

GAO

Report to the Subcommittee on Interior  
and Related Agencies, Committee on  
Appropriations, House of  
Representatives

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December 1998

# FOREST SERVICE MANAGEMENT

## Little Has Changed as a Result of the Fiscal Year 1995 Budget Reforms



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**United States  
General Accounting Office  
Washington, D.C. 20548**

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**Resources, Community, and  
Economic Development Division**

B-280861

December 2, 1998

The Honorable Ralph Regula  
Chairman  
The Honorable Sidney R. Yates  
Ranking Minority Member  
Subcommittee on Interior  
and Related Agencies  
Committee on Appropriations  
House of Representatives

As agreed with your offices, this report discusses (1) the Forest Service's implementation of fiscal year 1995 budget reforms and (2) the progress that the agency has made toward becoming more accountable for its results. The report contains recommendations to the Secretary of Agriculture that are designed to improve the agency's performance accountability. Our review was limited primarily to the funds that were appropriated to manage the National Forest System.

As requested, unless you publicly announce its contents earlier, we plan no further distribution of this report until 10 days after the date of this letter. At that time, we will send copies to the appropriate congressional committees, the Secretary of Agriculture, and the Chief of the Forest Service. We will also make copies available to others upon request.

Please call me at (202) 512-3841 if you or your staff have any questions about this report. Major contributors to this report are listed in appendix II.

Barry T. Hill  
Associate Director, Energy,  
Resources, and Science Issues

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# Executive Summary

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## Purpose

In fiscal year 1992, the U.S. Department of Agriculture's Forest Service was cited by the National Performance Review—a White House-led study of ways to improve the efficiency of federal programs—as an example of an agency whose budget structure impeded the productive management and the efficient use of taxpayer dollars. As the Forest Service moved from managing individual resources, such as wildlife, recreation, timber, rangeland, and water, to a more broad-scale, more comprehensive approach to land management (ecosystem management), the agency proposed significant changes in its budget structure for fiscal year 1995 to help implement this management approach and improve efficiency.

Subsequently, the Forest Service asked its Appropriations Committees to restructure its budget to increase the agency's flexibility to carry out its mission and to improve its ability to use funds where they are most needed. In acting on the Forest Service's appropriations for fiscal year 1995, the House and Senate Committees on Appropriations (1) consolidated line items in the agency's budget for which specific amounts of funds are allocated, thereby providing larger pools of funds and, thus, greater discretion to field and program managers in deciding where to spend the funds; (2) expanded the agency's authority to move funds between line items without the Committees' approval; and (3) restructured the agency's budget so that all the funding to carry out a project—including the funding for services provided by others—is consolidated in the program that will benefit most from the project (called the "benefiting function" concept). In return for this increased budget flexibility, the Appropriations Committees expected the Forest Service to improve its performance measures and accountability for its expenditures and results.

The Chairman and Ranking Minority Member of the Subcommittee on Interior and Related Agencies, House Committee on Appropriations, asked GAO to review the Forest Service's implementation of the fiscal year 1995 budget reforms. As agreed with their offices, this report discusses (1) the Forest Service's implementation of the fiscal year 1995 budget reforms and (2) the progress that the agency has made toward becoming more accountable for its results. GAO's review was limited primarily to funds appropriated to manage the 155 forests, 20 national grasslands, and 17 national recreation areas that make up the National Forest System. The National Forest System's appropriation represented about \$1.3 billion or about 47 percent of the Forest Service's discretionary appropriations and about 37 percent of its total appropriations for fiscal year 1997.

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## Results in Brief

The Forest Service's management of the National Forest System has not appreciably changed as a result of the increased flexibility offered by the fiscal year 1995 budget reforms. Specifically, consolidating the line items was intended to provide field managers with greater discretion in deciding where to spend funds to better achieve the agency's goals and objectives. However, (1) some field offices have continued to distribute and track funds as if the consolidation had not occurred, and (2) the budget is still structured primarily by individual resource-specific programs, such as those for timber sales and wildlife habitat management, although the agency's strategic goals and objectives increasingly require that these and other programs be integrated to achieve broader stewardship objectives, such as restoring or protecting the health of a forest. The reforms also expanded the Forest Service's authority to move funds between line items without the Appropriations Committees' approval. However, the agency has seldom requested such approval either before or after the reforms. According to information provided by the Forest Service, the agency submitted one or two requests a year for the Appropriations Committees' approval to move funds among line items for the National Forest System in fiscal years 1994 through 1997. Therefore, the reforms have not had a noticeable impact on the number of times that the Forest Service has made such requests of the Committees. Finally, the reforms restructured the agency's budget so that all the funding for a project is consolidated in the program that will benefit most from that project. However, for a variety of reasons, including underestimating a project's costs, a benefiting program may not have the funds needed to implement a project. In these instances, it may require other programs that are providing support services to absorb the costs of those services. This practice circumvents the requirements established by the Appropriations Committees and the agency to move funds between line items and understates a project's costs.

The Forest Service has not provided the Congress with the improved accountability that the Appropriations Committees requested when they gave the agency increased flexibility over its budget. GAO found that (1) the agencywide criteria developed by the Forest Service to allocate appropriated funds to its regions and forests are often not linked to its strategic goals and objectives; (2) in many instances, the agency's performance measures do not adequately reflect its accomplishments or progress toward achieving the goals and objectives; and (3) the management cost and performance reporting system that the agency has been developing for over 10 years uses the inadequate performance measures as input. As a result, the Forest Service, the Congress, and other

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interested parties do not have an adequate measure of the agency's funding needs or its progress toward achieving its goals and objectives.

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## Principal Findings

### The Budget Reforms Have Resulted in Little Change in Managing the National Forests

The Forest Service's management of the National Forest System has not appreciably changed as a result of the fiscal year 1995 budget reforms primarily because of two underlying causes—one relatively new and the other as old as the agency itself. New is the inability of the agency's budget structure to keep pace with the Forest Service's ongoing transition from an agency emphasizing consumption (primarily producing timber) to one emphasizing conservation (primarily sustaining wildlife and fish) and from one managing specific resources to one managing forested and other natural systems. As old as the agency itself is the Forest Service's highly decentralized organizational structure and the considerable autonomy and discretion that field and program managers have in interpreting and applying the agency's policies and directions. As in the past, (1) implementation of the fiscal year 1995 reforms within the Forest Service's hierarchical organization has been left to the discretion of regional, forest, and district offices with uneven and mixed results, and (2) there has been no consequence associated with making a certain decision and no responsibility fixed for attaining a particular result.

### The Forest Service's Budget Structure Is Not Consistent With the Agency's Strategic Goals and Objectives

Notwithstanding the fiscal year 1995 budget reforms, there is currently no clear link between the Forest Service's integrated approach to natural resources management, which emphasizes restoring and protecting the health of forested, rangeland, and aquatic systems, and the agency's budget structure, which remains highly fragmented along the lines of resource-specific programs and activities, such as managing timber sales, livestock grazing, wildlife habitat, and wildfires.

For example, the Forest Service cites the goal of restoring and protecting forested systems as its highest mission and funding priority. However, rather than having a larger pool of funds available to achieve this goal and greater discretion to spend the funds, a forest or district office may have to use up to 24 different funding sources to implement a plan to restore or protect a forested system. These funding sources include four National Forest System line items over which the forests have the most control. Of

the remaining 20 funding sources, 7 are from the state and private forestry appropriation, 2 are from the wildland fire management appropriation, 1 is from the land acquisition appropriation, and the other 10 are from various permanent appropriations and trust funds for such activities as brush removal, timber salvage sales, and reforestation. According to some Forest Service officials, this fragmented approach can result in inefficiently implementing a plan to restore or protect a forest.

The inability of the Forest Service's budget structure to keep pace with the agency's movement away from goals and objectives that clearly benefit one resource-specific program toward using multiple programs to accomplish broader stewardship objectives has also caused some confusion within the agency in identifying the program that will benefit most from a project so that costs can be consistently charged to that program. Timber as a commodity program versus timber as a tool to achieve a stewardship objective, such as restoring an unhealthy forest, is an example. Although timber sales are increasingly being used as a tool to maintain or restore the health of forests rather than solely to provide timber as a commodity, the costs to prepare and administer the timber sales are still being charged to timber sales management.

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**Some Forest Service Field Offices Continue to Distribute and Track Funds as If the Consolidation of Line Items Had Not Occurred**

The considerable autonomy and discretion that the Forest Service has given its field and program managers has resulted in, among other things, some forest and district offices continuing to distribute and track funds as if the consolidation of the line items had not occurred, thus undermining the full potential of the budget reforms to simplify the management of funds. To illustrate, the fiscal year 1995 budget reforms reduced the number of timber-related line items from seven to two, thus providing field and program managers with larger pools of funds and more flexibility and discretion in deciding where to spend the funds. However, according to the official responsible for the natural resources budget and finance in the Pacific Northwest (Region 6) office, some forests and districts in the region continue to distribute funds and track expenditures for as many as 14 different activities under the two line items, including several activities for the line items that were eliminated.

Although field and program managers have some flexibility to move funds among activities, district office staff tend to see the distributions as rigid limits to planning and accounting for work. Rather than move funds among activities during a fiscal year, field and program staff may redistribute work charged to activities after the fact in order to achieve or

maintain specific levels of funding for activities (called “retroactive redistribution”).

Finally, under the benefiting function concept embodied in the Forest Service’s budget reforms, programs are expected to pay the costs of support services provided by other programs. However, individual programs that underestimate the costs of a project or otherwise do not have the funds needed to pay for a project’s support services may require other programs to absorb the costs of the services. For example, on the basis of an internal survey of the National Forest System that was conducted in July 1998 at GAO’s request, a program official at the Washington Office estimated that since fiscal year 1995, on average, about 49 percent of the funds allocated to the Lands program to survey, locate, mark and post, and maintain previously marked property lines between lands in the National Forest System and lands in other ownership has been used to support other programs, but charged to the Lands program.

