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Office of Inspector General
Western Region

Audit Report

Forest Service
Collaborative Ventures and
Partnerships with Non-Federal Entities

Report No. 08601-41-SF
January 2006



UNITED STATES DEPARTMENT OF AGRICULTURE

OFFICE OF INSPECTOR GENERAL

Washington D.C. 20250



DATE: January 13, 2006

REPLY TO

ATTN OF: 08601-41-SF

TO: Dale Bosworth
Chief
Forest Service

ATTN: Sandy Coleman
Audit Liaison

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

SUBJECT: Forest Service Collaborative Ventures and Partnerships with
Non-Federal Entities

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

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

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

Attachment

Executive Summary

Forest Service Collaborative Ventures and Partnerships with Non-Federal Entities

Results in Brief

To carry out its stewardship and conservation mission, the Forest Service (FS) partners with a variety of non-federal organizations and other private entities. As of August 2004, the agency was involved in 4,081 partnerships, to which it had contributed \$241 million and its partners \$182 million. In our review of FS' administration of the partnership program, we found that the agency has taken significant strides to improve its partnership activities. These efforts include creating a National Partnership Office to guide the agency's partnership work and developing a "partnership framework" document, which sets forth the mission of the program. Nonetheless, many opportunities remain for FS to build on its progress. Specifically, FS should prioritize strategic planning and reporting for the partnership program, enhance its oversight of partnership agreements, and increase its monitoring of the National Forest Foundation (NFF).

Greater Emphasis on Performance Goals, Strategies, and Reporting Needed

The Government Performance and Results Act (GPRA) requires Federal agencies to set goals for program performance and report their results to Congress and the public. FS has recognized the importance of GPRA by setting measurable goals for the partnership program in its National Strategic Plan, which covers all FS programs. However, to ensure that it realizes its full potential for partnering with outside entities, FS needs to extend strategic planning for the partnership program to the regional level. We found that, because they were not specifically required to do so, three regions had not developed a strategic plan for their partnership programs, and of the six regions that had, only one included measurable goals in the plan. Further, although all of the regions had appointed a partnership coordinator or contact person, the amount of time those employees spent on the partnership program varied; only three regions had full-time partnership coordinators. Without a strategic plan with quantifiable goals—such as increasing the number and value of partnerships within each national forest—regions have no benchmark by which to measure the overall success of their partnership programs.

In the area of performance reporting, we found that FS needs to put the partnership information it collects to better use. INFRA, FS' database for storing information about partnership agreements, is not currently able to track overall partnership accomplishments and cost benefits. The system is also inundated with errors and omissions that would compromise the accuracy of any reports it generates. Lacking an effective and reliable

database, FS managers cannot report on the partnership program's accomplishments to Congress and the public, as required by GPRA.

Some Partnerships Had Conflicts of Interest or Agreements That Were Not Fully Documented

Before it approves any partnership agreement, FS must ensure that the partnership is free from any conflicts of interest or other ethical concerns. Our audit disclosed that three FS employees were serving in their official capacity on the boards or steering committees of FS partners, which is strictly prohibited. Such associations expose FS to conflicts of interest and make it potentially liable for any torts that may be committed by the FS employee. Even the appearance of a conflict of interest or other ethical concern could jeopardize the public's confidence in the integrity of FS' partnership program. Although two of the three employees in question resigned from service on the partners' boards as a result of our audit, FS needs to institute standardized review procedures to make sure that potential ethical concerns are detected before it approves partnership agreements.

Also before entering into partnerships, FS must ensure that the partnership agreement contains a complete and adequately supported financial plan, detailing the contributions of both FS and the partner. Because FS guidance for preparing and reviewing partnership agreements needs clarification, 40 of the 177 partnership agreements we reviewed did not contain a financial plan. Another 47 of those agreements contained financial plans that did not fully document the costs associated with projects. Without complete, supported financial plans, FS cannot ensure that the projects carried out under partnership agreements are properly funded and that the partner's actual contribution to the project is adequate.

More Careful Oversight of the NFF Needed

Finally, FS needs to increase its monitoring of one of its major partners, the NFF. We found that FS did not adequately and timely account for funds it provided the NFF to ensure they were properly spent before providing the NFF with additional funds. During fiscal years (FY) 2001 through 2004, the NFF accumulated almost \$2.6 million in appropriated funds—nearly \$1 million of which it received in FY 2002—while continuing to receive additional funds from FS. Without controls to verify that the NFF spends appropriations properly, FS may provide the foundation with unneeded funds that could be used for other purposes. We reported a similar condition in a prior audit of the NFF that we conducted in 1998.¹

¹ Audit Report No. 08801-1-TE, Evaluation of Forest Service Grants to the National Forest Foundation, February 1998.

As FS relies increasingly on outside partners to carry out its numerous projects, it is essential that the agency continue to improve its controls over the partnership program. Not only must FS ensure that partnership agreements are ethical and financially viable, but it must use strategic planning and reporting to leverage its resources and seek out new sources of revenue.

Recommendations In Brief

To improve its strategic planning and reporting for the partnership program, we recommend that FS:

- Require all regions to develop strategic plans with measurable goals for their partnership programs;
- Assess the need to dedicate more staffing resources to the partnership program and allocate available resources accordingly;
- Update INFRA so that it is able to track overall partnership program accomplishments and cost benefits; and
- Establish a quality control process to ensure INFRA data is accurate and up-to-date.

In the area of approving partnership agreements, we recommend that FS:

- Implement a standardized review process designed to detect any ethical concerns prior to agreement approval; and
- Clarify guidance for FS staff regarding the preparation and approval of partnership agreements.

Finally, we recommend that FS follow up on each appropriation to the NFF to ensure that the funds are properly used and accounted for and that the NFF met program requirements before providing it additional funds.

Agency Response

In its written response to the draft report, dated December 14, 2005, FS concurred with all of our findings and recommendations and stated its belief that our recommendations will benefit the overall Collaborative Ventures and Partnership programs. The complete written response is shown in exhibit G of the audit report.

OIG Position

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

Abbreviations Used in This Report

FS	Forest Service
FY	Fiscal Year
GPRA	Government Performance and Results Act
NFF	National Forest Foundation
OGC	Office of General Counsel
OIG	Office of Inspector General
USDA	United States Department of Agriculture
WO	Forest Service Washington Office

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Background and Objectives

Background

FS has a long history of partnering with citizens, organizations, and other private entities to manage and sustain the health of the nation's forests and grasslands. Through its partnerships, FS pools its resources with others to accomplish projects in a variety of areas, including wildlife, conservation, fire prevention, recreation, and watershed restoration.

When it exchanges funds, property, or other items of value with outside parties, FS documents the partnership in a formal agreement. FS uses several types of agreements depending on the type of project, the parties involved, who will benefit, and how funds and other resources will be exchanged by the parties. The most commonly used agreements to document a partnership are participating agreements, challenge cost-share agreements, joint venture agreements, cost reimbursable agreements, and cooperative research and development agreements.

In 2003, FS established the National Partnership Office to coordinate the agency's partnership activities. The office supports FS districts, forests, and regions in working with outside partners. The National Partnership Office recently updated its Partnership Guide to assist FS employees and partners in cultivating successful partnerships. The Partnership Guide includes guidance on navigating the laws and policies applicable to partnerships; documenting formal partnership arrangements; and understanding conduct and ethics requirements. Other guidance for administering the partnership program is found in the FS Manual² and the FS Handbook.³ In general, FS program personnel in each region develop the partnership agreement with the potential partner. Once the agreement is developed, FS Grants and Agreements personnel at the regions review and approve the agreement for signature.

To track its partnership agreements, FS uses the Central Grants and Agreements module in its INFRA database. This application is capable of tracking the progress of a partnership agreement from start to finish. The database can store information related to each agreement, such as the names of the partners, the project title, execution and expiration dates, and the value and type of contributions given to the project.

One of FS' key partners is the National Forest Foundation (NFF), which was created by Congress as the agency's official nonprofit partner. The NFF is the only conservation organization whose sole purpose is to address challenges that face the National Forest System. It accepts and administers gifts of funds and lands for the benefit of the national forests. Working primarily through its grants programs, the NFF focuses on on-the-ground projects and programs that address watershed restoration, forest stewardship, wildlife habitat, and recreation.

² FS Manual 1500, Chapter 1580

³ FS Handbook 1509.11, Chapter 60

USDA has recognized the need to expand and clarify FS authorities to partner with others to sustain National Forest System lands. To meet this need, the Department recommended draft legislation supporting a proposal made in the President's budget for fiscal year 2005. The pending legislation would authorize the Secretary of Agriculture to enter into agreements with cooperators to share costs of activities or services not otherwise authorized by law. It would also clarify elements of FS' authority to enter into cost-share agreements, including agreements to carry out conservation education programs and other educational and interpretive activities, as well as clarify authority for the NFF to provide technical and financial assistance to support the development of community-based organizations.

Objectives

Our overall objective was to identify and review the key internal controls surrounding FS' administration of the partnership program. Specifically, we evaluated FS' (1) partnership program strategies, goals, and accomplishments, (2) its oversight of partnership agreements, and (3) its relationship with the National Forest Foundation.

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

Findings and Recommendations

Section 1. Program Strategies, Goals, and Accomplishments

Since Congress enacted the Government Performance and Results Act (GPRA) in 1993, Federal agencies have been responsible for setting goals for program performance and reporting their results to Congress and the public. GPRA aims to improve program efficiency and effectiveness through a system of plans and reports prepared by the agencies—including strategic plans, annual performance plans, and annual program performance reports. Together, these elements create a recurring cycle of planning, program execution, and reporting.

