United States Department of Agriculture

OFFICE OF INSPECTOR GENERAL

Forest Service Oversight and Compliance Activities

08601-0001-31

March 2015

Forest Service Oversight and Compliance Activities

Audit Report 08601-0001-31

What Were OIG's Objectives

OIG determined if the Forest Service's compliance and monitoring activities were adequately structured to oversee the effectiveness and efficiency of its operations.

What OIG Reviewed

We reviewed compliance and oversight activities conducted at various organizational levels and relevant documents. We selected the Forest Service's Washington, DC, office; the Albuquerque Service Center in Albuquerque, New Mexico; four regional offices; one area office; three research stations; one laboratory; and three national forests for field visits.

What OIG Recommends

The Forest Service should analyze its current program compliance structure and activities and use the analysis to ensure that resources expended are comparable to results gained, and implement a procedure which ensures program compliance activities are completed with the results of those activities further analyzed for trends. The agency also needs to update its directive system and officials need to improve their process for ensuring the timely updating of program directives.

The Office of Inspector General reviewed the Forest Service's oversight structure and program compliance activities.

What OIG Found

The Office of Inspector General (OIG) determined that various levels of officials within the Forest Service conducted a multitude of oversight and program compliance activities. However, we found that the Forest Service can better integrate and coordinate its effort to build a more effective program compliance structure in which the value of expended resources translates consistently into program gains. For example, Forest Service regional offices and research stations did not always provide formal review reports to the Washington office officials who effect policy changes. Without the review results, management officials did not conduct analyses, such as trending, to determine if policy changes were needed for their programs or if issues were systemic. Further, OIG found the agency's directive system is outdated and not synchronized with the program compliance activities actually performed. Since an agency's management control systems are designed to provide assurance that the agency is fulfilling its mission, objectives, and statutory responsibilities, problems with internal control increase the likelihood that the Forest Service may not achieve its objective of sustaining the health, diversity, and productivity of the Nation's forests and grasslands.

The Forest Service agreed with our findings and we accepted management decision on all six recommendations.

United States Department of Agriculture
Office of Inspector General
Washington, D.C. 20250

DATE: March 12, 2015

AUDIT NUMBER: 08601-0001-31

TO: Thomas Tidwell
Chief
Forest Service

ATTN: Thelma Strong
Chief Financial Officer

FROM: Gil H. Harden
Assistant Inspector General for Audit

SUBJECT: Forest Service Oversight and Compliance Activities

This report presents the results of the subject audit. Your written response to the official draft report, dated February 27, 2015, is included, in its entirety, at the end of this report. Your responses and the Office of Inspector General's position are incorporated into the relevant sections of the report. Based on your written response, we are accepting your management decision for all audit recommendations in the report and no further response to this office is necessary.

In accordance with Departmental Regulation 1720-1, final action needs to be taken within 1 year of each management decision to prevent being listed in the Department's annual Agency Financial Report. Please follow your internal agency procedures in forwarding final action correspondence to the Office of the Chief Financial Officer.

We appreciate the courtesies and cooperation extended to us by members of your staff during our audit fieldwork and subsequent discussions. This report contains publically available information and will be posted in its entirety to our website (http://www.usda.gov/oig) in the near future.

Table of Contents

Background and Objective 1

Section 1: Forest Service Needs a More Integrated and Coordinated Structure for Monitoring its Program Compliance Reviews 4

Finding 1: Forest Service Needs to Assess its Current Compliance Structure and Activities to Determine Where Efficiencies Can be Gained 4

- **Recommendation 1** 7
- **Recommendation 2** 8
- **Recommendation 3** 8
- **Recommendation 4** 9
- **Recommendation 5** 9

Finding 2: Forest Service Directive System Needs Updating 10

- **Recommendation 6** 11

Scope and Methodology 12

Abbreviations 14

Exhibit A: Audit Sites Visited 15

Agency's Response 17

Background and Objective

Background

The mission of the Forest Service is to sustain the health, diversity, and productivity of the Nation's forests and grasslands to meet the needs of the present and future generations. Established in 1905, the Forest Service manages 155 national forests and 20 grasslands totaling 193 million acres in 44 States and territories. The agency also supports the sustainable stewardship of more than 600 million acres of private, State, Tribal, and other forest lands across the nation. Forest Service responsibilities include protection of life, property, and natural resources on the National Forest System and adjacent State and private lands. In addition, the Forest Service maintains the largest forestry research organization in the world.

