

**Forest Service Handbook
National Headquarters - Washington Office
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Forest Service Handbook 1409.11 – Fiscal Review and Analysis Handbook

Chapter 000 - General

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Table of Contents

001 - Requirements	3
002 - Objectives.....	3
003 - Policy.....	4
004 - Responsibilities.....	6
005 - Definitions	6
010 - Correlation with Other Inspection and Audit Programs.....	7
011 - Office of the Inspector General	8
012 - External Audits	8
012.1 - General Accounting Office	8
012.2 - Treasury Department	8
020 - Working Papers	9
030 - Preparation for Inspection	11
031 - Assembling Fiscal Data.....	11
032 - Studying Reports of Previous Reviews.....	12
033 - Contacting Other Divisions	12
034 - Adjusting Review and Analysis Program	12
035 - Finalizing Field Schedule.....	14
040 - Conduct of Fiscal Review and Analysis.....	14
041 - Entrance Conference	14
042 - Making Fiscal Review and Analysis	14
043 - Exit Conference.....	15
050 - Report of Fiscal Review and Analysis	15
051 - Memorandum Reports.....	15
052 - Review Draft.....	16
053 - Final Report	16
060 - Corrective Action	16
061 - Closing Action	17
062 - Progress Report Review	17
070 - Self-Review	17

Fiscal review and analysis is a major management control which examines work performed by people.

This handbook is for use by the review and analysis branch or others in the division of fiscal control to establish the course, guide the progress, and ensure adequate coverage of the fiscal review and analysis of a Forest's or similar unit's work. The reviewing officer shall not limit his examination to the items mentioned in this handbook. He shall develop pertinent information from any source, commensurate with the circumstances and cost involved, to provide management with essential data. He has considerable latitude and authority in this respect. Good judgement is required in determining the extent of examination. Factors to be considered include (1) compliance with applicable laws, regulations, and policies, (2) current condition of work, (3) the experience and qualifications of the people handling the job, and (4) his appraisal of controls. The reviewing officer has no line authority and will include any recommendations in his report for consideration through organizational channels.

Coding used in this handbook coincides with that of the Forest Service Manual. There is a chapter for each manual series. Such coding (1) facilitates reference to the manual, (2) assigns working paper references which coincide with manual, and (3) provides the flexibility needed for future revision or expansion.

Every user is invited to participate in the improvement of this handbook. Suggestions should be sent through the usual channels to the Chief of the Forest Service.

001 - Requirements

The requirements for inspections are stated in FSM 1440. Additional requirements for fiscal review and analysis are contained in section 113 of the Budget and Accounting Procedures Act of 1950 (31 U.S.C. 66a). The pertinent part provides that:

. . . the head of each executive agency shall establish and maintain systems of accounting and internal control designed to provide . . . (3) effective control over and accountability for all funds, property, and other assets for which the agency is responsible.

002 - Objectives

The general objectives of inspection are stated in FSM 1440. Additional and more specific objectives of fiscal review and analysis include:

1. Ascertaining whether fiscal policies, plans, systems, and procedures adequately serve management needs, provide adequate internal controls, and conform to laws and regulations.
2. Providing objective observations as to whether fiscal operations are carried out effectively, efficiently, and economically.

3. Evaluating reliability and usefulness of fiscal records, statistical data, and report.
4. Determining whether assets are properly accounted for and adequately safeguarded.
5. Supplying on-the-ground assistance and training.
6. Identifying training needs and making suggestions for employee development.
7. Determining whether accounting and fiscal data supplied by contractors and permittees are reliable and furnished promptly as required.
8. Identifying, where possible, the cause of any deficiencies found.

003 - Policy

FSM 1440 provides general policy for inspections. Additional policy applicable more specifically to fiscal review and analysis includes the following principles:

1. Laws, regulations, policies, and procedures pertaining to the work included in a fiscal review and analysis are generally provided in the Forest Service directives system. However, the reviewing officer should be aware of and use, when appropriate and available, various other authorities and instructions. These include:

a. Laws

(1) Slip laws.

