



UNITED STATES DEPARTMENT OF AGRICULTURE

OFFICE OF INSPECTOR GENERAL

Washington, D.C. 20250



APR 3 2009

TO: Abigail R. Kimbell  
Chief  
Forest Service

FROM: Robert W. Young  
Assistant Inspector General  
for Audit

SUBJECT: Existing Risk to Forest Service's Economic Recovery Program

The American Recovery and Reinvestment Act (Recovery Act) of 2009 includes measures to modernize our nation's infrastructure, enhance energy independence, expand educational opportunities, preserve and improve affordable health care, provide tax relief, and protect those in greatest need. As you are aware, the Recovery Act authorizes \$1.15 billion to the Forest Service (FS) to assist in achieving the purposes of the Recovery Act. It provides \$650 million for capital improvement and maintenance to FS lands and \$500 million for wildland fire management projects, of which \$50 million is provided for increased use of wood-to-energy biomass production.

Along with the provisions for FS, the Recovery Act mandates that the Office of Inspector General provide oversight and audits of programs, grants, and activities funded by the Recovery Act. To assist FS in achieving its Recovery Act objectives and minimize the risks of inefficient or improper actions that could put taxpayers' money at risk, we have embarked on a program of oversight related to Recovery Act funding.

The initial project in our oversight was to review audit recommendations that could impact internal controls over Recovery Act activities for each agency. We identified recommendations where FS has not implemented the agreed-upon corrective actions within the mandatory one year timeframe. We then determined which of these recommendations, if left unresolved or not mitigated, would introduce a significant risk for inefficient or improper use of Recovery Act funding. For the FS, we identified 15 audit recommendations that met these criteria (attached). The risks associated with each of these recommendations are aligned with the accountability objectives of the Recovery Act. For example, Recommendation Number 4 from our *Follow-up on Recommendations Made on the Maintenance of Forest Service's Infrastructure* (Audit No. 08601-2-HY, issued on June 22, 2006) requires that the FS develop and implement a strategy to

address its deferred maintenance backlog and identify goals and objectives for managing deferred maintenance. However, this recommendation has not been fully implemented. With an expected \$650 million to be expended for capital improvement and maintenance under the Recovery Act, it is essential that the FS apply funding to projects that represent the greatest need and will provide the greatest benefit per Recovery Act intentions. Without clear goals and objectives for allocating Recovery Act funding to its deferred maintenance projects, FS risks spending funds in a manner that may not result in the most effective use of these funds.

On April 3, 2009, we advised FS officials of the agency's need to address the issues identified by audit recommendations to ensure accountability for Recovery funding. For the risks detailed above and those associated with the other 14 recommendations, we recommend that FS institute interim corrective actions to address identified deficiencies in its internal controls prior to expending the Recovery Act funding. FS officials agreed to provide written response within 5 days outlining future, interim corrective actions.

If you have any questions, please contact me at (202) 720-6945, or have a member of your staff contact Steve Rickrode, Director, Rural Development and Natural Resources Division, at (202) 690-4483.

Attachment

At-Risk Open Recommendations for Recovery Act Activities  
Agency: Forest Service  
(as of March 31, 2009)

We have listed a number of audits and recommendations Forest Service (FS) agreed to implement but has not yet done so. FS should address these recommendations prior to spending Recovery Act money on projects in these areas. Without implementing interim corrective actions, projects funded under the Recovery Act may incur unnecessary delays and cost overruns; also program goals may not be achieved. FS also risks that funds may not be awarded and distributed in a prompt, fair, and reasonable manner.

***Implementation of the Healthy Forests Initiative*** (Audit No. 08601-6-At, issued September 20, 2006) The objectives for this audit were to assess FS management controls over the hazardous fuels reduction program that affect (1) determining if projects are cost beneficial, (2) identifying and prioritizing projects, (3) allocating funds between projects, and (4) reporting accomplishments.

Recommendation 5                      Improve accomplishment reporting by including more detailed information, such as breaking down accomplishments by region, noting changes in condition class, and differentiating between initial and maintenance treatments and multiple treatments on the same acres. FS agreed to implement the recommendation by July 31, 2007.

