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Office of Inspector General
Western Region

Audit Report

Forest Service
Emergency Equipment Rental Agreements

Report No. 08601-40-SF
July 2005

UNITED STATES DEPARTMENT OF AGRICULTURE

OFFICE OF INSPECTOR GENERAL

Washington D.C. 20250

DATE: July 6, 2005

REPLY TO
ATTN OF: 08601-40-SF

TO: Dale Bosworth
Chief
Forest Service

ATTN: Sandy Coleman
Audit Liaison

FROM: Robert W. Young /s/
Assistant Inspector General
for Audit

SUBJECT: Forest Service Emergency Equipment Rental Agreements

This report presents the results of our review of the Forest Service's (FS) emergency equipment rental agreement program. The FS' written response to the draft report is included as exhibit C with excerpts and the Office of Inspector General's position incorporated into the relevant sections of the report.

Based on the written response, we have accepted FS' management decision for all the report recommendations. Follow your internal agency procedures in forwarding final action correspondence to the Office of the Chief Financial Officer.

We appreciate the assistance your staff provided to our auditors during our review.

Attachment

Executive Summary

Forest Service Emergency Equipment Rental Agreements

Results in Brief

Our audit's overall objective was to evaluate Forest Service's (FS) administration of its emergency equipment rental agreement (EERA) program. We determined that FS' administration of EERAs neither gives the agency the best value nor the best vendor for its dollar. Even though EERAs are used for emergencies, FS' preplanning process does not fully utilize those aspects of the Federal Acquisition Regulations (FAR) and other sound business practices that would improve cost efficiencies and vendor effectiveness. FS originally designed the program to rent equipment (e.g., bulldozers) during fire emergencies. In such emergency situations, FS does not have time to comply with the normal FAR requirements that may require the solicitation of competitive offers, or to evaluate vendors and equipment. EERAs allow FS to quickly acquire equipment to meet unpredictable emergency situations. FS now has a preplanning process where it identifies potential vendors and equipment prior to the fire season. FS and potential vendors complete most of the required documentation prior to the actual need for the resources. This added time gives FS the opportunity to open EERAs to competitive pricing, to evaluate contractors, and to preassess equipment. Without taking these steps, FS risks fighting emergency fires with marginal equipment from substandard vendors, as well as losing the potential savings that can result from competition. The cost savings may be considerable given that during the 2003 fire season FS spent over $138 million on EERAs (see exhibit B).

During our audit, nothing came to our attention to indicate that FS' payments to vendors were not both supported and accurate. We did, though, identify areas in which improved FS administration can save money and personnel resources as detailed below.

Saving Money and Resources

FS' administration of its EERA process does not give the agency the best value for its dollar, control over the amount of resources it signs up, or the most efficient use of its time. By not soliciting competitive offers for equipment, FS misses the chance to realize cost savings that can result from open competition. By not correlating the amount of emergency fire resources likely needed with the amount of preseason EERAs established, FS risks hindering its firefighting operations by coming up short during an emergency. By not optimizing the preseason EERA signup cycle, FS personnel unnecessarily spend time on EERAs. The time FS personnel unnecessarily spend on EERAs could be put to better use.

Competition Needed to Determine Rate

Despite the fact that preseason EERAs are typically established well in advance of the fire season, the acquisition process is generally not open to competition. Instead, regions predominately use fixed, pre-established standard rates to rent equipment. In limited trials with competition that have been done, FS has received prices up to 33 percent lower.

FS Needs To Sign Up Only Resources Needed

Instead of establishing EERAs for the amount of equipment that will likely be needed during the upcoming fire season, FS establishes EERAs with however many vendors show up to offer equipment. As a result, FS may be entering into agreements for equipment that will not be needed. In 2003, for example, FS signed up over 8,000 EERAs but used only about half of them. Worse, the agency may start the fire season with a shortage of contract resources, which may delay its firefighting operations as the agency resorts to shipping in needed equipment from outside the local area. This happened in Region 1 where one of its National Forests signed up only a third the number of EERAs from the prior year but ended up having its second largest fire season in 14 years. Because the prior year's fire season was slow, vendors were less interested in signing up their equipment the following year. Lengthening the cycle in which vendors are able to sign up their equipment as discussed below should reduce the fluctuations in vendor interest since the vendor's decision to sign up their equipment would no longer be directly tied to the severity of the prior year's fire season.

FS Needs To Reduce EERA Agreement Cycle

FS has four regions that partially or wholly sign up EERAs each year. A contracting officer at a National Forest in one region who signed up its EERAs annually, estimated that 30 percent of the Forest's contracting time was spent conducting preseason EERA signup. The contracting personnel recognize that going to a longer agreement cycle frees a significant amount of personnel time but have not done so due to concerns like ensuring that the pool of vendors remains current and determining standard rates that account for inflation. Annual agreement cycles, however, no more guard against vendors dropping out of the program than biennial or longer cycles. Furthermore, a competitive process will alleviate FS' pricing responsibilities because contractors would factor in the impact of inflation during a given agreement cycle. regions that have gone to biennial or longer cycles have reduced their administrative burden and freed time to put to better use.

Ensuring Superior Vendors and Equipment

FS also has not established controls in the EERA program sufficient to get the best vendors and equipment for the best value. Instead, vendors with marginal equipment are as likely to be contracted as vendors with better equipment. As discussed below, neither contractor past performance, nor equipment quality is considered as factors when awarding EERAs.

Vendor Performance Evaluations Needed

Although acknowledging the requirement to evaluate vendor performance, responsible FS officials question the feasibility of conducting the evaluations. Lacking a tool to identify, track, and eliminate problem contractors, FS cannot ensure that its firefighters receive the best equipment and service available from vendors when needed most, during an emergency fire incident. Although some questioned the feasibility of preparing evaluations of EERA contractors because of the additional time required, we found that there was a general consensus among FS personnel that vendor performance information would be useful when awarding EERAs. As a result, two regions have already teamed together to develop a performance evaluation system for all their contract fire suppression resources.

Preseason Inspections Needed

FS does not have a policy that requires preseason inspections of EERA equipment. Inspections are generally only required at the incident before the equipment is used. As a result, FS has no guarantee that it is getting the best value for its fire suppression dollars. If, for example, contractor A and B both provide equipment that meets minimum standards (i.e., the equipment contains all the required features and is operational) for the same price, but contractor B's equipment is in significantly better condition, current EERA contracting procedures do not allow FS to differentiate between the better and worse equipment. Signing up equipment of questionable quality can negatively impact FS' ability to effectively fight fires resulting in unnecessary property losses and jeopardizing firefighter safety.

Automated Database System Used to Maintain EERAs Inadequate

Improvements in the automated database system FS currently uses for EERAs may help the agency administer the EERA program more efficiently by serving as a tool to gather and track significant information from the improvements suggested above. The current system, for example, does not have the ability to track the amount of equipment used during a fire season, but including this function will help FS decide how

much equipment to sign up the following preseason. The system also does not maintain information about contractor performance or equipment quality, but tracking this information in the system will give the agency a tool to help select the vendors who consistently give the best service and equipment at the best price.

Recommendations In Brief

We recommend that FS sign up its EERAs during the preseason on a competitive basis and limit the number of EERAs awarded to meet its estimated need based on historical analysis.

When awarding competitive EERAs, we also recommend that FS conduct a best-value analysis of the offers that considers the quality of equipment offered and vendor past performance.

In addition, we recommend FS establish a suitable acquisition cycle that serves to reduce the administrative burden associated with the EERA signup process.

Finally, we recommend FS upgrade its automated database system currently used to maintain EERAs to not only track but sort the information needed (e.g., location, price, equipment quality, and vendor past performance) to select the appropriate vendor during an emergency firefighting incident.

Agency Response

In its written response to the draft report, dated June 22, 2005, FS concurred will all of our findings and recommendations and stated its belief that our recommendations will benefit their overall fire acquisition program. The complete written response is shown in exhibit C of the audit report.

