

# Part A

## MANAGEMENT'S DISCUSSION AND ANALYSIS

## OVERVIEW

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) 2005. This 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, 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 Forest Service operates under the following mission:

*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**

The Forest Service operates under the guidance of the USDA Under Secretary for Natural Resources and Environment (NRE). Forest Service policy is implemented through nine regional offices, six research offices, one State and Private Forestry (S&PF) area office, the Forest Products Laboratory, the International Institute of Tropical Forestry, with 868 administrative units (which include forest, districts, and research labs) functioning in 46 States, Puerto Rico, and the Virgin Islands.

Reporting to the Chief are the deputy areas: Business Operations; Research and Development; National Forest System (NFS); S&PF; and Programs, Legislation, and Communication (PL&C). Please see the Forest Service's organizational chart in Appendix A for additional information.

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 responsibility segments are constructs used to assess net costs.

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

**National Forests and Grasslands.** This responsibility segment includes protection and management of an estimated 193 million acres of NFS land, which includes 35 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.** This responsibility segment is responsible for 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.** This responsibility segment uses 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. This responsibility segment is responsible for protection of life, property, and natural resources on an estimated 193 million of NFS lands and the estimated 20 million acres of adjacent State and private lands.

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

## FUTURE DEMANDS AND RISKS

In FY 2003, the Forest Service defined what it believed to be 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 maintained a focus on the uncertainty of wildland fires and invasive species, but also tracked the agency's performance in mitigating the effects of the loss of open space and unmanaged outdoor recreation.

In FY 2005, the Forest Service focused even harder on reducing the risk of loss from catastrophic wildland fire by treating hazardous fuels in fire-dependent ecosystems through a variety of programs. The following factors challenge the Forest Service's ability to achieve the desired outcomes in the FY 2005 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 the continued serious threat of catastrophic wildfires, especially near communities with a buildup of hazardous fuels in the wildland-urban interface (WUI).
- Continuing potential for 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 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.
- Supporting innovative uses for woody biomass as sources of renewable energy and new products while overcoming the costs of acquiring, transporting, and processing the raw material.
- Challenge of developing metrics and markets for environmental services (clean water and air, carbon sequestration, and beautiful, natural landscapes).
- The infrastructure (roads, facilities) maintenance backlog which reduces the agency's capacity to deliver on its mission and serve the public.
- The unprecedented challenge to law enforcement resources of increasing security on national forests in the face of increasing legitimate and illegal uses as well as the evolution of national security after September 11, 2001.

## FINANCIAL STATEMENT HIGHLIGHTS FOR 2005

The Forest Service produces a series of financial statements quarterly to summarize the activity and associated financial position of the agency. The five principal statements are as follows:

- Consolidated Balance Sheet
- Consolidated Statement of Net Cost
- Consolidated Statement of Changes in Net Position
- Combined Statement of Budgetary Resources
- Consolidated Statement of Financing

In producing these statements, the agency seeks to provide relevant, reliable, and accurate financial information related to Forest Service activities. Analysis of the agency's September 30, 2005, financial statements highlights the following key points. The exhibits below reflect the amounts for FY 2005 and FY 2004.

### Assets

The Forest Service reports \$8.2 billion in assets at the end of September 30, 2005. This represents an increase of 9 percent from FY 2004 amounts. This change is partially attributed to an increase in Fund Balance with Treasury (FBwT). FBwT for the periods ending September 30, 2005 and 2004 increased \$681 million or 20 percent due to the Forest Service receiving additional funding for our Wildland Fire Management Fund. However, fire activity was not as severe in FY 2005, and less money was disbursed compared with FY 2004, resulting in the overall increase in FBwT. The three major asset categories are shown in Exhibit 1.

**Exhibit 1: Assets (in millions)**

ASSET	2005	2004	Difference	
			Dollars	Percentages
General Property, Plant, and Equipment	\$3,695	\$3,807	(\$112)	(3%)
Fund Balance with Treasury	4,187	3,506	681	20%
Accounts Receivable, Intragovernmental, and Non-Intragovernmental	269	163	106	65%
Total of Major Categories	\$8,151	\$7,476	\$675	9%
Other Asset Categories	20	14	6	43%
Grand Total Assets	\$8,171	\$7,490	\$681	9%

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<sup>1</sup> or stewardship assets<sup>2</sup>. Although heritage and stewardship assets may be considered priceless, they do not have a readily identifiable financial value and are not recorded within the financial statements of the Forest Service. A more in-depth discussion of stewardship assets is presented in the Required Supplementary Stewardship Information (RSSI) section.

<sup>1</sup> Heritage assets are assets that are historical or significant for their natural, cultural, aesthetic, or other important attributes that are expected to be preserved indefinitely.

<sup>2</sup> Stewardship assets are primarily land held by the agency as part of the NFS and not acquired for, or in connection with, other General PP&E.

FBwT consists primarily of funds derived from congressional appropriations and funds held in trust for accomplishing purposes specified by law. 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. FBwT is available to the agency to pay authorized expenses and to finance purchase commitments based on apportionments by the Office of Management and Budget (OMB).

**Liabilities and Net Position**

Liabilities

The Forest Service reported \$2.0 billion in liabilities as of September 30, 2005, representing probable future expenditures arising from past events. This amount represents an increase of 7 percent from September 30, 2004. This change was partially due to an increase in Accounts Payable. For the periods ending September 30, 2005 and 2004, the balance increased \$88 million or 187 percent due to factors including: asset balance increase as reflected in the previous table and agency support to Hurricane Katrina relief efforts. The major liability amounts for accounts payable, unfunded leave, Federal Employees' Compensation Act (FECA) benefits, payments to States, and other liabilities appear in Exhibit 2.

**Exhibit 2: Liabilities (in millions)**

LIABILITIES	2005	2004	Difference	
			Dollars	Percentages
Accounts Payable, Intragovernmental and Non-Intragovernmental	\$135	\$47	\$88	187%
Unfunded Leave and FECA Benefits	578	602	(24)	(4%)
Payments to States	378	380	(2)	(1%)
Other Liability Categories	935	859	76	9%
<b>Grand Total Liabilities</b>	<b>\$2,026</b>	<b>\$1,888</b>	<b>\$138</b>	<b>7%</b>

Federal agencies, by law, cannot make any payments unless Congress has appropriated funds for such payments and OMB has apportioned the funds. A portion of liabilities reported by the Forest Service on September 30, 2005, however, is currently not funded by congressional appropriations. For example, the unfunded amounts include 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.

A major program generating unfunded liabilities is the Payments to States. A portion of the Payments to States program is funded with agency receipts and the balance is recorded as an unfunded liability for which the Department of Treasury (Treasury) general receipts are apportioned in the following year when the payments are made. The agency receipts are funds held by the agency in special receipt accounts pending transfer to the appropriate party for part of the Payments to States based on receipts collected during that fiscal year, the remaining liability is funded by Treasury general receipts.

Net Position

A net position of \$6.1 billion is reported for FY 2005. This represents an increase of 10 percent over FY 2004 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 (UDOs), as well as unobligated funds and the cumulative results of operations, as shown in Exhibit 3.

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

**Exhibit 3: Net Position (in millions)**

NET POSITION	2005	2004	Difference	
			Dollars	Percentages
Unexpended Appropriations	\$1,792	\$1,511	\$281	19%
Cumulative Results of Operations	4,353	4,091	262	6%
Total Net Position	\$6,145	\$5,602	\$543	10%

**Net Cost of Operations**

The Forest Service's net cost of operations was \$5 billion for the year ended September 30, 2005.

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. These payments also pay for local forest stewardship projects.

**Expenses**

Forest Service program costs for the year ended September 30, 2005, are \$5.8 billion. This represents a 1 percent decrease from FY 2004. One reason for the decrease is that the agency spent less in grant costs as a result of fewer agreements with the public.

Exhibit 4 illustrates program costs by responsibility segment for the years ended September 30, 2005, and September 30, 2004.

**Exhibit 4: Gross Expenses (in millions)**

GROSS EXPENSES	2005	2004	Difference	
			Dollars	Percentages
Program Costs				
National Forests and Grasslands	\$3,419	\$3,444	(\$25)	(1%)
Forest and Rangeland Research	329	342	(13)	(4%)
State and Private Forestry	389	418	(29)	(7%)
Wildland Fire Management	1,694	1,715	(21)	1%
Total Program Costs	\$5,831	\$5,919	(\$88)	(1%)

**Budgetary Resources**

The Forest Service had budget authority of approximately \$5.8 billion in FY 2005 and \$5.9 billion in FY 2004. The funding received in FY 2005 represents a slight decrease (2 percent) under that received in FY 2004.

## PERFORMANCE GOALS AND RESULTS FOR 2005

### ***Strategies and Resources***

The Government Performance and Results Act (GPRA) provides a framework under which Federal agencies prepare strategic plans, annual plans, and performance reports to set performance goals and then report on the extent to which they are achieved. Within GPRA's framework, Forest Service's executive leadership selected a set of key performance measures, the Executive Priorities, to measure the agency's effectiveness and results in the FY 2005 Performance and Accountability Report (P&AR). Several of these Executive Priorities are long-standing measures of performance for the agency and its stakeholders. The remaining Executive Priorities were developed in collaboration with USDA and OMB in PART<sup>3</sup> evaluations over the past 4 years.