(2) Statutes and legislative history.

(3) United States Code.

(4) USDA Handbook No. 20, The Principal Laws Relating to the Establishment and Administration of the National Forests and to other Forest Service Activities.

b. Executive orders.

c. Code of Federal Regulations.

d. USDA Administrative Regulations.

e. Decisions of the Comptroller General of the United States (published and unpublished).

- f. Federal Personnel Manual.
- g. Federal Procurement Regulations.
- h. General Accounting Office Manual.
- i. Opinions of the Office of the General Counsel.
- j. General Services Administration Regulations.
- k. Treasury Department manuals.
- l. Government travel regulations.

2. Effectiveness of controls is of primary concern. Verification and checking must be done to ensure (1) accuracy and integrity of accounts, and (2) the protection of Government funds and property. Such verification and checking will normally be on a sampling basis.

3. The degree of sampling is left to the judgement of the reviewing officer. He shall be guided by (1) the conditions found, (2) the experience and qualifications of the people doing the work, and (3) adequacy of supervision and self-inspection.

4. The adequacy of the documentation supporting individual transactions and reports shall be given thorough consideration. Such documentation is the first and basic element of the finished product.

5. An analysis is required when controls are not functioning properly, particularly to determine whether unit or subunit personnel are not administering or following prescribed procedures, or whether Service-wide procedures or instructions, or Regional supplements thereto, are sufficient or weak. Recommendations for corrective action shall be made.

6. Flow charts, graphs, and other visual aid techniques will be used where practicable to measure and report performance.

7. Fiscal review and analysis work shall be so conducted as to cause the minimum disruption of operations of the unit under review and to provide maximum service to all levels of management.

004 - Responsibilities

The Regional division of fiscal control review and analysis branch chief's responsibilities include personally handling or directing of the following major functions:

1. Planning and conducting a continuing program of review and analysis of all internal fiscal and accounting activities.
2. Directing the program of general functional inspections conducted by the division of fiscal control.
3. Providing guidance and direction to the fiscal and accounting aspects of all unit and subunit inspection programs.
4. Serving, when assigned, as Regional liaison officer with representatives of the General Accounting Office, the Office of the Inspector General, and others having control jurisdiction over fiscal activities. Specific responsibilities are listed in 010.
5. Planning and directing career development programs for fiscal personnel in cooperation with the Division of Personnel Management.
6. Developing and directing Regional, unit, and subunit training programs for fiscal and accounting policies and procedures.
7. Organizing and performing preliminary reviews of alleged fiscal irregularities; as required by instructions.
8. Actively participating as a fully responsible representative of the Regional Fiscal Agent and the Regional Forester in sessions at which decisions are made by functional operating personnel on the conduct of management programs to ensure their coordination with existing or revised fiscal requirements; making suggestions as to changes that may be made that will strengthen controls of finances and provide more beneficial information.

005 - Definitions

Definitions are provided below for the more common terms used throughout this handbook.

1. Controls. Controls are measures designed to ensure that requirements of law, regulation, policy, and procedures are met in daily operations. Review and analysis are controls. Other controls include;
 - a. Instructions and procedural systems.

- b. Organization to provide checks and balance.
- c. Segregation of duties.
- d. The Forest Service general ledger system. (Controls and subsidiary accounts.)

2. Internal Audit. An internal audit is an independent appraisal of the propriety, legality, and effectiveness of management. Such appraisal is made by an independent unit within the organization.

3. External Audit. An external audit is an appraisal by another department or agency of one or more areas of Forest Service activities.

010 - Correlation with Other Inspection and Audit Programs

The review and analysis branch chief is responsible for the correlation of the Region's fiscal review and analysis program with:

- 1. Inspection work of other Regional Office divisions and of the Washington Office.
- 2. Internal audits and investigations of the Office of the Inspector General (OIG).
- 3. External audits scheduled by the General Accounting Office, Treasury Department, or others outside the Department of Agriculture.

