

Testimony of

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Before the

United States House of Representatives  
Committee on Appropriations  
Subcommittee on Interior

Concerning

**Managerial Accountability in the Forest Service:**

**A review of the NAPA and GAO reports on Accountability**

February 16, 2000

Mr. Chairman and members of the Subcommittee, thank you for the opportunity to discuss accountability in the Forest Service generally and the report issued in August 1999 by the National Academy of Public Administration (NAPA) titled "Restoring Managerial Accountability to the United States Forest Service," specifically.

As I have said many times, if the Forest Service were in the private sector, with our 30,000-person workforce and 3.3 billion dollar budget, we would rival any Fortune 500 company. At the same time, due to persistent management weaknesses, financial accounting deficiencies, weak data, and poor strategic planning, I doubt very much we'd last long in that environment.

The Forest Service has not yet received a clean financial audit opinion. When I arrived here, I had more than 35 direct reports. Our complex and cumbersome accounting system was staggering under the weight of 100 million individual financial transactions per month. Our Byzantine budget structure made it likely that a district ranger interested in accomplishing 15 on the ground projects might have to make 600 budget entries to account for appropriated funding. Meanwhile because we have paid little heed to strategic planning, appropriated budgets rarely, if ever, track expected outcomes described in agency forest plans.

What I summarize are well-documented problems. The Forest Service has been the subject of more than 315 audits by the General Accounting Office (GAO) and the Office of the Inspector General in the past ten years. When I appeared before this Subcommittee last March, I made the following statement:

Successful implementation of the President's initiatives and the Natural Resource Agenda is dependent on having the trust of Congress and the American people. To be trusted, we have to be accountable for our performance. . . . We've got the message. We will improve dramatically.

I am here today to report our progress in restoring program and financial accountability to the Forest Service. We are implementing major reforms and are on the mend.

In my testimony today, I want to cover three areas. First, I plan to discuss some of the background leading up to this hearing today. Second, I want to report on numerous accountability actions that are currently underway. And third, I would like to discuss some additional accountability items specific to the NAPA report.

## **BACKGROUND**

Although some of what is recommended in the NAPA report has been stated in other audits, much of what is recommended provides for the first time, an integrated organizational, budget, and programmatic focus on necessary reforms. I would be wrong to imply that the road ahead is an easy one. For example, there is a need to realign substantially the fiscal year 2000 appropriations to our new method of charging expenditures. We will submit a formal request for such realignment soon. This is sure to cause concern among many people that care very deeply for specific program areas and who wish to see them "protected" at all costs. This new method of charging expenditures (Primary Purpose) is a cornerstone of improved accountability. It ensures that funds are spent in a consistent manner, across the entire agency, to accomplish the main reason for which they were appropriated and it provides for accurate reporting of expenditures.

I ask for your support in our upcoming realignment request. I want to note for the Subcommittee that some reforms will be controversial for both Congress and the agency. I hope you agree that when it comes to long overdue reforms, we are in this together.

## **ACCOUNTABILITY ACTIONS TAKEN AND UNDERWAY**

Let me now discuss the accountability actions the Forest Service currently has underway. We have been working very closely with other parts of the Department of Agriculture and the Secretary to implement the needed financial and programmatic reforms.

A corporation, a business, or an organization that cannot account for basic expenditures and revenues, or one that cannot or will not adapt to change eventually withers and dies. Conversely, organizations that embrace change and prepare for the future, flourish. Strategic planning is the hallmark of forward thinking organizations. It helps us focus on the future and to learn from the past. We will implement the objectives of the Government Performance and Results Act (Results Act) through our strategic plan in 2000. The 2000 strategic plan will drive development of annual performance plans and budget proposals beginning in FY 2002.

The changes below are intended to help us achieve an unqualified audit opinion on our FY 2000 financial statements. As the NAPA report makes clear, however, a clean audit opinion by itself will not restore the agency's credibility with Congress and the American people. A change in agency culture must occur -- a change based on the knowledge that we cannot be effective resource managers if we are not first accountable for the taxpayer's money and for our own actions on the landscape.