PART is a systematic method to assess performance, focusing on a program contribution to achieving an agency's strategic and program performance goals. PART assessments have strengthened and reinforced performance measurement within the Forest Service by encouraging outcomes and efficiency measures in its performance reporting. For each program or goal that has been assessed, a minimum of one efficiency measure has been developed and is tracked, although not as an Executive Priority for FY 2005.

Since 2002, the Forest Service has participated in nine PART assessments, although seven of the nine have been completed as of September 30, 2005. Of the seven programs assessed, three have not demonstrated effective results for the agency. Please see the Annual Performance Report section of the P&AR for additional information on PART assessments.

### ***Performance and Trends***

The Forest Service uses 9-month actual and 3-month estimated or *projected* accomplishments for the Executive Priorities. The data sources for these measures are reported through various databases, but consolidated for review by the Program and Budget Analysis (P&BA) Staff. Targets and projected performance for FY 2005, actual performance for the Executive Priorities in FY 2004, and trends for FYs 2001-2005, if available, may be found in Exhibit 5. It is important to note that these achievements are preliminary and may change when the 12 months of *actual* accomplishments are reported to the Washington Office in November 2005. The values in the Results column are defined as:

Exceeded	Equal to or greater than 110 percent of the FY 2005 target
Met	Within a 10 percent range below or above the FY 2005 target
Unmet	Less than 90 percent of the FY 2005 target
Deferred	In process of determining a baseline for future reporting

<sup>3</sup> OMB's Program Assessment Rating Tool is commonly referred to as PART.



Exhibit 5: Performance and Trends for 2001-2005

Executive Priorities	2001		2002		2003		2004		2005		Result
	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	
<b>Goal 1: Reduce the risk from catastrophic wildland fire<sup>4</sup></b>											
1.1.a-c	Number of acres of hazardous fuels treated 1) in the WUI; and 2) in Condition Classes 2 or 3 in Fire Regimes 1, 2, or 3 outside the WUI										
	Acres treated with Direct Hazardous Fuels dollars—WUI	611,551	784,367	1,114,106	1,016,759	1,320,317	846,352	1,130,906			EXCEEDED
	Acres treated with Direct Hazardous Fuels dollars—outside WUI <sup>5</sup>	750,146	493,536	339,239	590,876	418,135	421,746	393,508			MET
	Total (Direct Hazardous Fuels dollars)	1,361,697	1,257,903	1,453,345	1,607,635	1,738,452	1,268,098	1,524,414			EXCEEDED
	Acres treated other dollars—WUI	--	--	--	292,720	274,330	NA <sup>6</sup>	179,446			--
	Acres treated other dollars—outside WUI	--	--	--	317,084	215,400	NA	217,293			--
	Total (other dollars)	NA <sup>7</sup>	NA	NA	609,804	489,730	700,000	396,739			UNMET
	<b>TOTAL acres treated</b>	NA	NA	NA	2,217,439	2,228,182	1,926,598	1,921,153			MET
	Percent of acres identified as high priority through collaboration consistent with the 10-Year Plan						100%	100%			MET
1.1.g	Number of acres brought into stewardship contracts	--	--	--	Baseline	41,834	Baseline <sup>8</sup>	22,368			DEFERRED
1.3.a	Percent of communities at risk with completed and current fire management plans or risk assessments	--	--	--	--	Protocol in development	Baseline	21.5%			DEFERRED
1.3.b	Number of acres covered by partnership agreements	--	--	--	--	125,000	Baseline	145,979			DEFERRED

<sup>4</sup> The sum of these Executive Priorities represents the total acres treated for hazardous fuel reduction by the Hazardous Fuels Reduction program and as a secondary benefit of other vegetation management programs in High Priority areas as identified by the 10-Year Implementation Strategy of the National Fire Plan. In addition to the work that falls under these Executive Priorities, the agency treated 497,096 acres to maintain NFS lands in healthy condition or in areas not under the High Priority designation. Overall, the agency treated 2,741,259 acres in FY 2005.

<sup>5</sup> This target includes only Condition Class 2 or 3, and Fire Regime 1, 2, or 3 acres. Target for all non-WUI acres was 761,642.

<sup>6</sup> NA, or not applicable, as targets were set for the total amount, but not at this level of detail.

<sup>7</sup> Treatments for high priority acres, with other than Direct Hazardous Fuels funding, were not tracked; therefore no subtotals or totals available prior to FY 2004.

<sup>8</sup> Baseline data are being collected to assess measure and allow targets to be established in future years; therefore no target was assigned.

<sup>9</sup> The change from % to # reflects the current year accomplishment relative to this Executive Priority. The State Foresters are ultimately responsible for community hazard mitigation plans, and are not required to report the number of plans expected for completion in a current fiscal year (the denominator in the % calculation).

Executive Priorities		2001		2002		2003		2004		2005		Result
		Actual	Actual	Actual	Actual	Target	Actual	Target	Actual	Target	Projected	
<b>Goal 2: Reduce the impacts from invasive species</b>												
2.1.b	Acres treated for selected invasive species					1,046,482	1,086,921	918,000	703,897			UNMET
--	Noxious weeds acres treated	143,938	130,868	138,742	67,438	75,456	88,688					EXCEEDED
<b>Goal 3: Provide high-quality recreation while sustaining natural resources</b>												
3.1.a	The 3-year average number of fatalities on the passenger car network											
--	Miles of road maintained to standard (high-clearance and passenger)	81,632	76,798	110,676	54,800	87,400	103,748 <sup>10</sup>	82,104				MET
3.1.a	Miles of trail receiving maintenance <sup>11</sup>	40,800	30,649	30,608	19,630	20,610	23,160	22,894 <sup>12</sup>				EXCEEDED
3.1.b	Number of facilities to standard	--	--	--	Protocol in development	15,802	15,465	24,036				EXCEEDED
3.1.e	Number of ROW acquired to provide public access				244	250	182	199				UNMET
3.2.a	Percent of NFS lands covered by travel management implementation plans	--	--	--	0	Baseline	Protocol in development	266,870				DEFERRED
<b>Goal 4: Consider opportunities for energy development and the supporting infrastructure</b>												
4.1.a	Percent of energy facility and corridor applications approved within prescribed timeframes											
--	Percent of energy facility applications	--	--	--	Baseline	45%	65%	76%				EXCEEDED
--	Percent of oil and gas applications	--	--	--	Baseline	45%	33%	26%				UNMET
<b>Goal 5: Improve watershed condition</b>												
	Watershed assessments completed <sup>13</sup>	154	134	115	122	116	--	--				No longer an Executive Priority
5.1.a	Number of inventoried forest and grassland watersheds in fully function condition as percentage of all watersheds <sup>14</sup>	--	--	--	NA	30%	33%	33%				EXCEEDED
5.1.b	Acres of nonindustrial private forest land under approved stewardship management plans	1,616,986	1,640,000	1,717,000	1,618,000	1,500,000	1,449,890					MET
5.3.a	Acres of terrestrial habitat enhanced to achieve desired ecological conditions	241,123	209,472	230,528	232,350	218,727	184,716	220,112				EXCEEDED
5.3.a	Miles of stream habitat enhanced to achieve desired ecological conditions	2,193	2,001	1,375	1,860	1,788	1,661					MET
5.3.a	Acres of lake habitat enhanced to achieve desired ecological conditions	18,428	18,217	16,429	10,953	12,451	15,528					EXCEEDED

<sup>10</sup> In prior years, miles of high-clearance roads and passenger car roads were reported separately. The results were combined for trend.  
<sup>11</sup> In FY 2004, this measure was "miles of trail maintained to standard." See the Annual Performance Report section of the P&AR for more detail.  
<sup>12</sup> Executive Priority should have included "to standard" as in past years. This projected performance may not be considered reliable.  
<sup>13</sup> This is no longer an Executive Priority. It was replaced with "watersheds in fully functional condition", which is a new Executive Priority for FY 2005.  
<sup>14</sup> This was the first year for this Executive Priority.

Executive Priorities	2001		2002		2003		2004		2005		
	Actual	Actual	Actual	Actual	Actual	Actual	Target	Actual	Target	Projected	Result
<b>Goal 6: Improve productivity and efficiency</b>											
6.1.a											
Percent of Nation for which current FIA is accessible to external customers	--	--	--	--	--	76% <sup>16</sup>	NA	76%	76%	76%	MET
6.2.c											
Extent to which performance data are current and complete	--	--	--	--	--	86%	Baseline	Baseline	Baseline	96%	DEFERRED
6.5.a											
Number of Land and Resource Management Plans developed and revised						12	14	16	16	11	UNMET
6.3.a	Acres of land adjustments to conserve the integrity of undeveloped lands and habitat quality										
--	35,132 <sup>16</sup>	15,553	29,171	341,536	56,948	20,654	338,752	EXCEEDED <sup>19</sup>			
--	128,913	42,817	75,476	57,925	45,884	52,775	56,469	MET			
--	84,709	57,009	128,349	300,000	563,186	224,000	44,600	UNMET			
	248,754	114,749	232,986	699,461	666,018	297,429	416,549	EXCEEDED			
6.5.b											
Proportion of data in information systems that is current to standard	--	--	--	--	--	Protocol in development	Protocol in development	Protocol in development	Protocol in development	Protocol in development	DEFERRED
6.5.c											
Number of forest plan monitoring reports completed	104	92	91	105	96	118	113	MET			

<sup>15</sup> FIA data made available to the public are quality assured and current (defined as less than 2 years old). Congressional hearings in 1999 exempted Alaska and Hawaii from the total land base (denominator) used for this measure. These lands were included in the total for FY 2004, creating a false decrease in the percent accomplished.

