



United States  
Department of  
Agriculture

Forest  
Service

April 2004



# Forest Service Performance and Accountability Report — Fiscal Year 2003



The U.S. Department of Agriculture (USDA) prohibits discrimination in all its programs and activities on the basis of race, color, national origin, sex, religion, age, disability, political beliefs, sexual orientation, or marital or family status. (Not all prohibited bases apply to all programs.) Persons with disabilities who require alternative means for communication of program information (Braille, large print, audiotape, etc.) should contact USDA's TARGET Center at (202) 720-2600 (voice and TDD).

To file a complaint of discrimination, write USDA, Director, Office of Civil Rights, Room 326-W, Whitten Building, 1400 Independence Avenue, SW, Washington, DC 20250-9410 or call (202) 720-5964 (voice and TDD). USDA is an equal opportunity provider and employer.

United States  
Department of  
Agriculture

Forest Service

April 2004



# Forest Service Performance and Accountability Report— Fiscal Year 2003



## Message from the Chief

The Forest Service Performance and Accountability Report—Fiscal Year 2003 represents the dedication and achievement of the more than 33,000 employees of the agency. As a result of the Forest Service's aggressive stance on improving financial accountability, we have again accomplished our goal of achieving an unqualified, "clean," audit opinion in FY 2003. I believe this second unqualified audit opinion demonstrates to Congress, to the Office of Management and Budget, and to the American people that the Forest Service is making great strides in financial and performance accountability.

The natural resource and land management work of the USDA Forest Service continues to be held in high regard. We are committed to developing expert systems and processes that will enable us to meet constantly changing demands. In doing so, we will increase performance efficiencies, agility, and competitiveness in our workforce. We are refining all aspects of our operations in response to changing business practices so that we may better serve the American public, stakeholders, partners, and Forest Service employees. In 2003, the Forest Service revised its 5-year strategic plan to focus on outcomes to achieve sustainable resource management and set the goals and agency priorities for fiscal years 2004 through 2008.

The focus of public discussion and debate about Forest Service issues has shifted from issues of logging and road building to what we have identified in 2003 as four major threats to the Nation's forests in the 21st century: fuels and fires, invasive species, loss of open space, and unmanaged outdoor recreation.

While our financial midyear review was impeded by operating under a continuing resolution beyond the first quarter of FY 2003, we have taken great measures to meet our financial requirements. Congress provided \$636 million to repay the transfers of funds for fire suppression from 2002, which underscores our mutual commitment to mitigating the high risk of catastrophic wildfire. In 2003, the agency developed and implemented a strategy for cost containment on large wildfires. Also, as part of a multiyear transition to integrate agency performance with budget requests to Congress, the agency has developed and approved a model of a performance accountability system. In addition, the agency has awarded a contract for development of a prototype of the system to test in the Alaska Region.

The 2002 implementation of the Forest Service Strategy for Improving Organizational Efficiency addresses the five initiatives of the President's Management Agenda, creating a business environment that makes the agency more responsive to our customers. As a result, in FY 2003, the agency aggressively implemented competitive sourcing and business process reengineering. The Forest Service made substantial progress toward the E-Government Initiative by creating the infrastructure and preparing the business case analyses for Recreation One-Stop, environmental planning records, streamlining of the permit process, and online citizen requests for specific information, especially that relates to recreation in the national forests and grasslands.

Our five-point strategic approach to human capital addresses a New Employee Orientation; leadership succession, a knowledge management working group to develop methods to capture employee knowledge, a recruitment program to resolve mission-critical skill gaps, and workforce planning that addresses our diversity and competency needs. In addition, the Forest Service leadership has taken a proactive role in ensuring employees' civil rights with special emphasis on Equal Employment Opportunity complaint processing and improving workforce diversity.

Striving to improve our efficiency and effectiveness as a competitive organization, we have completed most of the studies that are required to determine a most efficient organization. We have extended the May 23, 2003, timeline for completing the Information Technology infrastructure study into FY 2004 in order to achieve an accurate and thorough study in which our stakeholders, our employees, and the American public can all have confidence.

As we accomplish the President's Healthy Forests Initiative, we are reducing layers of procedural delay, and streamlining our ability to protect communities and the Nation's natural resources from devastating wildfires through stewardship contracting. We are working daily with partners to focus on what we leave on the ground—not what we take.

The Forest Service also completed several administrative reforms in FY 2003. The agency established two new categorical exclusions provided for under the National Environmental Policy Act that allow priority fuel treatments, including thinning and prescribed fire, and forest restoration, including reseeding and planting, to proceed quickly without the need for lengthy environmental documentation.

Additionally, the Forest Service:

- (1) revised an administrative appeals rule to expedite appeals of forest health projects and encourage early and more meaningful public participation;
- (2) improved the design, review, approval, and implementation of Healthy Forests Initiative projects that involve endangered species, using guidance developed by several agencies and issued by the U.S. Fish and Wildlife Service and the National Marine Fisheries Service; and
- (3) implemented guidance from the Council on Environmental Quality to improve environmental assessments for priority forest health projects.

This Forest Service Performance and Accountability Report—Fiscal Year 2003 contains performance and financial data that are complete and reliable. The Management Controls, Systems, and Compliance to Laws and Regulations section contains a detailed assessment of the findings and needed improvements in some of the Forest Service's performance data and explains how we plan to remedy those deficiencies in the future.



DALE N. BOSWORTH  
Chief

## Message from the Chief Financial Officer

I am pleased to present the consolidated financial statements of the U.S. Department of Agriculture Forest Service for FY 2003 and 2002. For the second consecutive year, the Forest Service has received an unqualified, “clean,” audit opinion on its statements. I want to extend my sincere appreciation to all individuals and organizations whose dedication and resolve made the FY 2003 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 2003, the Forest Service continued agencywide improvement efforts to effectively and efficiently manage public funds and property through “Sustainable Financial Management” activities. Accomplishments during the year included the development of a Budget and Finance Strategic Plan to provide a “road map” for sustainable financial management within the Forest Service. Strategic goals for financial management focused on creating an effective, efficient, and economic financial management organization; establishing financial management performance accountability; sustaining financial management improvements; and integrating financial processes and systems.

During FY 2003, the Forest Service also continued to aggressively address the material weaknesses reported by the Office of Inspector General to determine the root causes of our material deficiencies and to move quickly to remedy them. During FY 2003, the following material deficiencies have been fully corrected or reassessed and determined to be no longer material—adequacy of financial statements, performance reporting, administration of lands special use permits, and timber sale environmental analysis. The Forest Service has also made progress in resolving issues from the FY 2002 financial statement audit regarding the reconciliation of funds balance with Treasury; accurate reporting of plant, property and equipment; and accurate recording of accruals.

For FY 2004, our goals will center on maintaining an unqualified audit opinion; eliminating the new and remaining reportable conditions and compliance issues; and improving our ability to provide timely, accurate, and useful financial information. The Forest Service will aggressively pursue business process reforms and organizational realignment in order to assure that the financial position of the agency remains solid over the long term.



HANK KASHDAN  
Chief Financial Officer, Acting





# Contents

Message from the Chief.....	i	Forest Service’s Performance Highlights for 2003 .....	28
Message from the Chief Financial Officer .....	iii	2003 Forest Service Performance Indicators and Trends .....	30
Foreword.....	vii	Validation, Verification, and Limitations of Data Sources.....	48
Forest Service at a Glance .....	1	FY 2003 Performance Report .....	51
Mission.....	1	Overview of Performance Reporting.....	51
Organization .....	1	FY 2003 Performance Trends.....	52
Annual Highlights.....	1	Supporting Performance Management with Program Evaluations.....	58
Founding Legislation and History of the Forest Service’s Traditional Role .....	1	How Forest Service Programs Accomplish the Mission .....	60
Roadmap to the FY 2003 Performance and Accountability Report .....	2	Consolidated Financial Statements .....	69
Management’s Discussion and Analysis .....	5	Financial Statements and Notes.....	69
Mission Statement .....	5	Required Supplementary Information.....	102
Organizational Structure.....	5	Required Supplementary Stewardship Information.....	117
Our Focus on Existing Priorities .....	7	Report of the Office of Inspector General.....	121
Our Focus on New Priorities .....	11	Appendices .....	161
The President’s Management Initiatives .....	14	Appendix A. FY 2003 Program Tables .....	161
Management Controls, Systems, and Compliance with Laws or Regulations .....	17	Appendix B. Acronyms and Abbreviations.....	173
Followup to the Inspector General’s Recommendations.....	19	Appendix C. Discussion of the 2002 Organizational Structure.....	175
Forest Service’s Financial Highlights for 2003.....	25		



## Foreword

The *Forest Service Performance and Accountability Report—Fiscal Year 2003* 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. It also includes the resulting KPMG LLP<sup>1</sup> opinion 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 General Accounting 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, see <http://www.fs.fed.us>.

Comments may be addressed to:

Forest Service, USDA  
Strategic Planning and Resource Assessment Staff  
Mail Stop 1129  
1400 Independence Avenue, S.W.  
Washington, DC 20250-1129

---

<sup>1</sup> KPMG LLP (KPMG) is an independent auditor.



# Forest Service at a Glance

## 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.*

## Organization

The Forest Service organization includes six forest and range experimental stations, the Forest Products Lab, the State and Private Forestry Northeastern Area, the International Institute of Tropical Forestry, nine National Forest System regions that include the 155 national forests and 20 national grasslands, and the national headquarters office in Washington, DC. Please see the organizational chart on page 6 for a description of national offices and programs.

## Annual Highlights

There are 155 national forests and 20 grasslands on the more than 192 million acres that make up the National Forest System, an area the size of America's original 13 colonies.

The U.S. Department of Agriculture Forest Service manages 35 million acres of designated wilderness and more than 50 million acres of wild backcountry, including vast tracts of old-growth forest.

In 43 States, 3,400 communities with a total population of more than 60 million people obtain at least a portion of their drinking water from watersheds located on national forests and grasslands.

More than 1.3 million cattle and approximately 1 million sheep and goats are permitted to graze over 4.8 million tons of forage (grass, forbs, and shrubs) on National Forest System lands.

More than 9,800 Forest Service land managers work together to reduce erosion, restore stability, and improve productivity of the soils, resulting in cleaner water, improved fish and wildlife habitat, and enhanced recreational opportunities.

Nearly 4 million Americans participate in conservation education programs and activities. This includes 1.5 million students, 90,000 educators, more than 500,000 visitors to national forests and grasslands, and 1.5 million members of the general public.

The Forest Service sells about 240,000 Christmas trees, valued at about \$1.4 million.

More than 46 million anglers fish in national forest waters, making an economic contribution of \$8.5 billion to the economy. Some 28 million people hunt on national forest lands, making an economic contribution of \$6.1 billion to the economy.

On National Forest System lands, 99 percent of unplanned and unwanted wildland fires are controlled during initial attack.

On Federal and non-Federal lands, 1.8 million acres of forest and rangeland affected by insects, diseases, and invasive plants are treated.

Permits are issued to remove about 400,000 cords of firewood, enabling people to supplement their heating throughout the winter months.

Approximately 1.7 billion board feet of timber are harvested, at a value of \$165 million.

About 75,000 special use permits (lands and recreation use) generate about \$46 million to the U.S. Treasury.

More than 250,000 acres of habitat are treated or improved for wildlife species annually.

More than 912,500 ounces of gold, platinum, and palladium are extracted from national forests and grasslands and used for commercial and hobbyist purposes.

On national forests and grasslands, 81.5 million people hike or walk, 46 million fish, 150.7 million view natural features and/or wildlife, 23.4 million camp in developed campgrounds, 28 million hunt, 42.5 million pursue winter sports (downhill, cross-country, or snowmobiling), and 95 million spend time relaxing.

## 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.

## Roadmap to the FY 2003 Performance and Accountability Report

### Government Performance and Results Act of 1993

The Government Performance and Results Act of 1993 requires each Federal agency to report, no later than 180 days following the close of the year, to the President and the Congress on its performance for the previous fiscal year.

### Office of Management and Budget (OMB) Circular No. A-11 Part 2, Section 231

According to the OMB Circular No. A-11 Part 2, Section 231, dated June 27, 2002 (with July 2003 Section 230 revisions), each report must include the following elements:

- A comparison of actual performance with the projected (target) levels of performance as set out in the performance goals in the annual performance plan. The target levels are shown in their most current form, and the agency's annual report must state actual performance for every performance goal in the annual performance plan. For some programs, the performance reported may reflect previous year's monies during that fiscal year. Where tangible results are produced, examples may be noted. (Section 231.2)

If actual performance information is unavailable at the time an annual report is prepared, the performance information, comparison to performance goal target levels, and explanations for such will be included (when available) in a subsequent year's annual report. If the actual performance information is characterized as preliminary, the comparison between actual and target performance is deferred until a future year's report. (Section 231.3)

- For a performance goal not achieved, an explanation for why the goal was not met. The depth of explanation may vary but an explanation is encouraged if a target level was exceeded by a significant extent. This information can explain the usefulness and lend management understanding of that particular program. A general explanation must be provided even if the difference between the target and actual performance is miniscule. Effect on overall program or activity performance must also be noted. If deferring an explanation, this must be noted in the annual report. (Section 231.4)
- A description of the plans and schedules to meet an unmet goal in the future, or alternatively, the recommended action regarding an unmet goal that the agency has concluded it as impractical or infeasible (current or future attainment). This may include discontinuing or adjusting a goal, and should also be reflected in the agency's strategic goals. (Section 231.5)

- An evaluation of the performance goal levels for the current fiscal year (taking into account the actual performance achieved during the past fiscal year). An assessment of the program’s initiatives and effectiveness, in keeping aligned with the President’s Management Agenda, should also be included. (Section 231.6)
- Abiding by the **Reports Consolidation Act of 2000**, an assessment of the reliability and completeness of the performance data. This act provides permanent authority to combine performance information with financial information, beginning in 2000. Agencies are required to note any material inadequacies, as well as the actions being taken to correct for these weaknesses. Performance data is considered complete if the actual performance is described for every performance goal and indicator, and if the agency describes any performance goals and indicators for which actual data are not available at the time of reporting. (Section 231.7)
- Trend data, including actual performance information for at least 4 fiscal years. Agencies may choose to stop reporting actual performance data for goals that have been terminated. Agencies should not change actual performance information for goals in prior years, however, that may reflect what was originally reported in an annual report. (Section 231.8)

Section 231.9 of the OMB Circular also provides that the performance report may summarize findings of program evaluations, budget information, classified appendices, and descriptions of information quality.

According to Section 231.10, there is no prescribed structure for the report. The agency is encouraged to include a mission statement, however, with general objectives and goals for how to fulfill this mission.

### **Forest Service Business Model**

The mission of the Forest Service is to sustain the health, diversity, and productivity of the Nation’s forests and rangelands to meet the needs of present and future generations. The Forest Service supports two cornerstone elements via this mission statement—“To care for the land and serve people.”

In support of its mission, the Forest Service business model has been developed over time by way of strategic planning to provide better public service and sustainable land stewardship practices. As a key element of the *Forest Service Performance and Accountability Report—Fiscal Year 2003*, the Management Discussion and Analysis section presents financial statements and narrative descriptions to illustrate a cohesive and comprehensive picture of program discussion and financial performance, with greater understanding of the goal. This includes who we are, what we do, and how well we met the performance goals set for fiscal year 2003.

The *Forest Service Performance and Accountability Report—Fiscal Year 2003* satisfies requirements for accountability reporting and includes the agency Chief and Chief Financial Officer’s statements and U.S. Department of Agriculture Office of the Inspector General assessment of financial reporting.





# Management's Discussion and Analysis

## Mission Statement

The mission of the U.S. Department of Agriculture (USDA) Forest Service is to:

*Sustain the health, diversity, and productivity of the Nation's forest 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 (in 2002) and received approval in 2003 from USDA to reorganize into six deputy areas, each reporting directly to the Office of the Chief.

With this approval, the deputy areas are now Budget and Finance (B&F); Business Operations; Programs, Legislation, and Communication (PL&C); Research and Development (R&D); National Forest System (NFS); and State and Private Forestry (S&PF).

In the later sections of this Performance and Accountability Report pertaining to the financial statements and notes, the discussion revolves around "segments," rather than deputy areas. Deputy areas are administrative groupings while segments are constructs used to assess net costs. The segments are the NFS, S&PF, R&D, Fire, and Working Capital Fund (WCF). Some of the segment names are the same as those used for deputy areas, but the terms are not synonymous.

This administrative reorganization:

- Established the National Fire Program Staff.
- Established a Chief of Staff.
- Changed the reporting relationship of the Office of Communication to report to PL&C.
- Changed the reporting relationship of the Office of Civil Rights.
- Established the Budget and Finance Deputy Area.
- Established the Conservation Education Staff.
- Established the Urban and Community Forestry Staff.
- Merged the Forest Management Staff and the Range Management Staff.
- Merged the Wildlife, Fish, and Rare Plants Staff and the Watershed and Air Management Staff.

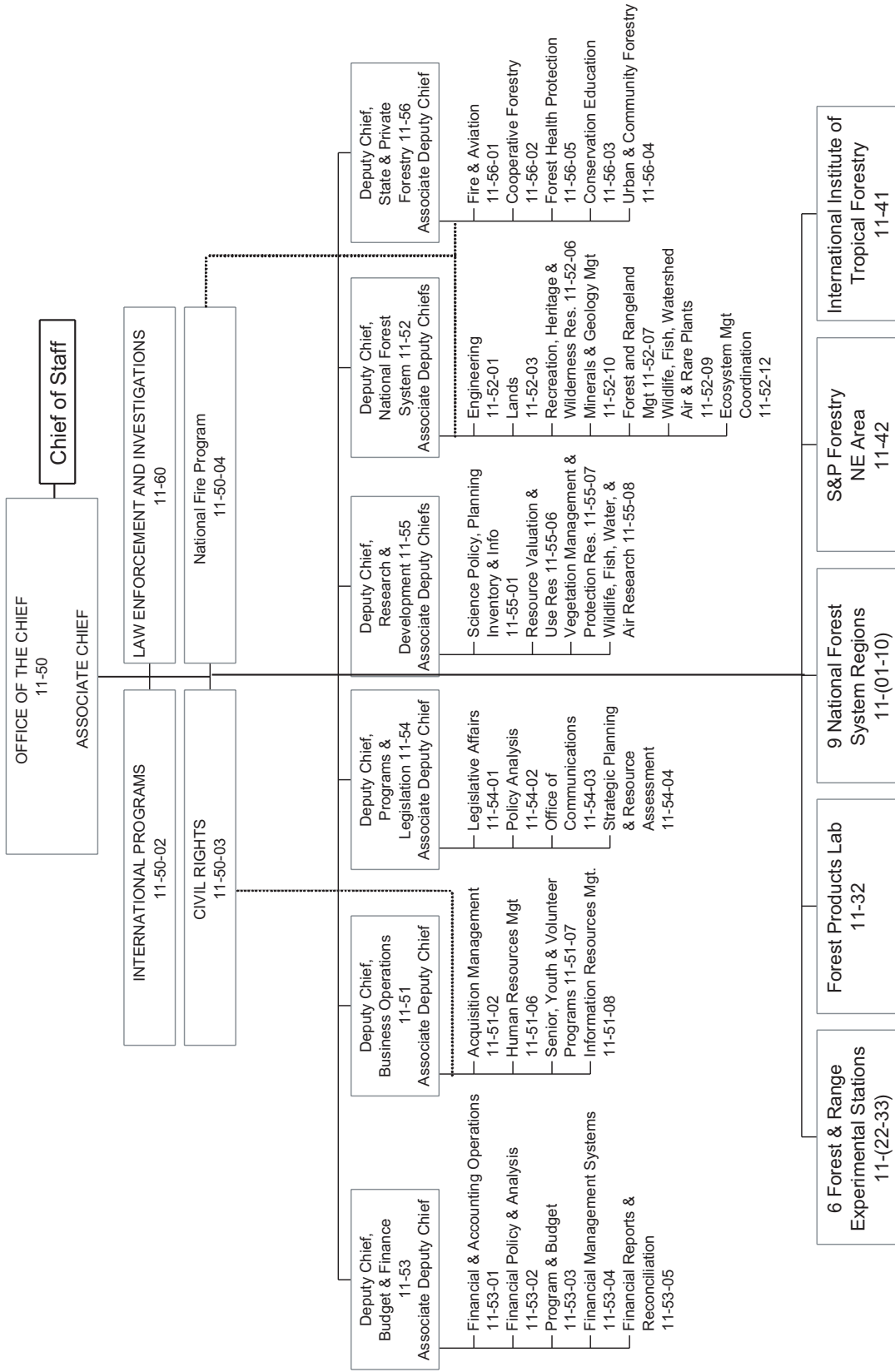
This improved organizational structure enables the Forest Service to be more agile and to adapt its program delivery to meet the natural resources focus and initiatives of the 21st century.

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 NFS regions.

# U.S. Department of Agriculture

## FOREST SERVICE



Supersedes 1997 Organizational Chart

## Our Focus on Existing Priorities

In FY 2003, the Forest Service defined what it saw as the four greatest threats to the health of the Nation's national forests and grasslands: fire and fuels, invasive species, loss of open space, and unmanaged recreation. To successfully address these threats, the Forest Service must also ensure that its business and financial practices meet the highest standards.

The FY 2003 priorities, including the four threats noted above, have been addressed under the four main goals of the Forest Service's 2000 Strategic Plan. The following discussion describes the interrelationships among these four threats. For FY 2003, the Forest Service focused on the following priorities.

### **Goal 1—Ecosystem Health**

#### **Fire and Fuels**

Long-standing fire suppression practices have resulted in dense undergrowth buildup in some forests, depleting the health and resiliency of forests and grasslands to fire and pests. This buildup of fuels can become a tinder box even under such natural conditions as drought or extreme fire seasons. These buildups of fuels, along with the relatively recent and rapid conversion of forests and ranchlands to "ranchettes" and subdivisions, have resulted in a loss of lives and homes.

#### **Invasive Species**

Many catastrophic wildfires, especially those in proximity to urban forests, are the effects of several complex interactions among natural systems and human-made systems. Other fire and forest management practices have altered the species composition and distribution within forests and grasslands, making these systems more susceptible to insect attack and invasive species. This susceptibility often also results in an unnatural buildup of fuels from dead and dying vegetation.

#### **Unmanaged Recreation**

In an increasingly urbanized landscape across the Nation, more people are spending their leisure time camping, hiking, or doing other recreational activities. Increasingly, motorized off-highway vehicles (OHVs) are a part of the recreation experience, with the numbers of OHV users rising from 19.4 million in 1982-1983 to 27.9 million in 1994-1995. In 2000-2001, the number of participants was 37.2 million, which shows nearly a doubling of use since 1982-1983. Such overuse not only degrades habitat but also heightens the risk of wildfires, especially during periods of drought. The Forest Service has been working with the public to manage this issue and provide the recreation experience valued by the public.

The Forest Service has focused on several other important actions to address its ecosystem health goals. To

mitigate future catastrophic wildland fires, the Forest Service is working to improve its ability to assess, prevent, manage, and restore the contributors to this problem, including invasive species, buildup of fuels, unmanaged recreation, and the conflicting uses of forested lands on or near the wildland-urban interface areas in, or near, forested lands where Americans build their homes. Recognizing how these four threats are interrelated, Forest Service leadership and scientists can help managers, partners, and the American people minimize unintended outcomes to natural and human communities.

In FY 2003, using more than \$226 million budgeted for hazardous fuels treatments, the Forest Service treated approximately 1.4 million acres, almost half of which were in the wildland-urban interface. The agency projects that it will be able to treat hazardous fuels on a similar number of acres in FY 2004.

In FY 2003, Congress enacted the stewardship contracting authority of the Forest Service (included in the FY 2003 Omnibus Appropriations Act). In addition, the Healthy Forests Restoration Act, H.R. 1904, was approved by the House in May and reported by the Senate Agriculture Committee in July 2003.

To effectively address the scope of President Bush's Healthy Forests Initiative, the Forest Service is focused on:

- Implementing the Healthy Forests Initiative to improve the condition of the Nation's forests and grasslands.
- Continuing implementation of the 10-Year Comprehensive Strategy of the National Fire Plan (NFP) with 20 Western States and other Federal agencies to reduce wildland fire risks to communities and the environment.
- Detecting, preventing, and controlling the increasing threat of insects, disease, and noxious weeds, including those classified as invasive species, to enhance the integrity and viability of forest, grassland, and aquatic ecosystems.
- Predicting and managing the cumulative effects of different land uses, while reducing the disturbance of conflicting uses encountered with changes in housing and population density adjacent to the national forests and grasslands.
- Assessing the new uses and monitoring the increased levels of existing use of OHVs, as well as preventing or controlling their effects, which

include the spread of invasive weeds, erosion of fragile soils, destruction to vegetation, and damage to riparian areas and species.

Further details on the Healthy Forests Initiative are located at <http://www.whitehouse.gov/infocus/healthyforests/toc.html>.

The Forest Service continued its efforts on a new National Forest Management Act Planning Rule and final directives for planning guidance (to be released by USDA in FY 2004). The new rule and directives raise the bar on environmental analysis, provide the highest level of protection for animal and plant species, and include meaningful public involvement and use expert-based science that is nationally and internationally recognized.

The Forest Service also addressed Roadless Rule revisions that are intended to improve implementation and better involve affected individuals and State governments.

In addition, the Forest Service has been working to amend the Sierra Nevada Framework, covering 11.5 million acres of NFS lands in California to improve the framework's flexibility and compatibility with other important programs, including fire and fuels management, grazing, and recreation.

### **Goal 2—Multiple Benefits to People**

A significant unintended outcome of the unnaturally extreme wildland fires was the depletion of funds appropriated for wildland fire suppression in FY 2002, and again in FY 2003. In both years, the agency transferred funds from nonwildland fire management program accounts to the wildland fire suppression account to pay for suppression costs. These transfers of funds for fire suppression have far-reaching impacts not only on the Forest Service, but also on agency partners and cooperators, including universities, organizations, States, tribes, and communities. Numerous activities and projects designed to manage the forests and grasslands or to assist State or private landowners with managing their lands are delayed or completely forgone as a consequence of these transfers.

In FY 2002, approximately \$1 billion was transferred from agency nonwildland fire management programs to support wildland firefighting efforts. Congress appropriated \$636 million in FY 2003, specifically to restore those transferred funds.

In FY 2003, the Forest Service again needed to transfer funds from nonwildland fire management accounts. Specifically, monies were taken from the following 12 programs:

- Land Acquisition.
- Capital Improvement and Maintenance.

- WCF.
- NFS (vegetation management and fish and wildlife habitat).
- S&PF (providing forest health technical and financial assistance to communities, nonindustrial private landowners, States, and other Federal agencies).
- R&D (developing and transferring new technology).
- Salvage Sale Fund.
- Timber-Purchaser-Elect.
- Knutson Vandenburg.
- Brush Disposal.
- Recreation Fee Demo.
- Forest Land Enhancement Program (FLEP).

By the end of FY 2003, the amount transferred was \$695 million, resulting in numerous nonwildland fire management projects and activities being cancelled or postponed.

Healthier forests, the intended outcome of the Healthy Forests Initiative, could greatly reduce the *potential* for catastrophic wildland fires, which, in turn should reduce fire suppression costs dramatically. However, aggressive national wildland fire management efforts may only control costs up to a point as the extent of the wildland-urban interface continues to expand. Also, the current buildup of hazardous fuel on Federal and non-Federal lands may be occurring at two or three times the level of treatment.

In FY 2003, the Forest Service developed and implemented a strategy for cost containment on large wildfires. This strategy incorporates the action items of the Chief's Incident Accountability Report, reinforcing the need for additional, highly skilled incident business advisors on all Type I incidents, as well as Type II incidents with the potential to be of high cost. When incidents exceed \$12 to \$15 million, a support staff is assigned to the incident to ensure application of appropriate financial skills in fire business management, contracting or procurement, and fire operations.

The Forest Service continued to work with the U.S. Department of the Interior to improve overall efficiency to meet all the expectations of the Northwest Forest Plan, covering more than 24 million acres of public lands. Two new amendments to the plan will be completed in FY 2004: one to clarify language in the Aquatic Conservation Strategy, and the other to change the Survey and Manage program.

### **Goal 3—Scientific and Technical Assistance**

In 2003, the Forest Service priorities related to scientific and technical assistance included activities connected to the Healthy Forest Initiative; Invasive Species, including Sudden Oak Death; Forest Inventory and Analysis (FIA); and Global Climate Change.

#### **Healthy Forests Initiative**

Fire exclusion, insect and disease infestations, invasive species, and other factors have added greatly to the challenge of maintaining and improving forest health and sustainability. Forest Service R&D developed a wide range of knowledge and tools to improve the ability of forest and rangeland managers to reintroduce fire to a more natural role; improve the cost-effectiveness of mechanical fuel management treatments; control introduced plants, insects, and diseases; and keep native insect and disease losses to an acceptable level. These tools will assist land managers in prioritizing vegetation and fuel treatments, in planning and executing prescribed burns and insect and disease management, and in managing wildfires more effectively.

#### **Invasive Species**

Invasive species are the single greatest threat to forest and rangeland health, resulting in economic losses caused by natural resource impacts and increased control and restoration costs. Emerging issues, such as the Sudden Oak Death epidemic in California, present a national threat. Effective management of invasive species requires a scientific and operational response from the Forest Service, integrated with public and private partners. Forest Service R&D funds support work on invasive plants and pathogen and invasive aquatic and terrestrial vertebrates and invertebrates.

#### **Forest Inventory and Analysis**

FIA is the Nation's continuous forest census, the number one source of current information on status and trends in America's forest resources. Products include estimates and maps of forest cover and change; rates of forest growth, harvest, and mortality; descriptions of forest structure and species composition; and data on forest soils, vegetative diversity, and fuel loads.

Program customers include State forestry agencies, Federal and State policymakers, corporations and consultants, researchers, environmental organizations, land managers, media, and anyone interested in reliable, current forest data.

Common applications of FIA data include State-level assessments of forest sustainability, maps of fire fuel loads and risk, carbon budgets and sequestration opportunities, assessments of forest health, and estimates of timber consumption and supply.

#### **Global Climate Change**

The Nation's forests are significant carbon sinks that are critical to increasing terrestrial carbon sequestration. Forest Service R&D is developing improved moni-

toring, analysis and projection, and management systems to understand, mitigate, and capitalize on climate change. Active forest management can enhance carbon sequestration by increasing the removal rate of CO<sub>2</sub> from the atmosphere and storing carbon in the mass of the woody parts (biomass) on dead or alive trees, shrubs, or bushes, soil, and litter. Advances in forest management systems and technologies improve the ability to capture and allocate carbon in forests and wood products.

### **Goal 4—Effective Public Service**

A major priority in FY 2003 was improving the Forest Service's business and financial operations, including the initiatives of the President's Management Agenda (PMA). Under the PMA, the agency continues to implement competitive sourcing and business process reengineering through the A-76 process. Please refer to the section titled *President's Management Initiatives* for detailed Forest Service accomplishments.

Also, in an effort to develop excellence in its future leadership, the Forest Service initiated activities and goals related to leadership development and succession planning.

The Forest Service revised its 5-year strategic plan in the Strategic Plan for Fiscal Years 2004-2008, which focuses on outcomes to achieve sustainable resource management and which addresses the four key threats mentioned above. This update sets agency goals and objectives from 2004 through 2008. As a subset of this document, a strategic plan for the entire Business Operations program was developed that describes performance expectations for all administrative staffs and programs.

A Forest Service priority to integrate budget, finance, and performance accountability has led to the development of a Performance Accountability System (PAS). In FY 2003, the agency assessed existing processes and systems related to budget, performance, and accountability and began an effort to develop a consolidated set of activities linking strategic plan objectives and performance measures from the updated Strategic Plan to program and budget formulation, execution, and reporting. In its initial stages of development, the PAS is scheduled for full implementation in 2006, beginning with budget formulation, and will be used in 2005 for budget execution and reporting. A pilot project is currently underway in Region 10 (Alaska) to develop a set of operational level measures to support budget and strategic plan integration.

On the basis of its successes in reducing the size of the national office and increasing cost effectiveness, the Forest Service sent additional funding to the field for on-the-ground projects and programs.

Forest Service leadership is fully committed to all aspects of the agency's Civil Rights program and to the quality of work life for all of its employees. In 2003, special areas of emphasis have been in Equal Employment Opportunity (EEO) Complaint Processing and Improved Workforce Diversity.

In EEO Complaint Processing, the Forest Service:

- Maintained the resolution rate of informal complaints at about 52 percent with a 36-percent Alternative Dispute Resolution (ADR) rate in the EEO informal process and a 54 percent resolution rate using traditional counseling.
- Cut the number of formal complaints filed from 207 in FY 02 to 149 in FY 03.
- Conducted a survey to ensure guidance of going to good faith ADR except in rare circumstances.
- Streamlined processing—including Forest Service field Civil Rights directors' involvement in complaint resolution and coordination—of complaints after studying the roles and responsibilities of Civil Rights, Human Resource Management, and ADR.
- Submitted 96 percent of the EEO counselor reports to the USDA Civil Rights Staff on time.
- Decreased the per capita rate of formal complaints to .4 percent, which is .2 percent below the USDA's .6 percent average.
- Demonstrated increasing accountability in the area of Civil Rights as shown in quarterly complaint leadership reports issued to Forest Service leadership from the Associate Chief and Deputy Chief of Business Operations.
- Decreased the number of informal complaints from 534 to 462.

In Improved Workforce Diversity, the Forest Service:

- Increased its diversity, outreach, and performance indicators; and funding has been reallocated based on sound measurements.
- Modified the Forest Service Chief's Workforce Advisory Group (CWAG) charter to include diversity presentations and studies conducted; diversity measurements are now underway with leadership to communicate and aggressively focus on hiring in FY 2004.
- Developed and distributed the Forest Service Affirmative Employment Plan to Forest Service leadership.
- Addressed reasonable accommodations in presentations with USDA at three regional sites and the Washington Office. Also, drafted a standard operating procedure. Ongoing work includes developing a civil rights database and designing a Train-the-Trainer module with the Office of Personnel Management.
- Retained only 15 program complaints in the Forest Service inventory with more than 212 million visitors annually to national forests.
- Implemented the \$1.6 million National Civil Rights Capacity Building Program, which consisted of \$1.1 million to the Historically Black Colleges and Universities program, \$100,000 to Tribal Colleges and Universities, \$335,000 to Hispanic-Serving Institutions, and \$35,000 to Asian Pacific communities outreach program.
- Employed 24 USDA 1890 Scholars enrolled in 12 Historically Black Colleges and Universities, and employed 24 interns from the Hispanic Association of Colleges and Universities.

## Our Focus on New Priorities

While many of the programs and activities mentioned in this report will be carried over to FY 2004 as priorities, several new areas of focus are on the horizon.

The Forest Service Strategic Plan for 2004-2008 sets goals and objectives for the agency that will be in effect from 2004 through 2008. Each of the goals (highlighted below) discussed in the update include performance measures that will be tracked to measure the annual results. Baselines, when available, provide a benchmark to evaluate Forest Service performance.

In 2004, the Forest Service will continue to actively address four threats:

- Fires and fuels.
- Invasive species.
- Loss of open space.
- Unmanaged recreation.

Agency priorities from 2004 through 2008 will be viewed in light of the following goals and their expected outcomes.

### **Goal 1—Reduce the risk from catastrophic wildland fire**

*Restore the health of the Nation's forests and grasslands to increase resilience to the effects of wildland fire.*

Goal 1 is recognized for priority attention by Forest Service leadership, partially because catastrophic fires compromise human safety and life and often result in significant private property loss, have huge economic impacts, damage forests and habitat, and compromise the health of the ecosystem.

FY 2003 was the third consecutive year that the Forest Service transferred funds from discretionary accounts to pay for the costs of wildland fire suppression. In FY 2002, the Forest Service transferred \$919 million from nonwildland fire management accounts to cover the costs of fire suppression and, in FY 2003, \$695 million was transferred from nonwildland fire accounts. These transfers resulted in cumulative multiple impacts including the cancellation or postponement of numerous projects on NFS lands; cooperative projects with States, communities, and other partners; and research activities. In many cases the projects and research postponed or cancelled were designed to reduce the risk of wildland fires to communities and the environment.

The agency is committed to working with the Administration and Congress to implement a long-

term solution to pay for the costs of fire suppression. Such a solution must encompass appropriate incentives to reduce the cost of fire suppression and also to avoid the disruptive process of making transfers from other accounts. In addition, the agency will continue its focus on reducing the root causes of costly and catastrophic wildfires by emphasizing the treatment of hazardous fuels and restoration of watersheds.

### **Goal 2—Reduce the impacts from invasive species**

*Restore the health of the Nation's forests and grasslands to be resilient to the effects of invasive insects, pathogens, plants, and pests.*

Goal 2 is recognized for priority attention by Forest Service leadership, in part, because invasive species, many of which have no natural predators, are spreading at an alarming rate and are having catastrophic impacts on economies, native species survival, and habitat. Economically, invasive species cost the United States about \$137 billion per year in total economic damages and associated control costs. Scientists estimate that invasives contribute to the decline of up to half of all endangered species. Invasives are the single greatest cause of loss of biodiversity in the United States.

### **Goal 3—Provide outdoor recreation opportunities**

*Provide high-quality outdoor recreational opportunities in forests and grasslands, while sustaining natural resources to meet the Nation's recreation demands.*

This goal is recognized for priority attention by Forest Service leadership, partially because of the overuse of the land, especially by OHVs. A near doubling of OHV use from 1982 to 2001 has resulted in damage to wetlands and wetland species, severe soil erosion, spread of invasive weeds, and increased susceptibility to fire in times of drought. In addition, this heavy use is destroying values that recreational opportunities should provide.

### **Goal 4—Help meet energy resource needs**

*Contribute to meet the Nation's need for energy.*

This goal is recognized for priority attention by Forest Service leadership because the Nation's forests and grasslands play a significant role in meeting the need for the production and transmission of energy.

### **Goal 5—Improve watershed condition**

*Increase the number of forest and grassland watersheds in fully functional hydrologic condition.*

This goal is recognized for priority attention by Forest Service leadership because a significant number of municipalities and Forest Service facilities currently depend on NFS watersheds for their public water supplies. Sustaining functional watershed conditions over time maintains the productive capacity of the Nation's land and water.

**Goal 6—Conduct Mission-related work in addition to that which supports the Agency's goals**

*Conduct research and other mission-related work to fulfill statutory stewardship and assistance requirements.*

An example of mission-related work that supports the Forest Service's goals is the effort to reduce the loss of open space. Large tracts of undeveloped land are critical to the health of the Nation's wildlife, forests, and water supply. A reduction in the number of acres in large tracts of land can result in less forest and range products and outdoor recreation opportunities. To learn more about this problem, the Forest Service has conducted regional assessments, such as the Southern Forest Assessment, Northern Forest Lands Study, and the New York/New Jersey Highlands Study. These studies show the condition of the land given the current situation. The Forest Service employs a variety of programs and processes to determine the effect loss of open space has on the natural environment, as well as the effect it may have on humans. Through its Cooperative Forestry Program and National Forest Landownership Adjustment plans, the Forest Service is working to consolidate large tracts of land and to reduce potential user conflicts associated with loss of open space.

Another priority area under Goal 6 is Civil Rights. In FY 2004, Forest Service leadership will remain fully committed to all aspects of the agency's Civil Rights program and to the quality of work-life for all of its employees. Special focus continues to be placed on EEO Complaint Processing and Improved Workforce Diversity.

For EEO Complaint Processing, the Forest Service will:

- Establish a mechanism to track ADR attempts in the formal EEO complaints process.
- Ensure that the timeliness of traditional counseling process (up to 90 days) is within regulatory requirements 95 percent of the time.
- Ensure that the timeliness of the ADR and Early Intervention Program process (within the informal EEO process, which is 90 days) is within regulatory requirements 90 percent of the time.
- Ensure that the timeliness of informal EEO counseling reports is met within 90 to 95 percent of the time (within 10 days of Department request).
- Make sure the per capita rate for formal complaints is maintained at 0.29 percent of the workforce.

- Ensure the timeliness of formal complaints by establishing baseline measures for timely processing of formal complaints at every stage over which the Forest Service has cognizance to comply with regulatory requirements. Examples of such stages include investigation, investigation review, election, and processing of records to the Equal Employment Opportunity Commission.
- Collaborate among Forest Service Civil Rights, ADR and Early Intervention Program, and Human Resources Management to develop data elements and processing tools that measure ADR usage throughout the complaint process, using a centralized complaints database.
- Train and transfer complaints resolution and investigation coordination to Forest Service Civil Rights directors in the regions, stations, and areas.
- Provide oversight for and implement class settlement agreements. Focus on improving the database and decreasing reprisal complaints.
- Properly manage any delegation from USDA concerning complaints acceptance, investigation, and coordination.

The Forest Service plans to work with USDA to help meet agency goals. For example, in the area of EEO Complaint Processing the agency has the following three priorities: (1) work with transitioning delegations in an efficient and effective manner, considering more than just the investigation process; (2) measure timeliness of USDA processing to increase efficiency and effectiveness; and (3) increase resources to expedite final agency decisions.

The Forest Service has set the following goals for FY 2004 regarding Improved Workforce Diversity:

- Work toward 50 percent of the statistical comparisons reflecting positive trends in the diversity representation of the Forest Service. Statistical comparisons include professional, administrative, technical, gender, ethnicity, and targeted disability, student trainees, high grade levels (GS 13-15, Senior Executive Service), and forest supervisors, deputy forest supervisors, and district rangers.
- Develop and distribute top leadership diversity presentations, quarterly diversity leadership reports and proposed scorecard-type measurements for leadership in diversity.
- Implement EEOC MD-715. (Management Directive regarding Model Agency Title 7 Rehabilitation Act Programs.)
- Conduct trend analysis and/or studies in special emphasis program areas.



In the area of Improved Workforce Diversity, the agency will work with USDA to issue the following six priorities:

- Timely advice on MD-715, especially regarding affirmative employment.
- Clear, measurable goals on disability and/or targeted disability hiring (in concert with MD-715).
- Guidance on the No Fear Act and what is expected of agencies.
- Clear guidance and expectations on USDA 1890 liaisons and conduct a meeting with current liaisons.
- Guidance on expectations and compliance reviews of Title VI.
- A schedule of reports in advance that are expected annually.

## The President's Management Initiatives

The Forest Service's efforts to improve agency management and performance have been a part of the agency's long-term goals for many years. In 2001, the PMA became a major focus for the Federal Government, complementing many of the efforts undertaken by the Forest Service. With this renewed focus, the Forest Service developed the *Forest Service Strategy for Improving Organizational Efficiency* (June 2002), which addressed all five PMA initiatives. Throughout FY 2003, the Forest Service continued the implementation of the Organizational Efficiency Strategy's 21 plans, which were developed and approved by agency leadership to address the PMA initiatives.

### **Performance and Budget Integration**

#### **Designing and Implementing a Performance Accountability System**

In December 2002, the Forest Service began the process of designing a performance accountability process and system in order to better track agency performance and to more efficiently and effectively complete the Performance and Accountability Report, as required by the Government Performance and Results Act (GPRA). A Forest Service Executive Steering Team provided direction and oversight for this effort, using technical support from an Integrated Project Team.

The assessment, released in July 2003, recommends a single solution to deliver an integrated performance accountability process and management system. The proposed solution must be consistent with Forest Service's E-Gov Enterprise Architecture Project, the Budget and Performance Integration Initiative, Office of Management and Budget's (OMB) Federal Enterprise Architecture Performance Reference Model and Business Reference Model, and the USDA Performance Management Guidance for 2002. This accountability not only supports the *integration of budget and performance* information, but also improves tracking efficiencies and begins tracking agency effectiveness as outcomes of Forest Service decisionmaking.

The PAS will enable Forest Service leadership to develop results-oriented management objectives that are aligned with the agency's mission and a means by which to measure the intended results through performance measures. The PAS will bring more accurate and timely annual and quarterly performance reporting, improve leadership's ability to communicate priorities, and provide managers with a tool to identify risks or consequences to any tradeoffs in program delivery.

The PAS will provide the field with a means to develop programs of work and budget requests that are aligned with these management objectives through a mix of activities tied to local priorities and capabilities.

A prototype for PAS was designed to demonstrate the recommended solution architecture to agency leadership in July 2003, using data and information from Region 10 (Alaska). A contract was let that produced the system architecture in September 2003. This architecture defines a system that will be operational for the FY 2005 budget execution and FY 2006 formulation.

At the project level, Forest Service launched a project work-planning tool—*WorkPlan*—in May 2003. *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.

### **Improved Financial Management**

Improved financial management is essential for the Forest Service and the agency is fully committed to improving the agency's business and accounting processes and systems. The Forest Service recognizes that some legacy financial systems, such as the feeder systems to Foundation Financial Information System (FFIS), do not meet requirements for Federal financial management. These systems need to be replaced or eliminated. This effort, led by the USDA, will continue for several years, and will require a significant amount of agency resources to complete. The Integrated Acquisition System (IAS) is one such example. This system replaces older, noncompliant procurement systems, while providing full accounting and reporting for Forest Service procurement actions.

