



United States Department of Agriculture

OFFICE OF INSPECTOR GENERAL





Forest Service: Controls Over the Stewardship Contracting Process for Land Management of National Forests

Audit Report 08601-0003-31

What Were OIG's Objectives

Our objective was to determine whether the Forest Service has adequate controls in place over its stewardship contracting process for land management of national forests, including the appropriate use of its authority for stewardship contracting and agreements.

What OIG Reviewed

We reviewed stewardship contracts and agreements awarded or active in fiscal years (FY) 2013 and 2014.

What OIG Recommends

The Forest Service needs to update templates, implement training to clarify evaluation factors for stewardship requests for proposal, and improve methods for compiling and reporting all aspects of stewardship contracts and agreements. The Forest Service needs to obtain an Office of the General Counsel (OGC) opinion on procurement requirements for stewardship contracts and agreements and also codify its regulations. Also, it needs a policy and procedure that requires documentation and retention of ethical determinations received from Departmental ethics officials in the stewardship project files.

OIG audited the controls used by the Forest Service to ensure the appropriate use of stewardship contracting authority.

What OIG Found

The Forest Service did not always comply with Federal procurement requirements when entering into stewardship contracts and agreements. We found that the agency did not clearly define or rate the evaluation factors on requests for proposal in order to obtain bids for stewardship contracts at the best value for the Government. Additionally, the agency interprets language in the authorizing statute (16 U.S.C. § 6591c) to exempt it from complying with those procurement requirements. To date, the agency has not codified or implemented its own regulations over its stewardship contracting process. As a result, actions taken by the Forest Service to exercise its stewardship authority may subject it to challenges by unsuccessful bidders.

Stewardship project data reports may not be complete or accurate. The agency uses multiple information systems, which do not interface with each other, to record all aspects of the stewardship contracting process. This hinders the Forest Service from accurately assessing and reporting the costs and value of the stewardship contracting process to Congress.

Finally, we found that the Forest Service did not adequately document ethical determinations concerning stewardship projects received from Departmental ethics officials, because the agency does not have a policy to retain written ethical determinations specific to stewardship contracts and agreements. This reduces assurance that these are awarded free of improper influence or the appearance of impropriety.

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



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



DATE: September 24, 2015

AUDIT
NUMBER: 08601-0003-31

TO: Thomas L Tidwell
Chief
Forest Service

ATTN: Thelma Strong
Chief Financial Officer

FROM: Gil H. Harden
Assistant Inspector General for Audit

SUBJECT: Forest Service: Controls Over the Stewardship Contracting Process for Land
Management of National Forests

This report presents the result of the subject audit. Your written responses to the official draft report, dated September 14, 2015, are included, in their entirety, at the end of the report. Your responses and the Office of Inspector General's position are incorporated into the relevant sections of the report. Based on your written responses, we are accepting management decision for all the 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.

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Background and Objectives

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 present and future generations. Established in 1905, the Forest Service manages¹ 155 national forests and 20 grasslands, totaling 193 million acres, in 42 States and Puerto Rico. The agency also supports the sustainable stewardship of more than 600 million acres of private, State, Tribal, and other forest lands across the nation.

The Agricultural Act of 2014,² commonly known as the 2014 Farm Bill, authorized the Forest Service to enter into stewardship projects, via contracts or agreements³ as appropriate, with private persons or other public or private entities to perform services to achieve land management goals for the national forests and the public lands that meet local and rural community needs.⁴ Specifically, the statute allows the Forest Service to exchange goods for services by using the value of the traded goods for important work on the ground via multiyear⁵ contracts and agreements. The statute also requires contracts and agreements to be awarded on a "best value" basis,⁶ which allows for consideration of performance as well as bid price.

The stewardship contracting process was established by Congress to achieve key land-management goals, which include:

1. Road and trail maintenance or obliteration to restore or maintain water quality;
2. Soil productivity, habitat for wildlife and fisheries, or resource values;
3. Setting of prescribed fires to improve the composition, structure, condition, and health of stands or to improve wildlife habitat;
4. Removing vegetation or other activities to promote healthy forest stands, reduce fire hazards, or achieve other land management objectives;
5. Watershed restoration and maintenance;
6. Restoration and maintenance of wildlife and fish; and

¹ For the purposes of this report, the Forest Service national level officials are referred to as Washington officials. The Washington officials can be located in Washington, DC; Albuquerque, New Mexico; or Fort Collins, Colorado. Additionally, the Forest Service is managed by regional, national forest, and district officials in the field.

² Pub. L. No. 113-79, 128 Stat. 649. Stewardship End Result Contracting Projects were initially authorized under section 347 of the Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Appropriations Act, 1999 (Pub. L. No. 105-277, § 347, 112 Stat. 2681, 2681-298) on a temporary basis. The authority for such projects was extended by Congress several times until the Agricultural Act of 2014 permanently authorized the stewardship contracting process under an amendment to the Healthy Forests Restoration Act of 2003. "Stewardship End Result Contracting Projects," as designated by Congress in the authorizing statute, are commonly referred to by the Forest Service as stewardship contracts and agreements and within this report as the stewardship contracting process. These projects focus on the "end result" or ecosystem benefits and outcomes, rather than on what is removed from the land.

³ In November 1999, Congress amended the law to authorize the Forest Service to use agreements as well as contracts. See Act of November 29, 1999, Pub. L. No. 106-113, app. C, § 341, 113 Stat. 1501, 1501A-201 to -202.

⁴ 16 U.S.C. § 6591c(b).

⁵ May exceed 5 years but may not exceed 10 years. 16 U.S.C. § 6591c(d)(3)(B).

⁶ 16 U.S.C. § 6591c(d)(1).

7. Control of noxious and exotic weeds and reestablishing native plant species.⁷

The Forest Service utilizes three separate types of legal instruments for implementing stewardship projects: (1) integrated resource timber contracts (IRTCs) when the timber value equals or exceeds the cost of service work, (2) integrated resource service contracts (IRSCs) when the service cost exceeds the timber value, and (3) stewardship agreements when both parties contribute resources to the accomplishment of mutually beneficial projects when mutual interest exists.⁸ According to the Forest Service, stewardship agreements are typically entered into through a non-competitive process to meet the mutual interests and benefits of the partner and the Forest Service while accomplishing land management goals. Stewardship agreements are expected to have a 20 percent partner match.