<sup>16</sup> This was the first year for this Executive Priority.

<sup>17</sup> Acres adjusted (exchanged) and acres acquired were tracked in a single measure prior to FY 2003. The total was halved for trend, and does not represent actual accomplishments for FY 2001 and FY 2002.

<sup>18</sup> These FY 2001 and FY 2002 performance numbers have changed from the FY 2004 P&AR. The numbers were incorrect in that report.

<sup>19</sup> The significant increase in "Acres adjusted (exchanged)", was due to the completion of the State of Florida Land Exchange, which had delays in the process, and did not occur in FY 2004, as planned.

**Procedures over Performance Reporting**

In FY 2005, USDA Office of Inspector General (OIG) found that the usefulness of performance measures and the accuracy of reporting processes within the Forest Service are often flawed. This was attributed to the agency's decentralized management structure and willingness to delegate broad authority without having an adequate system of internal controls to ensure that policies established by top management are followed. In response, an interim directive (February 2005) implemented the first annual review by the regions, stations, and area (RSAs) to verify the interpretation of the measures, adherence to standards and reporting schedules, and that data quality or its limitations were recorded in supporting documentation. Through these reviews, program managers across the agency identified inconsistencies in the field's interpretation of management's direction. The results of these reviews were certified by line officers to assure the completeness and reliability of the agency's performance reporting for the P&AR.

Exhibit 6 is management's direction to the field for reporting accomplishments for the Executive Priorities.

**Exhibit 6: Measures, Data Sources, and Accomplishment Reporting**

Executive Priority	Data Source	How Accomplishments Are Reported
<p>Total number of acres of hazardous fuels treated 1) in the WUI; or 2) in Condition Classes 2 or 3, in Fire Regimes 1, 2, or 3 and outside WUI</p> <p>The percent of these acres that were identified as "high priority" as defined in the 10-Year Implementation Plan</p>	<p>NFPORS</p>	<p>The Forest Service tracked this Executive Priority using four measures:</p> <p>Within WUI, with:</p> <ul style="list-style-type: none"> <li>▪ Hazardous Fuels Program funding (FN)</li> <li>▪ Other funding (FNOTH)</li> </ul> <p>Outside WUI but in Condition Classes 2 or 3 in Fire Regimes 1, 2, or 3, with:</p> <ul style="list-style-type: none"> <li>▪ Hazardous Fuels Program funding</li> <li>▪ Other funding</li> </ul> <p>Accomplishment data are entered by field units (districts or forests) when contracted (for contracts) or carried out.</p> <p>High priority, as defined in the 10-Year Implementation Plan, means to use as appropriate, the USDA Forest Service and Department of the Interior's Cohesive Strategy<sup>20</sup> for all fire management plans. Collaboration involves participants with direct responsibility for management decisions affecting public and/or private land and resources.</p> <p>Accomplishment is always 100%.</p>
<p>Acres brought into stewardship contract improvements</p>	<p>WorkPlan</p>	<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> <p>NEW: Number of acres brought into stewardship contracts based on either contract awarded acres or executed agreement acres. This item is performance measure 1.1g.</p>
<p>Percent of communities at risk with completed and current fire management plans or risk assessments</p>	<p>Washington Office Staff, NFPORS</p>	<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> <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>
<p>Acres covered by partnership agreements</p>	<p>Washington Office S&amp;PF Staff</p>	<p>The measure is the number of acres of nonFederal hazardous fuels treated through partnership. State Foresters report accomplishments to Forest Service regional office contacts or NFPORS directly.</p>
<p>Acres treated for noxious weeds treated</p>	<p>WorkPlan</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</p>

<sup>20</sup> Restoring Fire-Adapted Ecosystems: A Cohesive Strategy for Protecting People and Sustaining Natural Resources, in *Draft*.

Executive Priority	Data Source	How Accomplishments Are Reported
		<p>treatments completed. Units report 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 in which 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. For biological control methods where a population of biocontrol agents is to be established (e.g., insects, fungus, bacterium, etc.), report 5 acres of accomplishment for each release of a biocontrol agent in the year of release only. Natural expansions of the biocontrol agent's population are not considered additional accomplishments.</p> <p>Treatment and retreatment of invasive plant (including noxious weeds) infestations is reported here. Accomplishment is reported when treatment has been completed by the Forest Service.</p>
Acres treated for selected invasive species treated	Washington Office FHP Staff and NFORS	Acres treated for Gypsy moth, Hemlock woolly adelgid, White pine blister rust, and invasive plants from FHP and NFS programs. Includes acres treated to maintain forest health, and reduce risk and damage from insects, diseases, and invasive plant species. Includes suppression, prevention and restoration projects/programs of native and nonnative insects, disease and invasive plants.
Miles of trails receiving maintenance	WorkPlan	The Forest Service tracked miles of trails maintained to standard as identified in Meaningful Measures trails component in FY 2004. The FY 2005 accomplishment should not be compared with FY 2004, nor should it be considered reliable.
Miles of high clearance and passenger roads maintained to standard	WorkPlan (12-month actual performance reported in the Roads Accomplishment Report)	<p>This accomplishment is reported in miles and percent and is the sum of the following:</p> <p>Miles of objective maintenance level 1 and 2 roads that are maintained in accordance with standards for the applicable maintenance level at year end.</p> <p>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.</p>
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.
Number of ROW acquired	WorkPlan	The Forest Service tracks the total number of road and trail ROW 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	<p>The Forest Service tracks the percentage of acres of NFS land that is covered by contemporary access and travel management decisions that address off-highway vehicle 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.</p> <p>Acres of NFS lands on administrative units or ranger districts for which a motor vehicle use map has been published in conformance with new travel management regulation in 36 CFR 212.56.</p>
Number of energy facility applications processed within prescribed timeframes	WorkPlan (numerator)	<p>Number of special use applications processed within the projected timeline determined by the authorizing officer for electric transmission lines, oil or gas pipelines, and renewable energy generation facilities (use code 621-644).</p> <p>Note: Strategic Plan measure is percent, this value is the numerator. Percentage will be calculated using accomplishments reported in this code and LM-SUP-APPL-FN. This info will not be available in the Special Uses Database System this year.</p>

Executive Priority	Data Source	How Accomplishments Are Reported
Percent of oil and gas applications processed in prescribed timeframes	WorkPlan (numerator); denominator is from the National Energy Plan (NEP) Report	Processing within prescribed timeframes means 60 days for oil and gas lease nominations where land availability decisions are already made, 18 months for lease nominations requiring land availability decision, 180 days for an application for a permit to drill (APD) requiring an EA, and 18 months for APDs requiring an Environmental Impact Statement. For purposes of reporting, if lease applications (nominations) have not been filed, assume each potential nomination will be for 1,000 acres.
Number of watersheds in fully functioning condition	WorkPlan	Forests will use information from coarse filter watershed analysis to assign fifth-level hydrologic units into three condition classes. Forests will focus on watershed stability and ability to attain beneficial uses to report the number of hydrologic units determined to be fully functional, functional but at risk, and nonfunctional. To roll up data, units need to report both numerator and denominator.
Acres of terrestrial wildlife habitat restored or enhanced	WorkPlan	<p>This accomplishment is the sum of acres of terrestrial habitat <u>and</u> acres of threatened and endangered species (TES) terrestrial habitat.</p> <p>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>
Miles of streams restored or enhanced	WorkPlan	<p>This accomplishment is the sum of miles of inland fish streams <u>and</u> 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 improvement 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>
Acres of lakes restored or enhanced	WorkPlan	<p>This accomplishment is the sum of inland fish-bearing lakes, ponds, and reservoirs, <u>and</u> 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</p>

Executive Priority	Data Source	How Accomplishments Are Reported
		<p>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 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 improvement 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>
Acres of nonindustrial private forest land under approved stewardship management plans.	Performance Measures Accountability System (PMAS)	<p>NOTE: FY 2005 data is not available from States until November 2005. Acres reported are for FY 2004.</p> <p>This accomplishment is reported as the number of acres, in thousands, of land under approved Forest Stewardship Plans in FY 2004.</p>
Percent of the Nation for which FIA information is accessible to external customers	FIA Staff	<p>FIA data available to the public are quality assured and current, less than 2 years old. The accomplishment was reported in the FIA Report 9 and by FIA Staff.</p>
Acres of land adjustments to conserve the integrity of undeveloped lands and habitat quality	WorkPlan	<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>
Number of Land Management Plan (LMP) revisions/new plans completed	WorkPlan	<p>This accomplishment is reported when a Record of Decision based on the Final EIS 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>
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; Forest Service Manual (FSM), Forest Service Handbook (FSH), 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.</p>

Executive Priority	Data Source	How Accomplishments Are Reported
		with specific attention to the effects of management on ecological system structure and function.
Percent of 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.
Number of grazing allotments analyzed (NEPA) and decisions signed	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.