In keeping with GPRA, FS has developed a National Strategic Plan with overall goals for each of its programs, including the partnership program. However, it has not established controls to ensure that regions accomplish the partnership goals in the National Strategic Plan, nor does it have a reliable system to track the partnership program’s accomplishments. Our audit concluded that FS needs to require each of its regions to prepare a partnership-specific strategic plan with measurable goals that are consistent with FS’ overall strategy for the partnership program. Also, to more effectively report on the overall accomplishments and cost benefits of the partnership program, FS needs to upgrade its INFRA database to track this information. By strengthening its efforts in these key areas, FS will ensure that it makes the most of its valuable partnership opportunities.

Finding 1

All Regions Need To Establish and Implement Strategic Plans With Measurable Goals for Their Partnership Programs

Because they were not specifically required to do so, three of the nine FS regions had not developed a strategic plan for their partnership programs. Of the six regions with a strategic plan, only one included specific goals for its partnership program in the plan. Additionally, only three of the regions with strategic plans had full-time partnership coordinators to ensure that the strategies laid out in their plans were implemented. Without a strategic plan in place outlining the region’s overall strategy for administering its partnership program—including specific goals for measuring its success—regions have no benchmark by which to evaluate their partnership programs and to evaluate management performance. Furthermore, without a full-time partnership coordinator to ensure that the plan is carried out, regions may not be taking advantage of partnership opportunities and leveraging their resources to further FS’ mission.

GPRA emphasizes the need for Federal agencies to prepare strategic plans and set measurable goals for program performance. Currently, FS does not require its regions to develop a strategic plan with specific goals for their partnership programs, nor does it require them to employ a full-time partnership coordinator. However, FS' National Partnership Office has recognized the importance of strategic plans and goals in its "partnership framework," dated April 28, 2004. The partnership framework sets forth a mission and vision for FS' partnership program, along with goals and objectives for administering the program at the national, regional, and forest levels. One of the regions' key roles listed in the partnership framework is to develop strategies for strengthening partnership and collaborative efforts at both the regional and forest levels. To accomplish this, the National Partnership Office suggested that regions establish partnership coordinators responsible for exchanging information, setting priorities, and guiding overall program development.

Strategic Plans With Measurable Goals Needed in All Regions

Of the six regions with strategic plans for their partnership programs, four regions (3, 4, 5, and 6) had finalized their plans and two regions (2 and 9) had drafts that were not yet finalized. Three regions (1, 8, and 10) had yet to develop a plan. Of the three regions currently without a strategic plan, only Region 10 planned to develop one. The remaining two regions did not believe they needed a strategic plan because partnering with outside entities was standard business practice throughout their regions and they did not want to institutionalize the process. According to the National Partnership Office program manager, the regions are not required to develop strategic plans, but she reviews the strategic plans for the regions that do so. She noted that the partnership framework—which lists development of a regional strategy as a key element of administering the partnership program—is only considered guidance.

We also found that, although several regions had developed strategic plans for their partnership programs, only one (Region 2) had established quantifiable goals in its strategic plan. For example, Region 2 established the number of partnerships it wanted to establish, the type of work it wanted to accomplish through partnerships, and the amount of outside revenues it wanted to generate from its partners to accomplish the work. Specifically, Region 2 stated in its draft strategic plan its goals are to increase its number of partnerships and the value of its partners' contributions starting in FY 2004. The region expects the number of partnerships at each of its national forests to increase in proportion to the size of the budget for each of its program areas. According to the draft strategic plan, the region also plans to focus its partnership efforts on regional priorities, such as implementation of the Healthy Forests Restoration Act. The degree to which partnership efforts focus on regional priorities would also be measured. Region 2's plan calls for each forest and regional director to report their accomplishments at

yearend, including a narrative of actions taken to enhance partnership opportunities.

As part of its National Strategic Plan, FS has recognized the need for measurable goals for the partnership program. For example, the plan proposes that, by FY 2008, FS will increase by 771,109 the number of acres it treats through partnerships to prevent catastrophic wildland fire. By FY 2008, FS also expects to increase by \$5.2 million the value of its partnerships established to improve watershed conditions and promote habitat enhancement. However, FS has not required regions to establish their own measurable goals for their partnership programs to ensure that the agency meets its national partnership goals.

We believe that a partnership-specific strategic plan with measurable goals is crucial to the overall success of each region's partnership program. A strategic plan is needed not only to outline the region's overall strategy for administering its partnership program, but its methodology for marketing the program to potential partners. Regional goals also form a basis for setting national partnership goals and allow FS to hold managers accountable for performance. All regions should be required to develop a strategic plan with measurable goals, and the National Partnership Office should be required to review the strategic plans before the regions implement them. Doing so will enable the National Partnership Office to ensure that each region's overall partnership strategy and goals are consistent with that of the National Partnership Office, and that FS meets its national goals for the partnership program.

Regions also need to report annually to the National Partnership Office the status of their partnership programs, including whether they have met their goals and, if not, the actions they plan to take in order to meet them. The National Partnership Office should work closely with the regions to address any difficulties in implementing their partnership programs as reported in the annual reports.

Full-Time Partnership Coordinators Should Be Considered for All Regions

We also found that, of the regions with strategic plans, only three had full-time partnership coordinators to ensure that the strategic plans were carried out. These regions generally had the largest number of active partnership agreements. Although all of the regions had established either a partnership coordinator or a contact person for their partnership programs, the amount of time those individuals spent on the partnership program and the duties they performed varied widely among the regions. Currently, none of the regions has standard position descriptions for their partnership coordinators to ensure the level of work performed is not only consistent between the regions, but sufficient to meet the overall needs of the partnership program nationally.

According to the National Partnership Office program manager, the office plans to develop a standard position description, but it has not been a high priority.

In the absence of specific FS guidance, each region has been left to decide for itself whether to have a partnership coordinator and the amount of time that person should spend working on the partnership program. For example, in Region 8, the partnership coordinator spent only about 5 percent of her time on the region's partnership program, whereas Regions 4, 6, and 9 had full-time partnership coordinators. This significant difference likely contributed to the fact that Regions 4, 6, and 9 currently have the largest number of active partnership agreements and Region 8 currently has one of the lowest.⁴ Aside from the three full-time partnership coordinators, the partnership coordinator position was mostly a collateral duty in the remaining regions. Region 8 has since recognized the need for a partnership coordinator that spends more time on the partnership program, and the region plans to find someone to fill the position.

According to the National Partnership Office program manager, it is the region's decision to appoint a partnership coordinator and determine the amount of time that person spends on the partnership program. The program manager also explained that the decision to establish a regional partnership coordinator within each region was contingent upon available funding to support that position. According to FS' deputy chief for Programs, Legislation, and Communications, next year FS plans to significantly reduce its overhead budget from which the partnership coordinator position is funded, making it difficult to have a full-time partnership coordinator in each region. However, considering that partner contributions totaled over \$180 million for active partnerships as of August 2004 (see exhibit B), we believe that the partnership program should be able to absorb the added cost for full-time partnership coordinators. Considering that the partnership coordinator position is not only self supporting but generates additional revenue for the FS to accomplish its mission in the most cost-efficient manner possible, we believe the partnership coordinator position should be given a high priority when determining those positions to staff with available overhead funds.

Along with strategic plans and goals, we believe that partnership coordinators are crucial to the overall success of the partnership program. Full-time partnership coordinators with standardized job descriptions are needed not only to ensure that the strategic plan is implemented, but that the region meets its overall goals for the partnership program. According to the National Partnership Office program manager, the optimal scenario would be to have full-time partnership coordinators at each region and national forest in order to implement the partnership strategies more expeditiously. We agree

⁴ As of August 4, 2004, Region 6 had the largest number of active partnership agreements (525). Region 9 had the third largest (394) and Region 4 the fourth largest (387). Region 8 was the sixth largest with only 327 active agreements.

that, in an environment of shrinking budgets and the need to get more work done with fewer resources, it is imperative that FS dedicate the necessary resources to its partnership program, which it relies on to seek out new revenue sources.

Recommendation 1

Require all regions to develop a strategic plan for their partnership programs, to include specific goals for measuring the programs' success.

Agency Response

In its written response to the draft report, dated December 14, 2005, FS stated that to help in the development of Strategic Business Plans, it has established a national-level Strategic Business Plan workgroup to develop the form and content along with guidance and direction for strategic business planning. The workgroup will focus on the value of Strategic Business Plans in helping National Forest System Regions, State and Private Forestry, and Research Stations to prioritize work and results. Ultimately, this effort is designed to align regional program goals, including the use of partnerships, to national program goals as well as to improve consistency in reporting accomplishments. FS' estimated completion date for this action is December 29, 2006.

OIG Position

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

Recommendation 2

Require the National Partnership Office to review all regions' strategic plans before they are implemented to ensure they are consistent with the FS' national goals and strategies for the partnership program.

Agency Response

In its written response to the draft report, dated December 14, 2005, FS stated that prior to Regional Forester approval of Strategic Business Plans, the National Partnership Office (NPO) will review them and provide guidance for consistency with the agency's overall mission for enhancing partnership capacity in achieving the annual Forest Service Program of work. The NPO will also work closely with the regions to address difficulties in implementing partnership objectives and performance measures within regional Strategic Business Plans as well as to facilitate consistent reporting mechanisms. The NPO will also assist Regions in developing the means and strategies for

improving the capacity of Forest Service employees to work in partnership and collaboration. FS' estimated completion date for this action is December 29, 2006.

