

Part E: Other Information Section (Unaudited)



OTHER INFORMATION—UNAUDITED
FOR THE YEARS ENDED SEPTEMBER 30, 2013 AND 2012

OTHER INFORMATION

SCHEDULE OF SPENDING

The Schedule of Spending (SOS) presents an overview of how and where the Forest Service is spending money for the reporting period. The data that populate this schedule are the same underlying data used to populate the Statement of Budgetary Resources. The following SOS presents total budgetary resources, gross outlays, and total obligations incurred for the year ending September 30, 2013.

TABLE 1. SCHEDULE OF SPENDING FOR THE YEAR ENDED SEPTEMBER 30, 2013 (IN MILLIONS)

	2013
What Money Is Available To Spend?	
Total Resources	\$7,779
Less Amount Available but Not Agreed To Be Spent	816
Less Amount Not Available To Be Spent	271
Total Amounts Agreed To Be Spent	\$6,692
How Was the Money Spent/Issued?	
USDA Strategic Goal 2—Ensure Our National Forests and Private Working Lands Are Conserved, Restored, and Made More Resilient to Climate Change, While Enhancing Our Water Resources:	
Personnel Compensation and Benefits	\$2,962
Travel and transportation	150
Rent, communications, and utilities	183
Other contractual services	2,063
Supplies and materials	245
Equipment, land, and structures	177
Grants, subsidies, and contributions	589
Insurance claims and indemnities	7
Interest, dividends, and refunds	(11)
Other	327
Total	\$6,692
Total Amounts Agreed To Be Spent	\$6,692
Who Did the Money Go To?	
Federal	\$49
Non-Federal	6,643
Total Amounts Agreed To Be Spent	\$6,692

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MANAGEMENT CHALLENGES

The Reports Consolidation Act of 2000 requires the U.S. Department of Agriculture (USDA), Office of Inspector General (OIG) to identify and report annually on the most serious management challenges the Department faces. To identify these Departmental challenges, OIG examines issued audit reports with recommendations where corrective actions have yet to be taken, assesses ongoing investigative and audit work to ascertain significant vulnerabilities, and analyzes new programs and activities that could pose significant challenges due to their range and complexity.

Management Challenge 6—Action Needed To Improve Natural Resources Stewardship

“One of USDA’s mission areas is ensuring the health of the land through sustainable management and conservation of the Nation’s natural resources. Over the years, USDA’s Forest Service and Natural Resource Conservation Service have had to balance budgetary concerns with the increasing demands placed on our Nation’s public and private lands, as well as the logistical issues of managing vast and geographically diverse natural resources. These agencies now face growing concerns such as climate change, increasing land development, conservation measures that affect human safety, and drilling for oil and gas on National Forest System (NFS) land. Successfully managing these demands will continue to pose a challenge in future years.”¹

There were two Forest Service audits whose specific findings were identified under Management Challenge 6 of the OIG USDA Management Challenges (August 2013).

OIG Audit Report No. 08703-05-SF—American Recovery and Reinvestment Act (Recovery Act)—Forest Service Hazardous Fuels Reduction and Ecosystem Restoration Projects on Non-Federal Lands

OIG reported that by continuing to improve its internal controls and coordination, the agency will be able to better fulfill its mission of caring for the Nation’s forests and grasslands. OIG’s findings include:

- The Forest Service’s Wildland Fire Management (WFM) Program allocated grants, including those under the Recovery Act, for activities without the necessary controls to ensure that the grant funds were both properly accounted for and used for their intended purpose.
- The agency also did not enhance existing controls despite the Recovery Act’s requirements for greater transparency and accountability.
- The agency did not ensure that it met the Recovery Act’s overall objective of maximizing job creation and retention in the most cost-effective manner possible.

¹ Quoted text is from OIG USDA Management Challenges (August 2013).

