities provide information that supports improving watershed conditions; providing ecological conditions to sustain viable populations of fish, wildlife, and plant species; and restoring forest and grassland ecosystems. The program focuses on identifying changing conditions over time and monitoring the implementation, effectiveness, and validity of forest plans. This monitoring information

improves the agency's capability to provide sustainable levels of uses, values, products, and services; provides valuable information on the effectiveness of management activities; and leads to suggestions for cost-effective improvements.

Completed forest plan monitoring reports were projected for **112 forests**, which is **106 percent** of the planned number.

In FY 2004, 105 NFS units were targeted to initiate a monitoring plan. Undercutting this accomplishment, however, is a decrease in monitoring effectiveness because of a lower number of activities monitored on each forest. Individual forest plans do not specify the number of monitoring activities that must occur. As a result, the total number of monitoring *activities* may actually be less than in the past, but still provide the same level of accomplishment for this measure. In effect, the number of monitoring activities has decreased even as the forests continue to produce the same number of monitoring reports.

To accomplish monitoring and evaluation activities and improve the future capabilities of national forests and grasslands, the Forest Service:

- Identified, conducted, and distributed research that enables better management of national forests and grasslands.
- Identified minimum monitoring requirements associated with resource conditions, objectives, and standards in forest plans.
- Continued to establish baseline and long-term trends for an expanded suite of nationally significant monitoring indicators of forest and rangeland health.
- Conducted several thousand survey days of national visitor use monitoring.

The factors affecting the agency's progress in FY 2004 include the following challenges:

- Increased costs associated with monitoring and evaluation.
- Uncertainty over future monitoring and evaluation requirements contained in the New Planning Rule.

Research and Development's Results in Contributing to Mission-Related Work

The Forest Service led a multiagency effort to produce the *National Report on Sustainable Forests—2003*, providing analysis of the condition of forests in the United States using the Montreal Process Criteria and Indicators of Sustainable Forest Management. This report identifies data gaps and offers recommendations for the state-of-the-art analyses needed for sustainable forest management. The report and its supporting document,

Data Report—A Supplement to the National Report on Sustainable Forests – 2003 are available online at <http://www.fs.fed.us/research/sustain/>.

For more information on the Montreal Process and sustainable forest management, visit <http://www.mpci.org>.)

Forest Service researchers reached out to small business owners in an effort to promote the local use of small diameter lumber, removing it from fire-prone forests. Cooperating with Evergreen Magazine, the Forest Service hosted a series of entrepreneur workshops and tours in January and March of 2004, with approximately 20 small business owners and industry associations from the West in attendance.

Research scientists designed several treatments to inhibit common mold fungi on cellulose-based building materials.

Eastern Region Reaches Out in Detroit, Michigan

The Forest Service's Eastern Region expanded its community outreach efforts this fiscal year with a commencement meeting to introduce a new urban connections partnership with the city of Detroit. Objectives for this new urban partnership between the Forest Service and the urban communities of Detroit, MI, included outreach and recruitment strategies for urban youth to expose them to higher education opportunities in natural sciences, the availability of community workshops to teach new skills, and the promotion of the newly formed Summer Reading Program in which approximately 1,600 city youth participated in the first year.

Urban Connections Program Manager Daryl Pridgen provided the program details and contact information. As a student at Wayne State Community College and a Student Conservation Association Diversity Program Intern with the Forest Service, DeAndre Oliver served as an example of the many opportunities available through this urban partnership. Oliver was a liaison between Urban Connections and three Michigan National Forests (Ottawa, Hiawatha, and Huron-Manistee) this summer. This type of liaison experience, coupled with higher education, will give urban youth and typically underrepresented students an opportunity to consider a career in the natural sciences field.

For more information on other Eastern Region activities, please visit <http://www.fs.fed.us/r9>.



(L to R) Shirley Parker, Lurine Carter, and Daryl Pridgen are the primary facilitators for the Forest Service Urban Connections partnership in Detroit, Michigan.

Flames Improve Habitat for Endangered Mountain Plover

Employees of the Arapaho and Roosevelt National Forests and Pawnee National Grassland, along with other fire personnel, burned 5,500 acres in April 2004. The purpose of this prescribed burn was to improve the nesting habitat of the mountain plover, a threatened bird species. The Colorado Division of Wildlife contributed a portion of the funding to the effort, and U.S. Geological Survey biologist Fritz Knopf conducted the plover-response monitoring. This project also safely reintroduced fire into the short grass prairie ecosystem.

For more information on Arapaho and Roosevelt National Forest activities, visit <http://www.fs.fed.us/r2/arnf>.



Mountain plover guarding nest. Photo by Fritz Knopf.

Telling Fire Stories: Conservation Education in Northern Arizona

In 2004, fire was the theme for several Forest Service conservation education efforts in northern Arizona. Public understanding is critical to the effective management of wildland fire and fuels treatments.

Kaibab National Forest representatives visited classes in Williams, AZ, in spring 2004 and delivered programs from their newly developed curriculum that is both age-appropriate and aligned with State academic standards. Kindergartners learned about “Good Fires, Bad Fires” while fifth-graders experienced “What It Takes To Be a Wildland Firefighter.” High school students gained insight into the “Science of Firefighting.”

The Coconino National Forest Conservation Educator teamed up with a Student Conservation Association Fire Educator in summer 2004 to reach out to youth groups. Northern Arizona University’s (NAU’s) Institute for Tribal Environmental Professionals in Flagstaff hosted “Summer Scholars” for Native American students and teachers from middle and high schools in the Four Corners region. Outings hosted by the Fire Education team included visiting the site of a 1977 wildfire and lookout tower. Discussions included the “Story of the Radio Fire,” fire behavior triangles, and prescribed fire. The conservation professionals also shared educational presentations with NAU’s Junior Forester Academy and a summer youth camp.

To learn more about fire danger on the Kaibab National Forest, visit <http://www.fs.fed.us/r3/kai>.



Jackie Denk of the Kaibab National Forest enlists interest from Williams, Arizona, third graders.



Sharon Waltrip, a Forest Service employee, demonstrates the fire triangle to Williams, Arizona, students.

Other Executive Priorities

NEPA Decisions for Grazing Allotments

One of the Forest Service's Executive Priorities is not a performance measure in the Strategic Plan. It is an Executive Priority, however, because the agency is committed to delivering NEPA-based grazing allotment decisions in accordance with the schedule provided to Congress in response to Public Law 104-19, Section 504. Since it reflects a high level of accountability to Congress and our stakeholders, it is reported in this P&AR. Guidelines to streamline the process of allotment planning, NEPA work, and the final decisionmaking were revised and released to the field March 2004.

Performance Measure	Planned	Projected	Result
Grazing allotments analyzed with decisions signed (NEPA)	368	472	128%

Strategies, Resources, and Underlying Factors

For FY 2004, the Forest Service planned NEPA analysis for 368 allotments, with a final decision on grazing allotment management. The accomplishment was projected to be **472 signed decisions**, which was **128 percent** of the target.

Program Assessment Rating Tool

OMB's Recommendations and Forest Service's Actions Taken in FY 2004

OMB is assessing the effectiveness of Federal programs using the PART. Agencies complete these prior to budget formulation so FY 2006 PART assessments are actually completed in FY 2004.

The following section lists OMB recommendations, Forest Service actions toward resolving those recommendations, and milestones for the future.

Invasive Species Strategy—FY 2006

OMB conducted a PART on the Forest Service's Invasive Species Strategy across three deputy areas—NFS, R&D, and State and Private Forestry (S&PF). OMB's findings for this assessment were rated as "Results Not Demonstrated" for this newly created strategy.

OMB determined that the Forest Service did incorporate the complex issue of invasive species into its Strategic Plan, with a supporting national strategy and implementation plan to address this issue. But the Forest Service did not articulate whether a scientific or policy basis was used to:

- Determine if the selected species measured, i.e., gypsy moth, is a valid subset by which to measure the total invasive species population and impacts.
- Include species within the plant kingdom, particularly Division Magnoliophyta (the flowering plants).
- Provide for the measurement of the environmental and economic effects of treatments.

Recommendations and Actions

Recommendation	Action Taken and Milestones
<i>Need to develop national programmatic priorities</i>	<p>The Strategic Plan addressed invasive species nationwide through Goal 2.</p> <p>The Forest Service will integrate invasive species efforts across USDA to minimize redundancy and maximize financial effectiveness by February 15, 2005.</p> <p>The Forest Service National Strategy and Implementation Plan for Invasive Species Management provided the means to use limited resources at all organizational levels to prioritize problem areas, collaborate on the solutions, and improve the accountability for the results. The agency will begin implementation of the national strategy at the field, regional, and national levels by March 31, 2005.</p>

Recommendation	Action Taken and Milestones
<i>Need to develop meaningful outcome-based performance measures</i>	<p>The national strategy defined four program elements for the Invasive Species Program: Prevention; Early Detection and Rapid Response; Control and Management; Rehabilitation and Restoration.</p> <p>By March 31, 2005, the Forest Service will:</p> <ul style="list-style-type: none"> • Specify the scientific or policy basis that will be applied to evaluate whether a selected species measured is a valid subset to measure the total invasive species population and their impacts. • Develop an outcome-based measurement of species within the plant kingdom, particularly Division Magnoliophyta. • Develop measurements of the environmental or economic effects of treatments (efficiency measures). • Improve the capability to measure performance-based effectiveness within each program element of the National Strategy and Implementation Plan for Invasive Species Management and to better address OMB recommendations.
<i>Need to provide complete financial obligation and expenditure data to be evaluated accurately</i>	<p>Grantees (States and localities) will establish their own program priorities and meet the criteria for effective financial management by March 31, 2005.</p>

Forest Legacy Program—FY 2005

The FLP was designed to identify and protect environmentally important private forest lands that are threatened by conversion to nonforest uses. Land is acquired to protect important scenic, cultural, fish, wildlife, and recreation resources; riparian areas; and other ecological values using conservation easements and full fee purchase. Both purchase and donation are used to acquire forest land meeting FLP purposes from willing sellers or donors only.

Recommendations and Actions

Recommendation	Action Taken and Milestones
<i>Need to develop national programmatic priorities</i>	<p>The Forest Service initiated an effectiveness study in November 2003 to assess progress FLP has made in meeting the broad array of various State goals over the last 10 years. The milestone date for completion is December 1, 2004.</p> <p>States establish priorities in the State Assessment of Need (AON) Plans. Each AON follows national program guidelines and provides focus on areas for protection based on local analysis of the threats for conversion to nonforest users while supporting long-term program goals with specific emphasis on critical watershed stabilization and protection.</p> <p>The agency initiated development of FLP focus on private forestry to prioritize watersheds nationwide requiring support. Milestone date is January 30, 2005.</p>
<i>Need to develop meaningful outcome based performance measures</i>	<p>Goal 6 of the Strategic Plan included the performance measure: "Acres of land adjustments to conserve the integrity of undeveloped lands and habitat quality."</p> <p>This measure is also one of the Forest Service Executive Priorities and a key performance measure in FY 2004 for Senior Executives and supervisory GS-14s and GS-15s.</p> <p>The agency will implement output, outcome, demand, and efficiency measures in the Performance Accountability System (PAS), with a milestone date of January 30, 2006.</p>
<i>Need to provide complete financial obligation and expenditure data to be evaluated accurately</i>	<p>The FY 2004 financial audit of Forest Service will assess whether the agency met this recommendation.</p> <p>The Forest Service developed an appraisal and appraisal review policy and service.</p> <p>States approve projects based on selection criteria established in their AONs, and then projects are funded and obligations tracked on a State, regional, and national level.</p>

Performance Measure	Planned	Projected	Result
Acres of land adjustments to conserve the integrity of undeveloped lands and habitat quality. This measure is the sum of the following three measures:	699,461	640,481	92%
Acres adjusted to conserve the integrity of undeveloped lands and habitat quality	341,536	54,896	16%
Acres acquired to conserve the integrity of undeveloped lands and habitat quality	57,925	50,954	88%
Acres protected by the FLP to conserve the integrity of undeveloped lands and habitat quality	300,000	534,632	178%

As a result of the PARTs for FLP and the Land and Water Conservation Fund (L&WCF) Program, which follows, the Forest Service adapted its Executive Priorities for performance reporting.

FLP underwent a PART reassessment during FY 2004 for the FY 2006 budget cycle. All changes proposed to the program were accepted by OMB, particularly new efficiency measures, with a resulting programmatic assessment (score) improvement.

Land Acquisition—FY 2005

The L&WCF Program acquires lands that meet certain criteria, including:

- Enhance goods and services.
- Protect and improve the quality of renewable and historic, cultural, and natural resources.
- Provide recreation.
- Improve administrative efficiency and effectiveness of NFS lands.

The L&WCF program is commonly implemented through partnerships between the Forest Service and other governments, private landowners, and nongovernmental organizations. Guidance in the Forest Service Directive System reflects preference for projects that are characterized by local support and input from other resource areas within the agency.

Recommendations and Actions

Recommendation	Action Taken and Milestones
<i>Need to establish either annual performance measures or how the addition of land acquisitions advances in a measurable way to agency strategic plan milestones</i>	<p>The Strategic Plan included an annual performance measure that links to the performance of the Land Acquisition Program: “Acres of land adjustments to conserve the integrity of undeveloped lands and habitat quality.”</p> <p>This measure is also one of the Forest Service Executive Priorities and a key performance measure in FY 2004 for Senior Executives and supervisory GS-14s and GS-15s.</p>
<i>The program needs to meet its annual acquisition targets</i>	<p>In FY 2002, the program acquired only 63 percent of the planned amount of acreage due to transfer of program funds (wildland fires). In FY 2003, the program acquired 75,476 acres for 114 percent accomplishment.</p> <p>In FY 2004, the planned amount of acres transferred was 57,925. By September 30, 2004, the projected total for the year is 50,954 acres.</p>
<i>Need to implement L&WCF program unit cost comparisons as an efficiency measure and explore other potentially beneficial measures</i>	<p>The LAPS program is under use on the regional level.</p> <p>An efficiency measure—cost per acre acquired—will be implemented for the Land Acquisition Program in PAS, with a milestone date of September 30, 2005.</p> <p>Currently cost information is not collected for individual projects. Tracking by project will require additional tools not yet developed.</p>

Wildland Fire Management—FY 2004

The Forest Service faces the challenge of managing wildland fire within its natural place on the Nation’s landscape, while reducing the risk of catastrophic loss to the Nation’s rural communities and watersheds. The Wildland Fire Management Program consists of five major activities: fire preparedness, fire suppression, hazardous fuels reduction, burned area rehabilitation, and State and community fire assistance.

This program underwent a PART assessment in 2002, as part of the Forest Service’s FY 2004 budget formulation process, with an overall rating of “*Results Not Demonstrated.*” Specifically, while the program had a clear purpose and design, it contained deficiencies in strategic planning, financial management, and performance evaluation. OMB’s findings and the Forest Service’s remedial actions are listed below.

Recommendations and Actions

Recommendation	Action Taken and Milestones
<i>Develop a real time obligation system to improve the accountability of firefighting costs and accuracy of wildland fire obligations</i>	<p>Forest Service now requires fiscal staff at fire incidents to enter accrual data into the Federal Financial Information System within 72 hours after the start of the incident and update the information at least every 24 hours.</p> <p>Also, the agency continues to test an automated incident accrual entry system to further increase the timeliness of incident accrual reporting, ensuring obligations are tracked efficiently and accurately. Testing occurred during summer 2003 and 2004 fire incidents. Milestone date was September 30, 2004, milestone.</p>
<i>Improve accountability for firefighting costs</i>	<p>In 2003, the Forest Service issued the Chief’s Incident Accountability Report Action Plan. The plan created standard suppression cost review teams and assigned accountability and due dates to implement initiatives designed reduce suppression costs.</p> <p>The agency will continue ongoing implementation of strategies to minimize costs without compromising safety.</p> <p>The Fire and Aviation Management Staff issued an Operating Action Plan for 2003 and 2004, assigning accountability for suppression costs to line officers.</p>
<i>Ensure that States pay their fair share of firefighting costs</i>	<p>Some progress was made in Region 5, as the agency continued to work with the NASF to determine and refine criteria regarding fair share. An interagency group, working with the National Wildfire Coordinating Group and State, and local governments, is charged with developing cost responsibility matrices. Milestone date was September 30.</p>

Recommendation	Action Taken and Milestones
<i>Develop a new fire preparedness model that focuses on efficient allocation of available resources</i>	<p>The agency is collaborating with Department of the Interior on the development of the new preparedness model—FirePlan.</p> <p>Expected completion dates:</p> <p>Phase 1A of FPA was September 30, 2004.</p> <p>Phase 1B of FPA is December 30, 2004.</p> <p>Phase 1C of FPA is March 30, 2005.</p> <p>Phase 2 of FPA is September 30, 2008.</p>
<i>Establish project criteria consistent with the 10-Year Implementation Strategy to ensure that hazardous fuel reduction funds are targeted as effectively as possible to reduce risks to communities in the WUI</i>	<p>The Forest Service and the Department of the Interior are developing a national protocol to ensure that fuel reduction projects are strategically placed on the landscape to better mitigate the effects of catastrophic fires. Agencies are also developing a common performance measure to better measure the area influenced by fuel reduction activities.</p>

Through the budget-development process for FY 2006, the Wildland Fire Management Program underwent a PART reassessment in April 2004. The reassessment demonstrated that, based on the recommendations from the 2 years earlier, changes had occurred in the Wildland Fire Management Program, including:

- Developed new performance measures in the Strategic Plan, which are linked to the 10-year Comprehensive Strategy and Implementation Plan.
- Established hazardous fuels reduction goals that provide the key linkage to the Healthy Forests Restoration Act of 2003.

As a result of the PART for the Wildland Fire Management Program, the Forest Service adapted its Executive Priorities for performance reporting.

Performance Measure	Planned	Projected	Result
Number of acres of hazardous fuels treated with Direct Hazardous Fuels dollars that are in the WUI	1,016,759	1,294,598	127%
Number of acres of hazardous fuels treated with Other (NOT Direct Hazardous Fuels) dollars that are in the WUI	292,720	313,770	107%
Percent of acres of hazardous fuels treated that are in the WUI that are identified as high priority through collaboration consistent with the NFP 10-Year Comprehensive Strategy and Implementation Plan	100%	100%	100%
Number of acres treated with Direct Hazardous Fuels dollars that are in Condition Classes 2 or 3 in Fire Regimes 1, 2, or 3 outside the WUI	590,876	398,319	67%
Number of acres treated with Other (NOT Direct Hazardous Fuels) dollars that are in Condition Classes 2 or 3 in Fire Regimes 1, 2, or 3 outside the WUI	317,084	253,114	80%
Percent of acres of hazardous fuels treated that are in Condition Class 2 or 3 in Fire Regimes 1, 2, or 3 outside the WUI that are identified as high priority through collaboration consistent with the NFP 10-Year Comprehensive Strategy and Implementation Plan	100%	100%	100%
Number of acres brought into stewardship contracts	90,000 ⁴	29,711	New Baseline

⁴Planned performance for this measure was adjusted to 55,000 acres based on mid-year reviews, but the correction was not made to the master database for performance reporting data. As a new measure, the projected results will serve as a new baseline.

National Forest Capital Improvement and Maintenance—FY 2004

The purpose of the Capital Improvement and Maintenance Program is to improve, maintain, and operate facilities, roads, trails, and infrastructures to facilitate recreation, research, fire, administrative, and other uses on Forest Service lands.

Recommendations and Actions

Recommendation	Action Taken and Milestones
<i>Establish a more coherent prioritization process</i>	<p>Beginning with the FY 2006 projects, the agency will use a national screening criteria to select the projects and to highlight the connection between project proposals and the strategic goals. The criteria will be reflected in the agency priority project lists with emphasis on reducing the deferred maintenance backlog and facility rehabilitation.</p> <p>To ensure that projects can be initiated immediately upon receipt of funding, the agency will define the business practices and critical milestones used to screen projects prior to their inclusion in the proposal to Congress. Milestone date is January 15, 2005.</p>
<i>Improve annual performance measures</i>	<p>The agency will implement new measures—demand, efficiency, output and outcome—for each business activity in PAS. Milestone date is November 1, 2004.</p> <p>The Executive Leadership Team will use these performance measures to base programmatic allocation decisions in accomplishing the strategic goals. Milestone date is April 15, 2005.</p>
<i>Increase incentives aimed at decommissioning obsolete and underutilized infrastructure</i>	<p>The Forest Service:</p> <ul style="list-style-type: none">• Completed Facility Master Plans (FMP) for every unit to identify future use of all buildings. Buildings that are unneeded or cannot be maintained in the future will be identified for disposal.• Completed Road Analysis Process (RAP) to identify road standards, roads to close or decommission, and future road needs for all national forests.• Completed Recreation Site Facility Master Plans (RSFMP) for Region 8. Other regions are nearing completion. These plans enable the Forest Service to build and retain only the number of developed sites that can be sustained. Decisions to abandon sites and change capital improvement priorities based on this effort are ongoing.• Began reviewing long-term solutions toward infrastructure reduction and cost offsets using temporary conveyance authority. The agency will select FY 2005 pilot conveyance projects by June 15, 2005, if authorization for pilot program is continued.• Provided monthly infrastructure data reports to the field units, which have been implemented as an accountability tool. The agency will continue to improve data quality.

Recommendation	Action Taken and Milestones
<i>Financial Management still needs improvement as the Forest Service has had difficulty collecting timely, reliable, and complete financial data on its physical assets</i>	<p>The Forest Service shared monthly reports of Infrastructure data with field units as an accountability item. The agency will continue to improve data quality.</p> <p>WorkPlan enhancement will collect accomplishments for 9-month actual and 3-month estimated FY 2004 performance.</p>
<i>The program has significant deferred maintenance backlog (estimated at \$13 billion) and the Forest Service has been unable to demonstrate that it can maintain its current infrastructure needs</i>	<p>The Forest Service slowed the growth of the deferred maintenance backlog through conveyance authorities and the infrastructure planning documents—FMP, RAP, RSFMP.</p> <p>Through the FMP, RAP, and RSFMP processes, the Forest Service continues to identify for decommissioning any infrastructure that no longer contributes to the accomplishment of its mission.</p> <p>The agency uses RSFMP to prioritize facilities for closure, when resources are not available to operate that facility to standard.</p>

As a result of the PART for the C&IM Program, the Forest Service adapted its Executive Priorities for performance reporting.

Performance Measure	Planned	Projected	Result
Miles of trail maintained to standard	19,630	22,657	115%
Percent of trail maintained to standard	15%	17%	115%
Number of facilities maintained to standard	15,465	19,743	128%
Percent of facilities maintained to standard	38.5%	49.2%	128%
Number of ROW acquired to provide public access	244	215	88%
Miles of road maintained to standard (high-clearance and passenger)	54,800	64,866	118%
Percent of road maintained to standard (high-clearance and passenger)	18%	22%	118%

Program Evaluations

The following definitions are used by USDA and the Forest Service in their followup to the Office of Inspector General (OIG) recommendations.

Definitions	
Audit Followup	A process used to ensure prompt and responsive action is taken once management decision has been reached on recommendations contained in final audit reports.
DC	A disallowed cost is a questioned cost that management sustains or agrees is not chargeable to the Government.
FTBU	Funds to be put to better use (FTBU) are funds that OIG has recommended could be used more efficiently if management took the following actions to implement and complete the recommendation: <ul style="list-style-type: none">• Reductions in outlays.• A deobligation of funds from programs or operations.• A withdrawal of interest subsidy costs on loans or loan guarantees, insurance, or bonds.• Costs not incurred by implementing recommended improvements related to the operations of the establishment, a contractor, or grantee.• An avoidance of unnecessary expenditures noted in preaward reviews of contract or grant agreements.• Any other savings, which are specifically identified.
Management Decision	Management's evaluation of the audit findings and recommendations and the issuance of a final decision by management concerning its response to the findings and recommendations, including necessary actions and an estimated completion date.
Outstanding Audits or Audit Recommendations	Audits and audit recommendations remaining unresolved 1 year or more past the management decision date. Reportable Audit Audits with management decision but without final action 1 or more years past the management decision date.
Reportable Audit	Audits with management decision but without final action 1 or more years past the management decision date.

Outstanding OIG Audits

The Forest Service continues to make progress towards closing its outstanding OIG audits. During FY 2004, the agency was successful in closing 14 outstanding audits. Twelve of the closed audits were carryovers from FY 2003. Many of the audits were old. Currently, there are 21 outstanding audits, representing 129 open audit recommendations. Note that 81 of the 129 open audit recommendations were added to the inventory in 2004. See below for a listing of the outstanding audits and the status regarding their closure.