**New Budget Structure:** A simplified budget structure for the National Forest System has been developed within the Administration and with participation from GAO and Congressional staffs. The method and format for justification of the FY 2001 President's budget has also been revamped, as recommended by NAPA. Rather than evaluate our budget simply on the money we spend, for the first time the agency has proposed that Congress appropriate funding based on performance.

The new structure:

- 1) Reflects on-the ground accomplishments in meeting our mission of caring for the land and serving people;
- 2) Links on-the-ground performance to implementation of the strategic plan and the Natural Resource Agenda;
- 3) Supports the agency's integrated work that is necessary to restore and maintain land health while promoting ecological sustainability and community livability; and
- 4) Begins linking the strategic plan and budget to long-term measurements of land health and water quality.

The new budget structure provides the agency the flexibility that is required if the Forest Service is to be held to current accounting standards in today's business world. And that is the measure of accountability we seek and that I will demand from our managers. The NAPA report also recognized that a simplified budget structure plays a critical role in achieving accountability.

I recognize there will be many that are concerned or confused by this new budget display. Thus, we will present the FY 2001 Budget Justification with extensive comparisons between the new and the older formats.

**Land Health Performance Measures:** The agency has developed an integrated set of land health and service to the people performance measures that link to land health and other outcomes on the land to our strategic plan, and budget information. I have made it very clear to the Forest Service that the success of the new budget structure depends upon our ability to track appropriated dollars to measurable improvements in land health, water quality, and service to people.

I will not ask Congress to continue supporting our efforts of budget simplification if we cannot clearly show how the taxpayers' money is being used to conserve and restore the health, diversity, and resiliency of our lands and waters and the services we provide to the American public.

**Strategic Plan:** The Forest Service has just published its draft Strategic Plan (2000 Revision) for comment. The revised plan provides the context and purpose for near-term actions and the focus for long-term land health and public service outcomes. The revised plan shifts the focus of agency management away from "inputs, outputs and process" to "outcomes" on the landscape. No longer do people view forests solely as a warehouse of outputs to be brought to market. Today they assign greater value to the positive outcomes of forest and grassland management – cleaner water, better habitat, healthier forests, and so on. The final strategic plan will be released in the fall of 2000.

**Land Management Planning Regulations:** The Forest Service has published proposed revisions to the regulations affecting the long-term management of our National Forests. The goals of the proposed regulations are to: 1) assure ecological sustainability; 2) promote economic prosperity and community well being; 3) integrate the management of Forest Service lands within broader landscapes; 4) meaningfully engaged the American public in the stewardship of their national forests; 5) be visionary and pragmatic in guiding decision making; and 6) emphasize increased use of sound science.

When the Forest Service is successful in fully implementing the Results Act, it is our expectation that forest plan goals, objectives, and performance measures will be aligned with the agency's goals, objectives and performance measures and will be the basis for the formulation of the agency's budget requests to Congress.

**Agency Leadership:** The national leadership team was reorganized in FY 1998 to create clearer and more direct lines of accountability. For the first time in many years all leadership positions have been filled. In addition, the number of individuals reporting directly to me has been reduced from 35 to 7. We have also established the offices of the Chief Operating Officer (COO) and the Chief Financial Officer (CFO). The CFO's organization is taking leadership responsibility for improved program analysis and the linking of budget processes to agency performance and strategic planning.

## Accountability Reforms/Processes:

- Full conversion to our new Foundation Financial Information System will be completed in several phases over a 12-month period ending in October, 2000. This new accounting system provides “real-time” financial information, meets federal financial accounting standards, simplifies our accounting process, and will allow us to better allocate resources based on agency priorities.
- Primary Purpose is a new policy for charging expenditures to more appropriate funding codes. It will simplify recording expenditures and will improve accountability through consistent application agency-wide. As I noted earlier, under past accounting practices, in an average single month there were over 100 million financial transactions within the agency. No reasonably affordable accounting system in government could function properly under such demands and still provide the quality information expected. The Primary Purpose policy will fix that problem. Primary Purpose also compliments the new budget structure, which is critical to financial accountability.
- The Forest Service recently completed the first and most thorough real property inventory in our history. Obtaining this data is critical to documenting our assets for our financial audit. The Infrastructure project has developed a corporate database for the electronic storage and management of this information. For deferred maintenance *alone*, direct cost estimates now total \$8.9 billion, *not including* agency indirect costs and the cost of program management.