OIG Position

Based on FS' written response, OIG accepts FS' management decision for all the audit recommendations.

Abbreviations Used in This Report

EERA	Emergency Equipment Rental Agreement
FAR	Federal Acquisition Regulations
FS	Forest Service
FY	Fiscal Year
GACC	Geographic Area Coordination Center
OGC	Office of General Counsel
OIG	Office of Inspector General
ROSS	Resource Ordering and Status System
USDA	U.S. Department of Agriculture

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Background and Objectives

Background

An emergency equipment rental agreement (EERA) is an acquisition tool used by Forest Service (FS) primarily to rent equipment for emergency firefighting purposes. FS' contracting officers enter into EERAs with vendors to rent equipment (fire engines, generators, etc.) that may be needed during an emergency. Although FS can enter into EERAs during an emergency, most are established well before the start of the fire season in order to ensure prompt and economical acquisition should the FS eventually need the equipment during a fire. Even though FS establishes EERAs during the preseason, there is no contract until the FS actually hires the vendor during an emergency fire incident. Establishing EERAs in the preseason is a planning process in an effort to be best prepared to meet emergency situations of unknown timing and size. In fiscal year (FY) 2003, FS signed up over 8,000 EERAs but used only about half of them. In total, FS spent over $138 million during the 2003 fire season on the equipment it rented through EERAs for firefighting purposes (see exhibit B).

Acquisitions are governed by the Federal Acquisition Regulations (FAR), which also requires FS to evaluate vendor performance. EERA policies and procedures are included in the Incident Business Management Handbook developed by the National Wildfire Coordinating Group. Wildland fire management agencies participate in the national group, which was formed in January 1976 to improve the effectiveness and efficiency of their fire management programs.[1] The national group accomplishes this goal by coordinating between participating agencies. The national group, for example, provides a formalized system through which agencies can reach agreement on substantive fire management issues. Each agency then implements agreed upon policies, standards, and procedures.

With EERAs established before the fire season, FS enters into EERAs only with those vendors whose base of operations is within the local area. During a fire, FS rents equipment from the nearest vendors when possible. Regions sign up their EERAs on annual, biennial, or triennial cycles. FS does not inspect the equipment at the time the EERA is established, only at the incident before the equipment is used. When needed equipment is not available locally, the agency can tap into a wider network of EERAs since they are also an interagency acquisition tool.[2]

[1] In addition to FS, wildfire management agencies include the Bureau of Land Management, the National Park Service, the Fish and Wildlife Service, the Bureau of Indian Affairs, and the California Department of Forestry and Fire Protection.

[2] Any of the wildfire management agencies (e.g., the Bureau of Land Management, or the National Park Service) can rent resources signed up by other agencies through an EERA. An expanding hierarchy of jointly operated dispatch centers facilitates this process. Dispatchers at local dispatch centers call vendors based on how near they are to the fire. If the dispatch center runs out of local resources, unfilled orders can be forwarded to a neighboring local center, or elevated to a Geographic Area Coordination Center. If the area center does not have the resources, it can elevate orders to the National Interagency Coordination Center. This national center then connects with all the area coordination centers (themselves in touch with their own local dispatch centers) throughout the United States to fill the need.

EERAs include rental rates, which FS currently decides by way of predetermined standard rates for much of the equipment. For equipment without a standard rate, vendors can negotiate with FS when the EERA is established. Rental rate information from the EERA is later posted to the invoice to calculate payment if FS rents the vendor's equipment.

FS uses an automated database system to create and maintain the EERAs it establishes. Information from the EERA (e.g., vendor name, address, equipment type, and rate) is stored in a database within the automated system. Each National Forest maintains its own database that can be accessed by other National Forests. In addition to generating the EERAs, the automated system can generate certain reports such as an alphabetical listing of all contractors and a categorical listing of all equipment signed up. FS also uses the Resource Ordering and Status System (ROSS) to track the status of EERA equipment. ROSS is the automated system FS currently uses to track all of its available resources for firefighting purposes, including those signed up under EERAs.

In January 2004, OIG attended a meeting hosted by the Chief of USDA's Procurement Policy Division[3] and FS to discuss alleged discrimination in FS' contracting for equipment under EERAs. The meeting raised issues regarding FS' use of EERAs as an emergency procurement tool for firefighting purposes. In particular, concerns were raised about whether the EERA was a sanctioned procurement tool under the FAR, whether past performance of contractors was tracked and used to influence the agency's dispatch decisions, and whether the agency consistently met its closest resource and vendor rotation policies.

Objectives

The overall objective of this review was to determine whether the FS is properly administering EERAs. More specific objectives were (1) to determine whether the EERAs are properly established and used for an appropriate purpose, (2) to assess the vendor selection process for fairness, and (3) to evaluate the support for and accuracy of vendor payments.

During the course of our review, we learned that a database plays a critical role in FS' EERA program. In order to answer objectives 1 and 2, we added a fourth objective—(4) determine whether the automated database system FS uses as a tool to help establish EERAs is effective.

See the Scope and Methodology section at the end of this report for details of our audit methodology.

[3] The Procurement Policy Division is under USDA's Office of Procurement and Property Management.

Findings and Recommendations

Section 1 Establishment and Use of EERAs

FS' administration of its EERA process does not give the agency the best value for its dollar, control over the amount of resources it signs up, or the most efficient use of its time. By not soliciting competitive offers for equipment, FS misses the chance to realize cost savings that can result from open competition. By not correlating the amount of emergency fire resources likely needed with the amount of preseason EERAs established, FS risks hindering its firefighting operations by coming up short during an emergency. By not optimizing the preseason EERA signup cycle, FS personnel unnecessarily spend time on EERAs that the agency could put to better use. Considering that FS spent over $138 million during the 2003 fire season and a significant amount of personnel time on EERAs, the agency may realize considerable time and monetary savings by improving its administration over the use and establishment of EERAs.

Finding 1 — Competition Needed in EERA Process To Improve Cost-Efficiency

Despite the fact that preseason EERAs are typically established well in advance of the fire season, the acquisition process is generally not open to competition. Instead, regions predominately use fixed, pre-established standard rates to rent equipment. When originally developed as an emergency acquisition method over 40 years ago, EERAs were established at the time of the emergency fire incident. Due to time constraints in responding to such emergencies, FS excluded EERAs from the competitive process. Once FS began signing up the EERAs in advance of the fire season approximately 30 years ago, it did not consider the need to make the signup process competitive in order to reduce costs primarily because no limit had been established on the number of EERAs that were signed up and standard rates had been established for most of the equipment. FS believed these reasons eliminated the need for competition. As a result, FS is not realizing the potential cost savings resulting from competitive acquisitions. Through the National Wildfire Coordinating Group, FS plans to make changes to the EERA process to fully utilize those aspects of the Federal Acquisition Regulations (FAR) that apply, but no timeframe had been established for determining the needed changes.