Explanations for OIG Audits Behind Schedule				
Audit Number	Audit Title	Date Issued	Estimated Completion Date	FTBU (\$)
Pending system development, implementation, or enhancement				
08001-1-HQ	Forest Service's Implementation of the Government Performance Results Act (GPRA)	6/28/2000	3/31/05	—
08401-1-FM	FY 2002 Financial Statement Audit	1/9/2003	06/30/05	—
Pending issuance of policy/guidance				
08001-2-HQ	Review of Forest Service Security Over Aircraft and Aircraft Facilities	3/29/2002	04/30/05	—
08002-2-SF	Valuation of Lands Acquired in Congressionally Designated Areas	11/28/2000	12/31/04	—
08003-2-SF	Humboldt-Toiyabe National Forest Land Adjustment Program	8/5/1998	12/31/04	27,900,000
08099-6-SF	Security Over USDA IT Resources	3/27/2001	03/31/05	—
08099-42-AT	FY 1992 Financial Statement Audit	11/16/1993	10/29/04	—
08401-12-AT	FY 2001 Financial Statement Audit	8/12/2002	12/31/04	—
08601-27-SF	National Land Ownership Adjustment Team	3/28/2002	12/31/04	—
08601-30-SF	Review of Security Over Explosives/Munitions Magazines located within the NFS	3/31/2003	12/31/04	—
08801-3-AT	Real and Personal Property Issues	5/18/2001	12/31/04	—
08801-6-SF	Forest Service Land Adjustment Program San Bernardino National Forest and South Zone	1/19/2000	12/31/04	—
Pending receipt and/or processing of final action documentation				
08003-5-SF	Land Acquisition and Urban Lot Management	12/15/2000	12/31/04	10,329,300
08401-4-AT	FY 1995 Financial Statement Audit	5/18/2001	12/31/04	—
08401-7-AT	FY 1997 Financial Statement Audit	5/18/2001	12/31/04	—
08401-11-AT	FY 2000 Financial Statement Audit	5/4/2001	12/31/04	—
08601-1-AT	Hazardous Waste at Active and Abandoned Mines	9/15/1996	10/29/04	—
08601-25-SF	Working Capital Fund Enterprise Program	8/29/2001	6/30/05	2,600,000
08801-2-TE	Forest Service Assistance Agreements with Nonprofit Organizations	9/24/1998	12/31/04	1,314,422
50099-13-AT	Oversight and Security of Biological Agents at Laboratories Operated by USDA	3/29/2003	12/31/04	—
Pending contract appeal				
08017-11-KC	Omni Development Corporation Claim to Department of Agriculture	7/11/2002	6/30/05	2,049,653

Major Management Challenges and Program Risks

The following are the planned actions to address management challenges and program risks identified by OIG.

Department-wide Challenge	Planned Actions for Addressing the Challenges
<p><i>Financial Management— Improvements Made but Additional Actions Still Needed</i></p>	<p>The Forest Service will:</p> <ul style="list-style-type: none"> • Eliminate material weaknesses/reportable conditions and obtain an unqualified opinion on the FY 2004 and FY 2005 Financial Statements.
<p>President's Management Agenda</p>	<ul style="list-style-type: none"> • Initiate Financial Management Improvement Process to standardize and centralize the Forest Service's Budget and Finance (B&F) processes through a business process reengineering. • Migrate the redesigned B&F processes to the centralized Albuquerque Service Center (ASC) in Albuquerque, NM, beginning January 2005. • Publish all remaining financial management policy and procedures updates by June 30, 2005. • Continue focus on data quality improvement, the resolution of abnormal balances, and verification of general ledger account relationships at the Treasury Symbol level.
<p><i>A Strong Internal Control Structure is Paramount to the Delivery of Forest Service Programs</i></p>	<p>The Forest Service will:</p> <ul style="list-style-type: none"> • Develop and implement a national schedule of internal program reviews for FY 2005 and 2006 that ensures high-priority agency-wide issues are addressed.
<p>USDA Strategic Objective 5.1</p>	<ul style="list-style-type: none"> • Conduct comprehensive risk assessment for Forest Service programs and develop plans to address identified risks. • Provide consolidated report of review findings to Forest Service management by July 31, 2005 and 2006, and develop process to monitor actions to address "significant" review findings. • Conduct annual reviews/analyses to ensure funding is spent as intended for higher priority agency programs (e.g., NFP, fire rehabilitation program). • Continue making progress towards implementing the agency-wide, comprehensive, PAS; thereby, improving implementation of GPRA in the Forest Service. • Develop procedures within the existing acquisition management review process to readily address new, higher priority, issues identified via internal and external reviews/audits in the "Procurement" and "Grants and Agreements" arena.

Other Assessments and Reviews

Risk Assessment of Pesticide Toxicology

The Forest Service uses pesticide risk assessments to provide an estimate of the potential exposure and chance of resulting injury (considering human health and impact on other nontarget species) from a proposed pesticide use. This permits an informed, scientifically defensible basis for decisionmaking as to which chemical control to select, as well as the most favorable conditions of use.

In FY 2004, 15 risk assessments were finalized or near completion.

These were either new efforts or updates of earlier assessments and were primarily in support of the gypsy moth and the Region 6 Invasive Plants Control Programs. For the gypsy moth, four chemical agents and two biocontrol agents were assessed, and seven herbicides were assessed for the Region 6 programs. These efforts also supported risk reduction efforts from forest fires.

Risk assessment projects on-going into FY 2005 include:

- Finalizing the borax fungicide risk assessment.
- Continuing assessment of ethoxylated nonyl phenol surfactants.

Two planned risk assessments are imidoclorprid (insecticide for hemlock woolly adelgid) and oxyfluorfen herbicide.

A risk assessment workshop will be offered in Mesa, AZ, for FHP staff and other interested parties in November 2004.

Go to <http://www.fs.fed.us/foresthealth/pesticide/risk.shtml> for more information on pesticide risk assessments.

To read regional and national reports on pesticide usage, visit <http://www.fs.fed.us/foresthealth/pesticide/reports.shtml>.

Hazardous Fuels and Restoration of Fire-adapted Ecosystems

USDA is evaluating the integration of the Forest Service's Hazardous Fuels Program with other vegetation management programs on national forest lands through a national integrated review on implementation of regions' 5-year strategies for hazardous fuels and restoration of fire-adapted ecosystems. As of September 30, preliminary findings were in review.

The Government Accountability Office is auditing USDA programs on the uses of biomass. While not directly evaluating USDA's hazardous fuel treatment programs, the use of woody biomass (Job # 360489) as a raw material for energy or forest product production is a guiding principle of the 10-year Comprehensive Strategy, a focus of the President's Healthy Forest Initiative. This audit is in progress and has an estimated completion date of May 30, 2005.



Financial Section

Message From the Chief Financial Officer

As the newly designated Chief Financial Officer of U.S. Department of Agriculture (USDA) Forest Service, I present the consolidated financial statements of the USDA Forest Service for fiscal year (FY) 2004 and 2003. For the third consecutive year, the Forest Service has received an unqualified, “clean,” opinion on its statements. I want to extend my appreciation to all individuals and organizations whose dedication and resolve made the FY 2004 unqualified opinion possible. Receiving an unqualified opinion verifies that the Forest Service’s financial statements are fairly presented and demonstrates accountability in the execution of our responsibilities.

During FY 2004, the Forest Service continued agencywide improvement efforts to effectively and efficiently manage public funds and property through “Sustainable Financial Management” activities. Strategic goals for financial management continue to be focused on creating an effective, efficient, and economic financial management organization; establishing financial management performance accountability; sustaining financial management improvements; resolving open audit recommendations and material weaknesses; and integrating financial processes and systems.

For FY 2005, our goals will center on maintaining an unqualified audit opinion; eliminating new and existing material weaknesses, reportable conditions, and compliance issues; and improving our ability to provide timely, accurate, and useful financial information. The Forest Service is aggressively pursuing business process reforms that will be implemented at the newly realigned Albuquerque Service Center beginning the second quarter of FY 2005 to ensure that the financial position of the agency remains solid over the long term.



JESSE L. KING
Chief Financial Officer



Report of the Office of Inspector General



UNITED STATES DEPARTMENT OF AGRICULTURE

OFFICE OF INSPECTOR GENERAL

Washington D.C. 20250



DATE: NOV 10 2004

REPLY TO

ATTN OF: 08401-4-FM

SUBJECT: Forest Service's Financial Statements for Fiscal Years 2004 and 2003

TO: Dale Bosworth
Chief
Forest Service

ATTN: Sandy Coleman
Agency Liaison Officer
Forest Service

This report presents the auditors' opinion on the Forest Service's (FS) principal financial statements for the fiscal years ending September 30, 2004, and 2003. The report also includes an assessment of FS' internal control structure and compliance with laws and regulations.

KPMG, LLP (KPMG), an independent certified public accounting firm, conducted the audits. KPMG is responsible for the auditors' report, dated November 10, 2004. We monitored the progress of the audit at all key points, reviewed KPMG's report and selected working papers, and performed other procedures, as we deemed necessary. Our review, as differentiated from an audit in accordance with the Government Auditing Standards, was not intended to enable us to express, and we do not express, an opinion on FS' financial statements, conclusions about the effectiveness of internal controls, conclusions on whether FS' financial management systems substantially complied with the three requirements of the Federal Financial Management Improvement Act of 1996, or conclusions on compliance with laws and regulations. Our review disclosed no instances where KPMG did not comply, in all material respects, with the Government Auditing Standards.

It is the opinion of KPMG, that the financial statements present fairly, in all material aspects, the FS' financial position as of September 30, 2004, and 2003; and its net costs, changes in net position, budgetary resources, and reconciliation of net cost to budgetary obligations for the years then ended, in conformity with generally accepted accounting principles. KPMG's report on FS' internal control structure over financial reporting identified five material internal control weaknesses. Specifically, KPMG identified material weaknesses in FS':

- Accountability for undelivered orders (new material weakness);
- financial management and accountability (repeat material weakness);
- yearend accrual methodology (repeat material weakness);
- controls in its purchasing applications over data input, reconciliation, integrity, and segregation of duties (repeat material weakness); and
- general controls environment (repeat material weakness).

KPMG's report on FS' laws and regulations contains instances of noncompliance with appropriations law and instances of noncompliance with the Federal Financial Management Improvement Act of 1996.

These weaknesses in controls over the financial reporting process resulted in FS not (1) being able to prepare timely and reliable financial statements without extensive manual procedures and (2) having current and reliable ongoing information to support management decisions. Also, the weaknesses in computer security controls resulted in an increased risk of unauthorized individuals being allowed to access, alter, or abuse proprietary FS programs and electronic data. These material weaknesses in internal controls may adversely affect any decision by FS' management and other decision makers that is based, in whole or in part, on information that is inaccurate because of these weaknesses.

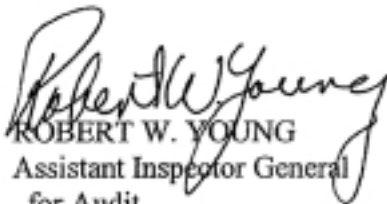
Most of the issues identified by KPMG are longstanding and pervasive weaknesses impacting the FS' ability to accurately and timely report to the Congress and the public what it accomplishes with appropriated funds and to be fully accountable for those funds. As discussed in Note 12 to the financial statements, FS restated its prior year financial statements as a result of errors in the underlying accounting records. This is the third consecutive year that FS has had to restate its prior year financial statements. The FS corrected its fiscal year 2003 financial statements to:

- Properly align budgetary and proprietary account relationships and correct certain related budgetary and proprietary posting errors;
- clear accumulated unsupported balances in various suspense and deposit clearing funds;
- correct an overstatement in Fund Balance with Treasury and associated custodial liability;
- correct erroneous revenue transactions; and
- correct offsetting receipts.

During fiscal year 2004, FS initiated much needed improvements in its internal control structure. For example, FS embarked on a long-term financial management improvement project that included an aggressive plan to centralize finance, accounting, and budget execution functions. In addition, FS initiated a short-term internal control monitoring program to ensure internal control policies and procedures were adequate and operating effectively. Finally, FS focused attention on financial data quality through general ledger analysis and account relationship testing. We believe that these efforts need to continue and improve in order for FS to become an effective, sustainable, and accountable financial management organization. These changes in FS' financial management infrastructure are essential and critical for FS and the U.S. Department of Agriculture to continue to meet the mandatory accelerated reporting deadlines and also to

provide agency managers with meaningful and accurate financial data throughout the year when it is needed to administer its programs and operations.

In accordance with Departmental Regulation 1720-1, please furnish a reply within 60 days describing the corrective actions taken or planned, including the timeframes, on the recommendations in this report. Please note that the regulation requires a management decision to be reached on all findings and recommendations within a maximum of 6 months from report issuance.


ROBERT W. YOUNG
Assistant Inspector General
for Audit

Independent Auditors' Report



KPMG LLP
2001 M Street, NW
Washington, DC 20036

Independent Auditors' Report

Chief, USDA Forest Service and
Office of Inspector General, United States Department of Agriculture:

We have audited the accompanying consolidated balance sheets of the United States Department of Agriculture (USDA) Forest Service as of September 30, 2004 and 2003 and the related consolidated statements of net costs, changes in net position, and financing and the combined statements of budgetary resources for the years then ended, hereinafter referred to as the "financial statements". The objective of our audits was to express an opinion on the fair presentation of these financial statements. In connection with our audits, we also considered the USDA Forest Service's internal control over financial reporting and tested the USDA Forest Service's compliance with certain provisions of applicable laws, regulations, contracts, and grant agreements that could have a direct and material effect on its financial statements.

SUMMARY

As stated in our opinion on the financial statements, we concluded that the USDA Forest Service's financial statements as of and for the years ended September 30, 2004 and 2003 are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 12 to the financial statements, the USDA Forest Service restated its fiscal year 2003 financial statements.

Our consideration of internal control over financial reporting resulted in the following new reportable conditions. The first one is considered a material weakness.

- Accountability for Undelivered Orders (UDOs) is Lacking
- A Segregation of Duties Policy related to Electronic Data Processing Must be Developed and Implemented
- The Review of Purchase Card Transactions Needs Improvement
- The Internal Controls Related to Recording, Classification and Accounting for Information Related to Leases Need Improvement
- The Design and/or Implementation of Controls Related to the Accurate Recording of Revenue Related Transactions Need Improvement

We also consider the following reportable conditions identified in our report dated December 18, 2003 to be open. The first four are considered material weaknesses.



- The USDA Forest Service Needs to Improve its Financial Management and Accountability
- Implementation of the USDA Forest Service Accrual Methodology Needs Strengthening
- Controls Over Purchase Order System (PRCH) Data Access, Input, Integrity, and Segregation of Duties Need Improvement
- The USDA Forest Service Needs to Improve Its General Controls Environment
- The USDA Forest Service Needs to Continue to Improve its Internal Controls over its Reconciliation and Management of Fund Balance with Treasury
- The Design and/or Implementation of Controls Related to the Accurate Recording of Personal Property Transactions Need Improvement
- Posting of Certain Transactions Needs to Contain the Proper Reference Data to Link Related Transactions
- Compilation of the USDA Forest Service's Required Supplementary Information and Required Supplementary Stewardship Information Needs Improvement
- The USDA Forest Service Application System Controls Need Improvement

The results of our tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements, disclosed instances of noncompliance or other matters that are required to be reported herein under *Government Auditing Standards*, issued by the Comptroller General of the United States, or Office of Management and Budget (OMB) Bulletin No. 01-02, *Audit Requirements for Federal Financial Statements*:

- The USDA Forest Service does not Obligate all Transactions as Required by Appropriations Law
- Instances of Non-compliance with Federal Financial Management Improvement Act (FFMIA) were Identified that related to Federal Accounting Standards

The following sections discuss our opinion on the USDA Forest Service's financial statements, our consideration of the USDA Forest Service's internal control over financial reporting, our tests of the USDA Forest Service's compliance with certain provisions of applicable laws, regulations, contracts, and grant agreements and management's and our responsibilities.

OPINION ON THE FINANCIAL STATEMENTS

We have audited the accompanying consolidated balance sheets of the USDA Forest Service as of September 30, 2004 and 2003 and the related consolidated statements of net costs, changes in net position, and financing and the combined statements of budgetary resources for the years then ended.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the USDA Forest Service as of September 30, 2004 and 2003 and its net costs, changes in net position, budgetary resources, and reconciliation of net costs to budgetary obligations for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 12 to the financial statements, the USDA Forest Service restated its fiscal year 2003 financial statements.



The information in the Management Discussion and Analysis, Required Supplementary Stewardship Information, and Required Supplementary Information sections is not a required part of the financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America or OMB Bulletin No. 01-09, *Form and Content of Agency Financial Statements*. We did not audit this information and, accordingly, express no opinion on it. However, we have applied certain limited procedures, which consisted principally of inquiries of management regarding methods of measurement and presentation of the supplementary information. As a result of such limited procedures, we believe that the Required Supplementary Stewardship Information and the Required Supplementary Information related to deferred maintenance may not be reliable since preparation controls have not been effectively designed to ensure the existence, completeness, accuracy and timeliness of the reported information.

INTERNAL CONTROL OVER FINANCIAL REPORTING

Our consideration of internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be reportable conditions. Under standards issued by the American Institute of Certified Public Accountants, reportable conditions are matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the USDA Forest Service's ability to record, process, summarize, and report financial data consistent with the assertions by management in the financial statements.

Material weaknesses are reportable conditions in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements, in amounts that would be material in relation to the financial statements being audited, may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

In our fiscal year 2004 audit we noted certain matters, described in Exhibits I and II, involving internal control over financial reporting and its operation that we consider to be new reportable conditions. We believe that the reportable condition presented in Exhibit I is a material weakness. Exhibit II presents the other reportable conditions.

A summary of the status of prior year reportable conditions, including those open conditions on which we are making no further recommendations in this report, is included as Exhibit III.

We also noted other matters involving internal control over financial reporting and its operation that we will report to the management of USDA Forest Service in a separate letter.

INTERNAL CONTROL OVER REQUIRED SUPPLEMENTARY STEWARDSHIP INFORMATION

We noted certain significant deficiencies in internal control over Required Supplementary Stewardship Information that, in our judgment, could adversely affect the USDA Forest Service's ability to collect, process, record, and summarize Required Supplementary Stewardship Information. Specifically, preparation controls have not been effectively designed to ensure the existence, completeness, accuracy and timeliness of the reported information.

COMPLIANCE AND OTHER MATTERS

Our tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements described in the Responsibilities section of this report, exclusive of those referred to in FFMIA, disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and OMB Bulletin No. 01-02.



The results of our tests of compliance with certain provisions of other laws and regulations, exclusive of those referred to in FFMIA, disclosed instances of noncompliance with appropriations law, described in Exhibit IV, that are required to be reported under *Government Auditing Standards* or OMB Bulletin No. 01-02.

The results of our tests of FFMIA disclosed instances, described in Exhibits IV and V, where the USDA Forest Service's financial management systems did not substantially comply with Federal financial management systems requirements or applicable Federal accounting standards. The results of our tests of FFMIA disclosed no instances in which the USDA Forest Service's financial management systems did not substantially comply with the United States Government Standard General Ledger at the transaction level.

RESPONSIBILITIES

Management's Responsibilities

The Government Management Reform Act of 1994 (GMRA) requires each Chief Financial Officer (CFO) Act agency to report annually to Congress on its financial status and any other information needed to fairly present its financial position and results of operations. GMRA also authorizes the Office of Management and Budget to identify additional agencies to prepare financial statements. To meet the GMRA reporting requirements, the USDA Forest Service prepares annual financial statements.

Management is responsible for the financial statements, including:

- Preparing the financial statements in conformity with accounting principles generally accepted in the United States of America;
- Establishing and maintaining internal controls over financial reporting, and preparation of the Management's Discussion and Analysis (including the performance measures), required supplementary information, and required supplementary stewardship information; and
- Complying with laws, regulations, contracts, and grant agreements, including FFMIA.

In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control policies. Because of inherent limitations in internal control, misstatements due to error or fraud may nevertheless occur and not be detected.

Auditors' Responsibilities

Our responsibility is to express an opinion on the fiscal year 2004 and 2003 financial statements of the USDA Forest Service based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, and OMB Bulletin No. 01-02. Those standards and OMB Bulletin No. 01-02 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit includes:

- Examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements;
- Assessing the accounting principles used and significant estimates made by management; and
- Evaluating the overall financial statement presentation.

We believe that our audits provide a reasonable basis for our opinion.



In planning and performing our fiscal year 2004 audit, we considered the USDA Forest Service's internal control over financial reporting by obtaining an understanding of the USDA Forest Service's internal control, determining whether internal controls had been placed in operation, assessing control risk, and performing tests of controls in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements. We limited our internal control testing to those controls necessary to achieve the objectives described in OMB Bulletin No. 01-02 and *Government Auditing Standards*. We did not test all internal controls relevant to operating objectives as broadly defined by the *Federal Managers' Financial Integrity Act of 1982*. The objective of our audit was not to provide assurance on internal control over financial reporting. Consequently, we do not provide an opinion thereon.

OMB Bulletin No. 01-02 requires auditors to consider the USDA Forest Service's internal control over Required Supplementary Stewardship Information by obtaining an understanding of the USDA Forest Service's internal control, determining whether these internal controls had been placed in operation, assessing control risk, and performing tests of controls. We did not perform these procedures on the Required Supplementary Stewardship Information because preparation controls have not been effectively designed to ensure the existence, completeness, accuracy and timeliness of the reported information.

As further required by OMB Bulletin No. 01-02 with respect to internal control related to performance measures determined by management to be key and reported in the Management Discussion and Analysis, we obtained an understanding of the design of significant internal controls relating to the existence and completeness assertions. Our procedures were not designed to provide assurance on internal control over performance measures and, accordingly, we do not provide an opinion thereon.

As part of obtaining reasonable assurance about whether the USDA Forest Service's fiscal year 2004 financial statements are free of material misstatement, we performed tests of the USDA Forest Service's compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts, and certain provisions of other laws and regulations specified in OMB Bulletin No. 01-02, including certain provisions referred to in FFMIA. We limited our tests of compliance to the provisions described in the preceding sentence, and we did not test compliance with all laws, regulations, contracts, and grant agreements applicable to the USDA Forest Service. Providing an opinion on compliance with laws, regulations, contracts, and grant agreements was not an objective of our audit and, accordingly, we do not express such an opinion.

Under OMB Bulletin No. 01-02 and FFMIA, we are required to report whether the USDA Forest Service's financial management systems substantially comply with (1) Federal financial management systems requirements, (2) applicable Federal accounting standards, and (3) the United States Government Standard General Ledger at the transaction level. To meet this requirement, we performed tests of compliance with FFMIA Section 803(a) requirements.

DISTRIBUTION

This report is intended for the information and use of USDA's Forest Service's management, USDA Office of the Inspector General, OMB, the Government Accountability Office and the U.S. Congress, and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

November 10, 2004

INTRODUCTION

The internal control weaknesses discussed in this report are discussed in the context of the USDA Forest Service's existing decentralized organizational structure. Although the USDA Forest Service has progressed in correcting certain prior year weaknesses under this structure, it has recognized that the decentralized nature of the existing organizational structure makes it difficult to implement sustainable corrective action for certain weaknesses due to the large number of separate reporting units. As a result, the USDA Forest Service has begun a project whereby, upon completion, many of the accounting processes will be centralized. The project is scheduled for completion in late fiscal year 2005.

For each weakness identified, we believe we have performed appropriate substantive procedures as applicable to enable us to issue our unqualified opinion. In addition, we continue to recognize that certain recommended information technology (IT) control enhancements pertaining to the USDA Forest Service's operations cannot be implemented solely by the USDA Forest Service, because the USDA Forest Service's applications are in many cases hosted on systems managed by the USDA. As a result, several of the IT control weaknesses identified in this report will require the combined effort of USDA and the USDA Forest Service management.

Exhibits I and II describe the new material weakness and reportable conditions, respectively, as of and for the year ended September 30, 2004, and our recommendations. Exhibit III summarizes prior year reportable conditions, including those open conditions on which we are making no further recommendations in this report. Exhibit IV describes new instances of noncompliance with laws and regulations and other matters. Exhibit V describes prior year instances of noncompliance with laws and regulations, including those open instances on which we are making no further recommendations in this report. USDA Forest Service management's response is presented in Exhibit VI.

MATERIAL WEAKNESS

Material Weakness Number 1: Accountability for Undelivered Orders (UDOs) is Lacking

During fiscal year 2004, the USDA Forest Service experienced sporadic lack of compliance with its policies and procedures to review and certify the accuracy of UDOs. In addition, the USDA Forest Service was in its first full year of implementation with its new accrual (i.e., accounts payable) policy. During fiscal year 2004, it became apparent that field offices were not correctly recording accruals, which ultimately had an impact on the UDO balance as well. All of the above noted conditions led to an audit adjustment to increase the UDO balance by \$105 million as of September 30, 2004.

The Review and Certification of UDOs Needs Improvement and the Frequency of UDO Reviews Needs to be Revised

During our audit, we noted that:

- Certain locations did not properly comply with USDA Forest Service's semiannual certification policy related to the review of UDOs. Certain UDOs were not reviewed as required and certain questionable UDOs were not researched at all.
- The semiannual review and certification policy is as of March 31 and September 30 each year. The September 30 review may not be timely enough for the new reporting deadlines.
- In addition to the semiannual reviews and certifications, the USDA also requires monthly reviews and certifications, which may not be an efficient use of resources.

CFO Bulletin 2004-001, *Review of Undelivered Orders*, requires all obligations that exceed the threshold of \$10,000 or are 120 days or older be reviewed as of the end of March and September. All obligation amounts determined no longer valid shall be deobligated.

Treasury Financial Manual 2004-05, *Yearend Closing*, paragraph 19. Reconciliation of Obligations, states that before the yearend closing, agencies that have not reviewed their unliquidated obligations during the year should do so. This ensures agencies properly record transactions meeting the criteria of valid obligations set forth in 31 U.S.C. 1501. Agencies should retain work papers and records on verifications to facilitate future audits.

Also, USDA requires monthly “cookbook” certifications from its components.

The semiannual review and certification requirement was not fully complied with due to lack of resources and the large number of transactions required to be reviewed.

As a result of the competing UDO review requirements, USDA Forest Service personnel did not always complete the semi-annual UDO review or complete it accurately. The following table summarizes the types of exceptions noted during our July 31 and September 30 testing.

July 31 Testwork		September 30 Testwork	
Number of Exceptions (Sample of 170)	Type of Error	Number of Exceptions (Sample of 180)	Type of Error
9	Invalid UDO	9	Invalid UDO
4	Overstatement of UDO	5	Overstatement of UDO
3	Understatement of UDO	6	Understatement of UDO

Recommendation Number 1:

We recommend that USDA Forest Service management:

- Require all locations to fully comply with review and certification requirements and follow up to resolve questionable items.
- Work with USDA to begin performing quarterly reviews and certifications as of November, February, May, and August to both save the resources needed to perform the monthly certifications and help ensure that the UDO balances are properly adjusted in time for the quarterly and annual reporting deadlines.

