



Homeland
Security

April 8, 2005

MEMORANDUM FOR: Gary Jones
Acting Regional Director, FEMA Region VI

Tonda L. Hadley

FROM: Tonda L. Hadley
Field Office Director

SUBJECT: *Columbia Space Shuttle Mission Assignment*
National Forests and Grasslands in Texas, Lufkin, Texas
FEMA Disaster Number EM-3171-TX
Audit Report Number DD-05-05

The Office of Inspector General (OIG) audited mission assignment funds awarded to the United States Department of Agriculture (USDA), Forest Service (Forest Service). The objective of the audit was to determine whether the Forest Service accounted for and expended Federal Emergency Management Agency (FEMA) funds according to federal regulations and FEMA guidelines.

The Forest Service received an award for four mission assignments with obligated funds totaling \$151.9 million from FEMA Region VI, for search and recovery activities related to the February 2003 breakup of the Columbia Space Shuttle. The award provided 100 percent FEMA funding for the four mission assignments. As of September 10, 2003, the Forest Service had billed FEMA \$105.7 million for expenses incurred under two of the four mission assignments. We examined \$45.7 million, or 43 percent, of these expenses. The audit covered the period February 1, 2003, to September 10, 2003, during which the Forest Service billed \$105.7 million for mission assignment costs (see Exhibit).

As discussed in OIG Audit Report DD-12-03, *State of Texas, Division of Emergency Management*, September 5, 2003, the Forest Service has a history of severe weaknesses in accounting and financial reporting. In that report, we recommended that FEMA require the review of "source documentation to support claims for payments made to federal agencies, including the USDA Forest Service." Accordingly, because this was one of FEMA's largest mission assignments, FEMA Region VI requested we assist them in reviewing Forest Service bills. They were particularly concerned with bills for medical costs, accountable property, hotel cancellation fees, and cell phone usage because these types of costs appeared unusual or excessive. We included these and other types of costs in our audit samples.

The OIG performed the audit under the authority of the Inspector General Act of 1978, as amended, and, except as indicated in the following paragraph, according to generally accepted government

auditing standards. The audit included tests of the Forest Service's accounting records, judgmental samples based on dollar value or cost category of expenditures, and other auditing procedures considered necessary to accomplish the audit objective. We examined Forest Service documentation at the National Forests and Grasslands in Texas, located in Lufkin, Texas, and the Financial and Accounting Office, Boise National Forest Headquarters, located in Boise, Idaho. We also received electronic versions of Forest Service billings from the Incident Financial Services Office, El Dorado National Forest, located in Placerville, California.

Significant weaknesses in Forest Service financial management systems made it impracticable to extend our auditing procedures sufficiently to accomplish our objective. Accordingly, we were unable to determine, within an acceptable level of assurance, whether the Forest Service expended FEMA funds according to federal regulations and FEMA guidelines. Finding A discusses these weaknesses in more detail.

BACKGROUND

The Forest Service performs an impressive array of services when responding to emergencies, and this incident was no exception. Its ability to effectively mobilize equipment, services, supplies, and human resources in astounding numbers is probably unequalled by any other government agency.

The breakup of the Space Shuttle Columbia on February 1, 2003, was a tragedy unlike any previous incident handled by FEMA or the Forest Service. The breakup scattered shuttle debris over a massive 27-state area, which required adapting fire fighting crews, equipment, contracts, logistics, and accounting systems to this unique situation. The Forest Service reported that, due to the complexity of the incident and the number of federal agencies involved, it did not know it was the lead agency until a full 4 weeks into the incident. The Forest Service established five base camps across East Texas and assembled over 17,000 individuals to help clean up and remove the debris. We acknowledge the complexity of managing an operation this large and commend the Forest Service for its successful accomplishment.

RESULTS OF AUDIT

The Forest Service did not **account for** FEMA funds according to federal regulations and FEMA guidelines. Further, weaknesses in Forest Service financial management systems limited our ability to determine whether the Forest Service **expended** FEMA funds according to these same regulations and guidelines. Finding A discusses these weaknesses and audit scope limitations in more detail. Findings B through F discuss the \$3.4 million of Forest Service billings we questioned as unsupported (\$1,488,573), ineligible (\$939,393), duplicate (\$916,818), wasteful (\$42,616), and overcharged (\$27,940).