Price competition is prescribed by acquisition regulations as the primary method for determining fair and reasonable prices.[4] For acquisitions

[4] 48 CFR 15.402(a)(1), October 1, 2003.

exceeding the simplified acquisition threshold ($100,000),[5] FS must promote and provide for full and open competition[6] and must make awards based on best value.[7] For acquisitions less than the simplified acquisition threshold, FS must also promote competition to the maximum extent practicable,[8] and contracting officers are encouraged to use best value to make contract awards.[9] Only when FS' need is of such an unusual and compelling urgency that the Government would be seriously injured (e.g., during an emergency fire incident) is it excused from the requirements for full and open competition.[10] Even then, FS must request offers from as many potential sources as is practicable under the circumstances.[11]

FS establishes EERAs for equipment that it may need during fire incidents. According to FS, a substantial number of the EERAs are entered into during the preseason, well before FS requires the equipment. Since the EERAs are established well in advance of the incident, FS' need at that time is neither "unusual" nor immediately "compelling." Given that EERA preseason sign-up periods last several months, and acquisition lead times for simplified acquisitions are 45 days as a rule of thumb,[12] both procurement processes require comparable amounts of time.[13]

FS may realize considerable cost savings by having contractors compete during the preseason when they sign up their equipment under an EERA. Both of the regions we visited already allowed competitive pricing during the preseason for some of the equipment they sign up. Region 1 has experimented with competitive pricing for its potable water trucks. The region allowed vendors to provide competitive offers, but limited their offers to the standard rate established for the trucks. Those contractors who submitted an offer below the standard rate were awarded an EERA. In FY 2004, our analysis showed that over 50 percent of the water truck vendors made offers that were lower than the standard rate. For those vendors that made offers less than the standard rate, cost savings reached as high as 19.5 percent. Given that FS spent over $450,000 on potable water trucks during the 2004 fire season – a notably slow fire season – the potential for cost savings could be significant.[14]

The State of Montana also experimented with competitive pricing for its portable toilets in preparation for the 2004 and 2005 fire seasons. In this case, the State did not limit vendors' offers to a standard rate since it had previously

[5] 48 CFR 6.001(a), October 1, 2003.
[6] 48 CFR 6.101(a), October 1, 2003.
[7] 48 CFR 15.303(b)(6), October 1, 2003.
[8] 48 CFR 13.104, October 1, 2003.
[9] 48 CFR 13.106-1(a)(2), October 1, 2003.
[10] 48 CFR 6.302-2(a)(2), October 1, 2003.
[11] 48 CFR 6.302-2(c)(2), October 1, 2003.
[12] FSH 6309.32, 4G07.104-72, Exhibit 7-1, February 11, 2000.
[13] The majority of contractors hired under EERAs receive less than $100,000 and therefore do not exceed the simplified acquisition threshold.
[14] The larger the fire season the greater the potential for cost savings. For example, in 2003 the FS spent over $1 billion to suppress wildfires as opposed to only $726 million in 2004. FS could not readily determine the amount it spent on potable water trucks during the 2003 fire season because it did not track its EERA expenditures by equipment type until the 2004 fire season.

negotiated directly with the vendors, which resulted in a wide range in the rates. The State decided to open this equipment item up to competitive pricing since the amount spent to rent toilets during the previous fire season (2003) seemed too high. When open to competitive pricing in 2004, most of the vendors made offers that were on average 29 percent lower than the rates negotiated with the two largest vendors from the preceding year.[15] Again the potential for savings is significant given that FS spent over $750,000 on portable toilets during the 2004 fire season.

Region 5 also experimented with competitive pricing by grouping items together that are normally procured separately and soliciting offers for the whole package. A single package comprised ten office trailers, four tents, two light towers, two 75-kw generators, a forklift with operator, a refrigerated truck, and other miscellaneous items needed to make an Incident Base Facility. After making the process competitive, FS was able to rent the packaged facilities for approximately $14,000 per day. According to FS, if these items had been acquired individually through EERAs, the agency would have paid approximately $21,000 per day. By packaging these items together and soliciting competitive offers for the whole, FS realized a daily cost savings of approximately $7,000 (33 percent). Over a 30-day assignment, which according to the FS was the average length of a large fire during the past two seasons, this would yield a cost savings of approximately $210,000.[16]

Even with competitive pricing, FS will need to establish rates to offer vendors who did not compete for an EERA during the preseason but still have equipment needed during a fire. FS currently offers the standard rate if one was established, or negotiates a price on the spot. For equipment that must be signed up during the incident, the rates could be based on the results of the competitive process experienced by other vendors with similar equipment. These results will allow FS to establish a price range for each item that was open to competitive pricing. FS would also need to justify any deviations from the established competitive range.

To help FS maintain control over the prices offered, FS should maintain the competitive pricing information in a database (see finding 6) along with other information that factors into selecting contractors during an emergency incident (see findings 4 and 5).

By opening the EERA program to competition, FS may administer the program in a more cost-effective manner. Given that FS spent over $138 million during the 2003 fire season, the agency's own trials with competition suggest the potential for considerable savings.

[15] The percentage savings varied depending on the scenario used to calculate the cost difference. In this case, we followed a scenario where the contractors offered 5 toilets for 30 days, one service call per toilet per day, and mileage.

[16] According to FS, the average length of a large fire in 2003 was 48 days and the average length in 2004 was 13 days. The average length for both years was 30 days [(48 days + 13 days) / 2].

Recommendation No. 1

Instruct Regions to sign up their EERAs during the preseason on a competitive basis.

Agency Response

In its written response to the draft report, dated June 22, 2005, FS stated it would issue a directive to regional foresters instructing them to award EERAs to the extent practicable on a competitive basis. FS also stated that the directive would contain procedural implementation information to ensure Agency-wide consistency. FS' estimated completion date for this action is January 31, 2006.

OIG Position

We accept FS' management decision on this recommendation. For final action, FS needs to provide the Office of the Chief Financial Officer a copy of the directive that it issues to regional foresters.

Recommendation No. 2

Establish guidelines for determining the rates to offer those vendors who wait to sign up their equipment at the incident.

Agency Response

In its written response to the draft report, dated June 22, 2005, FS stated it would issue guidelines to regional foresters for determining rates that may be used with vendors at incidents. FS also stated that the guidelines will contain procedural information on how to determine the rates to ensure Agency-wide consistency. FS' estimated completion date for this action is June 30, 2006.

OIG Position

We accept FS' management decision on this recommendation. For final action, FS needs to provide the Office of the Chief Financial Officer a copy of the guidelines that it issues to regional foresters.

Recommendation No. 3

Maintain competitive pricing information in EERA database recommended in Finding 6.

Agency Response

In its written response to the draft report, dated June 22, 2005, FS stated that the current EERA software program is not an automated database system; it merely contains forms for constructing EERAs and houses copies of awarded EERAs for viewing and printing. FS stated it would make a decision on whether to use another already existing system or establish a new system to capture EERA pricing to use for source selection and negotiating reasonable prices during the fire season. FS' estimated completion date for this action is June 30, 2006.

OIG Position

We accept FS' management decision on this recommendation. For final action, FS needs to provide the Office of the Chief Financial Officer documentation supporting its decision on the system it will use to track pricing data.

Finding 2 — FS Lacks Management Control to Ensure the Appropriate Number of EERA Resources Are Signed Up

FS does not have management control over the number of EERA resources it signs up during the preseason. Instead of soliciting offers for the amount of equipment that will likely be needed during the upcoming fire season, the agency establishes EERAs with however many vendors show up to offer equipment. Since fires vary in number and severity from year to year, FS has been wary about estimating the amount of equipment needed for an upcoming fire season. As a result, FS may be entering into agreements for equipment that will not be needed and the time spent to administer the excess agreements could have been put to better use. In 2003, for example, FS signed up over 8,000 EERAs but used only about half of them. Worse, the agency may start the fire season with a shortage of contract resources, which may delay its firefighting operations as the agency resorts to shipping in needed equipment from outside the local area (see footnote 2).

Agencies are required to perform acquisition planning to ensure that the Government meets its needs in the most effective, economical, and timely manner.[17] In the planning process, agencies are to determine type, quality, quantity, and delivery requirements.[18]

FS does not use any selection factors to limit the number of resources signed up under EERAs. As discussed in finding 5, FS rarely inspects equipment

[17] 48 CFR 7.102(b), October 1, 2003.
[18] 48 CFR 7.104(b), October 1, 2003.

during its preseason signup for EERAs, which means that it has no basis—until the fire—for weeding out substandard or unnecessary equipment. In addition, FS does not quantify its contract resource needs, which means that there is no limit on the amount of equipment signed up. Consequently, FS signs up just about every piece of equipment offered. In effect, contractors are determining FS' resource availability.

