

**Forest Service Manual
National Headquarters - Washington Office
Washington, DC**

**Forest Service Manual 1400 – Controls
Chapter 1410 - Management Reviews**

Amendment: 1400-2016-1

Effective date: June 15, 2016

Duration: This amendment is effective until superseded or removed.

Superseded Directive: 1410, Amendment 1400-2007-1, June 8, 2007

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Date approved: June 10, 2016

Responsible Staff:

Explanation of changes: Following is an explanation of the changes throughout the directive by section.

1410: Revises entire directive to include National Risk Management Framework in accordance with OIG audit recommendations, as well as standards from the GAO Green Book and OMB Circular A-123. The National Risk Management Framework is designed to be aligned with the Agency strategic plan, and emphasizes integrated and coordinated line and staff involvement in planning and conducting all Agency reviews.

1412: Changes caption from “Yearend Report on Management Control” to “Performing Annual Entity Level Control (ELC) Assessment” and revises direction.

1413: Removes code, caption, and recodes revised direction to section 1410.41.

1414: Removes code, caption, and recodes revised direction to section 1410.12.

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1410.1 - Authority

Authorities and standards to establish management controls, performance and program reviews, validations, risk assessments, and accountability reviews include, but are not limited to:

1. Standards for Internal Controls in the Federal Government (Green Book, September 2014): The Green Book is published by the Government Accountability Office (GAO). It sets the standards for effective internal control system over programs and financial reporting for federal agencies. A key factor in improving accountability and achieving an entity's mission is to implement an effective internal control system. An effective internal control system helps an entity adapt to shifting environments, evolving demands, changing risks, and new priorities. As programs change and entities strive to improve operational processes and implement new technology, management continually evaluates its internal control system so that it is effective and updated when necessary.
2. Office of Management & Budget (OMB) Circular No. A-123, Management's Responsibility for Internal Control and Enterprise Risk Management – Memorandum (M-16-X): The Heads of Executive Departments and Agencies: The goal of this revised Circular is to modernize efforts to implement the Federal Managers' Financial Integrity Act (FMFIA) of 1982 to evolve existing internal control framework to be more value-added and provide for stronger risk management for the purpose of improving mission delivery. This shifts the focus to also emphasize program reviews from the singular focus on financial reporting.
3. Departmental Regulations (DR-1110-2, June 17, 2013) – Management's Responsibility for Internal Control: This DR provides Department-wide policy designed to improve the accountability and effectiveness of agency programs and operations. The policy's intent is to ensure that programs are managed with integrity, and that program operations comply with applicable laws and regulations.

1410.2 - Objectives

The overall objective of the management internal control program is to provide a method to evaluate Forest Service operations, ensure accountability, efficiency, and effectiveness in program management; and adjust management direction accordingly, to reasonably manage risk and assure achievement of the basic management and strategic goals outlined in FSM 1402 and the Agency strategic plan. All Management control reviews must emphasize integrated and coordinated line and staff involvement in the planning and conducting of reviews to ensure timely reporting of review results to Agency leadership for corrective action. The Region, Station, and Area (R/S/A) must share review results of any independent or local review that may require national attention. Specific objectives of the management control program are to provide management with reasonable assurance that:

1. Programs are efficiently and effectively managed in accordance with applicable laws, standards, and policies.
2. Assets are safeguarded against, fraud, waste, loss, unauthorized use, and misappropriation.
3. Revenues and expenditures applicable to Agency operations are recorded and accounted for properly; so that complete, reliable, relevant, and accurate financial and management reports may be prepared to ensure assets accountability are maintained.
4. Internal control review assessments support Agency strategic goals and related mission delivery (for example, Administrative Services, Financial Management, Human Capital, Information Technology, Procurement, and Performance Management).

1410.3 - Policy

1. Conduct Agency-wide management control reviews in accordance with authorities outlined above, and as applicable, the Enterprise Risk Management Framework, which may be found at the CFO's website (<http://fsweb.wo.fs.fed.us/cfo/index.shtml>). The Enterprise Risk Management Framework must be the criteria for designing and managing national reviews and to some extent local or independent reviews. There is currently an increased emphasis on both program and financial goals as outlined in the Agency strategic plan.
2. All Management control reviews, especially those of program scope must emphasize integrated and coordinated line and staff involvement in the planning and conducting of reviews; ensure timely upward reporting of results to the CFO, for sharing with the Office of Chief Financial Officer (OCFO)/Department and Agency leadership, as applicable.
3. The scheduling and frequency of management reviews must be coordinated Agency-wide to prevent duplication of efforts, maximize resources, and reduce impact on Agency program operations. Management reviews must also be focused on:
 - a. Opportunities to integrate reviews identified by Agency strategic goals.
 - b. Coordinated and integrated schedule of reviews geared toward Agency-wide/national perspective. The reviews conducted must be adequate to ensure that effective management/internal controls are in place, and units are held accountable for compliance with applicable laws and management policy.
 - c. Safeguarding against fraud, waste, loss, unauthorized use, and misappropriation.
4. Nationally integrated and coordinated reviews for each fiscal year must ensure that planned reviews meet all policy requirements, cover any subject matter agreed to

between the Forest Service and the Department, Office of Inspector General (OIG), or the Government Accountability Office (GAO) as a result of reviews, investigations, or special studies.