OIG Position

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

Recommendation 3

Require regions to report annually to the National Partnership Office the status of their partnership programs, including whether they met their program goals and, if not, the actions they plan to take in order to meet them.

Agency Response

In its written response to the draft report, dated December 14, 2005, FS stated that goal accomplishment will be measured in annual Strategic Business Plans developed at the regional level. Performance will be evaluated based on goal attainment by the Regional Forester. Decisions related to non-performance are the direct responsibility of the appropriate line-officer (i.e., Regional Forester at the regional-level, and the Chief at the national-level). Performance accomplishment reports are prepared at the end of the fiscal year using 9-month actual and 3-month estimates. The final, 12-month actual, reports are submitted in December. These reports include the Region's analysis of the performance measures, whether goals were met or unmet, and a plan of action and schedule to obtain the goal if the goal was unmet. The National Partnership Office will serve as a subject matter expert on partnership activities and ensure chosen indicators are valid, verifiable, and meet the needs of leadership and key external stakeholders. FS' estimated completion date for this action is December 29, 2006.

OIG Position

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

Recommendation 4

Assess the need to dedicate more staffing resources to the partnership program and allocate available resources accordingly.

Agency Response

In its written response to the draft report, dated December 14, 2005, FS stated that the National Partnership Office will coordinate an assessment of need for additional staffing resources to provide leadership and consistency in partnership activities. FS' estimated completion date for this action is December 29, 2006.

OIG Position

We accept FS' management decision on this recommendation. For final action, FS needs to provide the Office of the Chief Financial Officer the results of the assessment and any planned actions resulting from it.

Recommendation 5

Develop a standard position description for the partnership coordinator.

Agency Response

In its written response to the draft report, dated December 14, 2005, FS stated that the National Partnership Office will take the lead role in the development of a standard position description for regional partnership coordinators. FS' estimated completion date for this action is December 29, 2006.

OIG Position

We accept FS' management decision on this recommendation. For final action, FS needs to provide the Office of the Chief Financial Officer a copy of the standard position description developed for the regional partnership coordinator.

Finding 2

FS Is Not Using INFRA Effectively To Report Partnership Accomplishments and Overall Cost Benefits

Because FS has not made it a priority to upgrade the database or establish a quality control process for data entry, FS' INFRA system—which the agency uses to monitor grants and agreements—is not providing FS management with accurate, timely, and relevant information necessary to manage the partnership program. For example, INFRA currently lacks the ability to track partnership accomplishments and the overall cost benefits to the Government. Also, the database is inundated with data errors and omissions that compromise its usefulness as a reporting tool. Without a properly configured and reliable tracking system, FS management cannot provide accurate reports on the partnership program's accomplishments to FS management, Congress, and the public.

GPRA requires agencies to report program accomplishments on a regular basis.

System Enhancements Needed To Track Partnership Accomplishments

Since 2003, FS has required that all grant and agreement actions awarded nationwide be entered into INFRA's Grants and Agreements application, which is designed to track the progress of a partnership agreement from its inception to completion. The application is also intended to facilitate both the internal evaluation of FS activities and congressionally mandated audit reports or informational requests. However, as currently configured, the database is not capable of tracking partnership program accomplishments and cost benefits—either for individual partnerships or for the program as a whole.

FS recognizes the importance of being able to use INFRA to report the accomplishments of the partnership program. In August 2004, the National Partnership Office program manager formed a task team to determine how FS can achieve this goal. As of January 2005, three task team meetings had been held for the purpose of a) discussing information needs for assessing partnership accomplishments and effectiveness, b) identifying joint objectives for tracking partnership accomplishments, c) developing a list of indicators that address partnership goals, and d) identifying where essential partnership information currently resides, where it needs to be added, and how to bring it all together.

Currently, the task team is evaluating the partnership data contained in all of the FS databases nationwide. Once the types of data available in the various systems have been identified, the team will determine which data can be used to meet their accomplishment reporting goals. According to the regional partnership coordinator for Region 9—one of the two team members assigned to identify a means of tracking the accomplishments of each partnership agreement in INFRA—the team's intent is to link each partnership agreement with specific GPRA goals that can be tied back to the FS National strategic plan and regional plans. She noted, however, that enhancing the INFRA system to accommodate accomplishment reporting is not a high priority on the team's program of work and might not be completed for another two years.

Data Errors and Omissions Not Detected

We also noted that the INFRA Grants and Agreements application contained numerous errors and omissions. The application includes data entry screens to capture information related to each grant or agreement, such as the cooperator's name, the date the agreement was executed, the amount and type of FS and cooperator funding contributed to the project, and the date the

agreement is to expire. Since INFRA information is intended for reporting purposes, it is essential that the data entered be timely and accurate.

In our review of 177 selected partnership agreements, we found 206 instances where data was either incorrectly entered or missing (see exhibit E). For example, in 92 instances, the value of FS' and/or the partner's contribution was not entered or was inaccurately entered into INFRA. As a result of these errors and omissions, the overall value of the partnership program was understated by \$4.9 million in the two regions where we reviewed agreements. We also noted numerous instances where the wrong agreement type and execution and/or expiration date was entered into INFRA, or the closeout date and execution and/or expiration date was not entered.

Most of these errors and omissions occurred because of human error or FS' failure to update the information in INFRA after modifications to the agreement were made. We noted that FS had no quality control process, such as a supervisory or second-party review, to detect the errors and omissions. According to FS, since implementing INFRA in 2002, it had not considered the need for a quality control process.

Timely, accurate data, as well as the ability to track accomplishments and cost benefits for each partnership agreement, are important to effective management of the program, effective allocation of resources, and to demonstrate program results. In order to achieve this, equipping the INFRA system to accommodate accomplishment reporting, and establishing a process to ensure data integrity, need to be made a priority.

Recommendation 6

Prioritize enhancements to INFRA so that it is able to track the accomplishments of the partnership program and the overall benefits to the Government.

Agency Response

In its written response to the draft report, dated December 14, 2005, FS stated that a Partnership Reporting Task Team is currently determining needs and parameters of partnership reporting. This module is planned to be incorporated into or interfaced with I-WEB. The estimated completion date of the study that will identify a timeline for system implementation is the end of FY 2006. FS' estimated completion date for this action is December 29, 2006.

OIG Position

We accept FS' management decision on this recommendation. For final action, FS needs to provide the Office of the Chief Financial Officer the

results of the study and the timeframe for any planned actions resulting from it.

Recommendation 7

Establish a quality control process to ensure that data is both timely and accurately entered into INFRA.

Agency Response

In its written response to the draft report, dated December 14, 2005, FS stated that it had already completed the recommended action on September 30, 2005. During FY 2005, the INFRA database was converted to a role-based, real-time recording system called I-WEB. Quality control process system checks and balances were built into the I-WEB system and errors are identified by the system when it interfaces with FFIS. These errors are listed on reports that are available to system users.

OIG Position

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

Section 2. Partnership Agreements

Our review found that controls are needed to ensure that partnership agreements meet ethical requirements and are financially sound. Considering the number of partnerships FS administers and the amount of resources it contributes to them—4,081 active partnerships with \$241 million in contributions as of August 4, 2004—the agency must have controls in place to ensure those agreements are both ethical and financially sound before it approves them. Without taking these steps prior to approving partnership agreements, FS may expose itself to unforeseen liabilities or criticism from FS employees and public groups if project selection or program management is perceived as biased or unfair.

For example, before FS enters into an agreement with an outside entity, it must consider the appropriateness of the arrangement, including whether potential conflicts of interest and other ethical concerns exist. We found, however, that FS did not have standardized procedures in place to detect such conflicts before agreeing to partner with outside entities. In fact, we found that three FS employees were serving in their official capacity on partners' boards and executive committees, a violation of Federal regulations.

Further, once FS determines that a partnership is appropriate, it must make sure that the partnership agreement contains complete and accurate financial information, including the amounts FS and the partner agree to contribute. We found, however, that many partnership agreements FS approved did not contain a complete, adequately supported financial plan.

Finding 3

Standardized Procedures Need To Be Established To Detect Conflicts of Interest and Other Ethical Concerns

Our audit disclosed that three FS employees were serving in their official capacity on the boards or steering committees of outside entities that had partnered with the FS under its partnership program. Such problems could be avoided if FS had standardized procedures to detect conflicts of interest and other ethical concerns before partnerships are approved. By serving in their official capacity as board members or on executive committees of non-Federal entities, FS employees not only expose FS to conflicts of interest, but make FS potentially liable for any torts that they may commit in their service on behalf of the non-Federal organization, and possibly for other actions by the organization. As a result of our audit, two of the employees resigned their positions on the partners' board.

It is a violation of 18 U.S.C. § 208 (conflicts of interest) for Federal employees to serve as fiduciaries (officers, board members, etc.) of outside organizations in their official (Federal) capacity except when specifically required by statute or pursuant to a waiver issued under 18 U.S.C § 208 (b). The FS Handbook⁵ prohibits FS from entering into a partnership agreement when a potential conflict of interest or the appearance of a conflict of interest exists. It also states that such conflicts need to be considered before any serious discussions take place with a potential partner. The FS Manual⁶ states that it is the responsibility of the agency's Grants and Agreements specialists to analyze partnership proposals for potential conflicts of interest and other ethical concerns.

