

## REPORTABLE CONDITIONS

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### **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**

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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.

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#### **The FMS 6653/6654/6655 Reports Reconciliation Process Needs to be Improved**

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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.

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**Treasury Warrants Must Be Recorded Timely and Entered Using the Appropriate Transcode and Transtype**

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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.

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**Reportable Condition Number 2: The Design and/or Implementation of Controls Related to the Accurate Recording of Personal Property Transactions Need Improvement**

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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.

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**Transaction Data Were Not Recorded Accurately**

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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.

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**Reportable Condition Number 3: Controls Related to Physical Inventories of Capitalized Assets Need Improvement**

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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.

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**Reportable Condition Number 4: Postings of Certain Transactions Needs to Contain the Proper Reference Data to Link Related Transactions**

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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.

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**Reportable Condition Number 5: Compilation of the USDA Forest Service's Required Supplementary Information (RSI) and Required Supplementary Stewardship Information (RSSI) Needs Improvement**

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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.

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**Reportable Condition Number 6: The USDA Forest Service Application Systems Controls Need Improvement**

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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

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### **The USDA Forest Service Systems are Not Compliant with Federal Financial Management System Requirements (Noted in Material Weakness)**

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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.

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### **The USDA Forest Service Revenue Collections from Certain Business Processes Are Not Recognized As Revenue When Earned (Noted in Material Weakness)**

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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.

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**Improper Accounting for Budgetary Resources in Special and Non-Revolving Trust Funds (Noted in Material Weakness)**

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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.

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**Other Accounting Errors and Lack of Budgetary/Proprietary Synchronization (Noted in Various Material Weaknesses and Reportable Conditions)**

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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.