Agency officials informed GAO that “charging as budgeted” and not “as worked” was sometimes a more acceptable option than not doing the project or seeking to meet their needs by moving funds between line items, which, depending on the amount, may require the approval of either the Chief of the Forest Service or the Appropriations Committees. This practice not only circumvents the requirements established by the Appropriations Committees and the agency to move funds between line items and understates a project’s costs, it also precludes the Forest Service from providing the Congress and other interested parties with meaningful, useful, and reliable information on the costs and the accomplishments of the National Forest System’s programs.

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## Accountability Is Hampered by Inadequate Performance Measures and a Focus on Resource-Specific Outputs

In exchange for the greater flexibility granted to the Forest Service by the fiscal year 1995 budget reforms, the Appropriations Committees expected the agency to, among other things, improve its performance measures and increase its accountability for results. However, the Forest Service has not provided the Congress with improved accountability.

Currently, there is no clear link between the Forest Service’s strategic goals and objectives and its budget allocation criteria and performance measures. Rather than develop new criteria and measures and improve existing ones to better align them with its mission and funding priorities, the agency is trying to use old resource-specific allocation criteria and performance measures with its new integrated-resource goals and



objectives. For example, the Forest Service cites the goal of restoring and protecting forested systems as its highest mission and funding priority and repeatedly emphasizes that timber sales are increasingly being used as a tool to maintain or restore the health of forests rather than solely to provide commercial timber. However, the criteria that the Forest Service used to allocate fiscal year 1998 funds to its field offices to manage timber sales are based solely on managing timber as a commodity rather than on using it as a tool to achieve a stewardship objective. Similarly, the primary objective of the agency's timber-related performance measures used to indicate progress toward restoring or protecting forested systems is to provide a continuous supply of timber from the national forests, rather than to maintain or restore the health of the forests.

In addition, the Forest Service's performance measures often do not adequately reflect the agency's accomplishments or progress toward achieving its goals and objectives. For instance, the agency counts facilities that are not being maintained "to standard" and miles of Forest Service-managed roads that are "less than fully maintained" as accomplishments toward its strategic objective of improving the level of customer satisfaction provided by recreational opportunities in national forests.

The "disconnect" between the Forest Service's strategic goals and objectives and its performance measures and the inadequacy of those measures become even more critical because the management cost and performance reporting system, which the agency has been developing since 1988, uses the performance measures to display the relationship between expenditures and results. Inadequate and unreliable performance measures that are also not linked to the agency's strategic goals and objectives will be used to report accomplishments in achieving the goals and objectives. As a result, the Forest Service, the Congress, and other interested parties will not have an adequate measure of the agency's funding needs or its progress toward achieving its goals and objectives.

While additional changes to the Forest Service's budget structure seem to be warranted to facilitate management of the 155 national forests, GAO believes that any future revisions should coincide with, rather than precede, actions required to correct known accounting and financial reporting deficiencies as well as problems with performance-related data, measurement, and reporting. However, the Forest Service has not established a schedule to achieve accountability for its performance and is uncertain when its management cost and performance reporting system

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will be fully implemented. A firm schedule is needed so the agency can demonstrate progress toward becoming more accountable for its performance and results.

Developing and implementing a firm schedule to correct identified management deficiencies and to achieve performance accountability will require strong leadership within the agency and sustained oversight by the Congress to make clear the demarcation between the discretion that regional, forest, and district offices have in managing their lands and resources and the need to strictly adhere to the agency's policies and requirements relating to financial and performance accountability. In April 1998, the Forest Service placed responsibility for fiscal and business management under a Chief Operating Officer, who reports directly to the Chief of the Forest Service. This restructuring is intended to improve the agency's accounting and business practices and may provide the needed leadership.

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## Recommendations

To improve the Forest Service's accountability for results, GAO recommends that the Secretary of Agriculture direct the Chief of the Forest Service to (1) revise the agency's budget structure, budget allocation criteria, and performance measures to better link them to the Forest Service's strategic goals and objectives and (2) incorporate the new performance measures into the management cost and performance reporting system that the agency is developing. Moreover, to help ensure that the budget allocation criteria and performance measures are revised and the management cost and performance reporting system is implemented in a timely manner, GAO recommends that the Secretary direct the Chief to establish a firm schedule to achieve performance accountability.

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## Agency Comments

GAO provided copies of a draft of this report to the Forest Service for its review and comment. The agency generally agreed with the report's findings and recommendations. However, it believed that improvements to its budget structure should be made concurrently with, rather than after, improvements to its budget allocation criteria, performance measures, and reporting systems, as suggested in the draft report. GAO agrees with the Forest Service that a piecemeal approach to correcting known accounting and financial reporting deficiencies and performance-related problems will not work and has revised the report accordingly.

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The Forest Service was also concerned that the draft report implied that its Washington and regional offices have not been budgeting and allocating funds in a manner consistent with the fiscal year 1995 budget reforms. GAO revised the report to clarify that (1) since fiscal year 1995, the funds have generally been budgeted and allocated at the agency's Washington and regional offices in a manner consistent with the budget reforms, (2) the implementation of the reforms at the forest and district offices has been left to the discretion of field and program managers, and (3) some forest and district offices continue to distribute and track funds as if the reforms had not occurred. The agency's comments, together with GAO's responses to them, appear in appendix I.

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Abbreviations

GAO	General Accounting Office
GPRA	Government Performance and Results Act
MAR	Management Attainment Report

# Introduction

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The Department of Agriculture's Forest Service manages about 192 million acres of land—nearly 9 percent of the nation's total surface area and 30 percent of all federal lands. Laws guiding the management of the 155 forests, 20 national grasslands, and 17 national recreation areas within the National Forest System require the agency to manage its lands to provide high levels of six renewable surface uses—outdoor recreation, rangeland, timber, watersheds and waterflows, wilderness, and wildlife and fish—to current users while sustaining undiminished the lands' ability to produce these uses for future generations. In addition, the Forest Service's guidance and regulations require the agency to consider the production of nonrenewable subsurface resources, such as oil, gas, and hardrock minerals, in its planning.<sup>1</sup>

To carry out the Forest Service's mission, each year the President's budget proposes and the Congress appropriates funds to, among other things, (1) manage the National Forest System, (2) conduct or sponsor forest and rangeland research, and (3) enhance the health and sustainable management of the nation's state and private forests. In committee reports, the House and Senate Committees on Appropriations allocate funds to one or more line items within each of these appropriations. The agency then allocates these funds to its headquarters (Washington Office) and field offices.

In the mid-1990s, the Forest Service asked the House and Senate Appropriations Committees to restructure its budget to increase the agency's flexibility to carry out its mission and to improve its ability to use funds where they are most needed. The Committees incorporated many of these requested budget reforms in approving the Forest Service's fiscal year 1995 appropriations.

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## How the Forest Service Is Organized

The Forest Service, created in 1905, is a hierarchical organization whose management is highly decentralized and whose managers have considerable autonomy and discretion for interpreting and applying the agency's policies and directions. The Chief of the Forest Service heads the agency and, through Agriculture's Under Secretary for Natural Resources and Environment, reports to the Secretary of Agriculture.

In April 1998, the Chief of the Forest Service restructured the agency's management team to facilitate needed efficiencies regarding the Forest Service's accountability and business practices. As a result of the

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<sup>1</sup>Hardrock minerals include gold, silver, lead, iron, and copper.

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restructuring, a Chief Operating Officer is responsible for fiscal and business management and an Associate Chief for Natural Resources has direct oversight for natural resources programs. Both report directly to the Chief of the Forest Service.

Among other things, the Forest Service's Washington Office establishes policy and provides technical direction to the National Forest System's three levels of field management: 9 regional offices, 123 forest offices, and about 600 district offices. At the Washington Office, the National Forest System has separate program directors for nine programs: Engineering; Lands; Recreation, Heritage, and Wilderness Resources; Minerals and Geology; Range Management; Forest Management; Watershed and Air Management; Wildlife, Fish, and Rare Plants; and Ecosystem Management.<sup>2</sup> Similar lines of program management exist at the regional, forest, and district office levels. However, because of budgetary constraints, the management of some of these programs may be combined.

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## How the Forest Service's Budget Cycle Works

The Forest Service starts to develop a budget for a given fiscal year about 2 years before the fiscal year begins. The agency constructs a budget for the National Forest System and other appropriations—including forest and rangeland research and state and private forestry—that indicates how funds will be allocated among line items. The agency submits its proposed budget to the Department of Agriculture for review and any changes about 15 months before the fiscal year begins. Agriculture, in turn, submits the Forest Service's budget to the Office of Management and Budget for review and any changes about a year before the beginning of the fiscal year in which the funds will be spent.

The President's budget is submitted to the Congress no later than the first Monday in February for the fiscal year beginning the coming October 1st. Shortly afterwards, the Forest Service submits its explanatory notes to the House and Senate Committees on Appropriations. Once the Committees review, amend, and approve the agency's budget, the Congress appropriates funds for the National Forest System and for other Forest Service appropriations as part of the appropriations act for the Department of the Interior and related agencies. The Committees' reports or the appropriations act may also specify restrictions on certain types of spending and may earmark funds for special activities or projects.

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<sup>2</sup>One definition of an ecosystem is a distinct ecological unit that is formed when interdependent communities of plants and animals, which can include humans, interact with their physical environment (i.e., soil, water, and air).

Once funds are received by the Forest Service, the agency removes funds needed to operate the Washington Office and specifies funding that will be used for national commitments and for special projects. The Washington Office then allocates the remaining funds by line item to its regional offices.

The appropriation for the National Forest System includes 21 budget and extended budget line items that are generally used to fund the system's nine programs. A National Forest System program may be funded from one or more line items under the appropriation for the National Forest System. When a program, such as Minerals and Geology, is funded from only one line item—in this instance, Minerals and Geology Management—the line item is referred to as a “budget line item.” Other programs are funded from two or more line items. For example, the Forest Management program is funded from the Timber Sales Management and the Forestland Vegetation Management line items. These line items are referred to as “extended budget line items” and are aggregated into a budget line item for Forestland Management. (See table 1.1.)