FS Employees Improperly Served on Partners' Boards and Executive Committees

Two of the FS employees who were serving in their official capacity on the partner's board or steering committee began serving before the current partnership agreements were established. In both instances, the partnerships were already established but new agreements were needed when the prior agreements expired. The first employee served on the partner's steering committee and was not aware of the prohibition.⁷ According to the employee's supervisor, she was not aware of the employee's status as a voting member of the partner's steering committee. The second employee served on the partner's board of trustees because he was directed to do so by his supervisor.⁸ As a result of our audit, the employee was advised by his ethics advisor to resign from the board, which he did in January 2005 after his supervisor sent a letter to the partner announcing the resignation. The remaining employee began serving on the partner's board of directors in November 2004, after the partnership was established. At the time of our audit, the employee was in the process of seeking a waiver but subsequently resigned from the board after being told that she would not likely be granted one.⁹

In a January 2005 memorandum to agency heads, the Office of General Counsel (OGC) noted that in an era of reduced agency budgets and increased partnership efforts, there is a growing practice on the part of outside organizations to invite Federal officials responsible for Federal programs of organizational interest to serve on their boards of directors or in other fiduciary capacities. In September 2001, the FS Washington Office (WO) sent a letter to its regions to remind employees of the prohibition against

⁵ FS Handbook 1509.11, Section 62.1, dated April 21, 1995

⁶ FS Manual 1580.42, dated August 30, 2002

⁷ The employee began serving on the partner's steering committee in November 2000, and the current partnership agreement was established in September 2003.

⁸ The employee began serving on the partner's board of trustees in November 2003, and the current partnership agreement was established in June 2004.

⁹ Government regulations place stringent requirements on qualifying for an individual waiver of the conflict of interest statute. The Office of Government Ethics discourages waivers because of the liability exposure to agencies and employees personally.

serving in their official capacity as board members or on executive committees of non-Federal entities. The FS WO needs to again remind its employees of this prohibition. It also needs to identify any other agency employees currently serving in their official capacity on boards or executive committees of non-Federal entities and direct them to take the appropriate actions to comply with the law.

Standardized Procedures May Have Detected FS Employees Serving on Partners' Boards

We attributed the problems we found with FS employees serving on partners' boards to the fact that FS does not have standardized procedures for evaluating proposed partnerships for conflicts of interest and other ethical concerns. Although Grants and Agreements specialists evaluate the proposed partnerships for potential conflicts of interest and other ethical concerns, their assessments are neither documented nor standardized to ensure consistency of coverage.

We interviewed a Grants and Agreements specialist from each FS region to determine the scope of their ethics reviews for the partnership program and whether the reviews were documented. Although the Grants and Agreements specialists told us they performed ethics reviews for the partnership program, they did not generally do so until after the program staff had already developed the partnership proposal as is currently required. For the partnership agreements we reviewed in two regions, the Grants and Agreements specialists did not document the results of their ethical reviews or even that a review had been performed.

We concluded that FS needs to amend its manual to require Grants and Agreements specialists to coordinate their reviews with the program staff prior to the development of the partnership proposal. This will enable them to more effectively and timely identify any ethical concerns that would adversely affect FS' decision to approve the partnership.

Furthermore, we believe that FS needs to develop a questionnaire or similar document—completed by the program staff and reviewed by the Grants and Agreements specialists—to ensure that the ethics reviews are consistently performed and documented, and that they are sufficient to identify any existing ethical concerns regarding the proposed partnership. At a minimum, the questionnaire should include the evaluation questions pertaining to ethics included in the FS Partnership Guide. We believe that, had such a control been in place, FS likely would have detected two of the instances we found, where FS employees were serving in their official capacity on the partner's board or steering committee, before the partnership agreement was renewed. The questionnaire would also provide a means for documenting the results of the review, particularly when ethical concerns are identified that need to be resolved with the ethics official before the partnership is approved.

FS had not considered the need to standardize and document its ethical review process for the partnership program. Given the potential growth of the program, particularly in light of proposed legislation to make it even easier for FS to partner with outside entities, the risk for conflicts of interest and other ethical problems may increase. Even the appearance of a conflict of interest or other ethical concerns could adversely affect the public's confidence in the integrity of the FS' partnership program.

Recommendation 8

Remind all FS employees of the prohibition against serving in their official capacity as board members or on executive committees of non-federal entities and the consequences for doing so.

Agency Response

In its written response to the draft report, dated December 14, 2005, FS stated that a letter will be jointly developed by the Acquisition Management Staff and the Human Resources Ethics Office and distributed to all employees reminding them of the prohibition against serving in their official capacity as board members or on executive committees of non-federal entities. FS' estimated completion date for this action is June 30, 2006.

OIG Position

We accept FS' management decision on this recommendation. For final action, FS needs to provide the Office of the Chief Financial Officer a copy of the letter it issues to its employees.

Recommendation 9

Determine agency-wide whether other employees are currently serving in their official capacity as board members or on executive committees of non-Federal entities and, if so, instruct them to take the appropriate actions to comply with the law.

Agency Response

In its written response to the draft report, dated December 14, 2005, FS stated that the letter it develops in response to Recommendation No. 8 will also request that within 60 days employees identify roles in which they serve in a fiduciary capacity to non-federal organizations and will provide instructions for appropriate actions that employees may take in order to report back and to comply with the law. FS' estimated completion date for this action is September 30, 2006.

OIG Position

We accept FS' management decision on this recommendation. For final action, FS needs to provide the Office of the Chief Financial Officer the results of its response to the letter and the actions taken to ensure that all employees are in compliance with the law.

Recommendation 10

Amend the FS Manual to require Grants and Agreements specialists to coordinate their reviews with the program staff prior to any serious discussions with the potential partner so that they can more effectively and timely identify any ethical concerns that would adversely affect FS' decision to approve the partnership.

Agency Response

In its written response to the draft report, dated December 14, 2005, FS stated that it would amend the Forest Service Manual 1580 and/or Forest Service Handbook 1509 to distribute standardized procedures for G&A specialists to follow in order to detect conflicts of interest and ethical concerns prior to partnership approval. A standardized assessment and process to document this action will also be included in the update. FS' estimated completion date for this action is December 29, 2006.

OIG Position

We accept FS' management decision on this recommendation. For final action, FS needs to provide the Office of the Chief Financial Officer a copy of the amendments to Forest Service Manual 1580 and/or Forest Service Handbook 1509 that is issues to G&A specialists.

Recommendation 11

Develop a questionnaire for program staff to use for their ethical reviews of the partnership program.

Agency Response

In its written response to the draft report, dated December 14, 2005, FS stated that it is in the process of transitioning data collection from paper documentation to a system-based or training-based process. By the end of FY 2006, it will have determined the best way to institutionalize identifying ethical concerns and questions in the partnership process. This may be accomplished through an automated system within I-WEB, a separate questionnaire, identified through planned internet-based training, or other

methods. FS' estimated completion date for this action is September 30, 2006.

OIG Position

We accept FS' management decision on this recommendation. For final action, FS needs to provide documentation to the Office of the Chief Financial Officer supporting its decision on the methodology it will use to document its ethical reviews of the partnership program.

Recommendation 12

When ethical concerns are identified, require the designated ethics official to review and to resolve ethical concerns identified by the questionnaire before the partnership is approved.

Agency Response

In its written response to the draft report, dated December 14, 2005, FS stated that if an ethical concern is identified, the designated system determined in Recommendation No. 11 will automatically notify the Human Resources Ethics Official. FS' estimated completion date for this action is September 30, 2006.

OIG Position

We accept FS' management decision on this recommendation. For final action, FS needs to provide documentation to the Office of the Chief Financial Officer supporting its decision on the methodology it will use to document its ethical reviews of the partnership program and to report any ethical concerns that are identified.

Finding 4

Partnership Agreements Did Not Always Include a Complete, Adequately Supported Financial Plan

Many of the partnership agreements we reviewed did not contain a complete, fully supported financial plan, as required by the FS Handbook. Specifically, we found that the amounts recorded in many of the financial plans were not adequately supported and that many partnership agreements did not even contain a financial plan. We attributed these problems to a lack of detailed guidance for FS program personnel and Grants and Agreements specialists, who are responsible for preparing and reviewing the plans, respectively. Without complete, supported financial plans, FS cannot ensure that the

projects carried out under partnership agreements are properly funded and that the partner's actual contribution to the project is adequate.

The FS Handbook requires that a financial plan be developed and incorporated into the partnership agreement.¹⁰ The handbook instructs Grants and Agreements specialists to “ensure that the agreement contains a financial plan.”¹¹ In addition, the FS Manual¹² requires the Grants and Agreements specialists to review and approve the completed partnership agreement, including the financial plan.

Developed by the partner in collaboration with FS program personnel, the financial plan is intended to quantify the project costs as well as the contributions from FS, the partner, and any other cooperators. According to the FS Handbook, the plan should break down the project expenses by cost elements, such as salaries, travel, equipment, and supplies. The handbook further states to “determine the reasonableness of prices by performing a thorough cost analysis of each individual cost element. In performing the cost analysis, a comparison should be made between the cooperator's proposed cost and other relevant cost data,” such as historical contract prices.

No Consistent Support for Cost Elements

To demonstrate that they have performed the required cost analysis, program personnel should include detailed support for the individual cost elements listed in the financial plan. However, that support was not always included in the financial plans we reviewed. While several of the financial plans included an itemized breakdown for each of the cost elements, 47 (or 27 percent) of the 177 partnership agreements we reviewed did not contain financial plans with adequate support for the cost elements (see exhibit D). For example, we reviewed two financial plans, one listing \$175,000 for supplies and the other listing \$276,800 for salaries; however, neither plan explained or justified the expense. Furthermore, the partnership files rarely contained any evidence that a cost analysis had actually been performed for each of the cost elements.

