

## **Management's Discussion and Analysis**



---

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

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

## **Mission Statement**

The mission of the USDA Forest Service is to:

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

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

## **Organizational Structure**

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

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

This administrative reorganization:

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

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

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

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

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

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

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

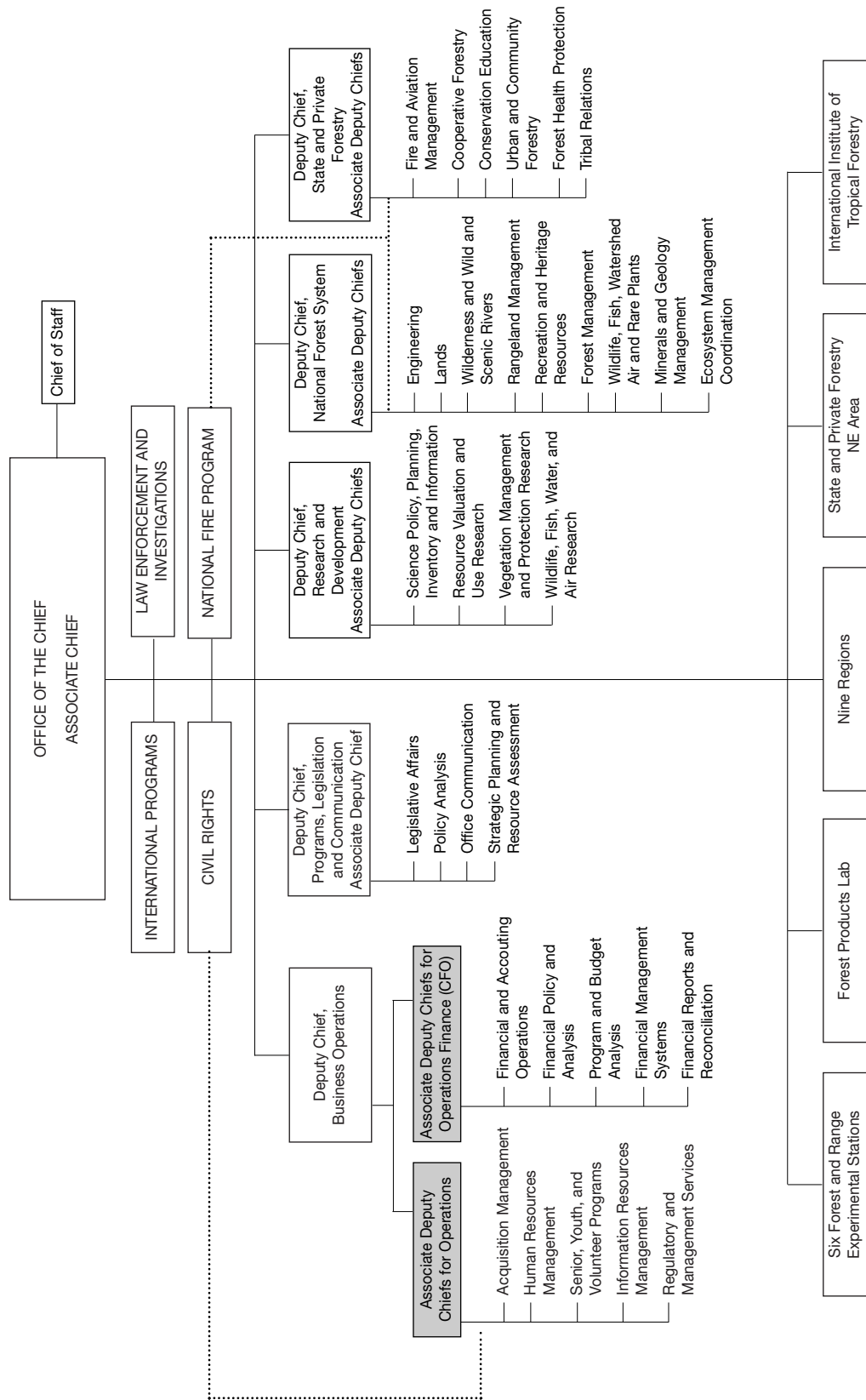
The Forest Service’s mission includes the following four major segments. Previously, the Working Capital Fund (WCF) was the fifth component listed. It was removed because it does not meet the criteria for a major mission segment, in accordance with the Office of Management and Budget (OMB) Bulletin No.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

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

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

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

# U.S. Department of Agriculture Forest Service



---

## Future Demands and Risks

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

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

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

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

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



---

## **The President's Management Agenda**

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

### **Performance and Budget Integration**

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

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

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

---

### **Improved Financial Management**

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

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

### **Budget and Finance**

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

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

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

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

---

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

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

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

### **Competitive Sourcing**

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

Progress thus far includes the following achievements:

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

---

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

### **Expanded Electronic Government**

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

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

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

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

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

The agency also undertook the following in FY 2004:

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

---

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

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

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

---

## Management Controls, Systems, and Compliance With Laws and Regulations

### Management Controls

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

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

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

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

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

---

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

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

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

**Deficiency Status:** Corrected.

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

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

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



---

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

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

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

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

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

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

*Deficiency Status:* Reassessed.

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

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

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

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

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

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

*Deficiency Status:* Reassessed.

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

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

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

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

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

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

*Deficiency Status:* Corrected.

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

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

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

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

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

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

**Deficiency Status:** Reassessed. Completion of action items underway.

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

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

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

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

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

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

*Deficiency Status:* Reassessed.

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

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

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

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

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

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



## Financial Systems

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

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

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

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

---

## Forest Service's Financial Highlights for 2004

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

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

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

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

### **Assets**

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

The three major asset categories are shown in exhibit 2.