**Chapter 1  
Introduction**

**Table 1.1: The National Forest System’s Budget and Extended Budget Line Items Used to Fund the National Forest System’s Programs**

<b>Fiscal year 1995 National Forest System budget and extended budget line items</b>	<b>National Forest System programs</b>
Ecosystem Planning, Inventory, and Monitoring <sup>a</sup>	Ecosystem Management
Recreation Management Wilderness Management Heritage Resources	Recreation, Heritage, and Wilderness Resources
Wildlife Habitat Management Inland Fish Habitat Management Anadromous Fish Habitat Management Threatened, Endangered, and Sensitive Species Habitat Management	Wildlife, Fish, and Rare Plants
Grazing Management Rangeland Vegetation Management	Range Management
Timber Sales Management Forestland Vegetation Management	Forest Management
Soil, Water, and Air Operations Watershed Improvements	Watershed and Air Management
Minerals and Geology Management	Minerals and Geology
Real Estate Management Landline Location	Lands
Road Maintenance Facility Maintenance	Engineering
Law Enforcement Operations <sup>b</sup>	b
General Administration <sup>c</sup>	c

<sup>a</sup>This line item is currently called Land Management Planning, Inventory, and Monitoring.

<sup>b</sup>This line item is under the Director, Law Enforcement and Investigations, who reports to the Chief of the Forest Service.

<sup>c</sup>This line item funds general line management, administrative support, and common services within the National Forest System.

Source: Forest Service.

Funds are usually allocated to the agency’s nine regional offices on the basis of budget allocation criteria developed by the Forest Service. For example, the criteria for allocating funds from the Wildlife Habitat Management extended budget line item to each region include, among other things, the number of acres, the opportunities for habitat restoration and enhancement, and the number of big game species. Regions then distribute the funds by line item to the 155 national forests on the basis of regional budget allocation criteria or on a program-by-program assessment of needs.

Finally, each national forest office allocates funds to its districts by line item and by the type of activity that will be performed. For example, a national forest office might allocate some funds within the Grazing Management extended budget line item to a district to be used specifically to construct improvements for livestock grazing. District personnel not only receive funding slated for specific activities within each line item, they also track and charge their work accordingly.

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## Why the Forest Service Requested More Flexibility in Its Budget Structure

In fiscal year 1992, the Forest Service was cited by the National Performance Review—a White House-led study of ways to improve the efficiency of federal programs—as an example of an agency whose budget structure impeded the productive management and the efficient use of taxpayer dollars. As the Forest Service moved from managing individual resources, such as wildlife, recreation, timber, rangeland, and water, to a more broad-scale, more comprehensive approach to land management (ecosystem management), the agency proposed significant changes in its budget structure for fiscal year 1995 to help implement this management approach and improve efficiency.

In acting on the Forest Service appropriations for fiscal year 1995, the House and Senate Appropriations Committees (1) consolidated line items in the agency's budget for which specific amounts of funds are allocated, (2) expanded the agency's authority to reprogram funds without requesting the Committees' approval,<sup>3</sup> and (3) restructured the agency's budget so that all funding to carry out a project—including the funding for services provided by others—is consolidated in the program that will benefit most from the project. In return for this increased budget flexibility, the Appropriations Committees expected the Forest Service to improve its performance measures and accountability for expenditures and results.

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## Objectives, Scope, and Methodology

The Chairman and Ranking Minority Member of the Subcommittee on Interior and Related Agencies, House Committee on Appropriations, asked us to review the Forest Service's implementation of the fiscal year 1995 budget reforms. As agreed with their offices, this report discusses (1) the

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<sup>3</sup>Congressional reprogramming guidelines for the Forest Service define reprogramming as the reallocation of funds from one budget line item to another within the same appropriation. Under these guidelines, when a report by either the House or Senate Committee on Appropriations displays an allocation of an appropriation below a budget line item, such as an extended budget line item, then the extended budget line item, rather than the budget line item, becomes the basis for reprogramming. Table 1.1 displays the budget line items and extended budget line items for which funds are allocated under the appropriation for the National Forest System.

Forest Service's implementation of the fiscal year 1995 reforms and (2) the progress that the agency has made toward becoming more accountable for its results. Our review was limited primarily to funds appropriated to manage the National Forest System. The appropriation for the National Forest System represented about \$1.3 billion or about 47 percent of the Forest Service's discretionary appropriations and about 37 percent of its total appropriations for fiscal year 1997.

We conducted our work at the Forest Service's Washington Office; three of the agency's nine regional offices—the Pacific Northwest (Region 6), the Southern (Region 8), and the Eastern (Region 9); and five national forests—the Deschutes and Willamette (in Oregon and Region 6), the Daniel Boone (in Kentucky and Region 8), and the Superior and Chippewa (in Minnesota and Region 9).

To obtain information on both objectives, we interviewed Forest Service budget officials, field managers, and officials responsible for managing various programs within the National Forest System at all of the agency's locations that we visited. We also obtained and reviewed relevant reports, records, correspondence, budget data, budget allocation criteria, and data on performance indicators at these offices.

In addition, to obtain information on the Forest Service's implementation of the budget reforms, we reviewed applicable laws and legislative histories relating to the reforms, the agency's directives and guidance in implementing the reforms, and the agency's budget justification explanatory notes. To obtain information on the Forest Service's progress toward becoming more accountable for its results, we reviewed relevant reports by the Department of Agriculture's Office of Inspector General, relevant studies by a consulting firm and an environmental group, and prior GAO reports and testimonies.

We performed our work from September 1997 through September 1998 in accordance with generally accepted government auditing standards. In conducting our work, we did not independently verify the reliability of the financial data provided by the Forest Service nor did we trace the data to the systems from which they came. These systems were, in some cases, subject to audit procedures by the Department of Agriculture's Office of Inspector General in connection with the agency's financial statement audits.

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**Chapter 1**  
**Introduction**

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For fiscal years 1995, 1996, and 1997 and previous years, Agriculture's Office of Inspector General reported that because of significant internal control weaknesses in various accounting subsystems, the Forest Service's accounting data were not reliable. Despite these weaknesses, we used the data because they were the only data available and are the data that the agency uses to manage its programs.

We obtained comments on a draft of this report from the Forest Service. The agency's comments and our evaluation are presented in appendix I.

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# The Budget Reforms Have Resulted in Little Change in Managing the National Forests

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The Forest Service's management of the National Forest System has not appreciably changed as a result of the increased flexibility offered by the fiscal year 1995 budget reforms. Specifically, although consolidating the budget line items and extended budget line items was intended to provide field managers with larger pools of funds and, thus, greater discretion in deciding where to spend the funds, some forest and district offices have continued to distribute and track funds as if the consolidation had not occurred. In addition, the budget is still structured primarily by individual resource-specific programs, such as timber sales and wildlife habitat management, although the agency's strategic goals and objectives increasingly require that these and other programs be integrated to achieve broader stewardship objectives, such as restoring or protecting forested ecosystems.

The fiscal year 1995 budget reforms also expanded the Forest Service's ability to move funds between line items without the Appropriations Committees' approval. However, the agency has seldom requested such approval either before or after the reforms. On the basis of information provided by the Forest Service, the agency submitted one or two requests a year for the Appropriations Committees' approval to reprogram funds among line items for the National Forest System in fiscal years 1994 through 1997. Thus, the reforms have not had a noticeable impact on the number of reprogrammings requested from the Appropriations Committees.

Finally, the fiscal year 1995 budget reforms restructured the Forest Service's budget so that all the funding for a project is consolidated in the program that will benefit most from that project. However, for a variety of reasons, including underestimating a project's costs, a benefiting program may not have the funds needed to implement a project. In these instances, it may require other programs that are providing support services to absorb the costs of the services instead of seeking to meet its needs by moving funds between line items or requesting that funds be reprogrammed. This practice circumvents the requirements established by the Appropriations Committees and the agency to move funds between line items and understates a project's costs. It also precludes the Forest Service from providing the Congress and other interested parties with meaningful, useful, and reliable information on the costs and the accomplishments of the National Forest System's programs.

## The Benefits of Consolidating Line Items Have Not Been Fully Realized

The fiscal year 1995 budget reforms reduced the number of budget line items and extended budget line items in the Forest Service's budget from 72 to 48, primarily by combining many of them. Within the appropriation for the National Forest System, the budget line items and extended budget line items were reduced from 37 to 28. Line items for which a specific amount of funds are allocated to support the National Forest System were reduced from 31 to 21, or by almost one-third. (See table 2.1.)

**Table 2.1: Comparison of the National Forest System's Budget and Extended Budget Line Items, Fiscal Years 1994 and 1995**

Line items before budget reforms (fiscal year 1994)	Line items after budget reforms (fiscal year 1995)	Explanation of changes
—	Ecosystem Planning, Inventory, and Monitoring	New budget line item was established by shifting funds from other line items.
Recreation Use —Recreation Management —Wilderness Management —Cultural Resources Management	Recreation Use —Recreation Management —Wilderness Management —Heritage Resources	Line items remained virtually unchanged.
Forest Trail Maintenance	—	Seventy percent of this budget line item's funds shifted to Recreation Management and 30 percent shifted to Wilderness Management in fiscal year 1995.
Wildlife and Fish Habitat Management —Wildlife Management —Inland Fish Management —Anadromous Fish Management —Threatened, Endangered, and Sensitive Species Management	Wildlife and Fisheries Habitat Management —Wildlife Habitat Management —Inland Fish Habitat Management —Anadromous Fish Habitat Management —Threatened, Endangered, and Sensitive Species Habitat Management	Line items remained virtually unchanged.
Range Management —Range Vegetation Management —Rangeland Improvements —Wild Horses and Burros —Noxious Weed Control	Rangeland Management —Grazing Management —Rangeland Vegetation Management	Four extended budget line items were consolidated into two.
Timber Sales Administration and Management —Timber Resource Inventory Planning —Silvicultural Examination —Sales Preparation —Harvest Administration	Forestland Management —Timber Sales Management —Forestland Vegetation Management	Two budget line items were consolidated into one, and seven extended budget line items were consolidated into two.
Reforestation and Timber Stand Improvement —Reforestation —Timber Stand Improvement —Nursery and Tree Improvement Operations		
Soil, Water, and Air Management —Soil, Water, and Air Operations —Soil and Water Resource Improvements —Soil Inventory	Soil, Water, and Air Management —Soil, Water, and Air Operations —Watershed Improvements	Soil Inventory was moved to new Ecosystem Planning, Inventory, and Monitoring budget line item.
Minerals and Geology Management	Minerals and Geology Management	Line item was not changed.