For 38 of the financial plans reviewed, we interviewed the program staff responsible for administering the partnership agreement. Some of them told us that they had performed the cost analysis as required but were not aware the analysis needed to be documented. For those program staff that did not perform the cost analysis, some said they relied on the Grants and Agreements specialist to assure them that the estimates were reasonable.

We attributed the problems with the financial plans to a lack of guidance for program personnel to follow when developing the financial plan with the partner. Although FS recently issued three templates for developing financial

¹⁰ FSH 1509.11, Section 62.2, dated April 25, 1995

¹¹ FSH 1509.11, Section 62.3, dated April 25, 1995

¹² FS Manual 1580.42, dated August 30, 2002

plans, the templates do not prompt program personnel to justify the costs entered. Based on discussions with FS management, we determined that more specific guidance for program staff is needed in the FS Handbook—specifically, materiality levels for determining when cost elements need to be broken down and analyzed, and instructions for documenting those analyses. Furthermore, if program personnel have not included sufficient support in the financial plan, Grants and Agreements specialists must obtain the needed information in order to determine if the amounts are reasonable. Without adequate support for the amounts claimed in the financial plan, FS increases its risk of obligating to the partnership project more funds than are actually needed, funds that could be used for other purposes.

Financial Plan Missing from Partnership Agreements

In addition to the missing and unsupported information we identified in many of the financial plans, 40 (or 23 percent) of the 177 partnership agreements we reviewed did not even contain a financial plan (see exhibit D). In the absence of an adequate financial plan, FS cannot verify whether its partners meet the matching requirement for the various types of partnership agreements. For example, under joint venture agreements, the partners are required to contribute at least 20 percent of the overall cost of the project, whereas other types of agreements, such as participating and challenge cost-share agreements, require that the amount of the partner's contribution be commensurate with the benefit gained. Additionally, without a financial plan, FS and partner contributions cannot be recorded in INFRA, the database FS uses to track and report on partnership agreements (see finding 2).

In over half of the instances where we found no financial plan, the partner was a national organization. The partnership benefited the partner's various programs by providing job training, personnel development, and natural resource appreciation while accomplishing work that contributed to the public lands. Each FS region administered its own agreements with the partner's local branches. Even though the partnership agreements required that a financial plan be prepared annually, the Grants and Agreements specialist in one region believed that a pricing schedule received from the FS WO was sufficient in lieu of an actual financial plan. However, unlike a financial plan, the pricing schedule only lists prices for the items that FS may contribute to the partnership; it does not assign an overall cost to the project and break it down by cost element. Furthermore, the schedule does not include prices for the items the partner plans to contribute to the partnership.

In cases where a national partnership is overseen locally by the regions, further direction is needed from the FS WO on how to value the partner's contribution so that agreements are administered consistently nationwide. In the remaining instances where we found no financial plan, FS staff we interviewed could not account for the omission.

Recommendation 13

Establish a materiality level for determining which cost elements on the financial plan need to be broken down and analyzed.

Agency Response

In its written response to the draft report, dated December 14, 2005, FS stated that Acquisition Management Staff will work with the National Partnership Office to establish materiality levels for partnerships. Directives will be updated to provide information on when and how to conduct cost analysis. FS' estimated completion date for this action is December 29, 2006.

OIG Position

We accept FS' management decision on this recommendation. For final action, FS needs to provide the Office of the Chief Financial Officer a copy of the updated directives containing the materiality levels established for the partnership program.

Recommendation 14

Instruct program staff to break down each individual cost element on the financial plan based on the materiality level established in Recommendation 13, document their analysis of each cost element, and submit it with the financial plan to the Grants and Agreements staff responsible for reviewing the financial plan.

Agency Response

In its written response to the draft report, dated December 14, 2005, FS stated that detailed procedures for conducting cost analysis will be initially published in a letter to the field by the end of the third quarter of FY 2006, before incorporated in the directives system by the end of the first quarter of FY 2007. FS' estimated completion date for this action is December 29, 2006.

OIG Position

We accept FS' management decision on this recommendation. For final action, FS needs to provide the Office of the Chief Financial Officer a copy of the letter issued to the field instructing them on when and how to conduct cost analysis.

Recommendation 15

Instruct the Grants and Agreements staff to coordinate their reviews of the financial plans with the program staff to ensure that the financial plans are properly completed and adequately supported before approving them.

Agency Response

In its written response to the draft report, dated December 14, 2005, FS stated that program staff will be responsible for conducting cost analysis reviews of financial plans submitted. If the G&A specialist finds that the review is lacking in necessary detail, the specialist will coordinate with program staff to insure information is complete and/or obtain necessary additional information. Directives will be updated to provide guidance and definition of responsibilities. FS' estimated completion date for this action is December 29, 2006.

OIG Position

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

Recommendation 16

Instruct the FS Washington Office to provide regions more specific guidance on valuing partners' contributions, particularly those contributions from national organizations administered locally.

Agency Response

In its written response to the draft report, dated December 14, 2005, FS stated that its Washington Office will develop and distribute guidance for valuation of partner contributions, but noted that some contributions are difficult to value in monetary terms (for instance, volunteer hours) and some partners are reluctant to accept valuation of specific contributions. Quantifying a partner's contribution may represent a disincentive or deterrent to participation for that partner. Because of this, there may be circumstances when the partner may prefer that FS not quantify their contribution, or that FS find another way to value their contribution. Therefore, the guidance will contain alternative methods of valuing contributions other than monetary valuations. FS' estimated completion date for this action is December 29, 2006.

OIG Position

We accept FS' management decision on this recommendation. For final action, FS needs to provide the Office of the Chief Financial Officer a copy of the guidance it issues for valuing partner contributions.

Finding 5

FS Needs To Monitor the National Forest Foundation More Closely To Ensure That It Meets Program Requirements

During FYs 2001 through 2004, the NFF accumulated almost \$2.6 million in appropriated funds from FS—nearly \$1 million of which was received in FY 2002—while continuing to receive additional funds from FS. The NFF was unable to spend the funds because it had not raised enough money from private donors to meet the Federal matching requirement. In addition, FS was unaware that the NFF needed to return \$37,890 in appropriated funds received in FY 1998 that it was also unable to spend on approved projects by the specified date. These problems occurred because FS did not adequately and timely account for the funds it provided the NFF to ensure that program requirements were met before providing it additional funds. Without controls to verify that the NFF spends appropriations properly, FS may continue to provide the foundation with unneeded funds that could be used for other purposes. We reported a similar condition in a prior audit of the NFF that we conducted in 1998.¹³

The NFF is required by law to match dollar-for-dollar the appropriated funds it receives from the FS with private contributions. If the NFF fails to meet the Federal matching requirement within the performance period specified under the agreement, it has to return the unmatched funds to FS along with any interest earned on the funds. The FS Manual¹⁴ requires the agency's Grants and Agreements specialists to ensure that appropriations are used for their designated purpose and within the specified timeframe.

Since 1998, the NFF has received over \$10 million in appropriated funds from FS to carry out its mission. However, as noted in the following table, FS continued to provide the NFF additional funds even though the NFF had not spent what it already had. As previously noted, the amount unexpended was almost \$2.6 million, almost half of which was from the FY 2002 appropriation.

¹³ Audit Report No. 08801-1-TE, Evaluation of Forest Service Grants to the National Forest Foundation, February 1998.

¹⁴ FS Manual 1580.42, dated August 30, 2002

STATUS OF FUNDS NFF RECEIVED FROM FS AS OF FEBRUARY 23, 2005							
Year Funds Appropriated	Date Agreement Executed	Date Agreement Expires	Amount NFF Received	Amount NFF Expended	Balance Remaining Unexpended	Balance Remaining Obligated ¹⁵	Balance Remaining Unobligated
1998	04/17/98	09/30/02	\$1,500,000	\$1,462,110	\$37,890	\$0	\$37,890
2001	05/19/01	09/30/06	\$1,850,000	\$1,846,937	\$3,063	\$0	\$3,063
2002	03/07/02 ¹⁶	09/30/06	\$1,850,000	\$926,010	\$923,990	\$819,506	\$104,484
2003	05/08/03 ¹⁴	09/30/06	\$2,600,000	\$2,160,320	\$439,680	\$266,135	\$173,545
2004	04/02/04 ¹⁴	09/30/06	\$2,617,000	\$1,393,291	\$1,223,709	\$135,416	\$1,088,293
TOTAL			\$10,417,000	\$7,788,668	\$2,628,332	\$1,221,057	\$1,407,275

The FY 2001 agreement required that the NFF match FS funds dollar-for-dollar with non-federal funds by the end of the performance period and spend them on approved projects. However, rather than accounting for the appropriation at the end of the performance period to ensure that the funds were timely matched and used for an appropriate purpose, FS extended the performance period after adding on the next year's appropriation. The FY 2001 agreement was modified three times since FY 2001, extending the performance period each time, while adding the subsequent year's appropriation. The performance period currently ends September 2006 for all appropriations the NFF received since FY 2001. FS had not considered the need to withhold from the NFF any future appropriations until it was able to timely spend what it already had.

Regarding the \$37,890 balance remaining from the FY 1998 appropriation that the NFF needed to return to FS, these funds consisted of refunds from subrecipients that didn't need them to complete their projects. Although the NFF reported to FS the unspent balance remaining from the FY 1998 appropriation, FS did not follow up with the NFF to determine whether it needed to be returned. NFF officials stated that they planned to return the unused funds to FS but had yet to do so.