Inaccuracies Existed in the Year-end UDO Balance

During our year-end testwork over UDO transactions, 34 of 180 sample items were noted as having abnormal balances. The abnormal balances caused the overall UDO balance to be understated and required an audit adjustment.

These abnormal balances occurred because the USDA Forest Service did not have adequate controls and procedures in place to prevent the over-accruing of UDOs when field offices used accrual documents that did not reference the original obligation document. For example, when a UDO contains an accrual transaction that not referenced, it decreases the UDO balance, but the transaction does not appear on the general ledger inquiry history screen. On the other hand, if the accrual transaction is referencing, it decreases the UDO balance and also appears on the general ledger inquiry history screen.

Specifically with regards to the above condition, the UDOs contained accruals using a non-referencing standard voucher document (SV) that was either subsequently paid and not removed from the general ledger or the UDO contained the same accrual twice, which was erroneously recorded using another SV document during a subsequent closing period that required USDA Forest Service personnel to review and update its accruals. These two actions caused certain ULOs to have abnormal debit balances.¹

Treasury Financial Manual 2004-05, *Yearend Closing*, paragraph 19. Reconciliation of Obligations, states that before the yearend closing, agencies that have not reviewed their unliquidated obligations during the year should do so. This ensures agencies properly record transactions meeting the criteria of valid obligations set forth in 31 U.S.C. 1501. Retain work papers and records on verifications to facilitate future audits.

In addition, CFO Bulletin 2004-001, *Review of Undelivered Orders*, requires that all FS obligations that exceed the threshold of \$10,000 or are 120 days or older shall be reviewed by end of March 31, and by September 30. All obligation amounts determined no longer valid shall be deobligated.

Recommendation Number 2:

We recommend that USDA Forest Service management:

- Require the use of only referencing SV documents to accrue or modify UDO balances.
- Review its entire UDO transaction population to ensure that all improper SV accruals are removed and all abnormal balances are corrected.

¹ Note that although this finding is related to accrual issues, accrual implications are not discussed herein as they are addressed in the open FY 2003 Material Weakness number 2 in Exhibit III.

REPORTABLE CONDITIONS

Reportable Condition Number 1: A Segregation of Duties Policy related to Electronic Data Processing (EDP) must be Developed and Implemented

During our audit, we noted that, although a number of the controls around segregation of duties related to EDP were in place, we found at least one of the following conditions at the sites we visited:

- No segregation of duties policy;
- No clearly defined operating procedures for data center operations;
- The same individual may perform distinct systems support functions;
- No segregation of duties training;
- No active management review of staff functions; and
- No controls in place to ensure financial management reporting data accuracy.

Although USDA Forest Service has an interim directive in place, no formal enterprise-wide policy or procedures have been developed or implemented.

Without proper controls or segregation of duties in place, unauthorized personnel can have the ability to access, edit or delete critical data or files, thus compromising data integrity and accuracy.

Recommendation Number 3:

We recommend that USDA Forest Service management develop and implement a formal enterprise-wide segregation of duties policy that encompasses the weaknesses identified above.

Reportable Condition Number 2: The Review of Purchase Card Transactions Needs Improvement

During our audit, we noted that:

- 5 of 20 quarterly supervisory reviews of purchase card transactions were not accomplished as required.
- Certain purchase card transactions were not reconciled within 30 days as required.

OMB Circular A-123, *Management Accountability and Control* requires:

- Transactions should be promptly recorded, properly classified and accounted for in order to prepare timely accounts and reliable financial and other reports. The documentation for transactions, management controls and other significant events must be clear and readily available for examinations.
- Managers should exercise appropriate oversight to ensure individuals do not exceed or abuse their assigned authorities.

Departmental Regulation 5013-6 requires that supervisors of purchase cardholders monitor the purchasing activity of cardholders in their units. On April 19, 2004, the Director of Acquisition Management reminded the various USDA Forest Service activities of the emphasis placed on the supervisor's review of purchase cardholders. A supervisory review checklist was provided to document the reviews starting with the second quarter review (January – March 2004). Documentation of these reviews should be maintained for 3 years.

The reviews were not performed and the transactions were not reconciled because of lack of adherence to the criteria described above.

Without effective review and reconciliation of these transactions, the USDA Forest Service could pay for inappropriate purchases.

Recommendation Number 4:

We recommend that USDA Forest Service management reinforce its policies in this area and incorporate procedures to test the reviews of purchased transactions in its Acquisition Management reviews.

Reportable Condition Number 3: The Internal Controls Related to Recording, Classification and Accounting for Information Related to Leases Need Improvement

The USDA Forest Service has not implemented automatic posting models for proper recording of leases. The requirement for lease reporting and disclosure in the financial statements is met by periodically compiling information from the regions based on data calls. This method is prone to errors. The USDA Forest Service plans to implement programming changes and new procedures in FY 05, which should result in better reporting and data quality.

In a sample of 15 real property and 15 personal property capital leases, we identified the following errors:

- 13 real property leases did not have acceptable support for their value and/or their estimated economic life.
- 3 personal property leases did not have acceptable support for their value.

We also tested the mathematical accuracy of certain calculations to determine if capital lease assets should be capitalized and determined that capitalized leases were understated by at least \$8 million at September 30, 2004.

These errors could cause an overstatement or an understatement of asset values. These errors can be attributed to the of lack of policy and procedures, lack of training and/or lack of monitoring of reporting units for compliance with USDA Forest Service lease transaction recording policies.

Recommendation Number 5:

We recommend that USDA Forest Service management establish policies and procedures for the accurate recording of leases, appropriately train reporting unit personnel on such policies and procedures, and monitor reporting units for compliance with its policies and procedures.

Reportable Condition Number 4: The Design and/or Implementation of Controls Related to the Accurate Recording of Revenue Related Transactions Need Improvement

During our audit, we noted various exceptions related to revenue transactions including:

- Failure to appropriately record prior year transactions or corrections to them;
- Failure to recognize revenue in the correct month and/or year;
- Insufficient or no documentation supporting amounts recorded;
- Failure to reduce unbilled receivables upon the issuance of actual billings; and
- Erroneous receivable balances caused by systemlinking problems.

OMB Circular No. A-123, *Management Accountability and Control*, states that transactions should be promptly recorded, properly classified and accounted for in order to prepare timely accounts and reliable financial and

Exhibit III

other reports. The documentation for transactions, management controls, and other significant events must be clear and readily available for examination. This condition can be attributed to a lack of policies or procedures and/or lack of trained personnel and/or lack of monitoring of reporting units for compliance with the policies and procedures.

The effect of these deficiencies results in an over or understatement of revenue.

Recommendation Number 6:

We recommend that USDA Forest Service management review and update its policies and procedures for the accurate recording of revenue, appropriately train reporting unit personnel on such policies and procedures, and monitor reporting units for compliance with its policies and procedures.

STATUS OF PRIOR YEAR’S REPORTABLE CONDITIONS

As required by *Government Auditing Standards* and OMB Bulletin No. 01-02, *Audit Requirements for Federal Financial Statements*, we have reviewed the status of the prior years’ reportable conditions. The following table summarizes these issues and provides our assessment of the progress USDA Forest Service made in correcting these reported conditions. We have also provided the Office of the Inspector General (OIG) report where the issue is monitored for audit follow-up. This table contains only those reports that are open.

All Reported Conditions In this Table are Referenced to the USDA OIG Audit Report No. 08401-3-FM January 2004		
Reported Condition	Recommendation	Status
Material Weakness #1: The USDA Forest Service Needs to Improve its Financial Management and Accountability	1. We recommend that the USDA Forest Service provide Standard General Ledger (SGL) training to selected employees and appoint them to be “resident” SGL experts responsible for preparing as well as reviewing and approving the adjusting journal vouchers (AJVs).	Open
	2. We recommend that the USDA Forest Service modify its AJV form to specifically identify management personnel responsible for reviewing and approving certain aspects of each AJV.	Closed
	3. We recommend that the USDA Forest Service identify those business processes that are causing irregularities in the general ledger and develop an expedited corrective action plan to resolve and correct any deficiencies identified.	Open
	4. We recommend that the USDA Forest Service strive to limit the use of AJVs to only those accounting situations that require their use.	Closed
	5. We recommend that the USDA Forest Service analyze the composition of its budget clearing accounts and make proper disposition at least on a quarterly basis.	Closed
	6. We recommend that the USDA Forest Service identify all revenue generating business processes that are currently maintained in the budget clearing accounts and work with OMB and U.S. Department of the Treasury to establish a separate receipt and expenditure Treasury symbol so that revenue collections will not reside in the 12F3875 clearing account.	Open

All Reported Conditions In this Table are Referenced to the USDA OIG Audit Report No. 08401-3-FM January 2004		
Reported Condition	Recommendation	Status
	7. We recommend that the USDA Forest Service revise its posting model for special and non-revolving trust funds to appropriately recognize these resources as transfers-in instead of appropriations received, in accordance with SGL guidance.	Closed
	8. We recommend that the USDA Forest Service follow its procedures in order to perform monthly review, identification, research and correction of all abnormal balances and report the status of all abnormal balances of \$5 million or more to the USDA Office of the Chief Financial Officer.	Open
	9. We recommend that the USDA Forest Service ensure proper entries, especially AJV's, at the Treasury Symbol level for all adjustments so as not to cause abnormal balances in related general ledger accounts.	Open
	10. We recommend that the USDA Forest Service institute an effective management review of the USDA Forest Service identified and corrected abnormal balances.	Open
	11. We recommend that the USDA Forest Service implement an effective monthly process to review general ledger account relationships. The process must include the research, reconciliation, and resolution of all significant differences in a timely manner.	Open
	12. We recommend that the USDA Forest Service require an effective documented manager review and quality assurance review of the account relationship analysis.	Open

All Reported Conditions In this Table are Referenced to the USDA OIG Audit Report No. 08401-3-FM January 2004		
Reported Condition	Recommendation	Status
Material Weakness #2: Implementation of the USDA Forest Service Accrual Methodology Needs Strengthening	13. We recommend that the USDA Forest Service’s Washington Office (WO) Office of Finance revise the accrual spreadsheet to prevent the USDA Forest Service units from changing data fields or recording “negative” accruals.	Closed
	14. We recommend that the USDA Forest Service WO Office of Finance provide adequate communication and/or training of the accrual methodology, as well as, a summary of lessons learned from the fiscal year 2003 audit to all of the USDA Forest Service reporting units.	Open
	15. We recommend that the USDA Forest Service WO Office of Finance perform management oversight of the accrual methodology through analysis and follow up on large or unusual items, as well as the USDA Forest Service units that do not report any data.	Open
	16. We recommend that the USDA Forest Service WO Office of Finance establish and implement policies and procedures to perform period end reviews of rejected transactions to ensure that all transactions that are in reject status are corrected, recorded, and properly reflected in the general ledger.	Closed
	17. We recommend that the USDA Forest Service WO Office of Finance and the USDA Forest Service reporting units perform a comprehensive review of its accrual implementation efforts during the second quarter of fiscal year 2004 to identify and resolve any additional deficiencies in the accrual methodology.	Open

All Reported Conditions In this Table are Referenced to the USDA OIG Audit Report No. 08401-3-FM January 2004		
Reported Condition	Recommendation	Status
Material Weakness #3: Controls Over PRCH Data Access, Input, Integrity, and Segregation of Duties Need Improvement	18. USDA Forest Service management has acknowledged the weakness of the PRCH system, and the USDA plans to migrate to a new department-wide Integrated Acquisition System (IAS). We recommend that USDA Forest Service work with the USDA to implement an appropriate information technology capital planning strategy and acquire IAS in a timely manner. In planning for the acquisition, USDA Forest Service and USDA should take steps to ensure the information technology architecture that will replace the PRCH system remedies these control weaknesses. Until completion of the IAS acquisition and migration away from legacy applications, USDA Forest Service management should take steps to ensure the existence and operating effectiveness of compensatory controls to mitigate the effects of noted application control weaknesses.	Open

All Reported Conditions In this Table are Referenced to the USDA OIG Audit Report No. 08401-3-FM January 2004		
Reported Condition	Recommendation	Status
Material Weakness #4: The USDA Forest Service Needs to Improve Its General Controls Environment	<p>19. For USDA Forest Service-managed systems, it is recommended that FS management immediately perform Certification and Accreditation processes for all application and general support systems material to the USDA Forest Service financial statements or at least give remediation of this situation one of its highest priorities for IT resources with the objective of achieving at least interim authority to process for all its major application and general support systems within FY 2004. Management must then address the lack of controls in place to ensure compliance.</p> <p>For USDA-managed systems, recommendations regarding certification and accreditation of financial management systems used by USDA Forest Service have been issued to USDA management by OIG. USDA Forest Service should follow-up with USDA management on planned actions regarding accreditation of these application systems and their general support systems and monitor progress on these actions. Appropriate compensatory controls must be put in place by FS management, until accreditation of USDA-managed application and general support systems.</p>	Open
	<p>20. We recommend that USDA Forest Service management develop and implement a structured risk assessment policy and process for use by all regions and offices within USDA Forest Service. The risk assessment process should address milestones such as:</p> <p>A. Assignment of roles and responsibilities for undertaking assessment of security-related risks, reporting results to appropriate stakeholders, developing plans for remedial action, and following up on plans for remedial action.</p> <p>B. Documentation and analysis of threats and vulnerabilities that expose FS to risk.</p>	Open

All Reported Conditions In this Table are Referenced to the USDA OIG Audit Report No. 08401-3-FM January 2004		
Reported Condition	Recommendation	Status
	<p>C. Development of steps to mitigate risks and improve controls.</p> <p>D. Definition of action plans for carrying out steps to mitigate risks and improve controls.</p> <p>E. Linkage of steps to mitigate risks and improve controls with a mechanism for monitoring the effectiveness of information security management.</p>	
	<p>21. USDA Forest Service management should develop and implement entity-wide policy and procedures for IT security planning for all offices. The policy should state that the management of regional offices and National Forests must ensure that their IT security plans are updated to reflect current conditions and include incident response procedures, are approved and reviewed at least once a year with appropriate adjustments made based on changing conditions and risks, and that they comply with all enterprise-wide guidance.</p>	Open
	<p>22. USDA Forest Service management should develop and implement enterprise-wide system architecture standards for Internet-facing services. These standards should ensure agency compliance with USDA regulations and should address firewall configuration, proper use of demilitarized zones, and limiting the use of unsecured services to ensure protection of internet-accessible data. USDA Forest Service management should also eliminate access to all unnecessary services from the Internet and implement strong authenticated access control to those services that are necessary.</p>	Open

All Reported Conditions In this Table are Referenced to the USDA OIG Audit Report No. 08401-3-FM January 2004		
Reported Condition	Recommendation	Status
	<p>23. It is recommended that management develop and implement enterprise-wide policies and procedures regarding software management. These policies and procedures should address:</p> <ul style="list-style-type: none"> ■ Installation of the latest software versions, service packs, and security patches (and removal of out-dated versions) ■ Software configuration standards (with defined images that specify what software applications should be in use and on what kinds of machines these applications should be installed on) ■ Use of automated tools to detect and eliminate unused or unauthorized applications (including the use of ISS Internet Scanner in accordance with USDA Cyber Security Policy CS-007). ■ System software access controls ■ System software change controls 	Open

All Reported Conditions In this Table are Referenced to the USDA OIG Audit Report No. 08401-3-FM January 2004		
Reported Condition	Recommendation	Status
	<p>24. It is recommended USDA Forest Service management to develop and implement enterprise-wide policies and procedures for contingency planning, business resumption, and disaster recovery and ensure that all data processing support facilities:</p> <ul style="list-style-type: none"> ■ Identify the criticality and sensitivity of USDA Forest Service information, systems, and facilities ■ Implement consistent backup and recovery procedures (including off site storage of key documentation and frequent offsite data rotation based on the criticality of data being stored on backup media) ■ Implement mandatory training on and periodic testing of recovery procedures ■ Implement adequate controls at key data processing support facilities, e.g., automated alert systems to notify data center employees about system and environmental control failures ■ Have documented and executed service level agreements with a backup data center(s) ■ Develop, test and maintain comprehensive continuity of operations and Critical Infrastructure Protection Plans for its critical information system operations ■ Periodically review and update all related procedures and documentation at each site 	Open

All Reported Conditions In this Table are Referenced to the USDA OIG Audit Report No. 08401-3-FM January 2004		
Reported Condition	Recommendation	Status
	<p>25. USDA Forest Service management must sign a memorandum of understanding (MOU) with USDA to address the service levels and controls to be provided by NITC. Included in the MOU should be controls to prevent the recurrence of conditions noted in this finding. Recommendations for these conditions have been issued to USDA management by OIG.</p>	Open
	<p>26. USDA Forest Service management must sign a memorandum of understanding (MOU) with USDA to address the service levels and controls to be provided by NFC. Included in the MOU should be controls to prevent the recurrence of conditions noted in this finding. Recommendations for these conditions have been issued to USDA management by OIG.</p>	Open
<p>Reportable Condition #1: The USDA Forest Service Needs to Continue to Improve its Internal Controls over its Reconciliation and Management of Fund Balance with Treasury</p>	<p>27. We recommend that the USDA Forest Service perform complete and timely resolution of reconciling items for all FBWT accounts within 60 days of report receipt.</p>	Open
	<p>28. We recommend that the USDA Forest Service establish a system of controls to accurately and timely record Treasury warrants.</p>	Open

All Reported Conditions In this Table are Referenced to the USDA OIG Audit Report No. 08401-3-FM January 2004		
Reported Condition	Recommendation	Status
Reportable Condition #2: The Design and/or Implementation of Controls Related to the Accurate Recording of Personal Property Transactions Need Improvement	29. We recommend that the USDA Forest Service continue to train reporting unit personnel on accurate property transaction recording.	Open
	30. We recommend that the USDA Forest Service WO improve its monitoring of reporting units for compliance with the USDA Forest Service property transaction recording policies.	Open
	31. We recommend that the USDA Forest Service ensure the continued, timely performance and refinement of WO compensating controls procedures	Closed
Reportable Condition #3: Controls Related to Physical Inventories of Capitalized Assets Need Improvement	32. We recommend that the USDA Forest Service implement the proper physical inventory procedures.	Closed
	33. We recommend that the USDA Forest Service monitor reporting units for compliance with the USDA Forest Service written physical inventory instructions.	Closed

<p style="text-align: center;">All Reported Conditions In this Table are Referenced to the USDA OIG Audit Report No. 08401-3-FM January 2004</p>		
Reported Condition	Recommendation	Status
<p>Reportable Condition #4: Postings of Certain Transactions Needs to Contain the Proper Reference Data to Link Related Transactions</p>	<p>34. We recommend that the USDA Forest Service develop a methodology to link transactions that are currently in the financial systems.</p>	Open
	<p>35. We recommend that the USDA Forest Service work with the USDA and FFIS contractor to incorporate edit checks that would disallow processing of transactions that do not provide the required data.</p>	Open
	<p>36. We recommend that the USDA Forest Service establish direction and quality assurance protocols to ensure that appropriate data be entered in the system.</p>	Open
<p>Reportable Condition #5: Compilation of the USDA Forest Service's Required Supplementary Information (RSI) and Required Supplementary Stewardship Information (RSSI) Needs Improvement</p>	<p>37. We recommend that the USDA Forest Service revise its current control structure for data collection and reporting of RSI and RSSI to ensure the timeliness and accuracy of the reported information.</p>	Open

All Reported Conditions In this Table are Referenced to the USDA OIG Audit Report No. 08401-3-FM January 2004		
Reported Condition	Recommendation	Status
Reportable Condition #6: The USDA Forest Service Application Systems Controls Need Improvement	<p>38. We recommend that USDA Forest Service management complete the System Security Plan (SSP) for the Automated Timber Sale Accounting (ATSA) system. SSP should include finalized USDA Forest Service security policies; and be approved by management and reviewed and updated at least annually to reflect any changes to the current environment and the risks associated with those changes. USDA Forest Service management should incorporate in the ATSA SSP required management review of activity logs. Currently, the Security Plan identifies that audit trails exist but does not indicate the frequency with which they should be reviewed and who should review them. These reviews should be performed on a consistent basis regardless of whether potential unusual activity is detected. USDA Forest Service should also take steps to ensure required management reviews of ATSA activity logs are carried out and according to the updated security plan.</p> <p>ATSA should be modified to distinguish duplicate entries from legitimate, separate accounting events with the same data. Alternatively, the ATSA system could incorporate the capability to identify and print transactions with the same exact values. This would allow field units to perform error checks on these entries. KPMG realizes there is occasionally a business need for transactions with duplicate entries/values, but having a list of possible erroneous transactions would serve as a sufficient compensatory control.</p>	Open

All Reported Conditions In this Table are Referenced to the USDA OIG Audit Report No. 08401-3-FM January 2004		
Reported Condition	Recommendation	Status
	<p>USDA Forest Service management should develop and implement procedures for conducting risk assessments of the ATSA application system. This risk assessment approach should take into consideration key risk factors to include: determining the value of the application, exposures, threats, vulnerabilities, and the effectiveness of current or proposed alternatives and safeguards. The National TSA staff should be timely in finalizing the ATSA Administrator’s User Guide. This handbook should become official policy and contain all administrative functions in a centralized location. We recommend that the National TSA staff develop and implement a policy regarding a central repository of key system documentation and an off-site storage plan.</p> <p>ATSA should be modified to distinguish duplicate entries from legitimate, separate accounting events with the same data. Alternatively, the ATSA system could incorporate the capability to identify and print transactions with the same exact values. This would allow field units to perform error checks on these entries. KPMG realizes there is occasionally a business need for transactions with duplicate entries/values, but having a list of possible erroneous transactions would serve as a sufficient compensatory control.</p>	

COMPLIANCE AND OTHER MATTERS

The USDA Forest Service does not Obligate all Transactions as Required by Appropriations Law

Obligation testwork performed over approximately 160 transactions disclosed that the following transactions were not obligated as required by appropriation law:

- 19 transactions were not obligated prior to payment. The transactions that were not obligated included temporary travel, GSA automobile leases, and utility type transactions.
- 1 transaction was not obligated until 6 months after the acquisition occurred.

It is USDA Forest Service policy not to obligate for temporary travel related transactions because of limitations within USDA's travel system. For all other transactions not obligated, several USDA Forest Service offices did not obligate for GSA automobile leases and utility type transactions because of the variability in determining the estimated cost for these types of transactions.

The Government Accountability Office (GAO), publication GAO/OGC-92-13, *Appropriations Law*, defines an obligation in very general terms as, "an action that creates a liability or definite commitment on the part of the government to make a disbursement at some later time. The obligation takes place when the definite commitment is made, even though the actual payment may not take place until the following fiscal year." Furthermore, GAO's *Appropriations Law* cites 9 criteria for recording obligations. When one criterion is met, the agency not only may, but also must record that transaction as an obligation. Criterion 7 addresses travel expenses. With regard to the timing, *Appropriation Law* states that, "the obligation is not incurred until the travel is actually performed or until the ticket is purchased." While the precise amount of the liability should be recorded, the precise amount is not always known immediately. When this takes place, "the obligation should be recorded on the basis of the agency's best estimate."

Without obligating all required transactions, obligations are understated at any one point in time. Also as existing obligations are used in determining accruals, these types of unobligated transactions are not considered in the accrual determination process.

Recommendation Number 8:

We recommend that the USDA Forest Service management develop policy and procedures to obligate funds for transactions as required by Appropriations Law.

Instances of Non-Compliance with FFMIA were Identified related to Federal Accounting Standards

In addition to the open FFMIA recommendation noted in Exhibit V, instances of FFMIA non-compliance relating to compliance with applicable Federal accounting standards were identified during the fiscal year 2004 audit.

The following table lists those *Statements of Federal Financial Accounting Concepts* (SFFAC) and *Statements of Federal Financial Accounting Standards* (SFFAS) that the USDA Forest Service did not comply with during the audit period.

FFMIA Non-compliance with Federal Accounting Standards	
SFFAS/SFFAC Number	Accounting Deficiencies Noted
SFFAC 2	<ul style="list-style-type: none"> ■ Unliquidated Obligation errors ■ Problems with preparing proper note disclosures (e.g., dedicated collections, custodial revenue, SBR to Presidents Budget reconciliation, and restatement) ■ Not assessing the impact of remaining abnormal balances
SFFAS 5	<ul style="list-style-type: none"> ■ Incorrect accruals
SFFAS 6	<ul style="list-style-type: none"> ■ Improper accounting for leases ■ Improper accounting for internal use software
SFFAS 7	<ul style="list-style-type: none"> ■ Errors with recording timber and non-timber revenue
SFFAS 8	<ul style="list-style-type: none"> ■ Improper stewardship reporting
SFFAS 21	<ul style="list-style-type: none"> ■ Incorrect conclusions regarding treatment of prior period adjustments ■ Variances existed in Cumulative Results of Operations that were not detected

Although the USDA Forest Service continues to improve its accounting operations, deficiencies still exist in the processing of various transactions. The deficiencies noted in the above table resulted in additional time and effort of the USDA Forest Service to research and resolve the deficiency.

Recommendation Number 9:

We recommend that the USDA Forest Service management identify the business process causes for the noted instances of non-compliance, develop adequate policies and procedures, and if necessary, modify existing policies and procedures to ensure that transactions are processed and reported in accordance with Federal accounting standards.

Recommendation Number 10:

We recommend that the USDA Forest Service management develop a remediation plan within the required time frames that includes extensive training of personnel specifically addressing the deficiencies noted above.