The Forest Service annual appropriation for fiscal year 2014 totaled approximately $6.3 billion. Costs of fire suppression have increased dramatically in the last two decades. Notably in 2013, the Forest Service spent $2.7 billion on fire management, or 41 percent of the agency's operating costs. That year, the agency transferred over $500 million from non-firefighting accounts to pay fire suppression costs. Approximately 35,000 people are employed with the agency, and activities on Forest Service lands support nearly 450,000 other jobs.[1] Staffing levels at the agency shifted to reflect an increased focus on fire. Between 1998 and 2012, fire staffing increased approximately 110 percent, while National Forest System staffing decreased approximately 35 percent.

Organizational Structure

The Office of the Chief of the Forest Service is located in Washington, DC. The agency's Associate Chief, Chief Financial Officer, and the four Deputy Chiefs report to the Chief of the Forest Service. The deputy areas include Business Operations; National Forest System; State and Private Forestry; and Research and Development. The Forest Service has a decentralized structure because, for example, regional foresters and research station directors, in addition to Washington office officials such as the Deputy Chiefs, report directly to the Chief of the Forest Service.

The agency administers many of its Business Operations in Washington, DC, as well as through its Albuquerque Service Center in Albuquerque, New Mexico. The National Forest System is organized into nine geographical regions, each with a regional office headed by a regional forester. Within a forest region, supervisors of national forests and grasslands report to the regional forester, and oversee the ranger districts within their forests. The State and Private Forestry deputy area reaches across the boundaries of national forests to States, Tribes, communities, and non-industrial private landowners. Research and Development facilities include 5 research stations, 1 national laboratory, 1 international institute, and a network of 80 experimental forests.

[1] "Fiscal Year 2015 Forest Service Budget Overview," March 2014.

Internal Control System

Federal internal control standards define an internal control system as a continuous, built-in component of operations, effected by people, that provides reasonable, not absolute, assurance that an entity's objectives will be achieved. An effective internal control system increases the likelihood that an entity will achieve its objectives. Internal control serves as the first line of defense in safeguarding assets and helps managers achieve desired results through effective stewardship of public resources. There are various components of internal control, which include the control environment, risk assessments, control activities, information and communication, and monitoring.[2]

The Forest Service implements these various internal control components in several ways. The control environment is established through its directive system and management reviews. According to Forest Service's Audit and Assurance officials, they conduct annual risk assessments of the agency's control environment.[3] Program area officials at various levels conduct a multitude of reviews to fulfill the control activities component. Audit and Assurance officials track the results of external reviews such as OIG reports.

The two key internal controls for the agency are (1) the Forest Service directive system and (2) management reviews. In order to fulfill its mission, the Forest Service developed the directive system to establish the minimum standards of program conduct and achievement that must be met agencywide, and provide a unified system for issuing, storing, and retrieving all continuing internal direction that governs Forest Service programs and activities.[4] The Forest Service issues regulations under Title 36, Chapter 2 of the *Code of Federal Regulations*. It codifies its policies, practices, and procedures through the Forest Service directive system, consisting of Forest Service manuals and Forest Service handbooks. In total, the Forest Service directive system includes up to 25,000 pages.

According to Forest Service policy, management reviews shall be conducted to determine whether units are complying with direction and/or to identify any changes needed in the directive system.[5] Forest Service policy instructs management officials (i.e., "line officers"[6]) to conduct management reviews to evaluate operations, ensure accountability in program management, and adjust management direction to reasonably assure achievement of goals.[7]

---

[2] GAO-14-704G, "United States Government Accountability Office (GAO) Standards for Internal Control in the Federal Government," September 2014.
[3] Forest Service centralized the financial and budgetary operations of its organization at the Albuquerque Service Center in the early 2000s. The agency realigned its audit functions as the Audit and Assurance Division.
[4] *Forest Service Manual 1100* – Directive System, Chapter Zero Code, Section 1102.1-2, October 18, 2007.
[5] *Forest Service Manual 1100* – Directive System, Chapter Zero Code, Section 1103.11, October 18, 2007.
[6] *Forest Service Manual 1200* – Organization, Chapter 1230 Delegations of Authority and Responsibility, Section 1230.6, December 18, 2013, states Forest Service line officers include the Chief, Associate Chief, Deputy Chiefs, regional foresters, forest supervisors, district rangers, station directors, assistant station directors, area directors, and assistant area directors. Section 1235.3 of that chapter states the chief financial officer is delegated line officer authority.
[7] *Forest Service Manual 1400* – Controls, Chapter 1410 Management Reviews, Sections 1410.4 and 1410.2, June 8, 2007.