According to the NFF president, he expected to spend all of the remaining funds that were obligated (\$1.2 million) by the end of the last fiscal year. The NFF president also expected to obligate the remaining \$1.4 million during the grant cycle that began April 2005 and most of the FY 2005 appropriation (\$3.3 million) during last summer's special centennial cycle. Based on the NFF president's assurances to FS and the establishment of the

¹⁵ Funds are obligated once there is a viable project that needs funding—even though NFF has yet to raise the funds from private contributors to meet the Federal matching requirement.

¹⁶ The agreement for the FY 2001 appropriation was modified to include the current year's appropriation. The performance period was also extended by 2 years.

committee discussed below, FS approved the NFF's FY 2005 appropriation for \$3.3 million.

Beginning with the FY 2005 appropriation, FS plans to establish separate agreements for each appropriation, limiting the performance period to a reasonable period not to exceed 5 years. The NFF would have to return any funds not expended within the established timeframe. FS also plans to require the NFF to report the status of each appropriation at the end of the performance period. In addition, FS plans on establishing a committee headed by the National Partnership Office's program manager to more closely monitor the activities of the NFF and to assist the foundation as needed in meeting its program requirements. We believe that the committee should also be required to review the reports FS plans to require at the end of each performance period for each appropriation. This review would ensure that the funds are properly accounted for and that the NFF is meeting program requirements before FS provides it additional funds.

Recommendation 17

Require the planned FS committee to review the reports that will be required at the end of each performance period for each appropriation to ensure that the funds are properly used and accounted for and that the NFF met program requirements before providing it additional funds.

Agency Response

In its written response to the draft report, dated December 14, 2005, FS stated that the Cross-Deputy Team formed by the Forest Service in July 2005 to work with the National Forest Foundation (NFF) on policy, communication and management issues will continue their work. Review of NFF annual performance reports for earmark grants will be actively incorporated into the work of the FS Cross-Deputy Team for NFF. This will be a recurring action item included in the agenda of the quarterly Board meetings starting with the first quarter FY 2006 meeting. FS' estimated completion date for this action is March 31, 2006.

OIG Position

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

Recommendation 18

Collect back from the NFF the \$37,890 balance owed from the FY 1998 appropriation.

Agency Response

In its written response to the draft report, dated December 14, 2005, FS stated that a WO AQM representative will follow up with FS Financial Management Staff at the Albuquerque Service Center to ensure collection has been made. FS' estimated completion date for this action is March 31, 2006.

OIG Position

We accept FS' management decision on this recommendation. For final action, FS needs to provide documentation to the Office of the Chief Financial Officer that the balance owed to FS has been collected back from NFF.

Scope and Methodology

The purpose of our review was to identify and evaluate the key internal controls governing FS' administration of the partnership program. Our review covered the following five types of agreements that FS uses to document its partnerships: a) participating agreements, b) challenge cost-share agreements, c) joint venture agreements, d) cost reimbursable agreements, and e) cooperative research and development agreements.

To accomplish our objectives, we performed fieldwork at the FS Washington Office (WO) in Washington D.C.; the Pacific Southwest Regional Office (Region 5) in Vallejo, California; the Tahoe National Forest Truckee Ranger District (Region 5) in Truckee, California; the Pacific Northwest Regional Office (Region 6) in Portland, Oregon; and the Mt. Baker-Snoqualmie National Forest Supervisor Office in Mountlake Terrace, Washington. (See exhibit F.) Fieldwork was performed between July 2004 and April 2005.

We judgmentally selected Regions 5 and 6 based on the number and value of active partnerships recorded in INFRA as of August 4, 2004, for the five agreement types covered in our scope.¹⁷ At the sites visited, we reviewed 177 partnership agreements. (See exhibit C.) We judgmentally selected 68 of the agreements for a full review based on a number of factors including the type of entity FS partnered with (i.e., nonprofit organization), whether the contribution from the partner was significantly more or less than FS' contribution, and the total project value of the partnership. The remaining 109 agreements were selected for limited review based on possible INFRA discrepancies we noted on August 4, 2004 (i.e., \$0 dollars recorded for the partner and/or FS contributions). The limited review included confirming whether these were indeed discrepancies.

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

- Obtained and reviewed all applicable laws, regulations, and procedures pertaining to FS' administration of the partnership program.
- Interviewed key FS WO staff, such as the National Partnership Office program manager and the branch chief of Grants and Agreements, to determine WO oversight responsibilities and guidelines pertaining to partnership project planning and selection, project monitoring, project accounting, and project reporting. In addition, we obtained and reviewed statistics on the total number and value of active partnerships nationwide for the five agreement types covered in our audit.

¹⁷ Region 6 was selected because it had the largest number of active partnerships. Region 5 was selected because it had one of the lowest numbers of active partnerships while at the same time having the largest amount of total partnership contributions.

- Contacted the regional partnership coordinators or partnership contacts to evaluate certain aspects of the partnership program in each region. Specifically, we interviewed these individuals to determine whether: a) each region had developed measurable benchmarks for its partnership program, b) each region had developed a strategic plan for its partnership program, and c) each region had appointed a full-time partnership coordinator. We also contacted Grants and Agreements specialists from the regions to determine whether standardized procedures existed to identify conflicts of interest and other ethical concerns prior to approving partnerships.
- Reviewed the agreement files for the 177 partnerships sampled to determine whether partnership data entered in INFRA was consistent with documentation contained in the files. Also reviewed the agreement files for 68 of the 177 partnerships sampled and interviewed program officials to determine whether the partnership agreements were established in compliance with program requirements.
- Interviewed the National Forest Foundation president and CPA staff responsible for the NFF's accounting to assess the NFF's role in administering private gifts of funds and lands for the benefit of the national forests. In addition, we reviewed financial data obtained from the NFF to ensure it was matching Federal funds provided under a cooperative agreement with the FS according to program requirements.

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

Exhibit A – Summary of Monetary Results

Recommendation Number	Description	Amount	Category
7	Amount that INFRA was understated for Regions 5 and 6 due to errors and omissions (see exhibit E)	\$4,932,817	Accounting Classification Errors
18	Amount NFF needed to return to FS from the FY 1998 appropriation that it was unable to spend on approved projects by the end of the performance period (see table on page 25)	\$37,890	Questioned Costs, Recovery Recommended
Total		\$4,970,706	

Exhibit B – Total Number and Value of Active FS Partnership Agreements as of August 4, 2004

Type of Agreement	Number of Agreements	Partnership Contributions		
		Forest Service	Other Partners	Total
Challenge Cost-Share	1,578	\$67,925,877	\$94,030,022	\$161,955,899
Cooperative Research and Development	73	\$0	\$9,137,072	\$9,137,072
Cost Reimbursement	154	\$43,191,987	\$2,108,810	\$45,300,797
Joint Venture	913	\$75,274,307	\$32,186,416	\$107,460,723
Participating	1,363	\$55,075,540	\$44,509,551	\$99,585,091
Total	4,081	\$241,467,711	\$181,971,871	\$423,439,582

Exhibit C – Total Number of Partnership Agreements Reviewed

Location	Instrument Type Used					Total
	Challenge Cost-Share	Cooperative Research and Development	Cost Reimbursable	Joint Venture	Participating	
Region 5						
Regional Office	27	0	6	0	27	60
El Dorado NF	3	0	0	0	2	5
Inyo NF	3	0	0	0	22	25
Tahoe NF	3	0	1	0	1	5
Lake Tahoe Basin Management Unit	3	0	0	0	4	7
Subtotal	39	0	7	0	56	102
Region 6						
Regional Office	3	0	2	1	20	26
Gifford Pinchot NF	7	0	2	0	5	14
Mt. Baker-Snoqualmie NF	10	0	0	0	13	23
Olympic NF	6	0	1	0	5	12
Subtotal	26	0	5	1	43	75
Total	65	0	12	1	99	177

Exhibit D – Number of Partnership Agreements Reviewed With No Financial Plan or Financial Plan Not Adequately Supported

Location	Number of Partnership Agreements Reviewed	Number of Partnership Agreements Reviewed With No Financial Plan	Number of Partnership Agreements Reviewed With Financial Plan Not Adequately Supported
Region 5			
RO	60	6	26
El Dorado NF	5	0	2
Inyo NF	25	17	1
Tahoe NF	5	0	2
Lake Tahoe Basin Management Unit	7	2	3
Subtotal	102	25	34
Region 6			
RO	26	0	1
Gifford Pinchot NF	14	2	1
Mt. Baker- Snoqualmie NF	23	10	6
Olympic NF	12	3	5
Subtotal	75	15	13
Total	177	40	47

Exhibit E – INFRA Errors and Omissions Noted During Review of Selected Partnership Agreements