To sustain the momentum of an unqualified audit opinion for FY 2003, the Forest Service is committed to—

- Fully training qualified employees in financial management policy and accounting standards.
- Making available the status and information about agency financial operations through a variety of reporting tools.
- Enforcing all current critical financial management policies and procedures.

- Expanding the availability of computer-based financial systems to meet agency requirements.
- Addressing and correcting all material weaknesses and reportable conditions.

### **Financial Systems**

In 2000, the Forest Service implemented FFIS, a U.S. Standard General Ledger-based financial management system that complies with Federal financial requirements. In 2001, the agency implemented the Budget Formulation and Execution System (BFES). But to reconcile 2002 material weaknesses, certain financial management policies and business practices are being updated to sustain improvements for all agency accounts, including property managed by the Forest Service. Reconciliation teams are also being used to continue to improve the data integrity within the agency's accounting system.

By implementing these financial systems and adhering to the GPRA, the agency is moving forward with the development of integrated processes and systems that provide needed systemic linkages among the formulation of budgets, the accomplishment of work on the ground, and the associated cost of the work.

### **Indirect Costs and Reducing Fixed-to-Variable Cost Ratio**

The Forest Service's National Leadership Team will lead the agency in developing alternatives and implementing a plan to reduce indirect costs as a percentage of the total agency budget. Through this effort the agency will improve its fixed-to-variable cost ratio resulting in increased budgetary flexibility.

Baselines for fixed-to-variable cost ratios were established for all Forest Service units for FY 2002.

### **Strategic Management of Human Capital**

The Annual Workforce Planning process continues, involving both field-level and agencywide analysis of attrition and retirement trends, hiring projections, diversity profiles, and competency needs. This resulted in the release of a Workforce Plan Addendum in March 2003.

The agency continues to implement its 5-year strategy to meet mission-critical skills gaps as identified in the Workforce Plan. The National Recruitment Council coordinates implementation of this strategy in the field and at headquarters, while a senior-level workforce advisory group provides leadership for the process.

From a corporate training perspective, the Forest Service continues the marketing and deployment of a national *New Employee Orientation* program, resulting in attendance by over 1,000 employees in two sessions. The framework design of a career-planning database is now completed. Enhancement to a service-

wide Web-based training tracking system continues into FY 2004.

The Leadership Success component of the Human Capital Initiative, comprising a five-tiered program for developing leadership competencies at all levels of the organization, has been designed and approved. A program manager has been chosen to lead the Leadership Success Program, and work on a Senior Leaders program has begun. Information on Leadership Success from most of the regional offices is now available on the agency's Intranet.

A Knowledge Management Working Group, chartered by the Chief, met for a 1-week session in June 2003 to strategize how to improve systems for the creation and capture of employees' knowledge, with the capability to then share it throughout the agency. This resulted in the formation of a specific subcommittee on capturing employee knowledge and the defining of its roles: benchmarking, with other agencies and contractors, the methods for capturing employees' knowledge and developing a comprehensive proposal for capturing Forest Service employees' knowledge.

### **Competitive Sourcing**

The Forest Service identified four functions for study, with a goal of completing studies for over 3,000 full-time equivalent (FTEs) positions by end of FY 2003. In total, there were 171 separate studies. The studies for Content Analysis, Maintenance, and Computer Help-Desk functions have been successfully completed. The study of IT Infrastructure, which is a single study, has been extended until the spring of 2004 due to the size and complexity of the study; hence, these 1,200 FTEs, along with three smaller maintenance studies that were not completed (144 FTEs) cannot be credited towards the FY 2003 goal. In short, we completed studies of 2,350 FTEs in FY 2003. The uncompleted study FTEs will count toward the agency's cumulative Competitive Sourcing goals in FY 2004.

The delay of the four individual studies was due to the extensive time required to develop a performance work statement, or PWS, which is the backbone of Competitive Sourcing competitions. The PWS is used as the basis for contractor bids and government proposals for performing the required work. The source selection decisions for the two R-5 maintenance studies are expected in December 2003, and decisions for the R-10 Trails and the IT studies are expected in April 2004. The Chief Financial Officer's (CFO) staff is expected to undergo a formal competitive sourcing competition in FY 2004. As such, the CFO has begun Business Process Reengineering studies designed to improve efficiency, financial processes, and cost effectiveness.

Also, a Competitive Sourcing Program Office was created and funded for eight FTEs. Only five of the positions are filled.

It is too early to estimate the savings as a result of the studies.

### **Expanded Electronic Government (e-Gov)**

The Forest Service has detailed its strategy to use technology to improve efficiency and public service in

the recently approved Forest Service e-Government Strategy and Roadmap.

The agency made substantial progress in creating the infrastructure and starting the business case analysis process for several projects including Recreation One-Stop, environmental planning records, streamlining the permit process, and online citizen transactions, as required by the Government Paperwork Elimination Act.

## Management Controls, Systems, and Compliance with Laws or Regulations

### Management Controls

The *Federal Managers' Financial Integrity Act* (FMFIA) requires agencies to provide an assurance statement that Federal programs are operated efficiently and effectively and to 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.

Within the Forest Service, the Chief; deputy chiefs; regional foresters; and directors for the research stations, Northeastern Area Office, Forest Products Lab, Job Corps, and the International Institute of Tropical Forestry are responsible for ensuring that their programs are operating efficiently, effectively, and in compliance with relevant laws and that financial management systems conform to applicable laws, standards, principles, and related requirements.

The USDA goal is to eliminate material deficiencies by the end of FY 2004. In conjunction with the Office of Inspector General (OIG), Forest Service management is working aggressively to determine the root causes of material deficiencies and moving quickly to remedy them. The Forest Service's management controls program ensures compliance with FMFIA, and with OMB Circulars A-123, *Management Accountability and Control* and A-127 *Financial Management Systems*, except for the weakness identified below.

In FY 2003, Forest Service reduced the number of material deficiencies. The following FMFIA material deficiencies have been fully corrected or reassessed and determined to be no longer material.

The Forest Service's goal for FY 2004 is to eliminate the remaining deficiency, Internal Control Weakness: Overall Financial Management (FS-03-01), by year end.

### Financial Systems

Under the *Federal Financial Management Improvement Act* (FFMIA), agencies are required to report whether financial management systems substantially comply with the Federal financial management systems requirements, Federal accounting standards, and the United States Government Standard General Ledger 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 following are areas of FFMIA noncompliance in the Forest Service:

- The Forest Service systems (PONTIUS, PRCH, EMIS, PROP, INFRA, Central, ATSA, and PAY-CHECK7) are not compliant with Federal Financial Management System requirements.
- Forest Service revenue collections from certain business processes are not recognized as revenue when earned.
- The Forest Service used improper accounting for Budgetary Resources in special and nonrevolving trust funds.
- The Forest Service had other accounting errors and lack of budgetary/proprietary synchronization.

Since the publication of the FY 2003 financial statements, the remediation plan is in the process of being completed; therefore, it does not appear in this report.

Number and Title of Material Deficiency	Year Identified	Status
FS 91-02: Adequacy of Financial Systems	1989	Downgraded
FS 92-01: Administration of Lands Special Use Permits	1992	Downgraded
FS 00-01: Performance Reporting	2000	Downgraded
FS 01-01: Timber Sale Environmental Analysis	2001	Downgraded
FS 03-02: Systems Nonconformance	2003	Reassigned to USDA

Material Deficiency Description	Corrective Actions Remaining To Be Taken	Year Identified	Estimated Completion Date
FS-03-1 Internal Control Weakness: Overall financial management controls not adequate.  Source: OIG Audit No. 08401-1-FM	Issue new policy requiring supervisory review of property transactions and to improve capitalization controls. Finalize the process to certify payroll.	FY 2003	FY 2004

## Followup to the Inspector General's Recommendations

Definitions Used in the USDA Forest Service's Audit Process	
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 are funds that OIG has recommended could be used more efficiently if management took actions to implement and complete the recommendation, including: <ul style="list-style-type: none"> <li>• Reductions in outlays</li> <li>• A deobligation of funds from programs or operations</li> <li>• A withdrawal of interest subsidy costs on loans or loan guarantees, insurance, or bonds</li> <li>• Costs not incurred by implementing recommended improvements related to the operations of the establishment, a contractor, or grantee</li> <li>• An avoidance of unnecessary expenditures noted in pre-award reviews of contract or grant agreements</li> <li>• Any other savings, which are specifically identified</li> </ul>
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/ Audit Recommendations	Audits and audits 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 Statistics

Reportable audits are classified as being in one of three categories:

- Audits that are without final action, but for which corrective action is continuing as planned and deemed to be on schedule
- Audits behind schedule that have missed their original estimated completion dates
- Audits for which all administrative actions have been completed and the only action remaining is the collection of disallowed costs.

### Outstanding OIG Audits

The Forest Service's number of outstanding audits has continued to increase over the past few years. In January 2003, the agency had 32 outstanding OIG audits that represented 155 open audit recommendations. Thus, the agency determined it needed to take an aggressive approach towards closing these audits/audit recommendations by the end of FY 2003. Although the Forest Service did not close as many audits as planned, the agency has made significant progress towards closing many of the audit recommendations. As of fiscal year end, the agency has officially closed 7 of these audits, representing 71 audit recommendations. In September, two audits representing 17 audit recommendations were added to the inventory. The plan for FY 2004 is to resolve all remaining outstanding audits by fiscal year end. See the table on page 20 for a listing of the outstanding and the status regarding their closure.

Audits on Schedule			Audits Behind Schedule			Audits Under Collection		
No.	DC(\$)	FTBU(\$)	No.	DC(\$)	FTBU(\$)	No.	DC(\$)	FTBU(\$)
1	2,500,000	–	25	1,350,000	70,269,210	–	–	–

<b>Explanations for Inspector General (OIG) Audits Behind Schedule</b>				
<b>Audit Number</b>	<b>Audit Title</b>	<b>Date Issued</b>	<b>Estimated Completion Date</b>	<b>FTBU (\$)</b>
Pending System Development, Implementation, or Enhancement				
08001-1-HQ	Forest Service Implementation of GPRA	6/28/2000	03/31/2005	—
Pending Issuance of Policy/Guidance				
08001-2-HQ	Review of Forest Service Security over Aircraft and Aircraft Facilities	03/29/2001	03/31/2004	—
08002-2-SF	Valuation of Lands Acquired in Congressionally Designated Areas	11/28/2000	11/28/2003	—
08003-2-SF	Humboldt/Toiyabe National Forest Land Adjustment Program	08/05/1998	11/28/2003	27,900,000
08003-5-SF	Land Acquisition and Urban Lot Management	12/15/2000	12/31/2003	10,329,300
08003-6-SF	Zephyr Cove Land Exchange	07/14/2000	11/28/2003	18,700,000
08099-6-SF	Security Over USDA IT Resources	03/27/2001	12/31/2003	—
08099-37-AT	FY 1991 Financial Statement Audit	09/30/1993	09/30/2003	—
08099-42-AT	FY 1992 Financial Statement Audit	11/16/1993	09/30/2003	—
08401-4-AT	FY 1995 Financial Statement Audit	05/18/2001	12/31/2003	—
08401-7-AT	FY 1997 Financial Statement Audit	05/18/2001	09/30/2003	—
08601-7-SF	Controls over Research	09/15/1995	11/28/2003	5,024,245
08601-27-SF	National Land Ownership Adjustment Team	03/28/2002	11/28/2003	—
08801-3-AT	Real and Personal Property Issues	05/18/2001	09/30/2003	—
08801-6-SF	Forest Service Land Adjustment Program San Bernadino National Forest and South Zone	01/19/2000	11/28/2003	—
Pending Receipt and/or Processing of Final Action Documentation				
08017-4-SF	Termination Settlement Proposal – Bodenhamer, Inc.	04/29/2001	09/30/2003	—
08401-9-AT	FY 1999 Financial Statement Audit	05/18/2001	09/30/2003	—
08601-4-AT	Forest Service Wildlife and Fisheries Management	09/17/1996	09/30/2003	148,049
08601-25-SF	Working Capital Fund Enterprise	08/29/2001	09/30/2003	2,600,000
08801-3-SF	Review of the Confidential Financial Disclosure System	06/16/2000	09/30/2003	—
Pending Results of Request for Change in Management Decision				
08099-9-TE	Challenge Cost Share Program	06/22/2001	09/30/2003	—
08401-1-AT	FY 1994 Financial Statement Audit	01/09/1996	10/31/2003	—
08401-8-AT	FY 1998 Financial Statement Audit	05/18/2001	09/30/2003	—
Pending Issuance of Policy/Guidance and External Action is Required				
08601-1-AT	Hazardous Waste at Active and Abandoned Mines	03/29/1996	12/31/2003	1,950,000
External Action Is Required				
08601-5-SF	Graduated Rate Fee System	04/08/1997	09/30/2005	3,617,616
08801-4-TE	Forest Service Collection on Royalties on Oil and Gas Production	08/09/1999	11/28/2003	—



## Major Management Challenges and Program Risks

The following tables list the agency's accomplishments or planned actions for goals that were unmet for management challenges and program risks identified by Government Accounting Office (GAO) and OIG in FY 2003.

Major Management Challenges/ Program Risks	FY 2003 Accomplishments	FY 2004 and FY 2005 Planned Actions and/or Performance Measures
<b>Management and Program Delivery Issues</b>		
<p>Source: OIG Major USDA Management Challenges, November 8, 2002</p> <p>"Lack adequate internal control system to ensure compliance with standards"</p> <p>"Improper administration of grants to States and nonprofit organizations"</p> <p>"Inefficient controls over environmental analysis processes for timber sales"</p> <p>"Development of policies for partnerships with private parties"</p> <p>"Lack of appropriate goals and objectives and accurate performance measures"</p>	<p>Completed a review in Region 8 to evaluate compliance with standards listed in the Quality Assurance Guide (CFO Bulletin 2003-007) and agency policy and direction.</p> <p>Developed a new, more comprehensive internal review process, which was piloted in Region 3 and the Northeastern Area.</p> <p>Developed standard review procedures of environmental assessments, National Environmental Policy Act (NEPA) implementation, and other environmental regulations.</p> <p>Carried out plans for monitoring of Administrative Control Plan (ACP); implementing corrective actions; and developing new training requirements and tools for effective analysis of NEPA and Endangered Species Act documentation.</p> <p>Completed a national review of 52 timber sales; regional development of NEPA improvement plans; and regional implementation of a timber sale review process, selecting a specific number of sales each year to focus on OIG/Forest Service review.</p> <p>Revised the Grants and Agreements Guidebook to improve business relationships between the agency and partners.</p> <p>Established the Partnership Resource Center Web site through an agreement between the Forest Service and National Forest Foundation. This Web site contains the latest information on partnerships and the authorities and instruments available to Forest Service and partners to achieve goals.</p> <p>Drafted partnership legislation is now in final review at USDA, before moving to OMB and Congress for approval.</p>	<p>Continue to place an increased emphasis on the management control environment, including internal controls.</p> <p>Revise and publish selected policies and procedures. FY 2004 compliance reviews and other management control reviews have been planned and/or scheduled. The review plans for FY 2005 will be completed in FY 2004. In FY 2004, the Forest Service will:</p> <ul style="list-style-type: none"> <li>• Implement a 4-year review cycle to ensure that statutory and regulatory guidance is followed and that reviews are performed in compliance with internal controls related to grants and agreement administration.</li> <li>• Participate in USDA implementation of an electronic grants application in the first quarter of 2004.</li> <li>• Participate in the USDA requirements session for an automated solution for Grants and Agreement administration and accounting.</li> </ul> <p>Complete Budget and Finance and Acquisition Management field-level reviews at six locations (three regional offices, two research stations, and the Forest Products Lab) by June 30, 2004.</p> <p>Schedule the complete monitoring of the administrative control for fourth quarter FY 2004.</p> <p>Draft legislation for 2004 Congress authorizing the Forest Service to enter into partnerships with a range of external partners.</p> <p>Complete a partnership guide for communities, nongovernmental organizations, and others potential partners by end of the third quarter, FY 2004.</p>

**Major Management Challenges/  
Program Risks**

**FY 2003 Accomplishments**

**Management and Program Delivery Issues (continued)**

Published a Grants and Agreements deskguide in November 2002, with on-going training for all specialists.

Delivered presentation by Forest Service Region 5 partnership specialist and USDA OGC on partnership issues to grants and agreements specialists at the National Grants and Agreements conference in May. A new partnership handbook was published in September 2003.

Completed 2003 Strategic Plan Update (delivery to USDA expected by September 30, 2003) with newly refined output measures and linkages. These measures were then used in the FY 2005 budget development process and in the design of the PAS.

**FY 2004 and FY 2005 Planned Actions  
and/or Performance Measures**

Develop a leadership guide for Forest Service leadership and decisionmakers by end of third quarter FY 2004 that addresses the professional skills needed before entering into partnerships.

Develop an assessment tool for field units' use by end of 4th quarter FY 2004 that assesses if the unit has the necessary resources, personnel, and skills for entering into partnerships.

Continue the collaboration with the National Forest Foundation for the Partnership Resource Center Web site.

Design PAS system from November 2003 through March 2004.

Implement PAS beginning in August 2004.

**National Fire Plan**

Established project criteria for rehabilitation and restoration projects.

Established all costs in the NFP fire model.

Source:  
OIG Major USDA Management Challenges,  
November 8, 2002

"Waste and misuse of project funds"

**Grant and Agreement Administration**

Revised and piloted the process in Region 3, including steps necessary to follow statutory and regulatory guidance. Based on the results of the pilot study, this process will ensure that regional reviews related to grant and agreement administration will be performed to compliance.

The CFO issued national bulletins to clarify FFIS Project Cost Accounting (PCAS) procedures and to require their use for reimbursable agreements. The Financial Policy and Analysis Staff is responsible for issuing national direction contained in the CFO bulletins; Financial Accounting and Operations Staff and the FFIS Help Desk support field operations for PCAS processing.

Implement the 4-year review cycle, encompassing all regions and stations. Where problems are identified in future reviews, corrective action will be developed and implemented.

Implement the USDA-wide e-Grants application in the first quarter, FY 2004.

Participate in the Department-wide requirements session for an automated solution for grants and agreements administration and accounting.

Complete the scheduled Budget, Finance, and Acquisition Management field-level reviews at six locations— three regional offices, two research stations, and the Forest Products Lab—by June 30, 2004.

Source:  
OIG Major USDA Management Challenges,  
November 8, 2002

"Grants used for unintended purpose"

"Federal funds not matched"

"Unauthorized expenditures"

"Did not conform with Federal Grants and Cooperative Agreements Act, OMB, and USDA regulations"

"Accounting records mismanaged"

Security of Aircraft

Source:  
GAO Report entitled, "Major Management Challenges and Program Risks," GAO-03-96, (January 2003)

"Lack of security standards"

"Lack of risk assessments to identify threats and misuse of aircraft by terrorists"

"Lack of security on air bases"

Developed a National Aviation Security Policy that includes security standards for all aviation facilities, linking agency response to the Homeland Security Advisory System in the first half of the fiscal year. These standards will be incorporated at all facilities that undergo an upgrade or new construction.

Implemented security improvements at the highest priority facilities.

Developed regional security procedures to respond to changes in the Homeland Security Advisory System threat levels.

Reclassified all pilot positions, both Government and contract, from "Low Risk" to "Moderate Risk Public Trust" positions, requiring a higher level of background check for these positions.

Continued to undertake efforts to improve aviation security. Significant accomplishments during this period included ongoing consultation and coordination with the Transportation Security Administration (TSA) regarding aviation security policy and procedures. In consultation with TSA, the Forest Service issued a firefighter travel safety alert addressing security screening and travel requirements.

Began development of procedures for aviation security technology review and assessment procedures. Continued to review Forest Service policy handbooks and manuals for needed changes and modifications related to aviation security.

Developed at the Missoula Technology and Development Center an evaluation protocol for security technology usable with aircraft, which enables new security technologies to protect the agency's aviation assets. Contingency plans were developed to use funds, where available, to implement needed security improvements at the highest risk facilities.

Complete the National Aviation Security Policy that contains security standards for all aviation facilities and links agency response actions to the Homeland Security Advisory System. These standards will be incorporated at all facilities that undergo new construction or upgrading. The policy will be finalized in the first quarter of FY 2004.

Include in the Forest Service National Aviation Security Policy a formal methodology requiring all regions to conduct risk and vulnerability assessments for all aircraft. Also, the National Aviation Security policy requires a twice-a-year review of these assessments. The policy is scheduled to become effective the first quarter FY 2004.

Establish a position that will assure continued monitoring, review, and analysis of adherence/compliance to aviation security policies and procedures in FY 2004.

Conduct a test of the "aircraft electronic security system" at the Missoula Technology and Development Center in early FY 2004. Pending funding availability, begin purchasing these systems in the second quarter of FY 2004

**Major Management Challenges/  
Program Risks**

Source:  
GAO Report entitled, "Major Management Challenges and Program Risks", GAO-03-96, (January 2003)

"Accountability of funds expended"

"Lack of good performance measures and linkage to the budget"

"Coordination with other Federal agencies"

"Strong Internal Control is Critical to Program Delivery"

**FY 2003 Accomplishments**

**Improving Performance and Accountability**

Refined agency output measures for the FY 2005 budget, and developed linkages to these measures in the 2003 Strategic Plan Update. These same measures are tied to activities used to develop the budget (BFES) and will be incorporated in the Forest Service's PAS, which will track agency performance against the measures.

Clarified which executive is responsible for GPRA requirements and the PMA Budget and Performance Integration Initiative, as required by the GAO-issued report titled, Forest Service: Little Progress on Performance Accountability Likely Unless Management Addresses Key Challenges, (number GAO-03-503, May 2003).

Reaffirmed that Sally Collins, as the Associate Chief and Chief Operating Officer, is and continues to be the senior executive responsible for agency performance accountability, including the development of the PAS.

**FY 2004 and FY 2005 Planned Actions  
and/or Performance Measures**

Implement PAS by accomplishing these milestones throughout FY 2004 and FY 2005:

- System design—from November 2003 through March 2004
- Alignment and integration with key systems (FFIS, INFRA, etc.)—November 2003 through August 2004
- Full system implementation—August 2004 through January 2005

Initiate requirement for line officer/manager certification of reported accomplishments

Use a two-step process to evaluate high-risk processes within the agency, including risk assessment and the agency's internal review process. Milestones include:

- Conduct agency risk assessment by June 30, 2004
- Issue new policy and procedures by September 2005
- Annually conduct minimum of two Chief Reviews
- Annually conduct reviews for financial compliance and internal control based on highest priorities
- Annually conduct program/activity reviews
- Annually conduct acquisition internal control reviews

## Forest Service's Financial Highlights for 2003

The Forest Service annually produces a series of financial statements to summarize the financial activity and associated financial position of the agency. The principal statements include a Consolidated Balance Sheet, Statement of Net Cost, Statement of Change in Net Position, Statement of Budgetary Resources, and Statement of Financing. The agency's goal in producing these statements is to provide relevant, reliable, and accurate financial information related to Forest Service activities. The USDA Forest Service restated its FY 2002 financial statements. The tables below reflect the restated amounts for FY 2002.

Through analysis of the agency's September 30, 2003, and September 30, 2002, financial statements, the following key points are highlighted.

### Assets

The Forest Service reports \$7.3 billion in assets at the end of September 30, 2003. This represents an increase of 6 percent over fiscal year 2002 amounts. This change is attributed to an increase in Fund Balance with Treasury because of higher appropriations from Congress, some of which were received at year-end.

The three major asset categories are shown in the table below.

General Property, Plant and Equipment (General PP&E) consists primarily of forest road surface improvements, culverts, bridges, campgrounds,

administrative buildings, other structures, and equipment. The 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, or services, and specific activities performed by the Forest Service.

General PP&E 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 in-depth discussion of stewardship assets is presented in the Required Supplementary Stewardship Information section in this report.

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.

### Exhibit 1: Assets

	2003 (In Millions)	2002 (In Millions)	Difference	
			Dollars	Percentages
General Property, Plant and Equipment	\$3,851	\$3,909	\$(58)	(1)%
Fund Balance with Treasury	3,293	2,825	468	17%
Accounts Receivable, Intragovernmental and other	152	122	31	25%
Total of Major Categories	\$7,296	\$6,856	\$441	6%
Other Asset Categories	15	32	(17)	(53)%
Grand Total Assets	\$7,311	\$6,888	\$423	6%

## Liabilities and Net Position

The Forest Service reported \$2.3 billion in liabilities at the end of September 30, 2003, representing probable future expenditures arising from past events. This amount represents an increase of 4 percent from September 30, 2002 amounts. The major liability amounts, unfunded leave, Federal Employees' Compensation Act (FECA) benefits, and custodial liabilities appear in exhibit 2.

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 September 30, 2003, 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 paid. Another major category is the custodial liability funds that belong to non-Forest Service entities. The largest share of this amount is funds for payments to States. These amounts are held by the agency in special receipt accounts pending transfer to the appropriate party.

A net position of \$5 billion is reported for FY 2003. This represents an increase of 7 percent over FY 2002 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 3.

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.

## Net Cost of Operations

The Forest Service's Net Cost of Operations was \$5.5 billion for each of the years ended September 30, 2003 and 2002.

Earned Revenue from the Public include 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 for individuals and businesses cooperating with the agency, as well 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. In FY 2003, approximately \$387 million of FY 2002 receipts were distributed to 41 States and Puerto Rico. This represents an increase of 3 percent over FY 2002 distribution. 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.

### Exhibit 2: Liabilities

	2003 (In Millions)	2002 (In Millions)	Difference	
			Dollars	Percentages
Unfunded Leave and FECA Benefits	\$634	\$600	\$34	6%
Custodial	104	211	(107)	(51)%
Other Liability Categories	1,583	1,416	167	12%
Grand Total Liabilities	\$2,321	\$2,227	\$(94)	(4)%

### Exhibit 3: Net Position

	2003 (In Millions)	2002 (In Millions)	Difference	
			Dollars	Percentages
Unexpended Appropriations	\$1,517	\$1,762	\$(245)	(14)%
Cumulative Results of Operations	3,473	2,899	574	20%
Total Net Position	\$4,990	\$4,661	\$329	7%

**Expenses**

Forest Service program costs for the year ended September 30, 2003, are \$6.5 billion before elimination entries. This represents a 5-percent increase from FY 2002. The change is attributable mostly to an increase in Intragovernmental Net Costs resulting from Forest Service’s assistance to other Federal agencies in dealing with national emergencies such as the space shuttle (Columbia) recovery, containment of the Exotic New Castle Disease outbreak, and Hurricane Isabel.

**Budgetary Resources**

The Forest Service had budget authority of approximately \$5.9 billion in FY 2003 and \$5.1 billion in FY

2002. The funding received in FY 2003 represents an increase of 15 percent over that received in FY 2002. The increase was mainly attributable to funds necessary to fight and suppress wildland fires. These are general Government funds administered by the Department of the Treasury and appropriated for the agency’s use by Congress. A portion of the appropriation, \$636 million in FY 2003, was designated by Congress to repay agency funds transferred from other accounts during previous fiscal years for emergency wildland fire management requirements. The agency must routinely exercise its statutory authority to transfer from other funds available to fight wildland fires. When such transfers take place, the agency requests appropriations from Congress to repay transferred funds in order to accomplish the purpose for which the funds were first provided.

**Exhibit 4: Gross Expenses**

	2003 (In Millions)	2002 (In Millions)	Difference	
			Dollars	Percentages
Program Costs				
National Forests and Grasslands	\$3,453	\$3,322	\$131	4%
Forest & Rangeland Management	310	250	60	24%
State & Private Forestry	388	285	103	36%
Fire & Aviation Management	1,952	2,186	(234)	(11)%
Working Capital Fund	366	254	112	44%
Total Program Costs	\$6,469	\$6,297	\$172	3%

## Forest Service's Performance Highlights for 2003

The key performance areas for the Forest Service executive leaders are Mission Results, Business Results, Civil Rights, Homeland Security, and the NFP. Significant FY 2003 accomplishments are addressed in these performance areas. In addition, trend and performance information regarding the Forest Service performance indicators immediately follow this discussion.

### **Accomplishments Toward Mission Results**

The mission of the Forest Service continues to be clearly linked to the overall mission of the USDA, and more specifically to the USDA's Natural Resources and Environment (NRE) Mission Area. Many of the policies initially discussed, developed, and proposed with the Under Secretary, Council of Environmental Quality (CEQ), OMB, and with the Department of the Interior (DOI) were finalized in FY 2003 and are now being implemented. These include significant progress implementing the Healthy Forests Initiative announced in August 2002.

On the legislative front, the Forest Service worked with the Administration to get stewardship contracting authority enacted. The Healthy Forests Restoration Act (H.R. 1904) was approved in the House and the bill has moved out of committee in the Senate. Forest Service administrative accomplishments include:

- Established two categorical exclusions for priority fuel treatment and forest restoration projects.
- Revised the Forest Service administrative appeals process to expedite appeals of forest health projects.
- Implemented guidance developed to facilitate Healthy Forests Initiative projects that involve endangered species.
- Implemented guidance from CEQ to improve environmental assessments for priority forest health projects.

Other accomplishments in this area include:

- Identified the four major threats to the national forests and the Nation's forest lands as fires and fuels, invasive species, loss of open space, and unmanaged recreation.
- Worked with USDA and the Administration to develop an understanding of the serious forest health/forest fuels situation with high potential for catastrophic fires, resulting in a commitment by

the President to address these issues through the Healthy Forests Initiative.

### **Accomplishments Toward Business Results**

Among the Forest Service's highest priorities is leadership's attention to the business and financial operations and systems of the agency. In FY 2002, and again in FY 2003, the Forest Service received an unqualified ("clean") audit opinion on its financial statements.

The Forest Service revised its 5-year strategic plan in its 2003 update to the Strategic Plan for fiscal years 2004-2008 that focuses on outcomes to achieve sustainable resource management and addresses the four major threats, noted above. This update sets agency goals and objectives for fiscal years 2004 through 2008. As a subset of this document, a strategic plan for the entire Business Operations program was developed that describes performance expectations for all administrative staffs and programs.

The Forest Service is continuing its efforts to ensure progress towards achieving performance accountability. In 2003, the agency developed a comprehensive plan to implement a PAS. As of FY 2003 year-end, the agency completed an assessment of existing processes and systems related to the budget, performance, and accountability. The Forest Service also began an effort to develop a consolidated set of activities linking objectives and performance measures, from the Strategic Plan for Fiscal Years 2004-2008 (updated in FY 2003), to the agency's budget. The PAS is scheduled for initial implementation in FY 2005, for budget execution and reporting purposes, and for full implementation in FY 2006, incorporating budget formulation. A pilot is currently underway in Region 10 (Alaska) to develop a set of operational level measures to support budget and strategic plan integration.

In support of the President's Management Initiatives, the Forest Service continues to implement competitive sourcing and business process re-engineering through the A-76 process. The Forest Service has also developed and implemented a strategy for cost containment on large wildfires.

### **Accomplishments Toward Civil Rights**

The agency's commitment to Civil Rights continues to be demonstrated by performance and follow through. All senior executives are held accountable for meeting goals in civil rights. Forest Service Leadership reviews all GS-14 and above personnel



selections for the degree of outreach and the presence of qualified candidates on certificates that would contribute to diversity at those upper grade levels. Civil Rights goals are clearly displayed in the strategic plan and the Business Operations Strategic Plan. The Civil Rights budget is linked to the strategic plan and the annual performance plan.

Other FY 2003 accomplishments include:

- Established a Tribal Relations Coordinator.
- Launched a leadership development and succession planning program.
- Resolved informal EEO complaints at a rate of 52 percent.
- Received a per capita filing rate of 0.4 percent (USDA's per capita rate is 0.6 percent) for formal complaints.

There was a significant decrease in formal complaints filed in FY 2003—149 formal complaints filed compared to 207 formal complaints filed in FY 2002. Through September 30, 2003, 84 formal complaints were closed by settlements or withdrawals. This continues a positive trend that began in FY 2002.

#### ***Accomplishments Toward Homeland Security***

The Forest Service supports the Administration's objectives regarding homeland security. FY 2003 accomplishments include the completion, training, and implementation of the Continuity of Operations Plan for Forest Service national headquarters and implementation of actions called for in the Occupant Emergency Plans.

The Forest Service is a key participant with USDA, the Department of Homeland Security, and other Federal Government security agencies on border issues, as well as antiterrorist contingency planning and exercises. Also, the agency is in the process of implementing the necessary actions, as identified in the security assessment of Air Tanker Bases and Regional Aviation facilities. The Major Management Challenges and Program Risks section of this report includes more information on these actions.

#### ***Accomplishments Toward National Fire Plan***

With more than \$226 million budgeted for hazardous fuels treatments in 2003, the Forest Service treated approximately 1.4 million acres of NFS lands. Approximately 1 million of these acres are in the wildland-urban interface area. Forest Service Chief Dale Bosworth personally serves as Chair of the Wildland Fire Leadership Council, providing leadership for completion of interagency performance measures to improve accountability and communication of NFP accomplishments. Progress continues to be made in each of the five components of the NFP—firefighting, rehabilitation, hazardous fuels treatment, community assistance, and accountability. Initial attack continues to be an accomplishment highlighted by once again achieving a 98.4-percent success rate as a result of making additional resources available on Federal lands, as well as other jurisdictions.

Also in 2003, 14 National Firewise Communities workshops have been held throughout the country. Since 2000, more than 30 workshops have been held for over 3,500 participants, including homeowners, builders, fire departments, emergency managers, realtors, planners, American Red Cross, and others in over 1,000 communities and in 48 States.

## 2003 Forest Service Performance Indicators and Trends

The Budget and Performance Initiative of the PMA highlights the critical need for Federal agencies to integrate their budget and performance responsibilities. The preparation of the Forest Service Performance and Accountability Report—Fiscal Year 2003 is an excellent example of this initiative between the Program and Budget (P&BA) and Strategic Planning and Resource Assessment (SPRA) staffs.

In “Performance Reporting Issues for FY 2003 Forest Service Performance Accountability Report,” dated August 21, 2003, the CFO and the Deputy Chief for Programs, Legislation, and Communication jointly directed the region, station, and area directors to report FY 2003 performance accomplishments to P&BA Staff by September 19, 2003. All FY 2003 accomplishment information was needed prior to year-end in order to meet external reporting requirements and to meet the needs of FY 2005 Budget Justification deadlines.

Performance information was certified and reported to P&BA by the deadline, but the results represented an actual and estimated accomplishment, due to the accelerated schedule. After P&BA verified and validated the information, it was released to the SPRA Staff for inclusion in the FY 2003 Performance and Accountability Report.

The certification procedure used in this process applies to the actual and estimated results. It provides reasonable assurance that the information is relevant and reliable. Supporting documentation of the methodology and the measures used to make the estimates was maintained at the reporting units, as requested in the letter mentioned above. All performance numbers are entered in the 10-month actual and 2-month estimate columns, but the data is footnoted if the reporting period differs.

Final accomplishment information was due December 1, 2003, for all nongrant-related accomplishments. All grant-related accomplishments were due December 15, 2003. As they become available, final 12-month actual accomplishments that differ from reported information will be posted on the Web version of the report and will be updated in the FY 2004 Performance and Accountability Report.

Despite a focus on consistency and a convergent evolution, there are several indicators that are not 10-month actual/2-month estimates. Forest products are reported on a 9-month actual and 3-month estimate basis since their performance reporting systems are based on fiscal year quarters. Also, the three performance indicators for Law Enforcement and Investigations (LEI) were reported to the P&BA staff directly by the Washington Office LEI staff. These three line items are considered 12-month estimates, as the LEI performance accountability system, LEIMARS, tracks performance on the calendar, rather than the fiscal, year. Finally, the NFP indicators are tracked in the NFP performance accountability system, National Fire Plan Operations and Reporting System (NFPORS), with results representing 12-month actual performance. All other exceptions are footnoted in the 2003 Planned and Actual Performance table.

Certified performance information for FY 2003 is represented in the following three tables:

- Exhibit 1: 2003 Planned and Actual Performance.
- Exhibit 2: Performance Trends 1999-2003.
- Exhibit 3: Data Sources for Actual and Estimated Performance (includes reporting period).

For this Performance and Accountability Report, the agency's 2003 Program Direction provides the performance indicators listed in the 2003 PLANNED column below.

**Exhibit 5: 2003 Planned and Actual Performance**

2003 Performance Indicators	Units of Measure	2003 Planned	10-Month Actual	2-Month Estimated	Projected 2003 Performance	Percent Accomplished
<b>WILDLAND FIRE</b>						
Firefighting production capability	Chains/hour	N/A <sup>2</sup>	12,652	465	13,117	N/A
Wildland-urban interface high-priority hazardous fuels mitigated	Acres	807,649	N/A	N/A	1,041,094 <sup>3</sup>	129
Nonwildland-urban interface hazardous fuels in condition class 2 or 3 treated in fire regimes 1, 2, or 3	Acres	645,910	N/A	N/A	623,060 <sup>4</sup>	96
<b>COMMUNITY ASSISTANCE</b>						
Volunteer assistance generated	Days	275,000	65,920	132,254	198,174	72
Communities receiving technical assistance	Communities	8,820	3,068	931	3,999	45
Participating communities	Communities	11,050	3,618	7,251	10,869	98
<b>COOPERATIVE FORESTRY</b>						
NIPF stewardship management plans	Plans	16,594	4,069	17,726	21,795	131
NIPF lands under approved stewardship management plans	Acres (Thousands)	1,617	528	1,049	1,577	98
Conservation of environmentally important forests threatened by conversion to nonforest uses	Acres	676,799	N/A	N/A	292,583 <sup>5</sup>	43
Improved capacity of rural communities to handle changes associated with natural resources is reflected in their ability to plan, implement, and measure strategic actions.	Communities	750	N/A	N/A	699 <sup>6</sup>	93

<sup>2</sup>Not available as there was no planned number for fire-fighting production capability in the 2003 Program Direction.

<sup>3</sup>Reported as 12-month ACTUAL performance.

<sup>4</sup>Reported as 12-month ACTUAL performance.

<sup>5</sup>Reported as 12-month ACTUAL performance.

<sup>6</sup>Reported as 12-month ACTUAL performance.

Exhibit 5: 2003 Planned and Actual Performance (continued)

2003 Performance Indicators	Units of Measure	2003 Planned	10-Month Actual	2-Month Estimated	Projected 2003 Performance	Percent Accomplished
<b>FOREST HEALTH MANAGEMENT</b>						
Forest health acres surveyed, Federal lands	Acres (Thousands)	250,000	118,991	67,566	186,557	75
Forest health acres protected, Federal lands	Acres (Thousands)	370	131,012	368.48	499,492	134
Forest health acres surveyed, cooperative lands	Acres (Thousands)	417	N/A	N/A	419	100
Forest health acres protected, cooperative lands	Acres (Thousands)	932	N/A	N/A	855	92
<b>STATE FIRE ASSISTANCE</b>						
State fire assistance to communities	Communities	840	N/A	N/A	3,680	438
<b>RESEARCH</b>						
Research products, tools, and technologies developed	Products	6,899	4,832	906	5,738 <sup>7</sup>	83
FIA products, tools, and technologies developed	Products	350	294	46	340	97
Percent of FIA target plots measured	Percent	83	0	0	81	97
Research products, tools, and technologies developed (fire)	Products	600	619	131	750	125
<b>LAW ENFORCEMENT <sup>8</sup></b>						
Enforcement of laws and regulations	Percent	50	N/A	N/A	65	130
Criminal investigations	Percent	72	N/A	N/A	55	76
Eradicate cannabis	Plants	453,013	N/A	N/A	155,000	34

<sup>7</sup>Not verified at time of 2003 audit. Performance number should be 10,986.

<sup>8</sup>Reported as a 12-month ESTIMATE performance (calendar year).

Exhibit 5: 2003 Planned and Actual Performance (continued)

2003 Performance Indicators		2003 Planned	10-Month Actual	2-Month Estimated	Projected 2003 Performance	Percent Accomplished
Units of Measure						
<b>FOREST PRODUCTS *</b>						
	Timber volume offered for sale—appropriated	2,823,091	1,185,913	1,526,569	2,712,482	96
	Timber volume sold—all funding sources	3,416,598	1,462,548	727,036	2,189,584	64
	Approved timber management NEPA documents (timber sales), all funding sources.	502	277	70	347	69
	Special products permits administered	206,221	184,597	26,107	210,704	102
	Timber volume harvested—all funding sources	3,571,240	2,038,483	584,709	2,623,192	73
	Timber volume offered for sale—Salvage	1,178,909	701,456	489,585	1,191,041	101
<b>RANGE</b>						
	Grazing allotment administration to standard	29,182,643	30,195,421	7,774,822	37,970,243	130
	Grazing allotment decisions signed (Analyzed/NEPA)	451	189	119	308	68
<b>PLANNING, INVENTORYING, AND MONITORING</b>						
	Land and Resource Management Plan (LRMP) amendments underway	72	47	12	59	82
	LRMP revisions/new plans underway	27	34	4	38	139
	Forest land rehabilitation and restoration for NFP	N/A	415	15	430	N/A
	GIS resource mapping	0	35,197	411	35,608 (BASELINE)	N/A
	LRMP monitoring and evaluation reports	117	47	54	101	86
	Watershed assessments completed	142	89	41	130	92
	Broadscale assessments underway	N/A	42	4	46	N/A
	Above-project integrated inventories	27	31.8	16.9	48.8	180

\*Reported as 9-month ACTUAL/3-month ESTIMATED performance.

Exhibit 5: 2003 Planned and Actual Performance (continued)

2003 Performance Indicators		2003 Planned	10-Month Actual	2-Month Estimated	Projected 2003 Performance	Percent Accomplished
Units of Measure						
<b>WILDLIFE AND FISH</b>						
Interpretation and education products provided	Products	2,802	3,806	248	4,054	145
Terrestrial wildlife habitat restored/enhanced	Acres	284,396	204,994	33,205	238,199	84
Streams restored or enhanced	Miles	2,000	1,406	281	1,687	84
Lakes restored or enhanced	Acres	20,212	16,733	596	17,329	86
<b>VEGETATION AND WATERSHED MANAGEMENT</b>						
Soil and water resource improvements	Acres	17,758	20,178	4,024	24,202	136
Noxious weed treatment	Acres	117,125	118,607	17,119	135,726	116
Vegetation improvements	Acres	1,429,574	800,466	122,852	923,318	65
Vegetation established	Acres	41,564	46,580	4,996	51,576	124
ECAP—Environmental compliance and protection	Activities	N/A <sup>10</sup>	245	20	265	N/A
Manage air quality	PSD	11,782,575	7,047,437	1,826,373	8,873,810	75
<b>LANDS</b>						
Land use proposals and applications processed	Permits	2,546	2,609	359	2,968	117
Cases resolved through litigation or processed through administrative procedure	Cases	527	490	84	574	109
Authorizations (nonrecreation) administered to standard	Permits	12,425	10,365	1,466	11,831	95
Boundary line marked/maintained	Miles	3,297	2,299	817	3,116	94
Acres adjusted	Acres	27,710	22,117	5,390	27,507	99
Acres acquired	Acres	66,070	65,264	6,510	71,774	109

<sup>10</sup>N/A is not available as there was no planned number for ECAP in the 2003 Program Direction.

Exhibit 5: 2003 Planned and Actual Performance (continued)

2003 Performance Indicators		Units of Measure	2003 Planned	10-Month Actual	2-Month Estimated	Projected 2003 Performance	Percent Accomplished
<b>CAPITAL IMPROVEMENT AND MAINTENANCE</b>							
Miles of trails maintained to standard	Miles	23,993	26,031	3,537	29,568	123	
Miles of trail improved to standard	Miles	1,292	837	146	983	76	
Miles of road improved	Miles	1,470	1,198	273	1,471	100	
Miles of high clearance road maintained	Miles	31,963	33,317	5,330	38,647	121	
Miles of road decommissioned	Miles	1,521	659	229	888	58	
Miles of passenger car road maintained	Miles	24,549	28,413	4,457	32,870	134	
Facility Condition Index	FCI	N/A	3,813	347	4,160	N/A	
Capital improvements completed for facilities over \$250,000	Improvements	125	51	12	63	50	
<b>MINERALS AND GEOLOGY</b>							
Operations administered to standard	Operations	14,503	12,276	2,045	14,321	99	
Operations processed	Operations	9,684	7,623	1,230	8,853	91	
Geologic permits and reports completed	Reports	1,176	951	165	1,116	95	
<b>RECREATION, WILDERNESS, AND HERITAGE</b>							
Wilderness areas managed to standard	Areas	71	59	17	76	107	
Recreation special use authorizations administered to standard	Permits	14,042	12,473	1,483	13,956	99	
Products provided to standard	Products	20,544	13,288	2,364	15,652	76	
Heritage resources managed to standard	Sites	8,513	6,525	979	7,504	88	
General forest areas managed to standard	Days	2,431,996	1,853,771	357,925	2,211,696	91	
Operation of developed sites to standard	PAOTS (persons at one time)	99,277,344	90,493,321	18,121,333	108,614,654	109	

Exhibit 5: 2003 Planned and Actual Performance (continued)

2003 Performance Indicators		2003 Planned	10-Month Actual	2-Month Estimated	Projected 2003 Performance	Percent Accomplished
<b>NATIONAL FIRE PLAN</b>						
Improved capacity of rural communities to handle changes associated with natural resources is reflected in their ability to plan, implement, and measure strategic actions	Communities	97	159	95	254	306
Forest health acres protected, cooperative lands (NFP)	Acres (Thousands)	205	31	23	54	26
Forest health acres protected, Federal lands (NFP)	Acres (Thousands)	203	723	5	728	359
Assistance to volunteer fire departments (NFP)	Departments	2,930	1,879	1,320	3,868	132
State fire assistance to communities (NFP)	Communities	1,545	1,423	5,043	8,187	530
Assistance to volunteer fire departments	Departments	1,790	1,999	1,097	2,271	127



**Exhibit 6: Performance Trends for 1999–2003**

Trends in Performance Indicators		Fiscal Year Actual					Projected 2003
		1999	2000	2001	2002	2003	
Unit of Measure							
<b>WILDLAND FIRE</b>							
Firefighting production capability	Chains/hour	N/A <sup>11</sup>	N/A	N/A	N/A	13,117	
Wildland-urban interface high-priority hazardous fuels mitigated	Acres	N/A	N/A	611,551	764,367	1,041,094	
Nonwildland-urban interface hazardous fuels in condition class 2 or 3 treated in fire regimes 1, 2, or 3	Acres	1,421,281	772,375	750,146	493,536	623,060	
<b>COMMUNITY ASSISTANCE</b>							
Volunteer assistance generated	Days					198,174	
Communities receiving technical assistance	Communities	2,450	2,450	121	768	3,999	
Participating communities	Communities	10,514	10,547	11,021	11,686	10,869	
<b>COOPERATIVE FORESTRY</b>							
NIPF stewardship management plans	Plans	N/A	N/A	N/A	N/A	21,795	
NIPF lands under approved stewardship management plans	Acres (Thousands)	1,866,000	1,437,360	1,616,986	1,640,000	1,577	
Conservation of environmentally important forests threatened by conversion to nonforest uses	Acres	19,281	31,263	84,709	57,009	292,583	
Improved capacity of rural communities to handle changes associated with natural resources is reflected in their ability to plan, implement, and measure strategic actions	Communities	740	928	959	970	699	

<sup>11</sup>N/A is not available or not applicable.