Objective

Our objective was to determine if Forest Service's compliance and monitoring activities were adequately structured to oversee the effectiveness and efficiency of its operations.

Section 1: Forest Service Needs a More Integrated and Coordinated Structure for Monitoring its Program Compliance Reviews

Finding 1: Forest Service Needs to Assess its Current Compliance Structure and Activities to Determine Where Efficiencies Can be Gained

We determined that the Forest Service did not implement an integrated and coordinated effort to continuously monitor and evaluate its program compliance activities. The various levels of officials within the Forest Service conducted a multitude of oversight and compliance activities without determining the full effectiveness of those activities. This occurred because Washington office officials did not conduct analyses such as cost/benefit and risk analyses of the program compliance activities to prioritize the activities and maximize the management review system's overall effectiveness. As a result, the Forest Service has reduced assurance that its key internal control system is ensuring the agency is fulfilling its mission, objectives, and statutory responsibilities.

Management is responsible for an effective internal control system. As part of this responsibility, management sets the entity's objectives, implements controls, and evaluates the internal control system. To determine if an internal control system is effective, management assesses the design, implementation, and operating effectiveness of the internal control. Documentation is a necessary part of an effective internal control system. At a minimum, management develops and maintains documentation of its internal control system, its policies, the results of ongoing monitoring and evaluations, and corrective actions for deficiencies.[8] Forest Service policy instructs line officers to conduct management reviews for the purpose of evaluating internal controls.[9]

We determined that line officers conduct a multitude of management reviews and/or compliance-related activities at various levels to ensure that staffs are complying with current program directives and policy. In fact, no single Forest Service official at the Washington, regional, or field office level was able to provide an exact number or comprehensive listing of all the program reviews and compliance activities conducted at all organizational levels. Forest Service's Washington office officials explained that the region and forest levels have their own review schedules. However, we determined that these schedules of program compliance activities are not integrated or coordinated to support Washington office-level review and analysis of the overall management review system. Additionally, we found that regional and research station officials do not always develop annual schedules of regional reviews to enable tracking their completion or the results of reviews performed.

In order to determine the scope of the Forest Service's program compliance system, we requested listings of compliance activities conducted by the regional foresters, research station directors, and various field staffs we visited. The region and station officials had to create the

[8] GAO-14-704G, "United States GAO Standards for Internal Control in the Federal Government," September 2014.
[9] *Forest Service Manual 1400* – Controls, Chapter 1410 Management Reviews, Section 1410.4 and 1410.2, June 8, 2007.

lists since the information was not already assembled into one location for planning or tracking purposes. Our review of these lists found inconsistencies across locations.

From the lists provided, we selected three types of individual activity reviews and further evaluated the completed reports. The activity reviews included acquisition management, environmental compliance, and timber accountability reviews, as applicable, for all units supervised by the regional offices and research stations we visited. Our analysis focused on determining (1) whether the program compliance activity was completed as required, (2) the cost of conducting the activity, and (3) whether the results were further analyzed to determine the necessity for policy changes.

- The acquisition management reviews were generally completed in the required timeframes. However, we found that environmental compliance and timber accountability reviews were not always completed in the required timeframes. We concluded that some of the regions' timber accountability reviews were backlogged and 22 of the 52 national forests were not reviewed timely.

- The acquisition management and environmental compliance reviews ranged in cost from approximately $15,000 to $45,000, and the timber accountability reviews ranged from $8,000 to $30,000. The majority of the regions used contractors to conduct the environmental compliance reviews, although Forest Service officials told us that one region completes them internally. However, those program staff informed us that they did not have sufficient funding to conduct the corrective actions necessary to address some of the issues and findings from their environmental compliance reviews; yet, they continued to perform the reviews year after year. Notably, some staff informed us that they utilized technological advances such as video teleconferencing during periods of travel restrictions. Also, virtual teams could be considered as best practices in these or other areas.[10]

- While the results of the acquisition management and environmental compliance reviews were provided to the Washington office officials, the results of the timber accountability reviews remained at the field level. Additionally, Washington office officials did not analyze or track either the environmental compliance or the timber accountability review results. Without the results, Washington office officials were unable to ensure that compliance activities, including corrective actions, were completed as required. Officials also could not evaluate or analyze the results to determine if the agency was fully benefiting from conducting those activities or if program policy changes were needed. Further, evaluations could not be conducted to determine any best practices and technological alternatives which could be utilized throughout the agency during periods of travel restrictions and limited funding.