The Forest Service implements the stewardship contracting process not as a program, but as a tool in the contracting toolbox to accomplish work on the land and to achieve broad land management goals. Since the stewardship contracting process is not a program, no money is budgeted or specifically appropriated for it. However, stewardship contracts and agreements awarded or active in FYs 2013 and 2014 totaled over \$304 million. The Forest Service awarded 35 contracts and agreements, covering less than 12,000 acres, in the early stages of stewardship contracting in FY 2003. In FY 2014, the Forest Service awarded 161 contracts and agreements, covering about 177,000 acres.

The authorizing statute allows for the value of timber or other forest products to be used as an offset for obtaining service work. Monies collected as a result of the sale of timber or other forest products may be retained by the Forest Service and shall be available for expenditure without further appropriation at the project site from which the monies were collected or at another project site.⁹

There are various other requirements within the authorizing statute. The Forest Service reports to Congress on the (1) status of development, execution, and administration of stewardship contracts and agreements; (2) specific accomplishments; and (3) role of local communities in the development of stewardship project plans.¹⁰ This information is included with the Forest Service Budget Justification to Congress on an annual basis. Additionally, Washington officials are developing a nationwide process for appraising the quality of products removed from the national forests. As required in the statute, the Forest Service engages with an external reviewing entity to conduct multiparty monitoring and evaluation reviews. These annual reviews are ongoing and the result of one of the reviews is discussed in Finding 1.

The Forest Service stewardship contracting roles and responsibilities are outlined in chapter 60 of the *Forest Service's Renewable Resources Handbook*.¹¹ The handbook also contains guidance for the day-to-day operations of the stewardship contracting process, including

⁷ 16 U.S.C. § 6591c(c).

⁸ USDA Forest Service, *Renewable Resources Handbook*, Forest Service Handbook 2409.19, ch. 60, "Stewardship Contracting" (March 14, 2014).

⁹ 16 U.S.C. § 6591c(e)(2).

¹⁰ 16 U.S.C. § 6591c(i).

¹¹ *Forest Service Handbook 2409.19*, ch. 60.

information on appropriate uses for stewardship activities and guidance on selecting contracts or agreements for specific projects. Requirements for procuring goods and services are established in the Federal Acquisition Regulation (FAR).¹²

Objectives

Our objective was to determine whether the Forest Service has adequate controls in place over its stewardship contracting process for land management of national forests, including the appropriate use of its authority for stewardship contracting and agreements.

¹² 48 C.F.R. ch. 1.

Section 1: Stewardship Contracting Process Needs to Comply with Procurement Requirements When Necessary

Finding 1: Forest Service needs to Clarify Request for Proposal Evaluation Factors

Forest Service officials did not clearly define or rate all evaluation factors and sub factors in the requests for proposal for awarding stewardship contracts. According to national forest officials, this occurred because request for proposal templates from the Washington office contain confusing language. Conversely, Washington officials stated that training may be needed to ensure national forest officials clearly list all evaluation factors and their relative importance in requests for proposal. By not clearly stating all evaluation factors in requests for proposal for stewardship contracts, the Forest Service increases the risk of bid protests and other challenges.

The Federal Acquisition Regulation (FAR) states that all evaluation factors and significant sub factors that will affect contract awards and their relative importance shall be stated clearly in the solicitation (request for proposal).¹³ Additionally, the FAR states, “Evaluation factors and significant sub factors must – (1) Represent the key areas of importance and emphasis to be considered in the source selection decision; and (2) Support meaningful comparison and discrimination between and among competing proposals.”¹⁴ An agency shall evaluate competitive proposals and assess their relative qualities solely on the factors and sub factors specified in the solicitation (request for proposal).¹⁵

The Forest Service officials at each national forest determine the services needed to maintain the health of the national forest during the annual planning meeting. In order to obtain the best value for the Government, these services are advertised or solicited for Integrated Resource Timber Contracts (IRTCs) or Integrated Resource Service Contracts (IRSCs). A request for proposal provides prospective contractors with the instructions and information needed to submit a well-informed and appropriate bid. The bids submitted by the potential contractors go through a proposal evaluation process. The assigned Forest Service contracting officer assembles a technical evaluation board consisting of three to five individuals, selected for their expertise. Each individual reviews and rates each contractor’s technical approach (plan of operations, quality control, contract manager, equipment, and production capability), past performance, utilization of local workforce, and other factors as stated in the contractor’s bid proposal. The contracting officer typically does not provide the price listed in the contractor’s proposal to the technical evaluation board, in order to prevent undue influence in the rankings. The technical evaluation board rates the evaluation factors as exceptional, acceptable, neutral, marginal, or unacceptable. Once the technical evaluation board completes its review, the contracting officer then determines the winning bid by combining prices with the ratings assigned by the technical evaluation board. Once the winning contractor is selected, the FAR requires the contracting officer to provide written notification within 3 days after the contract award, to each bidder whose proposal was in the competitive range, but not selected for award, and the reason, in

¹³ 48 C.F.R. § 15.101(b).

¹⁴ 48 C.F.R. § 15.304(b).

¹⁵ 48 C.F.R. § 15.305(a).

general terms, it was not selected. Forest Service officials call this written notification a “debriefing letter.”

We reviewed 12 requests for proposal¹⁶ for IRTCs and IRSCs to determine if the contract advertisement and selection process complied with FAR requirements. Of the 12 contracts, we found 4 instances where Forest Service officials did not clearly define or rate all evaluation factors and sub factors in requests for proposal for stewardship contracts. In those instances, Forest Service officials posted the request for proposal without specifying the relative importance of any of the factors or sub factors. As a result, in one instance, Forest Service officials rated two competing bidders with the same technical rating, but chose the bidder that offered the lower value to Forest Service.

We also found a request for proposal with ratings of “zero” for the evaluation factors of price, technical approach, capability and past performance, and utilization of local workforce; however, the category labeled “other” had received a rating of 100 percent. According to the request for proposal, the “other” category stated: “Evaluation of the above listed factors is not based upon percentages, but upon the assessment by individual evaluation team members of the Contractor’s Technical Proposal in meeting the specified end results and upon the reasonableness of the Contractor’s Price Proposal as determined by the Contracting Officer.” We asked national forest officials why this occurred and they stated that they chose the winning bidder based on the contractor’s ability to complete the project within 1 year, even though that was not a listed evaluation factor. Once the losing bidder was informed of this in the debriefing letter, it filed a bid protest stating it had not been provided with that specific evaluation factor. Forest Service officials reevaluated the proposals and determined that the initial winning bidder’s proposal was technically superior allowing that contractor to retain the stewardship contract.