When there is a large fire season and correspondingly more money is spent on equipment, contractors respond with increased interest the following year for that forest. Since forests do not limit the number of resources, a forest that has experienced a busy fire season the preceding year may sign up much more equipment than will be needed for the following season. On the other hand, when the preceding fire season is slow, contractors are less interested the following year and contracting officers may not sign up enough resources for the coming fire season.

For example, in 2002 the Lolo National Forest in Region 1 experienced a slow fire season—only 75 acres burned. The following year, the Lolo only entered into 49 EERAs during the 2003 preseason. That year's fire season (2003) was the second largest in 14 years for Lolo—60,038 acres burned. As a result, the Lolo ended up needing significantly more EERAs than it had signed up and had to go outside its geographic area to obtain more resources. When FS resorts to transporting equipment (sometimes across the United States—see footnote 2), the current firefighting operation may be slowed.

During the following preseason (2004), the number of contractors spiked and Lolo entered into 163 EERAs with total of 508 line items.[19] The 2004 season was below average again—only 214 acres burned—and consequently the Lolo National Forest only used up 5 of the 508 resources. Consequently, only a few of the EERAs signed up were actually used. Although FS does not pay for EERA equipment that is not used, the excess still represents personnel time that could have been put to better use.

Understandably, fire seasons are unpredictable and had the National Forest suffered a large 2004 fire season, perhaps the 508 items would not have been enough. Nevertheless, defaulting to contractor interest, which is driven by the severity of the prior fire season, to acquire contract resources is an unnecessarily haphazard way of determining resource needs.

When FS estimates its budget for its own resources, the agency uses a system that takes into account historical fire data to predict agency resource needs. A similar approach can be used to estimate EERA resource needs. In addition, FS has the Resource Ordering and Status System (ROSS) that has

[19] A line item refers to one line on the EERA and usually corresponds to one resource. However, there are times when one line on the EERA corresponds to several resources. For example, a contractor may offer 10 buses to the FS. If all are paid the same rate, all buses may be listed on one line rather than itemized on the EERA.

the ability to track equipment use. Currently, FS is not utilizing this function for EERA resources because dispatch centers have not consistently entered EERA contractor and resource information in ROSS. Dispatch centers have to manually populate ROSS with this information. However, if ROSS were linked to a national EERA automated database system under consideration (see finding 6), FS could track EERA equipment use.

Together, these efforts can produce estimations of contract needs based on historical averages as well as other significant factors. These estimated contract resource needs can then factor into the number of EERAs awarded during the competitive process in the preseason (see finding 1). Furthermore, lengthening the cycle in which vendors are able to signup their equipment under EERAs (see finding 3) should reduce the fluctuations in vendor interest previously discussed since the vendor's decision to sign up their equipment would no longer be directly tied to the severity of the prior year's fire season.

Recommendation No. 4

Track the historical use of EERA resources in the EERA database recommended in finding 6.

Agency Response

In its written response to the draft report, dated June 22, 2005, FS stated that, in addition to capturing and maintaining EERA pricing information, it would ensure that the requirements for the selected system(s) have the capability to capture the historical use of EERA resources, i.e. vendor names and addresses, number of orders placed against EERAs, number of days worked, etc. FS also stated that it would use this information to determine future fire program needs and for reporting purposes. FS' estimated completion date for this action is June 30, 2006.

OIG Position

We accept FS' management decision on this recommendation. For final action, FS needs to provide documentation to the Office of the Chief Financial Officer that the agreed upon action has been taken.

Recommendation No. 5

Analyze the data to quantify contract resource needs.

Agency Response

In its written response to the draft report, dated June 22, 2005, FS stated that it would establish a procedure to analyze trends and historical use data to

determine anticipated resource needs and ensure that it contracts with adequate resources. FS' estimated completion date for this action is June 30, 2006.

OIG Position

We accept FS' management decision on this recommendation. For final action, FS needs to provide the Office of the Chief Financial Officer a copy of the procedure that it establishes.

Recommendation No. 6

Acquire contract resources based on the needs analysis.

Agency Response

In its written response to the draft report, dated June 22, 2005, FS stated that it would establish a procedure to determine the needed commercial resource quantities based on the needs analyses conducted in Recommendation No. 5. FS' estimated completion date for this action is June 30, 2006.

OIG Position

We accept FS' management decision on this recommendation. For final action, FS needs to provide the Office of the Chief Financial Officer a copy of the procedure that it establishes.

Finding 3 — FS' Contracting Personnel Could More Efficiently Use Their Time by Lengthening the EERA Cycle

Not all regions have gone to biennial (or longer) preseason EERA signup cycles to better allocate their contracting personnel time among EERA acquisitions and other contracting efforts. Some regions continue to conduct signups annually with the unnecessary administrative burden that entails. Those regions following annual cycles had concerns with multiple-year cycles. These concerns include the need to keep the pool of available contractors and resource prices current and coincide annual physical and training requirements with the EERA signup process. However, those concerns have been addressed in other regions that already follow longer cycles. As a result, regions that continue to conduct EERA signups annually incur an unnecessary administrative burden, which ties up considerable contracting personnel time that could be put to better use.

Of the eight regions that conduct preseason sign-up, four do so on biennial or longer cycles (Regions 2, 3, 5, and 8); two conduct biennial signups for some equipment but primarily do so on an annual cycle (Regions 1 and 4); and two Regions use annual cycles exclusively (Regions 6 and 9). For regions primarily or exclusively conducting annual signup, the administrative burden is significant.

Currently, the EERA acquisition process involves establishing standard rates, developing equipment standards, negotiating equipment rates for resources not having standard rates, drafting the agreements, mailing them, receiving agreements from contractors, reconciling new information with past information, executing the agreements, and mailing them back to contractors. The administrative workload increases as more resources are signed up.

A contracting officer at the Lolo National Forest, whose geographic area primarily follows an annual agreement cycle, estimated that 30 percent of the Forest's contracting staff time was spent conducting preseason EERA signup. A contracting officer at Region 5's Southern California province estimated that it will take one contracting officer and one procurement assistant 5 to 6 months of full-time work just to conduct signup in the 2005 preseason.[20] To lessen the administrative burden, Region 5 only conducts EERA preseason signups once every three years. A member of Region 5's acquisition staff stated, however, that if the region had to go through this process every year, contracting officers would not have time to do anything else.

Contracting personnel in three regions conducting annual preseason signup gave several reasons for continuing to do so despite the administrative burden. First, they felt that annual agreement cycles kept the pool of available contractors current. With longer agreement cycles, agreements could remain in the system, while contractors have since gone out of business or decided they no longer wanted to fight fires. However, neither annual nor biennial contract cycles ensure that contractors will make their equipment available for the duration of the agreement.

Second, contracting personnel indicated that longer EERA cycles would complicate pricing resources for off years because of inflation. However, to address this, Regions would only have to include an inflation factor into its standard rates just as factors for overhead and major refurbishments are included. Regions 3 and 5, which follow three-year agreement cycles, already include an inflation factor. Furthermore, a competitive pricing process will alleviate FS' pricing responsibilities because contractors would factor in the impact of inflation during a given agreement cycle.

[20] Region 5 has organized itself into five provinces. Each province provides administrative services to certain National Forests. For example, the Southern California province provides administrative services to the Los Padres, Angeles, San Bernardino, and Cleveland National Forests.

Third, since contractors have to both complete Government contract training requirements and meet physical health requirements annually, contracting personnel thought it made sense to have annual agreement cycles as well. However, these requirements are independent of the preseason EERA signup cycle. For example, a bulldozer driver supplied by a contractor would have to meet annual physical health requirements in order to operate the equipment that year whether or not the agreement was signed during the current or preceding year. Similarly, a contractor would have to meet FS' contractor training requirements. In Region 3, agreements are cancelled when contractors are unable to meet physical and training requirements.

Region 6 has recognized that it may significantly reduce its administrative burden by going to a biennial or longer EERA preseason signup cycle. It is considering the change favorably. By instituting longer agreement cycles throughout FS, the agency may considerably reduce the administrative burden on its contracting officers without lessening the effectiveness of its EERA process.