In addition to reviews of individual activities, the agency's management review system includes overall reviews of units by line officers. For example, assistant station directors for research are to conduct station supervisory reviews of overall research programs as necessary, but at least

[10] A virtual team can, for example, use technologies such as video teleconferences to conduct certain review components remotely.

every 2 years.[11] We identified two research stations that were not conducting the reviews within the required timeframes. See Finding 2 for further discussion. A third research station does not have an assistant station director for research and does not conduct the review due to budget constraints.

Additionally, we determined that cross-deputy area program reviews were not conducted for the Invasive Species Program. We selected the Invasive Species Program for further review after a prior OIG audit recommended that Forest Service assess its internal controls for the program. Forest Service agreed to implement comprehensive cross-deputy area program reviews at the regional and station level on a regularly scheduled cycle.[12] However, during our current audit work, we determined that these reviews were not being conducted as planned. Washington office officials conducted reviews on an occasional basis, as needs arose. However, to date, program reviews were not occurring on a systematic basis at the field level. A Washington office program official stated that some field staff are proactive and conduct compliance activities, while others may not be, as there is no formal requirement to do so.[13]

According to Forest Service policy, all managers from the Chief to officials, such as district rangers within national forests and assistant directors at research stations, are responsible for establishing, evaluating, reporting on, and improving controls in their areas of responsibility. However, we did not find documents showing the final connection between compliance activity results and real improvements or changes to overall internal controls, specifically the management reviews and directive system. Washington office and regional officials explained that when problems are identified through the reviews, or when problems arise during outside reviews, they report this information during monthly program area meetings. While these meetings provide an avenue for coordination and discussion, we found the program area meetings are not always documented with a written agenda or minutes. Also, since management reviews and program compliance activities were not always completed as required and results of those activities, including corrective actions, were not always provided to officials responsible for policy change, results were not further analyzed. Washington office officials explained that regional staff has the authority and responsibility to conduct program compliance activities. However, this authority and responsibility to conduct program compliance activities remains at that specific location and does not reach across regional boundaries. Nor does it allow for overall trending and analysis. Thus, we concluded that Forest Service's effort to continuously monitor and evaluate the Washington office and field-level program compliance activities was not adequately integrated and coordinated.

We discussed our concerns with Forest Service's Washington office officials. They stated regional reviews of the forests do not always flow up to the Washington office as regional foresters have delegated authority from the Chief to run the region and report directly to the Chief. Thus, the Washington office receives program information and evaluation results, but this information thins out as it is distributed across branches within the agency. The officials agreed

---

[11] *Forest Service Manual 1400* – Controls, Chapter 1470 Research Reviews, Section 1472, October 31, 2000.
[12] OIG Audit 08601-0007-AT, "Forest Service Invasive Species Program," September 2010.
[13] The Forest Service issued *Forest Service Manual 2900* – Invasive Species Management, Chapter Zero Code, November 21, 2011. Development of the accompanying *Forest Service Handbook* has taken longer than anticipated; the national program official attributed the delay to the precedent-setting nature of technical details and consultations with key parties during the development process.

that the communication cycle needs to "come full circle" so that officials in charge of policy change can take relevant action.

In conclusion, we found that not all program compliance reviews were completed in the required timeframes, while some were not completed at all. There were significant costs involved in conducting some of the compliance reviews. Lack of funding or travel restrictions paved the way for development of innovative best practices and technological alternatives in the field, while it also precluded corrective actions from being implemented. Most importantly, we found that the monitoring cycle was not completed, as program compliance review results were not always sent to Washington officials who could effect policy change, nor did the regional or field staffs push for needed amendments to current policy.

Therefore, we recommend that the Forest Service develop and implement a more integrated compliance strategy. Specifically, the Forest Service should assess its current program compliance structure to see where effectiveness and efficiencies can be gained. Additionally, it should conduct analyses focused on costs, benefits, and/or risks in order to determine the effectiveness of compliance activities and efficiencies in conducting them. The results of these analyses should be utilized to build a more effective compliance structure which ensures that the resources expended are comparable to the results gained, and that any best practices and technological alternatives are identified and utilized.