Finding A: Weak Financial Management Systems

The Forest Service's financial management systems were not adequate to account for FEMA funds according to federal regulations and FEMA guidelines. We identified significant financial management weaknesses in three areas: Budget Object Classification (BOC) codes, budget

categorization, and filing and reporting techniques. However, we also noted improvements in certain areas of financial management.

Erroneous BOC Codes – The Forest Service’s bills to FEMA contained so many erroneous BOC codes that we were unable to accurately summarize actual expenses to determine appropriate universe and sample sizes for audit. The types of miscoded items we found are too numerous to list in detail. Examples include: private firefighter crew contracts coded as agreements between the Forest Service and other state agencies, aircraft contracts coded as USDA Office of Information Resource Management agreements, camouflage pants coded as non-capitalized equipment, and meals and medical supplies coded as project materials.

The Forest Service uses BOC codes to record financial transactions according to the nature of services provided or received. Proper BOC codes enable the Forest Service to budget, track, and report a wide variety of financial data, as defined in the USDA National Finance Center’s *TITLE V Miscellaneous Systems Manual, Chapter 3 – Budget Object Classification Codes*. Forest Service employees stated that using BOC codes causes much confusion during incidents. They also told us that they frequently receive new lists of BOC codes and have difficulty keeping current in such a state of flux.

According to 44 CFR 206.8 (d)(2), a federal agency must “document its request for reimbursement with specific details on personnel services, travel, and all other expenses by object class as specified in the Office of Management & Budget (OMB) Circular A-12 and by any other subobject class used in the agency’s accounting system.”¹ Because the Forest Service did not follow these guidelines, we were unable to accurately categorize and summarize actual expenses to determine appropriate universe and sample sizes for audit.

Erroneous Budget Categorization – The Forest Service did not properly categorize expenses in its bills to FEMA. We found validating invoice payments unnecessarily difficult and time consuming because the bills were misleading and cost category summaries were incorrect.

For example, in addition to using BOC codes, the Forest Service allocates and summarizes expenses according to budget categories listed in the Exhibit to this report. The Forest Service billed FEMA for 41 line items totaling \$2.4 million categorized as “I – Grants and Agreements” (funds provided to State and local agencies for assistance). We found that 13 of the 41 items (32 percent) were actually for equipment rental contracts with individuals or small businesses that should have been categorized as “F – Contractual Services.” We also identified 16 contract transactions totaling \$2.6 million that were properly categorized as “F – Contractual Services,” but were listed by the name of the financial institution assigned to receive the payment, rather than by the contractor. Consequently, we could not reconcile payments to invoices because we could not determine to which contractors the payments applied.

Ineffective Filing and Reporting Techniques – The Forest Service’s filing and reporting techniques were inconsistent and incomplete. Consequently, the auditors and Forest Service employees spent an inordinate amount of time searching for source documentation to support costs we selected for audit.

¹ The 44 CFR reference to “OMB Circular A-12” is incorrect and appears to be a typographical error. The reference should be to OMB Circular A-11, entitled *Preparation, Submission and Execution of the Budget*.

For example, establishing five base camps across East Texas resulted in five sets of documentation, each one filed differently. The Forest Service filed some documents by cost category, some by merchant or contractor name, some by date, and some by Resource Order Number (RON). Further, although the Forest Service assigned a unique camp number and set of RONS to each base camp, it did not include these numbers in its bills to FEMA. Therefore, auditors and Forest Service employees had to search through all five sets of paperwork to locate supporting documentation for specific billed costs. In many instances, we had to contact credit card holders to obtain copies of supporting documentation.