While this first inventory is not perfect, the agency now has the capability to provide better and more detailed information on the condition of our assets on a regular basis.

- Natural Resource Information System: The Forest Service is also in the process of developing a corporate information system for standard resource inventories such as vegetation, soils, geology, climate, air quality, water, wildlife, fish, recreation use, and cultural resources. The Natural Resource Information System is linked to, and “communicates” with, other agency databases. Information is power and the ability to collect, interpret and share information in a meaningful manner, leads to more sound management decisions on the ground.
- The Forest Service developed and implemented standard definitions for indirect costs that are in full compliance with the Federal Accounting Standards Advisory Board and Congressional direction.
- Program Evaluations: As required by the Results Act, program evaluations will be conducted in the future to analyze our progress in achieving our long-term outcomes, consistent with our strategic plan goals and objectives.

**Information Technology:** The Forest Service's technology infrastructure was obsolete when I became Chief. We now have a totally new platform for management of information technology. Each Forest Service employee now has access to a PC-based computer system that is Y2K compliant. The upgrade of our information technology allows the Forest Service to manage its data in a coordinated fashion, communicate better internally, perform more thorough budget and program analyses, and directly coordinate with other agencies.

## **ADDITIONAL ACCOUNTABILITY ITEMS SPECIFIC TO THE NAPA REPORT**

As I stated in my opening remarks, the NAPA report has made recommendations that are a catalyst for change that otherwise would have taken years to unfold. Mr. Chairman, I sincerely hope the Congress and the Forest Service take advantage of these opportunities.

**Funding Allocation and Decision Feedback Process:** The Forest Service is developing a revised process for determining funding needs and allocating budgets that is linked to:

- 1) Resource trade-offs on the ground and in the laboratory;
- 2) Local forest plan recommendations; and
- 3) The agency's strategic plan.

The Forest Service expects to pilot the revised funding allocation and decision feedback process in FY 2001 with full agency-wide implementation in FY 2002.

**Organizational Structure/Decision Making:** The agency is planning to phase-in the needed organizational change over time. A comprehensive evaluation of the Forest Service organization is appropriate to assure program and fiscal accountability in support of the new budget structure. Nothing saps the energy out of an organization quicker, however, than reorganization. A phased-in approach will avoid distracting staff from implementing essential program areas.

The position of COO will not be considered for reorganization until after the agency has received an unqualified audit opinion *and* it has been removed from GAO's "high-risk" category. I believe that improved accountability demands retention of this position, at least until both of these criteria have been achieved. For too long, business management has taken a second seat to natural resource management in the agency.

**Office of the CFO:** Mr. Chairman, I would like to take some extra time to talk about the structure and staffing of the office of the CFO. As you are aware, NAPA prepared a separate assessment specific to the CFO's current and proposed organization. They recommended 33 fewer positions than are currently approved. I would like to go on record supporting the approved size (153 positions) of the CFO organization and intend to proceed promptly with full staffing.

Change will not come easy. The agency has been without sound financial management for at least a decade so we have had to reengineer most all of our processes and systems. One must also take into consideration that over the past several years, the Forest Service

has reduced the number of these type of administrative positions by about 1,300 nationwide. We would agree however, that once the new processes and systems have become institutionalized and the Forest Service has been removed from the General Accounting Offices "high risk" category, that the size of the office of the CFO within the Forest Service's organization should be reviewed.

In regards to the other findings in the NAPA report about the office of the CFO, I am in general agreement and we have begun to make the needed changes.

These actions will provide for a strengthened CFO office, refocused toward program analysis, that is an integral part of the decision making process. It also creates a credible analytical capability to address the program side of the agency.

## **IN CONCLUSION**

Mr. Chairman, I am confident that these actions, if implemented in partnership between the Forest Service and the Congress, will restore the agency's fiscal integrity and program accountability. And in doing so, we will achieve full integration of strategic planning and budgeting as required by the Results Act. The benefactors of our efforts will be the American public because we will have assured the long-term health of our nation's public and private forests and demonstrated organizational effectiveness through application of sound business principles.

Mr. Chairman, this concludes my written statement. I would be happy to answer any question you or your members of the Subcommittee might have at this time.