STATUS OF PRIOR YEAR’S NONCOMPLIANCE FINDINGS AND OTHER MATTERS

All Reported Conditions In this Table are Referenced to the USDA OIG Audit Report No. 08401-3-FM January 2004		
Reported Condition	Recommendation	Status
The USDA Forest Service Systems are Not Compliant with Federal Financial Management System Requirements	1. We recommend that the USDA Forest Service, working with the NFC, as necessary, take steps to certify and accredit the PONTIUS, ATSA, and Paycheck 7 systems and their general support environment or replace these legacy systems.	Open
The USDA Forest Service Revenue Collections from Certain Business Processes Are Not Recognized As Revenue When Earned	2. We recommend that the USDA Forest Service develop a posting model to ensure that revenue is recognized when earned.	Closed
	3. We recommend that the USDA Forest Service notify and train the USDA Forest Service personnel on the new revenue-posting model.	Closed
Improper Accounting for Budgetary Resources in Special and Non-Revolving Trust Funds	4. We recommend that the USDA Forest Service revise its posting model for special and non-revolving trust funds to appropriately recognize a transfer-in instead of appropriations received in accordance with SGL guidance.	Closed
Other Accounting Errors and Lack of Budgetary/Proprietary Synchronization	5. We recommend that the USDA Forest Service revise its posting models to properly record transactions initially and avoid excessive AJVs.	Closed
	6. We recommend that the USDA Forest Service analyze its business data to determine the nature of, and if necessary correct, transactions that are causing out of balance conditions between budgetary and propriety accounts.	Closed

Management's Response to Audit Report



United States
Department of
Agriculture

Forest
Service


Washington
Office

1400 Independence Avenue, SW
Washington, DC 20250

NOV 10 2004

TO: Wanda Philippi
Regional Inspector General, Office of Inspector General

Patrick Boyce
Senior Partner
Kylveld Peat Marwick Goerdeler (KPMG)

FROM: Jesse L. King 
Deputy Chief for Business Operations/CFO

SUBJECT: Response to the Draft Combined Independent Auditor's Report on the
Forest Service's (FS) Fiscal Year 2004 Comparative Financial Statements

FILE CODE: 6500

We have reviewed KPMG's Draft Combined Independent Auditor's Report dated November 10, 2004, and agree with its contents. USDA Forest Service will develop an implementation plan to address the findings and recommendations identified during the audit. As we consider the required corrective actions, we will continue to work with KPMG and the Office of the Inspector General in identifying the specific actions that will assist us in successfully addressing the recommendations.

If you have any questions or require additional information, please contact Jesse L. King at (703) 605-4938.

cc: Mr. Pat Boyce, Senior Partner, Kylveld Peat Marwick Goerdeler (KPMG)



Limitations of Financial Statements

The Forest Service has prepared its financial statements to report its financial position and results of operations pursuant to the requirements of the Chief Financial Officers Act of 1990 and the Government Management Reform Act of 1994.

The Forest Service statements have been prepared from its books and records in accordance with the formats prescribed by OMB. The statements, however, are in addition to the financial reports used to monitor and control budgetary resources, which are prepared from the same books and records.

These statements should be read with the understanding that they are for a component of the U.S. Government, a sovereign entity. Liabilities not covered by budgetary resources cannot be liquidated without the enactment of an appropriation by Congress. The Federal Government can abrogate the payment of all liabilities, other than for contracts.



Consolidated and Combined Financial Statements

U.S. Department of Agriculture Forest Service Consolidated Balance Sheets As of September 30, 2004 and 2003 (in millions)

	<u>2004</u>	<u>2003 (As Restated)</u>
Assets:		
Intragovernmental:		
Fund Balance with Treasury (Note 3)	\$ 3,506	\$ 3,263
Investments	4	3
Accounts Receivable (Note 4)	62	36
Total Intragovernmental	3,572	3,302
Accounts Receivable, Net (Note 4)	101	110
General Property, Plant, and Equipment, Net (Note 5)	3,807	3,851
Advances	10	12
Total Assets (Note 2)	<u>\$ 7,490</u>	<u>\$ 7,275</u>
Liabilities:		
Intragovernmental (Note 7):		
Accrued Liabilities	\$ 118	\$ 69
Treasury Judgment Fund	7	192
Deposit Liabilities	90	201
Other Liabilities	152	98
Total Intragovernmental	367	560
Accounts Payable	47	112
Federal Employee Benefits (Note 7)	343	390
Environmental and Disposal Liabilities	8	8
Other (Note 7)		
Accrued Liabilities	859	820
Annual Leave Liability	194	178
Other Liabilities	70	170
Total Liabilities (Note 6)	1,888	2,238
Commitments and Contingencies (Note 7)		
Net Position:		
Unexpended Appropriations	1,511	1,350
Cumulative Results of Operations	4,091	3,687
Total Net Position	5,602	5,037
Total Liabilities and Net Position	<u>\$ 7,490</u>	<u>\$ 7,275</u>

The accompanying notes are an integral part of the financial statements.

**U.S. Department of Agriculture
Forest Service
Consolidated Statements of Net Cost
For the years ended September 30, 2004 and 2003
(in millions)**

	<u>2004</u>	<u>2003 (As Restated)</u>
Program Costs		
Intragovernmental Gross Cost:		
Benefit Program Costs	\$ 350	\$ 326
Imputed Costs	244	229
Reimbursable Costs	613	392
Total Intragovernmental Gross Cost	1,207	947
Less: Intragovernmental Earned Revenues	121	315
Intragovernmental Net Costs	1,086	632
Gross Costs With the Public:		
Grants and Indemnities	887	681
Stewardship Land Acquisition (Note 10)	87	191
Other:		
Operating Costs	3,212	3,962
Depreciation Expense	286	306
Reimbursable Costs	240	259
Total Other	3,738	4,527
Total Gross Costs with the Public	4,712	5,399
Less: Earned Revenues from the Public	538	482
Net Costs with the Public	4,174	4,917
Net Cost of Operations (Note 9)	\$ 5,260	\$ 5,549

The accompanying notes are an integral part of the financial statements.

**U.S. Department of Agriculture
Forest Service
Consolidated Statements of Changes in Net Position
For the years ended September 30, 2004 and 2003
(in millions)**

	2004		2003 (As Restated)	
	Cumulative Results of Operations	Unexpended Appropriations	Cumulative Results of Operations	Unexpended Appropriations
Beginning Balances	\$ 3,473	\$ 1,517	\$ 2,899	\$ 1,762
Prior Period Adjustments (Note 12)	214	(167)	258	(154)
Beginning Balances, as adjusted	3,687	1,350	3,157	1,608
Budgetary Financing Sources:				
Appropriations Received	-	5,368	-	5,036
Appropriations Transfer - in/out	-	88	-	65
Other Adjustments (recissions, etc.)	-	(56)	-	(22)
Appropriations Used	5,239	(5,239)	5,337	(5,337)
Donations and Forfeitures of Cash	1	-	1	-
Transfers -in/out without Reimbursement	172	-	511	-
Other Financing Sources:				
Donations and Forfeitures of Property	4	-	1	-
Transfers In (Out) without Reimbursement	4	-	-	-
Imputed Financing from Costs Absorbed by Others	244	-	229	-
Total Financing Sources	5,664	161	6,079	(258)
Net Cost of Operations	(5,260)	-	(5,549)	-
Ending Balances	\$4,091	\$1,511	\$3,687	\$1,350

The accompanying notes are an integral part of the financial statements.

**U.S. Department of Agriculture
Forest Service
Combined Statements of Budgetary Resources
For the years ended September 30, 2004 and 2003
(in millions)**

	<u>2004</u>	<u>2003 (As Restated)</u>
Budgetary Resources:		
Budget Authority:		
Appropriations Received	\$ 5,923	\$ 5,845
Net Transfers	(12)	70
Unobligated Balance:		
Beginning of Period	1,256	834
Net Transfers, Actual	4	(129)
Spending Authority from Offsetting Collections:		
Earned:		
Collected	428	710
Receivable from Federal Sources	(13)	100
Change in Unfilled Customer Orders:		
Advances Received	(10)	(1)
Without Advance from Federal Sources	20	(46)
Subtotal	<u>425</u>	<u>763</u>
Recoveries of prior year obligations	97	113
Permanently/Temporarily Not Available Pursuant to Public Law	(54)	(26)
Total Budgetary Resources	<u>\$ 7,639</u>	<u>\$ 7,470</u>
Status of Budgetary Resources:		
Obligations Incurred: (Note 11)		
Direct	\$ 5,632	\$ 5,583
Reimbursable	269	631
Subtotal	<u>5,901</u>	<u>6,214</u>
Unobligated Balance:		
Apportioned	1,262	823
Exempt from Apportionment	-	28
Unobligated Balances not Available	476	405
Total Status of Budgetary Resources	<u>\$ 7,639</u>	<u>\$ 7,470</u>
Relation of Obligations to Outlays:		
Obligated Balance, Net, Beginning of Period	\$ 1,597	\$ 1,401
Obligated Balance, Net, End of Period:		
Accounts Receivable	(213)	(227)
Unfilled Customer Orders from Federal Sources	(120)	(100)
Undelivered Orders	1,232	1,099
Accounts Payable	594	825
Outlays:		
Disbursements	5,900	5,851
Collections	(418)	(710)
Subtotal	<u>5,482</u>	<u>5,141</u>
Less: Offsetting Receipts	384	438
Net Outlays	<u>\$ 5,098</u>	<u>\$ 4,703</u>

The accompanying notes are an integral part of the financial statements.

**U.S. Department of Agriculture
Forest Service
Consolidated Statements of Financing
For the years ended September 30, 2004 and 2003
(in millions)**

	<u>2004</u>	<u>2003 (As Restated)</u>
Resources Used to Finance Activities:		
Budgetary Resources Obligated:		
Obligations Incurred	\$ 5,901	\$ 6,214
Less: Spending Authority from Offsetting Collections and Recoveries	522	876
Obligations Net of Offsetting Collections and Recoveries	5,379	5,338
Less Offsetting Receipts	384	438
Net Obligations	<u>4,995</u>	<u>4,900</u>
Other Resources:		
Donations and Forfeitures of Property	4	1
Transfers in/out without reimbursement	4	-
Imputed Financing from Costs Absorbed by Others	244	229
Net Other Resources Used to Finance Activities	<u>252</u>	<u>230</u>
Total Resources Used to Finance Activities	<u>5,247</u>	<u>5,130</u>
Resources Used to Finance Items not Part of the Net Cost of Operations:		
Change in Budgetary Resources Obligated for Goods, Services and Benefits Ordered but not yet Provided	131	184
Resources that Fund Expenses Recognized in Prior Periods	244	29
Budgetary Offsetting Collections and Receipts that do not Affect Net Cost of Operations	-	(223)
Resources that Finance the Acquisition of Assets	214	220
Total Resources Used to Finance Items not Part of the Net Cost of Operations	<u>589</u>	<u>210</u>
Total Resources Used to Finance the Net Cost of Operations	<u>4,658</u>	<u>4,920</u>

**U.S. Department of Agriculture
Forest Service
Consolidated Statements of Financing
For the years ended September 30, 2004 and 2003
(in millions) (continued)**

	2004	2003 (As Restated)
Components of the Net Cost of Operations that will not Require or Generate Resources in the Current Period:		
Components Requiring or Generating Resources in Future Periods (Note 15):		
Increase in Annual Leave Liability	16	8
Increase in Environmental and Disposal Liability	-	1
Decrease (Increase) in Exchange Revenue		
Receivable from the Public	10	(56)
Increase in Accrued Liability for Payments to States	92	180
Other	70	94
Total Components of Net Cost of Operations that will Require or Generate Resources in Future Periods	188	227
Components not Requiring or Generating Resources:		
Depreciation and Amortization	286	306
Revaluation of Assets or Liabilities	(6)	17
Allocation of Transfers and Other (Note 16)	134	79
Total Components of Net Cost of Operations that will not Require or Generate Resources	414	402
Total components of Net Cost of Operations that will not Require or Generate Resources in the Current Period	602	629
Net Cost of Operations	\$ 5,260	\$ 5,549

The accompanying notes are an integral part of the financial statements.

Notes to the Consolidated and Combined Financial Statements

For the Years Ended September 30, 2004 and 2003

Note 1. Significant Accounting Policies

A. Reporting Entity

The USDA Forest Service was established on February 1, 1905, as an agency of the United States Federal Government within the U.S. Department of Agriculture (USDA), for the purpose of maintaining and managing the Nation's forest reserves. It operates under the guidance of the Under Secretary for Natural Resources and Environment. The USDA Forest Service policy is implemented through nine regional offices, six research offices, one State and Private Forestry area office, the Forest Products Laboratory, and the International Institute of Tropical Forestry, with 868 administrative units functioning in 46 States, Puerto Rico, and the Virgin Islands.

The USDA Forest Service's mission includes the four major segments described below.

- National Forests and Grasslands—Protection and management of approximately 192.5 million acres (unaudited) of National Forest System (NFS) land that includes 34.8 million acres (unaudited) of designated wilderness areas. In addition, the USDA Forest Service partners with other nations and organizations to foster global natural resource conservation and sustainable development of the world's forest resources;
- Forest and Rangeland Research—Research and development of forest and rangeland management practices to provide scientific and technical knowledge for enhancing and protecting the economic productivity and environmental quality of the 1.6 billion acres (unaudited) of forests and associated rangelands in the United States;
- State and Private Forestry—Cooperation with and assistance to State and local governments, tribal governments, forest industries and private landowners to help protect and manage non-Federal forests and associated rangeland and watershed areas; and
- Wildland Fire Management—Protection of life, property, and natural resources on the 192.5 million acres (unaudited) of NFS lands, and extending to an additional 20 million acres (unaudited) of adjacent State and private lands.

The accompanying financial statements of the USDA Forest Service account for all funds under the USDA Forest Service's control.

B. Basis of Presentation and Accounting

The financial statements were prepared to report the financial position, net costs, changes in net position, budgetary resources, and reconciliation of net costs to budgetary obligations of the USDA Forest Service. The financial statements have been prepared from the books and records of the USDA Forest Service in accordance with generally accepted accounting principles (GAAP) and in accordance with the Office of Management and Budget (OMB) Bulletin 01-09, *Form and Content of Agency Financial Statements*. All material intra-agency transactions and balances have been eliminated for presentation on a consolidated basis. However, the Statement of Budgetary Resources is presented on a combined basis in accordance with OMB Bulletin 01-09.

These financial statements present proprietary and budgetary information. The accounting structure of Federal agencies is designed to reflect both accrual and budgetary accounting transactions. Under the accrual method of accounting, revenues are recognized when earned, and expenses are recognized when incurred, without regard to receipt or payment of cash. The budgetary accounting principles, on the other hand, are designed to recognize the obligation of funds according to legal requirements, which in many cases is prior to the occurrence of an accrual-based transaction. The recognition of budgetary accounting transactions is essential for compliance with legal constraints and controls over the use of Federal funds.

**Notes to the Consolidated and Combined Financial Statements
For the Years Ended September 30, 2004 and 2003**

The USDA Forest Service recognizes budgetary resources as assets when cash (funds held by Treasury) is made available through the U.S. Department of Treasury General Fund warrants and other transfers. In addition to appropriated funds, the USDA Forest Service is authorized by law to retain specific earned revenues primarily from sales of forest products and services and to spend these monies on resource management activities identified in the governing legislation. Some examples of the USDA Forest Service earned revenues are monies collected from timber sales or recreation use fees. The USDA Forest Service, pursuant to OMB directives, prepares additional financial reports that are used to monitor and control the USDA Forest Service's use of budgetary resources.

- C. Fund Balance with the U.S. Treasury** The U.S. Department of the Treasury processes cash receipts and disbursements on behalf of the USDA Forest Service. Funds on deposit with the U.S. Department of the Treasury are primarily appropriated, trust, and other fund types such as special funds that are available to pay current liabilities and finance authorized purchase commitments.
- D. Advances** Payments made by the USDA Forest Service in advance of the receipt of goods and services are recorded as advances at the time of payment and recognized as expenditures/expenses when the related goods and services are received.
- E. Inventory and Related Property** Costs associated with nursery stock are expensed as incurred.
- F. General Property, Plant and Equipment** General property, plant, and equipment (PP&E) includes real and personal property used in ordinary business operations. Real and personal property is recorded at cost or estimated fair market value and must have a useful life of 2 years or more. The USDA Forest Service capitalization threshold for acquisition of real property is \$25 thousand or more, effective fiscal year (FY) 2002. The capitalization threshold for personal property is \$25 thousand or more, effective FY 2003. The capitalization threshold for both real and personal property was \$5 thousand prior to these changes. Effective FY 2001, internal use software is capitalized in accordance with Statement of Federal Financial Accounting Standard (SFFAS) No. 10, *Accounting for Internal Use Software*, if the value meets or exceeds \$100 thousand. Prior to that period, software was not capitalized. Effective FY 2003, USDA Forest Service reported the liability at lease inception, present value or fair market value, for capital leases in accordance with SFFAS No. 6, *Accounting for Property, Plant, and Equipment*.
- G. Liabilities** Liabilities represent the amount of monies or other resources that are likely to be paid by the USDA Forest Service as a result of a transaction or event that has occurred. However, the USDA Forest Service cannot satisfy a liability without an appropriation. Liabilities for which there is no appropriation and for which there is no certainty that an appropriation will be enacted, are classified as unfunded liabilities. The U.S. Government, acting in its sovereign capacity, can abrogate liabilities.
- H. Environmental and Disposal Liabilities** The USDA Forest Service's estimated Government related environmental liabilities are principally associated with the future remediation of certain landfills, buildings, and other related sites in accordance with all applicable Federal, State and local laws. Such estimates do not consider the effect of future inflation, new technology, laws, or regulations.
- I. Commitments and Contingencies** The USDA Forest Service is a party in various administrative proceedings, legal actions, environmental lawsuits, and claims. In the opinion of the USDA Forest Service management and its legal counsel, the ultimate resolution of most of these proceedings is currently indeterminable. Where determinable, the full value of probable amounts related to unsettled litigation and other claims against the USDA Forest Service is recognized as a liability and expense. Expected amounts related to litigation and other claims include amounts to be paid

**Notes to the Consolidated and Combined Financial Statements
For the Years Ended September 30, 2004 and 2003**

by the Department of the Treasury on behalf of the USDA Forest Service from a permanent appropriation for judgments and from other appropriations.

- J. Workers' Compensation Liability** The Federal Employees' Compensation Act (FECA) provides income and medical cost protection to Federal civilian employees injured on the job, employees who have incurred a work related occupational disease, and beneficiaries of employees whose death is attributable to a job-related injury or occupational disease. Benefit claims incurred for the USDA Forest Service's employees under FECA are administered by the U.S. Department of Labor (DOL) and are ultimately paid by the U.S. Department of Agriculture. Consequently, the USDA Forest Service recognizes a liability for this compensation comprised of: (1) an accrued liability that represents money owed for claims paid by USDA through the current fiscal year and (2) an actuarial liability that represents the expected liability for USDA approved compensation cases to be paid beyond the current fiscal year.
- K. Employee Annual, Sick, and Other Leave** Annual and other vested leave such as compensatory, credit hours, and restored leave is accrued as it is earned, and the accrual is reduced as leave is taken. Each quarter, the balance in the accrued annual leave account is adjusted to reflect the latest pay rates and unused hours of leave. Sick leave is generally nonvested. Funding will be obtained from future financing sources to the extent that current or prior year appropriations are not available to fund annual and other types of vested leave earned but not taken. Sick leave and other types of nonvested leave are expensed when used.
- L. Pension and Other Retirement Benefits** USDA Forest Service employees participate in either the Civil Service Retirement System (CSRS) or the Federal Employees Retirement System (FERS). The employees who participate in CSRS are beneficiaries of the USDA Forest Service's matching contribution, equal to 7 percent of pay, distributed to their annuity account in the Civil Service Retirement and Disability Fund.
- FERS went into effect on January 1, 1987, pursuant to Public Law 99-335. FERS and Social Security automatically cover most employees hired after December 31, 1983. Employees hired prior to January 1, 1984, could elect to join FERS and Social Security, or to remain in CSRS. FERS offers a savings plan to which the USDA Forest Service automatically contributes 1 percent of pay and matches any employee contribution up to an additional 4 percent of pay. For FERS participants, the USDA Forest Service also contributes the employer's matching share for Social Security.
- The USDA Forest Service recognizes the imputed cost of pension and other health and life insurance retirement benefits during the employees' active years of service. Office of Personnel Management (OPM) actuaries determine pension cost factors by calculating the value of pension benefits expected to be paid in the future and communicate these factors and information regarding the full cost of health and life insurance benefits to the USDA Forest Service for current period expense reporting.
- M. Revenues and Other Financing Sources** The USDA Forest Service is funded principally through Congressional appropriations and other authorizations from the Budget of the United States. The USDA Forest Service receives annual, multi-year, and no year appropriations that are used, within statutory limits, for operating and capital expenditures. Other funding sources are derived through reimbursements for services performed for other Federal and non-Federal entities, sale of goods to the public, gifts from donors, cost-share contributions, and interest on invested amounts.
- Appropriations are used at the time the related program or administrative expenses are incurred or when the appropriations are expended for capital property and equipment. Other revenues are recognized as earned when goods have been delivered or services rendered.

**Notes to the Consolidated and Combined Financial Statements
For the Years Ended September 30, 2004 and 2003**

In accordance with Federal Government accounting guidance, the USDA Forest Service classifies revenue as either “exchange revenue” or “non-exchange revenue.” Exchange revenue arises from transactions that occur when each party to the transaction sacrifices value and receives value in return. An example of exchange revenue is the income from the sale of forest products. In some cases, the USDA Forest Service is required to remit exchange revenue receipts to the U.S. Department of the Treasury. In other instances the USDA Forest Service is authorized to use all or a portion of its exchange revenues for specific purposes. Non-exchange revenue is revenue the Federal Government is able to demand or receive because of its sovereign powers. An example of non-exchange revenue is the cash donations received from private citizens and organizations.

The USDA Forest Service reports the full cost of products and services generated from the consumption of resources. Full cost is the total amount of resources used to produce a product or provide a service unless otherwise noted. In accordance with SFFAS No.7, *Accounting for Revenue and Other Financing Sources*, the USDA Forest Service’s pricing policies are set to recover full cost except where mandated by law or for the public good such as in the case of grazing fees.

N. Imputed Financing

The USDA Forest Service recognizes as imputed financing the amount of accrued pension and post-retirement benefit expenses for current employees. The assets and liabilities associated with such benefits are the responsibility of the administering agency, the OPM. Amounts paid from the Treasury Judgment Fund in settlement of claims or court assessments against the USDA Forest Service and claims paid for workers’ compensation under the Federal Employees Compensation Act (FECA) are also recognized as imputed financing. Imputed financing for the years ended September 30, 2004 and 2003, was \$244 million and \$229 million, respectively.

O. Combined Statements of Budgetary Resources

The USDA Forest Service receives two transfer allocations from appropriations of other agencies—the Department of Labor, Job Corps Civilian Conservation, and the Department of Transportation, Federal Aid to Highways. Job Corps Civilian Conservation is a Department of Labor residential training program for unemployed and under-employed young people. The training programs are conducted on campuses on national forest land and supervised by USDA Forest Service employees. Federal Aid to Highways provides emergency funding for the repair of National Forest System roads damaged by natural disaster. In accordance with OMB Bulletin number 01-09, *Form and Content of Agency Financial Statements*, the USDA Forest Service does not include these allocation transfers in its Combined Statement of Budgetary Resources. However, as the transfer allocations are considered material, the financial activity is reported in the Consolidated Statements of Net Cost and as a reconciling item in the Consolidated Statement of Financing.

P. Use of Estimates

Management has made certain estimates and assumptions when reporting assets, liabilities, revenue, and expenses. Actual results could differ from these estimates. Significant estimates underlying the accompanying financial statements include the majority of accrued liabilities, environmental and disposal liabilities, and Federal Employee Benefits liabilities.

**Notes to the Consolidated and Combined Financial Statements
For the Years Ended September 30, 2004 and 2003**

Note 2. Non-Entity Assets

Total assets consist of both entity and non-entity. Non-entity assets are those assets not available for use in the operations of the USDA Forest Service and consist primarily of contractors' performance bonds, amounts held for others in the Fund Balance with Treasury suspense accounts and fines and penalties recorded as General Fund Proprietary Receipts that will be transferred to the U.S. Treasury at fiscal year-end. These business transactions occur primarily from the USDA Forest Service's timber operations and its law enforcement activities. As of September 30, 2004 and 2003, total non-entity assets consisted of:

	(in millions)	
	2004	2003 (As Restated)
Intragovernmental:		
Fund Balance with Treasury:		
a) Balance in Receipt Accounts	\$168	\$171
b) Balance in Clearing Accounts	61	168
Total Intragovernmental	229	339
Accounts Receivable	10	27
Total Non-Entity Assets	239	366
Total Entity Assets	7,251	6,909
Total Assets	<u>\$7,490</u>	<u>\$7,275</u>

Note 3. Fund Balance With Treasury

Funds with the U.S. Department of the Treasury are primarily appropriated (general and special funds) and trust funds that are available to pay current liabilities and finance authorized purchase commitments. The category of other fund types includes deposit and clearing accounts. Fund balances with the U.S. Department of the Treasury include both entity and non-entity fund balances. It is the USDA Forest Service's policy to ensure the Fund Balance with Treasury reported on the Consolidated Balance Sheets are consistent with the records of the U.S. Department of the Treasury.