Another request for proposal stated that “evaluation factors for this contract and their relative importance are listed below in descending order of priority” and listed the evaluation factors in the following order: price, technical approach, capability and past performance, utilization of local workforce, and other as evaluation factors with “other” weighted at 100 percent. The contracting officer stated in the debriefing letter that “utilization of the local workforce was the governing factor.” Since price was listed as the first evaluation factor, the losing bidder argued that price should have been given the highest weight and local workforce the lowest weight. The losing bidder filed a bid protest, citing the confusion on the rating factors and that it too had included local workforce in the bid proposal and offered a 30 percent higher value to the Government. Washington officials instructed national forest officials to reevaluate the bid proposals. After the reevaluation, the Forest Service selected the bid protestor as the winning bidder.

We found one request for proposal which included weighted factors. Specifically, the technical evaluation board stated that the award was based “on the best overall (i.e., best value) proposal determined to be the most beneficial to the Government, with appropriate considerations given to the evaluation factors, although, price is considered to be more important than technical.” Regional officials requested additional information from the bidding contractors to ensure the

¹⁶ For more details on the stewardship contracts reviewed see the Scope and Methodology section of this report.

winning bidder would have the financial means to fulfill its obligations if selected. Even though Forest Service officials stated price was more important, they selected the winning bidder based on diversification of products and not price. While this situation did not result in a bid protest, it drew a significant amount of negative media attention. We found news articles that claimed the Forest Service leadership was “dysfunctional and ineffective” because the stewardship contracting process was uncertain and an “outright failure.”¹⁷ We understand that negative media attention can be difficult to avoid; however, the Forest Service needs to ensure that the controls built into the stewardship contracting process are effective and in compliance with FAR requirements, so as to obtain the best value for the Government.

We discussed each of these cases with either the regional or national forest officials involved. Generally, national forest officials said that the request for proposal templates from the Washington office led to issues in the requests for proposal. One national forest official stated that the request for proposal template contained confusing language. Another national forest official said that he added a statement that the bidders should ignore the confusing language within the request for proposal. Washington officials agreed that the templates needed updating, but also stated that national forest officials should have clearly designated the relative importance of the factors. Additionally, Washington officials suggested that training may be needed to ensure that national forest officials clearly weigh the criteria factors for the businesses seeking stewardship contracts.

The Forest Service engages with an external reviewing entity to complete an annual review of the Forest Service’s stewardship contracting process as required by the authorizing statute.¹⁸ As part of its 2014 review, the entity specifically looked at assessment and weight of best value criteria. Its review concluded that the criteria in the Forest Service’s stewardship contracting bid selection process need to be more transparent.¹⁹ We asked Washington officials if they had taken any corrective actions with regard to this recommendation. They stated that there were discussions between the Forest Management and Acquisition Management (AQM) officials who identified concerns with the templates utilized by the regions. Washington officials again confirmed that the request for proposal templates, including the evaluation criteria, needed to be updated.

Therefore, we recommend that the Forest Service update all request for proposal templates and remove or revise confusing language. Additionally, we believe national forest and district officials would benefit from training that focuses on clearly assigning relative importance to the evaluation criteria in the requests for proposal. By not clearly stating all evaluation factors in requests for proposals for stewardship contracts,²⁰ the Forest Service does not meet the FAR requirements and may increase the risk of bid protests and other challenges. These bid protests

¹⁷ “Lost in the Woods,” High Country News, Claudine LoMonaco, September 1, 2014.

¹⁸ The authorizing statute states, “Monitoring and Evaluation – The Chief...shall establish a multiparty monitoring and evaluation process that assesses the stewardship contracting projects conducted under this section. Other than the Chief...participants in the process described in paragraph (1) may include: any cooperating governmental agencies, including tribal governments, and any other interested groups or individuals.” (16 U.S.C. § 6591c(h)).

¹⁹ The Role of Communities in Stewardship Contracting, FY 2013 Programmatic Monitoring Report to the USDA Forest Service, March 2014, www.pinchot.org/gp/Stewardship_Contracting.

²⁰ Both IRTCs and IRSCs.

can delay the start of stewardship projects and may undermine the public's confidence in the Forest Service and Federal Government.

Recommendation 1

Update request for proposal templates to remove or revise any confusing language and clarify rating criteria to ensure that all factors and sub factors are clearly stated by assigning relative importance to the factors.

Agency Response

In its September 14, 2015, response, the Forest Service agreed with this recommendation. The Agency is finalizing updates to the IRSC templates for construction and commercial services, including guidance for the evaluation criteria. It will remain the responsibility of the Contracting Officer to select and use the appropriate language. AQM anticipates document review will be completed by September 30, 2015, and the updated templates will be available for use beginning on October 1, 2015.

Evaluation criteria for IRTCs are included in the prospectus that is generated by Timber Information Manager (TIM). The contract preparer is required to specify the relative weight of price to non-price factors as well as the approximate weight of each factor. Identification and importance of sub factors must be added in a text field or as an attachment. Forest Management will evaluate application of factors and sub factors across all regions to determine what changes may be necessary to the prospectus and what clarification needs to be addressed through improved guidance or best value training.

Regions are developing guidelines and checklists to assist technical personnel in writing the source selection criteria and developing evaluation criteria. These will be consistent with guidance in Forest Service Acquisition Regulation (FSAR) 6309.32, currently under revision and discussed in response to Recommendation 4 below. The Forest Service estimates implementing these changes by March 1, 2016.

OIG Position

We accept management decision for this recommendation.

Recommendation 2

Conduct training to ensure that national forest and district officials are clearly assigning relative importance to the evaluation factors and sub factors in the stewardship requests for proposal.

Agency Response

In its September 14, 2015, response, the Forest Service agreed with this recommendation. The Agency is already taking steps to ensure best value source selection is properly performed. Source selection training is now a requirement for Level 2 certification for acquisition contracting officers. This training was offered in February and March, 2015 and is available on demand from the AQM website.

In addition, existing source selection stewardship training materials, intended for both AQM and timber contracting officers, will be updated to provide detailed instruction to clearly assign relative importance to the evaluation factors and sub factors in the requests for proposal. Once updated, we will offer onsite or virtual training, at least one session being recorded and available on demand via the internet.