This branch chief's other responsibilities for correlation of inspection and audit work include:

- 1. Providing auditors of other agencies and inspectors of other divisions with the results of fiscal reviews and analyses in the area under examination. The evidence presented of the adequacy of such reviews and analyses will be a major factor in determining the extent of examination by such auditors or inspectors.
- 2. Representing the Regional Fiscal Agent, as assigned, during audits or inspections of the Regional Office.
- 3. Representing the Regional Forester, as assigned, at OIG or GAO audit exit conferences.
- 4. Reviewing, as assigned, reports of audits, fiscal inspections, and investigations.
- 5. Developing comments on fiscal findings for use in transmitting such reports to the units inspected.

6. Drafting replies to findings in fiscal areas with provisions for clearance with other divisions, the Washington Office, or Office of the General Counsel, when appropriate.

7. Initiating necessary corrective measures in fiscal areas.

011 - Office of the Inspector General

OIG audits are not intended to assume the responsibilities of the Forest Service for control by inspection. Information regarding the conduct and procedures related to OIG audits is provided in FSM 1430.

012 - External Audits

Information follows as to the correlation required for the principle types of external audits.

012.1 - General Accounting Office

General Accounting Office audits are not intended to assume the responsibilities of the Forest Service for control by inspection. Information regarding the audits and investigations conducted by the General Accounting Office (GOA) is provided in FSM 1420 and chapter 2 of title 8 of the Department's Administrative Regulations.

012.2 - Treasury Department

The Treasury Department is authorized to make audits covering the following operations:

1. Imprest Funds Advanced to Cashiers. Chapter 800 of the Imprest Fund Payments Handbook (FSH), and section 8 of the Treasury Manual, which is part of that handbook, provide information regarding the Treasury's authority.

2. Assistant Disbursing Officer Operations. Treasury disbursing officers are authorized to audit payment transactions handled by Forest Service personnel designated as assistant disbursing officers.

Such Treasury Department audits are usually limited to fiscal and accounting areas. When so designated, the Region's review and analysis branch chief shall represent the Regional Forester in working with the Treasury on such matters, including any reports of inadequate or improper actions by cashiers or assistant disbursing officers, and loss or shortage of funds or checks.

020 - Working Papers

Working papers shall be designed and prepared to provide:

1. A permanent record of the verification work done and transactions reviewed.
2. The systematically organized basic data from which the report is prepared.
3. Supervisors, OIG, GAO, or others with a basis for determining whether (1) the review and analysis program was satisfactorily completed and (2) such review and analysis was made in accordance with the generally accepted standards applicable to area examined.
4. Guidance for the individual who makes the next review and analysis.

The individual making the review and analysis must assure himself (1) that his working papers contain facts and (2) that he has made sufficient inquiry, analysis, and tests to prove their reliability.

No uniform requirements are prescribed for the format or content of working papers. The minimum data provided for each individual working paper shall include:

1. Name of unit under review.
2. Subject examined, controls appraised, or working paper reference code.
3. Working paper page or exhibit number.
4. Name of individual making review.
5. Date of review.
6. Source of data.
7. Extent of verification.
8. Period covered by the test.
9. Evaluation. The basis for decision should be substantiated.

Items 1 through 5 can be conveniently shown by the completion of a rubber stamp impression similar to that shown below on working papers and exhibits:

Unit
Date
Inspector
WP. Ref. No.
Page No.
Exhibit No.

In some cases one or more of these elements will be self-evident. The individual preparing working papers must assure himself that essential facts are evident and understandable to others who use such papers. The statement of evaluation must be clear. It may be a simple "satisfactory" notation or point out a need for corrective action or change in procedure. Such evaluation must adequately support the report recommendation.

The individual making the review and analysis must determine and use the form of working paper which, in his opinion, is the most effective for the area in which he is working. Acceptable working paper formats include schedules, analysis, and narrative comments.

Standard schedules (also called spread sheets and tabulations) developed by experienced examiners are an effective method of covering multiple check points from a single source. To the extent feasible, schedules should be devised in advance and elements of "check data" obtained from records maintained at higher levels.

A narrative statement is adequate when procedures and controls are good.