Fund Balance with Treasury as of September 30, 2004 and 2003, consisted of the following:

	(in millions)	
	2004	2003 (As Restated)
A. Fund Balances:		
(1) Trust Funds	\$533	\$400
(2) Revolving Funds	139	134
(3) Appropriated Funds	2,757	2,575
(4) Other Fund Types	77	154
Total	<u>\$3,506</u>	<u>\$3,263</u>
B. Status of Funds:		
(1) Unobligated Balance		
(a) Available	\$1,262	\$851
(b) Unavailable	476	405
(2) Obligated Balance not yet Disbursed	1,493	1,597
(3) Other Balances	275	410
Total	<u>\$3,506</u>	<u>\$3,263</u>

**Notes to the Consolidated and Combined Financial Statements
For the Years Ended September 30, 2004 and 2003**

Note 4. Accounts Receivable

Intragovernmental accounts receivable represent amounts due under reimbursable and cooperative agreements with Federal entities for services provided by the USDA Forest Service. An allowance for receivables deemed uncollectible is not established for these amounts because monies due from other Federal entities are considered fully collectible. As of September 30, 2004 and 2003, the intragovernmental accounts receivable balances were \$62 million and \$36 million (as restated), respectively.

Non-intragovernmental accounts receivable are comprised primarily of timber harvest and reimbursements and refunds owed to the USDA Forest Service for fire prevention and suppression activities. An allowance for receivables deemed uncollectible is established at 20 percent or 80 percent, depending upon the age of the receivable. The allowance for receivables transferred to an outside agency for collection (e.g., Department of Justice, Department of the Treasury, etc.) is established at 100%. Non-intragovernmental accounts receivable as of September 30, 2004 and 2003, consisted of the following:

	(in millions)	
	2004	2003 (As Restated)
Accounts Receivable	\$ 212	\$ 202
Allowance for Doubtful Accounts	(111)	(92)
Accounts Receivable, Net	<u>\$ 101</u>	<u>\$ 110</u>

Note 5. General Property, Plant and Equipment, Net

Depreciation of general property, plant and equipment (PP&E) for the USDA Forest Service is recorded on the straight-line method based on the useful lives listed below. Capitalization thresholds are provided in Note 1, Section F.

As of September 30, 2004 and 2003, the USDA Forest Service's PP&E consisted of the following:

September 30, 2004 (in millions)				
Property Class	Useful Life (Years)	Cost	Accumulated Depreciation	Book Value
Personal Property	4-20	\$ 974	(\$673)	\$ 301
Real Property	10-50	7,474	(3,968)	3,506
Total		<u>\$ 8,448</u>	<u>(\$4,641)</u>	<u>\$3,807</u>
September 30, 2003 (in millions)				
Property Class	Useful Life (Years)	Cost	Accumulated Depreciation	Book Value
Personal Property	4-20	\$ 1,024	(\$696)	\$ 328
Real Property	10-50	7,345	(3,822)	3,523
Total		<u>\$ 8,369</u>	<u>(\$4,518)</u>	<u>\$ 3,851</u>

**Notes to the Consolidated and Combined Financial Statements
For the Years Ended September 30, 2004 and 2003**

Note 6. Liabilities Not Covered by Budgetary Resources

Liabilities not covered by budgetary resources as of September 30, 2004 and 2003, consisted of the following:

	(in millions)	
	2004	2003 (As Restated)
Intragovernmental:		
Treasury Judgment Fund	\$ 7	\$ 192
Unfunded FECA (Note 7)	65	66
Total Intragovernmental	72	258
Federal Employee Benefits	343	390
Annual Leave Liability	194	178
Contingent Liabilities (Note 7)	1	8
Accrued Liability for Payments to States (Note 7)	380	288
Environmental and Disposal Liabilities	8	8
Total Liabilities Not Covered by Budgetary Resources	998	1,130
Total Liabilities Covered by Budgetary Resources	890	1,108
Total Liabilities	\$ 1,888	\$ 2,238

Note 7. Intragovernmental and Other Liabilities

The following table segregates other liabilities between those covered and not covered by budgetary resources and between intragovernmental and other as of September 30, 2004 and 2003.

Other Liabilities Covered by Budgetary Resources	(in millions)					
	2004			2003 (As Restated)		
	Non-Current	Current	Total	Non-Current	Current	Total
Intragovernmental						
Employer Contributions & Payroll Tax	-	\$ 12	\$ 12	-	\$ 8	\$ 8
Accrued Liabilities	-	118	118	-	69	69
Advances from Others	-	17	17	-	25	25
Deposit Liabilities	-	90	90	-	201	201
Custodial Liabilities	-	58	58	-	(1)	(1)
Total Intragovernmental	-	295	295	-	302	302
Accrued Liabilities	-	479	479	-	532	532
Advances from Others	-	30	30	-	30	30
Deposit Liabilities	-	(2)	(2)	-	(25)	(25)
Purchaser Road Credits	-	16	16	-	21	21
Capital Leases (Note 8)	-	23	23	-	23	23
Custodial Liabilities	-	2	2	-	113	113
Total Other Liabilities Covered by Budgetary Resources	-	\$ 843	\$ 843	-	\$ 996	\$ 996

**Notes to the Consolidated and Combined Financial Statements
For the Years Ended September 30, 2004 and 2003**

Other Liabilities Not Covered by Budgetary Resources	(in millions)					
	2004			2003 (As Restated)		
	Non-Current	Current	Total	Non-Current	Current	Total
Intragovernmental						
Treasury Judgment Fund	\$ 7	-	\$ 7	-	\$ 192	\$ 192
Unfunded FECA	36	29	65	39	27	66
Total Intragovernmental	43	29	72	39	219	258
Accrued Liability for Payments to States	-	380	380	-	288	288
Annual Leave Liability	18	176	194	14	164	178
Contingent Liabilities	1	-	1	8	-	8
Total Other Liabilities Not Covered by Budgetary Resources	62	585	647	61	671	732
Total Intragovernmental and Other Liabilities	\$ 62	\$ 1,428	\$1,490	\$ 61	\$ 1,667	\$1,728

As of September 30, 2004 and 2003, the USDA Forest Service's major components of other liabilities are as follows:

Intragovernmental Other Accrued Liabilities Covered by Budgetary Resources:

Intragovernmental accrued liabilities covered by budgetary resources consist primarily of accruals for receipt of goods and services.

Advances from Others: Advances from others consist primarily of monies on deposit for cooperative work project agreements with the public.

Deposit Liabilities: Deposit liabilities consist primarily of collections deposited in deposit funds and clearing accounts, including suspense accounts, awaiting disposition or reclassification.

Custodial Liabilities: Custodial liabilities consist of amounts held in special receipt accounts that belong to non-USDA Forest Service entities.

Accrued Liabilities Covered by Budgetary Resources: Accrued liabilities covered by budgetary resources consist primarily of accruals for payroll and for receipt of goods and services.

Purchaser Road Credits: Under the terms of certain timber sales contracts, timber purchasers are required to construct roads to gain access to the timber sold under the contract. Each month as the road is being completed, the timber purchaser is given a credit (referred to as a purchaser road credit or PRC), based on an engineer's estimate of the percentage of the roads that have been completed. These PRCs may be used to offset above-base timber stumpage value or may be transferred to another timber sale to the same purchaser on the same proclaimed national forest. Unused PRC is reported on the financial statement as a liability. Effective April 1, 1999, in accordance with 16 U.S.C. § 535a, PRC's are prohibited on newly issued timber contracts.

Treasury Judgment Fund: Consistent with the provisions of the Federal Tort Claims Act, the USDA Forest Service pays small tort claim awards (\$2.5 thousand or less) out of its own funds. Tort claim awards exceeding \$2.5 thousand, however, are paid from the Claims, Judgments, and Relief Acts Fund (Judgment Fund) maintained by the Department of the Treasury. Absent a specific statutory requirement, the USDA Forest Service is not required to record a liability or reimburse the Judgment Fund for tort claims paid on its behalf. These payments, however, are recognized as an expense and an imputed financing source in

**Notes to the Consolidated and Combined Financial Statements
For the Years Ended September 30, 2004 and 2003**

the Consolidated Statements of Net Cost and Changes in Net Position. Payments reported from torts and court claims as of September 30, 2004 and 2003, amounted to \$2.4 and \$6.5 million, respectively.

The Contract Disputes Resolution Act (CDRA) governs litigation arising from contract disputes (such as those from timber sales contracts). Subsection 612(c) provides that CDRA payments made on behalf of Federal agencies by the Judgment Fund shall be reimbursed to the Fund. As of September 30, 2004 and 2003, the USDA Forest Service owed the Judgment Fund \$7 million and \$192 million, respectively, for such payments.

Federal Employees' Compensation Act Liabilities: Liabilities under the Federal Employees' Compensation Act (FECA) are incurred as a result of workers' compensation benefits that have accrued to employees but have not yet been paid by the USDA Forest Service. Workers' compensation benefits include the current and expected future liability for death, disability, medical, and other approved costs. The U.S. Department of Labor (DOL) actuarially determines the expected future liability for the U.S. Department of Agriculture as a whole, including the USDA Forest Service. The USDA Forest Service is billed annually as its claims are paid by the DOL. Payments to the DOL are deferred for 2 years so that the bills may be funded through the budget. Payments to the DOL are also recognized as an expense when billed and recorded in the Statement of Net Cost. The amounts of unpaid FECA billings constitute the accrued FECA payable.

The total components of accrued FECA payable as of September 30, 2004 and 2003, consisted of the following:

	(in millions)	
	2004	2003 (As Restated)
Not Covered by Budgetary Resources, Intragovernmental Liability for FECA	\$ 65	\$ 66
Not Covered by Budgetary Resources, Expected Future Liability for FECA	343	390
Total	\$ 408	\$ 456

Accrued Liability for Payments to States: The Act of May 23, 1908, as amended (16 U.S.C. 500), authorized the Payments to States, National Forest Fund program. This program requires revenue generated by the sale of goods and services on the national forests to be shared with the States for public schools and public roads in the county or counties in which the national forests are located.

Pending Litigation and Unasserted Claims (Contingent Liabilities): As of September 30, 2004, the USDA Forest Service had four legal actions pending. Based on information provided by legal counsel, management believes some adverse decisions are probable. The estimated loss for these claims is \$1 million.

No amounts have been accrued in the financial statements for claims where the amount or probability of judgment is uncertain. The USDA Forest Service's potential liability for these claims is approximately \$57 million.

Notes to the Consolidated and Combined Financial Statements
For the Years Ended September 30, 2004 and 2003

Note 8. Lease Liabilities

The USDA Forest Service enters into leasing agreements through the General Service Administration (GSA) and through leasing authority delegated by GSA for general facilities (buildings and office space), equipment, and land. Leases may include renewal options for periods of 1 or more years. Most leases are cancelable upon certain funding conditions. The USDA Forest Service's assets under capital leases as of September 30, 2004 and 2003, and future capital and operating lease agreement payments as of September 30, 2004, consisted of the following:

Capital Leases:		(in millions)		
		2004	2003	
Summary of Assets Under Capital Leases				
	Land, Building Machinery, & Equipment	\$ 40	\$ 40	
	Accumulated Amortization	(17)	(17)	
	Total	\$ 23	\$ 23	
Future Payments Due:				
	Fiscal Year	Land & Buildings		
	2005	\$ 11		
	2006	11		
	2007	11		
	2008	11		
	2009	10		
	After 5 Years	88		
<hr/>				
	Total Future Lease Payments	\$ 142		
	Less: Imputed Interest	38		
	Less: Executory Costs	48		
	Subtotal	\$ 56		
	Less: Lease Renewal Options	33		
	Net Capital Lease Liability, covered by Budgetary Resources	\$ 23		
Operating Leases:		(in millions)		
Future Payments Due:				
	Fiscal Year	Land & Buildings	Machinery & Equipment	
			Total	
	2005	\$ 66	\$ 1	\$ 67
	2006	61	1	62
	2007	56	1	57
	2008	50	-	50
	2009	45	-	45
	After 5 Years	257	-	257
<hr/>				
	Total Future Lease Payments	\$ 535	\$ 3	\$ 538

**Notes to the Consolidated and Combined Financial Statements
For the Years Ended September 30, 2004 and 2003**

Note 9. Program Costs by Segment

The USDA Forest Service reflects costs through four primary responsibility segments: National Forests and Grasslands, Forest and Rangeland Research, State and Private Forestry, and Wildland Fire Management.

The following tables illustrate program costs by segment for the years ended September 30, 2004 and 2003. The 2003 presentation has been reclassified to eliminate the previously reported Working Capital Fund and incorporates the restatement disclosed in Note 12.

USDA Forest Service Program Costs by Segment for the year ended September 30, 2004 (in millions)

	National Forests and Grasslands	Forest and Rangeland Research	State and Private Forestry	Wildland Fire Management	Total
Intragovernmental Gross Costs:					
Benefit Program Costs	\$ 338	\$ 1	\$ -	\$ 11	\$ 350
Imputed Costs	244	-	-	-	244
Reimbursable Costs	308	35	121	149	613
Total Intragovernmental Gross Costs	890	36	121	160	1,207
Less: Intragovernmental Earned Revenue	80	24	7	10	121
Intragovernmental Net Costs	810	12	114	150	1,086
Gross Costs With the Public :					
Grants and Indemnities	699	2	169	17	887
Stewardship Land Acquisition	87	-	-	-	87
Other:					
Operating Costs	1,401	274	126	1,411	3,212
Depreciation Expense	255	4	1	26	286
Reimbursable Costs	112	26	1	101	240
Total Other	1,768	304	128	1,538	3,738
Total Gross Costs with the Public	2,554	306	297	1,555	4,712
Less: Earned Revenues from the Public	458	5	1	74	538
Net Costs with the Public	2,096	301	296	1,481	4,174
Net Cost of Operations	\$ 2,906	\$ 313	\$ 410	\$ 1,631	\$ 5,260

**Notes to the Consolidated and Combined Financial Statements
For the Years Ended September 30, 2004 and 2003**

USDA Forest Service Program Costs by Segment for the year ended September 30, 2003 (in millions)

	National Forests and Grasslands	Forest and Rangeland Research	State and Private Forestry	Wildland Fire Management	Total
Intragovernmental Gross Costs:					
Benefit Program Costs	\$ 316	\$ 1	\$ -	\$ 9	\$ 326
Imputed Costs	229	-	-	-	229
Reimbursable Costs	201	21	12	158	392
Total Intragovernmental Gross Costs	746	22	12	167	947
Less: Intragovernmental Earned Revenue	129	48	10	128	315
Intragovernmental Net Costs	617	(26)	2	39	632
Gross Costs With the Public:					
Grants and Indemnities	431	6	237	7	681
Stewardship Land Acquisition	191	-	-	-	191
Other:					
Operating Costs	1,904	258	126	1,674	3,962
Depreciation Expense	270	3	1	32	306
Reimbursable Costs	96	26	6	131	259
Total Other	2,270	287	133	1,837	4,527
Total Gross Costs with the Public	2,892	293	370	1,844	5,399
Less: Earned Revenues from the Public	328	29	2	123	482
Net Costs with the Public	2,564	264	368	1,721	4,917
Net Cost of Operations	\$ 3,181	\$ 238	\$ 370	\$ 1,760	\$ 5,549

Note 10. Cost of Stewardship Property Plant and Equipment

Stewardship assets acquired through purchase in fiscal years 2004 and 2003 amounted to \$87 and \$191 million, respectively, and consisted of land, easements, and rights-of-way. Stewardship land is all land that is not general-purpose land (i.e., land that does not have a general purpose building on it). Stewardship land costs include purchase costs and any salary costs, survey costs, title costs, closing costs, restoration costs, and any other expenses necessary to prepare the land for its intended use.

Note 11. Apportionment Categories of Obligations Incurred

The Office of Management and Budget (OMB) usually distributes budgetary resources in an account or fund by specific time periods, activities, projects, objects, or a combination of these categories, a process called apportionments. Apportionments by fiscal quarters are classified as category A and all other apportionments are classified as category B. Presented below is the amount of direct and reimbursable obligations incurred by apportionment category for FY2004. All obligations incurred for FY2003 were category B apportionments.

For the year ended September 30, 2004 (in millions)

	Apportionment Category A	Apportionment Category B	Total
Obligations Incurred - Direct	\$ 3,431	\$ 2,201	\$ 5,632
Obligations Incurred - Reimbursable	210	59	269
Total Obligations Incurred	\$ 3,641	\$ 2,260	\$ 5,901

**Notes to the Consolidated and Combined Financial Statements
For the Years Ended September 30, 2004 and 2003**

Note 12. Restatements and Reclassifications

Restatements

In fiscal year 2004, the USDA Forest Service corrected its fiscal year 2003 financial statements to:

- A. Properly align budgetary and proprietary account relationships and correct certain related budgetary and proprietary posting errors in:
 - The Wildland Fire Management Fund
 - The National Forest System Fund
 - The Roads and Trails Special Fund
 - The Land Between the Lakes Management Trust
 - Other various special and trust funds
- B. Correct errors in various suspense and deposit clearing funds.
- C. Correct an overstatement in Fund Balance with Treasury and associated custodial liability.
- D. Correct errors in recording certain revenue transactions.
- E. Correct offsetting receipts.

Reclassifications

The USDA Forest Service reclassified certain fiscal year 2003 amounts to conform to the fiscal year 2004 financial statement presentation primarily to provide more detail regarding liabilities and intragovernmental gross costs.

The following tables summarize the fiscal year 2003 restatements and reclassifications described above by financial statement.

Notes to the Consolidated and Combined Financial Statements
For the Years Ended September 30, 2004 and 2003

Consolidated Balance Sheet (Affected Line Items)

(dollars in millions)	As Originally Reported	Restatements	Ref.	Reclassifications	Restated 2003
Assets:					
Fund Balance with Treasury	\$ 3,294	(\$31)	C	\$ -	\$ 3,263
Intragovernmental Accounts Receivable	\$ 56	(\$20)	A	\$ -	\$ 36
		\$ 18	D		
		(4)	B		
Accounts Receivable, Net	\$ 96	\$ 14		\$ -	\$ 110
Total Assets	\$ 7,312	(\$37)		\$ -	\$ 7,275
Liabilities:					
Accrued Liabilities	\$ -	\$ -		\$ 69	\$ 69
Treasury Judgement Fund	\$ -	\$ -		\$ 192	\$ 192
Deposit Liabilities	\$ -	\$ -		\$ 201	\$ 201
		(\$39)	C		
		15	A		
Intragovernmental Other Liabilities	\$ 584	(\$24)		(\$462)	\$ 98
Federal Employee Benefits	\$ -	\$ -		\$ 390	\$ 390
Accrued Liabilities	\$ -	\$ -		\$ 820	\$ 820
Annual Leave Liability	\$ -	\$ -		\$ 178	\$ 178
		(\$88)	A		
		(1)	B		
		30	C		
Other Liabilities	\$ 1,617	(\$59)		(\$1,388)	\$ 170
Total Liabilities	\$ 2,321	(\$83)		\$ -	\$ 2,238
Net Position:					
Unexpended Appropriations	\$ 1,517	(\$167)	A	\$ -	\$ 1,350
		\$ 221	A		
		(3)	B		
		(23)	C		
		18	D		
Cumulative Results of Operations	\$ 3,474	\$ 213		\$ -	\$ 3,687
Total Net Position	\$ 4,991	\$ 46		\$ -	\$ 5,037
Total Liabilities and Net Position	\$ 7,312	(\$37)		\$ -	\$ 7,275

Notes to the Consolidated and Combined Financial Statements
For the Years Ended September 30, 2004 and 2003

Consolidated Statement of Net Cost (Affected Line Items)

(dollars in millions)	As Originally Reported	Restatements	Ref.	Reclassifications	Restated 2003
Program Costs					
Intragovernmental Gross Costs	\$ 955	\$ -		(\$955)	\$ -
Benefit Program Costs	\$ -	\$ -		\$ 326	\$ 326
Imputed Costs	\$ -	\$ -		\$ 229	\$ 229
Reimbursable Costs	\$ -	\$ -		\$ 392	\$ 392
Total Intragovernmental Gross Costs	\$ 955	\$ -		(\$8)	\$ 947
Intragovernmental Earned Revenues	\$ 331	(\$16)	A	\$ -	\$ 315
Intragovernmental Net Costs	\$ 624	\$ 16	A	(\$8)	\$ 632
Gross Costs With the Public:					
Grants	\$ 670	\$ -		(\$670)	\$ -
Indemnities	\$ 11	\$ -		(\$11)	\$ -
Grants and Indemnities	\$ -	\$ -		\$ 681	\$ 681
		\$ 49	A		
		(9)	C		
Operating Costs	\$ 3,920	\$ 40		\$ 2	\$ 3,962
Total Gross Costs with the Public	\$ 5,357	\$ 40		\$ 2	\$ 5,399
		(\$19)	A		
		\$ 18	D		
Earned Revenues from the Public	\$ 489	(\$1)		(\$6)	\$ 482
Net Costs with the Public	\$ 4,868	\$ 41		\$ 8	\$ 4,917
Net Cost of Operations	\$ 5,492	\$ 57		\$ -	\$ 5,549

Consolidated Statement of Changes in Net Positions (Affected Line Items)

(dollars in millions)	As Originally Reported	Restatements	Ref.	Restated 2003
Cumulative Results of Operations				
Beginning Balance	\$ 2,899	\$ 258	A	\$ 3,157
Budgetary Financing Sources:				
Appropriations Used	\$ 5,323	\$ 14	A	\$ 5,337
Net Cost of Operations	\$ 5,492	\$ 57		\$ 5,549
Ending Balances	\$ 3,472	\$ 215		\$ 3,687
Unexpended Appropriations				
Beginning Balance	\$ 1,762	(\$154)	A	\$ 1,608
Budgetary Financing Sources:				
Appropriations Used	(\$5,323)	(\$14)	A	(\$5,337)
Ending Balances	\$ 1,518	(\$168)		\$ 1,350

**Notes to the Consolidated and Combined Financial Statements
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Combined Statements of Budgetary Resources (Affected Line Items)

(dollars in millions)	As Originally Reported	Restatements	Ref.	Restated 2003
Budgetary Resources:				
Unobligated Balance:				
Beginning of Period	\$ 842	(\$8)	A	\$ 834
Net Transfers, Actual	(115)	(14)	A	(129)
Spending Authority from Offsetting Collections:				
		(\$12)	A	
		18	D	
Receivable from Federal Sources	\$ 94	\$ 6		\$ 100
Recoveries of prior year obligations	\$ 101	\$ 12	A	\$ 113
Total Budgetary Resources	\$ 7,474	(\$4)		\$ 7,470
Status of Budgetary Resources:				
Obligations Incurred:				
Direct	\$ 5,438	\$ 145	A	\$ 5,583
Reimbursable	\$ 697	(\$66)	A	\$ 631
Unobligated Balance:				
Apportioned	\$ 832	(\$9)	A	\$ 823
Unobligated Balances not Available	\$ 479	(\$74)		405
Total Status of Budgetary Resources	\$ 7,474	(\$4)		\$ 7,470
Relation of Obligations to Outlays:				
Obligated Balance, Net, Beginning of Period	\$ 1,378	\$ 23	A	\$ 1,401
Obligated Balance, Net, End of Period		\$ 12	A	
		(18)	D	
Accounts Receivable	(221)	(\$6)		(227)
Undelivered Orders	\$ 962	\$ 137	A	\$ 1,099
Accounts Payable	\$ 873	(\$48)	A	\$ 825
Less: Offsetting Receipts	\$ 404	\$ 34	E	\$ 438
Net Outlays	\$ 4,737	(\$34)		\$ 4,703

Notes to the Consolidated and Combined Financial Statements
For the Years Ended September 30, 2004 and 2003

Consolidated Statement of Financing (Affected Line Items)

(dollars in millions)	As Originally Reported	Restatements	Ref.	Reclassifications	Restated 2003
Resources Used to Finance Activities:					
Obligations Incurred	\$ 6,135	\$ 79	A	\$ -	\$ 6,214
Less: Spending Authority from Offsetting Collections and Recoveries	\$ 858	\$ 18	A	\$ -	\$ 876
Less Offsetting Receipts	\$ 404	\$ 34	E	\$ -	\$ 438
Total Resources Used to Finance Activities	\$ 5,103	\$ 27		\$ -	\$ 5,130
Change in Budgetary Resources Obligated for Goods, Services and Benefits Ordered but not yet provided	\$ 51	\$ 133	A	\$ -	\$ 184
		(\$5)	A		
		(\$31)	C		
		(\$34)	E		
Budgetary Offsetting Collections and Receipts that do not affect Net Cost of Operations	(\$153)	(\$70)	A	\$ -	(\$223)
Total Resources Used to Finance the Net Cost of Operations	\$ 4,956	(\$36)		\$ -	\$ 4,920
Components of the Net Cost of Operations that will not Require or Generate Resources in the Current Period					
Increase in Exchange Revenue Receivable from the Public	(\$41)	(\$15)	A	\$ -	(\$56)
Increase in Accrued Liability for Payments to States	\$ -	\$ -		\$ 180	\$ 180
		\$ 97	A	(\$180)	
		(\$9)	C	(\$77)	
		\$ 18	D	\$ -	
Other	\$ 245	\$ 106		(\$257)	\$ 94
Total Components of Net Cost of Operations that will Require or Generate Resources in Future Periods				\$ 77	\$ 79
Allocation Transfers and Other	\$ -	\$ 2		\$ 77	\$ 79
Net Cost of Operations	\$ 5,492	\$ 57		\$ -	\$ 5,549

**Notes to the Consolidated and Combined Financial Statements
For the Years Ended September 30, 2004 and 2003**

Note 13. Permanent Indefinite Appropriations

The USDA Forest Service has permanent indefinite appropriations, authorized by specific legislative acts, to fund Recreation Fee Collection Costs, Brush Disposal, License Programs for Smokey Bear and Woodsy Owl, Restoration of Forest Lands and Improvements, Roads and Trails for States, National Forest Fund, Timber Roads Purchaser Elections, Timber Salvage Sale Operations, and Maintenance of Quarters. Each of these permanent indefinite appropriations is funded by receipts made available by law, and is available until expended.