Without implementing this recommendation, FS risks not being able to identify and select those fuels projects which would provide the most benefits and reduce the greatest risks of damage from wildland fire.

***Follow-up on Recommendations Made on the Maintenance of Forest Service's (FS) Infrastructure*** (Audit No. 08601-0002-Hy, issued June 22, 2006) The objectives of the audit were to (1) examine FS' implementation of recommendations from our two prior reports on maintenance of the agency's infrastructure and assess the extent to which appropriate corrective actions were applied and (2) identify and evaluate the agency's controls for maintaining its infrastructure and for compiling and reporting maintenance backlog information.

Recommendation 2                      Develop and implement controls to validate that condition assessment surveys are recorded. These controls should include standard procedures for entering data into Infrastructure Database (INFRA) and for reviewing and analyzing this data at all FS levels (i.e., Washington office, regional offices and national forests). FS agreed to implement the recommendation by September 30, 2007.

At-Risk Open Recommendations for Recovery Act Activities

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Recommendation 3            Develop and implement controls to validate that required inspections of dams are timely completed, emergency action plans are tested, and operations and maintenance plans are complete and up to date. FS agreed to implement the recommendation by March 30, 2007.

Recommendation 4            Develop and implement a strategy to address the deferred maintenance backlog and to identify goals and objectives for managing deferred maintenance. FS agreed to implement the recommendation by September 30, 2007.

For these three recommendations, FS risks not being able to identify the extent and condition of its infrastructure. Without this ability the FS may not be able to properly prioritize projects for funding under the Recovery Act.

Recommendation 5            Implement controls to validate that the information recorded in Infrastructure Database (INFRA) is accurate. FS agreed to implement the recommendation by September 30, 2007.

Unless the FS can be assured the information in INFRA is accurate, FS risks making management decisions based upon flawed and inaccurate information. This could increase the risks that the most beneficial projects will not be funded first.

Recommendation 6            Develop and implement a strategy to identify and segregate records on FS' sustainable infrastructure (i.e., those assets that are likely to be repaired) in INFRA. FS agreed to implement the recommendation by October 31, 2006.

By not implementing this recommendation, FS risks spending Recovery Act money on infrastructure, which in the long run, FS does not plan to maintain or keep.

Recommendation 7            Document the methodology used to compile and report deferred maintenance data in the Performance Accountability Report (PAR) from INFRA. Develop and implement controls to ensure that this methodology is consistently applied. FS agreed to implement the recommendation by December 31, 2007.

Without implementing this recommendation, FS risks not being able to adequately identify and justify its expenditure of Recovery Act money which is necessary to achieve transparency for the

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public and oversight bodies. This transparency is critical to achieving the confidence of the public, Administration, and Congress.

Recommendation 8 Document the methodology used to determine the deferred maintenance amounts for developed recreation sites. Develop and implement controls to ensure that this methodology is consistently applied. FS agreed to implement the recommendation by September 30, 2007.

By not implementing this recommendation, FS risks not being able to identify the extent and condition of its infrastructure. Without this ability the FS may not be able to properly prioritize projects for funding under the Recovery Act.

***Review of Security over Explosives/Munitions Magazines Located within the National Forest System (NFS)*** (Audit No. 08601-30-SF, issued March 31, 2003) This audit was intended to identify key internal controls pertaining to the safeguarding of magazines and to determine areas that warranted future audit coverage.

Recommendation 3 Using the information from the FS property records and the special use permits, establish a centralized and restricted database containing the name and location of all magazines located within the NFS. The database should also include the owner's name, magazine type, custodians, security features, and the risk level of the magazine based on its location and contents. FS agreed to implement the recommendation by September 30, 2003.

By not implementing this recommendation, FS risks not being able to identify the locations and conditions of the magazines. If this information is not known, these magazines may not be properly included in a list of priority projects needing funding with Recovery Act money.

***Forest Service Collaborative Ventures and Partnerships with Non-Federal Entities*** (Audit No. 08601-41-SF, issued February 3, 2006) The audit objective was to identify and review the key internal controls surrounding FS' administration of the partnership related programs.