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Fiscal Year (FY) 2013 Accomplishments

- Implemented several actions to address grant-related Recovery Act inquiries as well as to improve overall Forest Service grant administration.
- Revisited multiple Recovery Act equipment purchases and certified that the purchase of the equipment was necessary and that it was used primarily or exclusively for the projects to which it was charged.
- Reviewed all active Recovery Act grant agreements to determine whether the required provisions were included and if they were not, revised the agreements to include the provisions.
- Reviewed all existing non-Federal WFM Recovery Act and non-Recovery Act-funded grants to ensure that grant recipients claiming indirect costs have the required approvals and supporting documentation from the Office of Management and Budget (OMB).
- Provided training for Forest Service program managers, grants and agreement specialists, and agency partners. Training included Webinars on financial management systems review, indirect costs, and OMB Circular A-133 audits; a Webinar on the proper distribution of salary, which was attended by over 700 people; 3 week-long training sessions covering Uniform Administrative Requirements; and training to employees and partners in multiple geographic locations on cost principles and basic grant management.
- Worked closely with the Wyoming State Forestry Division to improve its controls over subgrant administration to ensure they reflect Federal requirements.

FY 2014 Planned Actions

- Conduct and implement actions to address Recovery Act-related inquiries and improve overall Forest Service grant administration.
- Improve grant recipients' use of funds by enhancing pre-award and post-award controls and by continuing to increase training for Forest Service staffs and grant recipients.
- Conduct various reviews to determine whether recipients charged Forest Service Recovery Act and non-Recovery Act grants appropriately and if funds were charged erroneously, recover the funds.
- Establish controls to address processes that resulted in inadequate accounting, unsupported salaries, noncompetitive procurements, and unauthorized indirect costs.



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OIG Audit Report No. 08601-01-21—Management of Oil and Gas Resources on National Forest System Land

OIG reported that rising energy prices have increased interest in the exploration and development of domestic oil and gas resources, some of which are found beneath public lands within national forests. The Forest Service needs to take greater strides in managing the growing practice of drilling for oil and gas on NFS land. OIG's findings include:

- The agency was not adequately safeguarding NFS lands against environmental damage because it could not validate whether all well sites were being inspected annually, as required.
- The Forest Service does not require operators to submit a spill plan that would ensure that operators are prepared to quickly respond to any spills even though permitting for oil and gas drilling on NFS lands does pose an environmental risk.
- The agency must work more closely with the Bureau of Land Management (BLM) in the U.S. Department of the Interior to regulate drilling operations, including establishing a more formal means of communication.

FY 2013 Accomplishments

- Enhanced exploration and development of Forest Service oil and gas resources on NFS land by taking steps to improve coordination with BLM, including monthly meetings to discuss the status of oil and gas issues as well as higher level monthly meetings.
- Coordinated with BLM to request access to the Automated Fluid Mineral Support System (AFMSS) to track nominations for oil and gas leasing and improve processing time, track inspections, improve retrieval of information in AFMSS, and implement a training plan for agency officials with AFMSS access.
- Issued a letter to the regional foresters with oil and gas operations reiterating the guidance contained in the Forest Service Manual, Section 2165—Response to Hazardous Material Releases, to develop spill response plans.

FY 2014 Planned Actions

- Continue working with BLM to assess or improve cooperative efforts in reducing leasing and permitting backlogs, improving processing timeframes, and ensuring surface compliance.



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- Update the existing regional mineral leasing file databases to identify the number of requests for leasing NFS lands and their acreages (lease offers and expressions of interest) and to track critical dates associated with individual nominations.
- Track leasing and permit processing times, using average processing times as a managerial tool for monitoring and improving processing efficiency from year to year.