(continued)

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<b>Line items before budget reforms (fiscal year 1994)</b>	<b>Line items after budget reforms (fiscal year 1995)</b>	<b>Explanation of changes</b>
Real Estate Management	Land Ownership Management —Real Estate Management	Two budget line items became extended budget line items under a new budget line item called Land Ownership Management.
Landline Location	—Landline Location	
Forest Road Maintenance	Infrastructure Management —Road Maintenance	Two budget line items became extended budget line items under a new budget line item called Infrastructure Management.
Facility Maintenance	—Facility Maintenance	
Cooperative Law Enforcement	Law Enforcement Operations	Three budget line items were consolidated into one budget line item.
Drug Enforcement		
National Forest System Law Enforcement		
General Administration	General Administration	Budget line item was not changed.

Source: Forest Service.

The intent of this consolidation was to simplify the management of funds. By combining funds into larger pools, field and program managers would have increased flexibility and greater discretion in deciding where to spend the funds.

The Forest Service officials we interviewed generally support consolidating line items in the budget and, in many instances, favor additional consolidation. However, some forest and district offices continue to distribute and track funds by line items that were combined under the fiscal year 1995 reforms, thus counteracting the increased flexibility and discretion provided by the consolidation. In addition, there is no clear link between the Forest Service’s integrated-resource approach to natural resources management, which emphasizes maintaining and restoring the health of forested, rangeland, and aquatic ecosystems, and the resource-specific line items in the agency’s budget.

**Some Forest Service Field Offices Continue to Distribute and Track Funds as If the Consolidation of Line Items Had Not Occurred**

Since the fiscal year 1995 budget reforms, funds have generally been budgeted and allocated at the Forest Service’s Washington and regional offices consistent with the consolidated budget line items and extended budget line items. However, the implementation of the reforms at the forest and district offices has been left to the discretion of field and program managers. As a result, some forest and district offices continue to distribute and track funds as if the consolidation had not occurred, thus

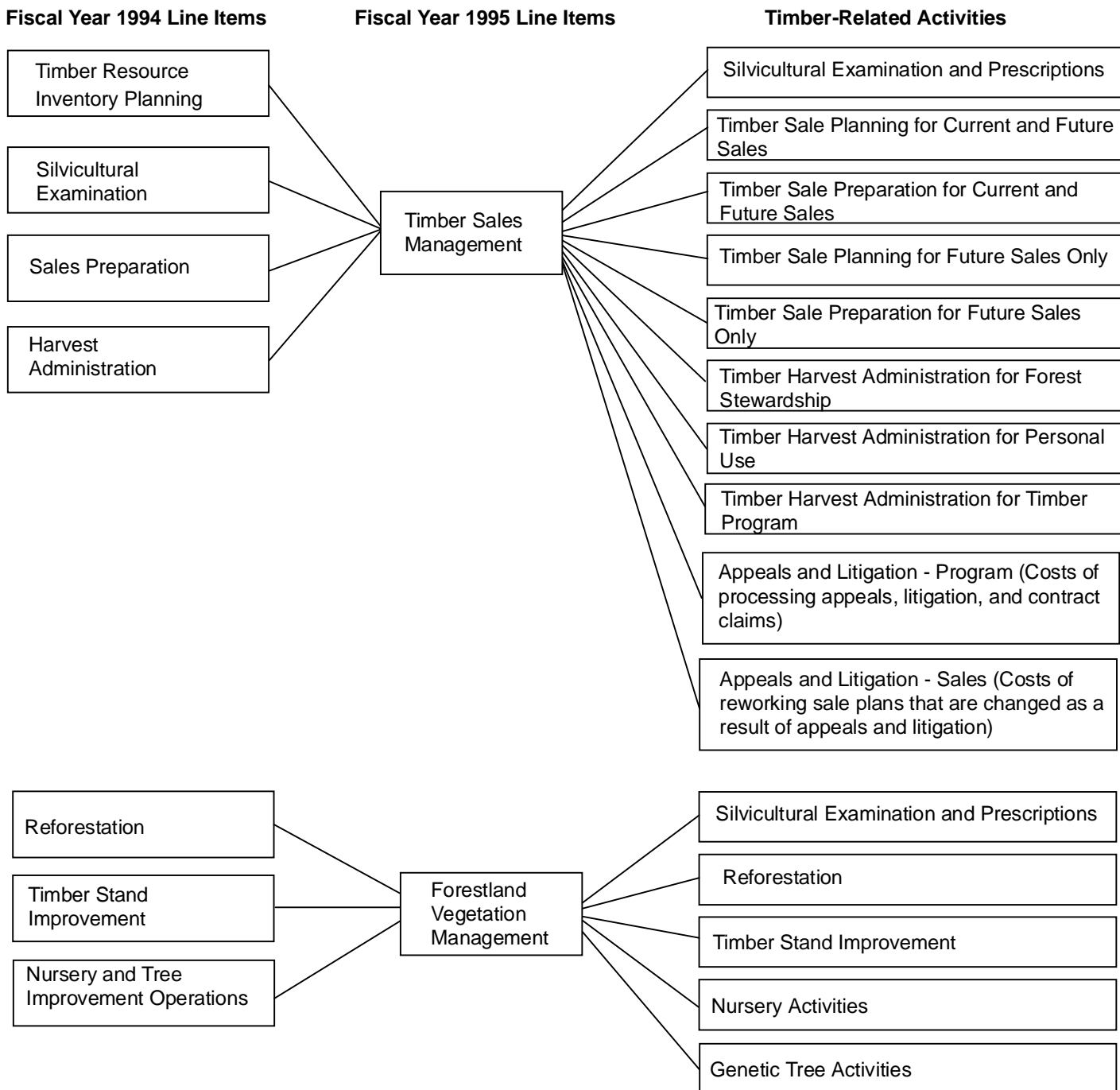
undermining the full potential of the budget reforms to simplify the management of funds.

For example, in acting on the fiscal year 1995 appropriations for the Forest Service, the House and Senate Appropriations Committees reiterated to the agency the importance of clearly presenting in its budget justification the same level of detailed information that had been provided under the old budget structure. According to the Forest Service, for most programs, this meant keeping the same, or possibly expanding, the number of activities used to track expenditures. For example, to account for funds allocated to the National Forest System's 21 line items, the Pacific Northwest office (Region 6) tracks funds for as many as 217 different activities, including many for line items that were eliminated through consolidation. To illustrate, although the fiscal year 1995 budget reforms reduced the number of timber-related extended budget line items in the National Forest System's appropriation from seven to two, that office still tracks funds for as many as 14 different activities under the two line items, including several activities for the line items that had been eliminated. (See fig. 2.1.)



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**Figure 2.1: Timber-Related Extended Budget Line Items in the National Forest System's Appropriation for Fiscal Years 1994 and 1995 and Activities Tracked at the Pacific Northwest Regional Office**



(Figure notes on next page)

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Source: Forest Service.

According to the official at the Pacific Northwest office who is responsible for natural resources budget and finance, in addition to tracking expenditures by activity, some forest and district offices have also chosen to distribute funds by activity rather than by line item. Although field and program managers have some flexibility to move funds among activities, district office staff tend to see the distributions as rigid limits to planning and accounting for work. For example, instead of moving funds among activities during a fiscal year, field and program staff may redistribute work charged to activities after the fact to achieve or maintain specific levels of funding within activities (called “retroactive redistribution”). In 1998, this practice was noted in a review of the Forest Service’s financial systems by a private consulting firm<sup>4</sup> as well as a report by the Department of Agriculture’s Office of Inspector General.<sup>5</sup>

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**The Forest Service’s**  
**Budget Structure Is Not**  
**Consistent With the**  
**Agency’s Strategic Goals**  
**and Objectives**

The Forest Service is an agency in transition. Over the past decade, the agency has shifted its emphasis from consumption (primarily producing timber) to conservation (primarily sustaining wildlife and fish) and has moved from managing specific resources to a broader, more comprehensive ecosystem-based approach to land management. However, notwithstanding the fiscal year 1995 budget reforms, the Forest Service’s budget structure has not kept pace with the agency’s transformation and, as a result, there is no clear link between the agency’s ecosystem-based strategic goals and objectives and the National Forest System’s resource-specific line items.

As the Forest Service has made clear in several documents during the past year, its overriding mission and funding priority, consistent with its existing legislative framework, is to maintain or restore the health of the lands entrusted to its care. These documents include the agency’s September 30, 1997, strategic plan prepared under the Government Performance and Results Act of 1993 (the Results Act),<sup>6</sup> its fiscal year 1999

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<sup>4</sup>Modernizing Financial Management at the Forest Service: Financial Management & Organizational Analysis, Coopers & Lybrand Consulting (Mar. 18, 1998).

<sup>5</sup>Review of Forest Service’s Retroactive Redistribution (Evaluation Report No. 08801-4-Hq., Aug. 1998).

<sup>6</sup>USDA Strategic Plan 1997-2002: A Healthy and Productive Nation in Harmony With the Land, Forest Service Strategic Plan, U.S. Department of Agriculture, Office of the Secretary (Sept. 30, 1997).

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budget explanatory notes,<sup>7</sup> its first annual performance plan developed under the Results Act,<sup>8</sup> and the Chief's March 1998 natural resource agenda for the twenty-first century.<sup>9</sup> The agency intends to limit goods and services on national forests—including recreational experiences, commercial sawtimber and other forest products, and livestock and wildlife forage—to the types, levels, and mixes that the lands are capable of sustaining. The documents also make clear that the agency intends to fulfill this responsibility primarily by using an ecosystem-based approach to land management that emphasizes integrating resource-specific programs and activities to maintain and restore the health of forested, aquatic, and rangeland ecosystems.