Once the analyses are complete, we recommend that Forest Service compile a comprehensive listing of all required program reviews and compliance activities. Additionally, Forest Service should formalize and implement a procedure for the compliance review process to ensure and document that compliance activities are completed across the agency. Also, the procedure should ensure that the results of program compliance activities, including corrective actions, are forwarded to relevant officials who should examine this information for trends and determine if program policy needs amending. The corrective actions should be tracked at the appropriate levels to ensure actions are implemented in a timely manner. Finally, the directive system needs to be updated to account for any changes within the current structure, as well as the newly developed program compliance system.

Recommendation 1

Assess the current program compliance structure to see where effectiveness and efficiencies can be gained. Specifically, conduct analyses focused on costs, benefits, and/or risks in order to determine the effectiveness of compliance activities and efficiencies in conducting them.

Agency Response

The Forest Service concurs with this recommendation. The agency initiated this assessment in November 2014 by initially compiling a list of all national program and management reviews conducted by the Washington Office Headquarters staffs. The Executive Leadership Team and other Forest Service senior leaders will review this list to determine where effectiveness and efficiencies can be gained. The next step is to run this query at the regions, stations, and area levels. The Executive Leadership Team and Forest Service senior leaders will make a final assessment when all information is collected by July 31, 2015.

OIG Position

We accept management decision for this recommendation.

Recommendation 2

Utilize the results of the analyses to build a more effective compliance structure which ensures that the resources expended are comparable to the results gained, and that any best practices and technological advances are identified and utilized.

Agency Response

The Forest Service concurs with this recommendation. Upon review and analysis of the list of program/management reviews provided by the Washington, regional, station, and area offices, the Chief Financial Officer and staff will develop an effective compliance structure, under the direction of the Executive Leadership Team that is cost beneficial through use of best practices and technology by September 30, 2015.

OIG Position

We accept management decision for this recommendation.

Recommendation 3

Once the analyses are completed, compile a comprehensive listing of all compliance activities required to be performed at each level of the Forest Service to enable tracking the completion and results of program compliance activities, including corrective actions.

Agency Response

The Forest Service concurs with this recommendation. When the Forest Service has reviewed, analyzed, and determined the comprehensive list of program/management reviews necessary to ensure an adequate program compliance structure throughout the agency, the Chief Financial Officer staff will officially document the required reviews and track these reviews to assure compliance with the new direction by December 31, 2015.

OIG Position

We accept management decision for this recommendation.

Recommendation 4

Formalize and implement oversight procedures for the compliance review process to ensure that compliance activities are completed across the agency. These procedures should ensure that the results are forwarded to the responsible program officials who watch for national trends and determine if policy needs amending. Additionally, corrective actions should be tracked at the appropriate levels to ensure actions are implemented in a timely manner.

Agency Response

The Forest Service concurs with this recommendation. The Forest Service will formalize and implement oversight procedures for the compliance review process through the directive system, *Forest Service Manual* 1410. The procedures will provide guidance for use of the tracking system to capture review results for the benefit of national program officials to watch for national trends and make policy determinations and ensure corrective actions are implemented. This process will be formalized at the issuance of the *Forest Service Manual* 1410 by March 31, 2016.

OIG Position

We accept management decision for this recommendation.

Recommendation 5

Update *Forest Service Manual* 1400 – Controls chapters to account for any changes within the current structure, including the newly developed program compliance system.

Agency Response

The Forest Service concurs with this recommendation. The Forest Service will update program policies and procedures to account for any changes within the current structure through the directive system, *Forest Service Manual* 1410. *The Forest Service Manual* 1410 will be issued by March 31, 2016.

OIG Position

We accept management decision for this recommendation.

Finding 2: Forest Service Directive System Needs Updating

The Forest Service directive system, a key internal control, is outdated and not synchronized with the program compliance activities actually performed. This occurred because there is no formal notification process in place to remind program officials of their responsibility to update directives in a timely manner. As a result, the outdated directive system may no longer be a valuable resource and can cause confusion among current personnel and new Forest Service employees.