In addition to conditions cited in Findings B through F below, financial management weaknesses in the areas of BOC codes, budget categorization, and filing and reporting techniques limited the scope of our audit. We were unable to accurately categorize and summarize actual expenses to determine appropriate universe and sample sizes for audit. Therefore, we were also unable to determine the extent to which the results of our audit tests represented the eligibility of Forest Service bills as a whole.

For example, the Forest Service spent \$11.2 million on credit card purchases. We reviewed \$3.3 million (29 percent) of these purchases and questioned \$1,479,898 (45 percent). Specific cost categories within the credit card purchases yielded even higher error rates. For example, we reviewed \$7,875 (17 percent) of the \$47,542 in cell phone expenses charged to credit cards and found \$6,561 (83 percent) ineligible for payment. Findings B through E below provide additional details on these exceptions.

Good Financial Management Controls – During this audit, we noted certain areas of good financial management controls, chiefly in the area of Contractual Services (Category F). The Forest Service’s contract management and payment process was very well organized and documented. Therefore, we were able to identify the universe of contractual services costs billed to FEMA, select an audit sample, and complete audit tests within a reasonable amount of time. We determined that the Forest Service billed \$60.1 million for contractual services, which represented 57 percent of the \$105.7 million billed to FEMA. We selected and tested a sample of \$39.5 million in costs, or 66 percent of the \$60.1 million billed. We questioned about \$1 million, or less than 3 percent of the amount tested (Findings B and D). In contrast, questioned costs in other categories ranged from 5 to 45 percent (see Exhibit).

Employees from Forest Service Regions 2 and 8 and FEMA Region VI traveled to Lufkin, Texas, to assist us in gathering data for our audit. They were professional, courteous, cooperative, and open to suggestions for improvement. We appreciate the assistance and courtesies extended to the OIG by both of these organizations.

Finding B: Unsupported Costs

The Forest Service could not provide adequate documentation to support \$1,488,573 in costs billed to FEMA. We identified unsupported costs in the following three categories:

Grants and Agreements – Unsupported costs in this category totaled \$788,939 billed for work performed by other agencies, such as state forestry divisions and county fire departments. For example, the Forest Service paid the North Carolina Forest Service \$412,380 based on a bill that had

no supporting timesheets, receipts for travel and subsistence, or expense-related dates to determine if the costs were valid and related to this incident.

Credit Card Purchases – Unsupported costs in this category totaled \$580,120. Of this amount, \$575,969 was for credit card expenses not supported by an item description on the bill. The Forest Service investigated and provided detailed item descriptions for some costs; and we questioned the remainder as unsupported. Unsupported credit card expenses also included \$2,938 for specialty items, such as sleeping bags, rain suits, and boots, and \$1,213 for food and meals.

Contractual Services – Unsupported costs in this category totaled \$119,514 for payments on contracts managed by the U.S. Department of Interior, Office of Aircraft Services (OAS). OAS awards national contracts for helicopters and aircraft equipment and allows the Forest Service to use these contracts. We visited the OAS office in Boise, Idaho, and examined the contract/payment voucher files. The records were in good order and well supported by contracts, rental agreements, payment vouchers, and invoices. However, we were unable to locate supporting documentation for \$119,514, which represented 3 percent of the total \$3,944,735 paid to OAS.

According to 44 CFR 206.8(d)(2), a federal agency shall document its request for reimbursement with specific details on personnel services, travel, and all other expenses by object class. Further, 44 CFR 206.8(d)(5), requires a federal agency requesting reimbursement to retain all financial records, supporting documents, statistical records, and other records pertinent to the provision of services or use of resources by that agency. Accordingly, we questioned \$1,488,573 as unsupported (\$788,939 + \$580,120 + \$119,514).

Finding C: Ineligible Costs

We identified \$939,393 billed to FEMA for miscellaneous ineligible items in the following three categories: Credit Card Purchases (\$838,448), Grants and Agreements (\$53,307), and Overtime and Premium Pay (\$47,638).

Credit Card Purchases – Ineligible costs in this category totaled \$838,448 billed for medical expenses (\$811,205), accountable property (\$14,565), cell phones (\$6,561), award costs (\$3,615), and fees to unlock and tow vehicles (\$2,502).