5. Oversight procedures must be accomplished for all nationally integrated and coordinated reviews. In addition, reviews must:

- a. Cover program and/or financial activities to ensure oversight programs provide an Agency-wide capability to report review results to leadership and internally or externally, if necessary.
- b. Be semi-annually or annually and be nationally integrated and coordinated.
- c. Be available to Agency leadership and others as applicable.
- d. Include follow up procedures that must lead to closure of identified deficiencies.

1410.4 - Responsibility

All managers are responsible for establishing, evaluating, reporting, following up, and improving controls in their areas of responsibility. See detailed Enterprise Risk Management Framework which may be located at the CFO's website (<http://fsweb.wo.fs.fed.us/cfo/index.shtml>) for the national schedule of strategically planned management/internal control reviews and reporting requirements. The national review schedule is designed to assist in meeting core Agency review objectives such as those aligned with integrated or coordinated strategic objectives/goals.

1410.41 - Chief

The Chief, or in the absence of the Chief, the Associate Chief, reserves the authority to determine the need for and scope of any special review outside or as part of the Agency National Review schedule, otherwise known as the Chief's Review. The Chief may delegate to a Deputy Chief the authority to conduct or manage such Review(s). The Chief reserves the authority for selecting and designating employees to serve on special Washington Office action teams.

1410.42 - Deputy Chiefs and CFO

(Shall also be known as Senior Management Control Council, SMCC for National Review Purposes)

The Senior Management Control Council (SMCC) includes the Executive Leadership Team (ELT) with the CFO serving as the team lead. In addition to the responsibility assigned in FSM 1410, the SMCC team lead is responsible for:

1. Providing oversight for internal control assessment processes and being accountable for Agency's financial and non-financial internal controls.
2. Approving the National Program Review schedule otherwise known as the Enterprise Risk Management Framework, and ensuring that the Agency reasonably achieves the three objectives of internal control such as, effectiveness and efficiency of operations of Agency programs; reliability of financial and non-financial information; and compliance with applicable laws and regulations.

1410.43 - Chief Financial Officer, CFO

(Shall also be known as Agency Management Control Officer, MCO for National Review Purposes)

According to Departmental Regulation (DR 1110-002), the Management Control Officer (MCO) shall be under the leadership of the CFO. The CFO may delegate or designate the MCO's role to a Staff Director within the Agency. The CFO has designated the MCO's role to the Director of Audit & Assurance. The Director of Audit & Assurance shall be referred to as the MCO throughout this directive. The MCO is responsible for overseeing the Agency's management/internal control program, assuring Agency-wide compliance, and responding to Agency and Departmental reporting requirements. The MCO shall coordinate a fully integrated management control plan and related review schedule in line with the Agency strategic plan and requirements of the Department and Agency leadership. The national schedule must identify the priority and Agency focused reviews that will be monitored and tracked for completion, follow-up on corrective action plans as a result of reviews, and eventual closure of the findings and recommendations. Additionally, the national review program must identify integration opportunities with both financial and program reviews. Review results must be communicated to Agency leadership and OCFO (as applicable) and must include proposed corrective action plans with periodic follow up plans (at least semi-annually) to monitor resolution. Specific responsibilities under the purview of the MCO include the following:

1. Issuing an Enterprise Risk Management Framework that outlines the protocol or criteria to manage national reviews. The MCO shall report and share all review results with Agency leadership regardless of the nature of the results.
2. Tracking and reporting on corrective action plans and requirements that address the root causes of deficiencies, coordination and collaboration within the Agency, as well as the Department in remediating deficiencies. Tracking and reporting of corrective action plans must include general Agency guidance and other orientation or training tools to allow for effective and efficient reviews.
3. Ensuring the Enterprise Risk Management Framework is issued and updated annually in accordance with the GAO Green Book, OMB A-123, and applicable Department and Agency policies. The Enterprise Risk Management Framework is maintained at the

CFO's website (<http://fsweb.wo.fs.fed.us/cfo/index.shtml>) for Agency-wide use in coordinating and integrating identified reviews.