The fiscal year 1995 budget reforms created a new line item—ecosystem planning, inventory, and monitoring—to allow the Forest Service to plan more along the boundaries of natural systems. However, the Forest Service's budget structure remains highly fragmented along the lines of individual resource-specific programs and activities, such as managing timber sales, livestock grazing, wildlife habitat, and wildfires. This fragmentation works against an integrated approach to land management. For example, the Forest Service's fiscal year 1997 annual report cites the goal of restoring and protecting forested ecosystems as the agency's highest priority.<sup>10</sup> However, rather than having one large pool of funds available to achieve this goal and greater discretion to spend funds, a forest or district office may have to use up to 24 different funding sources to implement a plan to restore or protect a forested ecosystem. These funding sources include four National Forest System line items over which the forest and district offices have the most control. Of the remaining 20 funding sources, 7 are from the state and private forestry appropriation, 2 are from the wildland fire management appropriation, 1 is from the land acquisition appropriation, and the other 10 are from various permanent appropriations and trust funds for such activities as brush removal, timber salvage sales, and reforestation. According to some Forest Service officials we talked to, this fragmented approach can result in inefficiently implementing an ecosystem-based management plan.

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<sup>7</sup>FY 1999 Budget Explanatory Notes for the Committee on Appropriations, U.S. Department of Agriculture, Forest Service (Feb. 1998).

<sup>8</sup>FY 1999 USDA Forest Service Annual GPRA Performance Plan, U.S. Department of Agriculture, Forest Service (Feb. 4, 1998).

<sup>9</sup>A Gradual Unfolding of a National Purpose: A Natural Resource Agenda for the 21st Century, Speech Before Forest Service Employees, Chief of the Forest Service (Mar. 2, 1998).

<sup>10</sup>Report of the Forest Service, Fiscal Year 1997, U.S. Department of Agriculture (May 1998).

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## **Expanding the Forest Service's Reprogramming Authority Has Not Had a Noticeable Effect on the Number of Reprogramming Requests**

Since fiscal year 1995, the House and Senate Committees on Appropriations have expanded the Forest Service's ability to move funds between line items without the Committees' approval and then taken some of this increased flexibility away. Similarly, the Forest Service has loosened, then tightened, its requirements relating to obtaining the approval of the Chief before a region can move funds among extended budget line items. However, increasing or reducing the funding threshold for obtaining the Committees' approval to reprogram funds and loosening or tightening the agency's requirements seem to have little effect on the number of reprogrammings that the Forest Service requests from the Appropriations Committees.

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## **The House and Senate Appropriations Committees Have Increased, Then Reduced, the Funding Threshold for Obtaining Their Approval to Reprogram Funds**

Before fiscal year 1995, the Forest Service was required to obtain the Appropriations Committees' approval to reprogram more than \$250,000, or 10 percent of the funds, whichever was less on an annual basis, between budget line items and extended budget line items. As part of the fiscal year 1995 budget reforms, the House and Senate Appropriations Committees expanded the agency's reprogramming authority by allowing it to move, without requesting the Committees' approval, (1) up to \$3 million between budget line items, or 10 percent of the funds for a budget line item, whichever was less on an annual basis, and (2) funds among the extended budget line items within a budget line item. The agency, in turn, delegated the authority to move funds among the extended budget line items within a budget line item to its regional offices.

However, concerned that the reforms had provided the Forest Service with too much latitude to make changes without sufficiently involving the Congress, the Appropriations Committees reduced the agency's reprogramming authority in fiscal year 1998 by requiring the Forest Service to obtain their approval to reprogram more than \$500,000, or 10 percent of the funds, whichever was less on an annual basis, between both budget line items and extended budget line items. The Forest Service, in turn, tightened its reprogramming guidelines to require its regional offices to obtain the approval of the Chief before reprogramming funds between the National Forest System's budget line items or among its extended budget line items, up to \$500,000.

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**The Forest Service Has  
Been Able to Meet Most of  
Its Needs by Moving  
Funds, Dollar-for-Dollar,  
Between Line Items**

The Forest Service's district, forest, and regional offices have always been able to move funds between line items, regardless of the funding threshold for obtaining the Appropriations Committees' approval through a process called "brokering." Under this process, the Forest Service tries to meet its needs by moving funds between line items at the lowest possible organizational level without ever exceeding the amounts allocated in the Committees' reports.

Districts within a national forest advise their forest office of any need to move funds from one line item to another. The forest office then offsets or brokers the requests of one district against the requests of other districts within the forest, thus keeping the total funds for each line item within the amount allocated to that forest office and avoiding the need to request a reprogramming. Requests that cannot be brokered at the level of the forest office are submitted to the regional office, which offsets the requests of one forest office against the requests from others within the region, thus keeping the total funds for each line item within the amount allocated to the regional office and again avoiding the need to request a reprogramming. Finally, requests that cannot be brokered at the regional level are submitted to the Washington Office, which offsets the requests of one region against the requests of other regions while still keeping the total funds for each line item within the amount allocated to the agency and avoiding the need to request a reprogramming.

For example, during a fiscal year, one district office may need more funds for wildlife habitat management and less funds for recreation management than it was allocated while another district office within the same forest may need more funds for recreation management and less funds for wildlife habitat management. Under the Forest Service's brokering process, the districts would simply trade or offset funds allocated for wildlife habitat management for funds allocated for recreation management. Trades that cannot be made at the level of the forest office are elevated to the regional level and ultimately to the Washington Office. Because the total funds for both line items remain within the amounts allocated to the agency, reprogramming is not required.

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**Obtaining the  
Appropriations  
Committees' Approval to  
Reprogram Funds Has  
Always Been the  
Alternative of Last Resort**

Needs that cannot be met by brokering must be met by reprogramming. Although the Forest Service could not document the benefits resulting from expanding the agency's authority to reprogram funds without the Appropriations Committees' approval, increasing the funding threshold and allowing regional offices more flexibility to move funds to meet changed conditions may reduce the administrative burden at the Washington Office and at other organizational levels within the agency. Conversely, reducing the funding threshold and the regional offices' flexibility to move funds may increase the administrative burden at these organizational levels. However, neither increasing or reducing the funding threshold nor loosening or tightening the regional offices' flexibility to move funds seems to affect the number of reprogrammings that the Forest Service requests from the Committees.

According to Forest Service officials, the agency rarely seeks reprogramming approval because it is the agency's responsibility to stay as close as possible to the amounts allocated in the Committees' reports. In addition, the process to request and obtain the Committees' approval to reprogram funds can take several months. The process of determining reprogramming needs generally begins during a midyear review at which regional needs that cannot be met by brokering are identified. The agency then attempts to meet those needs that cannot be offset dollar-for-dollar by reprogramming funds within its authority to do so. Only if it cannot meet its reprogramming needs within its funding threshold will the Forest Service request the Appropriations Committees' approval to reprogram funds, and only after the request has been (1) routed to several offices within the Department of Agriculture for sequential review and approval, (2) subsequently submitted to the Office of Management and Budget for its review and approval, and (3) forwarded to the Secretary of Agriculture for submittal to the Committees.

As a result, the Forest Service has seldom requested such approval either before or after the fiscal year 1995 budget reforms. On the basis of information provided by the Forest Service, the agency submitted one or two requests a year for the Appropriations Committees' approval to reprogram funds among line items for the National Forest System in fiscal years 1994 through 1997. The amounts totaled about \$29.1 million in fiscal year 1994, \$35.5 million in fiscal year 1995, \$9.5 million in fiscal year 1996, and \$13.7 million in fiscal year 1997.

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## **Funding to Carry Out a Project Is Not Always Consolidated in One Program**

The fiscal year 1995 budget reforms restructured the Forest Service's budget so that all funding to carry out a project is consolidated in the program that will benefit the most from that project. Under this concept—called “benefiting function”—a program, such as Forest Management, that requires support services from other programs, including the Wildlife, Fish, and Rare Plants, to assist in conducting environmental analyses and preparing environmental documents relating to a planned timber sale, should pay the costs of those services, rather than the programs that provide the support. However, programs that underestimate the costs of a project or otherwise do not have the funds needed to pay for a project's support services may require other programs that are providing support services to absorb the costs of the services.

Agency officials informed us that “charging as budgeted” and not “as worked” was sometimes a more acceptable option than either not doing the project or requesting a time-consuming and possibly uncertain brokering or reprogramming of funds. However, this practice not only circumvents the requirements established by the Appropriations Committees and the agency to move funds between line items and understates a project's cost, it also precludes the Forest Service from providing the Congress and other interested parties with meaningful, useful, and reliable information on the costs and the accomplishments of the National Forest System's programs.

Although quantifying the extent to which staff providing support services do not charge their work to the benefiting program is not possible without firsthand knowledge of each project, the practice of a benefiting program requiring other programs to absorb the costs of providing support services appears to be widespread throughout the Forest Service. For example, at our request, an official in the Lands program at the Washington Office conducted an internal survey of the National Forest System in July 1998. On the basis of that systemwide survey, he estimated that since fiscal year 1995, on average, about 49 percent of the funds allocated to the Lands program to survey, locate, mark and post, and maintain previously marked property lines between lands in the National Forest System and lands in other ownership (landline location) have been used to support other programs, but charged to the Lands program. Funds allocated to the Lands program for landline location activities average about \$14 million a year.

Other studies have reached similar conclusions. For instance, a March 1998 report by a private consulting firm that examined the Forest Service's financial systems states that “the capability to work around

'charged as worked' initiatives is the most serious criticism of the agency's current accounting and budget infrastructure. This capability is often cited as the primary reason for the Forest Service's lack of financial credibility."<sup>11</sup>

Moreover, "charging as budgeted" and not "as worked" appears to be occurring at all three levels of National Forest System field management. For example, a March 1998 report by the Department of Agriculture's Office of Inspector General states that 8 out of 10 biological evaluations conducted in one district office were paid for by the Wildlife, Fish, and Rare Plants program instead of the benefiting program (e.g., timber and recreation).<sup>12</sup> Similarly, Wildlife, Fish, and Rare Plants program officials in the Pacific Northwest (Region 6) office observed that the recreation, minerals, and range programs were not providing adequate funds for biological support services to prepare environmental documents, so funds were being taken inappropriately from the wildlife program. And, a briefing paper prepared in 1996 by the Washington Office's director of the Wildlife, Fish, and Rare Plants program noted that no attempt had been made to fund salary costs within the Washington Office consistent with the concept of benefiting function.