Exhibit 6: Performance Trends for 1999–2003 (continued)

Trends in Performance Indicators	Fiscal Year Actual					Projected 2003
	Unit of Measure	1999	2000	2001	2002	
<b>FOREST HEALTH MANAGEMENT</b>						
Forest health acres surveyed, Federal lands	Acres (Thousands)	N/A	N/A	N/A	N/A	186,557
Forest health acres protected, Federal lands	Acres (Thousands)	N/A	175	198	302	499,492
Forest health acres surveyed, cooperative lands	Acres (Thousands)					419
Forest health acres protected, cooperative lands	Acres (Thousands)	NR <sup>12</sup>	562	417	950	855
<b>STATE FIRE ASSISTANCE</b>						
State fire assistance to communities	Communities	2,450	2,450	121	768	3,680
<b>RESEARCH</b>						
Research products, tools, and technologies developed	Products	NR	NR	NR	8,429	5,738 <sup>13</sup>
FIA products, tools, and technologies developed	Products	NR	NR	NR	402	340
Percent of FIA target plots measured	Percent	NR	42	65	73	81
Research products, tools, and technologies developed (fire)	Products	N/A <sup>14</sup>	0	63	783	750
<b>LAW ENFORCEMENT AND INVESTIGATIONS</b>						
Enforcement of laws and regulations	Percent	28	30	44	50	65
Criminal investigations	Percent	49	51	43	72	55
Eradicate cannabis	Plants	NR	733,427	733,427	396,880	155,000

<sup>12</sup>NR is not reported or not required.

<sup>13</sup>Not verified at time of 2003 audit. Performance should be 10,986.

<sup>14</sup>N/A is not applicable or not available.

Exhibit 6: Performance Trends for 1999–2003 (continued)

Trends in Performance Indicators	Fiscal Year Actual					Projected 2003
	Unit of Measure	1999	2000	2001	2002	
<b>FOREST PRODUCTS<sup>15</sup></b>						
Timber volume offered for sale—appropriated	CCF (100 cubic ft.)	4,370,000	3,220,000	3,180,343	3,073,824	2,712,482
Timber volume sold—all funding sources	CCF	N/A	N/A	N/A	N/A	2,189,584
Approved timber management NEPA documents (timber sales)—all funding sources	Documents	NR	NR	NR	NR	347
Timber volume harvested—all funding sources	CCF	5,877,142	5,084,853	3,530,158	3,402,989	2,623,192
Special products permits administered	Permits	NR	NR	NR	NR	210,704
Timber volume offered for sale—salvage	CCF	1,381,345	997,119	1,347,181	1,169,885	1,191,041
<b>RANGE</b>						
Grazing allotment administration to standard	Acres	NR	45,225,600	44,010,000	21,016,978	37,970,243
Grazing allotment decisions signed (Analyzed/NEPA)	Allotments	464	354	184	Not Verified <sup>16</sup>	308
<b>PLANNING, INVENTORYING, AND MONITORING</b>						
Land and Resource Management Plan (LRMP) amendments underway	Amendments	NR	15	82	198	59
LRMP revisions/new plans underway	Plans	11	5	8	6	38
Forest land rehabilitation and restoration for NFP	Projects	N/A	N/A	329	506	430
GIS resource mapping	Quads	N/A	N/A	N/A	N/A	35,608 (Baseline)
LRMP monitoring and evaluation reports	Reports	101	87	104	92	101
Watershed assessments completed	Assessments	169	130	154	134	130
Broadscale assessments underway	Assessments	N/A	N/A	N/A	N/A	46
Above-project integrated inventories	Acres (Millions)	63.8	58.7	124.0	30.4	48.8

<sup>15</sup>Projected performance is based on 9-month ACTUAL and 3-month ESTIMATE

<sup>16</sup>Not verified at time of 2002 audit.

Exhibit 6: Performance Trends for 1999–2003 (continued)

Trends in Performance Indicators	Fiscal Year Actual					Projected 2003
	Unit of Measure	1999	2000	2001	2002	
<b>WILDLIFE AND FISH</b>						
Interpretation and education products provided	Products	NR	2,885	2,885	3,886	4,054
Terrestrial wildlife habitat restored or enhanced	Acres	266,774	192,373	241,123	209,472	238,199
Streams restored or enhanced	Miles	2,194	1,687	2,193	2,001	1,687
Lakes restored or enhanced	Acres	16,346	18,147	18,428	18,217	17,329
<b>VEGETATION AND WATERSHED MANAGEMENT</b>						
Soil and water resource improvements	Acres	35,562	29,899	31,863	Not Verified	24,202
Noxious weed treatment	Acres	87,000	121,946	143,938	130,868	135,726
Vegetation improvements	Acres	NR	NR	4,539,798	170,044	923,318
Vegetation established	Acres	268,520	217,215	195,593	160,814	51,576
ECAP environmental compliance and protection	Activities	NR	52	110	43	245
Air quality managed	PSD	60	65	102	Not Verified	8,873,810
<b>LANDS</b>						
Land use proposals and applications processed	Permits	5,984	3,907	3,870	2,791	2,968
Cases resolved through litigation or processed through administrative procedure	Cases	332	263	292	441	574
Authorizations (nonrecreation) administered to standard	Permits	18,726	12,108	12,907	11,498	11,831
Boundary line marked/maintained	Miles	3,102	2,880	3,187	2,455	3,116
Acres adjusted	Acres	337,396	75,295	35,132	15,553	27,507
Acres acquired	Acres	151,439	139,445	128,913	42,817	71,774

Exhibit 6: Performance Trends for 1999–2003 (continued)

	Trends in Performance Indicators						Projected 2003
	Fiscal Year Actual						
	Unit of Measure	1999	2000	2001	2002		
<b>CAPITAL IMPROVEMENT AND MAINTENANCE</b>							
Miles of trails maintained to standard	Miles	NR	24,065	40,800	30,649	29,568	
Miles of trail improved to standard	Miles	NR	1,510	1,245	1,159	983	
Miles of road improved	Miles	NR	612	370	1,131	1,471	
Miles of high clearance road maintained	Miles	NR	69,984	51,576	49,299	38,647	
Miles of road decommissioned	Miles	2,907	2,545	2,164	734	888	
Miles of passenger car road maintained	Miles	NR	51,733	30,056	27,499	32,870	
Facility Condition Index	FCI	NR <sup>17</sup>	NR	NR	NR	4,160	
Capital improvements completed for facilities over \$250,000	Improvements	N/A	N/A	N/A	N/A	63	
<b>MINERALS AND GEOLOGY</b>							
Operations administered to standard	Operations	9,189	NR	8,254	8,298	14,321	
Operations processed	Operations	12,247	11,171	7,931	8,328	8,853	
Geologic permits and reports completed	Reports	NR	NR	NR	1,048	1,116	
<b>RECREATION, WILDERNESS, AND HERITAGE</b>							
Wilderness areas managed to standard	Areas	NR	39	39	105	76	
Recreation special use authorizations administered to standard	Permits	NR	1,227	1,225	14,243	13,956	
Products provided to standard	Products	NR	34,000	34,000	13,924	15,652	
Heritage resources managed to standard	Sites	NR	4,000	4,000	6,906	7,504	
General forest areas managed to standard	Days	NR	219,000	235,000	2,203,978	2,211,696	
Operation of developed sites to standard	PAOTS (persons at one time)	NR	75,000,000	80,000,000	94,048,707	108,614,654	

<sup>17</sup>Not reported; protocol was under development and targets were not assigned.

Exhibit 6: Performance Trends for 1999–2003 (continued)

Trends in Performance Indicators		Fiscal Year Actual					Projected 2003
		1999	2000	2001	2002	2003	
		Unit of Measure	1999	2000	2001	2002	Projected 2003
<b>NATIONAL FIRE PLAN</b>							
Improved capacity of rural communities to handle changes associated with natural resources is reflected in their ability to plan, implement, and measure strategic actions		Communities	N/A <sup>18</sup>	N/A	N/A	N/A	254
Forest health acres protected, cooperative lands (NFP)		Acres (Thousands)	N/A	N/A	1,001	2,647	54
Forest health acres protected, Federal Lands (NFP)		Acres (Thousand)	N/A	N/A	N/A	423	728
Assistance to volunteer fire departments (NFP)		Departments	2,450	2,450	1,001	2,647	3,868
State fire assistance to communities (NFP)		Communities	N/A	N/A	1,070	1,795	8,187
Assistance to volunteer fire departments		Departments	2,450	2,450	871	1,134	2,271

<sup>18</sup>Not applicable or not available.

Exhibit 7: Data Sources with Actual and Estimated Performance

Performance Indicators	Data Sources and Reporting Periods			Unit of Measure
	Performance Represents	Data Source		
<b>WILDLAND FIRE</b>				
Firefighting production capability	12-month actual	RR-5100-2		Chains/hour
Wildland/urban interface high-priority hazardous fuels mitigated	12-month actual	NFPORS		Acres
Nonwildland/urban interface hazardous fuels in condition class 2 or 3 treated in fire regimes 1, 2, or 3	12-month actual	NFPORS		Acres
<b>COMMUNITY ASSISTANCE</b>				
Volunteer assistance generated	12-month actual	PMAS		Days
Communities receiving technical assistance	12-month actual	PMAS		Communities
Participating communities	12-month actual	PMAS		Communities
<b>COOPERATIVE FORESTRY</b>				
NIPF stewardship management plans	12-month actual	PMAS		Plans
NIPF lands under approved stewardship management plans	12-month actual	PMAS		Acres (Thousands)
Conservation of environmentally important forests threatened by conversion to nonforest uses	12-month actual	PMAS		Acres
Improved capacity of rural communities to handle changes associated with natural resources is reflected in their ability to plan, implement, and measure strategic actions	12-month actual	EAP-PMT		Communities
<b>FOREST HEALTH MANAGEMENT</b>				
Forest health acres surveyed, Federal lands	10-month actual/ 2-month estimate	STAFF		Acres (Thousands)
Forest health acres protected, Federal lands	10-month actual/ 2-month estimate	STAFF		Acres (Thousands)
Forest health acres surveyed, cooperative lands	10-month actual/ 2-month estimate	STAFF		Acres (Thousands)
Forest health acres protected, cooperative lands	10-month actual/ 2-month estimate	STAFF		Acres (Thousands)
<b>STATE FIRE ASSISTANCE</b>				
State fire assistance to communities	12-month actual	NFPORS		Communities

**Exhibit 7: Data Sources with Actual and Estimated Performance (continued)**

Performance Indicators	Data Sources and Reporting Periods			Unit of Measure
	Performance Represents	Data Source		
<b>RESEARCH</b>				
Research products, tools, and technologies developed	10-month actual/2-month estimate	R&D Report		Products
FIA products, tools, and technologies developed	10-month actual/2-month estimate	FIA Report		Products
Percent of FIA target plots measured	10-month actual/2-month estimate	FIA Report		Percent
Research products, tools, and technologies developed (fire)	10-month actual/2-month estimate	R&D Report		Products
<b>LAW ENFORCEMENT</b>				
Enforcement of laws and regulations	Calendar Year 12-month estimate	LEIMARS		Percent
Criminal investigations	Calendar Year 12-month estimate	LEIMARS		Percent
Eradicate cannabis	Calendar Year 12-month estimate	LEIMARS		Plants
<b>FOREST PRODUCTS<sup>19</sup></b>				
Timber volume offered for sale—appropriated	9-month actual/3-month estimate	STARS		CCF (100 cubic ft.)
Timber volume sold—all funding sources	9-month actual/3-month estimate	TSA		CCF
Approved timber management NEPA documents (timber sales), all funding sources.	10-month actual/2-month estimate	MAR		Documents
Special products permits administered	9-month actual/3-month estimate	TIM		Permits
Timber volume harvested—all funding sources	9-month actual/3-month estimate	TSA		CCF
Timber volume offered for sale—salvage	9-month actual/3-month estimate	STARS		CCF
<b>RANGE</b>				
Grazing allotment administration to standard	10-month actual/2-month estimate	MAR		Acres
Grazing allotment decisions signed (analyzed/NEPA)	10-month actual/2-month estimate	Infra		Allotments

<sup>19</sup>Reported as 9-month ACTUAL / 3-month ESTIMATE performance.



Exhibit 7: Data Sources with Actual and Estimated Performance (continued)

Performance Indicators	Data Sources and Reporting Periods			Unit of Measure
	Performance Represents	Data Source		
<b>PLANNING, INVENTORING, AND MONITORING</b>				
LRMP amendments underway	10-month actual/2-month estimate	MAR		Amendments
LRMP revisions/new plans underway	10-month actual/2-month estimate	MAR		Plans
Forest land Rehabilitation and Restoration for NFP	10-month actual/2-month estimate	MAR		Projects
GIS resource mapping	10-month actual/2-month estimate	MAR		Quads
LRMP monitoring and evaluation reports	10-month actual/2-month estimate	MAR		Reports
Watershed assessments completed	10-month actual/2-month estimate	MAR		Assessments
Broadscale assessments underway	10-month actual/2-month estimate	MAR		Assessments
Above-project integrated inventories	10-month actual/2-month estimate	MAR		Acres (Millions)
<b>WILDLIFE AND FISH</b>				
Interpretation and education products provided	10-month actual/2-month estimate	WFRP		Products
Terrestrial wildlife habitat restored or enhanced	10-month actual/2-month estimate	MAR		Acres
Streams restored or enhanced	10-month actual/2-month estimate	N/A		Miles
Lakes restored or enhanced	10-month actual/2-month estimate	N/A		Acres
<b>VEGETATION AND WATERSHED MANAGEMENT</b>				
Soil and water resource improvements	10-month actual/2-month estimate	MAR		Acres
Noxious weed treatment	10-month actual/2-month estimate	MAR		Acres
Improved vegetation	10-month actual/2-month estimate	MAR		Acres
Established vegetation	10-month actual/2-month estimate	MAR		Acres
ECAP environmental compliance and protection	10-month actual/2-month estimate	MAR		Activities
Manage air quality	10-month actual/2-month estimate	MAR		PSD

Exhibit 7: Data Sources with Actual and Estimated Performance (continued)

Performance Indicators	Data Sources and Reporting Periods			Unit of Measure
	Performance Represents	Data Source		
<b>LANDS</b>				
Land use proposals and applications processed	10-month actual/2-month estimate	SUDS		Permits
Cases resolved through litigation or processed through administrative procedure	10-month actual/2-month estimate	MAR		Cases
Authorizations (nonrecreation) administered to standard	10-month actual/2-month estimate	SUDS		Permits
Boundary line marked/maintained	10-month actual/2-month estimate	MAR		Miles
Acres adjusted	10-month actual/2-month estimate	MAR		Acres
Acres acquired	10-month actual/2-month estimate	MAR		Acres
<b>CAPITAL IMPROVEMENT AND MAINTENANCE</b>				
Miles of trails maintained to standard	10-month actual/2-month estimate	MAR		Miles
Miles of trail improved to standard	10-month actual/2-month estimate	MAR		Miles
Miles of road improved	10-month actual/2-month estimate	MAR		Miles
Miles of high clearance road maintained	10-month actual/2-month estimate	RAR		Miles
Miles of road decommissioned	10-month actual/2-month estimate	MAR		Miles
Miles of passenger car road maintained	10-month actual/2-month estimate	RAR		Miles
Facility Condition Index	10-month actual/2-month estimate	Infra		FCI
Capital improvements completed for facilities over \$250,000	10-month actual/2-month estimate	CIP AR		Improvements
<b>MINERALS AND GEOLOGY</b>				
Operations administered to standard	10-month actual/2-month estimate	MAR		Operations
Operations processed	10-month actual/2-month estimate	MAR		Operations
Geologic permits and reports completed	10-month actual/2-month estimate	MAR		Reports
Operations administered to standard	10-month actual/2-month estimate	MAR		Operations

Exhibit 7: Data Sources with Actual and Estimated Performance (continued)

Performance Indicators	Data Sources and Reporting Periods		
	Performance Represents	Data Source	Unit of Measure
<b>RECREATION, WILDERNESS, AND HERITAGE</b>			
Wilderness areas managed to standard	10-month actual/2-month estimate	MAR	Areas
Recreation special use authorizations administered to standard	10-month actual/2-month estimate	MAR	Permits
Products provided to standard	10-month actual/2-month estimate	MAR	Products
Heritage resources managed to standard	10-month actual/2-month estimate	MAR	Sites
General forest areas managed to standard	10-month actual/2-month estimate	MAR	Days
Operation of developed sites to standard	10-month actual/2-month estimate	MAR	PAOTS (persons at one time)
Wilderness areas managed to standard	10-month actual/2-month estimate	MAR	Areas
Recreation special use authorizations administered to standard	10-month actual/2-month estimate	MAR	Permits
<b>NATIONAL FIRE PLAN</b>			
Improved capacity of rural communities to handle changes associated with natural resources is reflected in their ability to plan, implement, and measure strategic actions	12-month actual	EAP-PMT	Communities
Forest health acres protected, cooperative lands (NFP)	12-month actual	NFPORS	Acres (Thousands)
Forest health acres protected, Federal lands (NFP)	12-month actual	NFPORS	Acres (Thousands)
Assistance to volunteer fire departments (NFP)	12-month actual	NFPORS	Departments
State fire assistance to communities (NFP)	12-month actual	NFPORS	Communities
Assistance to volunteer fire departments	12-month actual	NFPORS	Departments

## Validation, Verification, and Limitations of Data Sources

In the previous section on Performance Highlights, the variable 'Data Source' is referenced in *Exhibit 3: Data Sources with Actual and Estimated Performance*. The following discussion gives readers a description of the quantitative data sources listed, and follows with a brief discussion on a few qualitative measures of performance. Data sources that are not complete or reliable are for management of invasive species and accessibility in Forest Service programs and facilities.

Management of invasive species is significantly limited by the lack of comprehensive and accurate inventories of infestations and treatment efficacy. This impedes the agency's ability to track this work accurately. Most invasive species data that has been collected is for invasive plants, yet even that data is incomplete and variable. For fiscal year-end, the field is required to report treatments for invasive plants (noxious weeds) directly to the Washington Office, but does not have any means by which to transfer this information electronically. In fact, overall data management, including geospatial capabilities, for the inventory, treatment, and monitoring of invasive species are not fully operational, and in some cases, do not exist at all. The Forest Service expects to have implemented a corporate database to manage invasive species information late in FY 2004.

Information concerning the accessibility of programs and facilities is not currently integrated into any corporate database, impeding the ability to report results when needed.

### **Quantitative Measures of Performance**

#### **Management Attainment Reporting**

Performance numbers shown with a data source indicator of 'MAR' are collected in the Management Attainment Reporting database. MAR data is compiled at the district and forest levels and then reviewed by regional and national offices for accuracy.

The NFS roads performance data is a national summary of what each region accomplishes at the forest level. At the forest level, data is collected by road program managers and verified by budget personnel. The forest data is then reviewed at the regional and Washington Office levels for accuracy.

Individual forests and grasslands record boundary management accomplishments in their respective Corner Status Atlas, in conformance with direction provided in the Surveying Manual (FSM 7150). These accomplishments are physically marked on hard copy maps and then reported in the MAR system by each region for national reporting. Boundary management

accomplishments will soon be electronically tracked in the Automated Lands Program (ALP) database.

Forest products activities and their outputs are presumed to be within sustainable limits because the levels of most outputs today are significantly less than the historical levels. If the Forest Service is to achieve "products and services...for subsistence, commercial, and noncommercial uses within sustainable limits," the agency must establish how sustainability will be defined and measured. Processes designed to assess sustainability are under development, but in the meantime, periodic assessments of inventory and monitoring data must serve as indicators of sustainability.

#### **Environmental Compliance and Protection/ Abandoned Mine Lands**

The Environmental Compliance and Protection (ECAP) program provides for the cleanup of hazardous substances on national forests and grasslands to improve and protect watershed conditions and human and ecological health. Regional program managers itemize ECAP and abandoned mine lands (AML) work plans, progress, accomplishments, and financial data on a project-by-project basis.

#### **Sales Tracking and Reporting System and Timber Sale Accounting**

Performance information for timber sale volumes offered for sale is entered by field personnel into the Sales Tracking and Reporting System (STARS), from which accomplishment reports are run. Performance information for timber sale 'sold and harvest' information for each sale is recorded on form 2400-17, and regularly entered into the Timber Sale Accounting (TSA) system. These processes are managed in conformance with the direction provided in the Timber Management Information System Handbook (FSH 2409.14), Chapter 30, Timber Sale Information, and Chapter 40, Timber Harvest Information, as well as the Timber Sale Accounting Handbook (FSH 6509.17).

#### **Timber Information Manager**

The Timber Information Manager (TIM) system is a family of integrated applications that help to support the daily business needs of the NFS lands. TIM currently uses STARS (a legacy system) to complete the necessary functionality.

TIM is used to automate business functions such as—

- Sale of Special Forest Product Permits
- Timber Sale Contract Preparation and Administration

- Trust Fund Management
- Activity Tracking

### **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 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.

The majority of the roads, trails, and facilities data is obtained through the Forest Service INFRA corporate database system. INFRA data entry is at the field level; therefore, there are limitations or inconsistencies in the data's accuracy. Currently, the only active process for data verification and validation is in 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 is currently incomplete, the Forest Service expects the INFRA trails module, complemented by cost information and assessment and condition survey 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.

### **Special Uses Database System**

The INFRA Special Uses Database System (SUDS) is a corporate database that integrates several systems—land use records, accounting records, Geographic Information System (GIS), resource data, and administrative information. As a repository for information on Lands Special Use Authorizations (SUA), SUDS data is entered at the field level, including documentation of completed inspections, land use fees billed, and status of the term of the authorization. The accuracy of SUA data is dependent, in part, on whether inspections are documented in SUDS. In FY 2004, SUDS will be modi-

fied to more consistently collect data for *administration to standard*, automatically capturing the specific data used to measure completed authorizations that are administered to standards. The variation between 2003 Planned and Projected 2003 Performance columns in the 2003 Planned and Actual Performance table (in the previous section) is primarily due to confusion in interpreting the definition of *to standard*, as well as inconsistently applying the standards across all field units.

Land ownership case information is entered on a Proposed Exchange form (FS-5400-10) or proposed Purchase Sheets (FS-5400-9) at the field level in conformance with direction provided in the Land Acquisition Handbook (FSH 5409.13). Acquired acreage that is reported on the digest sheets is then entered into the MAR system by each unit for national reporting.

Title management information is reported in several formats. Small Tract Act case information is reported through Form 5500-3, Small Tract Act Parcels Report; land status information is reported through the Land Areas Report and also in the ALP system; and title claims are reported through the litigation process or through administrative procedures. These reporting requirements have been in place for several years and provide an accurate and reliable measurement of the annual accomplishments and the agency's progress in resolving access issues.

### **Performance Measures Accountability System**

The Performance Measures Accountability System (PMAS) is the S&PF Deputy Area performance management system. It ties measurements to the corresponding corporate performance resources committed to. This is used to meet reporting requirements of GPRA, for year-end accomplishment reporting of the Forest Service, to meet legal requirements (i.e., Title VI), and in accordance with Forest Service Handbooks (FSHs) and Forest Service Manual. Data is 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. While the Forest Service is the primary owner of this system, it is a partner in this project with the Department of the Interior's Bureau of Indian Affairs, Bureau of Land Management, U.S. Fish and Wildlife Service, and the National Park Service.

### **Economic Action Programs—Program Management Tool**

The Economic Action Programs—Program Management Tool (EAP-PMT) is used to report data relative to the NFP and other regulations. EAP work includes forest products conservation and recycling. A separate database is used to maintain wood in transportation data. Accomplishments are entered based on projects that have officially closed for the fiscal year.

### **Wildlife, Fish, and Rare Plant Management System**

The Wildlife, Fish, and Rare Plant Management System (WFRP) gives users the opportunity to enter projects and opportunities and to view what has been accomplished on a project. (Project in this case is defined as a management activity that is designed to meet specific resource objectives.) The system tracks accomplishments, funds, and work used to complete the project.

### ***Qualitative Measures of Performance***

The complex and unstructured processes found in R&D are not easily quantified. In the physical sciences, measurement such as length, temperature, and mass may be measured using single standard units—the adequacy of each measurement depends on the qualities of the instrument, but the standards are well defined and widely accepted.

In contrast, the creative aspects of R&D make direct measurement impossible. The dilemma is balancing objectivity with the subjective selection and interpretation of measurement indicators, recognizing the cognitive and social structure of science. This is not only true for the Forest Service, but for scientists in all Federal agencies.

Three dimensions of R&D—concept generation, product development, and leadership—are distinct phenomena with unique characteristics within the innovative process of research. These dimensions are not amenable to forced correlations and patterns, which can result in comparing “apples and oranges.”

Alternatively, indicators may be used for certain aspects. The degree to which such indicators “measure” R&D performance depends on their accuracy, their quantity, and whether any one indicator may be aggregated with others for indexing. Empirically, this means one measure will be inherently insufficient to capture all the information required.

The current single measure of R&D performance—number of products, technologies, and tools produced—has a reasonably high bias for accuracy, precision, and repeatability, but has variable tolerance and sensitivity. A more plausible approach would be to use a set of performance measures that can be linked to outputs. A systematic design and understanding of the process by which R&D impacts agency performance, and to which the agency remains committed to working with users and the scientific community, will allow the Forest Service to identify and define meaningful performance measures for the future.

# FY 2003 Performance Report

## Overview of Performance Reporting

The publication *How Federal Programs Use Outcome Information*, part of the Managing for Results Series, suggests that outcome information should be used primarily by program managers themselves to improve the effectiveness of the programs.

So, what is a desired outcome for the U.S. Department of Agriculture (USDA) Forest Service? In the Forest Service, the legacy of annual reporting for the Resource Protection Act leaves the agency prone to reporting outputs in the quantity of products and services that are delivered, rather than outcomes as the results that are achieved, as required by the Government Performance Results Act (GPRA) of 1993. Forest Service leadership must shift the agency's focus to GPRA's requirements so that a frank discussion about the outcomes, or results, that are needed within the agency can occur.

The following definitions come from the publication mentioned above.

<b>INPUT</b>	The resources, whether expenditures or employee time, used to produce outputs and outcomes. The Forest Service does not currently track employee time.
<b>OUTPUT</b>	Products and services delivered. Outputs are completed products of internal activity—the amount of work done within the organization or by its contractors, such as miles of roads repaired or number of acres treated.
<b>OUTCOME</b>	An event, occurrence, or condition that is outside the activity or program itself and is directly important to program customers or the public. Also included are indicators of service quality, which are important to customers.
<b>PERFORMANCE INDICATOR</b>	A specific numerical measurement for one aspect of performance—an output or outcome.

## *The USDA Forest Service Strategic Plan (2000 Revision) states—*

The agency's annual performance report will include information on what was accomplished relative to annual performance measures and the status of progress toward strategic plan objectives, based on multiyear trends.

For fiscal year (FY) 2003, because no approved annual performance plan existed, there are no annual performance measures. Instead, for this performance and accountability report, the Forest Service used the revised targets reflected in the agency's 2003 Program Direction as FY 2003 performance indicators, since they are based on the appropriated funding, rather than on the budget request sent to the President. The performance indicators for the FY 2003 Performance and Accountability Report may be identified in the "2003 Planned" column of Exhibit 5—FY 2003 Planned and Actual Performance Table, in the 2003 USDA Forest Service Performance Indicators and Trends section of this report.

Definitions for "efficiency" and "effectiveness" are provided in the requirements for the Management's Discussion and Analysis (MD&A) section of the *Form and Content of Agency Financial Statements* (OMB Bulletin No. 01-09). As each term relates to performance goals, objectives, and results, efficiency is measured by relating *outputs* (the quantity of services provided) to *inputs* (the costs incurred to provide the services). Effectiveness is measured by the **outcome** or the **degree to which a predetermined objective is met**, and it is commonly combined with cost information to show "cost-effectiveness."

Currently, the Forest Service may be able to develop and report objective measures to provide performance information about program efficiency, but it is not able to demonstrate the cost effectiveness of agency programs. Presidential Management Initiatives—such as performance and budget integration, improved financial management, and competitive sourcing—are moving the agency in that direction.

## FY 2003 Performance Trends

The following discussion on performance indicators and trend information may contain wording that states “administered to standard.” In the Forest Service Directives System there are criteria by which the agency administers these performance indicators. The Forest Service Directives System has two components—Forest Service Manual (FSM) and Forest Service Handbooks (FSHs). The FSM contains legal authorities, objectives, policies, responsibilities, instructions, and guidance needed on a continuing basis by Forest Service line officers and primary staff in more than one unit to plan and execute assigned programs and activities. The FSHs are the principal source of specialized guidance and instruction for carrying out the direction issued in the FSM. Specialists and technicians are the primary audience of FSH direction. The FSHs may also incorporate external directives with related USDA and Forest Service directive supplements.

In the 2003 Planned and Actual Performance and the Performance Trends for 1999-2003 tables, there are performance indicators that appear to be duplicates between base program and National Fire Plan accomplishments but have different results reported in the “Projected 2003 Performance” column. These activities are funded through normal appropriations and National Fire Plan appropriations and, therefore, must be reported separately.

In FY 2003, the Forest Service provided financial and technical assistance to States and local communities through its wildland fire management, economic action, and forest stewardship programs. State and Private Forestry (S&PF) programs and projects focused resources and assistance to sustain rural communities and the 70 million acres of urban forests nationwide and to protect environmentally important forest areas that are threatened by conversion to nonforest uses.

The Forest Service worked closely with States and local volunteer fire departments to help prevent fires and to increase the survivability of homes from wildland fires. In FY 2003, the Forest Service protected communities from wildland fire by reducing the amount of hazardous fuel in the wildland-urban interface area. The agency does not have performance results prior to FY 2001 for the wildland fire performance indicators, so the trend has not been established for the required 4-year period. Continuing on a positive trend since 2001, however, the Forest Service treated 129 percent of the planned acres of hazardous fuels in the wildland-urban interface area and accomplished 96 percent of the planned number of acres for treating hazardous fuels not in the wildland-urban interface area.

The Forest Service assisted 699 natural resource-dependent rural communities with strengthening and diversifying their economic health, while promoting ecosystem health and conservation. These programs promoted community-based approaches to strengthen rural economies and tribes, encourage energy independence, and integrate public and private efforts to achieve sustainable economic development. Although the trend for this indicator shows that the number of communities appears to have decreased, this is a result of distributing part of this performance indicator to the National Fire Plan. At 699 communities with improved capacity, this indicator is at 93 percent of the 2003 planned number of 750 communities.

In FY 2003, the Forest Service focused assistance for the retention and strategic placement of trees, forests, urban parks, greenspace, and related vegetation for multiple purposes—mitigating air, water, soil, and noise pollution; reducing energy consumption; providing public health benefits; and increasing property values. The agency also assisted participating communities with planning, demonstration projects, and technical assistance. There were 10,869 communities that participated in these programs that are designed to enhance urban and community forestry resources.

The Forest Service brought cost-effective sustainable forestry to a diversity of landowners in FY 2003 by developing forest stewardship plans for small woodlot owners, tribes, States, and other Federal agencies. An additional 1,577,000 acres of nonindustrial private forest (NIPF) lands are now under approved NIPF stewardship, establishing the basis for their future management, sustained production, conservation, and income for thousands of landowners. The Forest Service reported 21,795 stewardship management plans for NIPF, which is 131 percent of the planned number of NIPF plans for FY 2003. The trend for the number of acres under approved NIPF stewardship plans continues to fluctuate, although the agency accomplished 98 percent of the planned acres.

The agency also worked to protect environmentally important forest areas threatened by the conversion to nonforest uses through nonregulatory partnerships. Through an incentive-based approach, the Forest Service worked to assure that both traditional uses of private lands and the public benefits of America’s forests are protected for future generations. The Forest Legacy Program expanded to 34 participating States and Territories, advanced 3 additional State implementation plans to the Secretary of Agriculture for approval and entry into the program, and protected nearly 300,000 acres in FY 2003. Cooperative forestry performance indicators show an increase in the trend



## **BIG BUSINESS AND ENVIRONMENTAL INTERESTS AGREE TO PROTECT RARE PLANTS**

The San Bernardino National Forest and organizations with limestone-mining interests recently agreed to a Carbonate Habitat Management Strategy to protect the habitat and populations of four federally listed threatened or endangered plant species.

This strategy document is the result of several years of dedicated and collaborative work among the Forest Service, mining companies (including Omya California, Specialty Minerals, and Mitsubishi Cement), major claim holders, the Department of the Interior U.S. Fish & Wildlife Service and Bureau of Land Management, San Bernardino County, and the California Native Plant Society.

Implementation of this strategy will enable economic development of the limestone resource of the northern San Bernardino Mountains (currently producing approximately \$175 million annually), while protecting the unique flora of the area.

Limestone mining in the San Bernardino Mountains is big business, and these valuable deposits are used in many commercial and industrial products. In addition, the limestone areas also provide habitat for a variety of rare plants. Four plants in the area covered by this agreement are listed as threatened or endangered: Cushenbury milk-vetch, Parish's daisy, Cushenbury buckwheat, and Cushenbury oxytheca. Limestone mining can result in the destruction of these plants and their habitat.

for the environmentally important (legacy) forests threatened by conversion to nonforest uses, but the 292,583 acres accomplished were 43 percent of the planned number of acres in FY 2003.

The health of forests and grasslands is important to the Nation for a variety of reasons—the production of clean water, forage for livestock and game, a wide variety of recreation opportunities, timber and other forest products, and many other uses. However, invasive species, native insects and diseases, and forest fires threaten the health of forests and grasslands. Partnerships and other coordinated efforts with private landowners and local, county, and State governments are needed to prevent the spread of invasive species and to implement treatment. The Forest Service is aggressively combating these issues through implementation of initiatives; partnerships with various Federal, State, tribal, and local governments; and other efforts.

The trend for the forest health performance indicators exists only for acres protected, and not for acres surveyed, whether on Federal lands or cooperative lands. The reported performance information for this indicator was in error due to confusion as to the unit of measure (UOM). While most regions and areas realized that the units were reported as “thousands of acres,” others did not and reported their performance in “acres.” This UOM error inflated the performance reporting for the 2003 planned acres protected on Federal lands. The valid performance information for this indicator with the correct UOM was 131.03 for the 10-month actual, 53.795 for the 2-month estimate, and 184.825 for the FY 2003 projected total.

The trend for protecting acres on cooperative lands has fluctuated over the last 4 years, reporting approximately 855,000 acres in FY 2003, which was 92 percent of the planned acres. Accomplishments for Federal acres surveyed and cooperative acres surveyed came in at 75 percent and 100 percent, respectively.

Although existing technologies enable the agency to implement standard prevention, suppression, and restoration treatments, additional long-term research and development is needed for finding solutions for controlling and eradicating invasive species. There are promising new management techniques, as well as newly developed chemical and biological control agents, but they are still in need of more testing to improve their efficacy. Also, the need for improved communication between the Forest Service and its partners is necessary to prevent invasive species from establishing themselves in the forests and grasslands of the United States.

Results for the Research and Development (R&D) performance indicators were predominantly successful. An omission of several units' accomplishments for research products, tools, and technologies developed shows accomplishments at 83 percent of those planned for FY 2003. The correct number is 10,986 but could not be verified before the audit. If this number proves to be verified as valid, results for this indicator will be at 159 percent of planned. A similar indicator, but for products, tools, and technologies pertaining to fire, reported 125 percent accomplishment. Results for Forest Inventory and Analysis (FIA) products, tools, and technologies and the percent of FIA target plots measured reported 97 percent accomplishments. Trend information exists for percent of FIA plots measured from FY 2000, showing a steady increase. For the products, tools, and technologies pertaining to fire, trend information exists from FY 2001, with the implementation of the National Fire Plan. After a 1,200-percent increase from 63 in FY 2001 to 783 in FY 2002, the number of fire products, tools, and technologies remains at 750 for FY 2003.

Results for the law enforcement and investigations performance indicators show that these performance indicators may need to be reevaluated and more closely aligned to the agency's mission. Enforcement of laws and regulations reported a 130-percent accomplishment,

while criminal investigations reported a 76-percent accomplishment. The indicator measuring eradication of cannabis reported 34 percent accomplishment in FY 2003. Trend information shows a significant increase in performance for enforcement of laws and regulations from the 28 percent in FY 1999. Although criminal investigations peaked at 72 percent in FY 2002, the trend appears flat.

In forest products, timber volume offered for sale reported 96 percent of FY 2003 planned volume, but the trend shows a 37-percent decrease in volume offered for sale since 1999. Timber volume harvested reported 73 percent of the planned volume, but the trend shows a 55 percent decrease in volume harvested since 1999. Volume of salvage timber offered for sale reported a 101-percent accomplishment for 2003. Timber volume sold was at 64-percent of planned volume. Permits administered for forest special products reported a 102-percent accomplishment. Approved National Environmental Policy Act (NEPA) documents for timber sales reported 69 percent of 2003 planned approved documents.

The range management performance indicators showed mixed results. Acres of grazing allotments administered to standard reported a 130-percent accomplishment, while approved NEPA decisions for grazing allotments reported 68 percent of 2003 planned approved documents. The indicator for grazing allotment acres administered to standard increased over 80 percent from FY 2002, but is still approximately 83 percent of the FY 2000 number of acres. With 308 approved NEPA decisions for grazing allotments, this performance indicator increased significantly from 184 approved decisions in FY 2001, but is 66 percent of the 464 approved decisions in FY 1999.

For the planning, inventorying, and monitoring indicators, revised and new Land and Resource Management Plans (LRMPs) exceeded the 2003 planned number by 139 percent, while LRMP amendments reached 82 percent of planned for FY 2003. LRMP monitoring and evaluation reports reported 86 percent of the planned number. The new and revised LRMP showed such a

significant increase that the 2003 projected performance is more than the last 4 year's reports combined. Even with the FY 2003 decrease to 59 amendments, the trend for the LRMP amendments indicator has steadily increased from 15 in FY 2000 to 82 in FY 2001, and then significantly increased to 198 amendments in FY 2002.

Other accomplishments for the planning, inventorying, and monitoring indicators were 180 percent of planned acres of above project-level inventories and 92 percent of planned completed watershed assessments. The trend in above project-level inventory acres is more than 50 percent higher than FY 2002, but is still less than 40 percent of the high of 120 million acres in 2001. The trend for completed watershed assessments declined in FY 2003 for the second consecutive year.

There were 46 reported broadscale assessments underway, but there were none planned for FY 2003. Also, there is no multiyear trend information to report. While a significant number of Geographic Information System (GIS) resource mapping quads were reported, there was no "percent accomplished." The 35,608 quads reported in FY 2003 will serve as a baseline for this performance indicator in the future.

Three of the wildlife and fish performance indicators did not meet the planned number from the FY 2003 Program Direction. Terrestrial wildlife habitat restored or enhanced reported only 84 percent of planned acres for FY 2003, but the planned number of 284,396 acres is nearly 18,000 acres higher than any actual accomplishment since FY 1999. Streams restored or enhanced reported 84 percent of miles accomplished for FY 2003. The planned number of 2,000 miles of stream was realistic as the FY 2002 actual number of miles reported was 2,001 miles. Lakes restored or enhanced reported only 86 percent of acres planned for FY 2003, but the planned number of 20,212 acres was 1,784 acres higher than any actual accomplishment since FY 1999. On the other hand, interpretation and education products provided reported 145 percent of FY 2003 planned products.

### **WORKPLAN LAUNCHES IN 2003**

The Forest Service launched a project work-planning tool on May 27, 2003, called WorkPlan. This new tool brings a consistent approach to project planning and tracking in the agency, replacing several variations of an older tool—Project Work Planning System (PWPS)—in use since the 1980s.

One of WorkPlan's primary objectives is to meet field-planning needs, while minimizing the impact of national reporting on the forest and district offices. At the field level, WorkPlan supports project management in planning and tracking progress, while at the national level it is a source of information for improved financial management—one of the initiatives in the President's Management Agenda (PMA).

WorkPlan is a Web-based system built upon the standard agency information technology network, which will minimize disruptions to users and system administrators as enhancements are developed. In the near future, WorkPlan will feature standardized reports, more user-defined capability, and a tracking module for expenditures, time charges, and accomplishments.

In fiscal year 2003, WorkPlan's development was sponsored by the Program Budget and Development Staff in the Washington Office, guided by a team representing all levels of the Forest Service, aided by contractor support.

The focus seen in the vegetation and watershed management performance indicators was on invasive plant control (including noxious weeds). Results for the vegetation and watershed management performance indicators showed that the Forest Service exceeded the FY 2003 planned numbers—136 percent for soil and water resource improvements, 116 percent for acres of

noxious weed treatments, and 124 percent for established vegetation. FY 2003 results were reported at 75 percent for manage air quality and 65 percent for improved vegetation. There was no planned number of activities in the FY 2003 Program Direction for the environmental compliance and protection (ECAP) indicator, which reported 265 activities.

## **OHVs AND THE FOREST SERVICE**

Over the past 2 years, aerial and ground surveys have revealed an expanding network of OHV (off-highway vehicle) routes in a variety of locations surrounding Sitka, AK. These user-made trails are generally located in areas of easiest travel, such as muskegs, estuaries, stream banks, and in streams, beach fringe forests, and lakeshores. Riding OHVs off the designated trail and road systems presents many problems for the land and land manager. In the fall of 2002, the Sitka Ranger District initiated an educational approach to handling this growing problem.

Webs of heavily rutted trails are now found in many areas within a day's reach of town. Wildlife habitat is fragmented and fish streams are crossed, which results in damage to spawning and feeding habitat. The vegetation is churned in ways that would require decades for the area to recover.

The Sitka Ranger District has begun a program asking OHV users to protect all wetlands and reminding riders they are prohibited from constructing new trails or causing damage to natural resources of the forest.

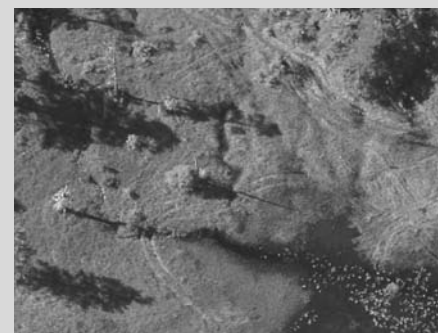
In late 2002, the Sitka Ranger District naturalist presented a 90-minute slide show presentation to nearly 500 students in the 7th through 12th grades. The slide show depicted resource damage caused by the irresponsible use of OHVs. The program explained the ecological reasons why riders need to stay on designated trails, rather than ride, as is common, through muskegs, estuaries, and other sensitive areas. The educational program did not simply outline the rules, but highlighted the reasons for them. The program also served as an opportunity to raise their awareness of forest resources.

The presentation explained the salmon spawning process and Sitka's dependency on healthy fish runs. Photos were shown of OHV riders running up a salmon stream, and students were asked, "Do you really want to run over the next generation of salmon that you would otherwise be catching for dinner?"

Each student was asked to fill out a questionnaire before the presentation, which showed that 42 percent of the students live in families that own OHVs, while 31 percent of students own their own OHVs. Half of these riders ride every weekend and on holidays. This highlighted the need for continuing education for the next generation of riders about the effects of OHV use on the environment.