Note 14. Explanation of Differences Between the Statement of Budgetary Resources and the Budget of the United States Government

The differences between the fiscal 2003 Statement of Budgetary Resources (SBR) as restated and the fiscal 2003 actual numbers presented in the fiscal 2005 Budget of the United States Government (Budget) are summarized below.

SBR Line Description	(in millions)				Note
	SBR Amount	Budget Amount	Dollar Variance	Percentage Variance	
Total Budgetary Resources/Status of Resources	\$ 7,470	\$ 7,887	(\$417)	-5%	
New Budget Authority	5,845	5,838	7	-	
Net transfers, current year authority	70	52	18	35%	
Offsetting Collections - Earned	810	708	102	14%	a
Change in Unfilled Customer Orders	(47)	66	(113)	-171%	b
Unobligated Balance-Beginning of Year	834	1,136	(302)	-27%	c
Net transfers, prior year balances, actual	(129)	20	(149)	-745%	d
Recoveries of Prior Year Obligations	113	94	19	20%	
Permanently not Available	(26)	(27)	1	-4%	
Total New Obligations	6,214	6,516	(302)	-5%	c
Unobligated Balance-End of Year	1,256	1,371	(115)	-8%	c
Obligated Balance-Beginning of Year	1,401	964	437	45%	c
Obligated Balance-End of Year	1,597	1,456	141	10%	c
Outlays	5,141	5,149	(8)	-	

Certain amounts in the SBR as restated differ from those presented in the Budget primarily because the following items were not properly recorded in the accounting records at the time the USDA Forest Service completed its budget submission:

- a. An expenditure transfer for \$110 million to the Wildland Fire Management Fund.
- b. Reductions in new customer orders (i.e., reimbursable agreements) for the State and Private Forestry and National Forest System funds in the amount of \$45 and \$52 million, respectively.
- c. Obligations at the beginning and end of the fiscal year in the amount of \$437 and \$141 million, respectively. This also caused the beginning unobligated balance and total new obligations to be overstated by \$302 million and ending unobligated to be overstated by \$115 million.
- d. Transfer of \$115 million from a special fund receipt account to the Payments to States expenditure account.

**Notes to the Consolidated and Combined Financial Statements
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Also, the SBR includes balances in expired accounts no longer available for obligations.

Note 15. Explanation of the Relationship Between Liabilities Not Covered by Budgetary Resources and the Change in Components Requiring or Generating Resources in Future Periods

The USDA Forest Service's fiscal year 2004 and 2003 differences between the liabilities not covered by budgetary resources and the change in components requiring or generating resources in future periods result from liabilities not covered by budgetary resources being recorded in current year to the Consolidated Statements of Net Cost; while liabilities not covered by budgetary resources are cumulative over fiscal years. The components of the Consolidated Statements of Net Cost that will require or generate resources in the future are as follows:

	(in millions)	
	2004	2003 (As Restated)
Increase in Annual Leave Liability	\$ 16	\$ 8
Increase in Environmental and Disposal Liability	-	1
Decrease (Increase) in Exchange Revenue Receivable from the Public	10	(56)
Increase in Accrued Liability for Payments to States	92	180
Other	70	94
Total Components of Net Cost of Operations that will Require or Generate Resources in Future Periods	\$ 188	\$ 227

Note 16. Description of Transfers That Appear as a Reconciling Item on the Consolidated Statement of Financing

The USDA Forest Service has the following routine transfers without reimbursement that are reconciling items on the Consolidated Statement of Financing:

Transfers In

Trading Partner	Account Title	Purpose
Department of Labor	Job Corps Civilian Conservation	Provide training for under-employed youths.
Department of Transportation	Federal Highway Trust Fund	Maintenance and upkeep of Federal highways traversing national forest lands.

Note 17. Dedicated Collections

The USDA Forest Service recognizes the following funds as dedicated collections. These funds finance the enhancement and maintenance of National Forest System lands including reforestation. Donations are handled on the cash basis and all other collections are accounted for on the accrual basis. Financial information for all significant dedicated collections is shown below. Following the financial information is the related descriptive narrative for each of the significant dedicated collection funds.

**Notes to the Consolidated and Combined Financial Statements
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Dedicated Collections as of and for the Year Ended September 30, 2004 (in millions)

	Cooperative Work	Land Acquisition	Payments to States, National Forest Fund	Timber Salvage Sales	Fee, Operations and Maintenance of Recreation Facilities	Timber Roads, Purchaser Election	Expenses, Brush Disposal	Recreation Fee Demonstration Program	Roads and Trails for States, National Forest Fund			Other Funds	Total
									Reforestation Trust Fund				
Assets													
Fund Balance with Treasury Investments	\$472	\$99	\$131	\$98	\$93	\$61	\$56	\$42	\$26	\$26	\$26	\$59	\$1,163
Accounts Receivable, Net	2	-	-	1	-	-	-	2	-	-	-	9	14
General Property, Plant & Equipment, Net	16	48	2	1	-	2	-	3	15	-	-	3	90
Total Assets	\$490	\$147	\$133	\$100	\$93	\$63	\$56	\$47	\$41	\$26	\$26	\$75	\$1,271
Liabilities													
Accounts Payable	(\$1)	\$-	\$1	(\$2)	\$-	\$-	\$-	\$1	\$1	\$-	\$-	\$-	\$-
Other Liabilities	49	2	63	7	12	-	-	2	2	3	3	5	145
Total Liabilities	48	2	64	5	12	-	-	3	3	3	3	5	145
Total Net Position	442	145	69	95	81	63	56	44	38	23	23	70	1,126
Total Liabilities and Net Position	\$490	\$147	\$133	\$100	\$93	\$63	\$56	\$47	\$41	\$26	\$26	\$75	\$1,271
Change in Net Position													
Beginning Balances	\$300	\$76	\$53	\$56	\$81	\$28	\$35	\$28	\$38	\$26	\$26	\$44	\$765
Prior Period Adjustments	-	-	-	-	-	-	-	-	1	-	-	2	3
Beginning Balances, as adjusted	300	76	53	56	81	28	35	28	39	26	26	46	768
Budgetary Financing Sources:													
Other Adjustments (rescissions, etc.)	-	(1)	-	-	-	-	-	-	-	-	-	-	(1)
Donations and Forfeitures of Cash	-	-	-	-	-	-	-	-	-	-	-	1	1
Transfers -in/out without Reimbursement	154	163	93	35	-	35	20	14	13	29	14	14	570
Total Financing Sources	154	162	93	35	-	35	20	14	13	29	14	15	570
Net Cost of Operations	12	93	77	(4)	-	-	(1)	(2)	14	32	(9)	(9)	212
Ending Balances	\$442	\$145	\$69	\$95	\$81	\$63	\$56	\$44	\$38	\$23	\$23	\$70	\$1,126

**Notes to the Consolidated and Combined Financial Statements
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Dedicated Collections as of and for the Year Ended September 30, 2003 (in millions)

	Cooperative Work	Land Acquisition	Payments to States, National Forest Fund	Timber Salvage Sales	Fee, Operations and Maintenance of Recreation Facilities	Timber Roads, Purchaser Election	Expenses, Brush Disposal	Recreation Fee Demonstration Program	Roads and Trails for States, National Forest Fund	Reforestation Trust Fund	Other Funds	Total
Assets												
Fund Balance with Treasury	\$325	\$32	\$104	\$52	\$89	\$27	\$33	\$25	\$29	\$28	\$46	\$790
Investments	-	-	-	-	-	-	-	-	-	-	3	3
Accounts Receivable, Net	8	-	-	6	-	-	1	1	-	-	3	19
General Property, Plant & Equipment, Net	13	48	-	1	-	1	1	2	13	-	1	80
Total Assets	\$346	\$80	\$104	\$59	\$89	\$28	\$35	\$28	\$42	\$28	\$53	\$892
Liabilities												
Accounts Payable	(\$1)	\$2	\$-	(\$2)	\$-	\$-	\$-	\$-	\$1	\$-	\$2	\$2
Other Liabilities	47	2	51	5	8	-	-	-	2	2	5	122
Total Liabilities	46	4	51	3	8	-	-	-	3	2	7	124
Total Net Position	300	76	53	56	81	28	35	28	39	26	46	768
Total Liabilities and Net Position	\$346	\$80	\$104	\$59	\$89	\$28	\$35	\$28	\$42	\$28	\$53	\$892
Change in Net Position												
Beginning Balances	\$213	\$59	(\$116)	\$90	\$81	\$8	\$38	\$26	\$2	\$30	\$9	\$440
Prior Period Adjustments	(16)	(1)	116	(14)	-	-	(2)	(1)	(11)	(1)	6	76
Beginning Balances, as adjusted	197	58	-	76	81	8	36	25	(9)	29	15	516
Budgetary Financing Sources:												
Donations and Forfeitures of Cash	-	-	-	-	-	-	-	-	-	-	1	1
Transfers -in/out without Reimbursement	129	176	107	(5)	-	8	-	-	16	30	21	482
Other Financing Sources: Transfers-in/out without Reimbursement	-	-	-	(1)	-	-	-	-	-	-	(1)	(2)
Total Financing Sources	129	176	107	(6)	-	8	-	-	16	30	21	481
Net Cost of Operations	26	158	54	14	-	(12)	1	(3)	(32)	33	(10)	229
Ending Balances	\$300	\$76	\$53	\$56	\$81	\$28	\$35	\$28	\$39	\$26	\$46	\$768

**Notes to the Consolidated and Combined Financial Statements
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Cooperative Work

Cooperative contributions are deposited into Treasury account 12X8028 for disbursement in compliance with the terms and provisions of the agreement between the cooperator and the USDA Forest Service. Cooperators include timber purchasers, not-for-profit organizations, and local hunting and fishing clubs. The governing authorities are the Act of June 30, 1914 (16 U.S.C. 498), and the Knutson-Vandenberg Act.

Land Acquisition

Each fiscal year the USDA Forest Service's Treasury account 12X5004 receives a transfer of recreation user fees from the Department of the Interior's Land and Water Conservation Fund, to be used for the acquisition of land or waters, or interest therein, including administrative expenses, to carry out the provisions of the Land and Water Conservation Fund Act of 1965, as amended (16 U.S.C. 4601-4-11), pertaining to the preservation of watersheds. The Land Acquisition program is authorized by the Interior and Related Agencies Appropriations Act of December 30, 1982 (96 Stat. 1983, Public Law 97-394).

Payments to States, National Forest Fund

The Payments to States, National Forest Fund Treasury account 12X5201 receives amounts from receipt account 125008, the National Forest Fund. These monies are generated by the sale of goods and services on the national forests. Annually, revenue-sharing payments are made to the States in which the national forests are located, for public schools and public roads in the county or counties in which the national forests are situated. The Act of May 23, 1908, as amended (16 U.S.C. 500), authorized the Payments to States, National Forest Fund program.

Timber Salvage Sales

The Salvage Sale Fund, Treasury account 12X5204, was established to facilitate the timely removal of timber damaged by fire, wind, insects, diseases, or other events. Amounts collected from the sale of salvaged timber are used on other qualifying salvage sales to cover the cost of preparing and administering the sales. The Timber Salvage Sales program is authorized by 16 USC 472(a).

Fees, Operations and Maintenance of Recreation Facilities

This Treasury receipt account, 125072, accumulates a portion of deposits derived from fees authorized by the Land and Water Conservation Fund Act and is available for expenditure by the USDA Forest Service only upon appropriation by Congress. Funds deposited are not appropriated under this heading because Congressional intent is to not use the deposits for activities over and above those amounts already provided in the National Forest System appropriation. The Land and Water Conservation Fund Act (16 U.S.C. 4601 et. seq.) authorized the establishment of this special fund and regulates admission and special recreation user fees at certain recreational areas.

Timber Roads, Purchaser Election

The Timber Roads, Purchaser Election Treasury account 12X5202 receives deposits from small business timber purchasers who elect to pay the USDA Forest Service to construct or reconstruct any road or bridge required by their respective timber sale. These collections are used to finance only those forest development roads constructed or reconstructed under the terms and conditions of the timber sale contract(s) involved, and only to a standard necessary

**Notes to the Consolidated and Combined Financial Statements
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to harvest and remove the timber and other products covered by the particular sale(s). The Timber Roads, Purchaser Election program is authorized by 16 USC 472(I) (2).

Expenses, Brush Disposal

Deposits from timber purchasers are recorded in Treasury account 12X5206 and used to cover the cost required to dispose of slash, brush, and other debris resulting from timber cutting operations and for supplemental protection of the cutover areas in lieu of actual disposal. The Expenses, Brush Disposal program is authorized by 16 USC 490-498.

Recreation Fee Demonstration Program

The Recreation Fee Demonstration Program Treasury account 12X5268, receives deposits of recreation fees collected from projects that are part of the Recreation Fee Demonstration program. These monies are retained and used for backlog repair and maintenance of recreation areas, sites or projects. These funds are also used for interpretation, signage, habitat or facility enhancement, resource preservation, annual operation, maintenance, and law enforcement related to public use of recreation areas and sites. The Recreation Fee Demonstration Program is authorized by 16 U.S.C. 4601-6a.

Roads and Trails for States, National Forest Fund

The Roads and Trails for States, National Forest Fund Treasury account 12X5203 receives annual deposits equal to 10 percent of all revenues from receipt account 125008, the National Forest Fund. These amounts are then paid to the States, without regard to the State in which the amounts were derived, to repair or reconstruct roads, bridges, and trails on National Forest System lands or to carry out and administer projects to improve forest health conditions, which may include the repair or reconstruction of roads, bridges, and trails on National Forest System lands in the wildland-community interface where there is an abnormally high risk of fire. The Roads and Trails for States, National Forest Fund is authorized by the Act of March 4, 1913, as amended (16 USC 501).

Reforestation Trust Fund

The Reforestation Trust Fund Treasury account 12X8046 receives periodic transfers of funds from the U.S. Treasury of tariffs collected from exported timber. Such deposits may not exceed \$30 million dollars in a fiscal year. Amounts are invested and reinvested by the Washington Office, Financial Accounting and Operations Staff in United States Treasury interest-bearing Government securities. The interest income is added to the balance in the Reforestation Trust Fund for use by the Secretary of Agriculture for reforestation and timber-stand improvement activities. The Act of October 14, 1980, as amended (16 U.S.C. 1606 a(d)) established the Reforestation Trust Fund.

Note 18. Seized Property

A seizure is the act of taking possession of goods in consequence of a violation of public law. Seized property may consist of monetary instruments, real property, tangible personal property and evidence. Until judicially or administratively forfeited, the USDA Forest Service does not legally own such property. Seized evidence includes cash, weapons, illegal drugs, and non-monetary valuables.

Pursuant to Federal Financial Accounting and Auditing Technical Release No. 4, *Reporting On Non-Valued Seized and Forfeited Property* (Release No. 4), seized property with no legal resale market in the United States (e.g., weapons, chemicals, drug paraphernalia, gambling

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devices) is not included on the consolidated balance sheet. Also, the USDA Forest Service has not included financial and personal property in its consolidated balance sheets due to immateriality.

The USDA Forest Service has custody of illegal drugs and weapons seized as evidence for legal proceedings. Illegal drugs and weapons have no saleable value to the Federal government and are destroyed upon resolution of legal proceedings. Marijuana represents the major significant seized drug for the USDA Forest Service. As of September 30, 2004 and 2003, the amount of marijuana on hand was 32,685(kg) and 66,516(kg), respectively. The large decrease is primarily the result of an error in the FY2003 ending balance. The agency is unable to determine the amount of the error due to limitations of the legacy system in preparing a roll forward schedule with additions and deletions for seized property.

Additionally, the amount of marijuana seeds on hand as of September 30, 2004 was 48,330 units. The amount of seeds on hand as of September 30, 2003 was not available.

The USDA Forest Service implemented a new data base at the end of fiscal year 2004 to track by transaction the amount of seized and forfeited property. This data base will maintain the necessary data for compilation of a roll forward schedule in the future.

Required Supplementary Information (Unaudited)

For the Years Ended September 30, 2004 and 2003

Deferred Maintenance

Overview

Deferred maintenance is maintenance that was scheduled to be performed but was delayed until a future period. Deferred maintenance represents a cost that the Government has elected not to fund and, therefore, the costs are not reflected in the financial statements. Maintenance is defined to include preventative maintenance, normal repairs, replacement of parts and structural components, and other activities needed to preserve the asset so that it continues to provide acceptable service and achieve its expected life. Maintenance excludes activities aimed at expanding the capacity of an asset or otherwise upgrading it to service needs different from, or significantly greater than, those originally intended.

Deferred maintenance is reported for general Property, Plant and Equipment (PP&E), stewardship assets, and heritage assets. It is also reported separately for critical and non-critical amounts of maintenance needed to return each class of asset to its acceptable operating condition.

The USDA Forest Service uses condition surveys to estimate deferred maintenance on all major classes of PP&E. No deferred maintenance exists for fleet vehicles and computers that are managed through the agency's working capital fund (WCF). Each fleet vehicle is maintained according to schedule. The cost of maintaining the remaining classes of equipment is expensed.

Exhibit 9. *Deferred Maintenance Totals (in thousands) by Asset Class as of September 30, 2004*

Asset Class	Overall Condition (1)	Cost To Return to Acceptable Condition	Critical Maintenance (2)	Noncritical Maintenance (3)
Buildings and admin. facilities ²	Varies	\$462,549	\$129,350	\$333,199
Dams	Varies	28,255	9,594	18,661
Heritage Assets	Varies	9,570	4,866	4,704
Range improvements ³	Varies	464,462	464,105	357
Recreation facilities ⁴	Varies	178,115	51,949	126,166
Roads and bridges	Varies	5,279,789	773,999	4,505,790
Trails ⁵	Varies	106,558	36,459	70,099
Wildlife, fish, and threatened and endangered species ⁶	Varies	6,169	4,419	1,750
Totals*		\$6,535,467	\$1,474,741	\$5,060,726

* Overall agency indirect cost of managing the program is 19 percent (not included in the figures above).

² Buildings and administrative facilities include buildings and 25 percent of water and wastewater systems.

³ Range improvements include fences and stock handling facilities.

⁴ Recreation facilities include developed recreation sites, general forest areas, and 75 percent of water and wastewater systems.

⁵ Trails include trails and trail bridges.

⁶ Wildlife, fish, threatened and endangered species also includes watershed and wilderness improvements.

**Required Supplementary Information (Unaudited)
For the Years Ended September 30, 2004 and 2003**

(1) Overall Condition. Condition of major classes of property range from poor to good depending on location, age, and type of property. Currently no comprehensive national assessment of Forest Service property exists. The current deferred maintenance estimates were based on regularly scheduled condition surveys and inspections. Condition surveys were performed on a statistical sample of closed and very low traffic volume roads.

(2) Critical Maintenance. This is a requirement that addresses a serious threat to public health or safety, a natural resource, or the ability to carry out the mission of the organization.

(3) Noncritical Maintenance. This is a requirement that addresses potential risk to the public or employee safety or health (e.g., compliance with codes, standards, or regulations), and potential adverse consequences to natural resources or mission accomplishment.

Condition of Administrative Facilities. The condition of administrative facilities ranges from poor to good. Approximately one-half of these buildings are obsolete or in poor condition needing major repairs or renovation. Approximately one-fourth of these buildings are in fair condition, and the remaining are in good condition.

Condition of Dams. The overall condition of dams is below acceptable. The condition of a dam is acceptable when the dam meets current design standards and does not have any deficiencies that threaten the safety of the structure or public. Also, in order to be in acceptable condition, the agency needs to restore the dams to the original functional purpose, correct unsightly conditions, or prevent more costly repairs.

The standards for acceptable operating condition for various classes of general PP&E, stewardship, and heritage assets are as follows:

- Buildings. Comply with the National Life Safety Code, the Forest Service Health and Safety Handbook, and the Occupational Safety Health Administration as determined by condition surveys. These requirements are found in Forest Service Manual (FSM) 7300.
- Dams. Managed according to FSM 7500, Water Storage and Transmission, and Forest Service Handbook (FSH) 7509.11, Dams Management, as determined by condition surveys.
- Heritage Assets. These assets include archaeological sites that require determinations of National Register of Historic Places status, National Historic Landmarks, and significant historic properties. Some heritage assets may have historical significance, but their primary function in the agency is as visitation or recreation sites and, therefore, may not fall under the management responsibility of the heritage program.

Required Supplementary Information (Unaudited)
For the Years Ended September 30, 2004 and 2003

- **Range Structures.** The condition assessment was based on (1) a determination by knowledgeable range specialists or other district personnel of whether the structure would perform the originally intended function, and (2) a determination through the use of a protocol system to assess conditions based on age. A long-standing range methodology is used to gather this data.
- **Developed Recreation Sites.** This category includes campgrounds, trailheads, trails, wastewater facilities, interpretive facilities, and visitor centers. All developed sites are managed in accordance with Federal laws and regulations (CFR 36). Detailed management guidelines are contained in FSM 2330, Publicly Managed Recreation Opportunities, and regional- and forest-level user guides. Standards of quality for developed recreation sites were structured under the meaningful measures of system and established for the following categories: health and cleanliness, settings, safety and security, responsiveness, and the condition of the facility.
- **Roads and Bridges.** Conditions of the National Forest System (NFS) road system are measured by various standards that include applicable regulations for the Highway Safety Act developed by the Federal Highway Administration, best management practices for road construction and maintenance developed by the Environmental Protection Agency and the States to implement the nonpoint source provisions of the Clean Water Act, road management objectives developed through the forest planning process prescribed by the National Forest Management Act, and the requirements of the Forest Service manual and handbooks (FSM 7730, FSH 7709.56a, and FSH 7709.56b).
- **Trails.** Trails are managed according to Federal law and regulations (CFR 36). More specific direction is contained in FSM 2350—Trail, River, and Similar Recreation Opportunities—and the Forest Service Trails Management Handbook (FSH 2309.18).
- **Wildlife, Fish, and Threatened and Endangered Species Structures.** Field biologists at the forest used their professional judgment to determine deferred maintenance. Deferred maintenance was considered upkeep that had not occurred regularly. The amount was considered critical if resource damage or species endangerment would likely occur if maintenance were deferred much longer.