Recommendation No. 7

Establish a suitable acquisition cycle that serves to reduce the administrative burden and takes into account the staff available to implement the recommendations in Findings 1 through 6.

Agency Response

In its written response to the draft report, dated June 22, 2005, FS stated that it would analyze this issue in order to establish a suitable uniform acquisition cycle for incident commercial resources acquired, ensuring that the administrative burden and staffing levels are adequately assessed and made available. FS' estimated completion date for this action is October 31, 2005.

OIG Position

We accept FS' management decision on this recommendation. For final action, FS needs to provide documentation to the Office of the Chief Financial Officer that the agreed upon action has been taken.

FS has not established sufficient controls in the EERA program to evaluate vendors and equipment for the best value. Instead, vendors with marginal equipment are as likely to be contracted as vendors with better equipment. Neither price, nor contractor past performance, nor equipment quality are considered as factors when FS awards EERAs. Consequently, FS may pay the same amount to vendors providing significantly different levels of equipment and service, which is neither fair nor equitable nor cost efficient.

Finding 4 — Lack of Performance Evaluations for EERA Vendors Results in FS' Inability to Select Contractors Providing the Best Service

FS does not evaluate the performance of its EERA contractors. Although acknowledging the requirement to do so, responsible FS officials question the feasibility of conducting performance evaluations. Furthermore, senior management provides little impetus and no enforcement. Lacking a tool to identify, track, and eliminate problem contractors, FS cannot ensure that its firefighters receive the best equipment and service available from vendors when needed most, during an emergency fire incident. The quality of the equipment and proficiency of its operators can significantly affect the ability to fight wildfires.

Beginning January 1, 1998, federal agencies were required to prepare an evaluation of contractor performance for each contract in excess of $100,000.[21] In 2003, 339 EERA contractors exceeded this threshold, yet evaluations were not prepared for use when awarding EERAs. In 2003, the majority of EERA contractors were paid less than $100,000 and as such fall under simplified acquisition procedures, where performance evaluations are not required.[22] However, FS acquisition regulations do encourage performance evaluations for contracts under $100,000 that are typical, and for which past performance information may be valuable for future contractor selection.[23] The National Wildfire Coordinating Group Fireline Handbook holds both task force leaders and strike team leaders (field personnel directly managing the fire) responsible for evaluating the performance of their assigned resources.[24]

During the 2003 fire season, FS paid out over $138 million (see exhibit B) to EERA contractors without preparing performance evaluations. This made up about 13 percent of 2003 fire suppression expenditures. The five contractors receiving the most payments in Region 5, for example, earned between

[21] 48 CFR 42.1502(a), October 1, 2003.
[22] 48 CFR 42.1502(a), October 1, 2003.
[23] FSH 6309.32, 4G42.1503 (a)(3), February 11, 2000.
[24] National Wildfire Coordinating Group Fireline Handbook, ch. 9, pp. 183 - 185, March 2004.

$418,080 and $726,407, while the five highest in Region 1 earned between $386,578 and $650,281.

We found that there was a general consensus among FS personnel that vendor performance information would be useful when awarding EERAs. Some questioned the feasibility of preparing evaluations of EERA contractors because of the additional time required. Others believed that the current method of handling problem contractors by releasing them from the job at hand was sufficient and saw little value added from a performance evaluation system.

On the surface, simply releasing problem contractors appears efficient. However, it does not prevent the contractor from getting another assignment during that fire season and it does not prevent the contractor from renewing its EERA during the next preseason signup.

In Region 1, contractors themselves suggested to FS that they wanted performance evaluations in order to distinguish poor service from good service. Region 1 has since teamed with Region 6 to develop a performance evaluation system for all contract fire suppression resources.[25] Both Regions expect to have a system in place by the start of the 2006 fire season.

We agree with these regions that FS needs to develop a performance evaluation system for EERAs. At a minimum, the agency should document all instances where the contractor was unable to perform or the performance was inadequate. Such a system would also need to have guidelines addressing the appropriate penalty for substandard performance. For example, should the vendor still be allowed to compete, or at what point should the vendor be disqualified from participating in the EERA process altogether. FS also should maintain past performance information in the EERA database recommended in finding 6. Along with location, price, and equipment quality, past performance should also be a factor in selecting contractors during an incident.

Since EERAs are specifically for vendors to provide equipment and service during emergencies, it becomes crucial that FS administer the system so that it identifies and eliminates substandard vendors. Without evaluating performance, FS lacks the means to do so, or to reward vendors that consistently provide outstanding service and equipment. Furthermore, FS cannot ensure that it consistently acquires the best and most effective services in order to effectively fight wildfires.

[25] Region 1's Northern Rockies Coordinating Group is working with Region 5's Pacific Northwest Wildfire Coordinating Group to develop the performance evaluation system. Both groups were established to provide an interagency approach to wildland fire management. Participating agencies include FS, Bureau of Land Management, and National Park Service.

Recommendation No. 8

Develop and implement a mandatory performance evaluation system.

Agency Response

In its written response to the draft report, dated June 22, 2005, FS stated that it would complete the requirements to be able to establish a performance evaluation system to capture EERA vendor performance information that can be used by contracting officers for making source selections. FS' estimated completion date for this action is June 30, 2006.

OIG Position

We accept FS' management decision on this recommendation. For final action, FS needs to provide documentation to the Office of the Chief Financial Officer that the agreed upon action has been taken.

Recommendation No. 9

Maintain past performance information in the EERA database recommended in finding 6.

Agency Response

In its written response to the draft report, dated June 22, 2005, FS stated that it would issue a directive to regional foresters that requires them to begin to maintain past performance information in the system(s) used or established in response to Recommendation No. 15. FS' estimated completion date for this action is June 30, 2006.

OIG Position

We accept FS' management decision on this recommendation. For final action, FS need to provide the Office of the Chief Financial Officer a copy of the directive that it issues to regional foresters.

Recommendation No. 10

Use the past performance information in a best-value analysis when both awarding competitive EERAs (see finding 1) and selecting contractors during an incident.

Agency Response

In its written response to the draft report, dated June 22, 2005, FS stated that it would ensure that the requirements for vendor performance information captured in the system(s) established in its response to Recommendation No. 15 is maintained and used in best-value analyses for competitively awarding EERAs, sole-source acquisitions issued at incidents, and vendor mobilizations during fire season. To ensure Agency-wide consistency, FS stated that it would issue a directive to regional foresters. FS' estimated completion date for this action is June 30, 2006.

OIG Position

We accept FS' management decision on this recommendation. For final action, FS needs to provide the Office of the Chief Financial Officer a copy of the directive that it issues to regional foresters.

Finding 5 — Lack of Preseason Inspections of EERA Equipment Results in FS' Inability to Select Equipment Giving the Best Value

FS' current EERA contracting procedures are not sufficient to ensure that it is acquiring equipment that offers best value. FS does not have a policy that requires preseason inspections of EERA equipment.[26] Inspections are generally only required at the incident before the equipment is used. As a result, FS has no guarantee that it is getting the best value for its fire suppression dollars. If, for example, contractor A and B both provide equipment that meets minimum standards (i.e., the equipment contains all the required features and is operational) for the same price, but contractor B's equipment is in significantly better condition, current EERA contracting procedures do not allow FS to differentiate between the better and worse equipment. Signing up equipment of questionable quality can negatively impact FS' ability to affectively fight fires resulting in unnecessary property losses and jeopardizing firefighter safety.

Although not currently required to, the Lolo National Forest in Region 1 does conduct preseason inspections on some of the equipment it signs up under EERAs. The Forest primarily inspects water handling equipment like fire engines and water trucks. However these inspections do not take into account grades of equipment quality. Instead, they only determine whether or not the equipment meets minimum standards. Based on his experience, the Region's fire equipment specialist estimated that of the equipment

[26] Section 26.2 of the Interagency Incident Business Management Handbook, dated April 2004, mandates a pre-use inspection, but not a preseason inspection.

meeting minimum standards, he would prefer not to see 40 percent of it out on a fire due to the condition of the equipment.