This presentation was also given to the general public and, in the end, directly touched 900 people via classrooms, public halls, and special interest group meetings. It was featured through interviews on Raven Radio (with 3,000 listeners) and was later aired statewide. Articles in the Sitka Sentinel were read by 2,500 people a day.

The 2003 success of this outreach effort has led the district to create a Kruzof Island OHV management plan, which will clearly outline legal travel routes and OHV use areas for the desired outcome of ecosystem protection.



Trend information since FY 1999 for these performance indicators reflects what's happening "on the ground." Acres of noxious weeds treatment have significantly increased by 56 percent while the acres treated for soil and water improvements or acres of established vegetation have decreased, by 32 percent and 81 percent, respectively.

FY 2003 results for all the lands performance indicators show accomplishments of 94 percent or higher, with 117 percent reported for land use proposals and applications processed and 109 percent for both cases resolved through litigation or administrative procedure and acres acquired. Results for acres adjusted were 99 percent for FY 2003. These successful results in FY 2003 do not reflect the significant decreases in results since 1999 for most of these performance indicators. Three trends have decreased by 50 percent or more since FY 1999—land use proposals and applications processed; acres acquired, and authorizations administered to standard, while the indicator for acres adjusted is only 8.2 percent of the high of 337,396 acres in FY 1999. The trend for miles of boundary line marked or maintained remains flat, with accomplishments in FY 2003 near those of FY 1999. The most significant increase was in cases resolved through litigation or administrative procedure, with a 73 percent in the last 4 years.

FY 2003 results for the capital improvement and maintenance performance indicators show success in maintaining or improving National Forest System (NFS) roads—100 percent of miles of improved roads, as well as 121 percent of miles of high clearance roads and 134 percent of miles of passenger car roads maintained. The indicator for miles of trails maintained to standard also reported a 123 percent accomplishment. Miles of trails improved to standard and miles of roads decommissioned reported 76 percent and 58 percent, respectively. Also, capital improvement completed for facilities (over \$250,000) reported a 50-percent accomplishment. Trend information for the majority of these performance indicators begins in FY 2000. The exceptions are miles of roads decommissioned, which significantly decreased from 2,907 miles in FY 1999 to 888 miles in FY 2003, and Facility Condition Index (FCI), which is a new indicator based on industry standards.

Since 2000, there have been increases in miles of trail maintained to standard (23 percent) and miles of road improved to standard (240 percent increase). There have been decreases in miles of trail improved to standard (35 percent decrease), miles of high clearance road maintained (45 percent decrease), and miles of passenger car road maintained (36 percent decrease).

The minerals and geology performance indicators all reported above 90 percent for FY 2003. Operations administered to standard reported 99 percent, completed geologic permits and reports reported 95 percent, and operations processed reported 91 percent. Trend information since FY 1999 for operations administered to standard shows a 56-percent increase

since FY 1999, and operations processed shows a 28-percent decrease in the same time period. Geologic permits and reports completed are up from 1,048 in FY 2002, the first year to track this information.

The Forest Service provided diverse, high-quality, resource-based tourism destinations and outdoor recreation opportunities in FY 2003. The agency's outreach efforts and partnerships focused on minimizing resource impacts and educating users in low-impact and responsible use of special places through programs, such as Leave No Trace and Tread Lightly, as well as the preservation of historic and prehistoric areas. Many of the 214 million visits the American public makes to the national forests and grasslands were made possible by recreation service providers through the Special Use Program. In programs like these, the Forest Service delivers annual economic outputs and social benefits that contribute to the accomplishment of long-term outcomes identified in the Forest Service's strategic goals and objectives.

For FY 2003, the majority of accomplishments for the recreation, wilderness, and heritage performance indicators were 99 percent, or higher. Heritage resources managed to standard reported 88 percent of planned for FY 2003, and products provided to standard reported 76 percent. Results for general forest areas managed to standard were 91 percent, while recreation special use authorizations administered to standard were 99 percent of the planned number. Of more than 25,000 special use permits, the agency administered 13,956 to standard, which is 99 percent of the goal for FY 2003.

Wilderness areas managed to standard reported 107 percent and operation of developed sites to standard reported 109 percent for FY 2003. Trend information shows that the Forest Service is managing nearly twice as many wilderness areas to standard as in FY 2000, but only 72 percent of FY 2002. Trend information for recreation special use authorizations administered to standard has very significantly increased, with 1,227 in FY 1999 and 13,956 in FY 2003. While the results for heritage resources managed to standard did not meet the planned number in FY 2003, the 7,504 sites managed is 88 percent more sites than in FY 2000. Other significant increases since FY 2000 are in general forest areas managed to standard, with a 1,000-percent increase, and operation of developed sites to standard, with a 33-percent increase in persons at one time (PAOT).

The challenge in many of the recreation programs is that the transfer of funds needed to pay for fire suppression has impacted the Forest Service's ability to accomplish recreation program goals in two ways—not only from the loss of funds, but also from the instability in program funding levels and the week-to-week workforce diversion in the height of the recreation field season. Developing contingency plans and adjusting schedules and operating plans required much time and energy.

## A WIN-WIN FOR THE GILA NATIONAL FOREST

Web sites featuring recreation in the great outdoors have been around for years, but not sites that really make trails come alive, provide effective information delivery, support volunteers, and engage the public.

In 2003, the American Trails Website Contest set out to discover the best that the cyber world of trails and greenways had to offer. They received nominations for 88 trail-related sites, covering the gamut from community trails to designated National Recreation Trail sites and from accessible trail sites to best sites for kids and families.

We are proud to say that the Gila National Forest, located in the southwestern corner of New Mexico near Silver City, was selected as the 2003 winning Web site for trails on Federal lands.

Visitors to the Gila's recreational Web site can view a map of all trails or select a trail by the type of recreational activity they want. They can choose between trails with varying levels of difficulty or those best hiked in certain seasons. They can even use trail guides with 3D terrain images of a trail.

Visit the American Trails Web site at: <http://www.americantrails.org/webcon03.html>.

Or to visit the Gila's award-winning site directly, navigate to: <http://www2.srs.fs.fed.us/gilanf/rec/trails/>.

Another factor was the loss of approximately one-third of the Senior Community Service Employment Program (SCSEP) positions that the Forest Service has traditionally hosted. The recreation sites program has become highly "leveraged" over the last 20 years in response to the steady decline in buying power of the appropriated funding at the field level.

In May 2003, the Forest Service was notified that it would lose approximately one-third of the SCSEP positions. As a result, the recreation program lost approximately 10 to 12 percent of the field workforce delivering the recreation site program. The long-term outlook is for a continuing decline in enrollees available to the Forest Service.

The Forest Service's ability to sustain the existing level of recreation site development without reducing operations and maintenance to an unacceptable standard is a concern under current conditions. Consequently, the agency placed greater emphasis on reconstructing existing facilities to meet current need, reduce annual maintenance and operations costs, and reduce backlog maintenance. In addition, the agency implemented the recreation site alignment process with the objective of balancing financial needs for annual operating and maintenance costs with available resources, thereby eliminating lower priority sites either through divestiture to the private sector or decommissioning. Inventory, costing, visitor use, and satisfaction data, which are critical to this decision process, continued to be improved and refined. The primary criteria in deci-

sionmaking is retaining sites which best meet the "niche" defined for each forest and that have the highest values on the "public benefit scale." The "niche" concept is a marriage of highest-quality local opportunities with public demand, community and tourism needs, and visitor satisfaction. The "public benefit scale" concept recognizes that some of the opportunities and services provided are of primary benefit to the individual user while others are more oriented to the population, as a whole. Development and implementation of this process was slowed in FY 2003 by the same factors discussed in relation to recreation site operations.

Special use permit administrators continued to feel the pressure of declining resources. The agency recognizes the need to develop additional human and financial resources for special use administration and has considered methods to do so. In the near future, the agency will implement cost recovery regulations to address the cost of issuing permits. Permit administration remains a concern and the agency will continue to explore obtaining the authority to retain special use fees. In addition, the agency is considering working with the administration to draft legislation to allow for private sector investment in Government-owned facilities. The difference between planned and actual accomplishment is primarily due to confusion in interpreting the definition of "to standard" and the inconsistent application of standards across all field units. A modification is being made to the Special Uses Database System to more consistently collect data on "administration to standard."

## Supporting Performance Management with Program Evaluations

In *Managing for Results 2002, A PricewaterhouseCoopers Endowment for The Business of Government* (2001), the authors suggest a conceptual framework to describe the major stages in the development and use of systematic information for performance management. The four uses of program evaluations identified are:

- Strategic and Program Planning.
- Improving Program Delivery.
- Accountability.
- Attributing Results to an Agency's Programs.

### **Strategic and Program Planning**

After an 8-year hiatus, Ecosystem Management Coordination (EMC) conducted program evaluations in two regions—Region 4, the Intermountain Region, and Region 6, the Pacific Northwest Region. In those 8 years, significant changes in the Forest Service have occurred. These include staffing at all levels of the agency; new policies for forest planning, roadless area management, the use of categorical exclusions; an Office of Inspector General evaluation of the NEPA process and timber sales; new case law in several relevant areas; and changing information management policy and procedures.

The evaluations focused on proven efficiencies in the oversight of national forests and grasslands; program oversight or procedures still needing improvement; and recommendations by each regional leadership team. The evaluation found that units scheduled for Land Resource Management Plan revisions have, or will have, business plans in place. Both regions realize that the accountability for business plans needs to be in place before forest plan revision begins. It is unclear how the very complex interagency relationship and assessment structure in each region will be addressed in the revision process. The regions are aware, however, of these complexities and will provide guidance as revisions begin.

PricewaterhouseCoopers reviewed NFS financial and operational business practices in Region 8, the Southern Region. The focus of the evaluation was on improving business management practices. The evaluation addressed business processes needed for aligning facilities and services, considering available resources, pricing, and customer needs.

Annually, the six regional research stations, the Forest Products Laboratory, and the International Institute of

Tropical Forestry within R&D evaluate needs at the various levels, assign priorities, and request funding. Requests are carefully reviewed and coordinated, and needs are identified as critical at the national level and then merged into a National Research Program. The base R&D program, however, is assembled from individual field submissions.

Recreation, Heritage, and Wilderness Resources conducted a program review in Region 10, the Alaska Region, in July. Recommendations from the evaluation support setting targets at a modest level because flat or reduced heritage funding necessitates supporting other agency programs. While this work helps protect heritage resources from the effects of other management activities, it does little to accomplish heritage program stewardship or public outreach goals as mandated in the National Historic Program Act.

### **Improving Program Delivery**

After reviewing the noxious weed program in FY 2002 within Region 5, the Pacific Southwest Region, the Washington Office NFS staff completed the report and made recommendations in FY 2003. The report finds that partners at the Federal, State, and local levels are collaborating on cooperative weed management projects, but significant challenges must be overcome.

R&D revised approximately 10 percent of research work unit descriptions to reflect changes in the proposed research mission, problem, or approach as a result of national reviews of the work unit programs. R&D staff interviewed employees and station customers for each R&D review, enhancing program delivery internally and to external customers.

National-level trust fund reviews were conducted, with onsite field inspections in Region 2, the Rocky Mountain Region, Region 5, and Region 4. Most wildlife and fisheries projects funded through the Knutson-Vandenberg (K-V) Fund are well planned, documented, and implemented; however, some opportunities to use additional available funding to accomplish meaningful habitat improvements were missed. Also, a task force consisting of agency personnel, State fisheries department personnel, and representatives from conservation organizations began a thorough national-level review of the fisheries program. The first site visit was in Region 2; the review will continue into FY 2004.

Valuable guidance in shaping the R&D program and identifying research needs at regional levels comes from critically reviewing customer, research user, and peer comments. For example, as R&D began reaching out to underserved communities, they identified the

need to expand social science research effort. Many minorities do not know about national forests, and others, because of perceived barriers, do not use them. R&D believes this is a subject worthy of special emphasis.

National Visitor Use Monitoring surveys, the primary data source for the USDA Forest Service Visitor Use Program, were conducted on 31 national forests and grasslands in FY 2003, with results reported in FY 2004. In FY 2003, individual forest results were published for 29 national forests and grasslands surveyed in FY 2002.

The regional accessibility reviews have highlighted the need to standardize the information reporting formats so that the total number of facilities and programs that are accessible across the agency can be accessed.

### **Accountability**

In FY 2003, three trust fund program reviews were conducted in Regions 2, 3, and 4. The results of these reviews are described below:

In Region 2, documentation, oversight, and management of the K-V Fund, Brush Disposal (BD), and Salvage Sale Funds could be improved. An opportunity exists to integrate biological and physical resource specialists earlier in the design of these projects. Recommendations included increasing oversight of these funds by resuming at least biannual trust fund workshops and conducting trust fund reviews on every forest on a 4-year cycle.

In Region 3, the Southwestern Region, documentation, oversight, and management of the K-V, BD, and Salvage Sale Funds could be improved. Also, staff knowledge of trust fund programs, policies, and procedures is limited, and established policies, procedures, and direction related to the K-V Fund are not being properly implemented. Recommendations included reinstating periodic forest-level trust fund reviews, having each forest appoint a K-V Fund coordinator, and providing the necessary training for these coordinators.

In Region 4, documentation could be improved; some financial direction, policy, standards, and procedures are unclear or incomplete; and coordination between resource and financial management staff areas can be improved. Recommendations included increasing oversight of the trust funds at the forest level, coordinating with the Washington Office to clarify financial direction and then disseminating this direction to the forests and districts as it becomes available, and implementing a review procedure for trust fund balances that involves resource and financial management staff.

In conjunction with the Office of General Counsel and the USDA Hazardous Materials Management Group, the ECAP program reviewed the ECAP Programs in Region 2, Region 8, and Region 9, the Eastern Region.

All regions are weak in complying with the Safe Drinking Water Act. Region 8 currently is understaffed in their Comprehensive Environmental Response, Compensation and Liability Act program and is falling behind the other regions.

The Infra Rangeland Module, which tracks national forest grazing allotments and permits, was reviewed to evaluate long-term progress on the completion of allotment NEPA procedures. The national forests met approximately 50 percent of their scheduled work from 1996 through 2002. The delay in meeting the schedule was due to difficulty in moving through the NEPA process, appeals of project decisions, lack of trained field personnel, inadequate project funding, and diversion of personnel to other higher-priority work (fire duty).

The Washington Office Lands Staff conducted a Lands Policy and Oversight Review of Region 9 in FY 2003. This review focused on the Land Ownership Adjustment program, and specifically addressed the manner in which the regional office was fulfilling its oversight responsibilities of the Region 9 national forests. The review was physically limited to the regional office staff and leadership. There were several organizational and staffing issues identified and, as a result of this review, the region is taking action to place more responsibility with the Regional Lands Director for coordinating all lands transactions between the forest supervisors, the regional forester, and the Washington Office NFS Deputy Area. Additionally, there has been significant improvement in coordination and communication between the Congressional delegations and the Washington Office Legislative Affairs and Lands Staffs. This in turn has been positive in assisting third parties and others to better focus their efforts negotiating and facilitating lands transactions. Another result has been the clear direction from the regional forester to selected forest supervisors to engage in collaborative land ownership adjustment planning within selected States to better direct efforts of all parties in developing a desired public/private landownership base. Recommendations relating to improving lands skills have been implemented and the Washington Office and region are working together to provide the necessary development opportunities.

### **Delayed or Postponed Evaluations**

No national-level reviews of the water, soils, or weather programs were done in FY 2003. A national-level review of the air program was planned for FY 2003, but was delayed, leaving no clear focus for regions in filling program vacancies or in addressing the changing workloads due to the Presidential Management Initiatives.

Also, no program evaluation was done in Minerals and Geology Management, as a result of extended vacancies in the directorate as well as higher national priorities.

## How Forest Service Programs Accomplish the Mission

### National Forest System

The NFS Deputy Area provides stewardship and management of more than 192 million acres of Federal lands through the following 10 program areas.

Land Management Planning is the framework used to conform to laws and regulations governing the management of national forests and grasslands. The planning process is focused on the concept of sustainability under planning regulations that require national forests to conduct assessments that include ecological, social, and economic issues on a broad geographic scale.

Inventory and Monitoring supports forest plan revisions and amendments; watershed assessments; ecoregional and subregional broad-scale assessments; corporate system implementation schedules; and other forest, regional, and national priorities. Forest plan monitoring and evaluation is receiving greater emphasis on several fronts, including the new planning rule, revisions and consolidation of directives, installation and implementation of corporate databases, data migration, and implementation of GIS data dictionary standards.

Recreation, Heritage, and Wilderness components include administration and management of partnerships, tourism, interpretive services, and recreational special uses.

By maintaining the diversity, viability, and productivity of plant and animal communities, Wildlife and Fisheries Habitat Management improves current and future opportunities for consumptive, recreational, commercial, subsistence, and other beneficial uses of fish and wildlife resources. Partnerships have become crucial to implementing this program, numbering on

average 2,000 per year, and leveraging more than \$25 million annually.

Grazing Management administers allotments according to forest plan standards and guidelines for the maintenance, enhancement, or restoration of watersheds where livestock grazing takes place.

To improve and restore watershed conditions, Forest Products uses timber sales and contracts to reduce accumulated fuels. These contracts not only provide forest products, but also offer employment opportunities to local communities. The implementation of the National Fire Plan (NFP) and the President's Healthy Forest Initiative has given Forest Products added emphasis and recognition for its role in accomplishing these initiatives.

The 2002 Forest Service reorganization combined the agency's forest lands and rangelands vegetation management programs with the soil, air, and watershed improvement programs to create the Vegetation and Watershed Management Program. This organizational change not only increases the efficiencies in program development and budgeting, but also improves the effectiveness of the management of noxious weeds, reforestation, and timber stand improvement treatments.

By fostering the development of mineral resources within a framework of sustainable forest management, watershed health, and public safety, Minerals and Geology Management 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.

### RESERVOIRS RESTORED TO PROVIDE HABITAT FOR SENSITIVE SPECIES

A partnership among Forest Service, Department of the Interior Bureau of Reclamation, Great Outdoors Colorado, National Fish and Wildlife Foundation, and local county and State agencies is redesigning and rebuilding three of seven dams and reservoirs on Battlement Mesa, on the White River National Forest in Colorado. Once used for irrigation, the 1800s-era reservoirs and dams—having long ago been abandoned—were in poor condition.

Partners collaborated to provide needed new habitat for the Colorado River cutthroat trout (*Oncorhynchus clarki pleuriticus*), which is a sensitive species. The first dam has been completed, nonnative fish species have been removed from the reservoir, and native Colorado River cutthroat trout were stocked in 2003. Soon two other dams will be restored.

An additional reservoir will be converted into a shallow wetland, to provide habitat for many amphibian, shore bird, and other wildlife species, and to reduce the hazard rating of the dams.

This project is one of many done on National Forest System lands nationwide to improve habitat conditions for "at-risk," sensitive species, and to prevent such species from needing further protection through listing under the Endangered Species Act.



To provide for the public's future use and access to national forests and grasslands, Landownership Management protects NFS lands and resources through marked and legally defensible land boundaries, secure title and ownership, land adjustment, and land acquisition.

Finally, Capital Improvement and Maintenance improves, maintains, and operates the Forest Service's multibillion-dollar infrastructure—the facilities, roads, and trails—necessary for recreation, research, fire protection, administration, and other uses on national forests and grasslands. A backlog of maintenance has led to a deterioration of Forest Service's assets in recent years. To alleviate this backlog, increased emphasis has been placed on collocation of facilities where appropriate, the disposal of deteriorated or otherwise unneeded facilities, and a master planning process.

To minimize the conflict typical of access and travel management across ownerships, the 2003 Access and Travel Management Report recommended that the agency consider it an integral part of the land and resource management planning process.

### **State and Private Forestry**

The S&PF Deputy Area has responsibility for a broad scope of programs within the S&PF and Wildland Fire Management appropriations, as well as Tribal Relations, Sustainable Forest Management, and Conservation Education activities. 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.

In 2003, S&PF programs brought cost-effective forest stewardship through nonregulatory partnerships to a diversity of landowners, including small woodlot, tribal, State, or Federal landowners. Because S&PF coordinated efforts among management, protection, conservation education, and resource use, these programs facilitate sound forest stewardship on a landscape scale; yet enable individual forest landowners, communities, and cities to pursue more local objectives.

Wildland Fire Management 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. To do this effectively, wildland fire man-

### **BUILDING A FIRE CONSERVATION EDUCATION PROGRAM**

What started as a Smokey Bear program for youngsters has become a fire education program in Montana for all ages. Recognizing the importance of building public understanding of natural resources and the management of public lands, especially pertaining to wildfire, the Gallatin National Forest updated its approach. In 2001, with the aid of National Fire Plan (NFP) funds, two fire Conservation Education (CE) coordinators were hired to create such a program.

In fiscal year 2003, the CE coordinators presented 36 wildfire-related programs, reaching more than 1,760 people. Many programs were coordinated with other forest resource areas, such as fisheries, timber, and wilderness, to give people the big picture of forest ecology. The coordinators worked with partners, such as area schools, youth camps, scout and civic organizations, and rural fire departments, to reach a broader audience.

Partners: Area schools, youth camps, scout and civic organizations, and rural fire departments partnered with the USDA Forest Service to reach a more diverse audience.



Smokey has an up-close and personal conversation with a friend at the Belgrade Fall Festival.



A worker engages in a task to mitigate the risk of fire on the Gallatin National Forest.

agers identified priority work and specific field-level projects in 2003 to mitigate future fire behavior. For example, the Forest Service, State foresters, and local fire departments worked with community property owners in the wildland-urban interface to prevent fires or, in the event of a wildland fire, increase the likelihood that people's homes would survive.

The Office of Tribal Relations was established as a result of recommendations to the Chief and the staff in the Report of the National Tribal Relations Program Implementation Team (August 2003).

In FY 2003, FSM 1563, American Indian and Alaskan Native Relations, and FSH 1509-13, American Indian and Alaskan Native Relations were added to the Forest Service Manual and Handbook, respectively. Also, a yearlong effort to develop agency policy for sacred sites was undertaken. Approximately \$250,000 worth of project grants were funded from the Office of Tribal Relations throughout the Forest Service regions.

The Forest Service continued its leadership role in the Sustainable Resource Management Roundtables, which included—Sustainable Forests, initiated in 1998; Sustainable Rangelands; Sustainable Minerals; and Sustainable Water Resources.

For the Roundtable on Sustainable Forests and for the Montreal Process Working Group on Criteria and Indicators, the Forest Service produced the first *National Report on Sustainable Forests—2003*. Continuing in its role as co-chair of the Sustainable Forests Roundtable, the agency offered the opportunity for dialogue about the forest criteria and indicators discussed in this national report to diverse audiences at workshops and meetings.

For the Rangelands and Minerals Roundtables, the Forest Service led the development of First Approximation Reports, demonstrating its ability to report on criteria and indicators for those resources.

Forest Service S&PF provides leadership for the Conservation Education program through national program staff, created in 1999.

In FY 2003, over 1 million students, teachers, forest visitors, and others participated in educational programs delivered by the Forest Service. Nearly 30 million Americans participated in teacher-delivered education programs that were assisted by the Forest Service or by partners using agency materials and resources.

A special edition on wildland fire in the *Natural Inquirer*—the Forest Service science journal for junior high students—was distributed to almost 250,000 students and teachers by the Forest Service and key education partners, including USDA's Agriculture in the

Classroom, the Bureau of Land Management, and the American Forest Foundation's Project Learning Tree.

### **Budget and Finance**

Since the agency's reorganization in 2002, the programs in the Budget and Finance (B&F) Deputy Area have significantly improved the financial and performance credibility of the Forest Service. The agency received its first unqualified opinion for the FY 2002 financial statement, as reported in the *Report of the Forest Service FY 2002*. This unqualified opinion reflects the intense commitment to long-term finance and performance accountability by agency leadership, the financial management staff, and all employees.

In 2003, a newly chartered Budget and Financial Management Team developed three options to create an agencywide budget and financial management organization, defining roles and responsibilities for all levels in the organization. This information will be used in the upcoming Business Process Reengineering effort. A road map to the reengineering effort was submitted to USDA, addressing the profound changes needed to ensure sustainable improvements to the financial management organizational structure and financial systems.

The establishment of the B&F Deputy Area has resulted in major improvements in incident financial management procedures, including:

- Enhancement of incident management software, increasing the speed and accuracy of obligation reporting.
- Establishment of centralized incident payment centers, reducing the need for the number of disbursing officers from four to one. The first National Emergency Firefighter Payment Center was opened in Ogden, UT, in March 2003.
- Establishment of four centralized payment centers for emergency equipment rental agreements. The mandatory use of the centers improves the accuracy of all documented incident obligations and ensures efficiency as obligations are entered into a department-wide accounting system, the Foundation Financial Information System, within 3 days of the beginning of an incident.
- Development of two procedure guides and a matrix to provide technical assistance to the staff responsible for incident fire obligations, accruals, and payments.

The B&F Deputy Area had other successes as well. In the past year, the Forest Service consolidated cost pools for all units into one national pool to reduce transactions, thereby reducing costs. As a result, the number of Foundation Financial Information System

transactions was reduced from 150 million to less than 13 million in the first year.

The agency also reduced or eliminated the requirement to establish job codes for each work activity. Minimizing the number of job codes necessary for payroll and other expenditures reduces system impacts by decreasing the sheer volume of transactions.

Finally, the implementation of WorkPlan provided the field level with a project work tool that enables field project managers to plan, manage, and report accomplishments for projects, while also providing a source of internal financial management information.

### **Research and Development**

The 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 through the following programs:

- Vegetation Management and Protection.
- Wildlife, Fish, Watershed, and Atmospheric Sciences.
- Resource Valuation and Use.
- Forest Resources Inventory and Monitoring.
- Forest Inventory and Analysis.

After the 2003 publication of USDA's "National Range and Pasture Handbook," R&D provided guidance for more ecologically based tools for management of public and private grazing lands. In collaboration with other USDA agencies and with the U.S. Department of the Interior's Bureau of Land Management, ecological site descriptions for portions of the Southwestern United States were revised to be consistent with new theories. These southwestern ecological site descriptions will now be the model for revisions on the remainder of the Nation's grazing lands.

Also in 2003, to mitigate the adverse effects of greenhouse emissions on the Nation's pasture lands, researchers examined the net effects of species diversity within the plant community on long-term carbon sequestration in soils. Results from these studies showed that perennial grasslands in western Oregon function much like buffer strips and are highly effective in preventing nutrient movement into ground and surface waters.

### **Business Operations**

The Business Operations Deputy Area builds a network of underlying support for the mission of the USDA Forest Service, ensuring cost effective, timely, and quality business processes. Although these business processes are often out of view to the public, without them the Forest Service would be unable to deliver the natural resource values that the American people expect.

The 2003 focus for Business Operations included:

- Supporting the Forest Service's efforts to improve and maintain financial accountability and integrity, as demonstrated through an unqualified audit opinion.
- Providing business operational support as the Forest Service implements the National Fire Plan.
- Continuing the electronic Government (e-Gov) and competitive sourcing initiatives.
- Providing for the diversity, fairness, and equal opportunity needed for the agency's employment and program delivery.
- Assisting the agency in being an employer of a diverse workforce, with the appropriate skill mix and with a high rate of retention.
- Providing for the safety, health, and homeland security considerations in the day-to-day lives of the people of the Forest Service.

### **SPACE SHUTTLE RECOVERY**

Nine Forest Service Civilian Conservation Centers sent more than 300 Job Corps students to Texas to participate in recovery of debris from the Columbia space shuttle. Incident Command personnel trained all the students involved in the effort and extensively briefed them on what to do in case they encountered shuttle debris. Incident Command personnel instructed the students to locate shuttle-debris items and to tag them only, not to touch them. Crews reported they worked under arduous, unseasonably cold and icy weather conditions. When shuttle debris was brought to the camp, students and staff had an opportunity to review and discuss the contents with the astronauts there. The astronauts signed autographs and T-shirts for the students. All the students were grateful to have this opportunity to be a part of history in assisting the National Aeronautics and Space Administration in this effort.

### **Programs, Legislation, and Communication**

The Programs, Legislation, and Communication (PL&C) Deputy Area creates the vision needed in the Forest Service to accomplish its mission through four existing programs and one new program. PL&C oversees Strategic Planning and Resource Assessment (SPRA), Legislative Affairs (LA), Policy Analysis (PA), the Office of Communication (OC), and a new National Partnerships Coordinator position.

As required by the Government's Performance and Results Act, staff completed the 2003 Update to the USDA Forest Service 2000 Strategic Plan, continuing the linkage to the criteria for sustainable forest and rangeland management. Also, responsibility for the *Forest Service Performance and Accountability Report—Fiscal Year 2003* was reassigned to SPRA, forging the

critical connections identified in GPRA among the agency's strategic planning, annual performance planning, and annual performance reporting functions. Finally, after an assessment of Forest Service legacy data systems, a prototype of a performance accountability system was designed to better integrate agency budget planning with performance accountability.

The Legislative Affairs Staff coordinated the agency's activities pertaining to the Administration's FY 2004 legislative proposals, analysis of introduced legislation, and development of Administration positions. In 2003, the staff addressed issues related to the Healthy Forests Initiative, NFP, wilderness proposals, stewardship contracting authority, partnership authorities, recreation fee demonstration program, administrative site conveyance authority, and numerous public lands transaction proposals. Legislative Affairs also informed Congress of program activities such as the President's Management Agenda Senior Community Service Employment Program and the livestock grazing program.

For Forest Service initiatives, such as The Process Predicament and The Four Threats, staff developed and cleared testimony through the agency, Department, and the Office of Management and Budget (OMB); prepared background materials and witnesses; scoped activities with committee staff; and developed responses to questions for the record.

The OC Staff was integrally involved in every program within the agency to educate and inform its various publics. The staff prepared the White House and Department for field visits in support of the President's Healthy Forests Initiative and the Healthy Forests Restoration Act of 2003, including developing a wide range of complementary products for national distribution.

Additionally, OC has been involved in strategic communication planning to support the agency's work on the President's Management Agenda, most notably

competitive sourcing. The OC Staff has been the impetus behind the Chief's Four Threats, developing information and supporting communication products. Other examples of communication strategies include the Planning Regulation, Recreation Fee Demonstration Project, Lewis and Clark Bicentennial Celebration, Working Capital Fund, Stewardship Contracting, NFP, and Sierra Nevada Framework. OC published the bi-weekly FS Today and the agency's Weekly Report, used by USDA for its weekly report to the White House.

In addition to the hundreds of agency publications designed and published by the Executive Services Team, 2003 marked the publication of *10 Things You Didn't Know About the Forest Service* and a Forest Service historical planner highlighting key facts about the agency.

The agency's national information center, managed by OC, hosted 32,000 visitors in 2003.

#### **Also in 2003, PL&C:**

- Established a National Partnerships Coordinator position and developed products to improve agency's responsiveness to current and future partners.
- Focused on the impacts of USDA policies to the Hispanic population by supporting the newly developed Hispanic Leadership Institute—a partnership with Texas A&M at College Station and the University of Texas at San Antonio—which admitted 15 graduate students.
- Coordinated Forest Service input to USDA's Annual Performance Plan and USDA's Performance and Accountability Report, as well as contributed to Department-wide budget and performance integration.

### **FINANCIAL SERVICES AND THE NATIONAL EMERGENCY EQUIPMENT RENTAL AGREEMENT PAYMENT CENTER**

The Incident Financial Services (IFS) Enterprise Team, based in the Pacific Southwest Region, has an innovative approach to providing a rapid response to the high-volume, seasonal payment needs during fire season. IFS offers cooperators and contractors a single point of contact with consistent processing procedures, specifically developed by IFS for the National Emergency Equipment Rental Agreement (EERA) Payment Center. The Forest Service uses the EERA center to hire all emergency contracted equipment for fire suppression efforts, such as water tenders, dozers, pickups/drivers, fallers, sanitation facilities, buses, and engines. The EERA center also handles land use agreements needed during fire emergencies.

In fiscal year 2003, IFS serviced 35 national forests in six of the nine regions and three regional offices. The IFS also provided centralized billing and payment services under Cooperative Agreements with the California Department of Forestry and Fire Protection and the California Governor's Office of Emergency Services for fire incidents.

As interagency coordination and response to fire incidents increase, IFS fills a critical niche in improving business operations and financial accountability for the Forest Service. In July through October of 2002, IFS processed EERA payments in excess of \$115 million, using up to 60 permanent employees to assist during a critical fire season.

IFS is also responsible for implementing the National EERA Centralized Payment Strategy in four payment center locations: Albuquerque, NM; Missoula, MT; Ogden, UT; and Placerville, CA.

- Signed a memorandum of understanding with the Department of the Interior's Bureau of Land Management to develop a knowledge management working group that will address the capturing and sharing of retiring employees' expert knowledge.

### **National Fire Plan**

The NFP completed the third year of providing significant benefits toward reducing the impacts of catastrophic wildland fire to communities and the environment.

To accomplish this outcome in 2003, hazardous fuels were reduced on more than 1.4 million acres, of which more than 1 million were in the wildland-urban interface areas. Firefighting resources supported 10,480 firefighters, 995 engines, 97 helicopters, 397 prevention specialists, 95 dozers, 70 tractor plows, 8 boats, 65 hotshot crews, and 277 smokejumpers.

The availability of NFP funding has enabled the Forest Service to increase the level of State and local fire prevention and protection capability through grants and cooperative agreements, respectively. State, volunteer, and rural fire assistance grants have enabled the Forest Service to train and equip thousands of volunteer and rural firefighters, serving rural areas of the country and assisting Federal resources with wildland fire management activities.

State Fire Assistance grants exceeding \$64 million in FY 2003 funded 6,800 mitigation and education campaigns, plans, and risk assessments, and 4,500 hazard mitigation projects. In addition, grants funded training for 32,300 rural and volunteer firefighters.

Funding for Volunteer Fire Assistance was \$14.3 million in FY 2003. This funding assisted 6,139 volunteer fire departments and communities to organize, train, and equip firefighters. In addition, these grants funded training for 20,900 firefighters.

One of the most recognizable results of the NFP is the increase in collaboration between all levels of the Forest Service; the U.S. Department of the Interior agencies; and partners in fire management at Federal, State, and local levels. Many grassroots organizations have come together, working to reduce the risk of wildland fire to their communities.

Also, as part of a diligent effort to reach out to the many Hispanic-owned small businesses, contractors, and individuals living in rural areas who depend on public lands for their livelihood, the entire NFP Web site has now been translated into Spanish. Spanish-speaking individuals and business owners are now able to easily find NFP information on such topics as 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 [www.fireplan.gov](http://www.fireplan.gov).

### **The Wildland Fire Leadership Council**

Consisting of senior-level U.S. Departments of Agriculture and the Interior officials representing all five wildland firefighting agency heads, the Wildland Fire Leadership Council (WFLC) was established to eliminate existing interagency and/or interdepartmental differences in the effective and efficient delivery of a national wildland fire protection program. This group has been instrumental in bringing together all the Federal wildland firefighting organizations for the common purpose of implementing the Federal Wildland Fire Policy and the 10-Year Comprehensive Plan.

The WFLC laid the groundwork in 2002 for success in 2003 by:

- Adopting a standardized fire management plan template that ensures consistency in project planning by all Federal wildland fire management agencies.
- Developing a common database for reporting 10-Year Plan accomplishments—the common performance measures that align with GPRA and the OMB's FY 2003 performance measures and standardize fire cost accounting protocols to improve accountability.
- Developing action plans and monitoring mechanisms for each task in the 10-Year Implementation Plan, inviting greater stakeholder involvement.
- Executing a memorandum of understanding among States and Federal agencies for standardized priority setting for hazardous fuels projects.

### **10-Year Comprehensive Strategy**

The Secretary of Agriculture and the Secretary of the Interior and 17 western governors signed the 10-Year Comprehensive Strategy and its complementary 10-Year Implementation Plan in 2002.

The 10-Year Implementation Plan represents a commitment to collaborate with a wide variety of stakeholders to reduce the impacts of catastrophic wildland fire to communities and the environment. This plan establishes five tasks for monitoring and evaluation that include quarterly WFLC meetings, reports to Congress, monitoring plans, site-specific monitoring, and evaluation of performance measures.

In addition, progress of the NFP is monitored and recognized through reports to Congress, the <http://www.fireplan.gov> Web site, site-specific monitoring tours, and evaluation of selected performance measures. The NFP staff monitors these action items to ensure ongoing progress and completion.

While the successes of the NFP have made great strides in fire management in the past 3 years, many challenges remain ahead.

## Civil Rights Program

The Forest Service is committed to developing a diverse workforce through promoting the trust and mutual respect needed for employees to explore innovative and effective ways to better manage the national forests and grasslands.

The Civil Rights program provides for diversity, equal opportunity, and fairness in employment and program delivery.

The 2003 focus for this program has been to:

- Improve the management and processing of complaints.
- Improve compliance and equitable access.
- Identify and remove systemic barriers to diversity.
- Enhance capacity building and recruitment.
- Improve collaboration among Civil Rights, Human Resources Management, and the Early Intervention Program (EIP).

This focused approach is not only returning short-term results, but also has potential for aggressively addressing systemic civil rights issues in the longer term. Gradually, Civil Rights is achieving strategic goals in addressing employment complaints processing as a result of the stronger emphasis on accountability.

For example, the Forest Service has increased the use of Alternative Dispute Resolution (ADR) in an attempt to reach resolution early, and often. Forest Service Leadership has committed to dispute resolution (except in extreme and/or rare circumstances) by issuing a new ADR policy and defining roles and responsibilities for Civil Rights, Human Resource Management, and EIP. This new policy has led to a 50-percent reduction in complaints, compared to those in 2002.

Two other 2003-issued Prevention of Sexual Harassment policies, developed specifically for fire incidents, demonstrate the Forest Service's commitment to a "zero tolerance" by:

- Prohibiting sexual harassment by any manager, supervisor, employee, or contractor.
- Ensuring a work environment free from discrimination in the form of sexual harassment.
- Identifying 10 behaviors that will not be tolerated in the fire-related activities or in the office.

The Chief has promoted Forest Service Leadership accountability, emphasizing that all leaders must "play a personal role in increasing the overall diversity of the organization."

With an estimated 212 million people visiting the national forests and grasslands in 2003, the Forest Service has only 3 percent of USDA Program Complaints pending in the Department. The agency attributes this low percentage to the focus on accountability, preventive training, guidance, closely monitored processing, and collaboration between Civil Rights and NFS, particularly related to disability complaints. Agency guidance and direction for managing program results and integrating diverse community perspectives in decisionmaking processes can be found in the *USDA Forest Service Strategic Public Outreach Plan*, available at <http://fsweb.wo.fs.fed.us/cr>.

NFS invested more than \$69 million on more than 868 recreational facilities, making accessibility improvements to outdoor developed recreation areas and ensuring access for people who are deaf or hard of hearing, as well as for those with impaired vision. Also, the Forest Service began honoring the Interagency Golden Passports at more than 1,150 national forest recreation sites—a dramatic increase from only 17 sites in 2002. These passports include Golden Age passports for citizens 62 years in age and older and the Golden Access passports for citizens who are blind or permanently disabled. These new benefits are significant for those who qualify and may increase their participation in outdoor recreation activities at national forest recreation fee sites.

The Forest Service continues to improve program participation data collection and survey systems to determine the demographically diverse user groups of the national forests and their related satisfaction. By using this data, the Forest Service has begun to analyze trends, interpret management implications, and take action to increase access and service delivery to underserved communities.

Finally, the Forest Service continues to be a major contributor to USDA procurement accomplishments with small disadvantaged businesses, both 8(a) and non-8(a) firms; women-owned businesses; and HUB zones. In these areas, the Forest Service more than doubled its 2002 accomplishments, and nearly doubled USDA and Forest Service targets.

In 2003, Civil Rights also accomplished the following:

- Completed and disseminated several affirmative employment initiatives, including the Agency Affirmative Employment Program (AEP), People with Disabilities, and Disabled Veterans.
- Integrated the AEP underrepresentation index information into the Agency Work Force Management Plan and short- and long-term outreach and recruitment goals.
- Advised leadership on key workforce management decisions and strategies to achieve a skilled diverse workforce at quarterly meetings of the Chief's Workforce Advisory Group and adopted

several measurement tools for capacity building and recruitment.

- Established the Forest Service Leadership Success Program and prepared a 2-year strategic plan to capitalize on the unprecedented opportunity to build diverse leadership in line with workforce planning and affirmative employment program strategies.

### **Law Enforcement and Investigations**

The Law Enforcement and Investigations (LEI) Program contributes to the Forest Service's mission by protecting natural resources and other property under the agency's jurisdiction and providing a safe environment for employees and the public on NFS lands. LEI staff cooperate with Federal, State, and local law enforcement agencies to achieve enforcement activities, investigative activities, and drug enforcement.

The LEI Program is establishing a Homeland Security Coordinator to facilitate efforts to collect and disseminate information and intelligence and to help prevent, enforce laws against, and investigate terrorist acts. LEI is developing an internal response plan to include response capability, continuity of operations, and an internal-external contact matrix. LEI staff continue to provide facility security assessments, primarily for highly vulnerable research labs.

Working collaboratively with external entities allows LEI to better accomplish its mission. Those who cooperated include:

- Office of National Drug Control Policy to enforce the President's National Drug Control Strategy.
- FBI, in coordinating anti-terrorist activity, particularly ecoterrorist activity.
- U.S. Department of Homeland Security.
- U.S. Department of the Interior agencies for support in field operations.

A memorandum of understanding was drafted with the National Sheriffs' Association to begin jointly developing crime prevention materials for forest visitors. This effort will allow our customers to better understand the rules and regulations affecting NFS lands and hopefully decrease minor criminal activity.

### **International Programs**

In 2003, the Forest Service International Programs Staff and the town of Cordova, AK, coordinated in planning for the Annual Copper River Delta Shorebird Festival. Planned activities included environmental education activities, such as the live interactive Web-cast linking more than 500,000 students along the shorebirds' flyway of Canada, United States, Mexico, and Costa Rica. Festival activities for all ages included

field trips, birding presentations, guest speakers, children's workshops, and a parade.

Over the past few years, the Forest Service, including the Pacific Northwest Research Station, the Alaska Region, and the International Programs Staff, has joined with Ducks Unlimited (in Canada, the United States, and Mexico) on the Copper River International Migratory Bird Initiative. From the Copper River Delta in Alaska to Mexico, these cooperators are working with local communities along the flyway to help restore habitats of shorebirds to ensure their survival.

In spring 2003, war in Iraq left thousands of people in need of emergency relief. The United States sent a Disaster Assistance Response Team to Iraq, Kuwait, Turkey, Jordan, Cyprus, and Qatar to assess relief needs and coordinate a response. A disaster response specialist from International Programs joined the effort to assess the situation in northern Iraq. The specialist headed a U.S. Government civilian unit responsible for providing information and programmatic recommendations for disaster activities to the core Disaster Assistance Response Team based in Kuwait City. The local team coordinated with representatives from other nongovernmental and international organizations, the United Nations, and Coalition Civil Affairs forces in northern Iraq to ensure that humanitarian needs were being met.

The Forest Service's expertise in emergency response is being tapped worldwide through the International Programs Staff's Disaster Assistance Support Program, with funding from the U.S. Agency for International Development's Office of Foreign Disaster Assistance Program.

In 2003, the United States and Madagascar have worked on developing a vision for the island nation of Madagascar, off the southeastern coast of Africa. Madagascar has some of the most spectacular and unique biodiversity in the world, with 80 percent of the nation's flora and fauna found nowhere else in the world.

In May, a Forest Service team met with counterparts at the Madagascar Ministry of Water and Forests, a forest zoning team, a local nongovernmental organization, and the Director of the Andohahela National Park to assess the needs of the ministry and what further expertise the Forest Service might provide. Later in 2003, the International Programs Staff planned to:

- Organize a team to visit Madagascar to address these technical and management needs.
- Advise their Malagasy counterparts on the development of a transparent permitting system, which would approve and distribute permits for wood harvest in Madagascar.
- Facilitate discussions on managing information and forest policy.

In May 2003, a Forest Service International Programs Staff member joined the U.S. delegation at the 34th Session of the International Tropical Timber Council in Panama City. Governmental delegates and observers from around the world gathered for the council meeting to deliberate on several issues, including future actions by the International Tropical Timber Organization, and to further develop and promote phased approaches to certification.

During the past year, three workshops were held in each of the tropical timber-producing regions to discuss the potential role of phased approaches to certification. The workshops produced several recommendations, which were presented to the council. As a result, the council decided to develop procedures on how phased approaches to certification might be implemented, and to analyze the costs and benefits of certification in select producer member countries. The decision also authorized an international workshop on phased approaches to certification so that the results of the work can be disseminated and discussed.

At the session, the council also discussed nontariff barriers in relation to product standards and requirements. This discussion resulted in a decision to undertake a study to identify and assess possible impacts on tropical timber-producing countries in meeting existing and evolving product standards, quality or grading requirements, building codes, and technical regulations. The study would also identify where capacity-building gaps exist and ways to address them.

Delegates also negotiated a decision that provides support for five developing country participants from the civil society and the trade advisory groups to attend the renegotiation of the International Tropical Timber Agreement in 2004. The decision also authorized the preparation of an overall background paper on internationally traded and potentially tradable environmental services to inform the renegotiation discussion.