By not implementing the following four recommendations, FS risks compromising or giving the appearance of compromising independence in awarding grants and agreements.

Recommendation 10 Amend the FS Manual to require Grants and Agreements specialists to coordinate their reviews with the program staff prior

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to any serious discussions with the potential partner so that they can more effectively and timely identify any ethical concerns that would adversely affect FS' decision to approve the partnership. FS agreed to implement the recommendation by December 29, 2006.

Recommendation 11      Develop a questionnaire for program staff to use for their ethical reviews of the partnership program. FS agreed to implement the recommendation by September 30, 2006.

Recommendation 12      When ethical concerns are identified, require the designated ethics official to review and to resolve ethical concerns identified by the questionnaire before the partnership is approved. FS agreed to implement the recommendation by September 30, 2006.

Recommendation 17      Require the planned FS committee to review the reports that will be required at the end of each performance period for each appropriation to ensure that the funds are properly used and accounted for and that the National Forest Foundation (NFF) met program requirements before providing it additional funds. FS agreed to implement the recommendation by March 31, 2006.

***Forest Service Implementation of the Capital Improvement Program*** (Audit No. 08001-1-At, issued November 15, 2006) Our objectives were to evaluate FS controls over: (1) the conveyance of excess real property and (2) the use of conveyance proceeds to complete capital improvements and reduce the deferred maintenance backlog.

By not implementing the following two recommendations, FS risks not being able to identify the extent and condition of its infrastructure. Without this ability the FS may not be able to properly prioritize projects for funding under the Recovery Act.

Recommendation 2      Require all local units to complete condition surveys and revisions to the facilities' master plan as stated in the handbooks. FS agreed to implement the recommendation by September 29, 2007.

Recommendation 3      Amend FS Handbook (FSH) to require regional offices to certify in writing to the Washington office when the facilities' master plans have been approved. FS agreed to implement the recommendation by September 29, 2007.



INFORMATIONAL MEMORANDUM FOR ROBERT W. YOUNG, ASSISTANT  
INSPECTOR GENERAL FOR AUDITS

THROUGH: Ann M. Bartuska *Ann M. Bartuska* APR 9 2009  
Acting Deputy Under Secretary

FROM: *Abigail R. Kimbell* APR 8 2009  
Abigail R. Kimbell  
Chief

SUBJECT: Forest Service Response to OIG Letter Dated April 3, 2009, Regarding  
'Existing Risk to Forest Service's Economic Recovery Program'

FILE CODE: 1400

ISSUE:

The American Recovery and Reinvestment Act of 2009 (Recovery Act) affords the Forest Service a unique opportunity to contribute to the effort to stimulate our economy. The Forest Service is committed to the goals and objectives of the Recovery Act that will assist us in our mission of sustaining the health, diversity and productivity of our Nation's forests and grasslands to meet the needs of present and future generations. The Office of Inspector General (OIG) has a crucial role in working with our Agency to ensure that we meet the requirements of the Recovery Act. We look forward to our partnership with the OIG in demonstrating the Forest Service's commitment to creating jobs in land stewardship, infrastructure repair and conversion and in the production of energy from wood.

DISCUSSION:

Your letter dated April 3, 2009, identified 15 open audit recommendations that could potentially either directly or indirectly impact the Agency's ability to accomplish the requirements promulgated in the Recovery Act. This letter serves as our response to your inquiry on the status of corrective action regarding these recommendations.

While Forest Service agrees with OIG that the 15 recommendations remain open, Forest Service has fully implemented corrective action for 13 of the 15 open recommendations. The Agency is preparing requests for closure for these 13 which will be submitted to the United States Department of Agriculture Office of the Chief Financial Officer no later than June 30, 2009. A detailed status of each recommendation identified is included in Attachment A.