- Medical Expenses - The Forest Service billed FEMA \$811,205 in medical expenses charged to credit cards. We questioned all (100 percent) of these expenses as ineligible because medical expenses are not included in the types of costs listed as eligible under 44 CFR 206.8(c). Further, according to 44 CFR 206.8(c)(7), other costs must be “submitted by an agency with written justification or otherwise agreed to in writing by the Associate Director or the Regional Director and the agency.” The Forest Service did not submit a written justification with its bill to FEMA for medical expenses; and we confirmed that FEMA officials did not agree to pay such medical expenses. Further, FEMA Region VI officials provided us a legal opinion supporting this position. Accordingly, we questioned the \$811,205 in medical costs as ineligible.
- Accountable Property – The Forest Service billed FEMA \$106,543 for property purchases, all of which was billed to credit cards. We reviewed 100 percent of these expenses and

determined that \$14,565 (14 percent) was used to purchase “accountable” property that should have been returned to FEMA. We questioned the \$14,565 because neither the Forest Service nor FEMA could provide evidence that the items had been returned as required.

Both the Forest Service and FEMA maintained lists of accountable property. However, we were unable to compare or reconcile the two lists because they lacked sufficient data to identify specific property. Therefore, internal controls over accountable property appear to be weak at both agencies. This is not the first time the Forest Service has been cited for ineffective property management. In an August 2003 Government Accountability Office (GAO) report to Congress on *Forest Service Purchase Cards - Internal Control Weaknesses Resulted in Instances of Improper, Wasteful, and Questionable Purchases*, GAO-03-786, GAO also criticized the Forest Service for failing to effectively manage property.

The *Interagency Incident Business Management Handbook* (IIBMH), paragraph 34.1, defines USDA accountable property as items with a purchase price of \$5,000 or more, or items that the incident agency considers sensitive (e.g., cameras, chainsaws, personal or laptop computers). The IIBMH, paragraph 35.1, requires the incident base to maintain a list of accountable property assigned, as an aid to property control. This list must show the agency property and serial numbers assigned to the property. The IIBMH, paragraph 35.6, requires that all accountable property be returned to the appropriate owner at the end of the incident.

Also, according to the Federal Response Plan, Logistics Management Support Annex, section II.F, when agencies’ property costs are reimbursed from the Disaster Relief Fund, ownership of the property acquired during the execution of a mission assignment passes to the Department of Homeland Security. Therefore, property purchased with FEMA funds should have been returned to FEMA at the end of the incident.

The use of incorrect BOC codes significantly limited our ability to accurately quantify the amount of accountable property purchased during the execution of the mission assignments. Further, the lack of accurate property inventory lists prevented verification of whether the Forest Service returned accountable property to FEMA. Therefore, although we questioned as ineligible \$14,565 expended for accountable property, we have no assurance that either FEMA or the Forest Service knows the true extent of accountable property purchased with FEMA funds.

- Cell Phones – The Forest Service billed FEMA \$47,542 for cell phone expenses billed to credit cards. We reviewed \$7,875 (17 percent) of these expenses and found at least \$6,561 (83 percent) ineligible. In many instances, we found no evidence that the cell phone usage had been approved through the use of an RON authorization, as required by Forest Service policies.

We also found no consistency in how the Forest Service paid cell phone bills. For example, it paid all of some bills, including basic monthly charges; and for other bills, it paid for only those calls that exceeded the basic monthly charges. Further, most of the cell phone bills were for regular, full-time employees who carried government-rented cell phones. The cost of these cell phones was not eligible because the Forest Service would have paid for these cell phones regardless of which incident the employees worked.

FEMA only pays mission assignment expenses that are above and beyond normal daily expenses for regular, full-time employees. Only official business calls (as defined by the Federal Travel Regulations and includes daily calls home) that exceeded the monthly allotment of minutes should have been billed to FEMA. We found evidence of only three instances where the Forest Service attempted to compute the difference between normal business use and official business use.