# Consolidated Financial Statements

## Financial Statements and Notes

### Forest Service Consolidated Balance Sheets As of September 30, 2003 and 2002 (In Thousands)

	<u>2003</u>	<u>2002 (As Restated)</u>
<b>Assets</b>		
Intragovernmental:		
Fund Balance with Treasury (Note 3)	\$ 3,293,245	\$ 2,824,948
Investments	3,061	2,040
Accounts Receivable (Note 4)	55,568	66,110
Advances to Others	475	30
Total Intragovernmental	3,352,349	2,893,128
Cash	73	73
Accounts Receivable, Net (Note 4)	96,924	55,626
Inventory and Related Property, Net (Note 1E)	-	22,207
General Property, Plant, and Equipment, Net (Note 6)	3,850,598	3,909,250
Advances to Others	11,933	7,763
<b>Total Assets (Note 2)</b>	<b>\$ 7,311,877</b>	<b>\$ 6,888,047</b>
<b>Liabilities</b>		
Intragovernmental:		
Accounts Payable	\$ 26	\$ 988
Other (Note 8)	584,883	545,577
Total Intragovernmental	584,909	546,565
Accounts Payable	112,155	102,207
Environmental and Disposal Liabilities	7,769	7,069
Other (Note 8)	1,616,655	1,571,182
Total Liabilities (Note 7)	2,321,488	2,227,023
Commitments and Contingencies (Note 8)		
<b>Net Position:</b>		
Unexpended Appropriations	1,517,336	1,761,644
Cumulative Results of Operations	3,473,053	2,899,380
Total Net Position	4,990,389	4,661,024
<b>Total Liabilities and Net Position</b>	<b>\$ 7,311,877</b>	<b>\$ 6,888,047</b>

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

**Department of Agriculture  
Forest Service  
Consolidated Statements of Net Cost  
For the Years Ended September 30, 2003 and 2002  
(In Thousands)**

	<u>2003</u>	<u>2002 (As Restated)</u>
<b>Program Costs</b>		
Intragovernmental Gross Cost	\$ 954,857	\$ 679,311
Less: Intragovernmental Earned Revenues	<u>(330,846)</u>	<u>(170,095)</u>
Intragovernmental Net Costs	624,011	509,216
Gross Costs With the Public:		
Grants	670,282	606,678
Indemnities	10,744	11,510
Stewardship Land Acquisition (Note 11)	191,017	107,593
Other:		
Operating Costs	3,918,750	4,183,282
Depreciation Expense	306,310	300,360
Reimbursable Costs	<u>259,317</u>	<u>190,093</u>
Total	5,356,420	5,399,516
Less: Earned Revenues from the Public	<u>(489,226)</u>	<u>(375,380)</u>
Net Costs with the Public	4,867,194	5,024,136
<b>Net Cost of Operations (Note 10)</b>	<b><u>\$ 5,491,205</u></b>	<b><u>\$ 5,533,352</u></b>

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

**Department of Agriculture  
Forest Service  
Consolidated Statements of Changes in Net Position  
For the Years Ended September 30, 2003 and 2002  
(In Thousands)**

	2003		2002 (As Restated)	
	Cumulative Results of Operations	Unexpended Appropriations	Cumulative Results of Operations	Unexpended Appropriations
Beginning Balances	\$ 2,015,819	\$ 2,638,108	\$ 2,077,343	\$ 2,847,662
Prior Period Adjustments (Note 12)	883,561	(876,464)	1,026,467	(676,242)
Beginning Balances, as adjusted	2,899,380	1,761,644	3,103,810	2,171,420
Budgetary Financing Sources:				
Appropriations Received	-	5,035,556	-	4,510,550
Appropriations Transfer - in/out	-	64,993	-	(168,063)
Other Adjustments (rescissions, etc.)	-	(22,078)	-	(9,399)
Appropriations Used	5,322,779	(5,322,779)	4,742,864	(4,742,864)
Donations and Forfeitures of Cash	1,493	-	-	-
Transfers -in/out without Reimbursement	511,334	-	418,973	-
Other Financing Sources:				
Donations and Forfeitures of Property	636	-	4,280	-
Transfers-in/out without Reimbursement	(279)	-	(41,332)	-
Imputed Financing from Costs Absorbed by Others	228,915	-	188,824	-
Other	-	-	15,313	-
Total Financing Sources	6,064,878	(244,308)	5,328,922	(409,776)
Net Cost of Operations	5,491,205	-	5,533,352	-
<b>Ending Balances</b>	<b>\$ 3,473,053</b>	<b>\$ 1,517,336</b>	<b>\$ 2,899,380</b>	<b>\$ 1,761,644</b>

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, 2003 and 2002  
(In Thousands)**

	<u>2003</u>	<u>2002 (As Restated)</u>
<b>Budgetary Resources:</b>		
Budget Authority:		
Appropriations Received	\$ 5,845,295	\$ 5,065,375
Net Transfers	69,945	7,593
Unobligated Balance:		
Beginning of Period	842,383	1,189,285
Net Transfers, Actual	(115,580)	(72,984)
Spending Authority from Offsetting Collections:		
Earned:		
Collected	710,298	1,088,972
Receivable from Federal Sources	94,335	(157,139)
Change in Unfilled Customer Orders:		
Advances Received	(1,205)	(42,179)
Without Advance from Federal Sources	(46,407)	26,379
Subtotal	<u>757,021</u>	<u>916,033</u>
Recoveries of prior year obligations	101,230	68,289
Permanently not Available	(26,213)	(18,568)
Total Budgetary Resources	<u><u>\$ 7,474,081</u></u>	<u><u>\$ 7,155,023</u></u>
<b>Status of Budgetary Resources</b>		
Obligations Incurred		
Direct	\$ 5,437,640	\$ 5,465,100
Reimbursable	697,559	847,540
Subtotal	<u>6,135,199</u>	<u>6,312,640</u>
Unobligated Balance:		
Apportioned	831,815	666,578
Exempt from Apportionment	28,476	-
Unobligated Balances not Available	478,591	175,805
Total Status of Budgetary Resources	<u><u>\$ 7,474,081</u></u>	<u><u>\$ 7,155,023</u></u>
<b>Relation of Obligations to Outlays</b>		
Obligated Balance, Net, Beginning of Period	\$ 1,378,308	\$ 1,496,066
Obligated Balance, Net, End of Period:		
Accounts Receivable	(220,663)	(91,873)
Unfilled Customer Orders from Federal Sources	(99,682)	(146,088)
Undelivered Orders	962,483	941,278
Accounts Payable	872,744	674,991
Outlays:		
Disbursements	5,849,466	6,492,869
Collections	(709,094)	(1,046,793)
Subtotal	<u>5,140,372</u>	<u>5,446,076</u>
Less: Offsetting Receipts	404,621	438,627
Net Outlays	<u><u>\$ 4,735,751</u></u>	<u><u>\$ 5,007,449</u></u>

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

**Department Of Agriculture  
Forest Service  
Consolidated Statements of Financing  
For the Years Ended September 30, 2003 and 2002  
(In Thousands)**

	<u>2003</u>	<u>2002 (As Restated)</u>
<b>Resources Used to Finance Activities:</b>		
Budgetary Resources Obligated:		
Obligations Incurred	\$ 6,135,199	\$ 6,312,640
Less: Spending Authority from Offsetting Collections and Recoveries	858,252	984,322
Obligations net of Offsetting Collections and Recoveries	5,276,947	5,328,318
Less: Offsetting Receipts	404,621	438,627
Net Obligations	<u>4,872,326</u>	<u>4,889,691</u>
Other Resources:		
Donations and Forfeitures of Property	636	4,280
Transfers In/Out without Reimbursement	(279)	(41,332)
Imputed Financing From Costs Absorbed by Others	228,915	188,824
Other	-	15,313
Net Other Resources Used to Finance Activities	<u>229,272</u>	<u>167,085</u>
<b>Total Resources Used to Finance Activities</b>	<b><u>5,101,598</u></b>	<b><u>5,056,776</u></b>
<b>Resources Used to Finance Items Not Part of the Net Cost of Operations:</b>		
Change in Budgetary Resources Obligated for Goods, Services and Benefits Ordered but not yet Provided	50,600	(209,506)
Resources that Fund Expenses Recognized in Prior Periods	29,322	162,916
Budgetary Offsetting Collections and Receipts that do not affect Net Cost of Operations	(153,630)	(128,977)
Resources that Finance the Acquisition of Assets	219,707	377,491
Total Resources used to Finance Items Not Part of the Net Cost of Operations	<u>145,999</u>	<u>201,924</u>
<b>Total Resources Used to Finance the Net Cost of Operations</b>	<b><u>4,955,599</u></b>	<b><u>4,854,852</u></b>
<b>Components of Net Cost of Operations that will not Require or Generate Resources in the Current Period:</b>		
Components Requiring or Generating Resources in Future Periods:		
Increase in Annual Leave Liability	8,017	6,755
Increase in Environmental and Disposal Liability	700	-
(Increase) Decrease in Exchange Revenue Receivable from the Public	(40,667)	362,174
Other	245,020	(32,494)
Total Components of Net Cost of Operations that will Require or Generate Resources in Future Periods	<u>213,070</u>	<u>336,435</u>
Components not Requiring or Generating Resources:		
Depreciation and Amortization	306,324	300,459
Revaluation of Assets or Liabilities	17,084	40,804
Other	(872)	802
Total Components of Net Cost of Operations that will not Require or Generate Resources	<u>322,536</u>	<u>342,065</u>
<b>Total Components of Net Costs of Operations that will not Require or Generate Resources in the Current Period</b>	<b><u>535,606</u></b>	<b><u>678,500</u></b>
<b>Net Cost of Operations</b>	<b><u>\$ 5,491,205</u></b>	<b><u>\$ 5,533,352</u></b>

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

## **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 44 states, Puerto Rico, and the Virgin Islands.

The USDA Forest Service's mission includes the following major segments:

- National Forests and Grasslands - Protection and management of approximately 192 million acres of National Forest System (NFS) land that includes 34.8 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 Management - 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 1.6 billion acres of forests and associated rangelands;
- State and Private Forestry - Utilization 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;
- Fire and Aviation Management – The Fire and Aviation Management Program protects life, property, and natural resources on the 192 million acres of NFS lands, and covers an additional 20 million acres of adjacent state and private lands.
- Also, a working capital fund is used for expenses necessary, including the purchase or construction of buildings and improvements, for furnishing supply and equipment services in support of USDA Forest Service programs.

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**

### **Basis of Presentation**

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 Bulletin 01-09, *Form and Content of Agency Financial Statements*.

### **Basis of Accounting**

Transactions are recorded on the accrual and the budgetary basis of accounting. Under the accrual method, revenues are recognized when earned and expenses when a liability is incurred, regardless of when cash is exchanged. Under the budgetary basis, however, funds availability is recorded based upon federal government legal considerations and constraints.

## **C. FUND BALANCE WITH THE U.S. TREASURY AND CASH**

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. Cash consists of currency for change making and petty cash.

## **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**

USDA Forest Service has historically capitalized nursery stock, including seeds and seedlings, as Inventory on the Consolidated Balance Sheet. The nursery stock inventory is used in the operations of the forests and is accounted for within the Working Capital Fund. As the inventory was used, cost of goods sold was recognized. During fiscal year 2003, the USDA Forest Service modified its accounting policies so that costs associated with nursery stock would be expensed as incurred in the Working Capital Fund. As a result, the existing inventory was expensed because the majority of the nursery stock sales are within the USDA Forest Service and eliminated on a consolidated basis and the total dollars of inventory previously capitalized is insignificant to the financial statements.

## **F. GENERAL PROPERTY, PLANT AND EQUIPMENT**

General Property, Plant, and Equipment (PP&E) includes real and personal property used in the ordinary business operations. Real and personal property are 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, effective FY 2002. The capitalization threshold for personal property is \$25 thousand, effective FY 2003. The capitalization threshold for both real and personal property was \$5 thousand prior to these changes. Internal Use Software is capitalized if the value meets or exceeds \$100 thousand and was effective FY 2001. Prior to that period, software was not capitalized. Effective FY 2003, USDA Forest Service is reporting the liability at lease inception or fair market value for real property capital leases in accordance with Statement of Federal Financial Accounting Standard (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 other administrative proceedings, legal actions, environmental lawsuits, and other claims brought by or against the USDA Forest Service. In the opinion of the USDA Forest Service management and the opinion of 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 by the Department of the Treasury on behalf of the USDA Forest Service from a permanent appropriation for judgments and from other appropriations.

## **J. PENSION AND OTHER RETIREMENT BENEFITS**

In accordance with Federal government accounting guidance, the USDA Forest Service recognizes the liability and associated expense of employee pensions and other retirement benefits (including health care and other post-employment benefits) at the time the employee's services are rendered.

Pension expenses, retirement health benefits and related liabilities are recorded at the estimated actuarial present value of future benefits less the estimated actuarial present value of normal cost contributions made by and for covered employees. Other post-employment benefit expenses and



related liabilities are recognized when the future outflow of resources is probable and measurable on the basis of events occurring on or before the reporting date.

#### **K. 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.

#### **L. EMPLOYEE ANNUAL, SICK, AND OTHER LEAVE**

Annual leave is accrued as it is earned and the accrual is reduced as leave is taken. Each year the balance in the accrued leave account is adjusted to reflect current pay rates. To the extent current or prior year appropriations are not available to fund annual leave earned but not taken, funding will be obtained from future financing sources. Sick leave and other types of leave are expended as taken.

#### **M. PENSION AND OTHER RETIREMENT BENEFITS**

Pension and other retirement benefits (primarily retirement health care benefits) expense is recognized at the time the employees' services are rendered. The expense is equal to the actuarial present value of benefits attributed by the pension plan's benefit formula, less the amount contributed by the employees. An imputed cost is recognized for the difference between the expense and contributions made by and for employees.

#### **N. 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 funds.

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.

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.

## **O. COMBINED STATEMENTS OF BUDGETARY RESOURCES**

Reporting Requirements for Transfer Appropriation Accounts – OMB Bulletin No. 01-09, Section 9.36 prescribes that the parent (owner of the appropriation account) should report the activity in its financial statements, unless the allocation is material to the child's financial statements. If the allocation transfer is material to the child's financial statements, the child should report the activity relating to the allocation in all of its financial statements, except the Statement of Budgetary Resources. The parent should report the appropriation and the related budgetary activity in its Statement of Budgetary Resources. It is the responsibility of the parent to ensure that the reporting to Treasury, through the Federal Agencies' Centralized Trial Balance System-FACTS I is consistent with the presentation in the financial statements. The USDA Forest Service reports the following two Transfer Appropriations as "child": the Department of Labor, Job Corps Civilian Conservation, and the Department of Transportation, Federal Aid to Highways. Job Corps is a Department of Labor residential training program for unemployed and under-employed young people and is financed by the Department of Labor. 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. Based on the above guidance, both accounts are excluded from the Combined Statements of Budgetary Resources.

## 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, 2003 and 2002, total non-entity assets consisted of:

	(In Thousands)	
	2003	2002
Intragovernmental:		
Fund Balance with Treasury		
a) Balance in Deposit Funds	\$ 211,372	\$ 406,910
b) Balance in Clearing Funds	167,522	202,123
Accounts Receivable	17	195
Total Intragovernmental	378,911	609,228
Accounts Receivable	31,288	58,915
Total Non-Entity Assets	410,199	668,143
Total Entity Assets	6,901,678	6,219,904
Total Assets	<u>\$ 7,311,877</u>	<u>\$ 6,888,047</u>

### NOTE 3. FUND BALANCE WITH TREASURY

Funds 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. Additionally, the category of other fund types includes suspense and deposit funds. Fund balances with the U.S. Department of the Treasury include both entity and non-entity fund balances. It is the USDA Forest Service 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, 2003 and 2002 consisted of the following:

	(In Thousands)	
A. Fund Balances:	2003	2002
(1) Trust Funds	\$ 399,908	\$ 308,076
(2) Revolving Funds	133,972	107,817
(3) Appropriated Funds	2,604,988	2,214,795
(4) Other Fund Types	154,377	194,260
Total	<u>\$ 3,293,245</u>	<u>\$ 2,824,948</u>
B. Status of Fund Balances with Treasury		
(1) Unobligated Balance		
(a) Available	\$ 939,503	\$ 957,845
(b) Unavailable	494,338	83,117
(2) Obligated Balance not yet Disbursed	1,536,981	1,203,480
(3) Clearing Account Balances	322,423	580,506
Total	<u>\$ 3,293,245</u>	<u>\$ 2,824,948</u>

### 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, 2003 and 2002, the Intragovernmental accounts receivable balances were \$56 million and \$66 million, 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 except for timber harvest is established at 20 percent or 80 percent, depending upon the age of the receivable. The allowance for uncollectible timber-related receivables is established based on individual account analysis.

Non-intragovernmental accounts receivable as of September 30, 2003 and 2002 consisted of the following:

	(In Thousands)	
	<b>2003</b>	<b>2002</b>
Accounts Receivable	\$ 189,117	\$ 197,626
Allowance for Doubtful Accounts	(92,193)	(142,000)
Accounts Receivable, Net	<u>\$ 96,924</u>	<u>\$ 55,626</u>

#### **NOTE 5. 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 devices) is not included on the consolidated balance sheet. Also, the USDA Forest Service has not included the immaterial financial and personal property amounts disclosed in the table below in its consolidated balance sheets.

The following table represents the USDA Forest Service seized property as of September 30, 2003 and 2002:

Seized Property Category	(In Thousands)	
	<b>2003</b>	<b>2002</b>
Financial & Other Monetary Instruments (Cash)	\$ 37	\$ 28
Personal Property	65	131
Non-Valued Items (*)		
Total	<u>\$ 102</u>	<u>\$ 159</u>

\* *Non-Valued items are further detailed below:*

The USDA Forest Service has custody of illegal drugs and weapons seized for legal proceedings. In accordance with Release No. 4, the USDA Forest Service reported the total amount of seized drugs below by quantity (kilograms) only. Illegal drugs and weapons have no salable value to the Federal government and are destroyed upon resolution of legal proceedings. Evidence on hand as of September 30, 2003 and 2002 consisted of the following:

EVIDENCE	2003 Beginning Balance	2003 Additions	2003 Disposals	2003 Ending Balance
Cocaine(Kg)	0.066	1,531	0	1,597
Marijuana (Kg)	5,362.682	65,275.553	4,122.622	66,515.613
Methamphetamine (Kg)	0.619	4.152	.006	4.765
Mushrooms (Kg)	0.089	3.938	0.057	3.970
Weapons (Firearms)	546 Items	347	158	735
LSD (DU) *				14
Heroin (Kg) *				0.004
Oxycotton (DU) *				7.00
Prescription Pills (DU)*				804.50
Morphine (DU)*				3.00
Hashish (Kg)*				0.001
Opium Poppy (Kg)*				0.450
Psilocyn (Kg)*				0

\*Small amounts of these drugs were included in other category in the 2002 inventory.

#### NOTE 6. 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, 2003 and 2002 the USDA Forest Service's PP&E consisted of the following:

September 30, 2003 (In Thousands)				
Property Class	Useful Life (Years)	Cost	Accumulated Depreciation	Book Value
Personal Property	4-20	\$ 1,024,171	\$ (696,413)	\$ 327,758
Real Property	10-50	7,344,898	(3,822,058)	3,522,840
<b>Total</b>		<u>\$ 8,369,069</u>	<u>\$ (4,518,471)</u>	<u>\$ 3,850,598</u>

**September 30, 2002**  
(In Thousands)

Property Class	Useful Life (Years)	Cost	Accumulated Depreciation	Book Value
Personal Property	4-20	\$ 1,004,196	\$ (607,552)	\$ 396,644
Real Property	10-50	<u>7,218,684</u>	<u>(3,706,078)</u>	<u>3,512,606</u>
<b>Total</b>		<u>\$ 8,222,880</u>	<u>\$ (4,313,630)</u>	<u>\$ 3,909,250</u>

**NOTE 7. LIABILITIES NOT COVERED BY BUDGETARY RESOURCES**

Liabilities not covered by budgetary resources as of September 30, 2003 and 2002 consisted of the following:

	(In Thousands)	
	<u>2003</u>	<u>2002</u>
Intragovernmental		
Judgment Fund	\$ 191,603	\$ 189,300
FECA	<u>66,145</u>	<u>63,910</u>
Total Intragovernmental	257,748	253,210
Actuarial FECA	390,225	365,607
Leave	178,115	170,098
Contingent Liability	8,500	37,400
Payments to States	182,602	105,073
Environmental Liabilities	<u>7,769</u>	<u>7,069</u>
Total Liabilities Not Covered by Budgetary Resources	1,024,959	938,457
Total Liabilities Covered by Budgetary Resources	<u>1,296,529</u>	<u>1,288,566</u>
Total Liabilities	<u>\$ 2,321,488</u>	<u>\$ 2,227,023</u>

**NOTE 8. OTHER LIABILITIES**

The following table segregates Other Liabilities between those Covered and Not Covered by Budgetary Resources and between Intragovernmental and Governmental as of September 30, 2003 and 2002.

## (In Thousands)

20032002**Other Liabilities Covered By Budgetary Resources**

	<u>Non-Current</u>	<u>Current</u>	<u>Total</u>	<u>Non-Current</u>	<u>Current</u>	<u>Total</u>
<b>Intragovernmental</b>						
Employer Contributions & Payroll Tax	\$ -	\$ 8,289	\$ 8,289	\$ -	\$ 6,718	\$ 6,718
Other Accrued Liabilities	-	69,229	69,229	-	58,777	58,777
Advances From Others	-	24,980	24,980	-	26,101	26,101
Trust and Deposit Liabilities	-	201,268	201,268	-	181,076	181,076
Custodial Liabilities	-	23,369	23,369	-	23,355	23,355
Other Liabilities	-	-	-	-	(3,660)	(3,660)
<b>Total Intragovernmental</b>	<b>\$ -</b>	<b>\$ 327,135</b>	<b>\$ 327,135</b>	<b>\$ -</b>	<b>\$ 292,367</b>	<b>\$ 292,367</b>
Other Accrued Liabilities	\$ -	\$ 636,957	\$ 636,957	\$ -	\$ 562,353	\$ 562,353
Advances From Others	-	29,773	29,773	-	31,443	31,443
Trust and Deposit Liabilities	-	46,689	46,689	-	65,109	65,109
Purchaser Road Credits	-	39,695	39,695	-	42,024	42,024
Capital Leases	-	23,484	23,484	-	-	-
Custodial Liabilities	-	80,615	80,615	-	187,993	187,993
Other Liabilities	-	-	-	-	4,082	4,082
<b>Total Other Liabilities Covered by Budgetary Resources</b>	<b>\$ -</b>	<b>\$ 1,184,348</b>	<b>\$ 1,184,348</b>	<b>\$ -</b>	<b>\$ 1,185,371</b>	<b>\$ 1,185,371</b>

**Other Liabilities Not Covered by Budgetary Resources**

<b>Intragovernmental</b>						
Treasury Judgment Fund	\$ -	\$ 191,603	\$ 191,603	\$ 189,300	\$ -	\$ 189,300
Unfunded FECA	38,903	27,242	66,145	36,668	27,242	63,910
<b>Total Intragovernmental</b>	<b>\$ 38,903</b>	<b>\$ 218,845</b>	<b>\$ 257,748</b>	<b>\$ 225,968</b>	<b>\$ 27,242</b>	<b>\$ 253,210</b>
Actuarial FECA	\$ 390,225	\$ -	\$ 390,225	\$ 365,607	\$ -	\$ 365,607
Payments to States	-	182,602	182,602	-	105,073	105,073
Unfunded Annual Leave	14,411	163,704	178,115	9,098	161,000	170,098
Contingent Liabilities	8,500	-	8,500	37,400	-	37,400
<b>Total Other Liabilities Not Covered by Budgetary Resources</b>	<b>\$ 452,039</b>	<b>\$ 565,151</b>	<b>\$ 1,017,190</b>	<b>\$ 638,073</b>	<b>\$ 293,315</b>	<b>\$ 931,388</b>
<b>Total Other Liabilities</b>	<b>\$ 452,039</b>	<b>\$ 1,749,499</b>	<b>\$ 2,201,538</b>	<b>\$ 638,073</b>	<b>\$ 1,478,686</b>	<b>\$ 2,116,759</b>

As of September 30, 2003 and 2002, the USDA Forest Service's major components of other liabilities are as follows:

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

**Trust and Deposit Liabilities:** Trust and Deposit Liabilities, Governmental consist primarily of cash prepayments and deposits from timber purchasers before the actual harvest of timber. The remaining Trust and Deposit Liabilities include liabilities that have been temporarily included in suspense accounts.



***Custodial Liabilities:*** Custodial liabilities consist of amounts held in special receipt accounts that belong to non-USDA Forest Service entities. (See Note 18.)

***Purchaser Road Credits:*** Purchaser Road Credits are liabilities remaining under timber sales contracts advertised prior to April 1, 1999. Under the terms of certain timber sales contracts, timber purchasers are required to construct roads to gain access to the timber sold on the contract. Each month as the road is being completed, the timber purchaser is given a credit (referred to as a purchaser road credit-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 when the timber on the sale is harvested or may be transferred to another timber sale the same purchaser has 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, purchaser road credits are prohibited on newly issued timber contracts.

The total amount of the PRC that will be granted in connection with a particular timber sale contract advertised prior to April 1, 1999, is based on a USDA Forest Service engineering estimate when the timber sale package is put together prior to the sale being advertised. When a PRC is established, an asset (a component of Property, Plant and Equipment) and a liability (Unearned Revenue) are recorded for the amount of PRC established. When the PRC is used to offset the value of timber stumpage harvested, earned revenue is recorded for the amount of the PRC used and the liability (Unearned Revenue) is reduced by the same amount. Any unused PRC remaining when the contract is closed is recorded as Donated Revenue and the liability (Unearned Revenue) is reduced by the same amount.

***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 the Statements of Net Cost and Changes in Net Position. Payments reported from torts and court claims during fiscal year 2003 and 2002, amounted to \$6.5 million and \$9.2 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, 2003 and 2002, the USDA Forest Service owed the Judgment Fund \$191 million and \$189 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, 2003 and 2002 consisted of the following:

	(In Thousands)	
	<u>2003</u>	<u>2002</u>
Not Covered By Budgetary Resources, Intragovernmental Liability for FECA	\$ 66,145	\$ 63,910
Not Covered By Budgetary Resources, Expected Future Liability for FECA	<u>390,225</u>	<u>365,607</u>
Total	<u>\$ 456,370</u>	<u>\$ 429,517</u>

***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.

***Other 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.

***Pending Litigation and Unasserted Claims (Contingencies):*** As of September 30, 2003, the USDA Forest Service had six legal actions pending. Based on information provided by legal counsel, management believes some adverse decisions are probable. The estimated loss for these claims is \$8.5 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 \$23.6 million.

## **NOTE 9. 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 one or more years. Most leases are cancelable upon certain funding conditions. The USDA Forest Service's assets under capital leases and future capital and operating lease agreement payments, as of September 30, 2003, consisted of the following:

FY 2003

<b>Capital Leases:</b>		<b>(In Thousands)</b>	
Summary of Assets Under Capital Leases			
	Land and Building	\$	40,650
	Accumulated Amortization		(17,166)
	<b>Total</b>		<b><u>\$23,484</u></b>
Future Payments Due:			
	Fiscal Year		Land & Buildings
	2004	\$	11,004
	2005		10,830
	2006		10,767
	2007		10,546
	2008		10,425
	<b>After 5 Years</b>		<b>97,482</b>
<b>Total Future Lease Payments</b>			<b>151,054</b>
Less: Imputed Interest			40,761
Less: Executory Costs			<u>23,594</u>
Subtotal			86,699
Less: Lease Renewal Options			63,215
<b>Net Capital Lease Liability, covered by Budgetary Resources</b>		<b>\$</b>	<b>23,484</b>

<b>Operating Leases:</b>		<b>(In Thousands)</b>		
Future Payments Due:				
	Fiscal Year	Land & Buildings	Machinery & Equipment	Total
	2004	\$ 64,013	\$ 892	\$ 64,905
	2005	59,405	649	60,054
	2006	56,066	392	56,458
	2007	52,882	142	53,024
	2008	47,321	57	47,378
	<b>After 5 Years</b>	<b>308,247</b>	<b>23</b>	<b>308,270</b>
<b>Total Future Lease Payments</b>		<b>\$ 587,934</b>	<b>\$ 2,155</b>	<b>\$ 590,089</b>

**NOTE 10. PROGRAM COSTS BY SEGMENT**

The USDA Forest Service reflects costs through five primary responsibility segments: National Forests and Grasslands, Forest and Rangeland Management, State and Private Forestry, Fire and Aviation Management and the Working Capital Fund.

The following tables illustrate program costs by segment as of September 30, 2003 and 2002:

**USDA Forest Service  
Program Costs by Segment  
For the Year Ended September 30, 2003**

(In Thousands)

	National Forests and Grasslands	Forest and Rangeland Management	State and Private Forestry	Fire and Aviation Management	Working Capital Fund	Total	Working Capital Fund Elimination	Consolidated Statement of Net Cost
Intragovernmental Gross Costs	\$ 842,931	\$ 24,169	\$ 13,051	\$ 210,554	\$ 21,555	\$ 1,112,260	\$ (157,403)	\$ 954,857
Less: Intragovernmental Earned Revenue	(144,814)	(48,409)	(9,455)	(128,169)	(157,402)	(488,249)	157,403	(330,846)
Intragovernmental Net Costs	698,117	(24,240)	3,596	82,385	(135,847)	624,011	-	624,011
Gross Costs With the Public:								
Grants	421,274	5,678	236,678	6,628	24	670,282	-	670,282
Indemnities	9,634	173	16	917	4	10,744	-	10,744
Stewardship Land Acquisition	191,017	-	-	-	-	191,017	-	191,017
Other:								
Operating Costs	1,685,693	252,657	132,191	1,599,365	248,844	3,918,750	-	3,918,750
Depreciation Expense	205,937	1,545	467	2,993	95,368	306,310	-	306,310
Reimbursable Costs	96,084	25,583	6,049	131,601	-	259,317	-	259,317
Total	2,609,639	285,636	375,401	1,741,504	344,240	5,356,420	-	5,356,420
Less: Earned Revenues from the Public	(306,176)	(27,973)	(1,257)	(86,808)	(67,012)	(489,226)	-	(489,226)
Net Costs with the Public	2,303,463	257,663	374,144	1,654,696	277,228	4,867,194	-	4,867,194
<b>Net Cost of Operations</b>	<b>\$ 3,001,580</b>	<b>\$ 233,423</b>	<b>\$ 377,740</b>	<b>\$ 1,737,081</b>	<b>\$ 141,381</b>	<b>\$ 5,491,205</b>	<b>\$ -</b>	<b>\$ 5,491,205</b>

**USDA Forest Service  
Program Costs by Segment  
For the Year Ended September 30, 2002**

(In Thousands)

	National Forests and Grasslands	Forest and Rangeland Management	State and Private Forestry	Fire and Aviation Management	Working Capital Fund	Total	Working Capital Fund Elimination	Consolidated Statement of Net Cost
Intragovernmental Gross Costs	\$ 484,430	\$ 15,080	\$ 13,396	\$ 385,596	\$ (1,056)	\$ 897,446	\$(218,135)	\$ 679,311
Less: Intragovernmental Earned Revenue	(134,542)	(20,229)	(5,794)	(9,530)	(218,135)	(388,230)	218,135	(170,095)
Intragovernmental Net Costs	349,888	(5,149)	7,602	376,066	(219,191)	509,216	-	509,216
Gross Costs With the Public :								
Grants	376,213	3,642	216,899	9,897	27	606,678	-	606,678
Indemnities	10,151	253	194	893	19	11,510	-	11,510
Stewardship Land Acquisition	107,593	-	-	-	-	107,593	-	107,593
Other:								
Operating Costs	1,989,724	206,221	51,755	1,723,486	212,096	4,183,282	-	4,183,282
Depreciation Expense	252,033	2,084	423	3,285	42,535	300,360	-	300,360
Reimbursable Costs	102,322	22,293	2,683	62,795	-	190,093	-	190,093
Total	2,838,036	234,493	271,954	1,800,356	254,677	5,399,516	-	5,399,516
Less: Earned Revenues from the Public	(312,809)	(2,636)	(99)	(59,836)	-	(375,380)	-	(375,380)
Net Costs with the Public	2,525,227	231,857	271,855	1,740,520	254,677	5,024,136	-	5,024,136
<b>Net Cost of Operations</b>	<b>\$ 2,875,115</b>	<b>\$ 226,708</b>	<b>\$ 279,457</b>	<b>\$ 2,116,586</b>	<b>\$ 35,486</b>	<b>\$ 5,533,352</b>	<b>\$ -</b>	<b>\$ 5,533,352</b>

## **NOTE 11. COST OF STEWARDSHIP PROPERTY PLANT AND EQUIPMENT**

Stewardship assets acquired through purchase in fiscal years 2003 and 2002 amounted to \$191 and \$108 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 12. RESTATEMENTS AND RECLASSIFICATIONS**

### **Restatements**

In fiscal year 2003, the USDA Forest Service corrected its fiscal year 2002 financial statements to:

- A. Record \$18,335 thousand of property, plant and equipment received but not accrued for as of September 30, 2002.
- B. Properly align budgetary and proprietary account relationships and correct certain related budgetary and proprietary posting errors in the Wildland Fire Management fund, the Knutson-Vandenberg fund and other various funds.
- C. Account for budgetary resources received by the Trust & Special funds and Deposit & Clearing funds that had previously been accounted for as General funds.
- D. Properly record the prior year \$110,000 thousand expenditure transfer to the Wildland Fire Management fund and the subsequent payback during fiscal year 2002.
- E. Correct \$22,748 thousand of errors in recording obligations for the Wildland Fire Management fund.
- F. Exclude certain funds received from the Department of Labor-Job Corps that had previously been included in the Statement of Financing.
- G. Adjust offsetting receipts by approximately \$412,800 thousand to reflect only those offsetting receipts determined to be distributed as required by OMB Bulletin 01-09, Form and Content of Agency Financial Statements.
- H. Record \$79,424 thousand of revenue from the National Recreation Reservation System and Map sales that had not been recognized during the year ended September 30, 2002.
- I. Record liabilities of \$120,955 thousand that had been incorrectly recognized as reductions of operating cost during the year ended September 30, 2002.
- J. Adjust for certain other errors noted in the Statement of Financing.

### **Reclassifications**

The USDA Forest Service reclassified certain fiscal year 2002 amounts to conform to the fiscal year 2003 financial statement presentation. The most significant reclassification related to a \$3,432,427 thousand reclassification from Other Adjustments to Appropriations Received on the Statement of

Changes in Net Position to properly reflect the components of fiscal year 2002 appropriations as compared to 2003.

The following tables summarize the fiscal year 2002 restatements as referenced above and reclassifications by financial statement:

**Prior Period Adjustments - Consolidated Balance Sheet  
(Selected Line Items)**

(dollars in thousands)	As Originally Reported	Restatements	Ref	Reclassifications	Restated 2002
<b>Assets</b>					
General Property, Plant, and Equipment, Net	\$ 3,890,915	\$ 18,335	A	\$ -	\$ 3,909,250
<b>Total Assets</b>	<b>\$ 6,869,712</b>	<b>\$ 18,335</b>		<b>\$ -</b>	<b>\$ 6,888,047</b>
<b>Liabilities</b>					
Accounts Payable	\$ 374,537	\$ 18,335	A	\$ (290,665)	\$ 102,207
Other		\$ (48,627)	B	\$ 290,665	
		(79,424)	H		
		120,954	I		
	\$ 1,287,614	\$ (7,097)		\$ 290,665	\$ 1,571,182
<b>Total Liabilities</b>	<b>\$ 2,215,785</b>	<b>\$ 11,238</b>		<b>\$ -</b>	<b>\$ 2,227,023</b>
<b>Net Position:</b>					
Unexpended Appropriations		\$ (143,370)	B		
		(733,094)	C		
	\$ 2,638,108	\$ (876,464)		\$ -	\$ 1,761,644
Cumulative Results of Operations		\$ 191,998	B		
		733,094	C		
		79,424	H		
		(120,955)	I		
	\$ 2,015,819	\$ 883,561		\$ -	\$ 2,899,380
<b>Total Net Position</b>	<b>\$ 4,653,927</b>	<b>\$ 7,097</b>		<b>\$ -</b>	<b>\$ 4,661,024</b>
<b>Total Liabilities and Net Position</b>	<b>\$ 6,869,712</b>	<b>\$ 18,335</b>		<b>\$ -</b>	<b>\$ 6,888,047</b>

**Prior Period Adjustments - Consolidated Statement of Net Cost**  
(Selected Line Items)

(dollars in thousands)	As Originally Reported	Restatements	Ref	Reclassifications	Restated 2002
<b>Gross Costs with the Public</b>					
Operating Costs		\$ 40,435	B		
		(23,282)	C		
		220,000	D		
		(6,772)	H		
		120,954	I		
		-		\$ 133,578	
	<u>\$ 3,698,369</u>	<u>\$ 351,335</u>		<u>\$ 133,578</u>	<u>\$ 4,183,282</u>
Other	<u>\$ 133,578</u>	<u>\$ -</u>		<u>\$ (133,578)</u>	<u>\$ -</u>
Less: Earned Revenues from the Public		\$ (152,042)	B		
		(70,712)	H		
	<u>\$ (152,626)</u>	<u>\$ (222,754)</u>		<u>\$ -</u>	<u>\$ (375,380)</u>
<b>Net Cost Of Operations</b>	<u>\$ 5,404,771</u>	<u>\$ 128,581</u>		<u>\$ -</u>	<u>\$ 5,533,352</u>



**Prior Period Adjustments - Consolidated Statement of Changes in Net Position**  
(Selected Line Items)

(dollars in thousands)	As Originally Reported	Restatements	Ref	Reclassifications	Restated 2002
<b>Unexpended Appropriations</b>					
Prior Period Adjustments		\$ (93,326)	B		
		(692,916)	C		
		110,000	D		
	<u>\$ -</u>	<u>\$ (676,242)</u>		<u>\$ -</u>	<u>\$ (676,242)</u>
Appropriations Received		\$ (72,341)	B	\$ 3,432,427	
		(128,471)	C		
	<u>\$ 1,278,935</u>	<u>\$ (200,812)</u>		<u>\$ 3,432,427</u>	<u>\$ 4,510,550</u>
Appropriations Transfer - in/out	<u>\$ (161,063)</u>	<u>\$ (7,000)</u>	C	<u>\$ -</u>	<u>\$ (168,063)</u>
Other Adjustments (rescissions, etc.)		\$ (74,295)	B	\$ (3,432,427)	
		226	C		
	<u>\$ 3,497,097</u>	<u>\$ (74,069)</u>		<u>\$ (3,432,427)</u>	<u>\$ (9,399)</u>
Appropriations Used		\$ 96,592	B		
		95,067	C		
		(110,000)	D		
	<u>\$ (4,824,523)</u>	<u>\$ 81,659</u>		<u>\$ -</u>	<u>\$ (4,742,864)</u>
Total Financing Sources	<u>\$ (209,554)</u>	<u>\$ (200,222)</u>		<u>\$ -</u>	<u>\$ (409,776)</u>
<b>Ending Balances</b>	<u>\$ 2,638,108</u>	<u>\$ (876,464)</u>		<u>\$ -</u>	<u>\$ 1,761,644</u>
<b>Cumulative Results of Operations</b>					
Prior Period Adjustments		\$ 331,612	B		
		692,916	C		
		1,940	H		
	<u>\$ -</u>	<u>\$ 1,026,467</u>		<u>\$ -</u>	<u>\$ 1,026,467</u>
Appropriations Used		\$ (104,228)	B		
		(118,349)	C		
		110,000	D		
	<u>\$ 4,855,441</u>	<u>\$ (112,577)</u>		<u>\$ -</u>	<u>\$ 4,742,864</u>
Transfers -in/out without Reimbursement		\$ (146,994)	B		
		135,245	C		
		110,000	D		
	<u>\$ 320,722</u>	<u>\$ 98,251</u>		<u>\$ -</u>	<u>\$ 418,973</u>
Total Financing Sources	<u>\$ 5,343,248</u>	<u>\$ (14,326)</u>		<u>\$ -</u>	<u>\$ 5,328,922</u>
Net Cost Of Operations	<u>\$ 5,404,771</u>	<u>\$ 128,581</u>		<u>\$ -</u>	<u>\$ 5,533,352</u>
<b>Ending Balances</b>	<u>\$ 2,015,819</u>	<u>\$ 883,561</u>		<u>\$ -</u>	<u>\$ 2,899,380</u>

## (Selected Line Items)

(dollars in thousands)	As Originally Reported	Restatements	Ref	Reclassifications	Restated 2002
<b>Budgetary Resources:</b>					
Budget Authority:					
Appropriations Received	\$ 5,095,687	\$ (30,312)	B	\$ -	\$ 5,065,375
Net Transfers	\$ (102,407)	\$ 110,000	D	\$ -	\$ 7,593
Unobligated Balance:					
Beginning of Period	\$ 1,251,351	\$ (62,066)	B	\$ -	\$ 1,189,285
Net Transfers, Actual		\$ (72,990)	B		
		(110,000)	D		
	\$ 110,006	\$ (182,990)		\$ -	\$ (72,984)
Spending Authority from Offsetting Collections:					
Earned:					
Collected		\$ 95,000	B		
		110,000	D		
	\$ 883,972	\$ 205,000		\$ -	\$ 1,088,972
<b>Total Budgetary Resources</b>	\$ 7,115,392	\$ 39,631		\$ -	\$ 7,155,023
<b>Status of Budgetary Resources:</b>					
Obligations Incurred		\$ 322,382	B		
		110,000	D		
		(22,748)	E		
	\$ 5,903,006	\$ 409,634		\$ -	\$ 6,312,640
Unobligated Balance:					
Apportioned and Exempt from Apportionment		\$ (272,047)	B		
		45,496	E		
	\$ 893,129	\$ (226,551)		\$ -	\$ 666,578
Unobligated Balances not Available		\$ (120,705)	B		
		(22,748)	E		
	\$ 319,258	\$ (143,453)		\$ -	\$ 175,805
<b>Total Status of Budgetary Resources</b>	\$ 7,115,392	\$ 39,631		\$ -	\$ 7,155,023
<b>Relationship of Obligations to Outlays:</b>					
Undelivered Orders		\$ (20,900)	B		
		(22,748)	E		
	\$ 984,926	\$ (43,648)		\$ -	\$ 941,278
Accounts Payable	\$ 426,709	\$ 248,282	B	\$ -	\$ 674,991
Outlays:					
Disbursements		\$ 95,000	B		
		110,000	D		
	\$ 6,287,869	\$ 205,000		\$ -	\$ 6,492,869
Collections		\$ (95,000)	B		
		(110,000)	D		
	\$ (841,793)	\$ (205,000)		\$ -	\$ (1,046,793)
Less: Offsetting Receipts	\$ 851,463	\$ (412,836)	G	\$ -	\$ 438,627
<b>Net Outlays</b>	\$ 4,594,613	\$ 412,836		\$ -	\$ 5,007,449

**Prior Period Adjustments - Consolidated Statement of Financing**  
(Selected Line Items)

(dollars in thousands)	As Originally Reported	Restatements	Ref	Reclassifications	Restated 2002
<b>Resources Used to Finance Activities:</b>					
Budgetary Resources Obligated:					
Obligations Incurred		\$ 322,381	B		
		110,000	D		
		(22,748)	E		
		(162,316)	F		
	<u>\$ 6,065,323</u>	<u>\$ 247,317</u>		<u>\$ -</u>	<u>\$ 6,312,640</u>
Less: Spending Authority from Offsetting Collections and Recoveries					
		\$ 95,000	B		
		110,000	D		
		(18,420)	F		
	<u>\$ 797,742</u>	<u>\$ 186,580</u>		<u>\$ -</u>	<u>\$ 984,322</u>
Less: Offsetting Receipts	<u>\$ 851,407</u>	<u>\$ (412,780)</u>	G	<u>\$ -</u>	<u>\$ 438,627</u>
<b>Total Resources Used to Finance Activities</b>	<u>\$ 4,583,259</u>	<u>\$ 473,517</u>		<u>\$ -</u>	<u>\$ 5,056,776</u>
<b>Resources Used To Finance Items Not Part of The Net Cost Of Operations:</b>					
Change in Budgetary Resources Obligated for Goods, Services and Benefits Ordered but not yet provided		\$ (352,615)	B		
		(22,749)	E		
	<u>\$ 165,858</u>	<u>\$ (375,364)</u>		<u>\$ -</u>	<u>\$ (209,506)</u>
Resources That Fund Expenses Recognized in Prior Periods	<u>\$ (162,916)</u>	<u>\$ 325,832</u>	J	<u>\$ -</u>	<u>\$ 162,916</u>
Budgetary Offsetting Collections and Receipts that do not affect Net Cost of Operations		\$ 162,259	F		
		(128,977)	G		
	<u>\$ (162,259)</u>	<u>\$ 33,282</u>		<u>\$ -</u>	<u>\$ (128,977)</u>
Resources that finance the acquisition of assets		\$ 18,335	A		
		(2,797)	B		
		1,444,245	J		
	<u>\$ (1,082,292)</u>	<u>\$ 1,459,783</u>		<u>\$ -</u>	<u>\$ 377,491</u>
Other resources or adjustments to net obligated resources that do not affect net costs of operations		\$ 654,482	B		
		(793,631)	C		
		(110,000)	D		
		(1,940)	H		
		(254,128)	J		
	<u>\$ 505,217</u>	<u>\$ (505,217)</u>		<u>\$ -</u>	<u>\$ -</u>

**Prior Period Adjustments - Consolidated Statement of Financing**  
(Selected Line Items)

(dollars in thousands)	As Originally Reported	Restatements	Ref	Reclassifications	Restated 2002
Total Resources used to Finance Items Not Part of the Net Cost of Operations	\$ (736,392)	\$ 938,316		\$ -	\$ 201,924
<b>Total Resources Used to Finance the Net Cost of Operations</b>	<b>\$ 5,319,651</b>	<b>\$ (464,799)</b>		<b>\$ -</b>	<b>\$ 4,854,852</b>
<b>Components of Net Cost of Operations that will not require or generate resources in the current period:</b>					
Components Requiring or Generating Resources in Future Periods:					
Increase in Exchange Revenue Receivable from the Public	\$ (266,142)	\$ 628,316	J	\$ -	\$ 362,174
Other		\$ (686,968)	B		
		(392,601)	F		
		414,954	G		
		629,581	J		
	\$ 2,540	\$ (35,034)		\$ -	\$ (32,494)
Total Components of Net Costs of Operations that will Require or Generate Resources in the Future	\$ (256,847)	\$ 593,282		\$ -	\$ 336,435
Depreciation and Amortization	\$ 300,360	\$ 99	J	\$ -	\$ 300,459
Total Components of Net Costs of Operations that will not Require or Generate Resources	\$ 341,967	\$ 98		\$ -	\$ 342,065
<b>Total Components of Net Cost of Operations that will not require or generate resources in the current period:</b>	<b>\$ 85,120</b>	<b>\$ 593,380</b>		<b>\$ -</b>	<b>\$ 678,500</b>
<b>Net Cost of Operations</b>	<b>\$ 5,404,771</b>	<b>\$ 128,581</b>		<b>\$ -</b>	<b>\$ 5,533,352</b>

**NOTE 13. 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 apportionments. All other apportionments are classified as category B apportionments. USDA Forest Service apportionments are not made on a quarterly basis; therefore, they are classified as Category B apportionments.