4. Incorporating fraud risk into the risk assessment. The fraud risk assessment must be integrated with existing assessments, such as those performed for financial statement audit purposes as required by the Statement of Auditing Standards No. 122, Clarification and Recodification, specifically AU Section 240, Consideration of Fraud in a Financial Statement Audit.
5. Conducting an annual Entity Level Control assessment and evaluating compliance with the five components and 17 principles of internal controls identified in the GAO Green Book. Submitting one consolidated response approved by the MCO or CFO to the Department/OCFO.
6. Obtaining CFO and/or Executive Leadership Team approval of the Enterprise Risk Management Framework and related annual schedule of National reviews before disseminating for Agency-wide implementation.
7. Monitoring and following up on reports of findings and planned corrective actions from Non-National Reviews where the areas of concern identified may have Agency-wide implications. Such evaluations of Agency-wide impacts should be done in consultation or coordination with the CFO.
8. Acting on direction of the CFO to conduct or participate in Ad-Hoc reviews internally or in concert with external audit organizations, such as OIG or GAO. Such reviews may be initiated as a result of reported or suspected fraud, waste, or abuse or where the CFO needs to have a more formal review of operations to properly assess internal controls.
9. Preparing the Federal Manager's Financial Integrity Act (FMFIA)/Federal Financial Management Improvement Act (FFMIA) and other management control reports regarding Agency significant deficiencies, material weaknesses, and other reportable conditions. This also relates to preparation of the Agency Annual Assurance Statement and conducting the corresponding review to support the process.
10. Sharing findings that identified the need for updates and/or revisions to Agency policies related to program and financial reviews to the Director of Financial Policy for corrective actions. Corrective actions may include issuance of interim directives or amendment to existing Agency directives from the Director of Financial Policy Staff.

1410.44 - Washington Office, Region, Station, and Area Staff Directors

(Shall also be known as Federal Managers Financial Integrity Act (FMFIA) Integration Team (FIT) for National Review Purposes)

1. All Staff Directors or FIT. All Staff Directors or FIT, including those at the Albuquerque Service Center, are responsible for participating, monitoring, and overseeing implementation of the Agency internal controls of their program and activity areas including:

- a. Assisting the MCO and the SMCC as needed in planning, coordinating, and assessing internal controls related to national reviews. The internal control assessment process must be a continuous effort to meet management's responsibilities to document, monitor, and improve upon internal controls.
- b. Reporting to the CFO and/or MCO necessary corrective action plans and requirements addressing root causes of identified deficiencies. In addition, all Staff Directors or FIT shall report satisfactory completion of corrective actions to the MCO.
- c. Initiating the need for new or revised national direction and/or business process to CFO and/or MCO to address necessary management issues and/or concerns identified in reviews.
- d. Reporting to the MCO or SMCC any results of non-national reviews where findings and planned corrective actions may require national or Agency attention. Additionally, all Staff Directors shall monitor the progress of their respective units in accomplishing any identified corrective actions and timely remediation of identified deficiencies. All Staff Directors shall also report to the MCO results of all reviews whether corrective actions are required or not.

1410.44a - Director, Financial Management Systems

The Director of Financial Management Systems is responsible for ensuring that Forest Service financial systems and procedures are in compliance with the Federal Financial Management Systems Requirements; and Departmental Regulations such as DR 2100-110 (Financial Management Systems).

1410.44b - Director, Financial Policy

The Director of Financial Policy is responsible for:

- 1. Issuing Forest Service Financial Management policies and procedures in accordance with statutory authorities.
- 2. Serving as the principal advisor to the Chief, Deputy Chiefs, Washington Office Staff Directors and field offices on Agency appropriation questions and program review related directives.

3. Assisting in the development and implementation of Agency-wide Enterprise Risk Management Framework related to financial and program reviews.
4. Reviewing, incorporating, and issuing interim directives or amendments to Agency policies and procedures from the MCO related to program and financial reviews.

1410.44c - Forest Supervisors and District Rangers

Forest Supervisors and District Rangers, or their designees shall first adhere to policies and procedures in this directive, and secondly, to any related Agency supplemental guidance that is consistent with this directive. Forest Supervisors, District Rangers and/or their designees may be involved in the conduct of national or non-national reviews in accordance with this directive.

1410.44d - Financial Reporting Assessment Team (FRAT) and Program Compliance Assessment Team (PCAT)

For detailed responsibilities of each team above, see the Enterprise Risk Management Framework located at the CFO's Website (<http://fsweb.wo.fs.fed.us/cfo/index.shtml>).