Although we found 83 percent of the cell phone expenses reviewed to be ineligible, we did not expand our sample because the scope limitations described in Finding A made it impracticable. Without adequate financial records and systems, the task of reviewing cell phone charges for 17,000 individuals working out of 5 base camps would have been enormous.

- Award Costs – The Forest Service billed FEMA \$3,615 for the cost of employee awards. According to 44 CFR 206.8(c), eligible expenses must be incurred in providing requested assistance. The cost of the awards was not necessary in the performance of the mission assignment. Further, award costs are not specifically allowed under 44 CFR 206.8(c). Therefore, we questioned the \$3,615 as ineligible for FEMA funding.
- Fees to Unlock and Tow Vehicles – The Forest Service billed FEMA \$2,502 for expenses related to towing and unlocking privately owned vehicles (POVs). The expenses resulted from the owners either illegally parking their cars at airports or inadvertently locking their keys inside their vehicles. Therefore, the \$2,502 billed to FEMA for vehicle lockouts and towing services was not eligible because the expenses resulted from personal errors, rather than from providing requested assistance.

Grants and Agreements – Ineligible expenses in this category totaled \$53,307 for the costs of temporary personnel used to backfill firefighter positions at their home base. According to 44 CFR 206.8(c)(2), eligible expenses include “[w]ages, travel, and per diem of temporary Federal agency personnel assigned solely to performance of services directed by the [FEMA] Associate Director or the Regional Director in the major disaster or emergency area designated by the Regional Director.” Therefore, the cost of temporary firefighters working at their home base was not eligible because the firefighters were not performing disaster-related work and were not working in the designated disaster area.

Overtime and Premium Payroll – The Forest Service billed FEMA \$23.4 million under this category. We reviewed \$871,011 (4 percent) of these costs and found \$47,638 (5 percent) ineligible. The ineligible costs were for night shift differentials paid to permanent federal employees for regularly scheduled night work (using BOC codes 1160 through 1164).

USDA National Finance Center’s *Title V Miscellaneous Systems Manual*, Chapter 3, defines BOC codes 1160 through 1164 as night differentials, which consist of payments above the basic rate for **regularly scheduled** night work. According to 44 CFR 206.8(c)(1), permanent federal employees are only entitled to FEMA funding for overtime hours above their regularly scheduled time. Therefore, any differentials based on regularly scheduled hours are not eligible for FEMA funding.

Finding D: Duplicate Payments

The Forest Service billed FEMA for some expenses twice. We identified \$916,818 in duplicate payments in the following two categories:

Contractual Services – Duplicate costs in this category totaled \$898,104. The Forest Service deducted this amount from the salaries of employees for personal items purchased from commissaries and billed the same amount to FEMA for payments to commissaries. The Forest Service pays contractors to set up commissaries for the convenience of employees while working incidents in remote areas. Contractors bill the Forest Service for the cost of goods sold plus the cost of setting up and running the commissaries. Contractors record employee purchases, and the Forest Service later deducts the amount of purchases from employee salaries. In some instances, employees used their agency credit cards to purchase personal items from commissaries (see discussion under the next category).

Credit Card Purchases – Duplicate costs in this category totaled \$18,714. The Forest Service deducted this amount from the salaries of employees and billed the same amount to FEMA for credit card purchases for personal items purchased from commissaries (\$10,618) and for the costs of disciplinary demobilizations (\$8,096). When the Forest Service sends an employee home early for disciplinary reasons, the cost of the disciplinary demobilization is usually deducted from the employee's salary.

Section 312 of the Stafford Act, *Duplication of Benefits*, specifically prohibits any person, business concern, or other entity from receiving assistance that duplicates benefits available for the same purpose from another source. Therefore, we questioned \$916,818 (\$898,104 + \$18,714) because the Forest Service deducted this amount from the salaries of employees and billed the same amount to FEMA for the same purpose.

Finding E: Wasteful Costs

We identified \$42,616 billed to FEMA for costs that we considered wasteful. The Forest Service billed the wasteful costs under the category of Credit Card Purchases for lodging cancellation fees (\$24,326) and equipment rental return fees (\$18,290).