Lastly, the FAR is incorporated into the Stewardship Handbook, FSH 2409.19 Chapter 63.1 addressing best value. This chapter will be revised under Interim Directive to include more detailed guidance for developing, assigning importance, and evaluating the best value criteria for stewardship requests for proposal. The Forest Service estimates implementing these changes by May 31, 2016.

OIG Position

We accept management decision for this recommendation.

Finding 2: Forest Service Stewardship Contracts and Agreements Should Comply With Applicable Procurement Requirements

According to Forest Service Washington officials, the stewardship IRTCs and agreements entered into with individual entities to perform services that achieve land management goals for the selected forests were not subject to Federal procurement requirements because Forest Service officials interpret the language of the authorizing statute (16 U.S.C. § 6591c) to exempt the agency from “any other provision of law,” including procurement requirements. Additionally, to date, the Forest Service has not codified or implemented regulations for its own stewardship contracting process. As a result, there is increased risk that actions taken by the Forest Service in accordance with the stewardship authority may be subject to bid protests and other challenges or may not be selected on a best value basis.

The Chief of the Forest Service, via agreement or contract as appropriate, may enter into stewardship contracting projects with private persons or other public or private entities to perform services to achieve land management goals for the national forests and public lands.²¹ Additionally, the authorizing statute states:

Agreements or Contracts.

- 1) Procurement procedure. A source for performance of an agreement or contract under subsection (b) shall be selected on a best-value basis, including consideration of source under other public and private agreements or contracts.
- 2) Contract for sale of property. A contract entered into under this section may, at the discretion of the Secretary of Agriculture, be considered a contract for the sale of property under such terms as the Secretary may prescribe without regard to any other provision of law.²²

We found that the Forest Service used this authority to enter into stewardship contracts and agreements to obtain services from individual entities in order to achieve land management goals. Some of these services included but were not limited to: road maintenance, removal of vegetation to reduce fire hazards, and control of noxious weeds, etc., for the selected national forests. However, according to Washington officials, the IRTCs and agreements were not subject to the FAR, the Federal Grant and Cooperative Agreement Act of 1977 (FGCAA),²³ or any other Federal procurement requirements because Congress specifically exempted them from such requirements.²⁴ In support of this claim, the Forest Service cites the following provision: “Notwithstanding any other provision of law, the Secretary . . . may determine the appropriate contracting officer to enter into and administer an agreement or contract. . . .”²⁵ In our view, this does not exempt the Forest Service from complying with other applicable laws. Rather, this

²¹ 16 U.S.C. § 6591c(b). From 1999 to early 2014, this authority was only temporary. Congress made it permanent with passage of the Agricultural Act of 2014. *See* Pub. L. No. 113-79, § 8205(a), 128 Stat. 649, 918.

²² 16 U.S.C. § 6591c(d)(1-2).

²³ 31 U.S.C. § 6301-6308.

²⁴ According to Washington officials, they process IRSCs in accordance with the FAR as the Forest Service uses IRSCs to acquire a service and, at times, uses appropriated funds, such as for road maintenance, renewable fuels, and planting.

²⁵ 16 U.S.C. § 6591c(d)(6).

provision simply states that the Forest Service may select any contracting officer to handle these procurements. However, once selected, the contracting officer would still have to comply with all applicable laws that apply to the specific legal instrument being used for the stewardship project in question.

We note that the Secretary has discretion to consider any stewardship contract made under this authority a “contract for the sale of property under such terms as the Secretary may prescribe without regard to any other provision of law.”²⁶ In our view, this provision likely allows the Forest Service to enter into IRTCs²⁷ without complying with procurement requirements. However, we think that stewardship agreements should comply with such procurement requirements. For example, the authorizing statute states, in part, “A source for performance of an agreement or contract . . . shall be selected on a best-value basis,” which is a standard requirement in procurements. We also note that, while the statute specifically authorizes the Forest Service to enter into stewardship contracts and agreements notwithstanding certain laws,²⁸ nothing in the statute specifically exempts the Forest Service from complying with applicable procurement laws (e.g., FAR, FGCAA). As a result, there is increased risk that stewardship agreements or contracts may be subject to challenges or may not be awarded on a best value basis.

In April 2014, following the enactment of the statute permanently authorizing the stewardship contracting process, the Forest Service began the process of drafting regulations to officially formalize the stewardship contracting process. However, those regulations have not been issued. Without codified regulations that fully implement the stewardship contracting process, the agency may be at risk of challenges to agency actions. Washington officials stated that they have been working with the Office of the General Counsel (OGC) on implementing the stewardship contracting process, as well as drafting the proposed regulations. In order to ensure that the Forest Service is implementing its stewardship authority in accordance with the law, we recommend that the Forest Service obtain a formal opinion from OGC that specifically addresses whether stewardship contracts and agreements are subject to procurement laws (e.g., FAR, FGCAA) in light of the authorizing statute. Based upon OGC’s opinion, the Forest Service should adjust any policies for current and future contracts and agreements and, as needed, proposed regulations to ensure that the Forest Service is complying with all applicable laws and regulations that govern such contracts and agreements.

Recommendation 3

Obtain a formal OGC opinion on whether stewardship contracts and agreements are subject to procurement requirements and the provisions of the Agricultural Act of 2014. Immediately ensure current and future contracts and agreements are in compliance with this OGC opinion.

²⁶ 16 U.S.C. § 6591c(d)(2).

²⁷ IRTCs are used when the value of the timber is equal to or greater than the value of the service work to be performed under the contract and is therefore, a sale of property. *See, e.g., Forest Service Handbook 2409.19*, ch. 60, § 61.2, ex. 01.

²⁸ The Forest Service may enter into stewardship contracts and agreements notwithstanding the provisions of the National Forest Management Act of 1976. 16 U.S.C. § 6591c(d)(5).

Agency Response

In its September 14, 2015, response, the Forest Service agreed with this recommendation. While OGC did not provide a formal opinion addressing the applicability of procurement requirements subsequent to the Agricultural Act of 2014, OGC consulted on development of the permanent stewardship authority in the Act and subsequently took leadership in drafting the Stewardship final rule to be published in 36 CFR 223. This regulation states that IRSCs are subject to procurement requirements in the FAR. IRTCs are considered contracts for the sale of property and rely on timber regulations in 36 CFR 223. Lastly, stewardship agreements are not financial assistance agreements and therefore determined not subject to FGCAA and financial assistance regulations in 2 CFR 200. We believe OGC's active participation in and concurrence of the draft final rule demonstrates support of the regulation that is consistent with the Agricultural Act of 2014. Because the final rule will be published soon, we do not feel it is necessary to obtain a formal opinion at this time.