1410.45 - National Reviews

National Reviews are integrated reviews that require interdisciplinary teams from all respective program areas with the goal of collaboration and reporting to the MCO or the SMCC. The Enterprise Risk Management Framework will help administer or guide National Reviews, and to some, extend local reviews. The Enterprise Risk Management Framework outlines the protocol or criteria for conducting and reporting periodic National reviews. It also includes direction on tracking and reporting corrective action plans such as determining root causes of deficiencies and coordination/integration effort. In addition, the Framework provides a structure for implementing reviews that includes creating a Review Plan designed to be aligned with the Agency strategic plan, and lists the types of reviews, the purpose, as well as Responsible Officials or staffs. The Enterprise Risk Management Framework is located at the CFO's website (<http://fsweb.wo.fs.fed.us/cfo/index.shtml>).

1410.45a - Non-National Reviews

Non-National Reviews are reviews outside the purview of the national reviews. For example, a local review that may not need nor give rise to national attention. In some instances non-national reviews may not be reported to the MCO or the SMCC (if determined to have no national impact) but must be documented at the Region, Station, and Area level.

1410.45b - Planning, Conducting And Taking Actions on All Reviews

The MCO shall monitor the R/S/A's retention of official case file for each management review in accordance with FSH 1409.18, section 12.33. Follow-up actions for material weaknesses and significant National Review deficiencies should ensure corrective actions address the root

causes of deficiencies, such as if policy update is required. The Agency MCO tracks the status of corrective actions and requests closure from the Department, as applicable.

1410.45c - Performing Annual Entity Level Control (ELC) Assessment on All Reviews

This is an annual Departmental reporting to the Department/OCFO. It requires the MCO to:

1. Conduct an annual entity level control (ELC) assessment and evaluate compliance with the GAO Green Book (<http://www.gao.gov/assets/670/665712.pdf>) five components and 17 principles of internal controls and submit one consolidated response approved by the Chief or designee to the OCFO/Department.
2. Ensure Agency officials and designated responsible units, communicate significant control deficiencies and corrective actions for implementation as a result of completion of the ELC; and report non-compliance with GAO Green Book principles as part of the annual certification statement (see framework) process for the Federal Manager's Financial Integrity Act (FMFIA) reporting.

1410.05 - Definitions

Abuse. Abuse involves behavior that is deficient or improper when compared with behavior that a prudent person would consider reasonable and necessary in operational practice given the facts and circumstances. This includes the misuse of authority or position for personal gain or for the benefit of another. Waste and abuse do not necessarily involve fraud or illegal acts. Green Book requires management to consider the potential for fraud when identifying, analyzing, and responding to risks.

Enterprise Risk Management (ERM). The Association of Federal Enterprise Risk Management defines Enterprise Risk Management (ERM) as a discipline that addresses the full spectrum of an organization's risks, including challenges and opportunities, and integrates them into an enterprise-wide, strategically-aligned portfolio. ERM contributes to improved decision-making and supports the achievement of an organization's mission, goals, and objectives.

Entity Level Control (ELC). Entity Level Controls (ELCs) are controls that have a pervasive effect on an entity's internal control system and may pertain to multiple components. ELCs may include controls related to the entity's risk assessment process, control environment, service organizations, management override, and monitoring.

Fraud Risk. The Green Book defines fraud as obtaining something of value through willful misrepresentation. Fraud jeopardizes Agency missions by diverting scarce resources from their intended purpose. A single case of fraud can undermine programmatic mission, disrupt services, and force management to expend valuable time and resources to resolve and recover property lost due to fraud. Reputational risks of fraud can damage the perception of an Agency, impact employee morale, and create distrust by the public, further hindering their efforts to provide services to the public.

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Internal Controls. The tools (organization, policies, and procedures) to help Program and Financial Managers achieve desired results and safeguard the integrity of their programs.

Performance Accountability. The accountability by Line Officers, Program Managers, and other individuals involved in project management to stakeholders for the performance of a program or activity. This involves identifying key measures for activities that provide meaningful data on performance or results and establishing appropriate performance expectations for the organization. It requires Program Managers to clearly define measures and ensure data are efficiently and accurately reported, and that Line Officers use these measures as a basis to hold Program Managers and employees accountable for meeting performance goals or targets.

Performance and Accountability Report. The annual report that shows Agency progress both financial and non-financial through trend analysis. Trend analysis may include a comparison of actual results against target and goals, set in the Agency's annual performance plan and performance budget that have been made toward achieving the Agency's mission and strategic plan and goals.

Performance Goal. A target level of performance expressed as a measurable objective, against which actual achievement can be compared. A goal is expressed in a manner that allows a future assessment to be made of whether the goal was or is being achieved.

Performance Measures. Indicators, statistics, or metrics used to gauge program performance. Collectively, measures convey a comprehensive story regarding services provided by the Agency.

Waste. Waste is the act of using or expending resources carelessly, extravagantly, or to no purpose.