According to Forest Service guidance, its directive system must be consistent with the agency's mission, vision, guiding principles, strategic plan, management philosophy, and policies.[14] Primary staff officers and line officers are to ensure efficient and timely issuance, maintenance, and retention of directives. Line officers are to review and re-issue directives, as necessary, every 3 to 5 years.[15]

We determined that sections of the directive system which discuss management reviews are outdated. We also noted directives for the program reviews we evaluated had not been updated within the past 3 to 5 years, as required. For example, both the Cooperative Forestry Assistance and Research Review directives date back to 2000, and field officials acknowledged that the Forest Service directive system is out of date. Additionally, a Washington office program official maintained that the handbook on timber management reviews needs to be updated. She explained that the current directive states the district level is responsible for the reviews, but the organization has centralized the function at the forest level, which results in confusion about who is ultimately responsible.

We also found that the program management review sections of the directive system are not synchronized with field-level activities currently being performed. For example, research station officials stated that they do not conduct station supervisory reviews every 2 years, as required in *Forest Service Manual* Chapter 1470, dated October 31, 2000.[16] Rather, station officials admitted that they perform reviews every 5 years. They explained further that conducting reviews on the required 2-year cycle would not allow time for anything else.

The Forest Service requires its directive system, a key internal control, to be updated every 3 to 5 years. However, we found that not all 25,000 pages of guidance met that requirement because there is no formal notification process in place to remind program officials of their responsibility to update directives in a timely manner. We interviewed officials with the Office of Regulatory and Management Services (ORMS) within the Business Operations deputy area. ORMS officials admitted that some directives date back to the 1980s. The ORMS group is responsible for issuing directives and relies on program officials to inform ORMS of needed updates. ORMS officials informed us that they notify the applicable Washington office-level officials when directives are 5 years old. However, we found that these notifications were unofficial and were even communicated casually, when Forest Service personnel passed in the hallway. ORMS does not track whether program staff reviewed an older directive and decided not to revise the

[14] *Forest Service Manual 1100* – Directive System, Chapter Zero Code, Section 1103.2, October 18, 2007.
[15] *Forest Service Manual 1100* – Directive System, Chapter Zero Code, Section 1103.9, October 18, 2007.
[16] *Forest Service Manual 1400* – Controls, Chapter 1470 Research Reviews, Section 1472, October 31, 2000.

directive. For interim directives, which have specified expiration dates, ORMS had a more formal notification process. ORMS officials we spoke with explained that they do not have the authority to require the program directors to update their applicable directives. However, we do not believe that delegating such authority to ORMS will resolve this issue. Therefore, we concluded that the notification process should be modified to include a reminder to program officials that they are responsible for updating their directive(s).

ORMS uses a database to track the age of directives and the status of changes program officials sent in for updating, processing, and issuance. However, the database does not include information on when, how, or which program officials were notified to update the applicable directive and their responses. Therefore, we recommend that a formal notification tracking process be implemented to ensure all directives are updated according to required timeframes and remind officials of their responsibilities to update their respective program directives.

ORMS officials told us that they have already begun working on a plan to ensure that they meet that timeframe. The directive system is not valuable if it is not up to date. They are considering forming a team to first focus within the Business Operations deputy area to make sure they are leading the way in compliance with policy, and then expanding that to the other deputy areas. ORMS officials agreed with our conclusions and hope to open further dialogue with the Deputy Chiefs and program area officials in ways that promote the timely updating of the Forest Service directive system.

Recommendation 6

Implement a formal tracking and notification process to allow better monitoring and accountability of program officials and clarify their responsibilities to review and ensure all applicable program directives are updated in a timely manner.

Agency Response

The Forest Service concurs with this recommendation. ORMS will implement a formal tracking and notification process to ensure all applicable program directives are updated in a timely manner by January 31, 2016.

OIG Position

We accept management decision for this recommendation.

Scope and Methodology

We conducted our audit of Forest Service compliance activities at the Washington office, located in Washington, DC; the Albuquerque Service Center in Albuquerque, New Mexico; 4 of 9 regional offices; 1 area office; 3 of 5 research stations; 1 national laboratory; and 3 of 155 national forests. For specific locations visited, see Exhibit A. The scope of our audit work covered fiscal year 2012 through December 2014.

Our audit reviewed compliance and oversight activities conducted by the Forest Service from the Washington office to the national forest and district levels. To gain understanding of activities conducted at the various levels, we judgmentally selected two programs that cross multiple deputy areas for further in-depth assessments of the compliance activities performed: (1) Forest Inventory and Analysis and (2) Invasive Species. We selected Forest Inventory and Analysis because it had not been audited in the past and Invasive Species because it had been the subject of prior OIG audit work that recommended areas for improvement. We compared lists of compliance activities conducted at the locations we visited. Based on the lists, we judgmentally selected for further analysis three Forest Service reviews included on the four regional lists: acquisition management, environmental compliance, and timber accountability reviews. We selected these three reviews in order to assess consistency and determine if the Forest Service conducted trend analysis across locations. We performed our audit fieldwork from March 2014 through December 2014.