The volume of working papers varies with areas examined, the review and analysis program, and the extent of coverage and findings. A good analyst will (1) distinguish between essential and nonessential data and (2) exclude extraneous matter not needed to support findings or recommendations.

Referral to working papers for report preparation, exit conferences, and otherwise as needed is much easier when the working papers are developed systematically. Generally this is accomplished by preparing a notebook with guides, identifying each of the major inspection areas and entering pertinent data behind the appropriate guide as it is developed. This can be on paper placed behind each guide when the notebook is prepared or by inserting other documents developed or selected as exhibits during the inspection. Notations of cases which come to attention in examination of one subject and which relate to or are to be further examined under other subject headings should be made under the appropriate working paper guide. This will record items which may require further attention and will keep working papers separated by topic. At the conclusion of the inspection the working papers and guides can be bound and labeled as is for permanent reference.

030 - Preparation for Inspection

General guidelines for preparing for inspections are provided in FSM 1440. Thorough preparation is particularly important for fiscal review and analysis to (1) ensure adequate coverage, (2) reduce field time, and (3) provide the unit to be examined with essential information.

031 - Assembling Fiscal Data

Assemble from sources within the Regional Office the data needed for an adequate fiscal review and analysis. Suggested information is:

1. Unit directory.
2. Chart of unit's business management organization.
3. Accountability for:
 - a. Treasury checks in the hands of the unit's assistant disbursing officers.
 - b. Small Cash Sale Receipt and Permit, Form 2400-6.
 - c. Christmas tree permits.
 - d. Land and Water Conservation Fund stickers, permits, and tickets.
 - e. Government transportation requests.
 - f. Other accountable forms.
4. Audit exception forms.
5. Problem cases, if any, including claims, adjustment, compensation-for-injury cases, contracts, and cooperative arrangements.
6. Control data for:
 - a. Advances to cashiers.
 - b. Travel advances.
7. List of collection officers designated by Regional Forester or Regional Fiscal Agent.

8. List of certifying officers.
9. Special ADP runs of:
 - a. Recent unit financial statements.
 - b. One recent month's business in disbursements, adjustments, and collections.
10. The details of any scientific statistical samples which are developed.

032 - Studying Reports of Previous Reviews

Study reports of (1) the last fiscal review and analysis, (2) any subsequent fiscal assistance trips, and (3) corrective action taken. Abstract pertinent information from reports of the latest general integrating inspection; the last internal audit by OIG; and other investigations, audits, or inspections involving the unit.

033 - Contacting Other Divisions

Discuss the scheduled fiscal review and analysis with the personnel of other divisions when there is reason to believe there may be fiscal and accounting problems in their areas.

034 - Adjusting Review and Analysis Program

Adjust the review and analysis program to (1) ensure that adequate attention is given weak or problem areas, (2) provide assistance requested, and (3) determine adequacy of corrective action required by earlier reports. This will be accomplished by preparing an inspection plan which will show (1) the areas to be reviewed, (2) the inspector (if more than one) to inspect each area, and (3) the time planned for each inspection activity. While this must be flexible and may be changed as the inspection progresses, it will document inspection assignments and serve as a guide against which accomplishments can be measured and a basis for establishing priorities.

Exhibit 01 shows a sample format for such an inspection plan.

034 - Exhibit 01

Unit <u>ABC National Forest</u>			Period of inspection from <u>9/12/66</u> to <u>10/7/66</u>				
			Inspector <u>John Jones</u>		Inspector <u>William Smith</u>		
<u>Area</u>							
Code	Title	Sub- code	<u>Planned time</u>		Sub- code	<u>Planned time</u>	
			Unit	Subunit		Unit	Subunit
			(Hrs.)	(Hrs.)	(Hrs.) (Hrs.)		
110	Directives system		6				
120	Organization				6	2	
130	Management	131	4		134	2	1
140	Controls	142- 143	4		144	4	1
150	External relations		4				

-	Travel time		8	2		8	2
-	Report preparation		24			24	
-	Exit conference		<u>6</u>	<u>2</u>		<u>6</u>	<u>2</u>
	Total planned		90	70		90	70
	Total available		(160)			(160)	

035 - Finalizing Field Schedule

General plans for each fiscal review and analysis shall be included in the Region's annual plan of work or travel schedule.