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NET COST OF OPERATIONS BY STRATEGIC GOAL

The Forest Service’s Strategic Plan for FY 2007–2012 was the basis for the Consolidated Statements of Net Cost in FY 2012, but the strategic plan expired and was not updated in FY 2013. The Forest Service’s program of work remains aligned with USDA’s Strategic Goal 2—Ensure Our National Forests and Private Working Lands Are Conserved, Restored, and Made More Resilient to Climate Change, While Enhancing Our Water Resources in the current USDA Strategic Plan for FY 2010–2015.

**TABLE 2. CONSOLIDATED STATEMENT OF NET COST FOR THE YEAR ENDED SEPTEMBER 30, 2013
(IN MILLIONS)**

USDA’s Strategic Goal 2—Ensure Our National Forests and Private Working Lands Are Conserved, Restored, and Made More Resilient to Climate Change, While Enhancing Our Water Resources

	2013
Total Gross Costs	\$6,541
Less: Total Earned Revenue	761
Net Cost of Operations	\$5,780

A comparative analysis in FY 2013 by Forest Service strategic goals is not available due to the expiration of the strategic plan. For more information on the Consolidated Statements of Net Cost, refer to the Summary Analysis of Financial Statements and Stewardship Information section in the Management’s Discussion and Analysis.



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TABLE 3. CONSOLIDATED STATEMENT OF NET COST BY STRATEGIC GOAL FOR THE YEAR ENDED SEPTEMBER 30, 2012 (IN MILLIONS)

Forest Service Strategic Goals	2012
1. Restore, Sustain, and Enhance the Nation’s Forests and Grasslands:	
1A. Gross Costs	\$4,997
1B. Less: Earned Revenue	604
1C. Net Goal Cost	<u>4,393</u>
2. Provide and Sustain Benefits to the American People:	
2A. Gross Costs	278
2B. Less: Earned Revenue	34
2C. Net Goal Cost	<u>244</u>
3. Conserve Open Space:	
3A. Gross Costs	347
3B. Less: Earned Revenue	42
3C. Net Goal Cost	<u>305</u>
4. Sustain and Enhance Outdoor Recreation Opportunities:	
4A. Gross Costs	624
4B. Less: Earned Revenue	75
4C. Net Goal Cost	<u>549</u>
5. Maintain Basic Management Capabilities of the Forest Service:	
5A. Gross Costs	486
5B. Less: Earned Revenue	59
5C. Net Goal Cost	<u>427</u>
6. Engage Urban America with Forest Service Programs:	
6A. Gross Costs	69
6B. Less: Earned Revenue	8
6C. Net Goal Cost	<u>61</u>
7. Provide Science-Based Applications and Tools for Sustainable Natural Resource Management:	
7A. Gross Costs	139
7B. Less: Earned Revenue	17
7C. Net Goal Cost	<u>122</u>
8A. Gross Costs not assigned to programs	0
8B. Less: Earned Revenue not attributed to programs	0
8C. Net Costs not assigned to programs	<u>0</u>
9A. Total Gross Costs	\$6,940
9B. Less: Total Earned Revenue	<u>839</u>
9C. Net Cost of Operations	<u><u>\$6,101</u></u>

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SUMMARY OF FINANCIAL STATEMENT AUDIT AND MANAGEMENT ASSURANCES

TABLE 4. AUDIT AND MANAGEMENT ASSURANCE TERMS AND DEFINITIONS

Term	Definition
Beginning Balance	The FY 2013 beginning balance agrees with the FY 2012 ending balance of material weaknesses.
New	The total number of material weaknesses that have been identified during FY 2013.
Resolved	The total number of material weaknesses that dropped below the level of materiality in FY 2012.
Consolidated	The combining of two or more findings.
Reassessed	The removal of any finding not attributable to corrective actions. For example, management may have re-evaluated and determined a material weakness does not meet the criteria for materiality or is reclassified under another heading, such as the Federal Managers' Financial Integrity Act (FMFIA), Section 2 Effectiveness of Internal Control Over Financial Reporting to a FMFIA, Section 4 Conformance with Financial Management System Requirements .
Ending Balance	The Forest Service's FY 2013 ending balance for material weaknesses at yearend.