The remaining two open recommendations are recommendations #3 and #5 from the *Follow-up on Recommendations Made on the Maintenance of Forest Service's Infrastructure* (Audit No. 08601-2-HY, issued on June 22, 2006). Recommendation #3 will require additional time to close. The recommendation requires implementing controls over testing our emergency action plans. The inundation mapping for high hazards must be tested over an additional fire season to ensure the corrective action already implemented is efficient and effective. Forest Service anticipates closure of recommendation #3 by May 31, 2010. Recommendation #5 has been implemented by using the Corporate Data Warehouse monitoring reports, however Forest Service engineers and statisticians are currently completing development of a statistical model to utilize in monitoring activity in INFRA and sample information to ensure the accuracy and validity of the data recorded. The Forest Service anticipates closure of recommendation #5 by September 30, 2009.

The Forest Service has effectively implemented corrective action for each recommendation listed in your letter; consequently, we believe there will be no impact on the Agency's ability to successfully complete the tasks set out for us in the Recovery Act. Forest Service management has implemented additional control systems specifically for the Recovery Act funded projects and programs. To further evaluate the effectiveness and compliance of our process, I have tasked our internal assessment function with the responsibility of continuous monitoring and evaluating internal controls, transactions, and operations over the Recovery Act funded projects. This group is organizationally independent from all procurement, program management, and budget operations and reports directly to the Chief Financial Officer.

We believe the control systems we have established both over the Recovery Act funds and over the operations identified in your letter will be sufficient to ensure our compliance and success in implementing the requirements of the Recovery Act.

Thank you for the opportunity to respond to your inquiry. If you have any questions on our corrective action or the process we have implemented, please contact Donna Carmical, Acting Chief Financial Officer at (505) 563-7103 or Dave Dillard, Economic Recovery Executive at 202-205-0787.

#### SUMMARY

See attachments (2)

cc: ELT  
Dave Dillard





**Attachment A**  
**U.S. Forest Service**  
**Detailed Response to Open Audit Recommendations**

The following provides the current status of corrective action as of April 3, 2009:

**1. *Implementation of the Healthy Forests Initiative (8601-6-At, 9/20/06) Recommendation #5***

(1) Recommendation 5: Improve accomplishment reporting by including more detailed information, such as breaking down accomplishments by region, noting changes in condition class, and differentiating between initial and maintenance treatments and multiple treatments on the same acres.

**Status: All actions have been completed and a request for closure will be submitted in May 2009.**

**2. *Follow-up on Recommendations Made on the Maintenance of Forest Service's Infrastructure (8601-0002-Hy, 06/22/06) Recommendation #2, 3, 4, 5, 6, 7, 8***

(2) Recommendation 2: Develop and implement controls to validate that condition assessment surveys are recorded. These controls should include standard procedures for entering data into INFRA and for reviewing and analyzing this data at all Forest Service levels (i.e., Washington Office, Regional Offices and National Forests).

**Status: A Corporate Data Warehouse (CDW) reporting tool has been implemented, and the policies and procedures have been reviewed and revised. Closure is pending the updates to manuals documenting how to use the CDW reports. A request for closure will be submitted on or before June 2009.**

(3) Recommendation 3: Develop and implement controls to validate that required inspections of dams are timely completed, emergency action plans are tested, and operations and maintenance plans are complete and up to date.

**Status: Dams inventory completed and up-to-date, the CDW reporting tool is used to monitor inspections. However, the inundation mapping for high hazards will not be completed for one more fire season, this results in an estimated completion date for this recommendation of May 2010.**

(4) Recommendation 4: Develop and implement a strategy to address the deferred maintenance backlog and to identify goals and objectives for managing deferred maintenance.

**Status: An integrated strategy currently implemented to address the deferred maintenance backlog and realign the facility infrastructure. All actions related to this recommendation have been completed, pending updates to the manuals. A request for closure will be submitted by June 2009.**

(5) Recommendation 5: Implement controls to validate that the information recorded in INFRA is accurate.

**Status: CDW reporting tool has been implemented to monitor the data recorded in INFRA. Engineers are currently working on the development of a statistical random sampling tool to pull data for validation. Estimated completion date for this recommendation is September 2009.**

(6) Recommendation 6: Develop and implement a strategy to identify and segregate records on Forest Service's sustainable infrastructure (i.e., those assets that are likely to be repaired) in INFRA.