Required Supplementary Information (Unaudited)
For the Years Ended September 30, 2004 and 2003
Combined Statements of Budgetary Resources for the Year Ended September 30, 2004
(in millions)

	National Forest and Grasslands	Forest and Rangeland Research	State and Private Forestry	Capital Improvement and Maintenance	Wildland Fire Management	Permanent and Trust Funds	Working Capital Fund	Total
Budgetary Resources								
Budget Authority:								
1a. Appropriations Received	\$1,657	\$270	\$333	\$562	\$2,369	\$732	\$-	\$5,923
1d. Net Transfers	85	28	105	51	(337)	51	5	(12)
Subtotal	1,742	298	438	613	2,032	783	5	5,911
Unobligated Balance:								
2a. Beginning of Period	173	43	59	78	311	524	68	1,256
2b. Net Transfers, Actual	66	5	34	43	(200)	52	4	4
Subtotal	239	48	93	121	111	576	72	1,260
Spending Authority from Offsetting Collections:								
3a. Earned:								
3a1. Collected	97	33	9	10	44	-	235	428
3a2. Receivable from Federal	(6)	(20)	(10)	1	20	(2)	4	(13)
3b1. Advances Received	-	(5)	(1)	-	-	(4)	-	(10)
3b2. W/out Advance from Fed.	18	4	1	2	(5)	-	-	20
3e. Subtotal	109	12	(1)	13	59	(6)	239	425
4a. Recoveries of prior year obligations	9	1	11	1	8	64	3	97
Permanently/ Temporarily not Available	(19)	(3)	(3)	(7)	(22)	-	-	(54)
Total Budgetary Resources	\$2,050	\$356	\$538	\$741	\$2,188	\$1,417	\$319	\$7,639

Required Supplementary Information (Unaudited)
For the Years Ended September 30, 2004 and 2003
Combined Statements of Budgetary Resources for the Year Ended September 30, 2004
(in millions)

	National Forest and Grasslands	Forest and Rangeland Research	State and Private Forestry	Capital Improvement and Maintenance	Wildland Fire Management	Permanent and Trust Funds	Working Capital Fund	Total
Status of Budgetary Resources:								
Obligations Incurred								
8a. Direct	\$ 1,777	\$ 290	\$ 448	\$ 622	\$ 1,771	\$ 516	\$ 208	\$ 5,632
8b. Reimbursable	107	37	9	13	103	(1)	1	269
8c. Subtotal	1,884	327	457	635	1,874	515	209	5,901
Unobligated Balance:								
9a. Apportioned	179	28	76	105	64	768	42	1,262
10d. Unobligated Balances not Available	17	1	5	1	250	134	68	476
9+10. Subtotal	196	29	81	106	314	902	110	1,738
Total Status of Budgetary Resources	\$ 2,080	\$ 356	\$ 538	\$ 741	\$ 2,188	\$ 1,417	\$ 319	\$ 7,639
Relation of Obligations to Outlays:								
Obligated Balance, Net, Beg. of Period	\$ 166	\$ 71	\$ 449	\$ 225	\$ 457	\$ 163	\$ 66	\$ 1,597
Obligated Balance, Net, End of Period	(45)	(7)	(31)	(9)	(109)	(9)	(3)	(213)
14a. Accounts Receivable	(73)	(26)	1	(24)	2	-	-	(120)
14b. Unfilled Orders from Fed.	216	85	445	221	196	47	22	1,232
14c. Undelivered Orders	106	34	108	58	240	38	10	594
14d. Accounts Payable	204	86	523	246	329	76	29	1,493
Outlays:								
15a. Disbursements	1,825	326	382	609	1,977	540	241	5,900
15b. Collections	(97)	(28)	(8)	(9)	(43)	4	(237)	(418)
15c. Subtotal	1,728	298	374	600	1,934	544	4	5,482
Less: Offsetting Receipts	1	-	-	-	-	383	-	384
Net Outlays	\$ 1,727	\$ 298	\$ 374	\$ 600	\$ 1,934	\$ 161	\$ 4	\$ 5,098

Required Supplementary Information (Unaudited)
For the Years Ended September 30, 2004 and 2003
Combined Statements of Budgetary Resources for the Year Ended September 30, 2003 (As Restated)
(in millions)

	National Forest and Grasslands	Forest and Rangeland Research	State and Private Forestry	Capital Improvement and Maintenance	Wildland Fire Management	Permanent and Trust Funds	Working Capital Fund	Total
Budgetary Resources								
Budget Authority:								
1a. Appropriations Received	\$ 1,518	\$ 252	\$ 287	\$ 552	\$ 2,298	\$ 938	\$ -	\$ 5,845
1d. Net Transfers	47	34	137	30	(216)	8	30	70
Subtotal	1,565	286	424	582	2,082	946	30	5,915
Unobligated Balance:								
2a. Beginning of Period	230	20	29	131	7	363	54	834
2b. Net Transfers, Actual	2	5	-	10	13	(139)	(20)	(129)
Subtotal	232	25	29	141	20	224	34	705
Spending Authority from Offsetting Collections:								
3a. Earned:								
3a1. Collected	133	29	12	10	289	1	236	710
3a2. Receivable from Federal	52	53	45	1	(27)	(21)	(3)	100
3b. Change in Unfilled Customer Orders:								
3b1. Advances Received	(1)	(1)	(1)	-	-	2	-	(1)
3b2. W/out Advance from Fed.	(24)	(19)	(3)	2	(2)	-	-	(46)
3e. Subtotal	160	62	53	13	260	(18)	233	763
4a. Recoveries of prior year obligations	52	4	9	4	32	4	8	113
Permanently/ Temporarily not Available	(10)	(2)	(2)	(4)	(8)	-	-	(26)
Total Budgetary Resources	\$ 1,999	\$ 375	\$ 513	\$ 736	\$ 2,386	\$ 1,156	\$ 305	\$ 7,470

Required Supplementary Information (Unaudited)
For the Years Ended September 30, 2004 and 2003
Combined Statements of Budgetary Resources for the Year Ended September 30, 2003 (As Restated)
(in millions)

	National Forest and Grasslands	Forest and Rangeland Research	State and Private Forestry	Capital Improvement and Maintenance	Wildland Fire Management	Permanent and Trust Funds	Working Capital Fund	Total
Status of Budgetary Resources:								
Obligations Incurred								
8a. Direct	\$ 1,776	\$ 303	\$ 444	\$ 645	\$ 1,806	\$ 633	(\$24)	\$ 5,583
8b. Reimbursable	51	29	9	13	269	-	260	631
8c. Subtotal	1,827	332	453	658	2,075	633	236	6,214
Unobligated Balance:								
9a. Apportioned	57	15	36	67	115	475	58	823
9b. Exempt from Apportionment	-	-	-	-	-	(4)	32	28
10d. Unobligated Balances not Available	115	28	24	11	196	52	(21)	405
9+10. Subtotal	172	43	60	78	311	523	69	1,256
Total Status of Budgetary Resources	\$ 1,999	\$ 375	\$ 513	\$ 736	\$ 2,386	\$ 1,156	\$ 305	\$ 7,470
Relation of Obligations to Outlays:								
Obligated Balance, Net, Beg. of Period	\$ 69	\$ 93	\$ 378	\$ 131	\$ 621	\$ 54	\$ 55	\$ 1,401
Obligated Balance, Net, End of Period								
14a. Accounts Receivable	(52)	(25)	(41)	(8)	(89)	(11)	(1)	(227)
14b. Unfilled Orders from Fed.	(55)	(22)	2	(22)	(3)	-	-	(100)
14c. Undelivered Orders	180	85	405	210	133	54	32	1,099
14d. Accounts Payable	93	33	84	44	417	119	35	825
	166	71	450	224	458	162	66	1,597
Outlays:								
15a. Disbursements	1,649	316	332	558	2,236	540	220	5,851
15b. Collections	(132)	(28)	(11)	(10)	(290)	(3)	(236)	(710)
15c. Subtotal	1,517	288	321	548	1,946	537	(16)	5,141
Less: Offsetting Receipts	(187)	-	-	-	-	625	-	438
Net Outlays	\$ 1,704	\$ 288	\$ 321	\$ 548	\$ 1,946	(\$88)	(\$16)	\$ 4,703

Required Supplementary Information (Unaudited)
For the Years Ended September 30, 2004 and 2003
Intragovernmental Trading Partners

Consolidated Intragovernmental Assets (in millions) as of September 30, 2004			
Trading Partner (Code)	Fund Balance with Treasury	Accounts Receivable	Investments
Unknown (00)	\$ -	\$ 6	\$ -
Department of Agriculture (12)	-	3	-
Department of Interior (14)	-	25	-
Department of the Navy (17)	-	1	-
Department of the Treasury (20)	3,506	-	4
Department of the Army (21)	-	1	-
Department of Transportation (69)	-	13	-
Department of Homeland Security (70)	-	10	-
Agency for International Development (72)	-	1	-
Department of Energy (89)	-	2	-
Total Assets	\$ 3,506	\$ 62	\$ 4

Consolidated Intragovernmental Assets (in millions) as of September 30, 2003			
Trading Partner (Code)	Fund Balance with Treasury	Accounts Receivable	Investments
Unknown (00)	\$ -	\$ 4	\$ -
Department of Agriculture (12)	-	3	-
Department of Interior (14)	-	7	-
Department of Labor (16)	-	4	-
Department of the Treasury (20)	3,263	-	3
Department of the Army (21)	-	4	-
Department of Transportation (69)	-	2	-
Department of Homeland Security (70)	-	6	-
Agency for International Development (72)	-	1	-
Department of Energy (89)	-	4	-
Office of the Secretary of Defense-Defense Agencies (97)	-	1	-
Total Assets	\$ 3,263	\$ 36	\$ 3

Required Supplementary Information (Unaudited)
For the Years Ended September 30, 2004 and 2003
Intragovernmental Trading Partners

Liabilities (in millions) as of September 30, 2004	
Trading Partner (Code)	Other
Unknown (00)	\$ 192
Department of Agriculture (12)	14
Department of Commerce (13)	4
Department of Interior (14)	129
Department of Justice (15)	19
Department of Labor (16)	69
Department of the Treasury (20)	9
Department of the Army (21)	1
Office of Personnel Management (24)	15
General Services Administration (47)	13
Tennessee Valley Authority (64)	1
Environmental Protection Agency (68)	1
Agency for International Development (72)	1
Department of Health and Human Services (75)	28
Department of Energy (89)	1
U.S. Army Corps of Engineers (96)	(133)
Office of the Secretary of Defense-Defense Agencies (97)	3
Total Liabilities	\$ 367

Liabilities (in millions) as of September 30, 2003	
Trading Partner (Code)	Other
Unknown (00)	\$ 294
Department of Agriculture (12)	10
Department of Commerce (13)	1
Department of Interior (14)	18
Department of Justice (15)	20
Department of Labor (16)	89
Department of the Treasury (20)	191
Department of the Army (21)	2
Office of Personnel Management (24)	10
General Services Administration (47)	20
Agency for International Development (72)	4
U.S. Army Corps of Engineers (96)	(100)
Office of the Secretary of Defense-Defense Agencies (97)	1
Total Liabilities	\$ 560

Required Supplementary Information (Unaudited)
For the Years Ended September 30, 2004 and 2003
Intragovernmental Trading Partners

Earned Revenue Federal (in millions) as of September 30, 2004	
Trading Partner (Code)	Earned Revenue Federal
Unknown (00)	\$ (3)
Department of Agriculture (12)	12
Department of Interior (14)	51
Department of Justice (15)	6
Department of Labor (16)	19
Department of the Navy (17)	1
U.S. Postal Service (18)	1
Department of State (19)	1
Department of the Army (21)	7
Department of Transportation (69)	6
Department of Homeland Security (70)	4
Agency for International Development (72)	10
Department of Energy (89)	3
U.S. Army Corps of Engineers (96)	2
Office of the Secretary of Defense-Defense Agencies (97)	1
Total Earned Revenue Federal	\$ 121

Earned Revenue Federal (in millions) as of September 30, 2003	
Trading Partner (Code)	Earned Revenue Federal
Unknown (00)	\$ 28
Department of Agriculture (12)	23
Department of Commerce (13)	1
Department of Interior (14)	70
Department of Labor (16)	27
U.S. Postal Service (18)	1
Department of the Army (21)	13
Department of the Air Force (57)	(5)
Environmental Protection Agency (68)	1
Department of Homeland Security (70)	113
Department of Transportation (69)	8
Agency for International Development (72)	8
National Aeronautics and Space Administration (80)	2
Department of Energy (89)	16
U.S. Army Corps of Engineers (96)	2
Office of the Secretary of Defense-Defense Agencies (97)	7
Total Earned Revenue Federal	\$ 315

Required Supplementary Information (Unaudited)
For the Years Ended September 30, 2004 and 2003
Intragovernmental Trading Partners

Cost to Generate Earned Revenue Federal (in millions)	
For the Year Ended September 30, 2004	
Functional Classification	Federal and Non-Federal
300 Natural Resources and Environment	\$ 121
Total Cost to Generate Revenue	\$ 121

Cost to Generate Earned Revenue Federal (in millions)	
For the Year Ended September 30, 2003	
Functional Classification	Federal and Non-Federal
300 Natural Resources and Environment	\$ 315
Total Cost to Generate Revenue	\$ 315

Required Supplementary Information (Unaudited)
For the Years Ended September 30, 2004 and 2003
Intragovernmental Trading Partners

Cost Federal (in millions) for the Year Ended September 30, 2004	
Trading Partner (Code)	Cost Federal
Government Printing Office (04)	\$ 8
Department of Agriculture (12)	143
Department of Commerce (13)	3
Department of Interior (14)	47
Department of Justice (15)	2
Department of Labor (16)	50
Department of the Treasury (20)	173
Department of the Army (21)	2
Office of Personnel Management (24)	519
Department of Veterans Affairs (36)	1
General Services Administration (47)	123
Tennessee Valley Authority (64)	1
Environmental Protection Agency (68)	1
Department of Transportation (69)	2
Department of Homeland Security (70)	(9)
Department of Health and Human Services (75)	119
Department of Energy (89)	2
U.S. Army Corps of Engineers (96)	14
Office of the Secretary of Defense-Defense Agencies (97)	6
Total Cost Federal	\$ 1,207

**Required Supplementary Information (Unaudited)
For the Years Ended September 30, 2004 and 2003
Intragovernmental Trading Partners**

Cost Federal (in millions) for the Year Ended September 30, 2003	
Trading Partner (Code)	Cost Federal
Unknown (00)	\$ 15
Government Printing Office (04)	8
Department of Agriculture (12)	124
Department of Commerce (13)	3
Department of Interior (14)	83
Department of Justice (15)	3
Department of Labor (16)	92
Department of the Treasury (20)	16
Department of the Army (21)	4
Office of Personnel Management (24)	478
Department of Veterans Affairs (36)	1
General Services Administration (47)	102
Tennessee Valley Authority (64)	1
Environmental Protection Agency (68)	1
Department of Transportation (69)	3
Department of Energy (89)	2
U.S. Army Corps of Engineers (96)	7
Office of the Secretary of Defense-Defense Agencies (97)	4
Total Cost Federal	\$ 947

Required Supplementary Information (Unaudited)
For the Years Ended September 30, 2004 and 2003
Intragovernmental Trading Partners

Non-exchange Revenue Federal (in millions) For the Year Ended September 30, 2004			
Trading Partner (Code)	Transfers-In	Transfers-Out	Other
Unknown (00)	\$ 130	\$ 127	\$ -
Department of Agriculture (12)	346	346	47
Department of Interior (14)	132	1	-
Department of the Treasury (20)	-	-	3
Office of Personnel Management (24)	-	-	194
Department of Transportation (69)	12	-	-
Department of Homeland Security (70)	30	-	-
Total Non-exchange Revenue Federal	\$ 650	\$ 474	\$ 244

Non-exchange Revenue Federal (in millions) For the Year Ended September 30, 2003			
Trading Partner (Code)	Transfers-In	Transfers-Out	Other
Unknown (00)	\$ 1,176	\$ 715	\$ -
Department of Agriculture (12)	50	-	44
Department of the Treasury (20)	-	-	6
Office of Personnel Management (24)	-	-	179
Total Non-exchange Revenue Federal	\$ 1,226	\$ 715	\$ 229

Required Supplementary Information (Unaudited)
For the Years Ended September 30, 2004 and 2003
Fiscal Year 2004 Segment Information as of September 30, 2004 (in thousands of dollars)

	Departmental Working Capital Fund	Forest Service Working Capital Fund	Total Working Capital Funds
Condensed Information:			
Fund Balance	\$ --	138,985	138,985
Accounts Receivable	--	3,076	3,076
Property, Plant, and Equipment	--	242,080	242,080
Other Assets	--	12	12
Total Assets	--	384,153	384,153
Liabilities and Net Position:			
Accounts Payable	--	1,235	1,235
Deferred Revenues	--	--	--
Other Liabilities	--	23,709	23,709
Unexpended Appropriations	--	8,971	8,971
Cumulative Results of Operations	--	350,238	350,238
Total Liabilities and Net Position	--	384,153	384,153
	Cost of Goods and Services Provided	Related Exchange Revenue	Excess of Costs Over Exchange Revenue
Product or Business Line			
Departmental Working Capital Fund:			
Finance and Management	--	--	--
Communications	--	--	--
Information Technology	--	--	--
Administration	--	--	--
Executive Secretariat	--	--	--
Total Departmental Working Capital Fund	--	--	--
Forest Service Working Capital Fund:			
Other	262,924	238,392	24,532
Total Working Capital Funds	\$ 262,924	238,392	24,532

Required Supplementary Information (Unaudited)
For the Years Ended September 30, 2004 and 2003
Fiscal Year 2003 Segment Information as of September 30, 2003 (in thousands of dollars)

	Departmental Working Capital Fund	Forest Service Working Capital Fund	Total Working Capital Funds
Condensed Information:			
Fund Balance	\$ --	133,972	133,972
Accounts Receivable	--	599	599
Property, Plant, and Equipment	--	275,216	275,216
Other Assets	--	13	13
Total Assets	--	409,800	409,800
Liabilities and Net Position:			
Accounts Payable	--	1,102	1,102
Deferred Revenues	--	--	--
Other Liabilities	--	33,931	33,931
Unexpended Appropriations	--	--	--
Cumulative Results of Operations	--	374,767	374,767
Total Liabilities and Net Position	--	409,800	409,800
	Cost of Goods and Services Provided	Related Exchange Revenue	Excess of Costs Over Exchange Revenue
Product or Business Line			
Departmental Working Capital Fund:			
Finance and Management	--	--	--
Communications	--	--	--
Information Technology	--	--	--
Administration	--	--	--
Executive Secretariat	--	--	--
Total Departmental Working Capital Fund	--	--	--
Forest Service Working Capital Fund:			
Other	365,795	224,415	141,380
Total Working Capital Funds	\$ 365,795	224,415	141,380

Required Supplementary Stewardship Information (Unaudited)
For the Years Ended September 30, 2004 and 2003

Stewardship—Property, Plant and Equipment

The Federal Accounting Standards Advisory Board (FASAB), Statement of Federal Financial Accounting Standards No. 8, provides the following definitions:

- **Stewardship Assets.** Property owned by the Federal Government that physically resembles Property, Plant and Equipment, but differs in that the value may be indeterminable or have little meaning.
 - Heritage assets
 - Stewardship land
- **Stewardship Investments.** Expenses and investments incurred for education and training of the public that is intended to increase national economic productive capacity (investment in human capital), and research and development intended to produce future benefits.
- **Stewardship Responsibilities.** Information on the financial impact of continuing to provide current programs and services.

Heritage Assets

The Forest Service estimates that more than 300,000 heritage assets are on land that it manages. Assets held at museums and universities are managed by those entities. This information was estimated from the nine Forest Service regions and annual Department of the Interior report to Congress. Some of these assets are listed on the National Register of Historic Places, and some are designated as National Historic Landmarks. The Forest Service heritage resource specialists on the 155 national forests maintain separate inventories of heritage assets. Most assets not used for administrative or public purposes receive no annual maintenance. A long-term methodology to better assess the extent and condition of these assets is being formulated to comply with Executive Order 13287, Preserve America. A module in the agency's real property management Infrastructure (INFRA) system has been developed and implemented for heritage assets. The Healthy Forests Initiative and competing budget priorities, however, have prevented full population of the database.

**Required Supplementary Stewardship Information (Unaudited)
For the Years Ended September 30, 2004 and 2003**

Acquisition and Withdrawal of Heritage Assets

The Forest Service generally does not construct heritage assets, although in some circumstances important site-structural components may be rehabilitated or reconstructed into viable historic properties to provide forest visitors with use and interpretation. Heritage assets can be acquired through the procurement process, but this rarely occurs. Normally, heritage assets are part of the land acquisition and inventory process. Withdrawal occurs through land exchange or natural disasters. Exhibit 10 shows the major heritage assets by category and condition for FY 2003.⁷

Exhibit 10. *Major Heritage Assets by Category and Condition, FY 2003*

Category	2003 Final (Sites)	Condition
Total heritage assets	310,611	Poor to fair
Eligible for the National Register of Historic Places	58,669	Poor to fair
Listed on the National Register	3,380	Fair
Sites with structures listed on the National Register	1,870	Poor to fair
National Historic Landmarks	18	Fair to good

Heritage Assets Definitions

Historic Structures. Constructed works consciously created to serve some human purpose. They include buildings, monuments, logging and mining camps, and ruins.

National Historic Landmarks. Includes sites, buildings, or structures that possess exceptional value in commemorating or illustrating the history of the United States, and exceptional value or quality in illustrating and interpreting the heritage of the United States. The Secretary of the Interior is the official designator of National Historic Landmarks.

National Register of Historic Places. Includes properties, buildings, and structures that are significant in U.S. history, architecture, and archaeology, and in the cultural foundation of the Nation.

Eligible for the National Register. Those sites formally determined as eligible for the National Register through the Keeper of the National Register or documented by consultation with State Historic Preservation Offices. Previous reports included all sites potentially eligible for the National Register.

⁷Data totaled through fiscal year (FY) 2003. FY 2004 data is gathered in the first half of FY 2005.

Required Supplementary Stewardship Information (Unaudited)
For the Years Ended September 30, 2004 and 2003

Stewardship Land

The Forest Service manages more than 192 million acres of public land, most of which are classified as stewardship assets. These stewardship assets are valued for the following reasons:

- Environmental resources.
- Recreational and scenic values.
- Cultural and paleontological resources.
- Vast open spaces.
- Resource commodities and revenue they provide to the Federal Government, States, and counties.

Exhibit 11 shows the net change in acres between FY 2003 and FY 2004 in national forests by various purposes.

Exhibit 11. *Net Change in Acres in National Forests by Various Purposes (FY 2003 to FY 2004)*

Description	FY 2003 Ending Balance (Acres)	FY 2004 Net Change (Acres) (2)	FY 2004 Ending Balance (Acres) (5) As of 9/30/2004	Condition (1)
National Forests	187,873,890	361,348	188,235,238	Varies
National Forest Purposes*	143,843,276	233,515	144,076,791	Varies
National Forest Wilderness Areas	34,828,502	124,868	34,953,370	Varies
National Forest Primitive Areas	173,762	0	173,762	Varies
National Wild and Scenic River Areas	947,999	2,907	950,906	Varies
National Recreation Areas	2,911,239	0	2,911,239	Varies
National Scenic Areas	130,435	58	130,493	Varies
National Scenic—Research Areas	6,637	0	6,637	Varies
National Game Refuges and Wildlife Preserve Areas	1,198,099	0	1,198,099	Varies
National Monument Areas	3,659,974	0	3,659,974	Varies
National Monument Volcanic Areas	167,427	0	167,427	Varies
National Historic Areas	6,540	0	6,540	Varies
National Grasslands	3,839,167	376	3,839,543	Varies
Purchase Units	359,351	10,675	370,026	Varies
Land Utilization Projects	1,876	0	1,876	Varies
Research and Experiment Areas	64,871	0	64,871	Varies
Other Areas	295,814	236	296,050	Varies
National Preserves	89,716	0	89,716	Varies
Total NFS acreage	192,524,685	372,635	192,897,320	
Road Miles (3)	378,004	749	378,753	
Trail Miles (4)	133,087	0	133,087	

Required Supplementary Stewardship Information (Unaudited)
For the Years Ended September 30, 2004 and 2003

- (1) Condition of NFS land. The Forest Service monitors the condition of NFS lands based on information compiled by two national inventory and monitoring programs. Annual inventories of forest status and trends are conducted by the Forest Inventory and Analysis (FIA) program in 44 States covering 76 percent of the forested land of the United States. The Forest Health Monitoring (FHM) program, active in 50 States, provides surveys and evaluations of forest health conditions and trends. Although most of the 149 million acres of forest land on NFS lands continue to produce valuable benefits (i.e., clean air, clean water, habitat for wildlife, and products for human use), significant portions are at risk to pest outbreaks or catastrophic fires. About 33 million acres of NFS forest land are at risk to future mortality from insects and diseases (based on the current Insect and Disease Risk Map). Nearly 73 million acres of NFS forest land are prone to catastrophic fire based on current condition and departure from historic fire regimes (Fire Regimes 1, 2, and 3 and Condition Classes 2 and 3). Based on these two maps, approximately 9.5 million acres are at risk to pest-caused mortality and/or fire. Invasive species of insects, diseases, and plants continue to impact our native ecosystems by causing mortality to, or displacement of, native vegetation. The National Fire Plan has enhanced our efforts to prevent and suppress future fires adequately and restore acres that are at risk. Hazardous fuel reduction projects treated 1.7 million acres, with record accomplishments in all regions. Other vegetation management projects to improve wildlife habitat, prevent insect outbreaks, and meet other resource values that contribute to improving condition class treated nearly 640,000 acres. Insect and disease prevention and suppression treatments were completed on 1.1 million acres in 2004.
- (2) Net change. At the time of submission of this information the net change values include the net effects of the Forest Service land transactions with the exception of completed 2004 transactions for the Southwestern region. Land needed to protect critical wildlife habitat and cultural and historic values, to support the purposes of congressional designation, and for recreation and conservation purposes is acquired through purchase or exchange.
- (3) Road miles. Net change to the total road miles occurs through new construction, decommissioning, and correction of errors in the NFS road system's inventory to include miles of unclassified roads that had previously been excluded. Forest Services road miles by maintenance level as of date. FY 2004 ending was not available at current time. The change is an update to FY 2003 ending balance.
- (4) Trail miles. The number of miles reported continues to be based on a 1996 inventory. The number of trail miles has not since been updated. Reconstruction of existing trails has been the predominant activity over the previous 7 years.
- (5) Ending balance acres. The numbers provided as of September 30, 2004 are still subject final verification.

**Required Supplementary Stewardship Information (Unaudited)
For the Years Ended September 30, 2004 and 2003**

Stewardship Land Definitions

Land Utilization Projects. A unit reserved and dedicated by the Secretary of Agriculture for forest and range research and experimentation.

National Forests. A unit formally established and permanently set aside and reserved for national forest purposes. The following categories of NFS lands have been set aside for specific purposes in designated areas:

- National Wilderness Areas. Areas designated by Congress as part of the National Wilderness Preservation System.
- National Primitive Areas. Areas designated by the Chief of the Forest Service as primitive areas. They are administered in the same manner as wilderness areas, pending studies to determine sustainability as a component of the National Wilderness Preservation System.
- National Wild and Scenic River Areas. Areas designated by Congress as part of the National Wild and Scenic River System.
- National Recreation Areas. Areas established by Congress for the purpose of assuring and implementing the protection and management of public outdoor recreation opportunities.
- National Scenic Research Areas. Areas established by Congress to provide use and enjoyment of certain ocean headlands and to ensure protection and encourage the study of the areas for research and scientific purposes.
- National Game Refuges and Wildlife Preserve Areas. Areas designated by Presidential proclamation or Congress for the protection of wildlife.
- National Monument Areas. Areas including historic landmarks, historic and prehistoric structures, and other objects for historic or scientific interest, declared by Presidential proclamation or Congress.

National Grasslands. A unit designated by the Secretary of Agriculture and permanently held by the USDA under Title III of the Bankhead-Jones Farm Tenant Act.

Purchase Units. A unit of land designated by the Secretary of Agriculture or previously approved by the National Forest Reservation Commission for purposes of Weeks Law acquisition. The law authorizes the Federal Government to purchase lands for stream-flow protection and maintain the acquired lands as national forests.

Research and Experimental Areas. A unit reserved and dedicated by the Secretary for forest and range research experimentation.

**Required Supplementary Stewardship Information (Unaudited)
For the Years Ended September 30, 2004 and 2003**

Other Areas. Areas administered by the Forest Service that are not included in one of the above groups.