## PRESIDENT'S MANAGEMENT AGENDA

The President's Management Agenda (PMA) is a strategy to improve the management and performance of the Federal Government in the following five areas:

- Strategic Management of Human Capital
- Competitive Sourcing
- Improved Financial Performance
- Expanded Electronic Government
- Budget and Performance Integration

The PMA includes three scores toward its standards for achievement: green, yellow, and red. The Forest Service is "Getting to Green" when it successfully demonstrates achievement for OMB's green standards for success. The following discussion demonstrates the agency's results.

### Strategic Management of Human Capital

OMB'S GREEN STANDARD	STATUS AND PROGRESS
<p><i>Implemented a comprehensive Human Capital Plan, analyzed the results, and integrated them into decision making processes to drive continuous improvement.</i></p>	<p>Prior to the implementation of the PMA, the Forest Service developed and implemented a comprehensive Human Capital Management process in partnership with the National Academy of Public Administration (NAPA).</p> <p>Now, in its seventh year, this effort contributes directly to the strategic management of human capital, providing the Forest Service with more informed decisionmaking and continuous improvement from the work of interdisciplinary teams of agency leaders and staff specialists. Results include the agencywide workforce plan, a 5-year recruitment strategy, a corporate training strategy, and a five-tiered strategy for leadership succession.</p> <p>Several standing teams provide ongoing leadership to continuous improvement of the Forest Service's Human Capital:</p> <ul style="list-style-type: none"> <li>▪ Chief's Workforce Advisory Group (an executive-level board).</li> <li>▪ National Recruitment Council (field representation).</li> <li>▪ National Training Council (field representation).</li> <li>▪ Office of Leadership Success</li> </ul>

OMB'S GREEN STANDARD	STATUS AND PROGRESS
<p><i>Analyzed and optimized existing organizational structures from service and cost perspectives, using redeployment and delaying as necessary and integrating competitive sourcing and E-Gov solutions; and has process(es) in place to address future changes in business needs.</i></p>	<p>From FY 2003 through FY 2005, the Forest Service analyzed the existing organization in three major studies designed to optimize efficiencies and cost effectiveness in program delivery. These studies—the information technology (IT) competitive sourcing study (A-76), and the business process reengineering (BPR) studies for financial management and human resource management—recommended significant restructuring and centralization for these business functions.</p> <p>For the Information Technology Infrastructure Competitive Sourcing Study, seven business units were studied:</p> <ol style="list-style-type: none"> <li>1. Database Management</li> <li>2. Desktop Support</li> <li>3. Infrastructure Design, Integration, Testing, and Delivery Management</li> <li>4. Security</li> <li>5. Server Support</li> <li>6. Telecommunications</li> </ol> <p>From these studies, a Performance Work Statement was developed and a Request for Proposals was solicited. The Award Announcement was made on July 27, 2004, with the selection of the Information Solutions Organization (ISO) as the primary service provider. Remaining local units continue to provide support for location-specific issues, such as printer and onsite equipment maintenance calls, and cell phone support. This is the Continuing Government Activity, or CGA. Both the ISO and CGA provide IT Management for the agency.</p> <p>The financial management BPR resulted in a centralized restructuring of three functional areas, represented at the Albuquerque Service Center (ASC) as Financial Operations, Financial Reporting and Reconciliation, and Budget Execution. The results of this consolidation will ensure an organizational structure that provides efficient and cost effective service on a sustainable basis, while providing substantial cost savings to the agency. The ASC opened for limited business on February 22, 2005. As of September 2005, all functions have been successfully migrated except Claims Management and Incident Business Management, which will complete the migration plan in second quarter of FY 2006.</p> <p>The Human Resource (HR) BPR evaluated alternatives based on criteria that included customer satisfaction, consistency across the agency, linking technology systems, and cost savings. In the reorganization, all region, station, local, and other servicing HR units will be replaced by a new centralized HR organization featuring the following:</p> <ul style="list-style-type: none"> <li>▪ A Forest Service HR Service Center in Albuquerque;</li> <li>▪ New technology featuring Web-based self-reliance tools and a call center;</li> <li>▪ HR Liaisons to support local Forest Service Leadership Teams;</li> <li>▪ A Board of Customers to monitor and provide feedback to the National</li> </ul>

OMB'S GREEN STANDARD	STATUS AND PROGRESS
	<p>Leadership Team; and</p> <ul style="list-style-type: none"> <li>▪ Changing roles for managers, supervisors, HR employees, and all Forest Service employees.</li> </ul> <p>The transition will occur in the following stages through FY 2007:</p> <p>Stage I—staffing, classification, Paycheck on the Web, HR Liaisons.</p> <p>Stage II—pay and leave, benefits, performance measurement, and employee development.</p> <p>Stage III—employee and labor management relations.</p>
<p><i>Succession strategies, including structured executive development programs, result in a leadership talent pool and continuously updated to achieve results.</i></p>	<p>In May 2003, the Office of Leadership Success integrated succession planning with the agency workforce plan to develop succession strategies. The Employee Development branch and the Office of Leadership Success designed executive development programs based on the five-tiered leadership development strategy. At the field level, work began on the development and implementation of leadership programs in the other tiers of the five-tiered strategy.</p> <p>To engage current Forest Service leaders in the leadership development process, a comprehensive Senior Leaders Program for employees ranging in grade from GS-12 to GS-14 was designed. The first class in this 12-month experiential learning program was held in October 2004 for 40 managers.</p>
<p><i>Has performance appraisal plans and awards programs for all SES and managers, and more than 60% of the workforce, that effectively:</i></p> <ul style="list-style-type: none"> <li>▪ Link to agency mission, goals and outcomes;</li> <li>▪ Hold employees accountable for results appropriate for their level of responsibility</li> <li>▪ Differentiate between various levels of performance (i.e., multiple performance levels with at least one summary rating above Fully Successful); and</li> <li>▪ Provide consequences based on performance. The agency is working to include all agency employees under such systems.</li> </ul>	<p>The Forest Service is in the initial stage of outlining an approach to move from a pass/fail performance appraisal program to a multilevel performance appraisal program. This work includes benchmarking from other agencies, estimating costs of options, developing a time table, determining if some processes can be automated, recommending an alternative, and negotiating with the union.</p> <p>Performance appraisals for SES and supervisory GS-14s and GS-15s were linked to the Forest Service's strategic goals and objectives in FY 2004. This particular framework will be carried forward into the multilevel plan, once a decision is made from the process described above.</p> <p>Consideration is being given to agency decisions for the HR BPR effort and the implications and impact of those efforts for performance management, therefore, the Forest Service's final plan is dependent upon the outcomes of this ongoing BPR effort.</p>
<p><i>Reduced under representation, particularly in mission-critical occupations and leadership ranks; established processes to sustain diversity.</i></p>	<p>The National Recruitment Council coordinates recruitment efforts, develops planning and recruitment tools, and manages a system of National Recruitment Initiatives, based at 12 targeted universities. A system of monitoring and accountability measure Forest Service progress in addressing key workforce planning</p>

OMB'S GREEN STANDARD	STATUS AND PROGRESS
	<p>issues. A recent review of these measures indicates that in FY 2004, minority hiring had increased by an estimated 50% over previous years, and the use of the Student Career Experience Program hiring authority had more than doubled.</p>
<p><i>Significantly reduced skill gaps in mission critical occupations and competencies, integrated competitive sourcing and E-Gov solutions into gap reduction strategy.</i></p>	<p>Since 1998, the Forest Service has implemented a systematic approach to recruiting a highly skilled and diverse workforce needed to carry out the agency's mission, now and into the future. This system is currently based on a foundation of annual workforce planning at the national and field levels.</p>
<p><i>Has made significant progress and demonstrates continued improvement toward meeting agreed-upon aggressive hiring timeline goals.</i></p>	<p>Since FY 2003, a system of monitoring and accountability has been in place to measure progress in addressing key workforce planning issues including hiring, diversity and use of all authorities and incentives.</p> <p>A recent review of these measures indicates that in FY 2004 minority hiring had increased by more than 50% over previous years and the use of the Student Career Experience Program hiring authority had more than doubled.</p>
<p><i>Uses outcome measures to make human capital decisions, demonstrate results, make key program and budget decisions, and drive continuous improvement in the agency.</i></p>	<p>The Forest Service was a key member of the team that developed USDA's Human Capital Assessment and Accountability Framework (HCAAF). The HCAAF provides a self-assessment using critical success factors and performance indicators. The HCAAF is a tool that prompts participants with statements indicating the level of alignment to the agency's strategic plan or human capital strategy, in a format similar to OMB's PART.</p> <p>As a part of this system, the Forest Service is using the USDA Quarterly Accomplishment Report (QAR) and the Human Capital Scorecard as an ongoing system to evaluate agency human capital management programs, document results and outcomes, and ensure continuous program improvement.</p>