#### NOTE 14. 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 15. EXPLANATION OF DIFFERENCES BETWEEN THE STATEMENT OF BUDGETARY RESOURCES AND THE BUDGET OF THE UNITED STATES GOVERNMENT

	FY 2002 (In Millions)	
	Budgetary Resources	Outlays
<b>Combined Statement of Budgetary Resources</b>	\$ 7,155	\$ 5,446
Reconciling Items:		
Expired Accounts	(10)	-
Audit Adjustments	31	-
Accounts Excluded from Budget	(2)	(9)
Other	(2)	-
<b>Budget of the United States Government</b>	\$ 7,172	\$ 5,437

The differences between the fiscal 2002 Statement of Budgetary Resources and the fiscal 2002 actual numbers presented in the fiscal 2004 Budget of United States Government (Budget) are summarized above.

The Budget excludes expired accounts that are no longer available for new obligations. Audit adjustments were made subsequent to the Budget submission. Other items mainly consist of balances in suspense accounts that are excluded from the Budget.

A comparison between fiscal 2003 Statement of Budgetary Resources and the fiscal year 2003 actual numbers presented in the fiscal 2005 Budget cannot be performed as the fiscal 2005 Budget is not yet available. The fiscal 2005 Budget is expected to be published in February 2004 and will be available from the Government Printing Office.

#### NOTE 16. 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 2003 and 2002 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:

	<b>In Thousands</b>	
	<b>2003</b>	<b>2002</b>
Increase in Annual Leave Liability	\$ 8,017	\$ 6,755
Increase in Environmental and Disposal Liability	700	-
(Increase) Decrease in Exchange Revenue Receivable from the Public	(40,667)	362,174
Other:		
Transfer In (Job Corp and Fed Highway), see Note 17	76,874	143,897
Other	<u>168,146</u>	<u>(176,391)</u>
Total Components of Net Cost of Operations that will Require or Generate Resources in Future Periods	<u>\$213,070</u>	<u>\$336,435</u>

**NOTE 17. DESCRIPTION OF TRANSFERS THAT APPEAR AS A RECONCILING ITEM ON THE STATEMENT OF FINANCING**

The USDA Forest Service has the following routine transfers without reimbursement that are reconciling items on the Statement of Financing:

**Transfers In**

<b>Trading Partner</b>	<b>Account Title</b>	<b>Purpose</b>
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 18. INCIDENTAL CUSTODIAL COLLECTIONS**

The USDA Forest Service collects funds, of which portions are due to states and counties. The largest component of custodial collections comes from the sale of products and services from the National Forests and National Grasslands. These amounts are included as Custodial Liability in Other Liabilities. The table below summarizes the collection and distribution of these funds during fiscal year 2003 and 2002:

	(In Thousands)	
	<u>2003</u>	<u>2002</u>
Revenue Activity:		
Sources of Collections:		
National Forest Fund Receipts	\$9,415	\$55,503
Payments and Receipts, National Grasslands	2,231	11,242
Miscellaneous	8,535	3,526
	<hr/>	<hr/>
Total Cash Collections	20,181	63,219
Total Custodial Revenue and Beginning Balance	<hr/> 103,984	<hr/> 208,811
Disposition of Collections:		
Transferred to Others:		
States and Counties (Payments to States)	(22,265)	(189,770)
(Increase)/Decrease in Amounts Yet to be Transferred	<hr/> (81,719)	<hr/> (19,041)
Total Disposition	(103,984)	(208,811)
Net Custodial Activity	<hr/> \$ -	<hr/> \$ -

#### **NOTE 19. DEDICATED COLLECTIONS**

The USDA Forest Service recognizes the following funds as dedicated collections. These funds are used as dedicated for the benefit of enhancing and maintaining National Forest System lands including reforestation. Donations are handled on the cash basis and all other collections are accounted for on the accrual basis.

#### **TRUST FUNDS**

<b>TREASURY SYMBOL</b>	<b>FUND/NAME</b>	<b>PURPOSE</b>	<b>AUTHORITY</b>
12X8028	Cooperative Work	Advances from cooperators	16 USC 498,72(c),72a,76b,81
12X8029	Mount Saint Helens Highway	Repair highways	23 USC 203,207
12X8034	Gifts, Donations and Bequests for Forest and Rangeland Research	Segregate donations for research	16 USC 1643b
12X8039	Land Between the Lakes Trust Fund	Donations to National Recreation Area	112 Stat.2681-317
12X8046	Reforestation Trust Fund	Reforestation	16 USC 1606a
1269X8083	Federal Aid to Highways	Maintain Federal highways in Forest Service land	31 USC 3515
12X8203	Gifts and Bequests	Segregate general donations	7 USC 2269

## SPECIAL FUNDS

FUND – NAME	PURPOSE	AUTHORITY
12X5004 –Land Acquisition	Watershed Management	96 Stat. 1983
12X5010 – Recreation Fees	Collection costs	107 Stat. 1610
12X5072 – Fees, Operations and Maintenance of Recreation Facilities	Maintain recreational facilities	101 Stat. 1330-265
12X5201 – Payments to States, National Forest Fund	Revenue Sharing Grant	16 USC 500
12X5202 – Timber Roads, Purchaser Election	Timber sale area purchasers' roads	16 USC 472(I)(2)
12X5203 – Roads and Trails for States, National Forest Fund	Recreation road and trail improvements	16 USC 501
12X5204 – Timber Salvage Sales	Prepare salvage sale and reforest after sale	16 USC 472(a)
12X5206 – Expenses, Brush Disposal	Timber operators amounts for brush disposal	16 USC 490
12X5207 – Range Betterment	Improvements to grazing lands	16 USC 580h
12X5212 – Construction of Facilities or Land Acquisition	Inactive	94 Stat. 3372
12X5213 – Payment to Minnesota (Cook, Lake, and Saint Louis Counties) from the National Forests Fund	Revenue sharing grant	16 USC 577g, 577g-1
12X5214 – Licensee Program	Smokey Bear, Woodsey Owl Licensing royalties used for fire prevention	31 USC 488a
12X5215 – Restoration of Forest Lands and Improvements	Environmental restoration	16 USC 579c
12X5216 – Acquisition of Lands to Complete Land Exchanges	Land exchange and acquisition for forest management purposes	96 Stat. 1984; 16 USC 484a
12X5217 – Tongass Timber Supply Fund	Management of timber supply in Alaska	16 USC 539d, 539c
12X5219 – Operation and Maintenance of Quarters	Government-owned quarters rents finance maintenance	5 USC 5911
12X5220 – Resource Management Timber Receipts	Accelerate management practices of natural resources	102 Stat. 1809
12X5223 – Quinault Special Management Area	Management of special Quinault tribal area	102 Stat. 3328
12X5264 – Timber Sales Pipeline Restoration Fund	Prepare certain volume of timber sales, ready to advertise	110 Stat. 1321-206 Sec. 327
12X5268 – Recreation Fee Demonstration Program	Maintenance of recreation areas, support of recreation program at Demonstration sites	16 USC 4601-6a
12X5277 – Midewin National Prairie	Maintenance of Midewin	110 Stat. 602



<b>FUND – NAME</b>	<b>PURPOSE</b>	<b>AUTHORITY</b>
Rental Fee Account		
12X5278 – Midewin National Tall-Grass Prairie Restoration Fund	Restoration of Midewin	110 Stat. 602
12X5360 – Land Between the Lakes Management Fund	Maintenance of National Recreation Area	112 Stat. 2681-315
12X5361 – Administrative Rights-of-Way and Other Land Uses Fund	Maintenance of commercial filming sites	113 Stat. 1501A-196, Sec. 331
12X5363 – Valles Caldera Fund	Maintenance of Valles Caldera Preserve, NM	114 Stat. 605
12X5462 – Hardwood Technology Transfer and Applied Research Fund	Support and stimulation of hardwood forestry practices	112 Stat. 297-298, Sec. 343(e)
12X5896 – Payments to Counties, National Grasslands	Revenue-sharing grant	7 USC 1012

## Required Supplementary Information

### Deferred Maintenance

#### Overview

Deferred maintenance is maintenance that was scheduled to be performed, but 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. It 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 Forest Service uses condition surveys to estimate deferred maintenance on all major classes of PP&E. There is no deferred maintenance for fleet vehicles and computers that are managed through the agency's working capital fund. Each fleet vehicle is maintained according to schedule. The cost of maintaining the remaining classes of equipment is expensed.

**(1) Overall Condition:** Condition of major classes of property range from poor to good depending on location, age, and type of property. There is currently no comprehensive national assessment of Forest Service property. 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:** 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) Non-Critical Maintenance:** 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 half of these buildings are obsolete or in poor condition needing major repairs or renovation. Approximately one-fourth is in fair condition, and the remaining is in good condition.

### As of 8/31/03 Deferred Maintenance Totals by Asset Class (\$ in Thousands)

Asset Class	Overall Condition (1)	Cost to Return to Acceptable Condition	Critical Maintenance (2)	Non-Critical Maintenance (3)
Buildings and Admin. Facilities	Varies	\$421,215	\$128,013	\$293,202
Dams	Varies	29,415	10,101	19,314
Heritage	Varies	82,834	44,995	37,839
Range Improvements	Varies	490,112	489,943	169
Recreation Facilities <sup>20</sup>	Varies	188,377	54,406	133,971
Roads and Bridges	Varies	3,851,354	696,148	3,155,206
Trails <sup>21</sup>	Varies	120,133	42,291	77,842
Wildlife, fish, threatened and endangered species	Varies	4,700	3,050	1,650
<b>Totals<sup>22</sup></b>		<b>\$5,188,139</b>	<b>\$1,468,947</b>	<b>\$3,719,192</b>

<sup>20 & 21</sup> The Forest Service used the FY 2001 Deferred Maintenance values for General Forest Area under the recreation facilities component and for Trails under the Trails component. These components are in a computer application transition and the process for collecting data was not operational.

<sup>22</sup> Overall agency indirect cost of managing the program is 19 percent (not included in the figures above).

Condition of Dams: The overall condition of dams is below acceptable. The condition of dams is acceptable when the dam meets current design standards and does not have any deficiencies that threaten the safety of the structure or public or are needed to restore functional use, 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 within the agency is as visitation or recreation sites and, therefore, may not fall under the management responsibility of the heritage program.
- Range Structures: The condition assessment was based on (1) a determination by knowledgeable range specialists or other district personnel of whether or not 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 (Code of Federal 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 developed under the meaningful measures system and established for the following categories—health and cleanliness, settings, safety and security, responsiveness, and the condition of 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 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 FSH 2309.18, the Forest Service Trails Management Handbook.
- 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 as upkeep that had not occurred on a regular basis. The amount was considered critical if resource damage or species endangerment would likely occur if maintenance were deferred much longer.

**Combining Statements of Budgetary Resources by Responsibility Segment  
for the Year Ended September 30, 2003  
(in Thousands)**

	National Forest and Grasslands	Forest and Rangeland Research	State and Private Forestry	Fire and Aviation Management	Working Capital Fund	Total
<b>Budgetary Resources:</b>						
Budget Authority:						
Appropriations Received	\$3,007,738	\$251,666	\$286,953	\$2,298,938	\$ -	\$5,845,295
Net Transfers	84,924	34,288	137,167	(216,434)	30,000	69,945
Unobligated Balance:						
Beginning of Period	731,452	10,794	40,073	7,564	52,500	842,383
Net Transfers, Actual	(115,580)					(115,580)
Spending Authority from Offsetting Collections:						
Earned:						
Collected	144,407	28,913	11,529	289,585	235,864	710,298
Receivable from Federal Sources	12,741	53,141	34,143	(2,499)	(8,191)	94,335
Change in Unfilled Customer Orders:						
Advances Received	390	(1,020)	(451)	(120)	(4)	(1,205)
Without Advance from Federal Sources	(22,541)	(19,022)	(8,132)	(1,712)	-	(46,407)
Subtotal	134,997	62,012	42,089	285,254	232,669	757,021
Recoveries of Prior Year Obligations	60,783	3,824	8,603	19,485	8,535	101,230
Permanently not Available	(13,505)	(1,636)	(2,056)	(9,016)	-	(26,213)
Total Budgetary Resources	\$3,890,809	\$360,948	\$ 512,829	\$2,385,791	323,704	\$7,474,081

**Combining Statements of Budgetary Resources by Responsibility Segment  
for the Year Ended September 30, 2003  
(in Thousands) (continued)**

	National Forest and Grasslands	Forest and Rangeland Research	State and Private Forestry	Fire and Aviation Management	Working Capital Fund	Total
<b>Status of Budgetary Resources</b>						
Obligations Incurred						
Direct	\$3,060,580	\$303,454	\$ 432,950	\$1,664,257	\$ (23,601)	\$ 5,437,640
Reimbursable	268,846	28,703	130,863	9,453	259,694	697,559
Subtotal	3,329,426	332,157	563,813	1,673,710	236,093	6,135,199
Unobligated Balance:						
Apportioned	599,568	15,099	35,650	124,094	57,404	831,815
Exempt from Apportionment	(4,232)	(1)	-	-	32,709	28,476
Unobligated Balances not Available	109,029	18,693	34,775	338,596	(22,502)	478,591
Total Status of Budgetary Resources	\$4,033,791	\$365,948	\$ 634,238	\$2,136,400	\$ 303,704	\$ 7,474,081
<b>Relation of Obligations to Outlays</b>						
Obligated Balance, Net, Beginning of Period	\$241,186	\$92,891	\$ 368,111	\$620,804	\$55,316	\$ 1,378,308
Obligated Balance, Transferred, Net						
Obligated Balance, Net, End of Period:						
Accounts Receivable	(40,362)	(25,368)	(41,429)	(112,743)	(761)	(220,663)
Unfilled Customer Orders from Federal Sources	(76,197)	(22,092)	1,622	(3,015)	-	(99,682)
Undelivered Orders	440,762	85,021	405,470	(871)	32,101	962,483
Accounts Payable	299,914	33,297	83,605	420,906	35,022	872,744
Outlays:						
Disbursements	2,757,530	316,247	321,630	2,234,355	219,704	5,849,466
Collections	(144,797)	(27,894)	(11,078)	(289,465)	(235,860)	(709,094)
Subtotal	2,612,733	288,353	310,552	1,944,890	(16,156)	5,140,372
Less: Offsetting Receipts	372,390	-	32,231	-	-	404,621
Net Outlays	\$2,240,343	\$288,353	\$ 278,321	\$1,944,890	\$(16,156)	\$ 4,735,751

**INTRAGOVERNMENTAL AMOUNTS FOR FISCAL YEAR 2003**

The following tables were derived from FACTS I (Federal Agencies Centralized Trial-Balance System).

**Assets (in dollars as of September 30, 2003)**

<b>Trading Partner (Code)</b>	<b>Fund Balance with Treasury</b>	<b>Accounts Receivable</b>	<b>Investments</b>	<b>Other</b>
Unknown (00)		22,797,129	1,015	879,971
Department of Agriculture (12)		2,661,712	—	—
Department of Commerce (13)		(197,315)	—	—
Department of the Interior (14)		7,135,110	—	—
Department of Justice (15)		410	—	—
Department of Labor (16)		3,543,927	—	—
Department of the Navy (17)		151,898	—	—
U.S. Postal Service (18)		416,965	—	594
Department of State (19)		57,485	—	—
Department of the Treasury (20)	3,293,244,840	57,962	3,060,323	—
Department of the Army (21)		3,533,829	—	499,800
Social Security Administration (28)		36,735	—	—
General Services Administration (47)		14,190	—	—
Independent Agencies (48)		(675)	—	—
Federal Emergency Management Agency (58)		6,148,898	—	—
Environmental Protection Agency (68)		136,874	—	—
Department of Transportation (69)		2,324,672	—	(899,731)
Department of Homeland Security (70)		2,926	—	—
Agency for International Development (72)		676,404	—	—
Department of Health and Human Services (75)		(1,752)	—	—
National Aeronautics and Space Administration (80)		480,017	—	—
Department of Housing and Urban Development (86)		98,698	—	—
Department of Energy (89)		3,880,470	—	—
U.S. Army Corps of Engineers (96)		279,717	—	(6,181)
Office of the Secretary of Defense— Defense Agencies (97)		1,331,964	—	200
<b>Total Assets</b>	<b>3,293,244,840</b>	<b>55,568,251</b>	<b>3,061,337</b>	<b>474,654</b>

**Liabilities (in dollars as of September 30, 2003)**

<b>Trading Partner (Code)</b>	<b>Resources Payable to Treasury</b>	<b>Accounts Payable</b>	<b>Debt</b>	<b>Other</b>
Unknown (00)		(47,187)		(317,165,554)
Government Printing Office (04)		—		163,976
Department of Agriculture (12)		—		(10,164,425)
Department of Commerce (13)		—		(1,214,781)
Department of the Interior (14)		23,187		(17,814,270)
Department of Justice (15)		35,496		(20,024,931)
Department of Labor (16)		—		(89,346,280)
Department of the Navy (17)		—		1,594
U.S. Postal Service (18)		—		20
Department of State (19)		—		(302,916)
Department of the Treasury (20)		(1,186)		(191,461,462)
Department of the Army (21)		(12,317)		(1,734,655)
Office of Personnel Management (24)		—		(10,375,030)
Federal Trade Commission (29)		—		79
Smithsonian Institution (33)		—		30,000
Department of Veterans Affairs (36)		—		127,952
U.S. Equal Employment Opportunity Commission (45)		—		750
General Services Administration (47)		—		(20,352,367)
Department of the Air Force (57)		—		(584)
Federal Emergency Management Agency (58)		—		(376,081)
National Foundation on the Arts and the Humanities (59)		—		(123,906)
National Labor Relations Board (63)		—		10,669
Tennessee Valley Authority (64)		—		(264,163)
Environmental Protection Agency (68)		—		(318,559)
Department of Transportation (69)		—		60,253
Department of Homeland Security (70)		—		6,446
Agency for International Development (72)		—		(3,633,315)
Department of Health and Human Services (75)		—		(27,627)
National Aeronautics and Space Administration (80)		—		19,419
National Archives and Records Administration (88)		—		(564)
Department of Energy (89)		—		(121,208)
Federal Mediation and Conciliation Service (93)		—		(1,168)
U.S. Army Corps of Engineers (96)		1,529		100,217,543
Office of the Secretary of Defense-Defense Agencies (97)		(25,503)		(698,232)
<b>Total Liabilities</b>		<b>(25,980)</b>		<b>(584,883,375)</b>

**Earned Revenue Federal (in dollars for the year ended September 30, 2003)**

<b>Trading Partner (Code)</b>	<b>Earned Revenue Federal</b>
Unknown (00)	(42,360,987)
Government Printing Office (04)	(9,381)
Executive Office of the President (11)	(17,453)
Department of Agriculture (12)	(23,051,454)
Department of Commerce (13)	(1,104,391)
Department of the Interior (14)	(70,823,443)
Department of Justice (15)	(109,748)
Department of Labor (16)	(27,075,934)
Department of the Navy (17)	(227,139)
U.S. Postal Service (18)	(681,022)
Department of State (19)	(463,148)
Department of the Treasury (20)	(236,008)
Department of the Army (21)	(13,081,378)
Social Security Administration (28)	(36,735)
General Services Administration (47)	206,114
Department of the Air Force (57)	4,647,713
Federal Emergency Management Agency (58)	(112,800,936)
National Foundation on the Arts and the Humanities (59)	(76,094)
Environmental Protection Agency (68)	(1,194,477)
Department of Transportation (69)	(8,135,110)
Department of Homeland Security (70)	(13,861)
Agency for International Development (72)	(7,581,164)
Department of Health and Human Services (75)	206
National Aeronautics and Space Administration (80)	(1,505,517)
Department of Housing and Urban Development (86)	(399,550)
Department of Energy (89)	(16,129,279)
Independent Agencies	(11,300)
U.S. Army Corps of Engineers (96)	(1,789,347)
Office of the Secretary of Defense-Defense Agencies (97)	(6,785,041)
<b>Total Earned Revenue Federal</b>	<b>(330,845,835)</b>



**Cost to Generate Earned Revenue Federal (in dollars for the year ended September 30, 2003)**

<b>Functional Classification</b>	<b>Federal and Non-Federal</b>
300 Natural Resources and Environment	330,845,835
<b>Total Cost to Generate Revenue</b>	<b>330,845,835</b>

**Cost Federal (in dollars for the year ended September 30, 2003)**

<b>Trading Partner (Code)</b>	<b>Cost Federal</b>
Unknown (00)	21,567,168
Library of Congress (03)	17,478
Government Printing Office (04)	7,559,518
Department of Agriculture (12)	123,691,973
Department of Commerce (13)	3,487,445
Department of the Interior (14)	83,027,796
Department of Justice (15)	2,653,824
Department of Labor (16)	92,478,332
Department of the Navy (17)	473,794
U.S. Postal Service (18)	380,858
Department of State (19)	99,935
Department of the Treasury (20)	15,613,268
Department of the Army (21)	4,140,159
Office of Personnel Management (24)	477,506,439
Federal Communications Commission (27)	1,640
Department of Veterans Affairs (36)	559,798
U.S. Equal Employment Opportunity Commission (45)	775
General Services Administration (47)	102,289,771
Independant Agencies (48)	675
National Science Foundation (49)	152
Federal Labor Relations Authority (54)	414
Federal Emergency Management Agency (58)	295,023
National Labor Relations Board (63)	500
Tennessee Valley Authority (64)	1,389,508
Environmental Protection Agency (68)	830,584
Department of Transportation (69)	3,444,601
Department of Homeland Security (70)	169,097
Small Business Administration	11,899
Department of Health and Human Services (75)	462,533
National Aeronautics and Space Administration (80)	134,370
National Archives and Records Administration (88)	564
Department of Energy (89)	1,631,781
Federal Mediation and Conciliation Service (93)	26,620
U.S. Army Corps of Engineers (96)	7,395,522
Office of the Secretary of Defense-Defense Agencies (97)	3,513,120
<b>Total Cost Federal</b>	<b>954,856,930</b>

**Non-exchange Revenue Federal (in dollars for the year ended September 30, 2003)**

<b>Trading Partner (Code)</b>	<b>Transfers-In</b>	<b>Transfers-Out</b>	<b>Other</b>
Unknown (00)	(1,175,745,715)	714,689,562	–
Department of Agriculture (12)	(50,000,000)		(44,226,000)
Department of the Treasury (20)	–	–	(6,449,911)
Office of Personnel Management (24)	–	–	(178,239,358)
<b>Total Non-exchange Revenue Federal</b>	<b>(1,225,745,715)</b>	<b>714,689,562</b>	<b>(228,915,269)</b>

**INTRAGOVERNMENTAL AMOUNTS FOR FISCAL YEAR 2002**

The following tables were derived from FACTS I (Federal Agencies Centralized Trial-Balance System).

**Assets (in dollars as of September 30, 2002)**

<b>Trading Partner (Code)</b>	<b>Fund Balance with Treasury</b>	<b>Accounts Receivable</b>	<b>Investments</b>	<b>Other</b>
Unknown (00)		10,854,604	0	879,971
Department of Agriculture (12)		21,278,288	—	50,000
Department of Commerce (13)		(187,281)	0	0
Department of the Interior (14)		1,627,718	—	(6,181)
Department of Justice (15)		420,621	0	0
Department of Labor (16)		6,794,803	0	0
U.S. Postal Service (18)		139,827	0	594
Department of the Treasury (20)	2,824,948,345	4,004	2,039,704	0
Department of the Army (21)		4,152,596	0	0
Social Security Administration (28)		35,574	0	0
General Services Administration (47)		4,418	0	0
Department of the Air Force (57)		169,037	0	0
Federal Emergency Management Agency (58)		142,001	0	0
Environmental Protection Agency (68)		221,763	0	0
Department of Transportation (69)		2,474,645	0	(899,731)
Agency for International Development (72)		162	0	0
Department of Health and Human Services (75)		(1,135)	0	0
National Aeronautics and Space Administration (80)		652,699	0	0
Department of Housing and Urban Development (86)		137,412	0	0
Department of Energy (89)		16,072,627	0	0
U.S. Army Corps of Engineers (96)		198,543	0	5,377
Office of the Secretary of Defense— Defense Agencies (97)		916,769	0	(200)
<b>Total Assets</b>	<b>2,824,948,345</b>	<b>66,109,695</b>	<b>2,039,704</b>	<b>29,831</b>

**Liabilities (in dollars as of September 30, 2002)**

<b>Trading Partner (Code)</b>	<b>Resources Payable to Treasury</b>	<b>Accounts Payable</b>	<b>Debt</b>	<b>Other</b>
Unknown (00)	0	(29,149)	0	(374,665,841)
Government Printing Office (04)	0	0	0	40,151
Department of Agriculture (12)	0	(112,874)	0	(35,417,354)
Department of Commerce (13)	0	0	0	(103,284)
Department of the Interior (14)	0	21,339	0	(68,642,675)
Department of Justice (15)	0	14,312	0	(5,648,754)
Department of Labor (16)	0	0	0	(63,909,626)
Department of the Navy (17)	0	0	0	45,000
Department of State (19)	0	0	0	(327,906)
Department of the Treasury (20)	0	0	0	(36,924,309)
Department of the Army (21)	0	(6,530)	0	(279,235)
Office of Personnel Management (24)	0	0	0	(8,435,798)
U.S. Nuclear Regulatory (31)	0	0	0	(1,845)
Department of Veterans Affairs (36)	0	0	0	16,213
U.S. Equal Employment Opportunity Commission (45)	0	0	0	750
General Services Administration (47)	0	0	0	(11,624,251)
Federal Emergency Management Agency (58)	0	0	0	(348,304)
National Foundation on the Arts and the Humanities (59)	0	0	0	(200,000)
National Labor Relations Board (63)	0	0	0	10,669
Environmental Protection Agency (68)	0	0	0	7,702
Department of Transportation (69)	0	0	0	(78,727)
Agency for International Development (72)	0	0	0	(4,347,113)
Department of Health and Human Services (75)	0	0	0	(38,316)
National Aeronautics and Space Administration (80)	0	0	0	(70,486)
Department of Energy (89)	0	0	0	(177,019)
U.S. Army Corps of Engineers (96)	0	(900,606)	0	66,108,894
Office of the Secretary of Defense-Defense Agencies (97)	0	25,450	0	(565,012)
<b>Total Liabilities</b>		<b>(988,059)</b>	<b>0</b>	<b>(545,576,515)</b>

**Earned Revenue Federal (in dollars for the year ended September 30, 2002)**

<b>Trading Partner (Code)</b>	<b>Earned Revenue Federal</b>
Unknown (00)	(15,239,793)
Department of Agriculture (12)	(11,097,431)
Department of Commerce (13)	(399,599)
Department of the Interior (14)	(35,277,436)
Department of Justice (15)	(414,536)
Department of Labor (16)	(56,627,889)
Department of the Navy (17)	(9,169)
U.S. Postal Service (18)	(889,634)
Department of State (19)	(43,432)
Department of the Treasury (20)	(615,816)
Department of the Army (21)	(9,127,615)
Social Security Administration (28)	(36,012)
General Services Administration (47)	(6,952,220)
Department of the Air Force (57)	(165,037)
Federal Emergency Management Agency (58)	5,816,299
National Foundation on the Arts and the Humanities (59)	50,000
Environmental Protection Agency (68)	(851,050)
Department of Transportation (69)	(6,916,478)
Agency for International Development (72)	(5,766,700)
Department of Health and Human Services (75)	564
National Aeronautics and Space Administration (80)	(982,217)
Department of Housing and Urban Development (86)	(444,950)
Department of Energy (89)	(22,018,333)
U.S. Army Corps of Engineers (96)	(771,586)
Office of the Secretary of Defense-Defense Agencies (97)	(1,314,614)
<b>Total Earned Revenue Federal</b>	<b>(170,094,682)</b>

**Cost to Generate Earned Revenue Federal (in dollars for the year ended September 30, 2002)**

<b>Functional Classification</b>	<b>Federal and Non-Federal</b>
300 Natural Resources and Environment	170,094,682
<b>Total Cost to Generate Revenue</b>	<b>170,094,682</b>

**Cost Federal (in dollars for the year ended September 30, 2002)**

<b>Trading Partner (code)</b>	<b>Cost Federal</b>
Unknown (00)	(529,649,358)
Library of Congress (03)	32,160
Government Printing Office (04)	5,852,935
Department of Agriculture (12)	588,640,478
Department of Commerce (13)	1,719,769
Department of the Interior (14)	65,216,962
Department of Justice (15)	2,209,070
Department of Labor (16)	29,124,909
Department of the Navy (17)	138,746
U.S. Postal Service (18)	661,663
Department of State (19)	1,071
Department of the Treasury (20)	24,217,628
Department of the Army (21)	1,403,837
Office of Personnel Management (24)	415,862,217
Smithsonian Institution (33)	32,000
Department of Veterans Affairs (36)	586,743
U.S. Equal Employment Opportunity Commission (45)	2,250
General Services Administration (47)	64,614,543
National Science Foundation (49)	85,000
Department of the Air Force (57)	211,410
Federal Emergency Management Agency (58)	113,613
Office of Special Counsel (62)	1,019
Environmental Protection Agency (68)	865,277
Department of Transportation (69)	(49,979)
Department of Health and Human Services (75)	424,493
National Aeronautics and Space Administration (80)	271,138
Department of Energy (89)	691,771
Federal Mediation and Conciliation Service (93)	4,280
U.S. Army Corps of Engineers (96)	2,268,630
Office of the Secretary of Defense-Defense Agencies (97)	3,756,571
<b>Total Cost Federal</b>	<b>679,310,846</b>

**Non-exchange Revenue Federal (in dollars for the year ended September 30, 2002)**

<b>Trading Partner (Code)</b>	<b>Transfers-In</b>	<b>Transfers-Out</b>	<b>Other</b>
Unknown (00)	(599,375,514)	340,844,255	0
Department of Agriculture (12)	(629,031,855)	509,922,399	(44,571,000)
Department of the Treasury (20)	0	0	(9,183,813)
Office of Personnel Management (24)	0	0	(135,069,386)
General Services Administration (47)	(33,627)	33,627	0
<b>Total Non-exchange Revenue Federal</b>	<b>(1,228,440,996)</b>	<b>850,800,281</b>	<b>(188,824,199)</b>

**FISCAL YEAR 2003 SEGMENT INFORMATION**

(In thousand dollars as of September 30, 2003)	Departmental Working Capital Fund	Forest Service Working Capital Fund	Total Working Capital Funds
<b>Condensed Information</b>			
Fund Balance	\$ -	133,972	133,972
Accounts Receivable	0	599	599
Property, Plant, and Equipment	0	275,216	275,216
Other Assets	0	13	13
<b>Total Assets</b>	<b>0</b>	<b>409,800</b>	<b>409,800</b>
<b>Liabilities and Net Position</b>			
Accounts Payable	0	1,102	1,102
Deferred Revenues	0	0	0
Other Liabilities	0	33,931	33,931
Unexpended Appropriations	0	0	0
Cumulative Results of Operations	0	374,767	374,767
<b>Total Liabilities and Net Position</b>	<b>0</b>	<b>409,800</b>	<b>409,800</b>
Product or Business Line	Cost of Goods And Services Provided	Related Exchange Revenue	Excess of Costs Over Exchange Revenue
<b>Departmental Working Capital Fund:</b>			
Finance and Management	0	0	0
Communications	0	0	0
Information Technology	0	0	0
Administration	0	0	0
Executive Secretariat	0	0	0
<b>Total Departmental Working Capital Fund</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Forest Service Working Capital Fund:</b>			
Other	365,795	224,415	141,380
<b>Total Working Capital Funds</b>	<b>365,795</b>	<b>224,415</b>	<b>141,380</b>



## Required Supplementary Stewardship Information

### Stewardship, Property, Plant and Equipment

The Federal Accounting Standards Advisory Board (FASAB), Statement of Federal Financial Recommended Accounting Standards (SRAS) 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 over 300,000 heritage assets are on land that it manages. 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 of the assets that are not utilized 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 the new Executive Order 13287 on Preserve America. A module in the agency's real property management Infrastructure (INFRA) system has been developed and implemented for heritage assets. The fire season and competing budget priorities, however, have prevented full population of the database.

The table at the bottom of the page shows the major heritage assets by category and condition for FY 2003.<sup>23</sup>

### 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.

Category	2002 Final (Sites)	Condition
Total Heritage Assets	308,431	Poor-Fair
Eligible for the National Register of Historic Places	51,630	Poor-Fair
Listed on the National Register	2,834	Fair
Sites with structures listed on the National Register	1,083	Poor-Fair
National Historic Landmarks	17	Fair

<sup>23</sup> Data totaled through FY 2002. FY 2003 data is gathered in the first half of FY 2004.

## Stewardship Land

The Forest Service manages over 192 million acres of public land, the majority of which is classified as stewardship assets. These stewardship assets are valued for:

- 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.

The following table shows the net change in acres between FY 2002 and FY 2003 in national forests by various purposes.

Description	FY 2002 Ending Balance (Acres)	FY 2003 Net Change (Acres) <sup>24</sup>	FY 2003 Ending Balance (Acres) as of 9/30/03	Condition <sup>25</sup>
National Forests (acres)	187,815,679	58,211	187,873,890	Varies
National Forest Purposes	143,864,119	(20,843)	143,843,276	Varies
National Forest Wilderness Areas	34,752,767	75,735	34,828,502	Varies
National Forest Primitive Areas	173,762	0	173,762	Varies
National Wild and Scenic River Areas	945,667	2,332	947,999	Varies
National Recreation Areas	2,910,364	875	2,911,239	Varies
National Scenic Areas	130,435	0	130,435	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	3,659,862	112	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	3,839,174	(7)	3,839,167	Varies
Purchase Units	361,688	(2,337)	359,351	Varies
Land Utilization Projects	1,876	0	1,876	Varies
Research and Experiment Areas	64,871	0	64,871	Varies
Other Areas	295,814	0	295,814	Varies
National Preserves	89,716	0	89,716	Varies
Total National Forest System Acreage	192,468,818	55,867	192,524,685	
Road Miles <sup>26</sup>	382,300	(4,296)	378,004	
Trail Miles <sup>27</sup>	133,087	0	133,087	

<sup>24</sup>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 2003 transactions for the Southwestern Region. Land that is 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.

<sup>25</sup>Condition of National Forest System (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 program in 48 States covering 70 percent of the forested land of the United States. The Forest Health Monitoring program is active in 50 States, providing surveys and evaluations of forest health conditions and trends. While 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 and/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 and 2 and Condition Classes 2 and 3). Based on these two maps, approximately 9.5 million acres are at risk to both pest-caused mortality and fire. Invasive species of insects, diseases, and plants continue to impact native ecosystems by causing mortality to, or displacement of, native vegetation. The National Fire Plan has enhanced efforts to prevent and suppress future fires adequately and restore acres that are at risk. Risk to fires was reduced by fuel hazard treatments on 1.4 million acres in 2003. Insect and disease prevention and suppression treatments were completed on 1.5 million acres in 2003.

<sup>26</sup>Road Miles: Net change to the total road miles occur through new construction, decommissioning, and correction of errors in the systems inventory, to include miles of unclassified roads that had previously been excluded. Forest Services Road Miles by Maintenance Level as of March 8, 2003.

<sup>27</sup>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.

## **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 formerly 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:

- Wilderness Areas: Areas designated by Congress as part of the National Wilderness Preservation System.
- 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.
- Wild and Scenic River Areas: Areas designated by Congress as part of the National Wild and Scenic River System.
- Recreation Areas: Areas established by Congress for the purpose of assuring and implementing the protection and management of public outdoor recreation opportunities.
- Scenic-Research Areas: Areas established by Congress to provide use and enjoyment or certain ocean headlands and to ensure protection and encourage the study of the areas for research and scientific purposes.
- Game Refuges and Wildlife Preserve Areas: Areas designated by Presidential Proclamation or by Congress for the protection of wildlife.
- Monument Areas: Areas including historic landmarks, historic and prehistoric structures, and other objects for historic or scientific interest, declared by Presidential Proclamation or by Congress.

National Grasslands: A unit designated by the Secretary of Agriculture and permanently held by the U.S. Department of Agriculture under Title III of the Bankhead-Jones Tenent 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 Area: A unit reserved and dedicated by the Secretary of Agriculture for forest and range research experimentation.

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 2003**

#### **Net Cost of Operations: \$122 Million.**

In partnership with the U.S. Department of Labor (DOL), the Forest Service operates 18 Job Corps Civilian Conservation Centers. Job Corps is the only Federal residential employment and education training program for economically challenged young people, ages 16-24. The purpose of the program is to provide young adults with the skills necessary to become employable, independent, and productive citizens. Job Corps is funded from DOL annually on a program year beginning on July 1 and ending on June 30 of the following year.

During FY 2003 (July 1 to June 30), there were 8,277 participants with 3,291 placements. The average starting hourly wage for Forest Service Job Corps students was \$8.52, which is 50 cents above the DOL national average rate. Approximately, 1,931 women students received training in nontraditional vocations. The agency had 1,075 students enroll in the GED program, 431 students enroll in High School programs, and 62 ex-Job Corps students working at 18 Centers. Over 2,000 Job Corps students and 300 staff assisted the agency in its firefighting efforts. The students also accomplished conservation work appraised at \$14.6 million on national forest lands. All the Job Corps Centers were studied under the A-76 Streamlined Competitive Sourcing process. All 18 centers won the competition and the center operations will remain in house. The agency is actively pursuing the transfer of two Department of the Interior's Fish and Wildlife Job Corps Centers and their personnel to the Forest Service.

Established in 1964, Job Corps has trained and educated over 227,000 young men and women. 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 follow-up, recreational opportunities, and biweekly monetary stipends. Job Corps students can 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 maintenances, warehousing, and plastering.

**Research and Development—Forest and Rangeland Research**

**FY 2003 Net Cost of Operations \$233 Million**

Forest Service Research and Development provides reliable science based information that is incorporated into natural resource decisionmaking. Efforts consist of developing new technology and then adapting and transferring this technology to facilitate more effective resource management. Some major research areas include:

- Vegetation Management and Protection
- Wildlife, Fish, Watershed, and Air
- Resource Valuation and Use Research
- Forest Resources Inventory and Monitoring.

Research staff are 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 2003 accomplishments include:

- Established an estimated 316 new interagency agreements and contracts.
- Continued an estimated 221 interagency agreements and contracts.
- Published approximately 1,326 articles in journals.
- Published approximately 1,829 articles in all other publications.
- Was granted 6 patents.
- Established 18 rights to inventions.

# Report of the Office of Inspector General



U.S. Department of Agriculture

Office of Inspector General  
Financial and IT Operations

## Audit Report

**U.S. Department of Agriculture  
Forest Service's  
Financial Statements  
for Fiscal Years 2003 and 2002**

**Report No. 08401-3-FM  
January 2004**

Report of the Office of Inspector General.



UNITED STATES DEPARTMENT OF AGRICULTURE

OFFICE OF INSPECTOR GENERAL

Washington D.C. 20250



DATE: January 26, 2004

REPLY TO

ATTN OF: 08401-3-FM

SUBJECT: U.S. Department of Agriculture Forest Service's  
Financial Statements for Fiscal Years 2003 and 2002

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 principal financial statements for the fiscal years ending September 30, 2003 and 2002. The report also includes an assessment of Forest Service's internal control structure and compliance with laws and regulations.

KPMG, LLP (KPMG), an independent certified public accounting firm, conducted the audit. KPMG is responsible for the auditors' report dated December 18, 2003. We monitored the progress of the audit at all key points, reviewed KPMG's report and reviewed 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 Forest Service's financial statements, conclusions about the effectiveness of internal controls, conclusions on whether Forest Service's 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 to date has 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 Forest Service's financial position as of September 30, 2003 and 2002, 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 Forest Service's internal control structure over financial reporting identified four material internal control weaknesses. Specifically, KPMG identified material weaknesses in Forest Service's:

- Financial Management and Accountability;
- Yearend Accrual Methodology;

Report of the Office of Inspector General.

- Controls in its Purchasing Applications over Data Input, Reconciliation, Integrity, and Segregation of Duties; and
- General Controls Environment.

KPMG's report on Forest Service's laws and regulations contains one instance of noncompliance with the Federal Financial Management Improvement Act.

These weaknesses in controls over the financial reporting process resulted in Forest Service 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 Forest Service programs and electronic data. These material weaknesses in internal controls may adversely affect any decision by Forest Service's management and other decision makers that is based, in whole or in part, on information that is inaccurate because of these weaknesses.

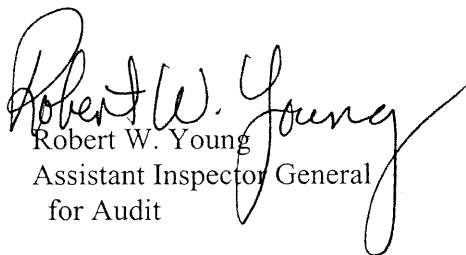
Most of the issues identified by KPMG are longstanding and pervasive weaknesses impacting the Forest Service's ability to accurately and timely report to the Congress and the public what it accomplishes with appropriated funds and to be fully accountable for those funds. As discussed in Note 12 to the financial statements, Forest Service restated its fiscal year 2002 financial statements as a result of errors in the underlying accounting records or errors in the application of accounting standards. The Forest Service corrected its fiscal year 2002 financial statements to:

- Record \$18 million of property, plant and equipment received but not accrued for as of September 30, 2002;
- properly align budgetary and proprietary account relationships and correct certain related budgetary and proprietary posting errors in the Wildland Fire Management fund, the Knutson-Vandenberg fund and other various funds;
- account for budgetary resources received by the Trust & Special funds and Deposit & Clearing funds that had previously been accounted for as General funds;
- properly record the prior year \$110 million expenditure transfer to the Wildland Fire Management fund and the subsequent payback during fiscal year 2002;
- correct \$22 million of errors in recording obligations for the Wildland Fire Management fund;
- exclude certain funds received from the Department of Labor-Job Corps that had previously been included in the Statement of Financing;
- adjust offsetting receipts by approximately \$412 million to reflect only those offsetting receipts determined to be distributed as required by Office of Management and Budget Bulletin 01-09, Form and Content of Agency Financial Statements;

- record \$79 million of revenue from the National Recreation Reservation System and Map sales that had not been recognized during the fiscal year ended September 30, 2002;
- record liabilities of \$120 million that had been incorrectly recognized as reductions of operating cost during the fiscal year ended September 30, 2002; and
- adjust for certain other errors noted in the Statement of Financing.