**Status: Developed annual control using the asset management plan to identify and segregate records in INFRA. All actions related to this recommendation have been completed, pending updates to the manuals. A request for closure will be submitted by June 2009.**

(7) Recommendation 7: Document the methodology used to compile and report deferred maintenance data in the PAR from INFRA. Develop and implement controls to ensure that this methodology is consistently applied.

**Status: A deferred maintenance reporting guide has been developed documenting business processes and the sources used to compile and report deferred maintenance data. The document is updated annually to reflect any changes, final action to close the recommendation are updates to the manuals. A request for closure will be submitted by June 2009.**

(8) Recommendation 8: Document the methodology used to determine the deferred maintenance amounts for developed recreation sites. Develop and implement controls to ensure that this methodology is consistently applied.

**Status: A deferred maintenance reporting guide has been developed documenting business processes and the sources used to compile and report deferred maintenance data. The document is updated annually to reflect any changes, final action to close the recommendation are updates to the manuals. A request for closure will be submitted by June 2009.**

**3. *Review of Security over Explosives/Munitions Magazines Located within the National Forest System (8601-30-SF, 03/31/03) Recommendation #3***

(9) Recommendation 3: Using the information from the Forest Service property records and the special use permits, establish a centralized and restricted database containing the name and location of all magazines located within the National Forest System. The database should also include the owner's name, magazine type, custodians, security features, and the risk level of the magazine based on its location and contents.

**Status: All actions have been completed and a request for closure will be submitted May 2009.**

**4. *Forest Service Collaborative Ventures and Partnerships with Non-Federal Entities (8601-41-SF, 02/03/06) Recommendation #10, 11, 12, 17***

(10) Recommendation 10: Amend the Forest Service Manual to require Grants and Agreements Specialists to coordinate their reviews with the program staff prior to any serious discussions with the potential partner so that they can more effectively and timely identify any ethical concerns that would adversely affect Forest Service's decision to approve the partnership.

**Status: All actions have been completed except final issuance of Directive. A request for closure will be submitted in June 2009.**

(11) Recommendation 11: Develop a questionnaire for program staff to use for their ethical reviews of the partnership program.

**Status: All actions have been completed except final issuance of Directive. A request for closure will be submitted in June 2009.**

(12) Recommendation 12: When ethical concerns are identified, require the designated ethics official to review and to resolve ethical concerns identified by the questionnaire before the partnership is approved.

**Status: All actions have been completed except final issuance of Directive. A request for closure will be submitted in June 2009.**

(13) Recommendation 17: Require the planned Forest Service committee to review the reports that will be required at the end of each performance period for each appropriation to ensure that the funds are properly used and accounted for and that the NFF met program requirements before providing it additional funds.

**Status: All actions have been completed except final issuance of Directive. A request for closure will be submitted in June 2009.**

5. *Forest Service Implementation of the Capital Improvement Program (8001-1-At, 11/15/06)*  
*Recommendation 2, 3*

(14) Recommendation 2: Require all local units to complete condition surveys and revisions to the facilities' master plan as stated in the handbooks.

**Status: All actions have been completed except updating the manual with the new procedures and a request for closure will be submitted June 2009.**

(15) Recommendation 3: Amend Forest Service Handbook (FSH) to require regional offices to certify in writing to the WO when the facilities' master plans have been approved.

**Status: All actions have been completed except updating the manual with the new procedures and a request for closure will be submitted June 2009.**

**Attachment B**

**Summary of Open Audit Recommendations as of April 2, 2009**

<b>Report</b>	<b>Recommendation</b>	<b>Status</b>	<b>Closure Date</b>
8601-6-At	#5	Actions Complete	05/31/09
8601-0002-Hy	#2, 4, 6, 7, 8	Actions Complete	06/30/09
	#3	Additional Fire Season Required	05/31/10
	#5	Statistical Model to be completed	09/30/09
8601-30-SF	#3	Actions Complete	05/31/09
8601-41-SF	#10, 11, 12, 17	Actions Complete	06/30/09
8001-1-At	#2, 3	Actions Complete	06/30/09