Competitive Sourcing

OMB'S GREEN STANDARD	STATUS AND PROGRESS
<p><i>Has an OMB approved "green" competition plan to compete commercial activities available for competition.</i></p>	<p>The Forest Service's FY 2004-08 Competitive Sourcing Green Plan is awaiting approval at USDA (June 2004).</p> <p>The revised Green Plan for FY 2005 through 2009 was delivered to USDA by July 29, 2005.</p>
<p><i>Publicly announces standard competitions in accordance with the schedule outlined in the agency "green" competition plan.</i></p>	<p>The Forest Service had no planned or announced standard studies in FY 2005, but on June 30, 2005, completed the Communication Feasibility Study that was identified in the USDA Green Plan.</p>
<p><i>Since January 2001, has completed at least 10 competitions (no minimum number of positions required per competition) or has completed a sufficient number of large competitions to demonstrate meaningful use of competitive sourcing.</i></p>	<p>The Forest Service completed 171 studies and implemented 4, involving 3,695 fulltime equivalents (FTEs) of in-house work.</p> <p>Began implementing the results of the IT infrastructure standard study in February 2005, with a projected average savings of \$20 million per year over 5 years.</p>
<p><i>In the past four fiscal quarters, completed 90% of all standard competitions in a 12-month timeframe or timeframe otherwise approved in accordance with OMB Circular A-76.</i></p>	<p>Completed the IT Infrastructure in August 2004, on schedule.</p>
<p><i>In the past four fiscal quarters, completed 95% of all streamlined competitions in a 90-day timeframe or timeframe otherwise approved in accordance with OMB A-76.</i></p>	<p>The Forest Service has not announced or performed any standard and streamlined competitions in the past four quarters.</p>
<p><i>In the past year, canceled fewer than 10% of publicly announced standard and streamlined competitions.</i></p>	<p>No publicly announced standard or streamlined competitions were cancelled.</p>
<p><i>Has OMB reviewed written justifications for all categories of commercial activities determined to be unsuitable for competition.</i></p>	<p>OMB reviewed and approved justifications for 2004 FAIR Act inventory.</p> <p>Revised and submitted enhanced justifications for FY 2005, consistent with direction from OMB and USDA, and in agreement with other natural resource agencies' definition and practice.</p>
<p><i>Structures competitions in a manner to encourage participation by both private and public sectors as typically demonstrated by receipt of multiple offers and/or by documented market research, as appropriate.</i></p>	<p>The Forest Service intends to pursue national studies, in part to solicit greater interest from private and public sectors.</p> <p>The Forest Service will seek to conduct selected competitive sourcing studies in accordance with an interagency Charter between USDA Forest Service and the Department of the Interior Bureau of Land Management. If warranted by the findings of a feasibility study currently underway, the first joint</p>

OMB'S GREEN STANDARD	STATUS AND PROGRESS
	<p>study performed under that charter could be of the Remote Automated Weather Stations. The agency intends to pursue national studies, in part to solicit greater interest from private and public sectors.</p>
<p><i>Regularly reviews work performed once competitive sourcing studies are implemented to determine if performance standards in contract or agreement with agency provider are met and takes corrective action when provided services are deficient.</i></p>	<p>Conducted reviews for the two Region 5 (R5) standard competitive sourcing studies and made recommendations. R5 is implementing the recommendations.</p> <p>Developed an approach to monitor IRM performance and unit has been established to monitor performance.</p>
<p><i>To maintain green status, agency:</i></p>	
<p><i>Has positive anticipated net savings and/or significant performance improvements from competitions completed either in last fiscal year for which data has been officially reported to Congress by OMB or in the past three quarters, and</i></p>	<p>In February 2005, the agency began implementing the results of the IT Infrastructure standard study, with projected average savings of \$20 million per year over 5 years.</p>
<p><i>Through sampling, independently validates that savings to be achieved for the prior fiscal year were realized.</i></p>	<p>Ongoing monitoring taking place, but 1 full year of performance not yet completed.</p>

Improved Financial Performance

OMB'S GREEN STANDARD	STATUS AND PROGRESS
<p><i>Receives an unqualified audit opinion on its annual financial statements.</i></p>	<p>Key objectives for the Forest Service in FY 2005 were to:</p> <ul style="list-style-type: none"> <li>▪ Sustain the three, consecutive unqualified audit opinions;</li> <li>▪ Centralize the accounting functions at the ASC under the Associate Deputy Chief/Chief Financial Officer (CFO) and one Center Director; and</li> <li>▪ Migrate most accounting functions from 153 dispersed locations to the center in accordance with a defined plan and schedule.</li> </ul> <p>By meeting these objectives, the agency received an unqualified audit opinion in FY 2005, included herein, after initially receiving a "qualified" opinion related to the Consolidated Statement of Financing.</p>
<p><i>Meets financial statement reporting deadlines.</i></p>	<p>In FY 2005, the Forest Service met its reporting deadlines.</p>
<p><i>Reports in its audited annual financial statements that its systems are in compliance with the Federal Financial Management Improvement Act.</i></p>	<p>Overall, the Forest Service achieved substantial compliance with FFMIA.</p> <p>However, an independent auditor noted instances where the agency's financial management systems did not comply with Federal financial management system requirements, applicable Federal accounting standards, or the U.S. Standard General Ledger at the transaction level.</p>
<p><i>Has no chronic or significant Anti-Deficiency Act Violations.</i></p>	<p>The Forest Service has no known Anti-Deficiency Act violations and is continuously improving processes related to funds control and incident business to restrict obligations and expenditures to amounts apportioned by OMB and/or amounts available for obligation and expenditure.</p>
<p><i>Has no material auditor-reported internal control weaknesses.</i></p>	<p>OIG Audit Reports No. 08401-3-FM and 08401-2-FM identified a material weakness regarding the Forest Service Information Technology General Controls Environment. Significant progress has been made to resolve this material weakness. The agency has developed policy and procedures to manage its general controls environment and is working to implement and monitor compliance with the new policy.</p>

OMB'S GREEN STANDARD	STATUS AND PROGRESS
<p><i>Has no material noncompliance with laws or regulations; AND</i></p>	<p>Various instances of noncompliance were identified in the FY 2004 Financial Statements Audit report related to Federal Accounting Standards. As of September 30, 2005, the Forest Service has no material noncompliance with laws and regulations. The Forest Service issued policy and procedures for the proper accounting treatment of leases, the proper accounting treatment of internal use software, and plans to conduct associated training during October 2005. Monitoring of these areas will be performed as part of the normal quality assurance review process of agency programs.</p>
<p><i>Has no material weaknesses or non-conformances reported under Section 2 and Section 4 of the Federal Managers' Financial Integrity Act that impact the agency's internal control over financial reporting or financial systems.</i></p>	<p>Although the Forest Service completed the corrective actions associated with the current material weaknesses, the FY 2005 financial statement audit reinstated the 5 material weaknesses with new audit recommendations for FY 2006.</p>
<p><i>Is implementing a plan to continuously expand the scope of its routine data use to inform management decision-making in additional areas of operations.</i></p>	<p>The implementation of the Government Performance and Results Act, called Managing for Results (M4R) in the Forest Service, is progressing. The Performance Accountability System (PAS) being developed will integrate budget, financial, and performance data to support improved management decisionmaking. WorkPlan 3.0, released in June 2005, will provide timely and useful planning, financial, and accomplishment information for managers at all agency levels.</p>
<p><i>Currently produces accurate and timely financial information that is used by management to inform decision-making and drive results in key areas of operations.</i></p>	<p>Development of PAS is moving forward. PAS will integrate budget, financial, and performance data for improved management decisionmaking. WorkPlan 3.0 (released in June 2005) will provide timely and useful planning, financial, and accomplishment information for managers at all agency levels. The agency has significantly improved financial data quality by implementing multiple audit recommendations, consolidating financial operations into one location, and improving training and monitoring of compliance with financial policies and procedures.</p>



Expanded Electronic Government

OMB'S GREEN STANDARD	STATUS AND PROGRESS
<p><i>Has an Enterprise Architecture linked to the Federal Enterprise Architecture (FEA) rated "effective" using OMB's EA Assessment tool.</i></p>	<p>FSM 6615.1—Forest Service Enterprise Architecture Technical Reference Model (Forest Service policy).</p> <p>The Forest Service's Enterprise Architecture (EA) defines and manages Forest Service technology standards, policies, and products and aligns them with the agency's mission, goals, strategies, budgets, and business architecture. It is the repository that provides a common blueprint to validate IT investment decisionmaking and affords consistency across applications and databases. The Forest Service EA is based on the Federal Enterprise Architecture Framework (FEAF), which is a business and performance-based framework to support cross-agency collaboration, transformation, and Governmentwide improvement.</p> <p>The agency will develop a baseline measurement of its EA program maturity between July and December 2005.</p>
<p><i>Has acceptable business cases (security, measures of success linked to the Enterprise Architecture, program management, risk management, and cost, schedule, and performance goals) for all major systems investments.</i></p>	<p>The Forest Service received acceptable scores on all OMB Exhibit 300s (business case summaries) for each major system in May 2005. Annual updates are made to the major systems' business cases.</p> <p>Currently, there are no agency investments on OMB's watchlist.</p>
<p><i>Has demonstrated, using EVM or operational analysis, cost and schedule overruns, and performance shortfalls, that average less than 10% for all major IT projects</i></p>	<p>In March 2005, USDA's Office of the Chief Information Officer (OCIO) drafted a Departmental Regulation on earned value management (EVM) activities and techniques. This regulation summarizes the policies, responsibilities, and procedures for the development, maintenance, and use of EVM for major IT investments throughout USDA. Forest Service worked in conjunction with the OCIO to draft the regulation. IT staff have reviewed the draft, which is now in the process of being formally approved by USDA.</p> <p>Upon approval of this regulation, USDA will provide (1) an EVM implementation guide, and (2) an EVM reference guide. In the interim, all USDA agencies are required to use the EVM reporting tool, WorkLenz for IT capital investments. The Forest Service submits quarterly EVM updates to USDA in WorkLenz.</p>
<p><i>Submits quarterly status reports in remediating IT security weaknesses</i></p>	<p>The Forest Service tracks IT security weaknesses and submits quarterly status updates to USDA OCIO on remediation using the Federal Information Security Management Act (FISMA) plan of action and milestones (POA&amp;M) database.</p>
<p><i>Inspector General verifies the effectiveness of the Department-wide IT Security Remediation Process</i></p>	<p>USDA OIG verifies the Forest Service IT Security Remediation Process by doing the following:</p> <ol style="list-style-type: none"> <li>1. Performing an independent validation and verification (IV&amp;V) for</li> </ol>