Several personnel we interviewed throughout FS in the contracting, dispatching, and fire communities indicated that they would like to consider the quality of equipment when awarding EERAs. All other factors being equal (price, location, etc.), preseason inspections will allow contracting officers to select equipment that is in the best possible condition, which reduces the risk of equipment malfunction during an emergency fire incident.

To accomplish this, FS needs to assign a rating such as poor, fair, good, or excellent to each piece of equipment inspected during the preseason inspection process and maintain the rating information in the EERA database recommended under finding 6. Along with location and price, the quality of the equipment should also be a factor in selecting contractors during an incident.

When discussed with FS officials in January 2005, they expressed concern about the additional resources needed to perform the inspections since most Regions were not already performing them. FS officials also noted that with a longer cycle, there is less assurance that the equipment would still be in the same condition once it's ultimately needed.

Lengthening the EERA agreement cycle will offset some of the administrative burden since the preseason inspections will not occur annually (see finding 3). In addition, linking vendor performance to awarding EERAs will provide vendors with incentive to maintain their equipment in good working order throughout the cycle since the equipment would be inspected again at the fire and any deficiencies noted in the performance evaluation (see finding 4).

Recommendation No. 11

Develop and implement policy establishing preseason inspections for EERAs.

Agency Response

In its written response to the draft report, dated June 22, 2005, FS stated that to ensure Agency-wide consistency, it would draft a directive establishing a system for preseason inspections of appropriate equipment and personnel qualifications prior to award of EERAs. FS' estimated completion date for this action is March 31, 2006.

OIG Position

We accept FS' management decision on this recommendation. For final action, FS needs to provide the Office of the Chief Financial Officer a copy of the directive that it plans to establish.

Recommendation No. 12

Establish a rating system to use when evaluating equipment during the preseason inspection process.

Agency Response

In its written response to the draft report, dated June 22, 2005, FS stated that it would draft a rating system for future use when evaluating equipment for preseason inspections prior to award of EERAs as well as a rating system for use when inspecting equipment at incidents. FS' estimated completion date for this action is March 31, 2006.

OIG Position

We accept FS' management decision on this recommendation. For final action, FS needs to provide the Office of the Chief Financial Officer a copy of the rating system that it establishes.

Recommendation No. 13

Maintain equipment quality information in the EERA database recommended in finding 6.

Agency Response

In its written response to the draft report, dated June 22, 2005, FS stated that it would establish procedures for capturing vendor equipment quality information in the system(s) used or established in its response to Recommendation No. 15. FS' estimated completion date for this action is June 30, 2006.

OIG Position

We accept FS' management decision on this recommendation. For final action, FS needs to provide the Office of the Chief Financial Officer a copy of the procedures that it establishes.

Recommendation No. 14

Use the equipment quality information in a best-value analysis when both awarding competitive EERAs (see finding 1) and selecting contractors during an incident.

Agency Response

In its written response to the draft report, dated June 22, 2005, FS stated that it would draft a procedure for using the information captured and maintained in the system(s) used or established in its response to Recommendation No. 15 for best-value analyses for competitively awarding EERAs, sole source acquisitions issued at incidents, and vendor mobilizations during the fire season. FS' estimated completion date for this action is June 30, 2006.

OIG Position

We accept FS' management decision on this recommendation. For final action, FS needs to provide to the Office of the Chief Financial Officer a copy of the procedure that it establishes.

FS' current automated EERA database system does not allow the agency to adequately control vendor selection, or to provide field personnel with the information they need to contract in accord with program requirements. FS, however, is taking steps to develop national systems that—properly designed—can address these conditions.

Finding 6 — FS Does Not Maintain Adequate Control Over the Vendor Selection Process Through Its Automated EERA Database System

The automated database system FS currently uses to maintain EERAs does not have the ability to prevent contractors from contracting the same equipment at multiple Forests, has limited reporting and sorting capabilities, and does not maintain information about contractor performance or equipment quality. The system was not designed with these functions in mind; it was primarily designed for local contracting officers to create and enter into EERAs, not to be a tool for selecting contractors during an incident, or for maintaining national control over the selection process. Currently, the lack of the above functions hinders FS' ability to ensure that vendors are selected according to program rules. As a result, FS does not have an adequate means for effectively selecting those contractors that meet FS' requirements and also offer the best overall value.

FS recognizes some of these shortcomings and is considering plans to address them. For example, the project manager responsible for upgrading FS' Resource Ordering and Status System (ROSS) is considering improving that system's ability to detect cases of multiple sign-up. ROSS is the automated system FS currently uses to track all of its available resources for firefighting purposes, including those signed up under EERAs. FS is also considering a new national EERA database system that can respond to some of the weaknesses in its existing EERA database system detailed below.

Undetected Multiple Equipment Sign-Up

FS policy does not allow contractors to contract the same equipment at multiple National Forests. Guidance requires that only one preseason agreement should be initiated with each contractor for the same piece of equipment and that agencies should initiate preseason agreements with only those contractors whose base of operations is within the local area.[27]

[27] The National Wildfire Coordinating Group Interagency Incident Business Management Handbook, ch. 20, pp 8 - 9, April 2004.

One of the primary objectives for establishing EERAs prior to the start of the fire season is to ensure that the necessary equipment is readily available should it be needed on an emergency fire incident, which is why location is such an important factor in selecting vendors once the fire occurs. If a vendor signs his equipment up at multiple sites, FS lacks assurance that the equipment will be at the location closest to the fire when needed as indicated in the EERA.

A contractor may not, for example, contract the same bulldozer to the Lolo National Forest and the Flathead National Forest at the same time. Since FS policy directs dispatchers to pull resources from local contractors[28], the more locations under which a contractor signs up equipment, the more locations under which the contractor could be considered a closest resource. Therefore, signing up at multiple locations can increase a contractor's chances of getting dispatched. This kind of multiple signup is unfair to those contractors playing by the rules.

The automated database system FS currently uses to maintain EERAs does not currently have the ability to detect whether certain contractors are signing up the same piece of equipment at multiple Forests. To readily check for this condition, FS would need to include in the EERA automated system's database a unique number that identifies each piece of equipment such as a vehicle identification number or serial number. The system could then be programmed to search the database for duplicate equipment numbers. As was previously discussed, FS is also considering upgrading ROSS to accomplish this.

Limited Reporting and Sorting Capabilities

Reporting

The automated EERA database system tracks how much equipment has been signed up, but does not track how much of it was used. This information, however, can help determine FS needs for future acquisitions. As discussed in finding 2, FS does not currently estimate its future EERA resource needs in order to sign up only the amount needed. According to FS, to do so it would need to link the automated EERA database system to ROSS, which is currently being considered. Linking the two systems together would also prevent the FS from having to separately enter the same EERA data into both systems, which is currently required. Linking the two systems together would also reduce the number of input errors and the need to reconcile the two systems.

[28] The National Wildfire Coordinating Group Interagency Incident Business Management Handbook, ch. 20 p. 9, April 2004.

Flexible Sorting

Dispatchers do not have the ability to sort the information in the EERA automated system's database according to their needs. Although dispatchers have access to reports that sort by equipment category and vendor name, dispatchers have had to create local databases to accomplish their duties. For example, location is currently the primary criteria used to select vendors when leasing equipment during an incident; however, the information in the EERA automated system's database cannot currently be sorted to readily identify the vendors closest to the incident.

At the Mendocino dispatch center in Region 5, for example, the dispatcher had to take information from the EERA automated system's database and re-enter it into another database on his desktop computer in order to gain the needed sorting flexibility. We believe that dispatchers need to have the ability to sort all relevant information in the automated EERA database system to ensure that the most appropriate vendors are selected based on program requirements.