Stewardship Investments

Human Capital—Job Corps Civilian Conservation Center, FY 2004

Net Cost of Operations: \$106 Million

The Forest Service's Job Corps Civilian Conservation (Job Corps) Centers, in coordination with the National Parks Service, Fish and Wildlife Service, and Bureau of Reclamation, celebrated its 40th anniversary, "40 Years of Empowering Youth and Enhancing Communities and Natural Resources." Secretary of Agriculture Ann Veneman was the keynote speaker at the 40th anniversary celebration held at the Forest Service's Schenck Job Corps Center in Brevard, NC, from September 10 to 12, 2004.

The anniversary event highlighted that in the last 40 years, all the Job Corps Centers combined have contributed an appraised value of work of approximately \$1.5 billion in community projects, community and public structures, natural resources, and fighting wildland fires. Some of the anniversary events were a presentation of the 40th anniversary video; the unveiling of the Job Corps Wall of Names (erected at the entrance of the Schenck Job Corps Center), visits to the Lyndon B. Johnson (the first Forest Service Job Corps Center) and the Oconaluftee Job Corps Centers; and remarks by past and present staff, center directors, and students.

In partnership with the U.S. Department of Labor (DOL), the Forest Service operates 18 Job Corps Centers. Job Corps is the only Federal residential employment and education training program for economically challenged young people ages 16 to 24. The purpose of the program is to provide young adults with the skills necessary to become employable, independent, and productive citizens. The program is administered in a structured, coeducational, residential environment that provides education, vocational and life skills training, counseling, medical care, work experience, placement assistance and followup, recreational opportunities, and biweekly monetary stipends. Job Corps students choose from a wide variety of careers, such as urban forestry, heavy equipment operations and maintenance, business, clerical, carpentry, culinary arts, painting, cement and brick masonry, welding, auto mechanics, health services, building and apartment maintenance, warehousing, and plastering.

**Required Supplementary Stewardship Information (Unaudited)
For the Years Ended September 30, 2004 and 2003**

Job Corps is funded from DOL annually on a program year; the fiscal year is July 1 to June 30. During Job Corps' FY 2004, accomplishments included the following:

- 8,133 participants received 3,780 placements with an average starting hourly wage of \$8.41, 32 cents more than the DOL national average.
- Approximately 1,857 female students received training in nontraditional vocations.
- 617 students received high school diplomas, and 1,438 students obtained general equivalency diplomas.
- Approximately 3,000 Job Corps students and staff assisted the agency in its fire-fighting efforts.
- Students accomplished conservation work on NFS lands appraised at \$17.4 million.

Since 1964, the Forest Service's Job Corps Centers have trained and educated more than 235,000 young men and women. The agency is actively pursuing the transfer of two Department of Interior's Fish and Wildlife Job Corps Centers and their personnel to the Forest Service.

Research and Development—Forest and Rangeland Research

FY 2004 Net Cost of Operations: \$313 Million

Forest Service Research and Development provides reliable, science-based information that is incorporated into natural resource decisionmaking. Responsibilities include developing new technology and then adapting and transferring this technology to facilitate more effective resource management. Some major research areas include the following:

- Vegetation management and protection.
- Wildlife, fish, watershed, and air.
- Resource valuation and use research.
- Forest Resources inventory and monitoring.

Research staff is involved in all areas of the Forest Service, supporting agency goals by providing more efficient and effective methods where applicable.

A representative summary of FY 2004 accomplishments include the following:

- 250 new interagency agreements and contracts.
- 445 interagency agreements and contracts continued.
- 1,539 articles published in journals.
- 2,419 articles published in all other publications.
- 8 patents granted.
- 27 rights to inventions established.

Appendixes



Appendix A. Accomplishing the Mission

The mission of the USDA Forest Service is to:

Sustain the health, diversity, and productivity of the Nation's forests and grasslands to meet the needs of present and future generations.

The Forest Service's commitment to land stewardship and public service is the framework within which the national forests and grasslands are managed. The following narrative demonstrates how the Forest Service achieves its mission of sustaining the health, diversity, and productivity of the Nation's forests and grasslands.

For more information about the Forest Service, visit <http://www.fs.fed.us/aboutus/national.shtml>.

Programs, Legislation, and Communication

The Programs, Legislation, and Communication (PL&C) Deputy Area contributes to the mission of the Forest Service by providing the institutional capacity for resource and business managers to achieve the Forest Service's mission.

PL&C consists of Legislative Affairs, Policy Analysis, Office of Communication, and Strategic Planning and Resource Assessment.

The PL&C Deputy Area:

- Provides leadership for strategic planning, annual performance reporting, and resource assessment, and coordinates the strategic goals and objectives with assistance to other deputy areas in the development of strategies for invasive species, restoring fire-dependent ecosystems, and fisheries/watershed protection.
- Links economic and scientific trend indicators in the Resource Assessment to the Forest Service's strategic goals and objectives.
- Provides support for Administrative reviews and internal agency initiatives, conducts reviews, and prepares reports of findings for Payments to States and Resource Advisory Committees, which are both due to expire at the end of FY 2006.
- Evaluates the effectiveness of initiatives such as the Healthy Forest Restoration Act and Stewardship Contracting (in cooperation with R&D) to inform the Administration and Congress whether these new authorities, established to reduce process gridlock, are working as intended.
- Coordinates the Forest Services activities pertaining to upcoming legislative proposals by drafting legislative language for Congress, analyzing introduced legislation, and developing Administration positions.

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- Informs Congress of program activities, such as land exchanges, fuels and fire management, and the livestock program.
 - Provides internal and external communication planning and products as the Forest Service develops its programs, policies, and initiatives.
 - Prepares communications products and briefing materials and helps coordinate special events for the White House and the Department in support of Presidential initiatives.

For more information about PL&C, visit <http://www.fs.fed.us/aboutus/national.shtml>.

Business Operations

The Business Operations Deputy Area provides high-quality and timely business processes to support the successful accomplishment of Forest Service programs.

To accomplish this, the Business Operations and Budget and Finance Deputy Areas were combined in January 2004 to form a single Deputy Area.

Within this reorganized deputy area there are two associate deputy chiefs. The Associate Deputy Chief for Operations is responsible for Acquisition Management; Human Resources Management; Senior, Youth and Volunteer Programs; Information Resources Management; and Regulatory and Management Services.

The Associate Deputy Chief for Finance and Chief Financial Officer is responsible for Financial and Accounting Operations, Financial Policy and Analysis, Program and Budget Analysis, Financial Management Systems, and Financial Reports and Reconciliation.

The Business Operations Transformation Program is a significant initiative for the Forest Service that will improve the agency's organizational efficiency. The Transformation Program comprises three projects:

- The Financial Management Improvement Project will standardize and centralize many of the agency's budget and finance processes.
- The Information Technology Competitive Sourcing Project will improve the quality and efficiency of the agency's technology services.
- The Human Resources Business Process Reengineering Project will standardize and centralize these processes and introduce a new agencywide Human Resources Information System.

For more information about Forest Service's Business Operations, visit <http://www.fs.fed.us/aboutus/national.shtml>.

National Forest System

The National Forest System (NFS) Deputy Area provides expertise for the stewardship of Federal lands under its management. The NFS programs are Engineering; Lands; Wilderness and Wild and Scenic Rivers; Rangeland Management; Recreation and Heritage Resources; Forest Management; Wildlife, Fish, Watershed, Air, and Rare Plants; Minerals and Geology Management; and Ecosystem Management Coordination.

The NFS Deputy Area:

- Coordinates work with national multistakeholder processes focusing on sustainable management and use of rangelands, minerals, and water.
- Leads the Forest Service's engagement with the National Commission on Science for Sustainable Forestry, focusing at this time on biodiversity aspects of sustainable forest practices in the United States.
- Provides the framework to conform to laws and regulations governing the management of national forests and grasslands, focusing on the concept of sustainability under planning regulations that incorporate broad-scale ecological, social, and economic assessments.
- Supports forest plan revisions and amendments through development of important information necessary to make planning decisions.
- Provides the emphasis for forest plan monitoring and evaluation through the development of a new planning rule, revisions and consolidation of policy and guidance, installation and implementation of corporate databases, data migration, and implementation of geographic information system data dictionary standards.
- Administers and manages partnerships, tourism, interpretive services, and recreational special uses.
- Provides leadership for the stewardship of 406 wilderness areas as part of the National Wilderness Preservation System and 100 rivers as part of the National Wild and Scenic Rivers System.
- Maintains the diversity, viability, and productivity of plant and animal communities, improving opportunities for consumptive, recreational, commercial, subsistence, and other beneficial uses of fish and wildlife resources.
- Administers allotments according to forest plan standards and guidelines to maintain or improve grassland watersheds to fully functional and productive condition.
- Achieves the desired vegetative conditions, restores ecological processes, and provides wood products for use by society while reducing accumulated fuels through timber sale contracts.
- Uses stewardship contracting authority to address ecological restoration needs, enabling the use of timber value to finance restoration and improvement work.

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- Provides management of noxious weeds, reforestation, and timber stand improvement treatments specifically designed to address national priorities associated with reducing the spread of invasive species, restoring areas burned by wildfires, reducing hazardous fuels, and restoring fire-adapted ecosystems.
 - Fosters the development of mineral resources; develops energy resources in national forests and grasslands; inspects, monitors, and ensures proper bonding and reclamation of active operations; reclaims abandoned mine sites; protects geologic and paleontologic resources; and is constructing a national energy and minerals database system. These activities contribute to achievement of the President's National Energy Policy objectives.
 - Protects the public's future use and access to national forests and grasslands through marked and legally defensible land boundaries, secure title and ownership, and land adjustment.
 - Improves, maintains, and operates the Forest Service's multibillion-dollar infrastructure of facilities, roads, and trails necessary for recreation, research, fire protection, administration, and other uses on national forests and grasslands.
 - Acquires lands, waters, and related interests within the NFS for public outdoor recreation, conservation of wildlife and threatened and endangered species habitat, acquisition of wetland and riparian areas, protection of significant cultural resources, and the protection of rare ecological areas that promote biological diversity.

For more information about the Forest Service's NFS programs, visit <http://www.fs.fed.us/aboutus/national.shtml>.

Research and Development

The Research and Development (R&D) Deputy Area contributes to the mission of the Forest Service by developing and implementing the best and most effective scientific, developmental, and technical information.

The R&D Deputy Area consists of Science Policy, Planning, Inventory and Information; Resource Valuation and Use Research; Vegetation Management and Protection Research; and Wildlife, Fish, Water, and Air Research.

The R&D Deputy Area:

- Develops baseline reports focusing on rangelands, minerals, and water to complement what was done for forests with the release of the *National Report on Sustainable Forests—2003*. This report contains the most comprehensive information about sustainable forest management in the United States and is a baseline for measuring progress over time.
- Coordinates integrated watershed management activities and leads agency efforts with universities and other partners to improve water quality through nonregulatory ways while keeping “working lands working” and improving economic diversity in rural areas.

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- Provides consistent, credible annual forest inventory data for all forest lands within the United States for use by researchers, policymakers, land managers, and other partners.
 - Focuses on integrating and synthesizing the sector-based work into a “systems perspective” to better understand relationships and interactions for monitoring and for decisionmaking.

For more information about the Forest Service’s research, visit <http://www.fs.fed.us/research/>.

State and Private Forestry

State and Private Forestry (S&PF) is the Federal leader in providing technical and financial assistance to landowners and resource managers to sustain the Nation’s forests and to protect communities and the environment from wildland fires.

The S&PF Deputy Area consists of Fire and Aviation Management, Cooperative Forestry, Conservation Education, Urban and Community Forestry, Forest Health Protection, and Tribal Relations.

The S&PF Deputy Area:

- Facilitates forest stewardship on a landscape scale yet enables individual forest landowners, communities, and cities to pursue more local objectives through nonregulatory partnerships with a diversity of landowners, including small woodlot, tribal, State, or Federal landowners.
- Conserves acres of threatened forest land by providing assistance to landowners and communities to manage their forests and address rural community issues.
- Works with State foresters to develop forest stewardship plans, providing management recommendations for millions acres of private forest lands.
- Develops solutions for the use of woody biomass, resulting in the retention and creation of jobs and small businesses, the development of new products and markets, the creation and support of small-scale bioenergy plants, and the reduction of hazardous fuels in and near communities.
- Works in partnership with States, local governments, and national partners to provide training, demonstration projects, community tree inventories, and management plans to respond to outbreaks of exotic pests such as the Emerald Ash Borer infestation in the East and Midwest and Pine Bark Beetle in the West.
- Ensures high-quality interactions with Indian Tribes across deputy areas, advises the Chief on Tribal issues and concerns, and ensures that Tribal government relations are a standard operating procedure for the agency.
- Serves as Federal co-chair of the Roundtable on Sustainable Forests, with the non-Federal cochair representing the National Association of State Foresters. Efforts through four multistakeholder national processes focusing on forests, rangelands, minerals, and

water promote the use of a common criteria and indicator framework for more comprehensively understanding sustainable forest/resource management and measuring progress over time.

- Develops national policy and guidelines specifically to protect the sacred sites that are entrusted to the agency's care.

For more information about State and Private Forestry, visit <http://www.fs.fed.us/spf/>.

The National Fire Program, Law Enforcement and Investigations, Civil Rights, and International Programs report directly to the Chief's Office.

National Fire Program

The National Fire Program and S&PF's Fire and Aviation Management continue to provide significant benefits toward reducing the impacts of catastrophic wildland fire to communities and the environment. Through this program, the Forest Service:

- Partners in fire management at Federal, State, and local levels with increased collaboration at all levels of the agency and the Department of the Interior agencies.
- Reaches out to Hispanic-owned small businesses, contractors, and individuals living in rural areas with a Spanish-translated Web site providing information on employment leads, contracting opportunities, available grants, and State and local fire programs. This Spanish translation effort is a first for Forest Service Web sites and can be visited at the <http://www.fireplan.gov> Web site.

Law Enforcement and Investigations Program

As an integral part of the overall management of the NFS, the Law Enforcement and Investigations personnel, line officers, and appropriate staff ensure the prevention, investigation, enforcement, and program management requirements are fully integrated into all NFS resource management programs. Through this program, the Forest Service:

- Protects the public, employees, natural resources, and other property under the jurisdiction of the Forest Service.
- Investigates and enforces applicable laws and regulations that affect the NFS.
- Prevents criminal violations through informing and educating visitors and users of applicable laws and regulations.

For more information about the Law Enforcement and Investigations in the Forest Service, visit <http://www.fs.fed.us/lei/>.

Civil Rights Program

The Forest Service Civil Rights program provides for diversity, equal opportunity, and fairness in employment and program delivery. Through this program the Forest Service:

- Integrates civil rights management, budget, and performance accountability systems.
- Identifies and removes systemic barriers to diversity.
- Improves the processing of complaints (formal and informal).
- Improves compliance and equitable access.
- Enhances capacity building and recruitment partnerships.
- Supports National Competitive Sourcing decisionmaking and implementation through civil rights impact assessment and monitoring.
- Improves collaboration among Civil Rights, Human Resources Management, and the Alternative Disputes Resolution (ADR) staffs.

For more information about Civil Rights in the Forest Service, visit <http://www.fs.fed.us/ct/>.

International Programs

The Forest Service partners internationally on a wide range of natural resource management, policy, and research issues. Many units of the Forest Service are engaged in this work that advances sustainable forest management both overseas and in the United States. All branches of the Forest Service—NFS, R&D, and S&PF—have dynamic international exchanges, collaboration, and projects around the globe. Strong partnerships with land-grant universities, environmental nongovernment organizations, and the private sector make this work integrated and comprehensive.

Through International Programs, the Forest Service:

- Improves management in some of the world's most threatened forests including forests in the Amazon Basin, the Congo, Russia, and Indonesia.
- Protects forests in the United States and other countries from invasive species that are damaging or could damage our forests.
- Works with other countries to protect declining bird species that migrate across national borders.
- Recovers the habitat of the world's endangered species, including the Siberian Tiger, the Monarch butterfly, and the Panda.
- Develops policies worldwide to promote forest sustainability.
- Levels the playing field in international trade by reducing the amount of underpriced timber on the world market.

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- Coordinates with 11 other countries participating in the Montreal Process Working Group and its Technical Advisory Committee, emphasizing the implementation and refinement of the Montreal Process Criteria and Indicators as a common framework for the conservation and sustainable management of forests.

For more information about International Programs, visit <http://www.fs.fed.us/international/ip/>.

Appendix B. Founding Legislation and History of the Forest Service's Traditional Role

A century ago, the idea of conservation of Federal forests culminated with Congress' passing the Forest Reserve Act of 1891, creating forest reserves from public domain land. Six years later, Congress passed the 1897 Organic Act (part of the Sundry Civil Appropriations Act), giving the U.S. Department of the Interior General Land Office and the U.S. Geological Survey (USGS) three management goals for those forest reserves: (1) improve and protect the public forests; (2) secure favorable water flows; and (3) provide a continuous supply of timber, under regulation. In 1905, these responsibilities were transferred to the U.S. Department of Agriculture to a newly created bureau, the Forest Service, and in 1907 the forest reserves were renamed as national forests. In those early days, the Forest Service was responsible for the conservation and the protection of the forests.

The Weeks Law of 1911 enabled the Federal Government to purchase forest lands in the East that had been previously harvested. Those purchased lands were then transferred to the Forest Service. Throughout the agency's early history, the Forest Service's primary activities, in addition to conservation and protection, included developing trails, ranger stations, and a pool of expert natural resource managers.

The Great Depression was incentive for a massive youth employment program—the Civilian Conservation Corps (CCC)—with some 3 million enrollees over a 9-year period. The CCC's focus was in developing recreation and fire protection on the national forests, as well as on other Federal and State lands.

After World War II, the Forest Service worked with Congress to provide lumber for the rapidly growing home market. During the 1950s, timber management became an area of emphasis for the agency. Timber production increased through the 1960s and 1970s. In 1960, Congress passed the Multiple-Use Sustained-Yield Act. This act gave recreation, fish, wildlife, water, wilderness, and grazing priority, along with timber management, conservation and protection, and Forest Service resource planning.

The passage of the Wilderness Act of 1964 provided additional protection for a national system of wildernesses in the national forests and applied to the missions of the other Federal land management agencies as well. Additional legislation throughout the 1970s addressed the management of roadless areas on national forests.

The National Forest Management Act (NFMA) of 1976 brought 10-year forest management plans to the Forest Service. From this period throughout the 1990s, the Forest Service saw increased public debate and public involvement in the management of natural resources, especially from environmental, timber industry, and other interest groups and stakeholders.

This keen and proactive public involvement resulted in many of the Forest Service's large-scale assessments: the Interior Columbia Basin Ecosystem Management Project in the Pacific Northwest; the Southern Forest Resource Assessment for the southeastern portion of the country; and the Sierra Nevada Framework for Conservation and Collaboration covering the Sierra Nevada Mountains of California.

Appendix C. Acronyms and Abbreviations

Acronym or Abbreviation	Explanation
ADR	Alternative Dispute Resolution
ALP	Automated Lands Program
AML	Abandoned mine lands
ATSA	Automated Timber Sale Accounting System
B&F	Budget and Finance
BFES	Budget Formulation and Execution System
BPR	Business process reengineering
C&A	Certification and accreditation
CFO	Chief Financial Officer
CFR	Code of Federal Regulations
CIP	Continuous Improvement Process
CIRT	Computer Incident Response Team
CRIA	Civil Rights Impact Analysis
CSRS	Civil Service Retirement System
CWAG	Chief's Workforce Advisory Group
DC	Disallowed cost
DOL	U.S. Department of Labor
EAP	Economic Action Programs
ECAP	Environmental Compliance and Protection
EEO	Equal Employment Opportunity
EEOCMD	Equal Employment Opportunity Commission Management Directive
EIP	Early Intervention Program
ELT	Executive Leadership Team
EMC	Ecosystem Management Coordination
EPA	Environmental Protection Agency
FCI	Facility Condition Index
FECA	Federal Employees' Compensation Act
FERS	Federal Employees' Retirement System
FFIS	Foundation Financial Information System
FFMIA	Federal Financial Management Improvement Act
FHP	Forest Health Protection
FIA	Forest Inventory and Analysis
FLP	Forest Legacy Program
FMFIA	Federal Managers' Financial Integrity Act
FPL	Forest Products Laboratory
FRCC	Fire Regimen Condition Class
FS	Forest Service
FSH	Forest Service Handbook

Acronym or Abbreviation	Explanation
FSM	Forest Service Manual
FSNRA	Forest Service Natural Resource Applications
FSP	Forest Stewardship Program
FTBU	Funds to be put to better use
FTE	Full-time equivalent
FY	Fiscal year
GAO	Government Accountability Office
GIS	Geographic information system
GPRA	Government Performance and Results Act
GSA	General Services Administration
GS	General Schedule (pay plan)
HRM	Human Resources Management
IMPROVE	Interagency Monitoring of Protected Visual Environments
INFRA	Infrastructure application, one of the FSNRA corporate applications
IP	International Programs (Program Staff)
IRM	Information Resources Management (Program Staff)
ISP	Internet service provider
IT	Information technology
K-V	Knutson-Vandenberg, a trust fund for timber sale area improvements
KM	Knowledge management
KPMG	KPMG LLP, an independent auditor
LEI	Law Enforcement and Investigations (Program Staff)
LMP	Land Management Plan
MAR	Management Attainment Reporting
MD&A	Management's Discussion and Analysis
NEPA	National Environmental Policy Act
NFC	National Finance Center
NFP	National Fire Plan
NFS	National Forest System (Deputy Area)
NIPF	Nonindustrial private forest
NRIS	Natural Resource Information System, one of the FSNRA corporate applications
OHV	Off-highway vehicles (interchangeable with ORV)
OIG	Office of Inspector General (USDA)
OMB	Office of Management and Budget
ORV	Off-road vehicles (interchangeable with OHV)
PAOT	Persons at one time
PART	Program Assessment Rating Tool
PAS	Performance Accountability System
PCA	Project Cost Accounting
PCAS	Project Cost Accounting System

Acronym or Abbreviation	Explanation
PL&C	Programs, Legislation, and Communication (Deputy Area)
PMA	President's Management Agenda
PMAS	Performance Measures Accountability System
PP&E	Property, Plant, and Equipment
R&D	Research and Development (Deputy Area)
RAR	Roads Accomplishment Report
RBAIS	Research Budget Attainment Information System
RHWR	Recreation, Heritage, and Wilderness Resources (Program Staff)
ROW	Rights-of-way
RSA	Regions, stations, and areas
S&PF	State and Private Forestry (Deputy Area)
SES	Senior Executive Service
SFA	State Fire Assistance (Program Staff)
SFFAS	Statements of Federal Financial Accounting Standards
SGL	Standard General Ledger
SOD	Sudden oak death
STARS	Sales Tracking and Reporting System
SUA	Special Use Authorizations
SUDS	Special Uses Database System
TIM	Timber information management
TMDL	Total maximum daily load
TRACS	Timber Activity Control System
TSA	Timber Sale Accounting system
TSA	Transportation Security Administration
TSP	Thrift Savings Plan
U&CF	Urban and Community Forestry (Program Staff)
U.S.C.	U.S. Code
USDA	U.S. Department of Agriculture
VFA	Volunteer Fire Assistance (Program Staff)
WCF	Working capital fund
WFWAR	Wildlife, Fish, Water, and Air Research
WO	Washington Office
WUI	Wildland-urban interface



Appendix D. Forest Service Internet Links

Visit the Forest Service home page at <http://www.fs.fed.us> to find a Forest Service forest or grassland near you.

Learn what the Forest Service is doing to protect you and the Nation's forests and grassland

Forest Service Fire and Aviation Management: <http://www.fs.fed.us/fire>

National Interagency Fire Center: <http://www.nifc.gov>

NFP: <http://www.fireplan.gov>

What challenges does the Forest Service face?

Chief Dale Bosworth's *Four Threats* to Forest Service lands: <http://www.fs.fed.us/projects/four-threats>

Looking for specific information on the Forest Service from research priorities to law enforcement?

Research and Development: <http://www.fs.fed.us/research>

Ecosystem Management: <http://www.fs.fed.us/emc>

International Programs: <http://www.fs.fed.us/international>

Law Enforcement and Investigation: <http://www.fs.fed.us/lei>

Civil Rights: <http://www.fs.fed.us/cr>

Minerals and Geology: <http://www.fs.fed.us/geology>

Rangelands: <http://www.fs.fed.us/rangelands>

Forest Health: <http://www.fs.fed.us/foresthealth>

Did you know that the Forest Service will be 100 years old in 2005?

Discover the Centennial Film: <http://www.fs.fed.us/greatestgood>

Find a screening near you: <http://www.fs.fed.us/greatestgood/film/screens>

Own the DVD: <http://www.fs.fed.us/greatestgood/order/film>

Visit the virtual home of Gifford Pinchot, the first Forest Service Chief: <http://www.fs.fed.us/na/gt>

Forest Service employment: Make a positive difference!

"Working for the Great Outdoors": <http://www.fs.fed.us/fsjobs>

USA Jobs: "Working for America": <http://www.usajobs.opm.gov>

Volunteer opportunities

<http://www.fs.fed.us/fsjobs/volunteers.html>

Just for kids

Woodsy Owl: <http://www.symbols.gov/woody>

Smokey Bear's 60 years of vigilance: <http://www.smokeybear.com>

How to become a Junior Snow Ranger: <http://www.symbols.gov/jrsnowranger>

USDA for Kids: <http://www.usda.gov/news/usdakids>

Appendix E. Feedback to the Forest Service

The Forest Service would like your comments on the *Forest Service Performance and Accountability Report—Fiscal Year 2004*. Is the information user-friendly?

How can this report be improved for fiscal year 2005? Please e-mail any comments you may have to kworley@fs.fed.us.

The *USDA Forest Service Strategic Plan for 2004-2008* outlines the agency's land stewardship model for the 21st century. It is available on-line at <http://www.fs.fed.us/plan>.

Thank you for your interest in the programs and activities of the Forest Service.



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