OMB'S GREEN STANDARD	STATUS AND PROGRESS
	<p>completed Forest Service certification and accreditations (C&amp;As). This IV&amp;V started in February 2005.</p> <p>2. Including in the annual financial audit (conducted by KPMG) a review of IRM policies, procedures, and controls. This audit follows the guidelines outlined in FISCAM<sup>21</sup> and includes the following:</p> <ul style="list-style-type: none"> <li>a. A review of progress accomplished in remediation of the findings (NFRs) in the FY 2004 audit.</li> <li>b. A review of the FISMA POA&amp;M IT security weaknesses and progress of remediation.</li> <li>c. Testing IRM procedures to ensure remediation and controls are effective.</li> </ul>
<p><i>Has 90% of all IT systems properly secured (certified and accredited);</i></p>	<p>More than 90% of all Forest Service IT systems have been certified and accredited.</p>
<p><i>Has implemented all of the appropriate E-Gov initiatives rather than creating redundant or agency unique IT projects.</i></p>	<p>USDA reviews all system capital investments exceeding \$250,000 a year to confirm that they do not duplicate components of Federal or Departmental E-Gov systems.</p> <p>The Forest Service has implemented Recreation One-Stop, Geospatial One-Stop, and Electronic Management of NEPA projects.</p> <p>Proofs-of-concept are underway in the areas of Field Data Automation, e-Grants, e-Authentication, e-Learning, e-Research, e-Permits, and the Forest Service Enterprise Portal. In all of these projects, efforts have been made to use products and approaches provided by Federal and USDA electronic government initiatives. Agencywide implementations from these proof-of-concept projects will occur during FYs 2006—2010.</p>

<sup>21</sup> Federal Information System Controls Audit Manual.

Budget and Performance Integration

OMB'S GREEN STANDARD	STATUS AND PROGRESS
<p><i>Senior agency managers meet at least quarterly to examine reports that integrate financial and performance information that covers all major responsibilities of the Department. Agency demonstrates improvement in program performance and efficiency in achieving results.</i></p>	<p>At the April 2005 National Leadership Team meeting, the Forest Service implemented a new budget formulation process, integrating budget and performance information in several alternative scenarios, prior to preparing the FY 2007 agency request.</p> <p>For FY 2005 performance reporting, the Regional Foresters submitted midyear review of financial and performance information, providing Deputy Chiefs and Washington Office Program Directors the opportunity for tactical corrections to allocation decisions, based on available funding, performance, and demonstrated need.</p>
<p><i>Strategic plans contain a limited number of outcome-oriented goals and objectives. Annual budget and performance documents incorporate measures identified in the PART and focus on the information used in the senior management report described in the first criterion.</i></p>	<p>Currently the agency strategic plan contains only a limited set of priority goals, objectives, and key performance measures. These are incorporated into the agency's annual program direction (performance budget) as are those measures resulting from the PART process.</p> <p>All PARTed Forest Service programs have resulted in at least one efficiency measure. These efficiency measures justify Forest Service funding requests to USDA, in the agency's budget justification and the Department's estimate for the FY 2007 President's Budget.</p>
<p><i>Has performance appraisal plans and awards programs for all SES and managers, and more than 60% of agency positions that effectively:</i></p> <ul style="list-style-type: none"> <li>▪ <i>Link to agency mission, goals and outcomes;</i></li> <li>▪ <i>Hold employees accountable for results appropriate to their level of responsibility;</i></li> <li>▪ <i>Differentiate between various levels of performance;</i></li> <li>▪ <i>Provide consequences based on performance.</i></li> </ul> <p><i>The agency is also working to include all agency employees under such systems.</i></p>	<p>In FY 2004, the Forest Service's Executive Priorities were incorporated into the performance appraisal plans for Senior Executives (SES) and GS-14 and GS-15 supervisors, establishing the first linkage to the 2004-08 Strategic Plan.</p> <p>In FY 2005, direction was sent to all other employees to also tie their performance to the agency's strategic goals and objectives.</p> <p>When deployed, PAS will provide input to performance accountability for SES and managers, which can then be cascaded to all employees.</p>
<p><i>Reports the full cost of achieving performance goals accurately in budget and performance documents and can accurately estimate the marginal cost (+/- 10%) of changing performance goals.</i></p>	<p>The Forest Service budget is structured around programs, many of which support multiple objectives. It currently does not have a system that directly ties projects funded under various programs to strategic plan goals and objectives. While it can provide estimates of the costs of performance accomplishments, these are based on several assumptions made at the national level and cannot be tied back to individual, "on-the-ground" projects.</p>

OMB'S GREEN STANDARD	STATUS AND PROGRESS
	<p>Starting in FY 2006, the Forest Service will be using its WorkPlan system to tie all Forest Service projects to its strategic plan goals and objectives, along with planned performance measures. This will provide a baseline of information showing how much the Forest Service is spending by strategic goal and objective at the forest, regional, and national level. This information should allow it to accurately report on the costs for each performance goal and objective, and provide a baseline for accurately estimating the costs of changing these goals and objectives starting in FY 2007.</p>
<p><i>Has at least one efficiency measure for all PARTed programs.</i></p>	<p>The Forest Service has one efficiency measure, at a minimum, for all PARTed programs. Efficiency measures by strategic goal were submitted to USDA for the FY 2007 budget.</p>
<p><i>Uses PART evaluations to direct program improvements, and PART ratings and performance information are used consistently to justify funding requests, management actions, and legislative proposals.</i></p> <p><i>Less than 10% of agency programs receive a 'Results Not Demonstrated' rating for more than two years in a row.</i></p>	<p>The Forest Service uses PART information in the narratives of the Agency Request, Department Estimate, and the Budget Justification.</p> <p>Of the seven Forest Service programs or strategic goals that have been PARTed, three stand as Results Not Demonstrated (RND).</p>

## MANAGEMENT CONTROLS, SYSTEMS, AND COMPLIANCE WITH LAWS

### ***Federal Managers' Financial Integrity Act***

The Federal Managers' Financial Integrity Act (FMFIA)<sup>22</sup> requires Federal agencies to conduct ongoing evaluations of the adequacy of the systems of internal accounting and administrative control and to annually report all material weaknesses found through these evaluations. Federal agencies are required to provide reasonable assurance that the following objectives are being met:

- Programs operate efficiently and effectively;
- Obligations and costs comply with applicable laws and regulations;
- Funds, property, and other assets are safeguarded against waste, loss, or mismanagement; and
- 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.

During FY 2005, the Forest Service took the steps necessary to ensure that evaluations of the system of internal controls for the agency have been conducted in accordance with OMB guidelines and comply with the standards prescribed by the Comptroller General (CG). The Forest Service evaluations included assessments regarding whether the financial management systems and internal accounting and administrative controls were in compliance with the standards prescribed by the CG. The results of the assessment, conducted at all levels throughout the agency, indicate that the system of internal accounting and administrative control in effect during FY 2005 complies with the requirement to provide reasonable assurance that the above-mentioned objectives have been met.

In FY 2005, as a result of audits by GAO, OIG, and internal agency reviews, the Forest Service reported the following OIG audit-identified material weaknesses (MW) as part of the FMFIA process:

- FS 04-01: Financial Management Internal Control Weaknesses
  - MW 1: Improve Financial Management and Accountability (OIG Audit # 08401-3-FM)
  - MW 2: Implementation of the Forest Service Accrual Methodology Needs Strengthening (OIG Audit # 08401-3-FM)
  - MW 3: Controls over PONTIUS and PRCH Data Access, Input, Reconciliation, Integrity, and Segregation of Duties (OIG Audit # 08401-2-FM) and (Separate limited-distribution report)
  - MW 4: Accountability for Undelivered Orders (UDO) (OIG Audit # 08401-4-FM)
- FS 00-01: General Control Environment (OIG Audit # 08401-2-FM) and (Separate limited-distribution report)

Other OIG audit-identified material weaknesses (not FMFIA-reported)

- Performance Reporting Internal Control Weaknesses (OIG Audit # 08601-01-HY)

As of September 30, 2005, the Forest Service completed all corrective actions for FMFIA reported material weakness FS 04-01 and requested OCFO remove this deficiency from the list of agency material weaknesses.

<sup>22</sup> This is also known as the Integrity Act.