According to several Forest Service officials we spoke to and agency documents that we reviewed, in some instances, staff from programs providing support services may not always charge their costs to the benefiting program because the program primarily benefiting from the work has not been clearly identified, defined, or understood. For example, work mischarged to fisheries activities in the Wildlife, Fish, and Rare Plants program in the Eastern Region (Region 9) dropped from an average of 60 percent to 12 percent after the region circulated guidance on identifying the benefiting program and the importance of charging work to it. Other regional offices and forest offices have issued similar guidance to clarify specific benefiting programs and activities.

Some of the confusion in identifying the benefiting program may be because the Forest Service's budget structure has not kept pace with the agency's movement away from goals and objectives that clearly benefit one resource-specific program toward using multiple programs to accomplish broader ecosystem-based goals and objectives. Timber as a

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<sup>11</sup>Modernizing Financial Management at the Forest Service: Financial Management & Organizational Analysis, Coopers & Lybrand Consulting (Mar. 18, 1998).

<sup>12</sup>Forest Service Wildlife and Fisheries Habitat Management, Fiscal Year 1996 (Audit Report No. 08601-4-At, Mar. 1998).



commodity program versus timber as a tool to achieve a stewardship objective, such as maintaining or restoring a forested ecosystem, is an example. The agency's Forest Management Program Report for fiscal year 1997 notes that the proportion of total harvest volume removed solely for timber commodity purposes had fallen from 71 percent in fiscal year 1993 to 52 percent in fiscal year 1997.<sup>13</sup> During that time, the proportion removed for forest stewardship purposes—mostly to accomplish a forest ecosystem health-related objective—had grown from 23 to 40 percent. This trend is expected to continue and, by fiscal year 1999, the Forest Service estimates that the proportion of total harvest volume removed solely for timber commodity purposes will have fallen to 46 percent while the proportion removed for forest stewardship purposes will have grown to 54 percent. Although timber sales will increasingly be used as a tool to maintain or restore forested ecosystems, timber sales management under the Forest Management program is still identified as the benefiting function.

We found instances where field and program managers justified charging the programs providing support services because many programs benefited from the project, so they decided that the program with available funding should pay. For example, a snowmobile club using the Superior National Forest in Minnesota asked permission from the Forest Service to build a snowmobile trail. However, because of the requirements of the Wilderness Act, the trail could not be constructed on lands designated as wilderness. To locate the boundary of the wilderness, the Lands program was required to survey the area of the forest where the trail was to be built and mark and post the boundaries of the wilderness. Officials at the Forest Service's Washington Office agree that the Recreation, Heritage, and Wilderness Resources program was the benefiting program because it is responsible for both recreation and wilderness management. However, the costs to survey, locate, and mark and post the boundaries of the wilderness area were absorbed by the Lands program.

The forest office's budget and finance officer justified charging the costs to the Lands program by pointing out that the boundaries of the wilderness area would eventually have to be established anyway. However, the manager of the Lands program in the forest office stated that locating the boundaries of wilderness to build a snowmobile trail was a relatively low priority within that program. Moreover, the funds allocated

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<sup>13</sup>National Summary: Forest Management Program Report for Fiscal Year 1997, U.S. Department of Agriculture, Forest Service, FS-627 (July 1998).

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to that program were needed to meet the Forest Service's priority of reducing the risks, such as timber theft, soil and water degradation, and encroachments and trespass, to the National Forest System's resources that are caused by the rapid population growth along the boundaries of the national forests—an area termed the “wildland/urban interface.”

In an April 1997 report,<sup>14</sup> we stated that the Forest Service had not given adequate attention to improving its accountability for expenditures and performance and that improvements are often left to the discretion of regional offices and forests with uneven or mixed results. The failure of certain regions, forests, and districts to consistently charge the costs of support services to the benefiting programs is another example of an organizational culture of indifference toward accountability. In the April 1997 report, as well as in March 1998 testimony,<sup>15</sup> we observed that strong leadership within the Forest Service would be required to ensure corrective action.

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<sup>14</sup>Forest Service Decision-Making: A Framework for Improving Performance (GAO/RCED-97-71, Apr. 29, 1997).

<sup>15</sup>Forest Service: Lack of Financial and Performance Accountability Has Resulted in Inefficiency and Waste (GAO/T-RCED/AIMD-98-135, Mar. 26, 1998).

# Accountability Is Hampered by Inadequate Performance Measures and a Focus on Resource-Specific Outputs

In exchange for the greater flexibility granted to the Forest Service by the fiscal year 1995 budget reforms, the Appropriations Committees expected the agency to, among other things, improve its performance measures and increase its accountability for results. Actions to be taken by the Forest Service included improving its existing performance measure system and implementing a management cost and performance reporting system that it was developing. In addition, the Forest Service has developed agencywide criteria to allocate appropriated funds to its regions and forests. However, (1) the Forest Service's budget allocation criteria are often not linked to the agency's strategic goals and objectives; (2) its performance measures do not, in many instances, adequately reflect its accomplishments or progress toward achieving its goals and objectives; and (3) the management cost and performance reporting system that the agency was, and is still, developing uses the performance measures as input. As a result, the Forest Service, the Congress, and other interested parties do not have an adequate measure of the agency's funding needs or its progress toward achieving its goals and objectives.

## The Forest Service's Budget Allocation Criteria Often Are Not Linked to Its Strategic Goals and Objectives

Since fiscal year 1996, the Forest Service has used criteria developed at the Washington Office to allocate funds by extended budget line items to its field offices. However, these allocation criteria often are not linked to the agency's strategic goals and objectives.

For instance, the Forest Service's fiscal year 1997 annual report cites the goal of restoring and protecting forested ecosystems as the agency's highest priority.<sup>16</sup> Similarly, the agency's September 30, 1997, 5-year strategic plan makes clear that, consistent with its existing legislative framework, the Forest Service's overriding mission and funding priority is to maintain or restore the health of the lands entrusted to its care and that it intends to fulfill this responsibility primarily by maintaining and restoring the health of forested, aquatic, and rangeland ecosystems.<sup>17</sup> The agency's July 1998 Forest Management Program Report for fiscal year 1997 continues this theme, noting that the proportion of total harvest volume removed to accomplish forest ecosystem health-related objectives and other forest stewardship purposes had grown to 40 percent and that by fiscal year 1999 this proportion is expected to increase to 54 percent.<sup>18</sup>

<sup>16</sup>Report of the Forest Service, Fiscal Year 1997, U.S. Department of Agriculture (May 1998).

<sup>17</sup>USDA Strategic Plan 1997-2002: A Healthy and Productive Nation in Harmony With the Land, Forest Service Strategic Plan, U.S. Department of Agriculture, Office of the Secretary (Sept. 30, 1997).

<sup>18</sup>National Summary: Forest Management Program Report for Fiscal Year 1997, U.S. Department of Agriculture, Forest Service, FS-627 (July 1998).

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However, the criteria that the Forest Service used to allocate fiscal year 1998 funds to its field offices to manage timber sales were based solely on managing timber as a commodity rather than on using it as a tool to accomplish a stewardship objective.

In its first annual performance plan developed under the Government Performance and Results Act of 1993 (the Results Act),<sup>19</sup> dated February 4, 1998, the Forest Service identified three extended budget line items within the National Forest System appropriation that are available to forest and district offices to restore or protect forested ecosystems, including one for Timber Sales Management. However, all three of the budget allocation criteria for this funding source relate to providing a continuous supply of timber from the national forests, not to restoring or protecting the forested ecosystems. While the agency's Forest Management Program Report for fiscal year 1997 stresses the fact that the timber being removed from the national forests today includes proportionately more (1) dead and dying trees, as opposed to green timber, and (2) nonsawtimber, as opposed to sawtimber,<sup>20</sup> the criteria for allocating funds appropriated for Timber Sales Management for fiscal year 1998 relate solely to the volume of green timber produced or offered. (See table 3.1.)

**Table 3.1: Fiscal Year 1998 Budget Allocation Criteria Related to Using Timber Sales as a Tool to Restore or Protect Forested Ecosystems**

<b>Strategic objective</b>	<b>National Forest System funding source</b>	<b>Budget allocation criteria for fiscal year 1998</b>
Restore or protect the ecological integrity of forested ecosystems to maintain their biological and physical components, functions, and interrelationships and the capability for self-renewal.	Timber Sales Management	Amount of green volume that could be produced at current service level (50%)
		Amount of green timber that could be produced with unlimited funding (25%)
		3-year average of green timber offered (25%)

Source: Forest Service.

<sup>19</sup>FY 1999 USDA Forest Service Annual GPRA Performance Plan, U.S. Department of Agriculture, Forest Service (Feb. 4, 1998).

<sup>20</sup>Sawtimber is defined as trees of such size and quality that they contain logs suitable for processing into lumber.

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## **The Forest Service's System for Measuring Performance Is Inadequate**

Soon after the fiscal year 1995 budget reforms were enacted, the Forest Service sent a memorandum to its managers outlining the reforms and how it intended to fulfill its commitment to the Congress to improve accountability. Among other things, the Forest Service planned to develop new measures of performance and improve existing indicators in the primary system it has been using to measure performance—the Management Attainment Report or MAR report. The indicators in the MAR report are intended to measure how well the Forest Service's field offices are, and the agency as a whole is, performing. However, with few exceptions, the agency officials we interviewed considered the MAR report to be, at best, an imperfect measure of the agency's performance and, at worst, misleading.

In total, the MAR report has more than 100 indicators for the National Forest System's nine programs. These indicators include the number of forest plan revisions completed or underway, the number of miles of wilderness trails, the number of heritage sites evaluated or protected, and the number of acres of noxious weeds treated. The indicators are intended to measure how well field offices are performing. Information from the MAR report is also used to report the Forest Service's performance to the Congress and the public.