Exhibit 2. *Assets*

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

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

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

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

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

### Liabilities and Net Position

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

Exhibit 3. *Liabilities*

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

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

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

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

Exhibit 4. *Net Position*

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

**Net Cost of Operations**

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

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

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

### Expenses

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

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

Exhibit 5. *Gross Expenses*

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

### Budgetary Resources

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

---

## **Improper Payments Information Act of 2002**

The Improper Payments Information Act<sup>1</sup> (IPIA), the Recovery Auditing Act,<sup>2</sup> and OMB's M-03-07<sup>3</sup> provide guidance to assist Federal agencies in identifying and collecting erroneous disbursements. The Forest Service is complying with these requirements by working under a USDA pilot program through an interagency agreement with U.S. Treasury's FedSource. The majority of the Forest Service's procurement data mining, error identification, and subsequent recovery are scheduled to take place in the second quarter of FY 2005. The following is information that USDA and the Forest Service have shared with OMB and others regarding progress to date in carrying out the intent of these laws.

### **Risk Susceptible Area**

Wildland Fire Suppression Management.

### **Statistical Sampling Process Estimating Program Error Rate Analysis**

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

### **Corrective Actions Planned**

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

---

<sup>1</sup> IPIA was authorized in Public Law 107-300.

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

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

---

## Forest Service's Performance Highlights for 2004

### The Executive Priorities

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

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

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

To meet accelerated reporting timelines, the Forest Service used 9-month actual and 3-month estimated or projected<sup>4</sup> accomplishments for the commitment associated with the performance measures in the MD&A. These items are reported through various databases and consolidated for review and analysis by the Program and Budget Analysis Staff. Actual results for projected performance information will be available mid-December 2004.

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

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

---

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

**USDA Forest Service's Performance Scorecard for FY 2004**

<b>Projected Accomplishments by Executive Priorities</b>	<b>RESULTS</b>
<b>Reduced risk from catastrophic wildland fire</b>	
<b>1,294,598 acres</b> of hazardous fuels within the WUI that are treated with Direct Hazardous Fuels dollars <sup>5</sup>	<b>EXCEEDED</b>
<b>313,770 acres</b> of hazardous fuels within the WUI that are treated with Other (Not Direct Hazardous Fuels) dollars	<b>EXCEEDED</b>
<b>100 percent</b> of acres of hazardous fuels treated within the WUI are identified as high priority through collaboration consistent with the 10-year Comprehensive Strategy Implementation Plan	<b>MET</b>
<b>398,319 acres</b> treated with Direct Hazardous Fuels dollars that are in Condition Classes 2 or 3 in Fire Regimes 1, 2, or 3 outside the WUI	<b>UNMET<sup>6</sup></b>
<b>253,114 acres</b> treated with Other (NOT Direct Hazardous Fuels) dollars that are in Condition Classes 2 or 3 in Fire Regimes 1, 2, or 3 outside the WUI	<b>UNMET</b>
<b>100 percent</b> of acres treated are in Condition Classes 2 or 3 in Fire Regimes 1, 2, or 3 outside the WUI that are identified as high priority through collaboration consistent with the 10-year Plan	<b>MET</b>
<b>29,711 acres</b> brought into stewardship contracts	New Baseline
Communities at risk with completed and current fire management plans or risk assessments	No specific measurement protocol in FY 2004
<b>125,000 acres</b> covered by partnership agreements	New Baseline
<b>Reduced impact from invasive species</b>	
<b>85,081 acres</b> of noxious weeds acres treated	<b>EXCEEDED</b>
<b>1,046,482 acres</b> treated for selected invasives species	<b>MET</b>
<b>High-quality recreation provided</b>	
<b>64,866 miles</b> of road maintained to standard (high clearance and passenger)	<b>EXCEEDED</b>
<b>22 percent</b> of road maintained to standard (high clearance and passenger)	<b>EXCEEDED</b>
<b>19,743 facilities</b> maintained to standard	<b>EXCEEDED</b>
<b>49.2 percent</b> of facilities maintained to standard	<b>EXCEEDED</b>
<b>22,657 miles</b> of trail maintained to standard	<b>EXCEEDED</b>
<b>17 percent</b> of trail maintained to standard	<b>EXCEEDED</b>
<b>215 rights-of-way</b> acquired to provide public access	<b>UNMET</b>

<sup>5</sup> This Executive Priority is also a performance measure reported at the Department level.

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



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

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

---

## Notes to the FY 2004 Performance Scorecard

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

By July 23, 2004, all field units recorded actual performance numbers for the first 9 months of the fiscal year in WorkPlan<sup>8</sup> or other data sources of record. In early August, the Washington Office pulled the field units' data for the first 9-month accomplishments to consolidate the data and making reports available by unit and Executive Priority for validation.

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

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

### Planned Actions and Schedule for Achieving an Unmet Executive Priority

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

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

---

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

---

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

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

---

## **Performance Trends**

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

Exhibit 6. Performance Trends for 2000-2004

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

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

<sup>10</sup> Not applicable.

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

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

Exhibit 6. Performance Trends for 2000-2004

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

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

<sup>14</sup> This performance measure was previously reported as "LMP monitoring and evaluation reports."

---

## Data Sources for the Executive Priorities

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

### WorkPlan

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

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

### Infra

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

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

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

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

---

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

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

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

### **Performance Measures Accountability System**

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

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

### **National Fire Plan Operations and Reporting**

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

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



Exhibit 7. *Accomplishment Reporting for the Executive Priorities*

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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