For FMFIA reported material weakness FS 00-01, the Forest Service has remaining corrective actions related to system security issues that are part of the USDA reported material weakness. The system security corrective action related to the development and implementation of policy and procedures for entitywide software and hardware management, originally scheduled for completion in the fourth quarter of FY 2005, has a revised completion date of second quarter of FY 2006. This corrective action was delayed as a result of restructuring the IT organization within the Forest Service. However, the Forest Service requested closure by OCFO of the FMFIA-reported material weakness on information security because all significant actions that qualified this finding as a material weakness have been completed. All "other" OIG material weaknesses have been reassessed and downgraded, or closed.

The corrective actions taken by the Forest Service to eliminate the material weakness on "performance reporting" was officially downgraded to a reportable condition by OIG. This decision was based on OIG's indepth review of the actions taken as of August 2005, in response to the audit recommendations. The Forest Service has completed all actions regarding the material weakness on UDOs and strengthening of the accrual methodology. Requests for closure of the associated audit recommendations were forwarded to OCFO along with the request to close these material weaknesses.

The results from the independent audit of the Forest Service financial statement reinstated the following material weaknesses. The agency has until December 31, 2005, to prepare a corrective action plan to address them in FY 2006.

The following tables contain justification, status of corrective actions, and explanation of remaining steps required to close the material weaknesses, based on the FY 2005 corrective action plans.

FMFIA Material Weakness Action Plans

<b>MATERIAL WEAKNESS FS 04-01—FINANCIAL MANAGEMENT INTERNAL CONTROL WEAKNESSES</b>				
<b>Description:</b> Controls are inadequate to assure improvements in data quality				
<b>Reference:</b> OIG Audit Report No. 08401-4-FM				
<b>Responsible Staff:</b> Washington Office Budget and Finance				
<b>Corrective Actions</b>	<b>Action Completed</b>	<b>Revised Completion Date</b>	<b>Reason Corrective Actions Were Not Completed</b>	<b>FY 2006 Action Plan for Corrective Actions Not Met</b>
Develop detailed future state process. Work with other teams to develop roles and responsibilities, staffing plan, migration plan, customer service IT requirements, performance metrics, etc. (1st Qtr.).	Yes	N/A	N/A	N/A
Begin process to transition people and processes from the field and WO into the ASC (2nd Qtr.).	Yes	N/A	N/A	N/A
Transition NE/NA staff and finance activities to the ASC to address major financial management deficiencies (2nd Qtr.).	Yes	N/A	N/A	N/A
Build detailed future state processes (e.g., policies and procedures, reports, etc.) (2nd Qtr.).	Yes	N/A	N/A	N/A

Build training materials for transition (2nd Qtr.).	Yes	N/A	N/A	N/A
Migrate management, administrative support, and customer service functions (3rd Qtr).	Yes	N/A	N/A	N/A
Complete migration of the payments-grants and agreements and payments-other teams (4th Qtr.).	Yes	N/A	N/A	N/A
Migrate personal property, real property, and WCF teams (4th Qtr.).	Yes	N/A	N/A	N/A

<b>MATERIAL WEAKNESS FS 00-01—USDA INFORMATION SECURITY WEAKNESS</b>				
<b>Description:</b> Weaknesses have been identified in the Department's ability to protect its assets from fraud, misuse, inappropriate disclosure and disruption				
<b>Reference:</b> OIG Audit Report No. 08401-2-FM-IT; Summary Report of IT Findings, dated 12/18/05 (restricted distribution)				
<b>Responsible Staff:</b> Washington Office Information Resources Management				
<b>Corrective Actions</b>	<b>Action Completed</b>	<b>Revised Completion Date</b>	<b>Reason Corrective Actions were not Completed</b>	<b>FY 2006 Action Plan for Corrective Actions Not Met</b>
Require and confirm that all employees have an authenticated address in the USDA's certified E-Gov authentication solution (1st Qtr.).	Yes	N/A	N/A	N/A
Implement a memorandum of understanding with the USDA OCFO/ACFO Financial System (2nd Qtr.).	Yes	N/A	N/A	N/A
Revised: Implement ISS for monitoring infrastructure to detect enterprise-level vulnerabilities and eliminate unused or unauthorized applications (2nd Qtr.).	No	8/31/2005		
Finalize and formally implement the information security risk assessment policy (3rd Qtr.).	Yes	N/A	N/A	N/A
Implement entitywide policy and procedures on access controls for segregation of duties (3rd Qtr.).	Yes	N/A	N/A	N/A
Test the continuity of operations plan entitywide (4th Qtr.).	Yes	N/A	N/A	N/A
Implement the network perimeter policy in coordination with the network router enhancements (4th Qtr.).	Yes	N/A	N/A	N/A
Develop and implement entitywide software management policy and procedures (4th Qtr.).	No	3/31/2006	Overall revision of software and hardware management policies is required, as a result of agency restructuring of IT organization (A-76)	Revise Systems Management Handbook, FSH 6609.11 (10/31/2005)  Rewrite Software Management policy, FSM 6620 (12/31/2005)  Revise Computer Technology Management policy, FSM 6610 (12/31/2005)  Revise Application Developers Handbook,



### ***Federal Financial Management Improvement Act***

The Federal Financial Management Improvement Act (FFMIA) of 1996 requires Federal agencies to implement and maintain financial management systems that substantially comply with the following:

1. Federal financial management system requirements;
2. Applicable Federal Accounting Standards;
3. The Standard General Ledger (SGL) at the transaction level; and
4. Information security policies, procedures and practices.

The Federal Information Security Management Act (FISMA) of 2002 added the fourth reporting requirement for FFMIA. Under the FFMIA, agencies are required to annually report whether financial management systems substantially comply with the FFMIA. If systems are found not in compliance, a remediation plan is required to bring the agency's financial management systems into substantial compliance.

#### *FY 2005 Results*

For FY 2005, the Forest Service is in substantial compliance with the FFMIA, although the financial statements audit report noted instances of noncompliance where the agency's financial management systems did not comply with Federal financial management system requirements, applicable Federal accounting standards, or the U.S. Standard General Ledger at the transaction level.

The Forest Service developed a remediation plan to aggressively implement corrective actions to resolve all Improvement Act and FISMA noncompliance issues. As of September 30, 2005, the Forest Service completed significant corrective actions regarding its financial management systems and made significant progress in resolving FISMA noncompliance issues. The agency continues to make progress toward resolving one remaining issue within the general control environment. The development and implementation of entitywide software and hardware management policies and procedures will require complete review and revision as a result of Forest Service organizational restructuring and is now targeted for completion in the second quarter, FY 2006.

The results from the independent audit of the Forest Service financial statement reinstated the following material weaknesses. The agency has until December 31, 2005, to prepare a corrective action plan to address them in FY 2006.

The following tables contain justification, status of corrective actions, and explanation of remaining steps required to achieve full compliance with the FFMIA, based on the FY 2005 corrective action plans.

FFMIA Remediation Plans

<b>SECTION 2—APPLICABLE FEDERAL ACCOUNTING STANDARDS</b>					
<b>Agency Point of Contact:</b> Director, ASC and Assistant Director, Financial Policy and Standards					
<b>References:</b> OIG Audit No. 08401-4-FM					
<b>Description</b>	<b>Corrective Actions</b>	<b>Target Completion Date</b>	<b>Actual Completion Date</b>	<b>Reason Corrective Actions were not Completed</b>	<b>FY 2006 Action Plan for Corrective Actions Not Met</b>
Improve financial statement note disclosures	Conduct training on OMB Bulletin No. 01-09 to ensure proper note disclosures to the financial statements.	5/31/2005	5/25/2005	N/A	N/A
Accounting for Liabilities of the Federal Government	Change cookbook certification reviews to a November, February, May, August quarterly cycle.	5/31/2005	5/31/2005	N/A	N/A
	Monitor compliance with the review and certification requirements for obligations and accruals.	5/31/2005	5/31/2005		
Proper accounting for leases, internal use software, and nonmonetary business processes	Establish policy and procedures for the proper accounting treatment of leases.	5/31/2005			Training is scheduled for completion by October 31, 2005. Target revised to accommodate resource adjustments required to finalize the financial statement audit.
	Establish policy and procedures for the proper accounting treatment of internal use software.	5/31/2005			
	Establish policy and procedures for the proper accounting treatment of nonmonetary business processes.	5/31/2005	5/24/2005		
	Conduct training and implement monitoring process for compliance with established policy and procedures.	10/31/2005			
Accounting for Revenue and Other Financing Sources and Reporting Correction of Errors and Changes in Accounting Principles	Issue memo and conduct training to reemphasize the proper recording of revenue transactions.	6/31/2005	5/31/2005	N/A	N/A
	Implement department policy for the review and recordation of prior period adjustments.	5/31/2005	6/1/2005		
	Conduct monthly Cumulative Results of Operations review and analysis.	5/31/2005	6/15/2005		
Strategic Plan and Annual Performance Plan Goal and Objective to which the Corrective Actions apply, if applicable.					