Prior to the beginning of a fiscal year, Forest Service program managers in the Washington Office negotiate performance targets for a handful of MAR indicators for their individual programs. These targets are then allocated by program to the regional, forest, and district offices. At the end of the fiscal year, program staff in the district offices report their accomplishments by indicator to their forest office. The forest offices combine the districts' accomplishments and forward them to their regional office, which in turn combines the forests' accomplishments and forwards them to the Washington Office where they are combined and reported to the Congress and the public.

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## **Performance Measures Often Do Not Adequately Reflect Accomplishments or Progress Toward Achieving Strategic Goals and Objectives**

The MAR indicators often do not adequately reflect the Forest Service's progress toward achieving its strategic goals and objectives. For instance, restoring and protecting forested ecosystems is the Forest Service's highest priority. However, more often than not, the MAR indicators do not provide any indication of the agency's progress toward achieving this objective.

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For example, in its first annual performance plan developed under the Results Act, the Forest Service identifies three MAR indicators related to the three extended budget line items within the National Forest System appropriation that are available to forest and district offices to restore or protect forested ecosystems. (See table 3.2.) However, none of these MAR indicators provides a good measure of the agency’s progress toward achieving this objective.

**Table 3.2: Fiscal Year 1998 National Forest System-Related MAR Indicators Used to Measure Progress Toward Restoring or Protecting Forested Ecosystems**

<b>Strategic objective</b>	<b>National Forest System funding sources</b>	<b>MAR indicators for fiscal year 1998</b>
Restore or protect the ecological integrity of forested ecosystems to maintain their biological and physical components, functions, and interrelationships and the capability for self-renewal.	Timber Sales Management	None
	Forestland Vegetation Management	Forestlands maintained or enhanced by timber stand improvement
	Wildlife Habitat Management	Acres restored by reforestation  Acres of terrestrial wildlife habitat restored or enhanced

Source: Forest Service.

The primary objective of the activities relating to two of the three MAR indicators is to provide for a continuous supply of timber from the national forests, rather than to maintain or restore the health of the lands. For instance, timber stand improvement is defined by the Forest Service as “noncommercial cutting and other treatments made to increase the growth and improve the quality of trees for timber uses” and reforestation is defined as “treatments or activities that help to reestablish stands of trees after harvest.”

The remaining MAR indicator is intended to measure a biological component of a forested ecosystem; that is, its wildlife. However, this indicator measures only the number of acres of terrestrial wildlife habitat restored or enhanced and not the agency’s progress toward accomplishing its stated objective of maintaining well-distributed viable populations of wildlife (the viability or viable populations requirement). Moreover, because the indicator is limited to wildlife, it does not measure the agency’s progress toward maintaining the diversity of other biological components of ecosystems, such as plant communities.

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The Forest Service's September 30, 1997, 5-year strategic plan also identifies goals and objectives for goods and services on national forests, including providing quality recreational experiences. In addition, the Chief's March 1998 natural resource agenda for the twenty-first century emphasizes recreation as one of only four key areas on which the Forest Service intends to focus its resources.<sup>21</sup> However, of the six potential funding sources within the National Forest System's appropriation that are available to forest and district offices to provide quality recreation, four did not have any MAR indicators relating specifically to recreation for fiscal year 1998. In addition, none of the fiscal year 1998 MAR indicators for the remaining two funding sources—recreation management and road maintenance—measures the agency's progress toward providing quality recreational experiences. Rather than quality and outcomes, the MAR indicators measure quantity or such outputs as seasonal capacity available at developed facilities; the number of miles of roads and recreational trails; the number of permits "in existence" for private recreational cabins, special group events, and other noncommercial special uses; and the number of visitors to the forests. (See table 3.3.) Moreover, (1) the seasonal capacity available at developed facilities includes capacity that is not being maintained "to standard," (2) the number of special use permits includes those not administered to standard but "on the books," and (3) the total miles of Forest Service-managed roads includes those "less than fully maintained." Thus, a substandard facility or an unmaintained road is counted as an accomplishment toward improving the level of customer satisfaction provided by recreational opportunities on national forests.

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<sup>21</sup>A Gradual Unfolding of a National Purpose: A Natural Resource Agenda for the 21st Century, Speech Before Forest Service Employees, Chief of the Forest Service (Mar. 2, 1998).

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**Table 3.3: Fiscal Year 1998 National Forest System-Related MAR Indicators Used to Measure Progress Toward Providing Quality Recreational Experiences**

<b>Strategic objective</b>	<b>National Forest System funding sources</b>	<b>MAR indicators for fiscal year 1998</b>
Provide quality recreation experiences with minimal impacts to ecosystem stability and condition.	Wildlife Habitat Management	None
	Inland Fisheries Habitat Management	None
	Anadromous Fisheries Habitat Management	None
	Threatened, Endangered, and Sensitive Species Habitat Management	None
	Recreation Management	Seasonal developed facility capacity available (standard and substandard)  Total miles of recreation trails  Total number of special-use permits (standard and substandard)  Number of visitors
Road Maintenance	Roads maintained (standard and substandard)	

Source: Forest Service.

In its fiscal year 1999 annual performance plan developed under the Results Act, the Forest Service stated that it is developing a new process—called “Meaningful Measures”—that will, among other things, (1) identify measurable components of the recreation program; (2) establish standards of quality for each component; and (3) monitor, measure, and report actual management attainment of the quality standards. The plan states that the process should be available in fiscal year 1999 for use in preparing the fiscal year 2000 performance plan. However, as noted by the Department of Agriculture’s Office of Inspector General in 1998,<sup>22</sup> the process, which has been under development since at least 1994, (1) is still evolving, (2) has not been implemented, and (3) has not been integrated in the automated real property inventory and management system that the agency has been developing since 1993.

<sup>22</sup>Forest Service Maintenance Backlog, U.S. Department of Agriculture, Office of Inspector General (Feb. 4, 1998).



Not only do the MAR indicators often measure quantity and outputs when they should be measuring quality and outcomes, they do not measure outputs consistently. A frequent complaint by officials we interviewed was that many of the MAR indicators are so broadly defined that two field units reporting identical accomplishments may have expended very different levels of effort and accomplished very different objectives. For example, for fiscal year 1998, one of the MAR indicators for both the Wildlife Habitat Management and the Threatened, Endangered, and Sensitive Species Habitat Management extended budget line items was the “total number of structures constructed.” However, according to agency officials, a structure can be as inexpensive as a wooden box for nesting ducks or as resource-intensive as a fish ladder to increase the number of adult fish migrating upstream. A field unit with few resources, yet eager to meet its performance targets, has an incentive to focus on less resource-intensive activities even though by focusing its efforts on one large project it might actually provide greater wildlife benefits.

Finally, many Forest Service officials stated that MAR data are not reliable. They told us that they do not expend much effort to ensure the accuracy of the information they report. Moreover, no unit of the National Forest System that we visited systematically reviewed and audited the accuracy of the accomplishments reported by field and program staff, and some have developed so-called “cuff” records and reports that are unique to the units and cannot be combined and reported to the Congress and the public.

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## **The Forest Service’s Management Cost and Performance Reporting System Will Not Provide Adequate Performance Information**

In exchange for the greater flexibility granted to the Forest Service by the fiscal year 1995 budget reforms, the agency also agreed to implement a management cost and performance reporting system called All Resources Reporting that it has been developing since fiscal year 1988.<sup>23</sup> The agency is uncertain when this system will be fully implemented. The system is intended to provide meaningful, useful, and reliable information on the National Forest System’s costs, revenues, accomplishments, and economic benefits to help meet the agency’s responsibilities for financial management and accomplishment reporting. To provide such information, the reporting system depends on both reliable financial data and adequate performance measures, neither of which the Forest Service currently has.

All Resources Reporting is intended to be an integrated financial and accomplishment reporting system. It was designed to clearly display the

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<sup>23</sup>Forest Service: Status of the All-Resource Cost Reporting Project (GAO/AFMD-89-65, Apr. 14, 1989).

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relationship between expenditures associated with a program or activity in a national forest and the revenues collected or other outcomes or outputs resulting from that program or activity. In addition, it is to include socioeconomic information to help assess the annual social and economic benefits derived from a national forest. The system is comprised of a family of year-end financial statements and other reports intended to capture the benefits and costs of program management. However, the system and its statements and reports depend on accurate and complete financial and performance data, which the agency cannot provide.

We have previously reported on shortcomings in the Forest Service's information systems and accounting and financial data—such as the lack of reliable account balances for lands, buildings, and roads and the lack of detailed records to substantiate amounts that the agency either owes or is owed by others. These shortcomings preclude the Forest Service from presenting accurate and complete financial information. Because of the severity of the problems identified, we are monitoring and periodically reporting on the Forest Service's effort to correct its accounting and financial reporting deficiencies.<sup>24</sup> On the basis of our work, we believe that the earliest that the Congress may have assurance that the agency's financial statements are reliable is when the Department of Agriculture's Inspector General reports on the Forest Service's fiscal year 2000 statements sometime in fiscal year 2001.<sup>25</sup>

To clearly display the relationship between expenditures and results, the All Resources Reporting system must also have adequate and complete performance data. However, to measure performance, the reporting system relies on the MAR indicators, which may be inadequate measures of the Forest Service's accomplishments or progress toward achieving its goals and objectives. Moreover, while the agency has identified the actions required to correct known accounting and financial reporting deficiencies and has established a schedule to attain financial accountability within the next few years, it has not identified the actions required to correct the problems with its performance measures or established a schedule to achieve accountability for its performance by a certain date.

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<sup>24</sup>Forest Service: Status of Progress Toward Financial Accountability (GAO/AIMD-98-84, Feb. 27, 1998).

<sup>25</sup>Forest Service: Lack of Financial and Performance Accountability Has Resulted in Inefficiency and Waste (GAO/T-RCED/AIMD-98-135, Mar. 26, 1998).