Bills to FEMA included \$24,326 for lodging cancellation fees. The Forest Service considers these cancellation fees a normal cost of doing business on incidents. We disagree. Further, the GAO also questioned hotel cancellation fees that the Forest Service incurred, categorizing them as “wasteful purchases” in an August 2003 GAO report to Congress, *Forest Service Purchase Cards - Internal Control Weaknesses Resulted in Instances of Improper, Wasteful, and Questionable Purchases*, GAO-03-786.

The Forest Service billed FEMA \$18,290 for rental costs of two tents that it returned unused. The original cost to rent these tents was \$41,150. Although the Forest Service returned these items unused, it paid a return fee of \$18,290 (44 percent). We considered this expense to be wasteful.

The transmittal memorandum, dated June 21, 1995, for OMB Circular A-123, *Management Accountability and Control*, states that federal employees should design management structures that help ensure accountability for results, and include appropriate, cost-effective controls. The transmittal memorandum also states, “Management accountability is the expectation that managers are responsible for the quality and timeliness of program performance, increasing productivity,

controlling costs, and mitigating adverse aspects of agency operations, and assuring that programs are managed with integrity and in compliance with applicable law.” Based on these criteria, we questioned \$42,616 as wasteful costs.

Finding F: Overcharged Vehicle Costs

The Forest Service billed FEMA \$217,168 for Forest Service Vehicles (Category H). We reviewed \$102,228 (47 percent) of these costs and questioned \$27,940 (27 percent) overcharged for one vehicle. The overcharge resulted from an incorrect mileage reading. After we brought this error to its attention, the Forest Service processed a credit to FEMA on a subsequent bill. Therefore, although we included the \$27,940 in total questioned costs, it has been recovered.

RECOMMENDATIONS

The Office of Inspector General recommended that the Regional Director, FEMA Region VI:

1. Disallow \$3,415,340 of questionable costs.
2. Require the Forest Service to validate and provide documentation to support all billings for those categories with questioned costs.
3. Develop and implement effective property management procedures for use during mission assignments in accordance with the Federal Response Plan, Logistics Management Support Annex, section II.F.

SUGGESTIONS

During the entrance conference, the Forest Service invited the OIG to make suggestions based on its audit findings for improving financial operations. Accordingly, we offer the following suggestions:

- Request the U.S. Department of Agriculture, Office of Inspector General, to conduct an audit of the Forest Service’s Agency Provided Medical Care program to ensure it is being carried out according to Department of Labor requirements (see Appendix).
- Improve the accuracy and effectiveness of financial reporting by:
 - Including Resource Order Number and camp location (where appropriate) on its bills,
 - Requiring accurate use of Budget Object Classification codes to record expense transactions, and
 - Implementing standard filing procedures at all incident camps.
- Establish and enforce effective property management internal controls and procedures.

- Improve consistency in applying financial guidelines pertaining to costs for items such as cell phone use, commissary deductions, and demobilization costs through more effective training and issuance of more specific guidance for buyers.
- Lower costs by eliminating wasteful practices, such as paying lodging cancellation fees.

DISCUSSION WITH MANAGEMENT AND AUDIT FOLLOW-UP

The OIG discussed the results of the audit with the Forest Service on June 22, 2004, and with FEMA on June 8, 2004. We discussed the results with both parties again on April 4, 2005. The Forest Service and FEMA officials agreed with all findings and recommendations. Forest Service officials also commented that the Forest Service had improved its accounting and financial reporting and had received “clean” [unqualified] opinions on their financial statements for fiscal years 2002, 2003, and 2004.

Please advise this office by July 7, 2005, of the actions taken or planned to implement the recommendations, including target completion dates for any planned actions. Should you have any questions concerning this report, please contact Paige Hamrick or me at (940) 891-8900. The major contributors to this report were Jerry Prem, Cheri Kennedy, and Chuck Riley.