The Forest Service does not operate as an effective, sustainable, and accountable financial management organization, as evidenced by the restatement of the fiscal year 2002 financial statements and the extensive ad hoc effort to achieve the fiscal year 2003 unqualified audit opinion. For the Forest Service to make meaningful progress in correcting its weaknesses, major changes are needed in its financial management infrastructure. These changes include (1) developing Forest Service-wide financial policies that all finance and program offices are required to implement, (2) ensuring that sufficient resources are available to monitor compliance with the policies and that responsible individuals/offices are held accountable for non-compliance, (3) providing training to finance and program personnel to ensure they understand and effectively implement the Federal Government's and Forest Service's financial management policies and procedures. These changes in Forest Service's financial management infrastructure are essential and critical for Forest Service and the U.S. Department of Agriculture to meet the mandatory accelerated reporting deadlines for fiscal year 2004 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



**UNITED STATES DEPARTMENT OF AGRICULTURE  
FOREST SERVICE**

September 30, 2003

**Table of Contents**

Independent Auditors' Report

Exhibit I – Material Weaknesses

Exhibit II – Reportable Conditions

Exhibit III – Status of Prior Year's Recommendations

Exhibit IV – Non-Compliance with FFMIA

Forest Services' Consolidated Financial Statements

Management Discussion and Analysis (Unaudited)

Consolidated Financial Statements

Notes to the Consolidated Financial Statements

Required Supplementary Information (Unaudited)

Deferred Maintenance

Combining Statements of Budgetary Resources by Responsibility Segment

Intra-governmental Amounts

Working Capital Fund Segment Information

Required Supplementary Stewardship Information (Unaudited)

Stewardship Property, Plant, and Equipment

Stewardship Investments

**INDEPENDENT AUDITORS' REPORT**

Report of the Office of Inspector General.



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, 2003 and 2002 and the related consolidated statements of net costs, changes in net position, and financing and 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 and regulations 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, 2003 and 2002 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 2002 financial statements.

Our consideration of internal control over financial reporting resulted in the following reportable conditions. 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 PONTIUS and 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
- Controls Related to Physical Inventories of Capitalized Assets Need Improvement

Report of the Office of Inspector General.



- 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 and regulations, exclusive of the *Federal Financial Management Improvement Act of 1996 (FFMIA)*, disclosed no material instances of noncompliance 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 results of our tests of FFMIA disclosed instances where the USDA Forest Service financial management systems did not substantially comply with Federal financial management systems requirements, applicable Federal accounting standards, or the United States Government Standard General Ledger at the transaction level.

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 and regulations, 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, 2003 and 2002 and the related consolidated statements of net costs, changes in net position, and financing and 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, 2003 and 2002 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 2002 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 is not in accordance with guidelines established by the Federal Accounting Standards Advisory Board because the information is not presented as of September 30, 2003.



## **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 2003 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 reportable conditions. We believe that the reportable conditions presented in Exhibit I are material weaknesses. Exhibit II presents the other reportable conditions.

A summary of the status of prior year reportable conditions 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, we determined that preparation controls had not been effectively designed to ensure the timeliness of the reported information. The information related to stewardship property, plant and equipment is not presented as of September 30, 2003.

## **COMPLIANCE WITH LAWS AND REGULATIONS**

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

The results of our tests of FFMIA disclosed instances, described in Exhibit IV, where the USDA Forest Service's financial management systems did not substantially comply with Federal financial management systems requirements, applicable Federal accounting standards, or the United States Government Standard General Ledger at the transaction level.



## RESPONSIBILITIES

### *Management's Responsibilities*

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 and regulations, 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 2003 and 2002 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 2003 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, as discussed in our opinion on the financial statements, the information is not presented as of September 30, 2003.



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 2003 financial statements are free of material misstatement, we performed tests of the USDA Forest Service's compliance with certain provisions of laws and regulations, 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 and regulations applicable to the USDA Forest Service. Providing an opinion on compliance with laws and regulations 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, General Accounting 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**

December 18, 2003

## INTRODUCTION

The internal control weaknesses discussed in this report, and the progress made by the United States Department of Agriculture (USDA) Forest Service toward correcting these weaknesses, are discussed in the context of the USDA Forest Service's existing decentralized organizational structure. Although USDA Forest Service has made some progress in correcting prior year weaknesses, we believe 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.

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 recognize that any 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 material weaknesses and reportable conditions, respectively, as of and for the year ended September 30, 2003, and our recommendations. Exhibit III summarizes prior year reportable conditions and Exhibit IV describes instances of noncompliance with laws and regulations.

## MATERIAL WEAKNESSES

---

### **Material Weakness Number 1: The USDA Forest Service Needs to Improve its Financial Management and Accountability**

---

The USDA Forest Service continues to make progress in improving its financial management and reporting activities. However, significant weaknesses continue to exist in its ability to provide accurate and timely information. During the fiscal year (FY) 2003 audit, the USDA Forest Service made a significant number of closing adjustments to its financial data. In addition, delays were encountered during the USDA Forest Service's closing process that specifically resulted from inadequate data quality. This material weakness will have a significant impact on the USDA Forest Service's ability to meet the earlier mandatory OMB reporting deadline in fiscal year 2004.

---

#### **Excessive Adjusting Journal Vouchers Delayed Year-end Close**

---

The USDA Forest Service prepared excessive adjusting journal entries (AJV's) during its fiscal year 2003 year-end closing process. The number of entries processed contributed significantly to delays in the completion of the audit. The table on the next page summarizes the number of AJV's by accounting period and the absolute dollar value of the AJV's processed for each period.



Accounting Period	Approximate Number of AJV's	Absolute Dollar Value of AJV's Affecting Budgetary Accounts	Absolute Dollar Value of AJV's Affecting Proprietary Accounts
13	610	\$25.2 Billion	\$5.8 Billion
14	130	\$11.5 Billion	\$16.4 Billion
CSXE (On-Top)	60	\$5.7 Billion	\$2.9 Billion

These adjustments corrected general ledger accounts with abnormal balances, previously posted erroneous AJVs, GL posting model inaccuracies, financial information system generated errors, and enabled the USDA Forest Service to pass its required year-end reporting to Treasury.

These numerous closing entries were required for the following primary reasons:

- Certain USDA Forest Service business operations do not occur as planned causing certain initial transactions that should have been recorded to not exist in the system.
- Some AJV entries were entered twice or incorrectly, which created additional anomalies (e.g., abnormal general ledger account balances).
- The USDA Forest Service personnel who prepare adjusting journal entries do not always prepare the entries correctly due to inadequate research or the preparers' inadequate knowledge of USSGL guidance.
- The approval of AJV's is performed by a myriad of individuals, who also sometimes lack detailed knowledge of the subject matter that would prevent inaccuracies.

OMB Circular Number (No.) A-127, *Financial Management Systems* states that an agency's financial management system shall be able to provide financial information in a timely and useful fashion to (1) support management's fiduciary role; (2) support the legal, regulatory and other special management requirements of the agency; (3) support budget formulation and execution functions; (4) support fiscal management of program delivery and program decision making, (5) comply with internal and external reporting requirements, including, as necessary, the requirements for financial statements prepared in accordance with the form and content prescribed by OMB and reporting requirements prescribed by Treasury; and (6) monitor the financial management system to ensure the integrity of financial data.

The USDA Forest Service personnel are required to develop and manually post AJVs into the general ledger. Due to human error and the potential lack of understanding, incorrectly posted AJVs could result in significant misstatements to the general ledger. Incorrect AJVs is one of the primary causes for the restatement of the FY 2002 financial statements. In addition, the excessive number of AJVs caused significant delays in the completion of the USDA Forest Service's FY 2003 audit.

#### **Recommendation Number 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 AJVs.

#### **Recommendation Number 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.

**Recommendation Number 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.

**Recommendation Number 4:**

We recommend that the USDA Forest Service strive to limit the use of AJVs to only those accounting situations that require their use.

---

**The Management of the Budget Clearing Accounts Needs to be Improved**

---

The USDA Forest Service maintains budget clearing accounts (i.e., U.S. Treasury accounts 12F3875 and 12F3885) as part of its Fund Balance with Treasury (FBWT). These accounts are used to temporarily record cash collections, as well as, revenue and expense transactions that have not been researched and resolved for final disposition in its general ledger. Transactions recorded in these FBWT budget clearing accounts have an off-setting amount recorded in a liability account (i.e., general ledger account 24XX). Depending on the nature of the recorded transaction, amounts may or may not legitimately reside in the budget clearing account and the corresponding liability account at period-end.

During our analysis of the USDA Forest Service’s propriety of its budget clearing accounts and the corresponding liability account, we noted that the USDA Forest Service did not timely research and transfer amounts nor did they timely recognize (i.e., a revenue or expense) the transaction in the correct general ledger accounts.

Treasury symbol 12F3875 contained the following balances at September 30, 2003:

Treasury Symbol	Fund Code	Job Code	Job Code Description	Net Amount (\$ Million)	Revenue/Deferred Revenue or Expense Recognized
12F3875	BCBC	Blank	None	\$109	No
	BCBC	879###	IPAC – should be in 12F3885	(9)	Yes
	BCBC	884###	PRV Hauling/Damages Awaiting Litigation	14	No
	BCBC	887###	NRRS	18	Yes
	BCBC	890###	Map Sales	6	Yes
	LXBX	LXB###	Lockbox	1	Yes
	TDTD	Various	Timber Sale Deposit	65	Yes
	Various	Various	Misc. Amounts	1	Yes
		Total		<u>\$205</u>	

All balances in cash and the corresponding liability were supported by appropriate documentation, except for the first and third amounts.

For Treasury account 12F3875, the USDA Forest Service recorded \$120 million of FBWT as of September 30, 2002 to agree with Treasury and the USDA Forest Service has not researched, determined the proper disposition, nor transferred the funds out as of September 30, 2003. Such amounts are included in the \$109 million in the above table.

Also, for Treasury account 12F3875, the USDA Forest Service recorded during FY 2003, but not timely:

- \$18 million of revenue for the National Recreation Reservation System (NRRS) for the USDA Forest Service and concessionaries proceeds, United States Army Corp of Engineers contractor (Reserve America) customer refunds, and fees and taxes collected for other government agencies;
- \$9.5 million of Interagency Payment and Collection (IPAC) expense transactions in 12F3875 which should have been recorded in 12F3885; and
- \$5 million of revenue for map sales.

For Treasury account 12F3885, the USDA Forest Service did not timely adjust \$33 million of expenses for IPAC transactions.

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 other reports. The documentation for transactions, management controls, and other significant events must be clear and readily available for examination.

The *TFM* Sections 2-3100 and 2-3300 state that the records of a Federal agency (i.e., the USDA Forest Service's general ledger) must agree with the records of the U.S. Treasury. Any differences must be identified, reclassified into a budget clearing account, and resolved timely. In addition, the *TFM* Volume I, Section 4, Chapter 7000, states that reconciling items in budget clearing accounts must be resolved expeditiously.

The USDA Annual Close Guide, Section 10, states that all budget clearing accounts must reflect a zero balance in the general ledger at year-end.

The USDA Forest Service has not devoted substantial resources to resolving and clearing items in its clearing accounts due to the efforts spent on developing and implementing the FMS 6652 and 6653 reconciliation processes. In addition, the revenue collections resided in the suspense and clearing account for two primary reasons: (1) the USDA Forest Service did not have a separate receipt and expenditure account at Treasury to record these transactions and, (2) the USDA Forest Service did not fully understand or explore the reporting implications associated with all of its business processes.

The effect is cash payments to agencies can be inappropriately withdrawn from the USDA Forest Service's FBWT accounts; undelivered orders are overstated at any given point in time due to unreconciled transactions; and expenses and/or revenues are understated.

**Recommendation Number 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.

**Recommendation Number 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.

---

**Improper Use of SGL Accounts in Special and Non-Revolving Trust Funds**


---

During the audit, we determined that the USDA Forest Service erroneously recognized special and non-revolving trust fund resources as “unexpended appropriations” (GL 3100 series) even though it had not received appropriations or allocation transfers related to such resources. The USDA Forest Service was not aware that it was erroneously processing special and non-revolving trust fund resources via an invalid general ledger entry.

The United States Treasury, *United States Standard General Ledger, Supplement No. S2 Treasury Financial Manual* recommends that agencies use entry number A184 to record in the expenditure account the amount of appropriated receipts from an agency’s unavailable receipt account. As a result of using the correct entry, the USDA Forest Service would be crediting 5740 Appropriated Earmarked Receipts – Transfers-In instead of crediting 3100 Appropriations Received.

The overall effect of its erroneous posting overstated unexpended appropriations received and understated cumulative results of operations. This error totaled approximately \$735 million as of September 30, 2002, which was corrected as a prior period adjustment in the FY 2003 financial statements.

**Recommendation Number 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.

---

**Abnormal General Ledger Account Review Procedures Need Improvement**


---

The USDA requires each of its bureaus to periodically (monthly or quarterly) review the accuracy of abnormal balances and report those balances that are \$5 million or higher as well as the required corrective action to USDA Office of the Chief Financial Officer (OCFO).

The June 30 trial balance by Treasury account disclosed that the USDA Forest Service had 69 abnormal balances valued at \$3 million or higher. Additional analysis disclosed that the USDA Forest Service did not report, as required, 35 of the 69 abnormal balances valued at \$5 million or higher to the USDA OCFO. However, the USDA Forest Service did not report these 35 abnormal balances because either the USDA Forest Service was aware of the required corrective action which could be completed quickly or that the abnormal balance was legitimate. These 35 abnormal balances had an absolute value of approximately \$1.5 billion. Due to significant general ledger account adjustments that were posted during the fourth quarter of FY 2003, the USDA Forest Service believed it would be correcting many of the June 30 abnormal balances.

The adjusted September 30 trial balance by Treasury account disclosed that the USDA Forest Service had 54 abnormal general ledger account balances valued at \$3 million and higher, with an absolute value of \$2.2 billion. Although, the number of September 30 abnormal balances decreased slightly when compared to the balances identified at June 30, this decrease only occurred after a significant number of accounting period 13 and 14

entries being made to correct these abnormal balances. Of the 54 items, 46 were above \$5 million with an absolute dollar value of \$2.2 billion.

Many of the abnormal balances were caused by deficiencies in the USDA Forest Service's business processes as well as erroneous posting of AJV's to the general ledger.

Because the USDA Forest Service does not have an adequate and timely process to review, reconcile, adequately support, and, if necessary, correct abnormal balances, completion of the 2003 audit was delayed.

The *USDA FY 2003 Annual Close Guide*, Financial Analysis and Standards of General Ledger, General Guideline for Trial Balance Report Analysis, Section 7.2.5. states that "A verification of the general account balances should be included as part of a periodic (monthly or quarterly) analysis of the trial balance report...[and] during a trial balance analysis, if a general ledger account carries an account balance different than its normal balance, the balance should be considered abnormal." It goes on to say that, "Further review and transaction analysis should be conducted to determine the nature of the error and necessary steps should be taken to correct the error."

In addition, the *USDA, Forest Service, Sustained and Effective Financial Management Performance*, Executive Level Action Plan (Plan), Section 2B, dated March 24, 2003, states abnormal account balances may be an indication of improper recording of the USDA Forest Service financial transactions. The Plan further lists the following actions to be completed by the USDA Forest Service personnel on a monthly basis:

- "Identification by financial account of what should be a "normal balance" including which accounts should typically have a debit balance versus a credit balance and assess reasonableness of account balances at month-end, quarter-end and year-end.
- Prepare a monthly trial balance review of each account and investigate and resolve any abnormal account balances on a timely basis.
- Prepare preliminary SF133s (Treasury Reports) so that the budget and financial management staff can jointly and pro-actively identify program fund issues that may require further action. This process also resolves problems such as the recent Department of Labor (DOL), Job Corps issues.
- Review, resolve or explain abnormal financial account balances and abnormal program fund balances to ensure the integrity of the USDA Forest Service financial data and financial statements."

This plan was communicated to OMB in the second quarter of fiscal year 2003, to inform OMB of the corrective actions the USDA Forest Service was planning in order to improve its financial management and accountability.

Uncorrected abnormal balances may significantly misstate financial statement line items. After receipt of the September 30 abnormal listings (including accounting period 13) the USDA Forest Service made adjusting entries that amounted to a net of \$158 million or an absolute value of \$2.3 billion. Our review of the USDA Forest Service adjusting entries resulted in 4 additional adjusting entries with an absolute dollar value of approximately \$121 million.

**Recommendation Number 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 OCFO.

**Recommendation Number 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 GL accounts.

**Recommendation Number 10:**

We recommend that the USDA Forest Service institute an effective management review of the USDA Forest Service identified and corrected abnormal balances.

---

**Proprietary and Budgetary Account Relationship Review Procedures Need Improvement**


---

During our review of the USDA Forest Service's June 30, 2003 GL account relationship analysis, several GL account relationships were not in agreement and the USDA Forest Service did not prepare adequate reconciliations to support the differences. Due to significant general ledger account adjustments that were posted during the fourth quarter of FY 2003, the USDA Forest Service ended its account relationship reconciliation efforts using June 30 general ledger data and re-performed the account relationship reconciliation using September 30 general ledger data. However, in reviewing the preliminary account relationships using September 30 general ledger data, there was no significant improvements from the account relationships prepared using the June 30 general ledger data.

Specifically, differences existed or were not adequately explained for the following general ledger account relationships:

- *Cumulative Results of Operations to Unexpended Appropriation* per the Statement of Changes in Net Position,
- Budgetary to proprietary *Advances from Others*,
- *Expended Authority to Appropriations Used*,
- Budgetary to proprietary *Reimbursable Revenue*,
- Budgetary to proprietary *Accounts Receivable – Governmental*,
- Budgetary to proprietary *Accounts Payable*, and
- Budgetary to proprietary *Advances to Others*.

The incomplete and unreconciled proprietary and budgetary analysis is attributable to the following three primary causes:

- The USDA Forest Service is not routinely reviewing, researching, adequately reconciling, and, if necessary, correcting account relationships.
- The USDA Forest Service is not performing the required research to understand the full impact that the USDA Forest Service's business processes have on the proprietary and budgetary account relationships.
- Historically, the USDA Forest Service has incorrectly used general ledger accounts in journal vouchers, as well as improperly posted (i.e., fiscal year posting, reversing, and non-reversing) such journal vouchers.

The *USDA FY 2003 Annual Close Guide*, Financial Analysis and Standards of General Ledger, General Rules for Reviewing an Agency's Financial Information, Section 7.2.4. states that relationships between the budgetary and proprietary general ledger accounts should be reviewed while performing financial analysis. This financial

analysis should be performed on a monthly basis, with particular attention given at year-end, and should include the review of the Federal Financial Information System (FFIS) Trial Balance. In addition, the *General Rules for Reviewing an Agency's Financial Information, Section 7.2.4*, further lists six account relationships that should be maintained on the agencies trial balance.

In addition, the USDA Forest Service's *Executive Level Action Plan*, Section 2E, 4<sup>th</sup> bullet states "Ensure coordination between budgetary and proprietary activities to maintain reconciled balances."

Failures in general ledger account relationships may significantly misstate the accuracy of both budgetary and proprietary financial statement line items. Furthermore, the USDA Forest Service year-end review of account relationships does not readily respond to deviations that may occur at any other time during the fiscal year.

**Recommendation Number 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.

**Recommendation Number 12:**

We recommend that the USDA Forest Service require an effective documented manager review and quality assurance review of the account relationship analysis.

---

**Material Weakness Number 2: Implementation of the USDA Forest Service Accrual Methodology Needs Strengthening**

---

During FY 2003, the USDA Forest Service developed a new accrual methodology (methodology), which was distributed to reporting units via the USDA Forest Service CFO Bulletin and implemented during the third and fourth quarters of FY 2003.

Although the USDA Forest Service made significant progress in developing an auditable accrual methodology, a review of the USDA Forest Service's June 2003 implementation disclosed discrepancies in the application of the methodology by reporting units. These discrepancies included significant use of the least favorable accrual estimation method, the straight line calculation, instead of using the other more favorable accrual estimation methods, including third party confirmations and the USDA Forest Service project manager estimates. As a result of the implementation weaknesses noted, the USDA Forest Service issued additional guidance to reporting units in August 2003.

---

**Implementation Deficiencies of Accrual Methodology Existed**

---

Although reporting units did improve their compliance with the methodology as of September 30, 2003, significant implementation deficiencies still existed as follows:

- A lack of an adequate understanding of the methodology resulted in the reporting of no accruals and "negative" accruals.
- Accruals were posted without adequate supporting documentation.
- Accrual data spreadsheets, that are used by the USDA Forest Service's Washington Office (WO) personnel to determine implementation progress, were altered or not used in a manner that was consistent with the methodology.

The above deficiencies existed because the reporting units lacked a clear understanding of the accrual process and the WO developed spreadsheet allowed for the reporting of a “negative” amount to be entered, when “Cumulative Payments Made” exceeded “Cumulative Expected Costs”.

In addition to the reporting unit deficiencies, USDA Forest Service WO personnel did not perform an adequate review and analysis of the reporting unit accrual data, which resulted in multiple errors in WO consolidating the individual reporting unit’s accrual data.

In addition to the CFO Bulletin, OMB Circular No. A-123, *Management Accountability and Control* provides that 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 examination.

The incorrect application of the methodology and inadequate WO monitoring of the implementation of the methodology resulted in an adjustment to increase the accrual by approximately \$2.1 million.

**Recommendation Number 13:**

We recommend that the USDA Forest Service WO Office of Finance revise the accrual spreadsheet to prevent the USDA Forest Service units from changing data fields or recording “negative” accruals.

**Recommendation Number 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.

**Recommendation Number 15:**

Perform WO 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.

---

**The USDA Forest Service’s Implementation of the Accrual Methodology was not Complete**

---

To determine the completeness of the USDA Forest Service accrual, a review was performed of material disbursement transactions processed subsequent to September 30, 2003. The disbursement reviewed were processed in the FFIS from October 1 to October 17, 2003. As a result of this review, 10 of 61 disbursement sample items should have been accrued prior to October 1, 2003 but were not and as a result, were considered exceptions. The value of these 10 accrual exceptions amounted to an accrual understatement of approximately \$11.7 million. The USDA Forest Service had not recorded an accrual for these transactions using its accrual methodology even though the documentation for receipt and acceptance of goods or the period of performance for the service indicated that the transaction should have been accrued as of September 30, 2003.



## Exhibit I

Because of the large number of exceptions discovered during the October 1 to October 17, 2003 period, the USDA Forest Service was requested to investigate the causes as well as review its material disbursement transactions processed during the period October 18 to November 15, 2003. As a result of this review, 12 of 64 sample items were noted as exceptions. The value of these 12 accrual exceptions amounted to an accrual understatement of approximately \$5.7 million. The USDA Forest Service also had not recorded an accrual for these transactions using its accrual methodology even though the documentation for receipt and acceptance of goods or the period of performance for the service indicated that the expenses should have been accrued as of September 30, 2003.

In addition, the USDA Forest Service WO did not review rejected accrual transactions and certain reporting units did not follow up with the USDA Forest Service WO to resolve their rejected transactions, the USDA Forest Service was requested to provide the value of the rejected transactions as of September 30, 2003. It was determined that the USDA Forest Service had not accrued for 519 rejected transactions in the amount of approximately \$24.5 million.

As a result of the USDA Forest Service analysis, the understatement of the accrual was attributable to the following reasons:

- The USDA Forest Service WO did not provide adequate accrual training to the reporting units.
- Reporting units did not provide adequate documentation for certain sample items.
- All accruals were not entered into FFIS due in part to the fact that FFIS was unavailable on the last day of the fiscal year to input accrual data.
- The USDA Forest Service WO did not establish a policy to manually review rejected accrual transactions to determine the validity of the transactions and certain reporting units did not follow up with the USDA Forest Service WO to resolve the rejected transactions.

The USDA Forest Service CFO Bulletin 2003-006 states that each reporting unit must maintain sufficient supporting documentation to allow the audit community to arrive at the same conclusions and accrual amounts.

In addition, the USDA Forest Service *Incident Accrual and Payment Matrix*, which is used by the USDA Forest Service reporting units to record fire accruals, indicates that by the close of business:

- September 23<sup>rd</sup>, the Incident Team provide an estimate for the remaining days in the month to the delegated incident unit.
- September 24<sup>th</sup>, the delegated incident unit update accruals in FFIS for the remaining days of the quarter or year.

Because of the lack of adequate year-end accruals and follow up by the USDA Forest Service WO and reporting units, the USDA Forest Service recorded an adjustment to increase the accrual by approximately \$41.9 million for the items discussed above.

### **Recommendation Number 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.

**Recommendation Number 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.

---

**Material Weakness Number 3: Controls Over PONTIUS and PRCH Data Access, Input, Integrity, and Segregation of Duties Need Improvement**

---

The Purchase Order Normal Tracking and Inventory System (PONTIUS) is the front end to the Purchase Order System (PRCH). Controls over data access, input, integrity, and segregation of duties play a crucial role in the accuracy and integrity of data stored in these systems. Internal control weaknesses in these areas were noted in PONTIUS and PRCH.

Due to the sensitive nature of the issues identified, we provided the USDA Forest Service with a separate, limited-distribution report which contains the detailed findings along with specific recommendations.

---

**Material Weakness Number 4: The USDA Forest Service Needs to Improve Its General Controls Environment**

---

During our audit, we identified the following conditions in the design and operation of the USDA Forest Service's general controls environment:

- General support and financial application systems have not been subjected to the certification and accreditation process per the requirements set-forth in OMB Circular No. A-130.
- An entity-wide process for assessing information technology security risks has not been instituted.
- Information technology security plans at some regional offices and national forests are missing, outdated, and/or incomplete.
- Internet access controls need improvement.
- Controls over software management need improvement.
- Identification of critical data/operations and current backup and recovery procedures and continuity of operations planning needs improvement.
- The USDA Forest Service has not executed an effective memorandum of understanding with the National Information Technology Center.
- The USDA Forest Service has not executed an effective memorandum of understanding with the National Finance Center.

Due to the sensitive nature of the issues identified, we provided the USDA Forest Service with a separate, limited-distribution report which contains the detailed findings along with specific recommendations. Although the separate, limited-distribution report classifies certain of the findings listed above as material weaknesses and the remaining ones as reportable conditions, we believe that, when considered together, the findings qualify as a material weakness.

## REPORTABLE CONDITIONS

---

### **Reportable Condition Number 1: The USDA Forest Service Needs to Continue to Improve its Internal Controls over its Reconciliation and Management of Fund Balance with Treasury**

---

Although the USDA Forest Service has made significant progress in improving its Fund Balance with Treasury (FBWT) reconciliation and management processes, we identified continuing control deficiencies.

---

#### **The FMS 6653/6654/6655 Reports Reconciliation Process Needs to be Improved**

---

During our control tests of the FBWT Financial Management Service (FMS) 6653/6654/6655 reports reconciliation process, we noted that:

- The USDA Forest Service could not provide adequate supporting documentation for the resolution of 20 of 50 sampled reconciled items from the June and July FBWT FMS 6653/6654/6655 reports (ten were below the USDA Forest Service materiality level of \$5,000, five were caused by reconciliation errors, and five had other causes), and
- 50 of 50 sample items were not resolved timely.

The December Treasury reconciliation reports reflect that the non-reconciling FMS 6652, 6653, 6654 and 6655 transactions related to September 30, 2003 and prior were less than \$1 thousand.

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 other reports. The documentation for transactions, management controls, and other significant events must be clear and readily available for examination.

USDA policy states that the USDA Forest Service needs to correct differences within 60 days after receipt of the Treasury reports.

The lag time in resolution is primarily due to the USDA Forest Service's current focus on reconciling the FMS 6652 transactions valued at \$5,000 or more.

Without a reconciled FBWT balance, the USDA Forest Service's general ledger could be out of balance with Treasury's. In addition, the USDA Forest Service could be understating revenues and/or expenses.

#### **Recommendation Number 18:**

We recommend that the USDA Forest Service perform complete and timely resolution of non-reconciling items for all FBWT accounts within 60 days of report receipt.

---

**Treasury Warrants Must Be Recorded Timely and Entered Using the Appropriate Transcode and Transtype**

---

During our testing of FBWT, we noted the following conditions:

- Forty-four routine Treasury warrants took an average of 27 business days from the date of approval until they were recorded in the general ledger.
- Four Treasury warrants were not properly entered into the general ledger (i.e., Treasury warrant rescissions were posted erroneously with the transcode/transtype AA01), causing the rescission to post to the wrong general ledger accounts.

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 other reports. The documentation for transactions, management controls, and other significant events must be clear and readily available for examination.

As a result of our general ledger testing, we noted that the USDA Forest Service did not maintain proper controls over the timeliness of Treasury warrant entry into the general ledger. Posting models for certain fund categories caused some of these timeliness occurrences. This erroneous posting model only posted the budgetary entry to the general ledger without posting the appropriate proprietary entry. In these instances, the proprietary entry for the Treasury warrant was posted at year-end using a journal voucher. Additionally, the USDA Forest Service did not maintain proper controls over the transcode/transtype entries that were posted to the general ledger for rescissions.

Without adequate controls being maintained over the Treasury warrants, forty-four (44) Treasury warrants were not posted to the general ledger in a timely manner, and four (4) rescissions were posted with the wrong transcode/transtype, which caused recording to the wrong general ledger accounts.

**Recommendation Number 19:**

We recommend that the USDA Forest Service establish a system of controls to accurately and timely record Treasury warrants.

---

**Reportable Condition Number 2: The Design and/or Implementation of Controls Related to the Accurate Recording of Personal Property Transactions Need Improvement**

---

The USDA Forest Service has improved its property internal controls during FY 2003, including monthly general ledger to property subsidiary ledger reconciliations and other corrective actions. The recent implementation of WO compensating controls, to include the search for assets recorded below the capitalization threshold, further illustrates the continuing commitment by the USDA Forest Service to improving the control environment necessary for accurate financial reporting of personal property.

While overall the USDA Forest Service control structure has improved, reporting unit controls remain a weakness in the overall reporting structure. Tests of both controls and substantive transactions revealed that data input by reporting units remains poor, as numerous data quality errors were identified.

---

**Transaction Data Were Not Recorded Accurately**

---

During our testing of internal control effectiveness we identified errors where the recorded data did not agree with the supporting documentation. These errors were noted 127 times in 160 personal property transactions and consisted of the following:

- 48 errors for items recorded below the capitalization threshold
- 32 errors for lack of sufficient supporting documentation
- 25 errors for FY 2002 or prior events being recorded in FY 2003
- 19 errors for unauthorized adjustments to recorded assets
- 3 errors for lack of supervisory review for property transfers.

During our substantive testing we also identified errors where the recorded data did not agree with the supporting documentation. These errors were noted 96 times in 493 personal property transactions and consisted of the following:

- 50 errors for FY 2002 or prior events being recorded in FY 2003
- 19 errors for items recorded below the capitalization threshold
- 10 errors for recorded cost not agreeing to the actual cost
- 7 errors for capitalizable items being recorded with an incorrect Budget Object Code
- 3 errors for capitalization of costs that should be a period expense
- 2 errors for improper write off of asset
- 2 errors in posting model use, causing a duplicate capitalization of a previously capitalized asset.
- 1 error for recording of a pre-payment as a capitalized asset
- 1 error for improper removal of a properly capitalized component cost
- 1 error for non-removal, the entry was intended to remove an asset but did not.

The effect of these errors results in an overstatement or an understatement of asset values. These errors can be attributed to a lack of trained personnel as well as a lack of supervisory review of the data input of these transactions.

The USDA Forest Service has been aware of the numerous errors within the property transactional population and has designed compensating controls at the WO to correct some of them. To identify and correct instances of items being recorded below the capitalization threshold, the PP&E Reconciliation Team has implemented a series of reviews of items below the capitalization threshold and period expenses found to be recorded in the personal property sub-ledgers during FY 2003. These reviews identified and corrected 58 of the 80 errors (73%) initially found for transactions below the capitalization threshold and capitalization of period costs. Although the remaining differences are considered errors, no adjustments were considered necessary because statistical testing results were within acceptable deviation limits. In addition, the USDA Forest Service has made a strong effort to ensure that accruals are recorded for property transactions that should be recorded in FY 2003.

**Recommendation Number 20:**

We recommend that the USDA Forest Service continue to train reporting unit personnel on accurate property transaction recording.

**Recommendation Number 21:**

We recommend that the USDA Forest Service monitor reporting units for compliance with the USDA Forest Service property transaction recording policies.

**Recommendation Number 22:**

We recommend that the USDA Forest Service ensure the continued, timely performance and refinement of WO compensating controls procedures.

---

**Reportable Condition Number 3: Controls Related to Physical Inventories of Capitalized Assets Need Improvement**

---

The USDA Forest Service WO provides capitalized asset written physical inventory instructions to the USDA Forest Service reporting units. We reviewed the instructions and believe they are effectively designed, except as noted below.

For economy and efficiency, the USDA Forest Service physically inventories personal property on a two-year cycle preferably in the even years. The latest was performed in FY 2002.

Real property inventory procedures were changed in FY 2003 to require inventories on a rolling basis. Regions are required to have completed a 100% inventory of all real property during a five-year period. In FY 2003, none of the reporting units visited for field site testing had yet performed any real property inventory procedures for the current year. As a result, we reviewed the latest ones performed in FY 2001.

Thus, the inventory records we reviewed in the FY 2003 audit were from prior years. Three types of deficiencies were noted from the review.

- Lack of Line Officer Certification of Inventory Completion - During our testing of inventory procedure controls for property, plant, and equipment, we identified that there were no line officer certification letters available, or the line officers signatures were dated before the inventory counts were completed. This deficiency was found at three of the eight reporting units tested for personal property and at three of the six reporting units tested for real property. Missed certifying letters could demonstrate inadequate management review creating incomplete inventory counts with a potential overstatement or understatement of assets. This condition is caused by a lack of supervision and/or oversight of the inventory procedures performed.
- Lack of Signatures and or Dates on Inventory Records - During our testing of inventory procedure controls for property, plant, and equipment, we identified that there were: no signatures or there were inadequate signatures; and/or no dates on the reports and records evidencing that the employee performing the physical inventories had confirmed the existence of the inventory items. This deficiency was found at six of the eight reporting units tested for personal property and at one of the six reporting units tested for real property. Unsigned and undated physical inventory lists could result in an overstatement of assets because the physical existence of assets was not verified and/or properly recorded. This condition is caused by a lack of compliance by field units with the USDA Forest Service's written inventory instructions.

- Non-Reconciling Items Discovered during Physical Inventories were not Corrected in the Property Systems – Resulting in Incorrect Financial Reporting- During our testing of inventory procedure controls for property, plant, and equipment, we identified that non-reconciling items discovered during the physical inventory were not corrected in the property systems. This deficiency was found at five of the eight reporting units tested for personal property and at five of the six reporting units tested for real property.

The effect is an overstatement or an understatement of assets because assets were not properly recorded in the property subsidiary ledgers. This deficiency resulted from a lack of compliance by and/or supervision of the personnel doing the physical inventory.

The USDA Forest Service has responded to this previous reportable condition by both providing new instructions to field units and by providing on-line training sessions for the performance of real property inventories. We were unable to test the effectiveness of this response, as the real property inventory was performed after field site control testing. The USDA Forest Service has indicated that the same measures will be taken to improve the controls related to personal property physical inventories in FY 2004.

**Recommendation Number 23:**

We recommend that the USDA Forest Service implement the proper physical inventory procedures.

**Recommendation Number 24:**

We recommend that the USDA Forest Service monitor reporting units for compliance with the USDA Forest Service written physical inventory instructions.

---

**Reportable Condition Number 4: Postings of Certain Transactions Needs to Contain the Proper Reference Data to Link Related Transactions**

---

The USDA Forest Service business processes require that relevant information needed to link related transactions such as document and agreement number be entered in the general ledger module of FFIS as well as the related FFIS cost accounting module called Project Cost Accounting System (PCAS). This link facilitates the matching of related transactions, such as an advance and the draw down of that advance through subsequent payments, which results in a net balance. However, this required information is not always entered in the system. We noted the following examples:

- Advances From Others – Expenditures were not consistently allocated to reduce the relevant advances, resulting in inaccurate balances.
- Accounts Receivable – For certain agreements, unbilled receivables were generated by PCAS. The unbilled receivables were subsequently superceded by bills generated by FFIS. However, the PCAS bills were not canceled resulting in duplicate accounts receivable.
- Trust and Deposit Liabilities – The trust and deposit extract provided by the USDA Forest Service, excluding timber-related transactions, did not contain the net amount of related transactions due to the lack of reference data, such as document number, that is necessary to link related transactions. This lack of linking data affects transactions which total approximately \$13 million.

- Unliquidated Obligations (ULO) - The ULO extract did not contain the net amount of certain transactions due to the lack of reference data (e.g., document numbers or agreement numbers) necessary to link related debit and credit transactions. In our sample of non-routine transactions, 5 out of 121 sample items were not properly referenced/linked to its related transaction. The lack of linking data does not have an impact on the overall ULO balance.

**Recommendation Number 25:**

We recommend that the USDA Forest Service develop a methodology to link transactions that are currently in the financial systems.

**Recommendation Number 26:**

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.

**Recommendation Number 27:**

We recommend that the USDA Forest Service establish direction and quality assurance protocols to ensure that appropriate data be entered in the system.

---

**Reportable Condition Number 5: Compilation of the USDA Forest Service's Required Supplementary Information (RSI) and Required Supplementary Stewardship Information (RSSI) Needs Improvement**

---

We noted that the USDA Forest Service does not have adequate controls to ensure the consistency and timeliness of information compiled and reported in its RSI and RSSI Sections of the financial statements. Specifically:

- The information provided for RSI and RSSI was not completed and available within the required financial statement reporting timelines due to the USDA Forest Service's inadequate reporting procedures.
- Reliable RSI and RSSI data was not available because the USDA Forest Service had prepared this information as of other period-ends.

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 other reports. The documentation for transactions, management controls, and other significant events must be clear and readily available for examination.

**Recommendation Number 28:**

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.



---

**Reportable Condition Number 6: The USDA Forest Service Application Systems Controls Need Improvement**

---

During our audit we identified the following weaknesses in the design and operation of the USDA Forest Service's internal control structure:

- Controls surrounding PROP user access, system interfaces, and automated edit checks need improvement
- EMIS access controls, edit checks, and exception processing need improvement
- Lack of key security, documentation and access controls in ATSA
- Access controls, segregation of duties, and automated controls for FFIS need improvement

Due to the sensitive nature of the issues identified, we provided the USDA Forest Service officials with a separate, limited-distribution report which contains the detailed findings along with specific recommendations.

**STATUS OF PRIOR YEAR’S RECOMMENDATIONS**

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.

<b>All Reported Conditions In this Table are Referenced to the USDA OIG Audit Report No. 08401-1-FM January 2003</b>		
<b>Reported Condition</b>	<b>Recommendation</b>	<b>Status</b>
Material Weakness #1: The USDA Forest Service Must Continue to Develop and Improve its Internal Controls over its Reconciliation and Accountability of Fund Balance with Treasury	1. We recommend that the Forest Service (a) complete the documentation of its reconciliation process for the 6653/6654/6655 process, (b) work with the USDA NFC to develop service level agreements which include specific responsibilities, roles, clearing timelines and escalation procedures for resolution of non-compliance with the agreement terms. These agreements need to identify appropriate points of contact in the affected units that will assist in the reconciliation of transactions that are processed by NFC on the Forest Service’s behalf, and (c) determine what the Forest Service resources are necessary to perform complete and timely reconciliations of all Fund Balance with Treasury accounts and allocate the personnel resources necessary to ensure that this process is completed monthly as required by the TFM.	1.a. & 1.b. In Process – Fiscal Year 2003 Reportable Condition  1.c. Open – Fiscal Year 2003 Reportable Condition

All Reported Conditions In this Table are Referenced to the USDA OIG Audit Report No. 08401-1-FM January 2003		
Reported Condition	Recommendation	Status
	2. We recommend that the Forest Service (a) completely reconcile each FMS 6652 unmatched report each month, including those reconciling items which are below the current \$5 thousand threshold; and (b) work with the USDA NFC to develop service level agreements which include specific responsibilities, roles, clearing timelines and escalation procedures for resolution of noncompliance with agreement terms. These agreements will identify appropriate points of contact that can assist the Forest Service in resolving reconciling items that are processed by NFC on the Forest Service's behalf.	2.a. & 2.b. Closed
	3. We recommend that the Forest Service (a) analyze the composition of its budget clearing accounts and determine the proper disposition of the balances in Treasury accounts 12F3875 and 12F3885 at least on a quarterly basis and (b) identify all revenue generating business processes that are currently maintained in the budget clearing account and work with OMB and U.S. Department of the Treasury to establish a separate receipt and expenditure Treasury account so that revenue collections will not reside in the 12F3875 clearing account.	3.a. & 3.b. In Process - Fiscal Year 2003 Reportable Condition
Material Weakness #2: The USDA Forest Service Must Improve its Control Design and/or Implementation Related to the Accurate Recording of Property Transactions	1. We recommend that the Forest Service (a) train its personnel on accurate transaction recording, (b) require supervisory review of data input of property transactions, and (c) monitor compliance through a formalized quality assurance process.	1.a., 1.b., & 1.c. In Process – Fiscal Year 2003 Reportable Condition.
	2. We recommend that the Forest Service improve the design and operation of its labor cost and other cost capitalization controls.	Closed

All Reported Conditions In this Table are Referenced to the USDA OIG Audit Report No. 08401-1-FM January 2003		
Reported Condition	Recommendation	Status
	3. We recommend that the Forest Service design and implement a control methodology that independently verifies the initial recording of asset acquisition cost, in-service date, and useful life, as well as other critical data elements to ensure proper depreciation of capital assets.	Closed
Material Weakness #3: The USDA Forest Service Must Develop A Comprehensive Accrual Methodology	1. We recommend the Forest Service (a) develop an accrual methodology for use in fiscal year 2003 that will provide for an estimate using known individual current business activity in accordance with appropriate FASAB guidance and (b) maintain the supporting documentation (i.e., invoices and information used to develop estimates) used to determine the accrual for management review.	1.a. Closed 1.b. Open – Fiscal Year 2003 Material Weakness
Material Weakness #4: USDA Forest Service Must Improve its Controls Over the Payroll Process	1. We recommend that the Forest Service implement adequate system controls in Paycheck to ensure that the employee’s supervisor of record appropriately reviews and approves his/her subordinates timesheets.	1. In Process – Fiscal Year 2003 Management Letter Comment
	2. We recommend that the Forest Service (a) reinforce the requirement that timesheets be signed by both the employee and supervisor of record and (b) require accounting units to reconcile and certify their payroll registers to their personnel listing bi-weekly and retain this information for periodic reviews and audits.	2.a. In Process – Fiscal Year 2003 Management Letter Comment 2.b. Closed
Material Weakness #5: The USDA Forest Service Must Improve Its General Controls Environment	Due to the sensitive nature of the issues identified, we provided the Forest Service officials with a separate, limited-distribution report which contains the detailed findings along with specific recommendations.	See Separate IT Report For Current Year Status

All Reported Conditions In this Table are Referenced to the USDA OIG Audit Report No. 08401-1-FM January 2003		
Reported Condition	Recommendation	Status
Material Weakness #6: The USDA Forest Service Must Improve Its Application Controls for Data Integrity and Access Privileges for Pontius, PRCH, PROP, and EMIS	Due to the sensitive nature of the issues identified, we provided the Forest Service officials with a separate, limited-distribution report which contains the detailed findings along with specific recommendations.	See Separate IT Report For Current Year Status
Reportable Condition #1: Postings of Certain Transactions Do Not Contain the Proper Reference Data to Link Related Transactions	1. We recommend that the Forest Service (a) develop a methodology to link related transactions that are currently in the financial systems. Additionally, the Forest Service should incorporate edit checks to disallow processing of transactions that do not provide the required data and (b) establish direction and quality assurance protocols to ensure that appropriate data be entered in the system.	1.a. & 1.b. In Process – Fiscal Year 2003 Reportable Condition
Reportable Condition #2: Reconciliations Between FFIS and Subsidiary Ledgers are Needed	1. We recommend that the Forest Service (a) periodically reconcile, at the Forest Service level, earned revenue, deposit and unearned revenue recorded in the ATSA system with that recorded in FFIS and (b) periodically reconcile advances from others and accounts receivable recorded in the PCAS and general ledger modules of FFIS.	1.a. & 1.b. Closed

All Reported Conditions In this Table are Referenced to the USDA OIG Audit Report No. 08401-1-FM January 2003		
Reported Condition	Recommendation	Status
Reportable Condition #3: Unliquidated Obligation Reconciliations Need Improvement and Additional Related Procedures Need to be Developed	1. We recommend that the Forest Service (a) revise the existing CFO Bulletin 2002-005 to establish specific procedures to be performed for the certification of open obligations, include a policy for specific duties of the Washington Office, Regional Offices, and Forest Level Offices, and include information on the retention of documentation supporting the certification review, (b) require that each accounting unit review and certify its obligations quarterly, with the fourth quarter review and certification occurring as of August 31. In addition, each accounting unit should also ensure that deobligations occur within 30 days from the time the obligation amount is determined to be no longer valid, (c) work with NFC, via a service level agreement, to create procedures to ensure that payments processed via IPAC and payments made to GSA for FEDSTRIP transactions properly reference the obligation document and reduce the obligation when payments are made, (d) emphasize first through the issuance of a CFO Bulletin, and then through policy direction in the Forest Service manuals and handbooks, the importance of checking the final payment checkbox, when appropriate, to ensure that final payments reduce obligations to zero, (e) discontinue using convenience checks for paying purchase order obligations and ensure that supervisors reemphasize that convenience checks should not be used for this purpose, and (f) ensure that each accounting unit maintains documentation for amounts obligated in FFIS (i.e., contract, purchase order, grant or other documents supporting the obligation) as long as the obligation is valid, even if the period of time extends beyond the 3 year documentation retention policy.	1.a., 1.b., 1.c., 1.d., 1.e., & 1.f., In Process – Reported as a Management Letter Comment.