Past Performance and Equipment Quality Information

The automated EERA database system does not maintain information about equipment quality (see finding 5) or contractor past performance (see finding 4). As a result, contracting officers have not been able to use this information to award EERAs on a best-value basis. Several personnel we interviewed in the contracting, dispatching, and fire communities would like to consider this information when awarding EERAs. In fact, we found that two Regions are currently working together to establish goals to develop and implement a mandatory performance evaluation system for all contract suppression resources and to develop a contract resource mobilization system that is based on best value.

As FS continues to develop its resource ordering and national automated EERA database systems, the resulting systems should be geared towards ensuring that the selection process is fair and equitable, and maximizing FS' control over the vendor selection process so that FS also receives the best overall value when selecting contractors.

Recommendation No. 15

Upgrade the existing automated EERA database system or establish a new one so that it not only maintains but can sort contractor and resource information including equipment number, location, price, vendor status, past performance information, and equipment quality data.

Agency Response

In its written response to the draft report, dated June 22, 2005, FS stated that it would ensure that the system(s) used or established will capture, maintain, and sort the pricing and historical use of EERAs, i.e. vendor names and addresses, number of orders placed against EERAs, vendor status, locations, vehicle identification numbers, equipment quantities and qualities, number of days worked, past performance ratings, etc. FS' estimated completion date for this action is June 30, 2006.

OIG Position

We accept FS' management decision on this recommendation. For final action, FS needs to provide documentation to the Office of the Chief Financial Officer that the agreed upon action has been taken.

Recommendation No. 16

Link the automated EERA database system in Recommendation 15 to ROSS to enable FS to adequately track the historical use of EERA equipment for future planning needs.

Agency Response

In its written response to the draft report, dated June 22, 2005, FS stated that it will ensure that appropriate information captured and maintained in the system(s) used or established in its response to Recommendation No. 15 is linked to ROSS. FS' estimated completion date for this action is June 30, 2006.

OIG Position

We accept FS' management decision on this recommendation. For final action, FS needs to provide documentation to the Office of the Chief Financial Officer that the agreed upon action has been taken.

Scope and Methodology

The purpose of our review was to determine whether the FS was properly administering EERAs. As was previously noted in the Background of this report, EERAs are an acquisition tool FS primarily uses to rent equipment for emergency firefighting purposes. The scope of our review was from FY 2003 to the present.

To accomplish our audit objectives, we performed audit work at FS Washington Office, two Regional offices, three National Forests, three dispatch centers, three geographic area coordination centers (GACC), and one payment center (see exhibit A). Fieldwork was performed between July 2004 and February 2005.

We selected Region 1 for review because it had spent the most on EERA equipment during the FY 2003 fire season (see exhibit B). Region 5 was selected primarily because of complaints received alleging discrimination in its administration of the EERA process. It had also signed up the most EERAs and ranked third in the total amount spent on EERA equipment during the FY 2003 fire season.

The National Forests reviewed were selected primarily because they had spent the most on EERA equipment during the FY 2003 fire season within their respective Regions. We also reviewed each National Forest's dispatch center and each Region's GACCs. Region 5 had two GACCs, one in Northern California and the other in Southern California, whereas Region 1 had only one GACC. We also visited the EERA payment center in Camino, CA, which was responsible for processing the EERA payments for Region 5.

In developing the findings in this report, we performed the following steps and procedures:

At Washington Office

- Reviewed all applicable laws and regulations pertaining to EERAs.
- For the FY 2003 fire season, reviewed national statistics on the number of EERAs FS established and ultimately used to acquire firefighting resources.
- Interviewed members of the National Wildfire Coordinating Group and the various teams it established to evaluate certain aspects of the EERA process. For example, we interviewed a member of the team

assigned to develop a standardized methodology for establishing rates offered vendors who sign up their equipment under EERAs.

- Interviewed the Senior Project Manager responsible for assessing FS' automation needs for the EERA program and upgrading FS' Resource Ordering and Status System (ROSS).

- Interviewed staff from the Office of General Counsel to ascertain their views on whether EERAs are an appropriate tool for procuring firefighting resources.

- Also contacted officials from USDA's Offices of Procurement and Property Management and Budget and Program Analysis to obtain their views on the FS' use of EERAs.

At Selected Regional Offices

- Interviewed staff from both fire and acquisition management to determine the Region's policy and procedures for administering EERAs.

At Selected National Forests

- Interviewed staff from both fire and acquisition management to determine the National Forest's policy and procedures for establishing and tracking EERAs.

- Reviewed a sample of EERAs to determine whether they had been properly established.

At Dispatch Centers

- Interviewed staff from the dispatch center to determine the center's policy and procedures for establishing, tracking, and dispatching EERA resources.

At Geographic Area Coordination Centers

- Interviewed staff from the GACC to determine the GAAC's policy and procedures for establishing, tracking, and dispatching EERA resources.

At Payment Center

- Interviewed staff from the payment center to determine the center's policy and procedures for processing EERA payments to vendors.

- For the FY 2003 fire season, reviewed a sample of EERA payments to determine whether the payments FS made to vendors were accurate and adequately supported.

Our audit was conducted in accordance with generally accepted government auditing standards.

Exhibit A – Audit Sites Visited

AUDIT SITE	LOCATION
FS Washington Office	Washington, DC
Regional Offices: - Northern Regional Office (R1) - Pacific Southwest Regional Office (R5)	 Missoula, MT Vallejo, CA
National Forests: - Lolo National Forest (R1) - Mendocino National Forest (R5) - San Bernardino National Forest (R5)	 Missoula, MT Willows, CA San Bernardino, CA
Geographic Area Coordination Centers: - Northern Rockies Center (R1) - Northern California Center (R5) - Southern California Center (R5)	 Missoula, MT Redding, CA Riverside, CA
Dispatch Centers: - Missoula Interagency Dispatch Center (R1) - Mendocino Dispatch Center (R5) - Federal Interagency Communications Center (R5)	 Missoula, MT Willows, CA San Bernardino, CA
Payment Center	Camino, CA

Exhibit B – Total Amount FS Spent On EERA Equipment During 2003 Fire Season

FS REGION	TOTAL NUMBER OF EERAs SIGNED UP	TOTAL NUMBER OF VENDORS PAID	TOTAL NUMBER OF VENDOR PAYMENTS	TOTAL AMOUNT PAID
R1	717	1,740	4,304	$54,065,110
R2	239	165	290	$2,432,351
R3	1,473	543	1,161	$7,395,903
R4	915	585	1,406	$9,591,564
R5	2,502	1,183	2,801	$26,288,603
R6	1,792	1,196	2,938	$38,227,684
R8	385	14	29	$94,283
R9	40	20	48	$155,494
R10	0	1	1	$250
WO	4	22	41	$265,297
TOTAL	8,067	5,469[1]	13,019	$138,516,539

[1] This number does not reflect the total number of unique vendors paid since some vendors received payments from more than one Region. The total number of unique vendors paid was 4,639. Considering that each unique vendor generally has only one EERA, only 4,639 of the 8,067 EERAs that were established during the FY 2003 fire season were actually used.

United States Department of Agriculture | Forest Service | Washington Office | 1400 Independence Avenue, SW Washington, DC 20250

File Code: 1430 **Date:** JUN 22 2005
Route To:

Subject: Response to the Office of Inspector General (OIG) Official Draft Report, Audit Number 08601-40-SF, "Forest Service Emergency Equipment Rental Agreements"

To: Robert W. Young, Assistant Inspector General for Audit, Office of Inspector General, USDA

Thank you for the opportunity to review and comment on the official draft OIG Audit Report No. 08601-40-SF, "Forest Service Emergency Equipment Rental Agreements." The Forest Service seriously takes its responsibility for ensuring resources needed for incidents are obtained in the most cost-effective and appropriate manner. In addition, the Agency works continuously to improve its fire acquisition program. We welcome constructive criticism of our fire acquisition program from both internal and external sources. The Forest Service concurs with the recommendations in the report and believes they will benefit the overall fire acquisition program. See the enclosed regarding the proposed actions to implement the recommendations.