**SECTION 4—INFORMATION SECURITY POLICIES, PROCEDURES, AND PRACTICES**

**Agency Point of Contact:** Director, ASC and Assistant Director, Financial Policy and Standards

**References:** OIG Audit No. 08401-4-FM

Description	Corrective Actions	Target Completion Date	Actual Completion Date	Reason Corrective Actions were not Completed	FY 2006 Action Plan for Corrective Actions Not Met
Strengthen security and access controls	<p>Certify and accredit the Automated Timber Sales Accounting System, Travel, PAYCHECK, and INFRA.</p> <p>Finalize and formally implement the information security risk assessment policy.</p> <p>Implement entitywide policy and procedures on access controls for segregation of duties.</p> <p>Require and confirm that all employees have an authenticated address in the USDA's certified E-Gov authentication solution.</p> <p>Implement the network perimeter policy in coordination with the network router enhancements.</p>	<p>9/30/2004</p> <p>4/1/2005</p> <p>4/1/2005</p> <p>12/31/2004</p> <p>7/1/2005</p>	<p>10/29/2004</p> <p>12/31/2004</p>		
Improve software management controls	<p>Replace ISS with a suite of commercial scanning tools and a comprehensive monitoring infrastructure to detect enterprise level vulnerabilities and eliminate unused or unauthorized applications.</p> <p>Develop and implement entitywide software management policy and procedures.</p>	<p>8/31/2005</p> <p>3/31/2006</p>		<p>Overall revision of software/hardware management policies is required as a result of Forest Service organization restructuring</p>	<p>Revise Systems Management handbook, FSH 6609.11 (10/31/2005)</p> <p>Rewrite Software Management policy, FSM 6620 (12/31/2005)</p> <p>Revise Computer Technology Management policy, FSM 6610 (12/31/2005)</p> <p>Revise Application Developers Handbook, FSH 6609.13 (3/31/2006)</p>
Ensure computer-dependent operations experience no significant disruptions	<p>Test the continuity of operations plan entitywide.</p> <p>Implement a memorandum of understanding with the USDA OCFO/ACFO-Financial System.</p>	<p>9/30/2005</p> <p>5/31/2005</p>	<p>5/26/2005</p>		

Strategic Plan and Annual Performance Plan Goal and Objective to which the Corrective Actions apply, if applicable.

## ***Financial Management Systems***

### ***FY 2005 Results***

The Forest Service is currently procuring travel services through one of the GSA eTravel systems vendors, Electronic Data Systems. However, due to major system and interface challenges, this contractor has not been able to implement an end-to-end travel system for our agency. The Forest Service, under the direction of USDA, will begin the procurement process in October 2005, for a new end-to-end eTravel systems contractor.

### ***Federal Information Security Management Act***

The Federal Information Security Management Act (FISMA) provides the framework for securing the Federal Government's information technology. Departments covered by the Paperwork Reduction Act must implement the requirements of FISMA, reporting annually to OMB and Congress on the effectiveness of the agency's security programs and independent OIG evaluations. Security audit findings, security deficiencies identified in systems through the Certification and Accreditation (C&A) process, and security deficiencies identified in self-assessments are listed and tracked in the FISMA Plan of Actions and Milestones (POAM), which is updated monthly and reported to USDA quarterly for inclusion with its FISMA Report to OMB.

The Forest Service is aware of the vulnerability of its assets and financial data due to error or fraud and is in the process of correcting the information security controls material weakness. Plans are in place to address this significant deficiency, as well as associated reportable conditions, which were identified in the FY 2004 Annual FISMA Report.

### ***FY 2005 Results***

The majority of the corrective actions to address information security material weaknesses identified in the FY 2004 financial statement audit (and also included in the FMFIA/FFMIA reports) have been completed in FY 2005, including:

- Policies to address information security risk assessment, access controls for segregation of duties, and network perimeter controls.
- C&A of general support systems and major applications, including financial applications.
- Infrastructure vulnerability scanning and monitoring.
- Implementation of Memoranda of Understanding (MOUs) for connection and use of USDA financial systems.

The Forest Service will continue with plans to complete the correction of the information security controls material weakness in FY 2006.

### ***Inspector General Act Amendments of 1988***

The Inspector General (IG) Act requires management to complete all final actions on audit recommendations within 1 year of the date of the IG's final audit report. Within the Forest Service, as of September 30, 2005, there were 13 audits pending final action for over 1 year.

Since 2002, the agency has increased efforts to reduce the number of unimplemented audits pending final action. The audit inventory at the end of FY 2002 for audits over 1 year was 32; FY 2003 was 26; FY 2004 was 21; and FY 2005 was 14. The explanation for delays in implementing recommendations includes the development and implementation of new/revised directives and systems.

Per the IG Act reporting requirements, agencies must report the management dollar value of disallowed costs and funds to be put to better use. A disallowed cost (DC) is a questioned cost that management sustains or agrees is not chargeable to the Government. Funds to be put to

better use (FTBU) are funds that OIG has recommended could be used more efficiently if management took actions to implement and complete the recommendation. From the reporting period of October 1, 2004, to September 30, 2005, come the following results.

FY 2005 Results

DC and FTBU (in thousands)				
	DC		FTBU	
	Reports	Value	Reports	Value
Balance 9/30/2004	1	\$140.5	6	\$46,002.9
New	--		2	42,686.5
Total	1	140.5	8	88,689.4
Closed	0	0.0	3	46,524.7
<b>Balance 9/30/2005</b>	<b>1</b>	<b>\$140.5</b>	<b>5</b>	<b>\$42,164.7</b>

**Improper Payments Information Act**

The Improper Payments Information Act<sup>23</sup> of 2002 (IPIA) requires the Forest Service to identify any of its programs that may be susceptible to significant improper payments (typically overpayments), estimate the annual amount of these improper payments, and submit these estimates to USDA. Any program deemed risk-susceptible for improper payments is reviewed to assess the level of improper payments, using OMB criteria to determine the size of a random statistical sample.

Improper Payments

The Wildland Fire Suppression (WFSU) Program is currently the Forest Service's only risk-susceptible program. This high profile program has made several payments outside the contract environment, increasing the potential for improper payments as billing errors may be more difficult to detect. Internal control standards may also be more difficult to meet. There were three basic causes for improper payments in WFSU:

- Payment for services not authorized under contract;
- Invoices had wrong rate for services and error was not identified during Field Office review; and
- Failures to take early-payment discount.

From the random sampling process, the outlay within WFSU and the respective percentage of improper payments for FY 2004 and FY 2005 produced the targeted amount for recovery.

**Exhibit 7: Improper Payment Sampling Results (in millions)**

FY 2004			FY 2005		
Outlays	IP %	IP \$	Outlays	IP %	IP \$
\$1,980	3.27%	\$65	\$1,782	3.00%	\$53

<sup>23</sup> IPIA was authorized in Public Law 107-300.

**Exhibit 8: Improper Payment Reduction Outlook (in millions)**

FY 2006			FY 2007			FY 2008		
Est. Outlays	IP %	IP \$	Est. Outlays	IP %	IP \$	Est. Outlays	IP %	IP \$
\$732	3.00%	N/AV	\$700	2.90%	N/AV	\$705	2.80%	N/AV

FY 2005 Results

In FY 2005, the Forest Service completed a pilot recovery auditing project using an independent recovery audit contractor. The primary objective of audit recovery is to identify inadvertent overpayments to suppliers of services or goods, and then contact the suppliers to verify and document the errors. Billings for collection are sent to the vendors, who remit refund checks to the Forest Service. Cash deposits of amounts recovered are made into appropriate Forest Service fund accounts. The contractor for the pilot identified \$333,000 in improper payments and recovered \$189,000 as of September 2005, representing a dramatic improvement in findings and collections from FY 2004.

There is an important distinction between the IPIA figures (above) and the recovery auditing figures (below). IPIA figures are only for WFSU disbursements, while Recovery Audit figures are for all nonpersonnel-related disbursements across the Forest Service.

**Exhibit 9: FY 2005 Recovery Auditing Results (in millions)**

Amount Subject to Review for FY 2005 Reporting	Actual Amount Reviewed and Reported	Amount Identified for Recovery	Amount Identified / Actual Amount Reviewed	FY 2005 Amounts Recovered	FY 2004 Amounts Recovered
\$2,428	\$2,428	\$,333	0.0137%	\$,189	N/A

More specific types of payment errors found during the course of the recovery audit process include:

- Duplicate payments;
- Unposted credit memos resulting from returned merchandise to vendors;
- Overpayment of various contractual charges such as incorrect per diem rates;
- Improper rates charged for meals provided during fire suppression; and
- General and administrative expense recovery not provided by contract.

Additional overpayment errors included the payment of sales tax on tangible personal property purchased, and the payment of a previously voided invoice.

To ensure that Forest Service management holds itself accountable for reducing and recovering improper payments, the agency has taken several steps:

- Hold accountable the entire ASC management team for compliance with IPIA through performance metrics in their performance elements.
- Issue specific policy guidance throughout the agency, emphasizing corrective actions to mitigate the causes of improper payments.
- Consolidate payment processing at ASC for more consistency

- Reduce future improper payments by communicating all information related to the WFSU improper payment recoveries and the underlying transactions to all Forest Service employees.

These actions should help the Forest Service reduce improper payments in the future.

The Forest Service acknowledges it has the necessary information systems and other infrastructure in place. There are no statutory or regulatory barriers to recovering improper payments.

## **LIMITATIONS OF FINANCIAL STATEMENTS**

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

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

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