All Reported Conditions In this Table are Referenced to the USDA OIG Audit Report No. 08401-1-FM January 2003		
Reported Condition	Recommendation	Status
Reportable Condition #4: The Grants and Agreements Process Needs Improved Internal Controls As Well As Refined Procedures	1. We recommend that the Forest Service (a) obtain written authorizations for grantee or cooperator's representative, (b) establish a uniform procedure on how the Forest Service documents reviews and approvals prior to payment, (c) issue agreement award letters to cooperators upon award of the agreement, and (d) document appropriate monitoring procedures in grants that provide for regular periodic oversight of the grantee.	1.a., 1.b., 1.c., & 1.d. In Process – Fiscal Year 2003 Management Letter Comment
	2. We recommend that the Forest Service (a) develop a system that can be used to track the financial and operational aspects of all grants and agreements, (b) enter obligations, or at least an estimate of the expected obligations, at the time the Forest Service executes a binding agreement with the grantee or cooperator, (c) review payment data that is entered into FFIS to ensure data integrity (i.e., the correct amount and correct job code are used) and ensure that proper supporting documentation is maintained, (d) require all grantees and cooperators to submit SF-270's for payments and advances, and (e) require the grantees or cooperators to submit SF-269's on a quarterly basis that ends March 31, June 30, September 30, and December 31.	2.a., 2.b., 2.c., 2.d., & 2.e. In Process – Fiscal Year 2003 Management Letter Comment
	3. We also recommend that the Northeastern Area Office ensure that the grant related payments processed through HHS are entered into FFIS on a timely basis.	3. Closed
Reportable Condition #5: Controls Related to Physical Inventories of Capitalized Assets Need Improvement	1. We recommend that the Forest Service (a) design and add to appropriate physical inventory instructions steps for the completeness testing of pooled real property, (b) train employees on the proper physical inventory procedures, and (c) monitor accounting units for compliance with the Forest Service written physical inventory instructions.	1.a. Closed  1.b. & 1.c. In Process – Fiscal year 2003 Reportable Condition

All Reported Conditions In this Table are Referenced to the USDA OIG Audit Report No. 08401-1-FM January 2003		
Reported Condition	Recommendation	Status
Reportable Condition #6: Procurement Controls and Procedures Need Improvement	1. We recommend that the Forest Service (a) ensure that all the Forest Service purchase cardholders are authorized in writing, (b) ensure purchase requisitions, invoices and invoice receipt certifications are properly prepared, received and accepted, approved, and maintained for review, and (c) develop policies and procedures that require the LAPCs to perform specific procedures, including a review of the card holders reconciliation, for their reviews of purchase cardholders and require this review to be performed monthly.	1.a., 1.b., & 1.c. In Process – Fiscal Year 2003 Management Letter Comment
	2. We recommend that the Forest Service (a) develop a centralized reporting system for all contracts, (b) ensure that the expenditures are supported by obligation documents and are obligated in FFIS at the time the Forest Service has entered into a binding agreement with another party. If exact obligations are initially unknown, estimates based upon historical activity should be made and subsequently adjusted when exact amounts are known, (c) ensure that all supporting documentation is available for examination, (d) emphasize that all invoices or similar documents are to be closely and accurately reviewed by an individual separate from the data entry person and that FFIS expenditure amounts are accurately recorded, and (e) assure that job codes are accurately recorded on all source documents and are properly recorded in FFIS.	2.a., 2.b., 2.c., 2.d., & 2.e. In Process – Fiscal Year 2003 Management Letter Comment



All Reported Conditions In this Table are Referenced to the USDA OIG Audit Report No. 08401-1-FM January 2003		
Reported Condition	Recommendation	Status
Reportable Condition #7: USDA Forest Service Information Systems Need Improvements in Addition to the Material Weaknesses "Previously Noted"	Due to the sensitive nature of the issues identified, we provided the Forest Service officials with a separate, limited-distribution report which contains the detailed findings along with specific recommendations.	See Separate IT Report For Current Year Status

## NON-COMPLIANCE WITH FFMIA

---

### **The USDA Forest Service Systems are Not Compliant with Federal Financial Management System Requirements (Noted in Material Weakness)**

---

During our audit we noted that the USDA Forest Service does not have timely formal certification and accreditations in accordance with OMB Circular No. A-130, *Management of Federal Information Resources* performed on its PONTIUS, PRCH, EMIS, PROP, INFRA Central, ATSA, and Paycheck 7 applications and their general support environment. A certification and accreditation is a requirement for systems that comply with FFMIA, Joint Financial Management Improvement Program (JFMIP) standards, as well as OMB Circular No. A-130.

Based on the above observation and our other observations of application control weaknesses in these systems, some of which are maintained by the National Finance Center (NFC), these systems are not in compliance with FFMIA.

#### **Recommendation Number 29:**

We recommend that the USDA Forest Service, working with the NFC, as necessary, take steps to certify and accredit the PONTIUS, PRCH, EMIS, PROP, INFRA Central, ATSA, and Paycheck 7 systems and their general support environment or replace these legacy systems.

---

### **The USDA Forest Service Revenue Collections from Certain Business Processes Are Not Recognized As Revenue When Earned (Noted in Material Weakness)**

---

Although the USDA Forest Service has made improvements in its business processes for Map Sales and the National Recreation Reservation System (NRRS) through the issuance of CFO Bulletins, the following weaknesses still exist.

We noted that the USDA Forest Service does not recognize revenue at the point of sale for certain collections. Instead, the USDA Forest Service collects these receipts in its clearing account and then periodically moves the funds to a special receipt account. Some examples of the revenues that are not currently recognized at the point of sale, but adjusted during the year are as follows:

- *Map Sales* – Collections of earned revenue related to sale of maps by the USDA Forest Service is deposited into a suspense account and not recognized as earned revenue until the USDA Forest Service periodically transfers the funds to a special receipt account.
- *NRRS* – Collections received for camp site reservations are not recognized as revenue when earned. The collections are deposited into the Treasury suspense account and are periodically recognized as revenue when the collections are transferred to an appropriated account.

Because the USDA Forest Service does not recognize revenue at the point of sale (e.g., revenue is recognized through a series of AJV's) for these and other transactions, it is not in compliance with SFFAS Number 7, *Accounting for Revenue and Other Financing Sources* as well as the United States SGL posting logic.

The USDA Forest Service was not aware of this non-compliance and as a result did not have SGL posting logic that was compliant with the applicable standards.

**Recommendation Number 30:**

We recommend that the USDA Forest Service develop a posting model to ensure that revenue is recognized when earned.

**Recommendation Number 31:**

We recommend that the USDA Forest Service notify and train the USDA Forest Service personnel on the new revenue posting model.

---

**Improper Accounting for Budgetary Resources in Special and Non-Revolving Trust Funds (Noted in Material Weakness)**

---

The USDA Forest Service was erroneously recognizing special and non-revolving trust fund resources as “Unexpended Appropriations” (GL 3100 series) even though they did not receive appropriation or allocation transfers. The USDA Forest Service was not aware that it was erroneously processing special and non-revolving trust fund resources via an invalid general ledger entry.

The USDA Forest Service was not aware of this non-compliance and as a result did not have SGL posting logic that was compliant with the applicable standards.

**Recommendation Number 32:**

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.

---

**Other Accounting Errors and Lack of Budgetary/Proprietary Synchronization (Noted in Various Material Weaknesses and Reportable Conditions)**

---

During the audit various other errors were discovered that cause noncompliance with the SGL or accounting standards. The additional areas of deficiencies that caused non-compliance with FFMIA are:

- Excessive manual AJV’s
- Incorrect posting of transactions (i.e., Treasury Warrants)
- Budgetary and proprietary accounts not in agreement

**Recommendation Number 33:**

We recommend that the USDA Forest Service revise its posting models to properly record transactions initially and avoid excessive AJVs.

**Recommendation Number 34:**

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.



# Appendices

## Appendix A. FY 2003 Program Tables

Table 1. Extramural research funded through Forest Service research appropriations—fiscal years 2001-2003

Table 2. Timber offered, sold, and harvested by region—fiscal years 2002-2003

Table 3. Estimated number of sales and timber volumes sold and harvested by State—fiscal year 2003

Table 4. Uncut timber volume under contract by region (all products)—fiscal years 1999-2003

Table 5. Forest land management funding—fiscal years 2001-2003

Table 6. Sold value of special forest products—fiscal years 2002-2003

Table 7. Workforce Equal Employment Opportunity (EEO) profile by pay levels, as of September 22, 2003

Table 8. Permanent and excepted-conditional employees by race/national origin and gender, as of September 22, 2003

Table 9. Number of paid employees by type of appointment—fiscal years 1996-2003

Table 10. Summary of forest stewardship plans and acres accomplished by State

Table 11. National Forest System lands administered by the Forest Service as of September 30, 2003

Table 12. Summary of Forest Service Senior, Youth, and Volunteer Program—fiscal year 2003/program year 2002

**Table 1. Extramural research funded through Forest Service research appropriations—fiscal years 2001–2003**

Type of recipient	FY 2003 <sup>28</sup>		FY 2002		FY 2001	
	Dollars in thousands	Number of grants	Dollars in thousands	Number of grants	Dollars in thousands	Number of grants
<b>Domestic grantees</b>						
Universities and colleges:						
Land Grant research institutions	\$10,600	260	\$10,921	316	\$13,988	416
1890 Land Grant and predominately Black institutions	6	1	190	6	291	7
Other non-Land Grant institutions	4,682	96	6,599	168	7,723	216
Subtotal, universities and colleges	15,288	357	17,710	490	22,002	639
<b>Other domestic</b>						
Profit organizations	410	7	269	7	249	7
Nonprofit institutions and organizations	1,064	30	987	45	1,123	51
Federal, State, and local governments	1,224	35	3,208	78	1,771	46
Private individuals	190	3	123	8	212	10
Small business innovation research	0	0	550	7	556	11
Industrial firms	40	4	175	4	0	0
Subtotal, other domestic	2,928	79	5,312	149	3,911	125
Total, domestic	18,216	436	23,022	639	25,913	764
<b>Foreign grantees</b>						
Universities and colleges	33	4	149	8	136	13
Profit and nonprofit institutions and organizations	28	3	255	15	110	10
Private individuals	0	0	119	1	85	7
Total, foreign grantees	61	7	523	24	331	30
Grand total	\$18,277	443	\$23,545	663	\$26,244	794

<sup>28</sup>FY 2003 is an estimate.

Table 2. Timber offered, sold, and harvested by region—fiscal years 2002-2003<sup>29</sup>

	2002						2003																
	Offered <sup>30</sup>			Sold <sup>31</sup>			Harvested <sup>32</sup>			Sold			Harvested										
	MMBF	MMCF	MMBF	MMBF	MMCF	MMCF	MMBF	MMCF	MMCF	MMBF	MMCF	MMCF	MMBF	MMCF	MMCF								
Northern (R-1)	235.3	49.0	242.3	50.0	228.4	48.0	171.1	35.4	143.4	30.4	246.7	50.8	101.4	20.1	104.7	25.7	139.6	28.7	83.4	17.2	114.5	23.5	
Rocky Mountain (R-2)	75.1	13.1	65.8	11.6	70.8	12.5	114.0	21.7	92.6	16.8	79.5	14.2	96.6	17.7	80.6	16.3	111.7	20.6	43.9	8.0	70.2	13.0	
Southwestern (R-3)	238.0	49.0	251.0	54.8	259.6	54.5	286.3	56.4	219.4	43.0	298.6	62.6	334.5	64.8	306.1	65.0	437.5	83.5	400.2	76.6	320.9	70.1	
Intermountain (R-4)	276.7	50.3	227.6	41.7	293.6	53.6	374.9	69.2	299.9	54.8	279.0	50.8	369.4	59.7	316.9	57.3	345.9	56.0	318.3	51.5	357.0	58.0	
Pacific Southwest (R-5)	57.5	11.8	24.4	6.3	34.1	7.4	88.8	18.7	36.5	7.6	51.3	10.8	1,784.6	335.5	1,619.4	340.3	2,069.8	390.1	1,637.6	305.9	1,817.8	353.7	
Pacific Northwest (R-6)																							
Southern (R-8)																							
Eastern (R-9)																							
Alaska (R-10)																							
Total																							

MMBF = million board feet. MMCF = million cubic feet. Columns may not add due to rounding.

<sup>29</sup>Offered and sold volumes will not be equal since some sales were not sold (awarded) in the same fiscal year in which they were offered. Some sales did not receive any bids or were withdrawn.

<sup>30</sup>Sales offered for the fiscal year being displayed. Offer data comes from the Periodic Timber Sale Accomplishment Report.

<sup>31</sup>Includes sales offered in prior fiscal years and sold in the fiscal year being displayed and miscellaneous small sales that were previously offered and/or sold in the fiscal year being displayed. Does not include the volume of long-term sales released for harvesting. Sold data comes from the cut and sold report.

<sup>32</sup>Includes the volume harvested on long-term sales. Harvest data comes from the cut and sold report.

**Table 3. Estimated number of sales and timber volumes sold and harvested by State—fiscal year 2003<sup>33&34</sup>**

State or Commonwealth <sup>35</sup>	Number of sales	Timber Sold			Timber Harvested		
		Volume		Bid Value <sup>36</sup> (Dollars)	Volume		Receipts (Dollars)
		MMBF	MMCF		MMBF	MMCF	
Alabama	101	6.6	1.2	\$626,304	2.5	0.5	\$180,701
Alaska	50	27.8	5.7	1,454,524	31.3	6.9	1,355,428
Arizona	8,702	55.9	9.8	771,094	40.9	7.2	687,627
Arkansas	1,023	107.1	19.5	9,788,335	114.8	20.9	17,172,570
California	25,710	207.2	39.7	12,303,671	274.1	58.0	14,459,636
Colorado	927	19.5	4.1	726,356	32.7	6.7	1,653,151
Florida	216	35.1	6.4	1,662,735	52.2	9.5	2,600,730
Georgia	403	1.3	0.2	44,169	1.2	0.2	40,259
Idaho	12,753	42.8	8.6	4,436,892	145.1	28.2	13,499,564
Illinois	47	0.0	0.0	467	0.1	0.0	512
Indiana	5	0.1	0.0	7,349	0.2	0.0	12,852
Kentucky	229	3.0	0.5	313,463	4.0	0.7	330,254
Louisiana	194	15.3	2.8	1,308,289	3.1	0.6	276,061
Michigan	1,768	80.3	12.9	5,069,157	94.4	15.3	7,536,405
Minnesota	88	43.7	7.0	2,592,287	81.4	13.2	5,839,126
Mississippi	141	47.2	8.6	7,148,249	40.2	7.3	7,105,684
Missouri	312	57.3	9.5	6,579,498	42.7	7.1	3,004,850
Montana	8,261	111.3	23.6	5,256,376	140.9	30.1	10,660,800
Nebraska	11	0.0	0.0	218	0.0	0.0	120
Nevada	899	1.0	0.2	18,739	1.2	0.2	19,557
New Hampshire	105	1.6	0.3	67,079	6.6	1.1	435,189
New Mexico	13,674	39.5	7.7	492,872	30.1	5.4	452,290
New York	12	0.0	0.0	240	0.0	0.0	220
North Carolina	518	11.2	2.0	1,065,083	6.9	1.3	547,073
North Dakota	17	0.0	0.0	171	0.0	0.0	264
Ohio	65	0.1	0.0	4,881	0.1	0.0	3,937
Oklahoma	25	8.1	1.5	1,326,172	11.1	2.0	1,487,476
Oregon	17,778	239.8	46.2	22,098,836	220.5	49.7	16,653,995
Pennsylvania	106	9.4	1.5	10,637,037	18.0	2.9	16,117,069
South Carolina	179	8.2	1.5	691,962	12.0	2.2	1,027,357
South Dakota	574	36.2	7.5	4,442,689	60.5	12.5	5,578,021
Tennessee	110	6.5	0.7	159,099	5.2	0.7	405,187
Texas	87	16.0	2.9	2,370,596	12.9	2.3	1,813,623
Utah	3,378	14.8	2.9	1,392,151	19.8	3.8	1,048,814
Vermont	48	0.1	0.0	1,100	0.3	0.0	50,399
Virginia	1,629	16.5	3.0	1,513,898	12.9	2.4	1,278,439
Washington	7,300	86.5	16.8	5,408,963	86.1	16.7	6,898,285
West Virginia	130	1.8	0.3	682,539	13.0	2.2	2,610,439
Wisconsin	1,054	46.8	7.6	2,791,339	85.5	13.8	5,089,266
Wyoming	2,545	7.7	1.4	344,913	15.9	3.0	751,487
<b>Total</b>	<b>111,171</b>	<b>1,413.3</b>	<b>264.1</b>	<b>\$115,599,793</b>	<b>1,720.7</b>	<b>334.5</b>	<b>\$148,684,720</b>

MMBF = million board feet. MMCF = million cubic feet. Columns may not add due to rounding.

<sup>33</sup>Estimated from actual accomplishments as of June 30, 2003.

<sup>34</sup>Data source is the cut and sold report. Excludes nonconvertible special forest products.

<sup>35</sup>Unlisted States had no timber sold or harvested in FY 2002.

<sup>36</sup>Dollar amounts for Bid Value and Receipts includes reforestation, stand improvement, and timber salvage collections. Does not include brush disposal or value of roads.



**Table 4. Uncut timber volume under contract by region (all products)—fiscal years 1999–2003<sup>37</sup>**

Region	FY 2003 <sup>38</sup>		FY 2002		FY 2001		FY 2000		FY 1999	
	MMBF <sup>39</sup>	MMCF <sup>40</sup>	MMBF	MMCF	MMBF	MMCF	MMBF	MMCF	MMBF	MMCF
Northern (R-1)	405	84	426	89	417	87	444	93	501	105
Rocky Mountain (R-2)	272	54	302	60	336	75	400	89	432	96
Southwestern (R-3)	64	11	68	12	81	16	79	16	79	16
Intermountain (R-4)	134	25	159	29	200	38	208	36	299	52
Pacific Southwest (R-5)	509	105	542	112	847	169	545	109	663	133
Pacific Northwest (R-6)	827	160	897	174	906	176	958	190	1,170	232
Southern (R-8)	402	73	458	83	554	101	610	111	727	132
Eastern (R-9)	599	97	684	111	736	119	877	142	1,095	177
Alaska (R-10) <sup>41</sup>	322	66	296	61	337	72	336	72	234	50
Total	3,534	675	3,832	730	4,413	854	4,456	858	5,199	993

**Table 5. Forest land management funding—fiscal years 2001–2003<sup>42</sup>**

	FY 2003	(in thousands) <sup>43</sup> FY 2002	FY 2001
Timber sales management	\$263,628	\$266,340	\$255,281
Forest land vegetation management <sup>44</sup>	55,000	80,000	53,888
Forest Service road construction—purchaser election (timber-related) <sup>45</sup>	370	729	633
Total, appropriated accounts	318,998	347,069	309,802
<b>Special accounts</b>			
Timber salvage sales	77,130	76,458	119,636
Knutson-Vandenberg (K-V) reforestation and timber stand improvement <sup>46</sup>	61,600	34,600	83,183
Timber sale pipeline restoration fund (sale preparation)	1,009	2,700	0
Brush disposal	16,509	18,584	19,932
Reforestation trust fund	30,000	30,000	30,000
Total, special accounts	186,248	162,342	252,751
Total	\$505,246	\$509,411	\$562,553

<sup>37</sup>Data source is the Automated Timber Sale Accounting (ATSA) system.

<sup>38</sup>Estimate based on trends from 1999.

<sup>39</sup>MMBF volume (million board feet) is in local scale.

<sup>40</sup>Conversions from million board feet (MMBF) to million cubic feet (MMCF) based on actual regional conversion factors, which vary by region and fiscal year.

<sup>41</sup>Long-term sales not included.

<sup>42</sup>Data source is each fiscal year's final program budget advice or budget authority.

<sup>43</sup>This includes General Administration (GA) expenses.

<sup>44</sup>In FY 2001, forest land vegetation management (FV) was combined with vegetation and watershed management. The FV amount is estimated based on the President's budget.

<sup>45</sup>FY 2003 amount provided from 10-month actual obligations and 2-month estimates. An additional \$28 million was transferred for wildfire suppression funding.

<sup>46</sup>This is estimated from field request data.

**Table 6. Sold value of special forest products—fiscal years 2002–2003<sup>47</sup>**

Product category	Sold Value (in actual dollars)			
	Fiscal Year		Third Quarter Cumulative	
	2002	2003 <sup>48</sup>	FY 2002	FY 2003
Christmas trees	\$1,375,205	\$1,425,806	\$1,366,287	\$1,416,620
Bee trees	80	0	80	0
Transplants	190,691	194,076	152,365	161,598
Limbs and boughs	644,799	436,998	72,502	231,515
Foliage	121,918	124,068	58,846	81,767
Needles	2,793	1,697	2,193	1,397
Bark	8,225	3,384	4,925	2,415
Cones, green	4,238	302	4,058	290
Cones, dry	20,508	33,341	13,053	24,451
Seed	19,694	7,879	10,045	5,288
Nuts and seed	18,719	11,101	3,978	6,211
Fruits and berries	5,279	50	325	26
Tree sap	3,192	5,967	3,192	5,967
Roots	22,708	7,252	11,038	4,790
Bulbs	70	780	70	780
Mushrooms	379,596	213,041	192,536	142,713
Fungi	1,312	1,248	1,162	1,120
Mosses	11,127	13,351	8,386	10,712
Herbs	2,602	1,192	1,377	810
Ferns	454	275	454	275
Wildflowers	6,484	2,275	3,690	1,590
Grass	212,743	187,328	168,380	155,005
Vines	954	619	745	508
Mistletoe	1,420	583	1,400	575
Cacti	148	0	80	0
Other plants	871	1,820	457	1,234
Miscellaneous	118,830	97,787	104,901	87,527
<b>Total</b>	<b>\$3,174,657</b>	<b>\$2,772,220</b>	<b>\$2,186,521</b>	<b>\$2,345,183</b>

<sup>47</sup>Data source is final fiscal year cut and sold report. It includes all products not convertible to board foot or cubic units. Product values have been rounded and may not add to the actual total shown.

<sup>48</sup>Estimated from actual FY 2003 Third Quarter Accomplishments as of June 30, 2003.

Table 7. Workforce Equal Employment Opportunity (EEO) profile by pay levels, as of September 22, 2003

GS Pay Level	American Indian/ Alaskan Native		Asian/Pacific Islander		African American		Hispanic		Caucasian		Total	
	Women	Men	Women	Men	Women	Men	Women	Men	Women	Men	Women	Men
GS-1	0	0	0	0	0	1	1	0	1	0	2	1
GS-2	0	0	0	0	3	3	0	1	4	4	7	8
GS-3	5	3	1	5	6	13	5	14	65	65	82	100
GS-4	37	36	11	16	43	42	64	95	538	545	693	734
GS-5	74	92	24	18	77	58	104	168	1,188	1,228	1,467	1,564
GS-6	57	101	22	20	65	35	65	117	860	1,094	1,069	1,367
GS-7	105	144	33	11	105	90	133	156	1,553	1,921	1,929	2,322
GS-8	16	48	4	6	25	16	23	63	334	450	402	583
GS-9	91	172	44	32	101	97	105	195	1,944	3,157	2,285	3,653
GS-10	1	7	0	1	1	2	0	6	18	149	20	165
GS-11	72	99	45	51	86	73	68	160	1,696	3,015	1,967	3,398
GS-12	32	55	32	35	85	61	54	93	921	1,896	1,124	2,140
GS-13	16	34	18	38	70	59	33	83	613	1,378	750	1,592
GS-14	2	16	9	15	28	10	6	23	166	452	211	516
GS-15	0	7	0	4	8	8	2	22	81	265	91	306
GS-18 and SES	0	1	0	1	3	6	1	0	14	28	18	36
WG, WL, and WS	5	64	0	10	3	45	4	63	66	840	78	1,022
Other <sup>49</sup>	1	0	0	0	0	0	0	1	1	9	2	10
Total	514	879	243	263	709	619	668	1,260	10,063	16,496	12,197	19,517
Grand total <sup>50</sup>	1,393		506		1,328		1,928		26,559		31,714	

<sup>49</sup>Non-GS/GM/SES/WG/WL/WS as GS-16 equivalents.

<sup>50</sup>Grand total includes permanent full-time and permanent part-time employees only, including Working Grade (WG), Work Leader (WL), and Work Supervisor (WS).

**Table 8. Permanent and excepted-conditional employees by race/ national origin and gender, as of September 22, 2003<sup>51</sup>**

<b>Race/national origin</b>	<b>Women</b>	<b>Men</b>	<b>Total</b>	<b>Percentage</b>
American Indian/Alaskan Native	514	879	1,393	4.4%
Asian/Pacific Islander	243	263	506	1.6%
African American	709	619	1,328	4.2%
Hispanic	668	1,260	1,928	6.1%
Caucasian	10,063	16,496	26,559	83.7%
<b>Total</b>	<b>12,197</b>	<b>19,517</b>	<b>31,714</b>	
Percentage by gender	38.5%	61.5%		
Targeted disabilities	--	--	345	1.1%

**Table 9. Number of paid employees by type of appointment—fiscal years 1996–2003**

<b>Type of appointment<sup>52</sup></b>	<b>FY 2003</b>	<b>FY 2002</b>	<b>FY 2001</b>	<b>FY 2000</b>	<b>FY 1999</b>	<b>FY 1998</b>	<b>FY 1997</b>	<b>FY 1996</b>
Permanent <sup>53</sup>	31,029	30,400	29,878	28,088	28,046	28,170	29,558	30,347
Nonpermanent <sup>54</sup>	14,332	14,724	12,438	11,349	11,965	12,491	10,215	11,075
<b>Total</b>	<b>45,361</b>	<b>45,124</b>	<b>42,316</b>	<b>39,437</b>	<b>40,011</b>	<b>40,661</b>	<b>39,773</b>	<b>41,422</b>

<sup>51</sup>Excepted-conditional includes cooperative education students and excepted appointments of people with disabilities.

<sup>52</sup>Fiscal years 1998-2003 include special employment categories.

<sup>53</sup>Permanent indicates those employees who have career or career-conditional appointments.

<sup>54</sup>Nonpermanent indicates employees who count in agency ceilings, such as summer, temporary, excepted, term, seasonal, and similar types of employees. These data do not include volunteers (who are not paid salary) and the special employment categories are not included in FY 1996-1997. NOTE: FY 2003 data are from National Finance Center Report SF-113G, column (1).

**Table 10. Summary of forest stewardship plans and acres accomplished by State**

State or Territory	2003		2002		2001		Cumulative (1991-2003)	
	Plans	Acres	Plans	Acres	Plans	Acres	Plans <sup>55</sup>	Acres
Alabama	592	87,768	490	70,360	369	65,278	3,983	807,946
Alaska	33	79,894	33	74,348	40	32,509	870	3,260,609
American Samoa	48	24	55	23	37	32	447	1,536
Arizona	8	1,608	9	1,235	10	1,137	222	250,859
Arkansas	309	44,350	293	45,868	152	26,950	2,776	468,988
California	16	9,572	63	7,745	95	25,341	682	321,981
Colorado	113	18,041	102	15,019	57	16,988	2,084	515,980
Commonwealth, N. Marianas	2	5	1	5	5	14	7	24
Connecticut	34	2,479	37	3,072	23	7,059	449	53,525
Delaware	69	3,584	31	1,543	57	2,777	669	41,507
District of Columbia	0	0	0	0	0	0	0	0
Federated States of Micronesia	0	0	0	0	0	0	0	0
Florida	276	62,752	216	52,621	125	28,180	1,754	563,393
Georgia	317	81,829	310	97,538	249	53,709	3,441	1,021,647
Guam	3	150	5	200	3	332	224	2,201
Hawaii	0	3,790	5	3,790	33	7,186	101	25,477
Idaho	89	10,930	62	8,645	66	5,242	1,772	138,779
Illinois	803	23,523	4,916	145,001	2,983	93,532	23,984	768,022
Indiana	529	27,038	820	45,890	724	30,251	16,588	659,564
Iowa	322	21,636	256	16,290	369	18,331	8,463	317,922
Kansas	18	1,129	36	1,385	64	3,170	1,427	83,358
Kentucky	755	84,219	685	58,233	819	76,543	13,551	1,445,467
Louisiana	96	31,600	170	28,818	47	5,107	1,351	155,772
Maine	163	26,452	209	22,654	603	65,101	5,669	594,066
Marshall Islands	0	0	0	0	0	0	0	0
Maryland	683	16,028	458	15,629	598	20,535	5,873	288,218
Massachusetts	226	16,992	89	6,087	91	5,841	2,929	253,442
Michigan	158	28,207	128	20,610	202	29,439	3,672	502,300
Minnesota	615	71,996	593	62,694	680	75,418	11,669	1,163,154
Mississippi	625	28,593	75	17,011	70	14,026	1,013	223,366
Missouri	94	13,733	99	16,550	80	13,553	2,959	415,908
Montana	53	16,210	68	38,492	63	24,777	1,099	586,899
Nebraska	40	7,419	57	8,052	37	4,353	1,336	90,197

<sup>55</sup>Landowner forest stewardship plans.

**Table 10. Summary of forest stewardship plans and acres accomplished by State (Continued)**

State or Territory	2003		2002		2001		Cumulative (1991-2003)	
	Plans	Acres	Plans	Acres	Plans	Acres	Plans <sup>55</sup>	Acres
Nevada	41	6,667	28	287	19	3,626	265	87,313
New Hampshire	15	20,772	36	9,626	94	15,336	2,406	474,811
New Jersey	23	775	46	10,287	64	4,458	716	90,067
New Mexico	27	12,229	45	62,524	38	118,286	498	543,023
New York	553	73,277	665	69,182	668	80,198	16,441	1,538,911
North Carolina	430	55,511	399	52,188	489	49,157	3,236	455,626
North Dakota	155	4,811	102	3,811	152	5,053	1,784	85,454
Ohio	695	34,526	697	37,655	888	42,166	15,804	765,482
Oklahoma	143	21,468	119	19,872	71	12,798	1,219	281,471
Oregon	99	22,260	74	23,620	43	17,478	1,385	364,706
Palau	0	0	0	0	0	0	3	76
Pennsylvania	82	12,203	147	26,873	114	23,699	2,257	369,710
Puerto Rico	16	313	18	2,260	31	1,020	117	8,158
Rhode Island	10	957	9	945	18	889	345	16,491
South Carolina	255	52,959	246	50,515	238	63,717	3,262	836,249
South Dakota	22	2,500	18	397	7	797	1,024	41,228
Tennessee	202	34,741	148	19,430	197	35,888	2,393	405,232
Texas	341	53,734	335	52,753	292	43,394	3,291	716,404
U.S. Virgin Islands	9	32,309	1	5	7	543	33	1,159
Utah	13	1,245	2	2,531	7	30,331	105	235,866
Vermont	4	340	18	2,212	49	10,113	1,950	291,488
Virginia	126	12,697	45	8,794	348	56,559	6,013	925,713
Washington	357	32,624	412	34,560	250	20,037	4,348	331,893
West Virginia	135	7,388	226	33,364	239	37,628	3,992	610,008
Wisconsin	4312	229,968	3,678	202,796	3,326	184,043	39,211	2,042,053
Wyoming	236	169,288	217	27,928	185	7,061	1,940	190,616
<b>Total</b>	<b>15,390</b>	<b>1,717,113</b>	<b>18,102</b>	<b>1,639,823</b>	<b>16,585</b>	<b>1,616,986</b>	<b>235,102</b>	<b>26,731,315</b>

<sup>55</sup>Landowner forest stewardship plans.

**Table 11. National Forest System lands administered by the Forest Service as of September 30, 2003**

<b>State, commonwealth, or territory</b>	<b>National forests, purchase units, research areas, and other areas (acres)</b>	<b>National Grasslands (acres)</b>	<b>Land utilization projects (acres)</b>	<b>Total Acres</b>	<b>National Wilderness Preservation System (acres)</b>
Alabama	665,938		40	665,978	41,367
Alaska	21,980,905			21,980,905	5,753,448
Arizona	11,262,350			11,262,350	1,345,008
Arkansas	2,591,897			2,591,897	116,578
California	20,722,804	18,425		20,741,229	4,430,849
Colorado	13,851,436	635,541		14,486,977	3,199,072
Connecticut	24			24	
Florida	1,152,913			1,152,913	74,495
Georgia	864,623			864,623	114,537
Hawaii	1			1	
Idaho	20,417,555	47,790		20,465,345	3,961,667
Illinois	293,016			293,016	28,732
Indiana	200,199			200,199	12,945
Kansas	0	108,175		108,175	
Kentucky	809,449			809,449	18,097
Louisiana	604,505			604,505	8,679
Maine	53,040			53,040	12,000
Michigan	2,865,099		2	2,865,101	91,891
Minnesota	2,839,693			2,839,693	809,772
Mississippi	1,171,158			1,171,158	6,046
Missouri	1,487,307			1,487,307	63,383
Montana	16,923,153			16,923,153	3,372,503
Nebraska	257,772	94,480		352,252	7,794
Nevada	5,835,284			5,835,284	811,072
New Hampshire	731,486			731,486	102,932
New Mexico	9,281,036	136,417	240	9,417,693	1,388,262
New York	16,211			16,211	
North Carolina	1,251,674			1,251,674	102,634
North Dakota	743	1,105,234		1,105,977	
Ohio	236,360			236,360	
Oklahoma	353,242	46,286		399,528	14,543
Oregon	15,552,668	112,357	856	15,665,881	2,086,504
Pennsylvania	513,399			513,399	9,031
Puerto Rico	28,002			28,002	
South Carolina	616,970			616,970	16,671
South Dakota	1,145,824	867,623		2,013,447	13,426
Tennessee	700,764			700,764	66,349
Texas	637,743	117,620		755,363	38,483
Utah	8,180,405			8,180,405	772,894
Vermont	389,340			389,340	59,421
Virgin Islands	147			147	
Virginia	1,662,124			1,662,124	97,635
Washington	9,272,643		738	9,273,381	2,569,391
West Virginia	1,033,882			1,033,882	80,852
Wisconsin	1,525,978			1,525,978	42,294
Wyoming	8,688,848	549,219		9,238,067	3,111,232
<b>Total</b>	<b>188,669,610</b>	<b>3,839,167</b>	<b>1,876</b>	<b>192,510,653</b>	<b>34,852,489</b>

**Table 12. Summary of Forest Service Senior, Youth, and Volunteer Program — fiscal year 2003/program year 2002**

	Program funding (million dollars)	Value of work accomplished (million dollars)	Persons served (number)	Women (percent)	Minorities (percent)	Work accomplished (person years)	Placement (percent)	Return per dollar invested (dollars)
Youth Conservation Corps <sup>56</sup>	Unfunded	\$2.6	852	40	21	125	NA <sup>57</sup>	\$1.24
Job Corp <sup>58</sup>	\$123.7	14.6	8,277	23	45	3,923	90	NA
Senior Community Service Employment Program <sup>59</sup>	28.5	45.8	6,032	46	21	2,350	39	1.60
Volunteers in the National Forests Program <sup>60</sup>	Unfunded	—	—	—	—	—	NA	NA
Hosted programs	Unfunded	11.9	6,754	20	33	491	NA	NA
Total	\$152.2	\$63.1	14,309	NA	NA	6,273	NA	NA

<sup>56</sup>Funds were not directly appropriated for the Youth Conservation Corps (YCC); Congress earmarked not less than \$2 million to be expended from funds available to the Forest Service. The Forest Service operated a \$2.1 million YCC program.

<sup>57</sup>NA = not applicable.

<sup>58</sup>Statistics for 2002 program year (July 1, 2002, through June 30, 2003).

<sup>59</sup>Statistics for 2002 program year (July 1, 2002, through June 30, 2003).

<sup>60</sup>Statistics include 200 Touch America Program enrollees and 50 international volunteers.

NOTE: Accomplishments are estimates for the Youth Conservation Corps, Volunteers in the National Forests, and Hosted Programs due to the fires in Region 5.



## Appendix B. Acronyms and Abbreviations

Acronym and Abbreviations	Explanation
ADR	Alternative Dispute Resolution
AML	Abandoned Mine Lands
BFES	Budget Formulation and Execution System
CFR	Code of Federal Regulations
CIP	Continuous Improvement Process
CRIA	Civil Rights Impact Analysis
CSRS	Civil Service Retirement System
CWAG	Chief's Workforce Advisory Group
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
EMC	Ecosystem Management Coordination
EPA	Environmental Protection Agency
FECA	Federal Employees' Compensation Act
FERS	Federal Employees' Retirement System
FIA	Forest Inventory and Analysis
FLP	Forest Legacy Program
FSNRA	Forest Service Natural Resource Applications
FPL	Forest Products Laboratory
FY	Fiscal Year
GAO	General Accounting Office
GPRA	Government Performance and Results Act
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)
K-V	Knutson-Vandenberg, a trust fund for timber sale area improvements
LEI	Law Enforcement and Investigations (Program Staff)
LRMP	Land and Resource Management Plan
MAR	Management Attainment Reporting system
NAPA	National Academy of Public Administration
NEPA	National Environmental Policy Act
NFP	National Fire Plan
NFS	National Forest System (Deputy Area)
NIPF	Non-Industrial Private Forest
NRIS	Natural Resource Information System, one of the FSNRA corporate applications

## Appendix B. Acronyms and Abbreviations (continued)

Acronym and Abbreviations	Explanation
OHV	Off-Highway Vehicles (Interchangeable with ORV)
ORV	Off-Road Vehicles (Interchangeable with OHV)
OIG	Office of Inspector General (USDA)
OMB	Office of Management & Budget
PAOT	Persons At One time
PAS	Performance Accountability System
PL&C	Programs, Legislation, and Communication (Deputy Area)
PMA	President's Management Agenda
PP&E	Property, Plant, and Equipment
R&D	Research & Development (Deputy Area)
RAR	Roads Accomplishment Report
RBAIS	Research Budget Attainment Information System
RHWR	Recreation, Heritage, and Wilderness Resources (Program Staff)
S&PF	State and Private Forestry (Deputy Area)
SFA	State Fire Assistance (Program Staff)
SFFAS	Statements of Federal Financial Accounting Standards
SOD	Sudden Oak Death
STARS	Sales Tracking and Reporting System
SUDS	Special Uses Database System
TIM	Timber Information Manager
TMDL	Total Maximum Daily Load
TRACS	Timber Activity Control System
TSA	Timber Sale Accounting system
TSP	Thrift Savings Plan
U&CF	Urban and Community Forestry (Program Staff)
U.S.C.	United States Code
USDA	United States Department of Agriculture
VFA	Volunteer Fire Assistance (Program Staff)
WFWAR	Wildlife, Fish, Water, and Air Research
WUI	Wildland/Urban Interface

## **Appendix C. Discussion of the 2002 Organizational Structure**

The U.S. Department of Agriculture (USDA) Forest Service organization chart was last officially approved on June 16, 1997. Since then, the agency has been operating under informally approved organizations. The following is a justification for the changes that have taken place since June 16, 1997.

### **Newly Established Staffs and Positions**

#### ***Establishment of the Deputy Chief for Budget and Finance***

A new Forest Service Deputy Chief for Budget and Finance was created with responsibilities to serve as the agency's Chief Financial Officer (CFO). Performing as a CFO, this Deputy Chief is charged with responsibilities closely mirroring those prescribed for the USDA CFO. Creating this position highlighted the importance of financial management activities within the agency and will result directly in improving Forest Service financial and performance accountability.

An organizational realignment of agency budget and fiscal activities, as well as the creation of additional staff director areas, was completed to facilitate execution of the new Deputy Chief's duties. The agency's historic Fiscal and Accounting Services Director staff area was organizationally realigned from reporting to the Deputy Chief for Business Operations to the Deputy Chief for Budget and Finance, with key duties reassigned to the four new Director areas, excluding the Program and Budget Staff. The Program and Budget Staff was also organizationally realigned from reporting directly to the Deputy Chief for Programs, Legislation, and Communication to the Deputy Chief for Budget and Finance. This realignment was necessary to bring the agency's budget function under the purview of the CFO.

#### ***Establishment of the Conservation Education Staff***

In 1999, the Forest Service moved the functional organization component and personnel of conservation education from the Cooperative Forestry Staff and created a new staff within State and Private Forestry (S&PF), reporting directly to the S&PF Deputy Chief. The Conservation Education Task Force Report of May 1998 indicated that in some areas of the country, conservation education programs were fragmented and disconnected and lacked consistent direction. The creation of a separate Conservation Education Staff elevated the program to a level equal to that of other S&PF staff, and provided agency emphasis, national visibility, continuity, and improved program delivery.

#### ***Establishment of the Urban and Community Forestry Staff***

The Forest Service created a separate Urban and Community Forestry (U&CF) Program within the S&PF Deputy Area. This function had previously

resided in the Cooperative Forestry Staff. This proposed reorganization elevated the program to a level equal to that of other staff within the S&PF Deputy Area. By elevating U&CF programs, the agency increased its ability to expand capacity, strengthen and develop new partnerships, use resources, and advance research and technology transfer. The U&CF staff is headed by a GS-15 and is composed of a total of six positions. This reorganization did not require additional resources.

#### ***Establishment of the National Fire Program Staff***

The National Fire Program Staff is responsible for coordinating all aspects of the National Fire Plan (NFP) and for integrating and collaborating with Federal, State, local, and tribal governments in policy formulation and program implementation. The NFP is one of the highest priorities of the Forest Service. To focus the program at the highest levels of the agency, the National Fire Program leader reports to the Chief of the Forest Service. The day-to-day supervision is under the Deputy Chiefs for S&PF and National Forest System (NFS) so that complete integration of the program across all areas of the agency can be ensured. The organization for the National Fire Program includes two deputy coordinators and five staff, who are responsible for data collection and management, coordination with U.S. Department of the Interior NFP staff, document preparation, and briefings. The National Fire Program leader also directs the work of an interdeputy fuels management group that ensures that internal agency policies and procedures are compatible and facilitate the NFP implementation in the field.

#### ***Establishment of a Chief of Staff Position***

This newly established Senior Executive Service position is located in the immediate Office of the Chief. The Chief of Staff is responsible for the overall management and oversight of the Washington Office, including budget, workforce management processes, and oversight of all management functions and processes. The Chief of Staff also provides leadership in assisting the Chief and Associate Chief in establishing priorities, determining appropriate implementation actions, and providing oversight and monitoring to ensure that actions are taken.

### **Merged Staffs**

#### ***Merger of the Wildlife, Fish, and Rare Plants Staff and the Watershed and Air Management Staff***

During FY 2000 and 2001, NFS combined these two staffs by merging them under the leadership of one staff director. The objective of this action was to improve cooperation and collaboration between the staffs and mission areas and to begin implementing recommendations set forth by the National Academy for Public Administration (NAPA). The benefits of such a merger were numerous, and included the following:

- The reorganization better mirrors many existing Forest Service regional organizations.
- The Washington Office director's role changed to focus on integration, strategic issues, and program delivery.
- Field staff and stakeholders now have one-stop shopping in the Washington Office for key issues (e.g., watershed and fisheries).
- The new organizational structure provides greater staff capacity where no backups existed previously for critical support functions.

#### ***Merger of the Forest Management Staff and the Range Management Staff***

During FY 2000 and 2001, NFS combined these two staffs by merging them under the leadership of one staff director. The objective of this action was to improve cooperation and collaboration between the staffs and mission areas and to begin implementing recommendations set forth by NAPA. The benefits of such a merger are the same as those described above for the merger of the Wildlife, Fish, and Rare Plants Staff and the Watershed and Air Management Staff. An added benefit is that one Senior Executive Service position was moved out to the field, in line with the Administration's and Chief's desire to stop growth in the WO.

#### ***Change in Reporting Relationship for the Office of Communication***

The Office of Communication (OC) is now located within the Programs, Legislation, and Communication Deputy Area. The Director of OC

reports to the Deputy Chief for PL&C instead of to the Chief. The organizational integration of OC within the PL&C Deputy Area ensures coordination of information across agency deputy areas and allows the Forest Service to market its programs more effectively. This change is part of an overall emphasis to get as much of the day-to-day oversight of staffs and individuals out of the Chief's Office, so that the Chief and Associate Chief are more available to deal with the strategic issues and the critical cases that affect Forest Service overall management.

#### ***Change in Reporting Relationship for the Office of Civil Rights***

The day-to-day operations of the Civil Rights Staff report informally to the Deputy Chief for Business Operations, but the formal reporting relationship remained with the Chief's Office. The Director of Civil Rights remained a member of the National Leadership team, the Chief's Team, and the Staff Team, but significant changes in policy, programs, and case management issues are approved by, and coordinated through, the Deputy Chief for Business Operations before being brought to the attention of the Chief's Office. This change captured the advantages of having a direct reporting relationship to this office while also providing advantages through improved coordination activities of the Deputy Chief for Business Operations.

This reorganization did not result in any reduction-in-force, yet improved the efficiency and effectiveness of program delivery. Please refer to the approved FY 2002 USDA Forest Service Organization Chart, in the Management's Discussion and Analysis section of this report.