The final rule is currently being routed for agency and department concurrence, including OGC, and is anticipated to be published in the Federal Register by September 30, 2015. The regulation will be effective upon publication. Current Stewardship policy is consistent with the regulation and therefore all current and future contracts and agreements are and will be in compliance with OGC opinion.

OIG Position

We accept management decision for this recommendation.

Recommendation 4

Revise guidance and codify regulations to fully implement the processes specific to stewardship contracts and agreements and to comply with any legal conclusions and recommendations set forth in the OGC opinion.

Agency Response

In its September 14, 2015, response, the Forest Service agreed with this recommendation. The Agency published revised guidance in the Stewardship Contracting handbook, FSH 2409.19 Chapter 60 in March 2014 consistent with the Agricultural Act of 2014. Recognizing the need for regulatory clarification, the Agency and OGC drafted a new Subpart I of 36 CFR 223 implementing Stewardship End Result Contracting and Agreements consistent with the Act and in compliance with OGC opinion.

This regulation is in the final phase of concurrence, is planned for publishing by September 30, 2015, and will be effective upon publication. No additional revisions to

the Stewardship Contracting handbook will be necessary to comply with the regulation. However, other handbook revisions are described elsewhere in this response.

FSAR 6309.32 is being rewritten to improve Agency-specific guidance for acquisition procedures, including IRSCs, that are governed by FAR and Agriculture Acquisition Regulations (AGAR). The Forest Service estimates implementing these changes by March 1, 2016.

OIG Position

We accept management decision for this recommendation.

Section 2: Data Integrity and Ethics Controls Need Strengthening

Finding 3: Forest Service Needs to Implement Better Methods for Recording and Compiling Stewardship Data

Long-standing problems with the Forest Service’s stewardship project data have not been corrected. We found the Forest Service officials that compiled stewardship project data reports inadvertently excluded some relevant data. For example, we determined that 4 additional stewardship agreements were not included in the original list provided by Washington officials of 16 agreements awarded or active during FYs 2013 and 2014. This occurred because the Forest Service does not have a single information system that records all aspects of the stewardship contracting process. A 2008 Government Accountability Office (GAO) audit report also found that Forest Service’s stewardship contracting data were incomplete, and resided in myriad systems, not all of which interfaced with one another.²⁹ As GAO reported, these deficiencies keep the Forest Service and Congress from accurately assessing the costs and value of the stewardship contracting process.

According to the authorizing statute, the Chief of the Forest Service shall annually report to the Committee on Agriculture, Nutrition, and Forestry of the Senate and the Committee on Agriculture of the House of Representatives on “(1) the status of development, execution, and administration of agreements or contracts...; (2) the specific accomplishments that have resulted; and (3) the role of local communities in the development of agreements or contract plans.”³⁰ Additionally, Government standards for internal control state information systems should provide complete and accurate information. Management should maintain reliable internal sources to provide data that are reasonably free from error and bias in order for management to determine if they are effectively fulfilling their objective.³¹

At the beginning of our audit work, Washington officials provided us with a universe of stewardship contracts and agreements awarded or active during fiscal years 2013 and 2014.³² However, we found that 4 of the 20 stewardship agreements included in the scope of our audit work were not included within the universe of agreements; they were not recorded in TIM because they were entirely funded from retained receipts.³³ Instead, those stewardship agreements were recorded only in the Natural Resource Management system and were inadvertently omitted in the response to our data request. We found these agreements when we

²⁹ GAO-09-23, Federal Land Management: Use of Stewardship Contracting is Increasing, but Agencies Could Benefit from Better Data and Contracting Strategies, dated November 2008.

³⁰ 16 U.S.C. § 6591c(i).

³¹ GAO-14-704G, Standards for Internal Control in the Federal Government, September 2014.

³² The Forest Service utilizes the following information systems to record stewardship project data: Natural Resource Manager system, Timber Information Manager (TIM), Forest Service Activity Tracking system, Natural Resource Manager Grants & Agreements application, and Automated Timber Sale Accounting system.

³³ The authorizing statute allows the Forest Service to apply the value of timber or other forest products removed as an offset against the cost of services received under a contract or agreement. Forest Service Manual 2409.19, Chapter 60 states that when the value of the products generated by an IRTC exceeds the costs of the services rendered, then the excess value results in residual receipts. Retained receipts are the portion of residual receipts that are deposited into a forest’s stewardship contracting retained receipts account and retained for transfer to other stewardship contracts and agreements, when approved in advance by the Regional Forester or Forest Supervisor.

compared the list of contracts and agreements from the Washington office with those obtained from the regional offices and national forests. Washington officials acknowledged this issue and stated that stewardship projects using only retained receipts as payment for services are not entered in TIM because timber is not involved in the stewardship project. As a result, Washington officials said they might miss identifying these types of projects as “stewardship” and, therefore, may underreport stewardship contracting activity to Congress.

During the course of our fieldwork, we learned that a similar issue occurred when Washington officials pulled data in response to a Congressional Research Service request. While compiling that data, a Forest Service official found that stewardship service contracts were missing from the database because they were improperly inputted by the field staff. To address this issue, the Washington office issued a regional “data call,” to obtain source data to reconcile with the national data. AQM Washington officials said that they are modifying the FSAR Handbook by adding detailed stewardship contracting reporting guidance for the field.

In 2008, GAO recommended that the Forest Service implement improvements to increase data interfaces among the various systems that contain stewardship data and ensure accuracy and completeness in the data maintained. Washington officials said that since 2008, the Forest Service has fully incorporated stewardship contracting into existing information systems and established business processes applicable to all timber sales. However, Washington officials agreed that the Forest Service has not been able to track all stewardship contracting data in one place. The officials further stated that when accomplishments are reported to Congress, the Forest Service summarizes data pulled from the various databases because the stewardship contracting process is not a standalone program with a dedicated information system.

Although the issue we identified concerning stewardship contracting data had also been identified previously by GAO and the Forest Service itself, it has not yet been successfully addressed. When we discussed the data issue with Washington officials, they stated that the regional officials should be evaluating data during their field peer reviews. Additionally, AQM Washington officials stated they were addressing the issue from the IRSC side, but not with respect to IRTCs or agreements. Since data discrepancies continue to be an issue, we concluded that the efforts undertaken by the Forest Service were ineffective to address all elements of the stewardship contracting process. Because the statute (16 U.S.C. § 6591c) permanently authorizes Forest Service’s use of stewardship contracting, we recommend that the Forest Service develop a consistent method for compiling complete and accurate data to report its stewardship contracts and agreements activity, including retained receipts, to Congress.