Schedule of Billed and Questioned Costs as of September 10, 2003
USDA Forest Service, FEMA Mission Assignment Number MA-3171-TX

Category Code	Forest Service Bill Category	Billed	Audited	Percent Audited	Q U E S T I O N E D						C O S T S	Percent Questioned
					Finding B	Finding C	Finding D	Finding E	Finding F	Total (c)		
		(a)	(b)	(b/a)						(c)	(c/b)	
A	Overtime & Premium Payroll	\$ 23,399,287	\$ 871,011	4 %	\$ 0	\$ 47,638	\$ 0	\$ 0	\$ 0	\$ 47,638	5 %	
B	Employee Travel Voucher	2,774,337	0		0	0	0	0	0	0		
C	Other Travel of Persons	2,318,618	0		0	0	0	0	0	0		
D	Transport of Things	120,837	0		0	0	0	0	0	0		
E	Rents, Communications, Utilities	28,733	0		0	0	0	0	0	0		
F	Contractual Services	60,093,474	39,505,240	66 %	119,514	0	898,104	0	0	1,017,618	3 %	
G	Other Supplies & Services	251,107	0		0	0	0	0	0	0		
H	Forest Service Vehicles	217,168	102,228	47 %	0	0	0	0	27,940	27,940	27 %	
I	Grants and Agreements	2,390,416	1,962,596	82 %	788,939	53,307	0	0	0	842,246	43 %	
J1	Travel, Per Diem, Transportation	261,325	0		0	0	0	0	0	0		
J2	Other Contractual Services	2,641,881	0		0	0	0	0	0	0		
J3	Materials, Supplies, All Other	-1,201	0		0	0	0	0	0	0		
FSBofA	Credit Card Purchases	<u>11,215,867</u>	<u>3,303,586</u>	29 %	<u>580,120</u>	<u>838,448</u>	<u>18,714</u>	<u>42,616</u>	<u>0</u>	<u>1,479,898</u>	45 %	
	Total	<u>\$105,711,849</u>	<u>\$45,744,661</u>	43 %	<u>\$1,488,573</u>	<u>\$939,393</u>	<u>\$916,818</u>	<u>\$42,616</u>	<u>\$27,940</u>	<u>\$3,415,340</u>	7 %	

AGENCY PROVIDED MEDICAL CARE

In 1986, the Department of Labor (DOL) allowed the Forest Service to establish an Agency Provided Medical Care (APMC) program to provide initial medical attention to firefighters on an incident. The National Wildfire Coordinating Group, sponsored by the United States Department of Agriculture, established guidelines for using APMC and published them in its *Interagency Incident Business Management Handbook* (IIBMH). Paragraph 15.05(2) of IIBMH defines APMC cases as “Injury/illness cases involving only one APMC visit with no lost time charged to sick or annual leave, or Continuation of Pay and similar cases, which require only one follow-up APMC visit during non-duty hours.”

Office of Workers’ Compensation Program (OWCP) claims by federal employees are made, processed, and paid pursuant to the Federal Employees’ Compensation Act, 5 U.S.C 8101 (FECA). The employing federal agency does not pay FECA benefits from its own operating funds but from the Employees’ Compensation Fund, a Treasury account separate and distinct from the operating funds of the employing agency. Each year federal agencies receive a statement of the total cost of FECA benefits paid out and they must include these costs in their next appropriation request. Appropriated funds for this purpose are deposited in the Treasury to the credit of the Employees’ Compensation Fund. The Forest Service provides the APMC program on a voluntary basis as an alternative to making use of the OWCP/FECA for certain illnesses or injuries.

We noted during our audit that the Forest Service appeared to be routinely processing all medical cases as APMC. Before determining that all medical expenses were ineligible, we sampled \$306,959 (38 percent) of the \$811,205 billed as medical expenses and found that all medical cases were classified as APMC. However, \$102,608 (33 percent) of the expenses sampled should have been classified as OWCP. We were unable to find a single medical case that was processed as OWCP, including cases identified as OWCP on the medical records. The ease of handling APMC cases as compared to OWCP cases appears to cause routine misclassification. By not following established DOL guidelines, the Forest Service could be jeopardizing the future of this valuable program.