If you have any technical questions, please contact Sandra Cantler at 202-205-1438. If you have any questions, please contact Sandy T. Coleman, Agency OIG/GAO Audit Liaison, at 703-605-4699.

Jesse L King

JESSE L. KING
Associate Deputy Chief for Business Operations/Chief Financial Officer
Enclosure

cc: Sandy T. Coleman, Sandra Cantler

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United States Department of Agriculture
Forest Service (FS)

Office of Inspector General (OIG) Audit Report No. 08601-40-SF
Forest Service Emergency Equipment Rental Agreements (EERAs)

Date: May 9, 2005

Response to Official Draft

OIG Recommendation No. 1: Instruct regions to sign up their EERAs during the preseason on a competitive basis.

FS Response to Recommendation No. 1: The Forest Service will issue a directive to Regional Foresters instructing them to award EERAs to the extent practicable on a competitive basis, in a phased in approach over the next 3-5 years The directive will contain procedural implementation information to ensure Agency-wide consistency.

Estimated Completion Date: The estimated completion date is no later than January 31, 2006.

OIG Recommendation No. 2: Establish guidelines for determining the rates to offer those vendors who wait to sign up their equipment at the incident.

FS Response to Recommendation No. 2: The Forest Service will issue guidelines to Regional Foresters for determining rates that may be used with vendors at incidents. The guidelines will contain procedural information on how to determine the rates to ensure Agency-wide consistency.

Estimated Completion Date: The estimated completion date is no later than June 30, 2006.

OIG Recommendation No. 3: Maintain competitive pricing information in EERA database recommended in Finding 6.

FS Response to Recommendation No. 3: The current EERA software program is not an automated database system; it merely contains forms for constructing EERAs and houses copies of awarded EERAs for viewing and printing. Therefore, the Forest Service will assess the use of and make a decision whether to use another already existing system, or establish a new system, to capture EERA pricing that can be used for source selection and negotiating reasonable prices during fire season(s).

Estimated Completion Date: The estimated completion date is no later than June 30, 2006.

OIG Recommendation No. 4: Track the historical use of EERA resources in the EERA database recommended in Finding 6.

FS Response to Recommendation No. 4: In addition to capturing and maintaining EERA pricing information, the Forest Service will ensure that the requirements for the selected system(s) have the capability to capture the historical use of EERA resources, i.e. vendor names and addresses, number of orders placed against EERAs, number of days worked, etc. This information will then be used to determine future fire program needs and for reporting purposes.

Estimated Completion Date: The estimated completion date is no later than June 30, 2006.

OIG Recommendation No. 5: Analyze the data to quantify contract resource needs.

FS Response to Recommendation No. 5: The Forest Service will establish a procedure to analyze trends and historical use data to determine anticipated resource needs and ensure that we contract with adequate recourses..

Estimated Completion Date: The estimated completion date is no later than June 30, 2006.

OIG Recommendation No. 6: Acquire contract resources based on the needs analysis.

FS Response to Recommendation No. 6: The Forest Service will establish a procedure to determine the needed commercial resource quantities based on the needs analyses conducted in No. 5 which will take into consideration the information accumulated in the system(s) identified in the FOREST SERVICE Response No. 4, above.

Estimated Completion Date: The estimated completion date is no later than June 30, 2006.

OIG Recommendation No. 7: Establish a suitable acquisition cycle that serves to reduce the administrative burden and takes into account the staff available to implement the recommendations in Findings 1 through 6.

FS Response to Recommendation No. 7: The Forest Service will analyze this issue in order to establish a suitable uniform acquisition cycle for incident commercial resources acquired, ensuring that the administrative burden and staffing levels are adequately assessed and made available.

Estimated Completion Date: The estimated completion date is no later than October 31, 2005.

OIG Recommendation No. 8: Develop and implement a mandatory performance evaluation system.

FS Response to Recommendation No. 8: The Forest Service will complete the requirements to be able to establish a performance evaluation system to capture EERA vendor performance information that can be used by Contracting Officers (COs) for making source selections.

Estimated Completion Date: The estimated completion date is no later than June 30, 2006.

OIG Recommendation No. 9: Maintain past performance information in the EERA database recommended in Finding 6.

FS Response to Recommendation No. 9: The Forest Service will issue a directive to Regional Foresters that requires them to begin to maintain past performance information in the system(s) used or established in Response No. 15.

Estimated Completion Date: The estimated completion date is no later than June 30, 2006.

OIG Recommendation No. 10: Use the past performance information in a best-value analysis when both awarding competitive EERAs (Finding 1) and selecting contractors during an incident.

FS Response to Recommendation No. 10: The Forest Service will ensure that the requirements for vendor performance information captured in the system(s) established in Response No. 15 is maintained and used in best-value analyses for competitively awarding EERAs , sole-source acquisitions issued at incidents, and vendor mobilizations during fire season. A directive to Regional Foresters will be issued to ensure Agency-wide consistency.

Estimated Completion Date: The estimated completion date is no later than June 30, 2006.

OIG Recommendation No. 11: Develop and implement policy establishing preseason inspections for EERAs.

FS Response to Recommendation No. 11: The Forest Service will draft a directive establishing a system for preseason inspections of appropriate equipment and personnel qualifications (prior to award of EERAs) to ensure Agency-wide consistency.

Estimated Completion Date: The estimated completion date is no later than March 31, 2006.

OIG Recommendation No. 12: Establish a rating system to use when evaluating equipment during the preseason inspection process.

FS Response to Recommendation No. 12: The Forest Service will draft a rating system for future use when evaluating equipment for preseason inspections (prior to award of EERAs) as well as a rating system for use when inspecting equipment at incidents.

Estimated Completion Date: The estimated completion date is no later than March 31, 2006.

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OIG Recommendation No. 13: Maintain equipment quality information in the EERA database recommended in Finding 6.

FS Response to Recommendation No. 13: Procedures for capturing vendor equipment quality information in the system(s) used or established in Forest Service Response No. 15 will be established.

Estimated Completion Date: The estimated completion date is no later than June 30, 2006.

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OIG Recommendation No. 14: Use the equipment quality information in a best-value analysis when both awarding competitive EERAs (Finding 1) and selecting contractors during an incident.

FS Response to Recommendation No. 14: A draft procedure for using the information captured and maintained in the system(s) used or established in Forest Service Response No. 15 to be used in best-value analyses for competitively awarding EERAs, sole-source acquisitions issued at incidents, and vendor mobilizations during fire season will be developed.

Estimated Completion Date: The estimated completion date is no later than June 30, 2006.

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OIG Recommendation No. 15: Upgrade the existing automated EERA database system or establish a new one so that it not only maintains but can sort contractor and resource information including equipment number, location, price, vendor status, past performance information, and equipment quality data.

FS Response to Recommendation No. 15: The Forest Service will ensure that the system(s) used or established the Forest Service responses above, will capture, maintain, and sort the pricing and historical use of EERAs, i.e. vendor names and addresses, number of orders placed against EERAs, vendor status, locations, Vehicle Identification Numbers (VINs), equipment quantities and qualities, number of days worked, past performance ratings, etc.

Estimated Completion Date: The estimated completion date is no later than June 30, 2006.

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OIG Recommendation No. 16: Link the automated EERA database system in Recommendation 15 to ROSS to enable Forest Service to adequately track the historical use of EERA equipment for future planning needs.

FS Response to Recommendation No. 16: When the automated system(s) are established, Forest Service will ensure that appropriate information captured and maintained in the system(s) used or established in Forest Service responses above is linked to ROSS.

Estimated Completion Date: The estimated completion date is no later than June 30, 2006.

Informational copies of this report have been distributed to:

Office of the Chief Financial Officer
Planning and Accountability Division
Director (1)
General Accounting Office (2)