Recommendation 5

Develop a consistent method for compiling complete and accurate data to report all aspects of stewardship contracts and agreements, including retained receipts.

Agency Response

In its September 14, 2015, response, the Forest Service agreed with this recommendation and has identified two actions in response. The Agency has taken steps since the 2008 GAO audit to improve data collection and reporting. While grants and agreements, procurements, and timber contracts continue to be housed in separate data systems, new reports were created in order to accurately identify and report stewardship in NRM. Accurate information is recorded in all systems, but has been inconsistently compiled. The first action is to improve documentation of procedures for obtaining the data. The Forest Management staff is working to develop or improve documentation of reporting requirements for a number of resource areas and initiatives, including stewardship contracting. Once completed, the reporting documentation will be made available from the Forest Management FSWeb (internal) website. The availability of the documentation will be announced through email directly to users of the reporting systems.

Second, this audit identified one report that may need to be revised to capture all stewardship agreements. Forest Management, Grants and Agreements, and NRM staff have already begun working to ensure the report accurately identifies all properly recorded stewardship agreements.

The audit identified concerns with data in the acquisitions systems that rely on manually entered stewardship identifiers. These interagency systems are unable to be modified by the Forest Service. However, improved documentation will mitigate the system limitations. Report cross checks will be used to verify contracts also reported in TIM. The remaining stewardship contracts that are not also recorded in TIM are reliably identifiable in the acquisitions systems based on source of funding (stewardship retained receipts). Improved and accessible documentation will ensure consistent and reliable data reporting over time and through changes in personnel. The Forest Service estimates implementing these changes by March 1, 2016.

OIG Position

We accept management decision for this recommendation.

Finding 4: Forest Service Needs to Document Stewardship Project Official Ethical Determinations

We determined that the Forest Service did not adequately document ethical determinations when awarding stewardship projects to former Forest Service employees or companies at which those former employees work because the agency does not have a policy to obtain and/or retain official written documentation of the ethics advisor's determinations. By not documenting official ethical determinations, the Forest Service has reduced assurance that stewardship contracts and agreements are awarded free of improper influence or the appearance of impropriety.

Regulations prohibit certain activities by former Government employees, including representation of a contractor before the Government in relation to any contract or other particular matter involving specific parties on which the former employee participated personally and substantially while employed by the Government.³⁴ Specifically, there is a 2-year³⁵ restriction if the employee had official responsibility or a permanent³⁶ restriction if the employee participated personally and substantially. The laws regarding integrity in procurement authorize current and former employees to request advice from agency ethics officials regarding whether the employee would be precluded from accepting compensation from a particular contractor.³⁷ The FAR states, "Within 30 days after receipt of a request containing complete information, or as soon thereafter as practicable, the agency ethics official should issue an opinion on whether the proposed conduct would violate 41 U.S.C. 2104."³⁸

During our audit, we reviewed the controls the Forest Service used for selecting and awarding contracts and agreements for stewardship projects. We assessed compliance with the authorizing statute, and applicable laws and regulations such as procurement integrity in awarding contracts. The procurement integrity laws and regulations³⁹ help ensure that contracts are awarded free of improper influence or even the appearance of impropriety. A conflict of financial interest could occur if the agency's contracting or procuring officer evaluates a bid proposal from a contractor who is a friend or family member.⁴⁰ Conversely, former Federal employees have restrictions on how soon they can do business with their prior agency after they retire or leave their agency.⁴¹ Violations of these procurement integrity laws can result in criminal, civil, and administrative penalties and actions.⁴²

We found a stewardship contract in our sample which was awarded to a contractor that employed a former Forest Service official. We take no position with respect to the ethical determination as our audit work focused on the controls of the stewardship contracting process, not the ethical

³⁴ 48 C.F.R. § 3.104-2(b)(3).

³⁵ 18 U.S.C. § 207(a)(2); 5 C.F.R. § 2641.202.

³⁶ 18 U.S.C. § 207(a)(1); 5 C.F.R. § 2641.201.

³⁷ 41 U.S.C. § 2104(c); 48 C.F.R. § 3.104-6.

³⁸ 48 C.F.R. § 3.104-6(c).

³⁹ 41 U.S.C. §§ 2101-2107; 48 C.F.R. §§ 3.104 to 3.104-9.

⁴⁰ 41 U.S.C. § 2103-2104.

⁴¹ 41 U.S.C. § 2104.

⁴² 41 U.S.C. § 2105.

determinations specific to that situation. However, we did note that the ethics official's determination was not adequately documented within the contract file.

Specifically, an Assistant Regional Director for Forest Management retired in 2008 and became the Director of Forest Operations for a contractor that was later awarded a stewardship contract by that national forest. While still working for the Forest Service, the former employee participated in initial planning discussions for a large restoration project that was awarded to the contractor that the former employee eventually worked for. When we asked for ethical determination documentation demonstrating the ethical considerations pertaining to this situation, Forest Service officials stated they had contacted their ethics advisor, who made an ethical determination during a teleconference. According to Forest Service officials, the former employee was not involved in "specific" conversations regarding the project and the request for proposal for the large restoration project was not issued until 2011, 3 years after the employee in question retired. However, this ethical determination was not officially documented for retention in the contract file. A Forest Service regional official simply typed up the conversation into a document. Since this was an official determination from an ethics advisor, the procurement integrity regulations⁴³ provide that the advisor should have prepared a written determination.

We discussed this issue with Washington officials, who agreed that this was a concern and corrective actions should be taken. We found that the Forest Service currently does not have a policy in place to ensure that ethics determinations from departmental or ethics officials are obtained and retained in the contract files for stewardship projects. Therefore, we recommend that the Forest Service fully document stewardship project ethical determinations received from departmental and ethics officials to avoid the appearance of impropriety and provide assurance that stewardship contracts and agreements are awarded free of improper influence.

Recommendation 6

Develop and implement a stewardship contracting policy and procedure that requires timely and fully-documented ethical determinations from departmental or ethics officials that are to be retained in the stewardship project files.