Location	Number of Partnership Agreements Reviewed	FS Contributions	Partner Contributions	Total Contributions	INFRA Errors and Omissions Noted					
		Note: The amounts that should be in INFRA per OIG are shown in brackets.			FS Contribution Not Entered or Not Accurately Entered	Partner's Contribution Not Entered or Not Accurately Entered	Wrong Agreement Type Entered	Execution and/or Expiration Date Not Entered or Not Accurately Entered	No Closeout Date Entered	Miscellaneous ¹⁸
Region 5										
RO	60	\$2,051,311 (\$5,188,645)	\$8,140,747 (\$10,753,928)	\$10,192,058 (\$15,942,573)	25	25	6	17	4	25
El Dorado NF	5	\$202,339 (\$220,123)	\$182,364 (\$208,544)	\$384,702 (\$428,668)	1	1	0	0	0	0
Inyo NF	25	\$578,926 (\$658,487)	\$1,494,859 (\$1,546,859)	\$2,073,785 (\$2,205,346)	1	1	0	1	5	0
Tahoe NF	5	\$204,704 (\$204,704)	\$961,657 (\$961,657)	\$1,166,360 (\$1,166,360)	0	0	0	0	0	0
Lake Tahoe Basin Mgmt. Unit	7	\$731,309 (\$736,370)	\$1,393,684 (\$1,297,935)	\$2,124,993 (\$2,034,305)	4	3	0	1	0	0
Subtotal	102	\$3,768,588 (\$7,008,329)	\$12,173,311 (\$14,768,924)	\$15,941,899 (\$21,777,253)	31	30	6	19	9	25
Region 6										
RO	26	\$2,944,358 (\$1,343,591)	\$2,648,963 (\$2,785,625)	\$5,593,321 (\$4,129,216)	8	6	1	7	3	0
Gifford Pinchot NF	14	\$641,685 (\$963,187)	\$746,451 (\$786,517)	\$1,388,136 (\$1,749,704)	4	4	4	8	1	2
Mt. Baker-Snoqualmie NF	23	\$1,161,380 (\$937,858)	\$2,755,355 (\$2,841,284)	\$3,916,735 (\$3,779,142)	2	5	2	9	0	2
Olympic NF	12	\$598,356 (\$772,335)	\$690,156 (\$853,769)	\$1,288,512 (\$1,626,104)	1	1	1	12	0	3
Subtotal	75	\$5,345,779 (\$4,016,971)	\$6840,925 (\$7,267,195)	\$12,186,704 (\$11,284,167)	15	16	8	36	4	7
Total	177	\$9,114,368 (\$11,025,300)	\$19,014,236 (\$22,036,119)	\$28,128,603 (\$33,061,420)	46	46	14	55	13	32

¹⁸ Includes those instances noted where partnership agreement number not entered correctly (8), partner's name not entered (5), partnership contributions not shown in INFRA because they were not entered correctly (3), partnership contributions inappropriately deleted from INFRA when closing out the partnership agreement (15), and partnership agreement erroneously closed in INFRA (1).

Exhibit F – Audit Sites Visited

AUDIT SITE	LOCATION
FS Washington Office	Washington, DC
<p><u>Region 5</u></p> <p>Pacific Southwest Regional Office</p> <p>IBET Province</p> <ul style="list-style-type: none"> - Eldorado National Forest - Inyo National Forest - Tahoe National Forest - Lake Tahoe Basin Management Unit 	<p>Vallejo, CA</p> <p>Truckee, CA</p>
<p><u>Region 6</u></p> <p>Pacific Northwest Regional Office</p> <p>Western Washington Contracting Area</p> <ul style="list-style-type: none"> - Gifford Pinchot National Forest - Mt. Baker-Snoqualmie National Forest - Olympic National Forest 	<p>Portland, OR</p> <p>Mountlake Terrace, WA</p>

Exhibit G – FS Response to Draft Report



United States
Department of
Agriculture

Forest
Service

Washington
Office

1400 Independence Avenue, SW
Washington, DC 20250

File Code: 1430
Route To:

Date: DEC 14 2005

Subject: Response to Official Draft Office of Inspector General (OIG) Audit Report No. 08601-41-SF, "Forest Service Collaborative Ventures and Partnerships with Non-Federal Entities"

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

Thank you for the opportunity to review and comment on the official draft OIG Audit Report No. 08601-41-SF, "Forest Service Collaborative Ventures and Partnerships with Non-Federal Entities." The Forest Service concurs with the recommendations in the report and believes they will benefit the overall Collaborative Ventures and Partnership programs. See the enclosed regarding the proposed actions to implement the recommendations.

If you have any technical questions, please contact Jan Engert at 202-205-1072. If you have any other questions, please contact Art Seggerson, Agency OIG Audit Liaison, at 703-605-4968.

JESSE L. KING

Associate Deputy Chief for Business Operations/Chief Financial Officer

Enclosure

cc: Jan Engert, Janet Lockhart



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**United States Department of Agriculture
Forest Service (FS)**

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**Office of Inspector General (OIG) Official Draft Audit Report No. 08601-41-SF
Forest Service Collaborative Ventures and Partnerships with Non-Federal Entities**

Response to the Official Draft Audit Report

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Audit Recommendation No. 1: Require all regions to develop a strategic plan for their partnership programs, to include specific goals for measuring the programs' success.

Forest Service Response to No. 1: The Forest Service concurs with this audit recommendation, as articulated in this response. The Forest Service recognizes the need for strategic planning and establishing goals for the partnership work of the agency. The Agency intends to integrate partnership goals into its existing performance accountability process. The process is currently being revised to include goals pertaining to national-level partnership-related activities that contribute to the accomplishment of the overall National Forest Service Strategic Plan and other priorities. This effort is designed to align regional program goals, including partnership activities, to national program goals as well as to improve consistency in reporting accomplishments.

In addition to the partnership work accomplished within the *National Forest System*, other branches of the Forest Service, including *State and Private Forestry* and *Research* contribute significantly to the use of partnerships in accomplishing the overall Forest Service program of work. For example, interagency cooperation with the advent of the National Fire Plan has resulted in the establishment of goals for working in partnership with communities in fuels reduction and community assistance.

To help in the development of Strategic Business Plans (SBP) or Core Elements, a national-level Strategic Business Plan workgroup has been established to develop the form and content along with guidance and direction for strategic business planning. This workgroup will include input from either the NPO or the National Partnership Network. The workgroup will focus on the value of SBP in helping National Forest System Regions, State and Private Forestry, and Research Stations to prioritize work and results. Specifically, this workgroup will:

- Review government-wide requirements and FS commitments for performance accountability contained in OMB A-11 requirements, USDA requirements, and Forest Service responses to GAO and OIG audits.
- Ensure process meets need of Forest Service leadership and staff for program development, budget formulation and allocations, accomplishment reporting, and program evaluation.
- Assess how a strategic business plan can show how program activities relate to strategic outcomes during various stages of the planning and management cycle, such as budget formulation, allocations, and accomplishment reporting.

- Determine need for national consistency on strategic business plan elements versus national consistency for full suite of strategic business planning efforts.
- Propose methods of communicating recommendations and guidelines to FS staff once approved by leadership.

Key Deliverables of the Strategic Business Planning Workgroup include:

1. Clear identification of elements needed nationally
2. National requirements for those elements (what, when, how)
3. Identification of need for training or changes to FS guidance (directives, e.g., manual/handbook; program budget instructions, program direction, etc.)

Ultimately, this effort is designed to align regional program goals, including the use of partnerships, to national program goals as well as to improve consistency in reporting accomplishments.

Estimated Completion Date: Strategic Planning Workgroup Report and Deliverables by December 29, 2006.

=====
Audit Recommendation to No. 2: Require the National Partnership Office to review all regions' strategic plans before they are implemented to ensure they are consistent with the FS' national goals and strategies for the partnership program.

Forest Service Response to Recommendation No. 2: The Forest Service concurs with the audit recommendation, as articulated in this response. To determine partnership success, regions will develop goals using the national measures pursuant to their specific partnership activities as identified within their Strategic Business Plans or regional Core Elements as described in FS Response No. 1 above. Regional Foresters approve their region's Strategic Business Plan or Core Elements and are responsible for achieving the goals set out within them. Prior to Regional Forester approval of Strategic Business Plans or Core Elements, the National Partnership Office (NPO) will review and provide guidance on these goals and associated national measures for consistency with the agency's overall mission for enhancing partnership capacity in achieving the annual Forest Service program of work.

The NPO will also work closely with the regions to address difficulties in implementing partnership objectives and performance measures within regional Strategic Business Plans or Core Elements as well as to facilitate consistent reporting mechanisms. As well, the NPO will assist Regions in developing the means and strategies for improving the capacity of Forest Service employees to work in partnership and collaboration.

Regional Strategic Business Plans and/or Core Elements will be developed over the next 18 to 24 months. NPO participation and coordination in the development of these plans will be ongoing.

Estimated Completion Date: December 29, 2006
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Audit Recommendation to No. 3: Require regions to report annually to the National Partnership Office the status of their partnership programs, including whether they met their program goals and, if not, the actions they plan to take in order to meet them.

Forest Service Response to Recommendation No. 3: The Forest Service concurs with this audit recommendation, as articulated in this response. To assess the use of partnerships in accomplishing the overall Forest Service program of work, regional Strategic Business Plans or Core Elements will include national measures for the achievement of regional programs of work accomplished through partnerships.

To help Regions, Stations and Areas accomplish their program of work and also support agency formulation, allocation, and evaluation, a national-level Performance Measures Workgroup was recently established and includes a member of either the NPO or the National Partnership Network. This workgroup will help reform performance measures by determining what indicators and/or measures are appropriate at the strategic objective/outcome level; what indicators and/or measures are appropriate at the program activity level; whether measures will apply to individual projects, units, or other entities; whether and how to incorporate efficiency and demand measures; what measures would be used as a basis for national budgeting and performance accountability reporting. The workgroup will build on other efforts to date as well as use subject matter experts from other staffs as needed to ensure that the correct measures (or indicators) are identified. **The National Partnership Office will serve as a subject matter expert on partnership activities and ensure chosen indicators are valid, verifiable, and meet the needs of leadership and key external stakeholders.**

Regional performance goals will therefore align with the national goals in the FS Strategic Plan. Goal accomplishment will be measured in annual Strategic Business Plans or Core Elements developed at the regional level. Performance will be evaluated based on goal attainment by the Regional Forester. **Decisions related to non-performance are the direct responsibility of the appropriate line-officer** (i.e., Regional Forester at the regional-level, and the Chief at the national-level). The National Partnership Office is the champion for this program. Performance accomplishment reports are prepared at the end of the fiscal year using 9-month actual and 3-month estimates. The final, 12-month actual, reports are submitted in December. These reports include the Region's analyses of the performance measures, whether goals were met or unmet, and a plan of action and schedule to obtain the goal if the goal was unmet.