After developing the information mentioned in 031 through 035, inform the unit about final plans, including Ranger Districts or other subunits involved. Furnish such data at least 10 days prior to beginning the fiscal review. Form 1300-21 should be used to finalize the field schedule.

040 - Conduct of Fiscal Review and Analysis

General guidelines for conducting inspections are provided in FSM 1440. Additional and more specific requirements for handling fiscal review and analysis work follow.

041 - Entrance Conference

At the start of each fiscal review and analysis, the officer in charge of the review shall (1) discuss with the Supervisor, or Acting, of the unit under examination the purpose, expected scope, anticipated ending date, and other pertinent matters, (2) request information regarding areas or activities needing special fiscal attention, and (3) encourage participation by unit personnel.

042 - Making Fiscal Review and Analysis

Suggested methods and techniques are provided in FSM 1440. However, the reviewing officer shall limit his examinations neither to such methods and techniques nor to the items mentioned in this handbook. He has the authority and responsibility to perform the work essential for adequate coverage of the condition found. He must keep in mind the accounting, fiscal operation, and appropriation use requirements that effect each segment of the work and see that such information from various documents involved is properly tied in. He must establish an appropriate balance between attention to matters of compliance and the testing of policies and procedures as to their efficiency, adequacy, and benefits to management.

Proper working papers must be prepared at the time for review.

Individuals doing fiscal review and analysis work must be alert for situations which require investigation under the provision of FSM 1450. Such situations must be reported immediately to the Regional Fiscal Agent.

A careful search should be made for conditions or practices which could lead to fraud, dishonesty, or loss. Such conditions should be fully covered in the report.

Except for situations requiring investigation, findings should be discussed currently with appropriate management officials of the unit under examination.

In keeping with normal fiscal review and analysis procedures, only a sample of the records and transactions in a particular area will be examined as a general rule. See 003 for policy on degree of sampling. Conclusions may be based on the sample examined unless the sampling plan used provides a basis for projecting the results to the total group of records or transactions.

043 - Exit Conference

At the close of the fiscal review and analysis, discuss the findings and proposed recommendations with the head, or Acting, of the unit examined. When practicable, an initial draft of the complete report will be prepared and used for the discussion. As a minimum, a summary of recommendations will be used (052). Care must be taken to ensure that the discussion includes any item that will be used in the final report. Encourage the unit supervisor to (1) express his views on the findings and recommendations and (2) make known any facts not previously disclosed which would influence the manner in which the situation will be reported. Request the unit supervisor to indicate (1) his concurrence, nonconcurrence, or other reaction to the findings and (2) the action he has taken, or will take, within his authority. Document the significant portions of the exit conference and include such documentation in the working paper file.

050 - Report of Fiscal Review and Analysis

General instructions for report preparation are provided in FSM 1440.

051 - Memorandum Reports

Any known or suspected violations or irregularities of the type listed in FSM 1450 and in chapter 4 of title 8 of the Department's Administrative Regulations shall be reported immediately to the Regional Fiscal Agent. Such report shall be submitted or confirmed, if originally made verbally by telephone or otherwise, in memorandum form and marked "Administratively Confidential". Prepare sufficient copies to provide the Regional Fiscal Agent with an original and four copies.

Individual personnel problem cases shall be handled in the same manner.

Generally such findings will be discussed with the head, or Acting, of the unit involved. The officer-in-charge of the review will request the advice of the Regional Fiscal Agent if there is reason to question this procedure.

052 - Review Draft

When practicable, an initial draft of the regular report shall be prepared and used for the exit conference discussion. Follow the format prescribed for the final report to the extent feasible. As a minimum a summary appraisal and summary of recommendations will be prepared and discussed. Prepare enough copies for exit conference needs. Leave at least one with the unit supervisor.