Agency Response

In its September 14, 2015, response, the Forest Service agreed with this recommendation. Ethics training is an annual requirement for all Agency contracting officers, both AQM and timber. Current regulations under FAR Part 3.104-7 and AGAR Part 403, as well as policy under FSAR 6309.32 4G03 govern ethical determinations for AQM. In addition, current policy regarding Source Selection Plans requires all technical evaluation panel members to review and sign a statement of non-disclosure/conflict of interest. Forest Management will revise the Stewardship Handbook, FSH 2409.19 Chapter 60, to require timely and fully-documented ethical determinations from departmental or ethics officials be retained in the stewardship project files. The Forest Service estimates implementing these changes by April 30, 2016.

⁴³ 48 C.F.R. 3.104-6(c).

OIG Position

We accept management decision for this recommendation.

Scope and Methodology

We conducted our audit of the Forest Service's stewardship contracting process at the agency's Washington office, located in Washington, D.C.; 4 of the 9 regional offices; and 6 of the 155 national forests. For specific locations visited, see Exhibit A. The scope of our audit work covered stewardship contracts and agreements awarded or active in FY 2013 and 2014, totaling over \$304 million. Since stewardship contracting is a tool and not a program, no money is budgeted or specifically appropriated for it.

We non-statistically selected three regional offices for review, based on their high stewardship project activity. We selected a fourth regional office since the largest landscape-scale restoration stewardship initiative was located within that region. National forests were selected based on their proximity to regional offices and the level of stewardship project activity. We non-statistically selected and reviewed 12 of 51 contracts⁴⁴ and 4 of 20 agreements which were active or awarded during FYs 2013 and 2014.

Our audit reviewed the controls over the stewardship contracting and agreement process to determine if the Forest Service's controls for awarding contracts and agreements were followed and were consistent with statutory and regulatory requirements, such as the FAR, and if contracts were competitively awarded to obtain the best value for the Government. We limited our audit work to only those requirements stated in the authorizing statute and did not assess the controls over the administration of stewardship projects. We performed our audit fieldwork from October 2014 through June 2015.

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 GAO audit reports applicable to the scope of the audit.
- Interviewed Washington, regional, and national forest officials to obtain an understanding of the stewardship contracting process, including their responsibilities and the related internal controls.
- Reviewed documents related to the solicitation and awarding of stewardship contracts and agreements in order to determine if requests for proposal were clear and if contracts and agreements were awarded on a best value basis.
- Discussed the issues we found during our audit with Washington officials to obtain their position and response.

We obtained lists of FYs 2013 and 2014 awarded or active stewardship contracts and agreements from Washington, regional, and national forest officials. These lists were compiled by Forest Service officials from the various information systems used for recording stewardship contracts and agreements. While we did not perform a complete general and application control review of the information systems which contained this information, we assessed the reliability of the data from these information systems utilized by the Forest Service for the stewardship

⁴⁴ The 12 contracts were non-statistically selected from the documentation provided by the Washington officials. The total universe of 51 contracts included IRTCs, IRSCs, and their respective task orders.

contracting process by comparing the lists provided by Forest Service officials to source documentation. The result of this testing is explained in Finding 3.

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

AGAR.....	Agriculture Acquisition Regulation
AQM.....	Acquisition Management
C.F.R.....	Code of Federal Regulations
FAR.....	Federal Acquisition Regulation
FGCAA.....	Federal Grant and Cooperative Agreement Act of 1977
FSAR.....	Forest Service Acquisition Regulation
FY.....	Fiscal Year
GAO.....	Government Accountability Office
IRSC.....	Integrated Resource Service Contract
IRTC.....	Integrated Resource Timber Contract
OGC.....	Office of the General Counsel
TIM.....	Timber Information Manager
U.S.C.....	United States Code
USDA.....	United States Department of Agriculture

Exhibit A: Audit Sites Visited

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

Organization	Location
Washington Office	Washington, DC
Rocky Mountain Regional Office (Region 2)	Golden, Colorado
Arapaho and Roosevelt National Forests and Pawnee National Grassland	Fort Collins, Colorado
Grand Mesa, Uncompahgre, and Gunnison National Forests	Delta, Colorado
Southwestern Regional Office (Region 3)	Albuquerque, New Mexico
Pacific Northwest Regional Office (Region 6)	Portland, Oregon
Rogue River-Siskiyou National Forest	Medford, Oregon
Deschutes National Forest	Bend, Oregon
Southern Regional Office (Region 8)	Atlanta, Georgia
Ozark-St. Francis National Forests	Russellville, Arkansas
Chattahoochee-Oconee National Forests	Gainesville, Georgia

**USDA'S
FOREST SERVICE
RESPONSE TO AUDIT REPORT**

File Code: 1430
Route To:

Date: September 14, 2015

Subject: FS Response to Reach Management Decision on Office of Inspector General Report No. 08601-0003-31 – “FS: Controls over the Stewardship Contracting Process for Land Management of National Forests”

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

Enclosed is the Forest Service’s response to reach management decision on Office of Inspector General (OIG) Audit Report No. 08601-0003-31. The response outlines our proposed actions for each of the audit recommendations. Please contact Thelma Strong, Chief Financial Officer, at (202) 205-1321 or tstrong@fs.fed.us with any questions.

/s/Thomas L. Tidwell

THOMAS L. TIDWELL
Chief

Enclosure



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USDA Forest Service (FS)

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Office of Inspector General (OIG) Draft Audit Report No. 08601-0003-31
Official Draft Report on FS: Controls over the Stewardship Contracting Process for Land
Management of National Forests

September 14, 2015

Management Decision

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Recommendation 1: Update request for proposal templates to remove or revise any confusing language and clarify rating criteria to ensure that all factors and sub factors are clearly stated by assigning relative importance to the factors.

FS Response:

FS concurs with this recommendation. The Agency is finalizing updates to the Integrated Resource Service Contract (IRSC) templates for construction and commercial services, including guidance for the evaluation criteria. It will remain the responsibility of the Contracting Officer (CO) to select and use the appropriate language. Acquisition Management (AQM) anticipates document review will be completed by September 30, 2015, and the updated templates will be available for use beginning on October 1, 2015.

Evaluation criteria for Integrated Resource Timber Contracts (IRTC) are included in the prospectus that is generated by Timber Information Manager (TIM). The contract preparer is required to specify the relative weight of price to non-price factors as well as the approximate weight of each factor. Identification and importance of sub factors must be added in a text field or as an attachment. Forest Management will evaluate application of factors and sub factors across all regions to determine what changes may be necessary to the prospectus and what clarification needs to be addressed through improved guidance or best value training. Regions are developing guidelines and checklists to assist technical personnel in writing the source selection criteria and developing evaluation criteria. These will be consistent with guidance in Forest Service Acquisition Regulation (FSAR) 6309.32, currently under revision and discussed in response to Recommendation 4 below.