Summary of Financial Statement Audit

TABLE 5. SUMMARY OF FINANCIAL STATEMENT AUDIT

Audit Opinion	Unqualified					
Restatement	No					
	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
Material Weaknesses	0	0	0	0	0	0
Total Material Weaknesses	0	0	0	0	0	0

Summary of Management Assurances

TABLE 6. EFFECTIVENESS OF INTERNAL CONTROL OVER FINANCIAL REPORTING (FMFIA SECTION 2)

Statement of Assurance	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
Material Weaknesses	0	0	0	0	0	0
Total Material Weaknesses	0	0	0	0	0	0

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TABLE 7. EFFECTIVENESS OF INTERNAL CONTROL OVER OPERATIONS (FMFIA SECTION 2)

Statement of Assurance	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
Material Weaknesses	0	0	0	0	0	0
Total Material Weaknesses	0	0	0	0	0	0

The Statement of Assurance: “Systems conform, conform except for the below nonconformance(s), or do not conform to financial management system requirements.”²

TABLE 8. CONFORMANCE WITH FINANCIAL MANAGEMENT SYSTEM REQUIREMENTS (FMFIA SECTION 4)

Statement of Assurance	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
Nonconformances	0	0	0	0	0	0
Total Nonconformances	0	0	0	0	0	0

TABLE 9. CONFORMANCE WITH FEDERAL FINANCIAL MANAGEMENT IMPROVEMENT ACT (FFMIA)

Overall Substantial Compliance	Agency	Auditor
System Requirements	Yes	Yes
Accounting Standards	Yes	Yes
U.S. Standard General Ledger at the Transaction Level	Yes	Yes

IMPROPER PAYMENTS IMPROVEMENT ACT REPORTING

As required by the Improper Payments Information Act of 2002 (IPIA) and OMB Circular A-123, Appendix C, agencies are to measure high-risk programs annually, estimate the amount of improper payments, and report the estimate in the Performance and Accountability Report or Agency Financial Report.

The Criteria for the Risk Assessment

USDA programs have been divided into two categories for the purpose of performing risk assessments: management certification and risk assessments.

² The Statement of Assurance is defined in the Office of Management and Budget’s (OMB) Circular A-136, Section 4 Other Information.

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Risk assessments are performed on all programs at least once every 3 years or more frequently if the USDA Office of the Chief Financial Officer (OCFO) deems necessary. In addition to risk assessments, agencies are required to provide a management certification that asserts among other things that:

1. The program is still determined to be at low risk of improper payments.
2. There have been no significant program changes since the last risk assessment.
3. There have been no significant internal control changes since the last risk assessment.
4. There have been no new audit reports describing significant improper payments or internal control issues.

Wildland Fire Suppression Fund (WFSU) has been identified as a high-risk program for Forest Service since FY 2004. No new high-risk programs were identified for FY 2013.

The Description of the Statistical Sampling Process

The IPIA requires statistical sampling for high-risk programs only. The Forest Service used Monetary Unit Sampling (MUS) to systematically analyze and review WFSU transactions (the IPIA reporting period of October 1, 2011 through September 30, 2012).

The Description of the Corrective Action Plan(s)

The result of Forest Service sampling over the WFSU program resulted in a testing error rate of 0.0 percent for FY 2013. In addition, the enhanced analytics conducted over the WFSU program resulted in \$0 of improper payments or 0.0 percent of total outlays.

Below is a table of the statistical sampling results of the WFSU assessment.