If an initial draft was not prepared and used in the exit conference discussion, prepare and forward to the unit supervisor a review draft, in duplicate, within 2 months after such conference. Request such supervisor to indicate his concurrence, nonconcurrence, or other reaction to the findings, and return one copy with his comments within an appropriate period of time.

053 - Final Report

Follow the standard outline provided in FSM 1440. Prepare not less than an original and four copies.

Such report shall be completed within 4 months after the exit conference and released to the Regional Fiscal Agent.

Instructions for preparation of the letter of transmittal signed by the appropriate line officer are included in FSM 1445.32. The transmittal letter becomes a part of the inspection report and will inform the inspectee of corrective actions required.

060 - Corrective Action

The review and analysis branch chief's responsibilities for corrective action include:

1. Following to timely conclusion all report recommendations approved or included in the letter of transmittal.
2. Informing all interested officials of the action taken.
3. Guiding Regional administrative action in matters referred to the Chief, OIG, GAO, or the Office of the General Counsel (OGC) so that such actions will not prejudice or interfere with decisions made by the other offices involved. If in doubt as to whether contemplated administrative action may prejudice or interfere with legal action, consult the local representatives of OGC.

061 - Closing Action

A recommendation or finding shall be considered closed when one of the following criteria has been met.

1. Necessary administrative action has been completed. Examples of such actions are:
 - a. The amount of an indebtedness has been determined and the collection made, or otherwise properly processed.
 - b. Needed instructions have been written and disseminated.
 - c. Controls have been instituted.
 - d. Agreement has been reached that good reasons exist for not following the recommendations.
2. Legal action has been completed or declined by OGC or the Department of Justice. A final judgement and settlement by the Department of Justice in a civil case is considered a completion of legal action even though the amount has not been collected.

062 - Progress Report Review

The review and analysis branch chief shall analyze the progress report. If closing-action requirements have not been met, he shall either initiate a request for additional corrective action or make other recommendations to meet such requirements. The inspectee should be advised in writing when all actions are completed and accepted, and the file can be closed. Copies of this advice should be placed in appropriate case files and the Regional Office inspection library.

070 - Self-Review

Each review of a Forest or similar unit shall include an appraisal of how well the Regional Office is meeting its responsibilities in (1) fiscal leadership and supervision consistent both with established laws, regulations, and policies, and the needs of management, (2) providing adequate accounting controls and fiscal procedural instructions and (3) training and development of fiscal employees.

The self-review shall include, but not be limited to, the following items:

1. Are fiscal and accounting services efficiently and adequately meeting management needs consistent with available authorities?

2. Has the Region provided adequate workshops or other training opportunities essential for the development of fiscal personnel? If not, list areas in which group training is needed.

3. Are adequate guidelines available for the more complex types of voucher examination and certification, such as major contract payments, claims, liquidated damages or other withholding, and transfers of stations? If not, list subjects in need of attention.

4. Is there adequate and timely communication from the Regional Office to the Forest? Is guidance and information available when needed?

5. Are the payroll and related services, for which the Management Data Service Center is responsible, adequate and timely?

6. Are prescribed fiscal and accounting procedures efficient at the level implemented? Are controls adequate? Are there duplications that could be eliminated without the loss of needed information or control?

7. Are all required records and reports necessary? Have steps been taken to discontinue those which have become obsolete? Can information on several reports be combined to reduce work and simplify recordkeeping?

8. Has the Forest been informed currently of significant errors and assisted with corrective actions?

9. Has the Forest been furnished an initial supply of revised forms when instructions require the immediate use of such revised forms?

10. Do Regional or Service-wide instructions require that all fiscal and accounting work at the Forest headquarters be handled by the budget and finance section? If not, what fiscal and accounting work is being handled by other sections?

11. What tasks could be handled more efficiently at another level of organization?

12. Are directives clear, concise, and understandable?

The officer in charge of the fiscal review and analysis shall submit a separate report to the Regional Fiscal Agent covering any self-review findings for which attention appears to be needed. Such report shall provide specific recommendations.