Estimated Completion Date: March 1, 2016

Recommendation 2: Conduct training to ensure that national forest and district officials are clearly assigning relative importance to the evaluation factors and sub factors in the stewardship requests for proposal.

FS Response:

FS concurs with this recommendation. The Agency is already taking steps to ensure best value source selection is properly performed. Source selection training is now a requirement for Level 2 certification for acquisition COs. This training was offered in February and March, 2015 and is available on demand from the Acquisition Management website.

In addition, existing source selection stewardship training materials, intended for both AQM and timber COs, will be updated to provide detailed instruction to clearly assign relative importance to the evaluation factors and sub factors in the requests for proposal. Once updated, we will offer onsite or virtual training, at least one session being recorded and available on demand via the internet.

Lastly, Federal Acquisition Regulation (FAR) is incorporated into the Stewardship Handbook, FSH 2409.19 Chapter 63.1 addressing best value. This chapter will be revised under Interim Directive to include more detailed guidance for developing, assigning importance, and evaluating the best value criteria for stewardship requests for proposal.

Estimated Completion Date: May 31, 2016

Recommendation 3: Obtain a formal Office of General Counsel (OGC) opinion on whether stewardship contracts and agreements are subject to procurement requirements and the provisions of the Agricultural Act of 2014. Immediately ensure current and future contracts and agreements are in compliance with this OGC opinion.

FS Response:

FS generally concurs with this recommendation. While OGC did not provide a formal opinion addressing the applicability of procurement requirements subsequent to the Agricultural Act of 2014, OGC consulted on development of the permanent stewardship authority in the Act and subsequently took leadership in drafting the Stewardship final rule to be published in 36 CFR 223. This regulation states that Integrated Resource Service Contracts are subject to procurement requirements in the Federal Acquisition Regulation. Integrated Resource Timber Contracts are considered contracts for the sale of property and rely on timber regulations in 36 CFR 223. Lastly, stewardship agreements are not financial assistance agreements and therefore determined not subject to Federal Grants and Cooperative Agreements Act and financial assistance regulations in 2 CFR 200. We believe OGC's active participation in and concurrence of the draft final rule demonstrates support of the regulation that is consistent with the Agricultural Act of 2014. Because the final rule will be published soon, we do not feel it is necessary to obtain a formal opinion at this time.

The final rule is currently being routed for agency and department concurrence, including OGC, and is anticipated to be published in the Federal Register by September 30, 2015. The regulation will be effective upon publication. Current Stewardship policy is consistent with the regulation and therefore all current and future contracts and agreements are and will be in compliance with OGC opinion.

Estimated Completion Date: September 30, 2015

Recommendation 4: Revise guidance and codify regulations to fully implement the processes specific to stewardship contracts and agreements and to comply with any legal conclusions and recommendations set forth in the Office of the General Counsel opinion.

FS Response:

FS concurs with this recommendation. The Agency published revised guidance in the Stewardship Contracting handbook, FSH 2409.19 Chapter 60 in March 2014 consistent with the Agricultural Act of 2014. Recognizing the need for regulatory clarification, the Agency and OGC drafted a new Subpart I of 36 CFR 223 implementing Stewardship End Result Contracting and Agreements consistent with the Act and in compliance with OGC opinion.

This regulation is in the final phase of concurrence, is planned for publishing by September 30, 2015, and will be effective upon publication. No additional revisions to the Stewardship Contracting handbook will be necessary to comply with the regulation. However, other handbook revisions are described elsewhere in this response.

Forest Service Acquisition Regulation 6309.32 is being rewritten to improve Agency-specific guidance for acquisition procedures, including Integrated Resource Service Contracts, that are governed by FAR and Agriculture Acquisition Regulations (AGAR).

Estimated Completion Date: March 1, 2016

Recommendation 5: Develop a consistent method for compiling complete and accurate data to report all aspects of stewardship contracts and agreements, including retained receipts.

FS Response:

FS concurs with this recommendation and has identified two actions in response. The Agency has taken steps since the 2008 Government Accountability Office (GAO) audit to improve data collection and reporting. While grants and agreements, procurements, and timber contracts continue to be housed in separate data systems, new reports were created in order to accurately identify and report stewardship in NRM. Accurate information is recorded in all systems, but has been inconsistently compiled. The first action is to improve documentation of procedures for obtaining the data. The Forest Management staff is working to develop or improve documentation of reporting requirements for a number of resource areas and initiatives, including stewardship contracting. Once completed, the reporting documentation will be made available from the Forest Management FSWeb (internal) website. The availability of the documentation will be announced through email directly to users of the reporting systems.

Second, this audit identified one report that may need to be revised to capture all stewardship agreements. Forest Management, Grants and Agreements, and NRM staff have already begun working to ensure the report accurately identifies all properly recorded stewardship agreements.

The audit identified concerns with data in the acquisitions systems that rely on manually entered stewardship identifiers. These interagency systems are unable to be modified by the Forest Service. However, improved documentation will mitigate the system limitations. Report cross checks will be used to verify contracts also reported in Timber Information Manager (TIM). The remaining stewardship contracts that are not also recorded in TIM are reliably identifiable in the acquisitions systems based on source of funding (stewardship retained receipts). Improved and

accessible documentation will ensure consistent and reliable data reporting over time and through changes in personnel.

Estimated Completion Date: March 1, 2016

Recommendation 6: Develop and implement a stewardship contracting policy and procedure that requires timely and fully-documented ethical determinations from departmental or ethics officials that are to be retained in the stewardship project files.

FS Response:

FS generally concurs with this recommendation. Ethics training is an annual requirement for all Agency contracting officers, both AQM and timber. Current regulations under FAR Part 3.104-7 and AGAR Part 403, as well as policy under FSAR 6309.32 4G03 govern ethical determinations for Acquisition Management. In addition, current policy regarding Source Selection Plans requires all technical evaluation panel members to review and sign a statement of non-disclosure/conflict of interest. Forest Management will revise the Stewardship Handbook, FSH 2409.19 Chapter 60, to require timely and fully-documented ethical determinations from departmental or ethics officials be retained in the stewardship project files.

Estimated Completion Date: April 30, 2016

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