To accomplish our audit objectives, we performed the following procedures:

- Reviewed laws, regulations, agency instructions, and any other documentation applicable to the scope of the audit.

- Reviewed prior OIG and Government Accountability Office (GAO) audit reports applicable to the scope of the audit.

- Interviewed Washington office, regional, forest, district, area, and research station officials to determine the extent of compliance activities conducted, policies and procedures for the activities, and communication of the results.

- Interviewed Washington office, regional, forest, district, area, and/or research station officials specifically regarding the Forest Inventory and Analysis and Invasive Species programs to determine the extent of compliance activities conducted and whether those activities followed established Forest Service policies, procedures, and/or corrective actions agreed to from prior OIG audits.

- Obtained and assessed acquisition management, environmental compliance, and timber accountability reviews from four regional offices to determine (1) whether the program compliance activity was completed as required, (2) the cost of conducting the activity, and (3) whether further analysis of results was used to determine the necessity of policy change.

- Discussed with ORMS officials the issues we found during our review of the directive system to obtain their position and response.

- Discussed the issues we found during our audit with Washington office officials to obtain their position and response.

Since our audit objective encompasses the Forest Service in its entirety, we did not verify information in any Forest Service electronic information system and we make no representation regarding the adequacy of any agency computer systems or information generated from them.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

Abbreviations

GAO ..... Government Accountability Office

OIG ..... Office of Inspector General

ORMS ..... Office of Regulatory and Management Services

Exhibit A: Audit Sites Visited

Exhibit A shows the organization and location of the audit sites visited.

Organization	Location
Washington Office	Washington, DC
Albuquerque Service Center	Albuquerque, New Mexico
Southwestern Regional Office (Region 3)	Albuquerque, New Mexico
Eastern Regional Office (Region 9)	Milwaukee, Wisconsin
Rocky Mountain Regional Office (Region 2)	Golden, Colorado
Pacific Northwest Regional Office (Region 6)	Portland, Oregon
Northeastern Area Office	Newtown Square, Pennsylvania
Rocky Mountain Research Station	Fort Collins, Colorado
Pacific Northwest Research Station	Portland, Oregon
Northern Research Station	Newtown Square, Pennsylvania
Forest Products Laboratory	Madison, Wisconsin
Arapaho & Roosevelt National Forests and Pawnee National Grassland	Fort Collins, Colorado
Chequamegon-Nicolet National Forest	Lakewood, Wisconsin
Gifford Pinchot National Forest	Vancouver, Washington

FOREST SERVICE'S RESPONSE TO AUDIT REPORT

Forest Service **Washington Office** **1400 Independence Avenue, SW**
Washington, DC 20250

File Code: 1420 **Date:** February 27, 2015
Route To:

Subject: Forest Service Response to Office of Inspector General Audit Report No. 08601-0001-31, "FS Oversight and Compliance Activities"

To: Gil H. Harden, Assistant Inspector General for Audit, USDA Office of Inspector General

Thank you for the opportunity to review and comment on Office of Inspector General (OIG) Draft Report Number 08601-0001-31. The Forest Service appreciates the time and effort that went into the report. The agency's response to the audit recommendations is enclosed. If you have any questions, please contact Sandy Coleman at 202-205-2956 or sandycoleman@fs.fed.us.

/s/Thomas L. Tidwell

THOMAS L. TIDWELL
Chief

Enclosure

cc: Erica Banegas, Erica Kim, Tom Harbour, Sandy Coleman

==========

USDA Forest Service
OIG Report No. 08601-01-31, "FS Oversight and Compliance Activities"

FS DRAFT Response

==========

Recommendation Number 1: Assess the current program compliance structure to see where effectiveness and efficiencies can be gained. Specifically, conduct analyses focused on costs, benefits, and/or risks in order to determine the effectiveness of compliance activities and efficiencies in conducting them.