Estimated Completion Date: December 29, 2006

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Audit Recommendation to No. 4: Assess the need to dedicate more staffing resources to the partnership program and allocate available resources accordingly.

Forest Service Response to Recommendation No. 4: The Forest Service concurs with the audit recommendation. The NPO will coordinate an assessment of need for additional staffing resources to provide leadership and consistency in partnership activities.

Estimated Completion Date: December 29, 2006

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Audit Recommendation to No. 5: Develop a standard position description for the partnership coordinator.

Forest Service Response to Recommendation No. 5: The Forest Service concurs with this recommendation. The NPO will take a lead role in the development of a standard position description for regional partnership coordinators.

Estimated Completion Date: December 29, 2006

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Audit Recommendation to No. 6: Prioritize enhancements to INFRA so that it is able to track the accomplishments of the partnership program and the overall benefits to the Government:

Forest Service Response to Recommendation No. 6: The Forest Service concurs with this recommendation. During FY 2005, the INFRA database was converted to a role-based, real-time recording system that provides information to users regarding the stage of each grant/agreement, the commitment/obligation status of related funding, including payment data, and traceability for actions to specific users. This system was implemented nationwide in stages and the conversion was completed in September 2005. User roles are granted in I-Web based on the function of the user (Program Official, Budget Approver, G&A Specialist or Technician, Accounting Approver or Technician, Payment Approver) and separation of duties is maintained. Inherent checks and balances of I-Web, with its direct feed to and feedback from the USDA accounting system (FFIS) ensure that errors are identified through system-generated error reports and corrected immediately.

A Partnership Reporting Task Team is currently determining needs and parameters of partnership reporting. This module is planned to be incorporated into or interfaced with I-Web. The estimated completion date of the study that will identify a timeline for system implementation is end of 4th quarter FY 06.

Estimated Completion Date: December 29, 2006.

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Audit Recommendation to No. 7: Establish a quality control process to ensure that data is both timely and accurately entered into INFRA.

Forest Service Response to Recommendation No. 7: The Forest Service concurs with this recommendation. See response to Recommendation No. 6. During FY 2005, the INFRA database was converted to a role-based, real-time recording system, called I-WEB. Quality control process system checks and balances are built into the I-Web system. Errors are identified by the system when it interfaces with FFIS. These errors are listed on reports that are available to system users.

Estimated Completion Date: September 30, 2005

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Audit Recommendation to No. 8: Remind all FS employees of the prohibition against serving in their official capacity as board members or on executive committees of non-federal entities and the consequences for doing so.

Forest Service Response to Recommendation No. 8: The Forest Service concurs with this audit recommendation. A letter will be jointly developed by the Acquisition Management Staff (AQM) and the Human Resources (HR) Ethics Office and distributed to all employees, reminding them of the prohibition against serving in their official capacity as board members or on executive committees of non-federal entities.

Estimated Completion Date: June 30, 2006

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Audit Recommendation to No. 9: Determine agency-wide whether other employees are currently serving in their official capacity as board members or on executive committees of non-Federal entities and, if so, instruct them to take the appropriate actions to comply with the law.

Forest Service Response to Recommendation No. 9: The Forest Service concurs with this audit recommendation. A letter will be jointly developed by AQM and the HR Ethics Office as outlined in Recommendation No. 8. The letter will be distributed to all employees and will request that employees identify roles in which they serve in a fiduciary capacity to non-federal organizations. This letter will provide instructions for appropriate actions that employees may take in order to report back and to comply with law. This recommendation will be included in the resolution to Recommendation No. 8. The letter will be released by end of 3rd quarter FY 2006 and a response will be required within 60 days.

Estimated Completion Date: September 30, 2006

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Audit Recommendation to No. 10: Amend the FS Manual to require Grants and Agreements (G&A) specialists to coordinate their reviews with the program staff prior to any serious discussions with the potential partner so that they can more effectively and timely identify any ethical concerns that would adversely affect FS' decision to approve the partnership.

Forest Service Response to Recommendation No. 10: The Forest Service concurs with this audit recommendation. FS will amend the Forest Service Manual 1580 and/or Forest Service Handbook 1509 to distribute standardized procedures for G&A specialists to follow in order to detect conflicts of interest and ethical concerns prior to partnership approval. A standardized assessment and process to document this action will be included in the update.

Estimated Completion Date: December 29, 2006

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Audit Recommendation to No. 11: Develop a questionnaire for program staff to use for their ethical reviews of the partnership program.

Forest Service Response to Recommendation No. 11: The Forest Service concurs with this audit recommendation. FS is in the process of transitioning data collection from paper documentation to a system-based or training-based process. By the end of FY 2006, the agency will have determined the best way to institutionalize identifying ethical concerns and questions in the partnership process. This may be accomplished through an automated system within I-Web, a separate questionnaire, identified through planned internet-based training, or other methods.

Estimated Completion Date: September 30, 2006

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Audit Recommendation to No. 12: When ethical concerns are identified, require the designated ethics official to review and to resolve ethical concerns identified by the questionnaire before the partnership is approved.

Forest Service Response to Recommendation No. 12: The Forest Service concurs with this audit recommendation. See Recommendation No. 11. If an ethical concern is identified, the designated system will automatically notify the HR Ethics Official.

Estimated Completion Date: September 30, 2006

=====
Audit Recommendation to No. 13: Establish a materiality level for determining which cost elements on the financial plan need to be broken down and analyzed.

Forest Service Response to Recommendation No. 13: The Forest Service concurs with this audit recommendation. The FS Acquisition Management Staff (AQM) will work with the National Partnership Office (NPO) to establish materiality levels for partnerships. Program staff will be responsible to ensure that the cost analysis is performed. Directives will be updated to provide information on when and how to conduct cost analysis.

The AQM Staff and the NPO will jointly develop materiality level for cost analysis, guidance for conducting a cost analysis and definition of responsibilities. The FS will initially publish instructions in a letter to the Field by the end of 3rd quarter FY 2006. The instructions will be incorporated into the directives system by the end of 1st quarter FY 2007.

Estimated Completion Date: December 29, 2006

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Audit Recommendation to No. 14: Instruct program staff to break down each individual cost element on the financial plan based on the materiality level established in Recommendation 13, document their analysis of each cost element, and submit it with the financial plan to the Grants and Agreements staff responsible for reviewing the financial plan.

Forest Service Response to Recommendation No. 14: The Forest Service concurs with this audit recommendation. As stated in recommendation No. 13, the detailed procedures will be issued via letter and incorporated into directives system.

Estimated Completion Date: December 29, 2006

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Audit Recommendation to No. 15: Instruct the Grants and Agreements staff to coordinate their reviews of the financial plans with the program staff to ensure that the financial plans are properly completed and adequately supported before approving them.

Forest Service Response to Recommendation No. 15: The Forest Service concurs with this audit recommendation. Program staff will be responsible for conducting cost analysis (reviews) of financial plans submitted. If G&A specialist finds that the review is lacking in necessary detail, the specialist will coordinate with program staff to ensure information is complete and/or obtain necessary additional information. Directives will be updated to provide guidance and definition of responsibilities.

Estimated Completion Date: December 29, 2006.

=====
Audit Recommendation to No. 16: Instruct the FS Washington Office to provide regions more specific guidance on valuing partners' contributions, particularly those contributions from national organizations administered locally.

Forest Service Response to Recommendation No. 16: The Forest Service concurs with this audit recommendation. The FS Washington Office will develop and distribute guidance for valuation of partner contributions, which comprise a significant part of the FS G&A program. However, some contributions are difficult to value in monetary terms (for instance, volunteer hours) and some partners are reluctant to accept valuation of specific contributions. Quantifying a partner's contribution may represent a disincentive or deterrent to participation for that partner. Because of this, there may be circumstances when the partner may prefer that we do not quantify their contribution, or that we find another way to value their contribution. Therefore, the guidance will contain alternative methods of valuing contributions other than monetary valuations.

Estimated Completion Date: December 29, 2006

=====
Audit Recommendation to No. 17: Require the planned FS committee to review the reports that will be required at the end of each performance period for each appropriation to ensure that the funds are properly used and accounted for and that the NFF met program requirements before providing it additional funds.

Forest Service Response to Recommendation No. 17: The Forest Service concurs with this audit recommendation. The Cross-Deputy Team formed by the Forest Service in July 2005 to

work with the National Forest Foundation on policy, communication and management issues will continue their work. The Team facilitates internal review and issuance of annual grants to NFF from agency appropriations, participates actively in all NFF's granting cycles, receives and reviews accomplishment reports from NFF, conducts formal communication through quarterly Board meetings, and has regular informal dialogue.

Review of NFF annual performance reports for earmark grants will be actively incorporated into the work of the FS Cross-Deputy Team for NFF. This will be a recurring action item included in the agenda of the quarterly Board meetings; starting with the 1st quarter FY 2006 meeting.

Estimated Completion Date: March 31, 2006

=====
Audit Recommendation to No. 18: Collect back from the NFF the \$37,890 balance owed from the FY 1998 appropriation.

Forest Service Response to Recommendation No. 18: The Forest Service concurs with this audit recommendation. The WO AQM representative will follow up with FS Financial Management Staff at the Albuquerque Service Center to ensure collection has been made.

Estimated Completion Date: March 31, 2006

Informational copies of this report have been distributed to:

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