TABLE 10. THE STATISTICAL SAMPLING RESULTS OF THE WFSU ASSESSMENT

Fund	IPIA Reporting FY 2013/ Actual FY 2012 Population Outlays ³	IPIA Reporting FY 2013/ Actual FY 2012 Tested Outlay Amount	IPIA Reporting FY 2013/ Actual FY 2012 Population Insufficient Documentation in Dollars	IPIA Reporting FY 2013/ Actual FY 2012 Population Insufficient Documentation in Percent	IPIA Reporting FY 2013/ Actual FY 2012 Population Improper Payment Error in Dollars	IPIA Reporting FY 2013/ Actual FY 2012 Population Improper Payment Error in Percent
WFSU	\$835,023,441	\$48,341,628	\$0.00	0.0%	\$0.00	0.0%

During the current and previous 3 fiscal years, WFSU testing error rates have been 0 percent. The Forest Service has significantly reduced the potential for errors through continuous improvement and strengthening of internal controls, internal monitoring and reviews of potential improper payments, centralizing of accounting functions, improved communications, and follow-up prior to payment authorizations.

In FY 2014, management will be made aware of payments and held accountable for reduction and recoveries of improper payments. Dissemination of audit findings, recovery efforts, and identification of root causes ensure management’s awareness. Quarterly monitoring and corrective actions will improve accountability, identification, and resolution of improper payments in a timely manner. Statistical sampling will also be performed over all payments to identify the areas where erroneous payments are more prevalent.

³ In the FY 2012 Forest Service Agency Financial Report, the agency previously reported FY 2012 dollars for the International Programs Reduction Outlook as \$885,500,000, which was an estimated amount.

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Improper Payment Reduction Outlook

The following tables for the Improper Payment (IP) Reduction Outlook are limited to the WFSU.

TABLE 11. ESTIMATED IMPROPER PAYMENT REDUCTION OUTLOOK (IN THOUSANDS)

Program	IPIA Reporting FY 2014/Actual FY 2013 Estimated Outlays	IPIA Reporting FY 2014/Actual FY 2013 Estimated IP %	IPIA Reporting FY 2014/Actual FY 2013 Estimated IP \$
WFSU ³	\$992,700	0.00%	\$0.00

Program	IPIA Reporting FY 2015/Actual FY 2014 Estimated Outlays	IPIA Reporting FY 2015/Actual FY 2014 Estimated IP %	IPIA Reporting FY 2015/Actual FY 2014 Estimated IP \$
WFSU ³	\$1,015,563	0.00%	\$0.00

Program	IPIA Reporting FY 2016/Actual FY 2015 Estimated Outlays	IPIA Reporting FY 2016/Actual FY 2015 Estimated IP %	IPIA Reporting FY 2016/Actual FY 2015 Estimated IP \$
WFSU ³	\$1,035,874	0.00%	\$0.00

Recovery of Improper Payment

The Improper Payments Elimination and Recovery Act of 2010 requires Federal agencies to enhance their efforts in preventing, detecting, and recovering improper payments. The Forest Service conducted a retroactive review of FY 2012 and 2013 billings to enhance its ability to identify and report recovery of improper payments. Internal reviews were also conducted periodically and reported to USDA's Office of the Chief Financial Officer through the quarterly High Dollar Report for the high-risk WFSU fund.

TABLE 12. RECOVERY OF IMPROPER PAYMENTS ACTUAL DOLLARS RECOVERED

FY 2009	FY 2010 ⁴	FY 2011	FY 2012	FY 2013 ⁵
\$1,720	\$1,700,000	\$2,115,003	\$7,309,194	\$1,660,372

Risk Assessment and Oversight Benefits

The benefits of enhanced risk assessments and oversight provide Forest Service management with information regarding the payment processes that have higher inherent risk. This will allow management to identify the root causes and improve and enhance internal controls and dedicate additional resources to reduce the risk of improper payments.

⁴ The methodology for reporting improper payments changed for FY 2010. The Forest Service previously reported FY 2010 dollars recovered as \$584,994 in the FY 2010 Forest Service Agency Financial Report.

⁵ Improper Payment Recoveries (IPERA) reported to OCFO for FY 2013 First and Second Quarter.