FS Response: The Forest Service (FS) concurs with this recommendation. The agency initiated this assessment in November 2014 by initially compiling a list of all national program and management reviews conducted by the Washington Office Headquarters staffs. The Executive Leadership Team (ELT) and other FS senior leaders will review this list to determine where effectiveness and efficiencies can be gained. The next step is to run this query at the Regions, Stations, and Area levels. The ELT and FS senior leaders will make a final assessment when all information is collected by July 31, 2015.

Estimated Completion Date: July 31, 2015

Recommendation Number 2: Utilize the results of the analyses to build a more effective compliance structure which ensures that the resources expended are comparable to the results gained, and that any best practices and technological advances are identified and utilized.

FS Response: The FS concurs with this recommendation. Upon review and analysis of the list of program/management reviews provided by the Washington Office, Regions, Stations, and Area, the Chief Financial Officer (CFO) and staff will develop an effective compliance structure, under the direction of the ELT that is cost beneficial through use of best practices and technology by September 30, 2015.

Estimated Completion Date: September 30, 2015

Recommendation Number 3: Once the analyses are completed, compile a comprehensive listing of all compliance activities required to be performed at each level of the Forest Service to enable tracking the completion and results of program compliance activities, including corrective actions.

FS Response: The FS concurs with this recommendation. When the FS has reviewed, analyzed, and determined the comprehensive list of program/management reviews necessary to ensure an *adequate* program compliance structure throughout the agency, the CFO staff will officially document the required reviews and track these reviews to assure compliance with the new direction by December 31, 2015.

Estimated Completion Date: December 31, 2015

Recommendation No. 4: Formalize and implement oversight procedures for the compliance review process to ensure that compliance activities are completed across the agency. These procedures should ensure that the results are forwarded to the responsible program officials who watch for national trends and determine if policy needs amending. Additionally, corrective actions should be tracked at the appropriate levels to ensure actions are implemented in a timely manner.

FS Response: The FS concurs with this recommendation. The FS will formalize and implement oversight procedures for the compliance review process through the directive system, Forest Service Manual (FSM) 1410. The procedures will provide guidance for use of the tracking system to capture review results for the benefit of national program officials to watch for national trends and make policy determinations and ensure corrective actions are implemented. This process will be formalized at the issuance of the FSM 1410 by March 31, 2016.

Estimated Completion Date: March 31, 2016

Recommendation Number 5: Update program policies and procedures to account for any changes within the current structure, *including the newly developed program compliance system*.

FS Response: The FS concurs with this recommendation. The FS will update program policies and procedures to account for any changes within the current structure through the directive system, FSM 1410. The FSM 1410 will be issued by March 31, 2016.

Estimated Completion Date: March 31, 2016

Recommendation Number 6: Implement a formal tracking and notification process to allow better monitoring and accountability of program officials and clarify their responsibilities to review and ensure all applicable program directives are updated in a timely manner.

FS Response: The FS concurs with this recommendation. The Office of Regulatory and Management Services (ORMS) will implement a formal tracking and notification process to ensure all applicable program directives are updated in a timely manner by January 31, 2016.

Estimated Completion Date: January 31, 2016

To learn more about OIG, visit our website at
www.usda.gov/oig/index.htm

How To Report Suspected Wrongdoing in USDA Programs

Fraud, Waste, and Abuse

File complaint online: http://www.usda.gov/oig/hotline.htm
Click on Submit a Complaint

Telephone: 800-424-9121
Fax: 202-690-2474

Bribes or Gratuities
202-720-7257 (24 hours a day)

The U.S. Department of Agriculture (USDA) prohibits discrimination in all of its programs and activities on the basis of race, color, national origin, age, disability, and where applicable, sex (including gender identity and expression), marital status, familial status, parental status, religion, sexual orientation, political beliefs, genetic information, reprisal, or because all or part of an individual's income is derived from any public assistance program. (Not all prohibited bases apply to all programs.) Persons with disabilities who require alternative means for communication of program information (Braille, large print, audiotape, etc.) should contact USDA's TARGET Center at (202) 720-2600 (voice and TDD).

To file a complaint of discrimination, write to USDA, Assistant Secretary for Civil Rights, Office of the Assistant Secretary for Civil Rights, 1400 Independence Avenue, SW., Stop 9410, Washington, D.C. 20250-9410, or call toll-free at (866) 632-9992 (English) or (800) 877-8339 (TDD) or (866) 377-8642 (English Federal-relay) or (800) 845-6136 (Spanish Federal-relay). USDA is an equal opportunity provider and employer.