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# Conclusions and Recommendations

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The Forest Service's management of the National Forest System has not appreciably changed as a result of the fiscal year 1995 budget reforms primarily because of two underlying causes—one relatively new and the other as old as the agency itself. New is the inability of the agency's budget structure to keep pace with the Forest Service's ongoing transition from an agency emphasizing consumption (primarily producing timber) to one emphasizing conservation (primarily sustaining wildlife and fish) and from an agency managing specific resources to one managing forested and other ecosystems. As a result, there is (1) currently no clear link between the agency's ecosystem-based strategic goals and objectives and the resource-specific National Forest System line items in its budget and (2) some confusion within the agency in identifying the program that will benefit most from a project so that costs can be consistently charged to that program.

As old as the Forest Service itself is the agency's highly decentralized organizational structure and the considerable autonomy and discretion that field and program managers have in interpreting and applying the agency's policies and directions. As in the past, (1) implementation of the fiscal year 1995 reforms within the Forest Service's hierarchical organization has been left to the discretion of regional, forest, and district offices with uneven and mixed results and (2) there has been no consequences associated with making a certain decision and no responsibility fixed for attaining a particular result.

The broad discretion that the Forest Service has given its field and program managers has resulted in, among other things, (1) some forest and district offices continuing to distribute and track funds as if the reforms had not occurred, (2) some field managers redistributing work charged to other activities after the fact in order to achieve or maintain specific levels of funding within activities, and (3) programs without the funds needed to pay for a project's support services requiring other programs that are providing the support to absorb the costs of the services rather than seeking to meet their needs by moving funds between line items or by requesting a reprogramming of funds by the Chief of the Forest Service or the House and Senate Appropriations Committees.

Moreover, the Forest Service has not fulfilled its part of the "quid pro quo" with the Congress that resulted from the fiscal year 1995 budget reforms. Although the Appropriations Committees gave the agency increased flexibility over its budget, the Forest Service has not provided the Committees with the improved accountability that they requested.

Currently, there is no clear link between the Forest Service's strategic goals and objectives and its budget allocation criteria and performance measures. Rather than develop new criteria and measures and improve existing ones to better align them with its mission and funding priorities, the agency is trying to use old resource-specific allocation criteria and performance measures with its new integrated-resource goals and objectives.

The disconnect between the Forest Service's strategic goals and objectives and its performance measures and the inadequacy of the measures themselves become even more critical because the management cost and performance reporting system, which the agency has been developing since 1988, uses the performance measures to display the relationship between expenditures and results. Inadequate and unreliable performance measures that are also not linked to the agency's strategic goals and objectives will be used to report accomplishments in achieving those goals and objectives. As a result, the Forest Service, the Congress, and other interested parties do not have an adequate measure of the agency's funding needs or its progress toward achieving its goals and objectives.

While further changes to the Forest Service's budget structure seem to be warranted to facilitate management of the 155 national forests, we believe that any future revisions should coincide with, rather than precede, actions required to correct known accounting and financial reporting deficiencies as well as problems with performance-related data, measurement, and reporting. However, the Forest Service has not established a schedule to achieve accountability for its performance and is uncertain when its management cost and performance reporting system will be fully implemented. A firm schedule is needed so that the agency can demonstrate progress toward becoming more accountable for its performance and results.

Developing and implementing a firm schedule to correct identified management deficiencies and to achieve performance accountability will require strong leadership within the agency and sustained oversight by the Congress to make clear the demarcation between the discretion that regional, forest, and district offices have in managing their lands and resources and the need to strictly adhere to the agency's policies and requirements relating to financial and performance accountability. The April 1998 restructuring of the Forest Service's management team that placed responsibility for fiscal and business management under a Chief

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Operating Officer who reports directly to the Chief of the Forest Service may provide the needed leadership.

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## Recommendations

To improve the Forest Service's accountability for results, we recommend that the Secretary of Agriculture direct the Chief of the Forest Service to (1) revise the agency's budget structure, budget allocation criteria, and performance measures to better link them to the Forest Service's strategic goals and objectives and (2) incorporate the new performance measures into the management cost and performance reporting system that the agency is developing. Moreover, to help ensure that the budget allocation criteria and performance measures are revised and the management cost and performance reporting system is implemented in a timely manner, we recommend that the Secretary direct the Chief to establish a firm schedule to achieve performance accountability.

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## Agency Comments

We provided copies of a draft of this report to the Forest Service for its review and comment. The agency's comments, together with our responses to them appear in appendix I.

The Forest Service generally agreed with the report's findings and recommendations. However, it believed that improvements to its budget structure should be made concurrent with, rather than after, improvements to its budget allocation criteria, performance measures, and reporting systems as suggested in the draft report. We agree with the Forest Service that a piecemeal approach to correcting known accounting and financial reporting deficiencies and performance-related problems will not work and have revised the report accordingly. The Forest Service also provided comments on the factual content of the report, and changes were made as appropriate.

# Comments From Forest Service

Note: GAO comments supplementing those in the report text appear at the end of this appendix.



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File Code: 1930

Date: OCT 23 1998

Mr. Barry T. Hill  
Associate Director  
Energy, Resources, and Science Issues  
United States General Accounting Office  
Washington, D.C. 20548

Dear Mr. Hill:

Enclosed are our comments on GAO Draft Report "Forest Service Management: Little Has Changed As a Result of the Fiscal Year 1995 Budget Reforms." However, there are a few minor inaccuracies in the interpretation of the requirements associated with budget reform and the way the Forest Service conducts business. If you would like to discuss any of our comments, please call Robin L. Thompson, Director of Program Development and Budget Staff, at (202) 205-0987.

Thank you for the opportunity to comment.

Sincerely,

(for) CLYDE THOMPSON  
Deputy Chief for Business Operations

Enclosures



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**Appendix I**  
**Comments From Forest Service**

Response to GAO's draft report  
"Forest Service Management:  
Little Has Changed As a Result of the Fiscal Year 1995 Budget Reforms"

10/22/98

The Forest Service agrees with the general findings and recommendations in GAO's Draft Report "Forest Service Management: Little Has Changed As a Result of the Fiscal Year 1995 Budget Reforms." However, there are a few minor inaccuracies in the interpretation of the requirements associated with budget reform and the way the Forest Service conducts business.

1) Chapter 2 (p. 22 & 24) - GAO states that "...forest offices continue to budget, allocate and track funds at the district level as if the consolidation never occurred" and "...the full potential of the budget reforms was undermined by the agency's persistence in not reducing the number of activities for which funds are still budgeted, allocated and tracked at the district level to coincide with the consolidation of line items." Two points about this finding:

a) One element of our budget reform effort negotiated with Congress was that the Forest Service would continue to provide them with the same level of program/expenditure detail that was provided before budget reform. For most programs, this meant keeping the same, or possibly expanding, the accounting structure (i.e., work activity codes) used to track expenditures. Figure 2.1 in the GAO report reflects this agreement. Despite having to track the same level of detailed information in our accounting structure, the agency feels it benefitted from the consolidation because of the increased flexibility we received to determine how best to prioritize our spending over a broader grouping of programs (EBLIs).

b) While there was a need to provide expenditure information, the agency did not continue to budget or allocate funds for most of the EBLIs that were eliminated. However, we can understand how GAO might have gotten that impression from looking at our Planning and Budget Advice (PBA). The agency continued to establish expected levels of performance or targets for many of the primary outputs associated with some of the eliminated EBLIs (e.g., reforestation, timber stand improvement, timber sales, noxious weeds, etc.). Total Regional allocations for some of the consolidated programs were based on unit costs associated with performance levels for each of one or more outputs. If only part of the new BLI or EBLI funding was based directly on output levels, sometimes the language in our PBA would indicate that additional funds were made available for other purposes (i.e., work in a program component which was formerly an EBLI, such as Genetic Tree Improvement and Nurseries). In many of these cases, the agency was providing advice only and these former EBLIs did not have specific dollar amounts attached. Lower levels of the organization had the flexibility to allocate or use the total funds available in the manner that most effectively met the performance expectations and other advice for the consolidated EBLI. The GAO Report (bottom p. 24, top p. 25) seems to indicate that funds were budgeted or allocated to the level of detail that we had in our accounting structure through all levels of the organization. This is not correct. If, as GAO contends, there are some units in the agency that are, or were, still allocating funds to this level of detail, they are choosing to do so on their own. This is probably, at least in part, a symptom of another GAO finding related to our decentralized organization and management approach.

See comment 1.

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**Appendix I**  
**Comments From Forest Service**

2) GAO makes a valid point related to apparent disconnects between GPRA strategic goals and objectives, annual performance indicators and allocation criteria. GAO also correctly describes the sequential nature of the development of the information supporting these efforts: allocation criteria developed and used in budget formulation since FY 1996; GPRA Strategic Plan completed in FY 1997 and GPRA Performance Plan produced for FY 1999. Although the allocation criteria for some programs do include existing performance indicators, we have not been able to fully link the allocation of funds to expected performance. We have been working on this, but further refinement of performance indicators and criteria are necessary.

3) We generally agree with the recommendations in this report. However, we do not agree that the only or best approach is to make all of the improvements in processes for budgeting, allocating and tracking funds and improving performance measures before making adjustments to our budget structure. We believe that for us to get our business house in order, we need to evaluate and adjust ALL of our information and supporting structures and systems to ensure that they collectively reflect the way we wish to conduct and portray our business. A piece-meal approach will not work. We feel that the work currently underway in the agency will provide a much stronger alignment and linkage among all of the resource and financial information and associated information structures (i.e., annual and long-term performance and outcome indicators, budget and accounting structures) that we use to manage our programs and communicate the results of our work.

See comment 2.



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The following are GAO's comments on the Forest Service's October 23, 1998, letter.

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## **GAO Comments**

1. We have revised the report to clarify that (1) since fiscal year 1995, funds have generally been budgeted and allocated at the agency's Washington and regional offices consistent with the budget reforms, (2) implementation of the reforms at the forest and district offices has been left to the discretion of field and program managers, and (3) some forest and district offices continue to distribute and track funds as if the reforms had not occurred.
2. We agree with the Forest Service that a piecemeal approach to correcting known accounting and financial reporting deficiencies and performance-related problems will not work and have revised the report to state that improvements to the agency's budget structure should be made concurrent with, rather than after, improvements to its budget allocation criteria, performance measures, and reporting systems.

# Major Contributors to This Report

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