

Chief Gail Kimbell's Message
November 2008

As Chief of the U.S. Forest Service, I am proud to announce that the agency has chosen to participate in the Office of Management and Budget's (OMB) pilot for Fiscal Year (FY) 2008 by producing the Agency Financial Report (AFR) as an alternative to the Performance and Accountability Report. It represents the efforts of Forest Service employees, our partners, and volunteers toward meeting the strategic goals of Forest Service Strategic Plan 2007–2012:

- Restore, Sustain, and Enhance the Nation's Forests and Grasslands
- Provide and Sustain Benefits to the American People
- Conserve Open Space
- Sustain and Enhance Outdoor Recreation Opportunities
- Maintain Basic Management Capabilities of the Forest Service
- Engage Urban America with Forest Service Programs
- Provide Science-Based Applications and Tools for Sustainable Natural Resources Management

The AFR reflects our strong commitment for accountability to the mission "to sustain the health, diversity and productivity of the Nation's forests and grasslands to meet the needs of present and future generations."

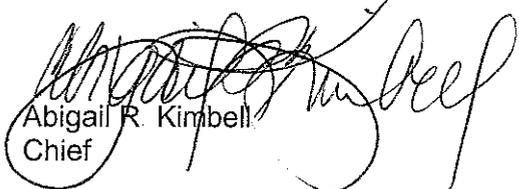
The Forest Service received an unqualified opinion on its financial statements for FY 2008. The Annual Performance Report will accompany the FY 2010 Congressional Budget Justification and will be posted on the Forest Service Web site at www.fs.fed.us.

The USDA Office of Inspector General continues to oversee the agency's assessment of internal control over its programs, operations, financial systems and financial reporting. The Forest Service's work is consistent with the provisions of the Federal Managers' Financial Integrity Act (FMFIA) and the Federal Financial Management Improvement Act (FFMIA). As of September 30, 2008, the Forest Service was not in full compliance with the FFMIA in two out of the three areas. Specifically, the agency did not comply with Federal Financial Management Systems Requirements and the US Standard General Ledger at the transaction level.

In FY 2008, the Forest Service improved the security of its information systems as evidenced by the downgrade of the severity of the information technology material weakness to a significant deficiency, as defined by the FMFIA.

Although the Forest Service reports no material weaknesses, continued improvement is needed to remediate existing significant deficiencies and financial system noncompliances. To accomplish this goal, management continues to monitor corrective action plan activities as described in the Analysis of Systems, Controls, and Legal Compliance section of Management's Discussion and Analysis.

Therefore, I provide qualified assurance that, except for the areas in need of improvement as described in the Management Assurances section of this report, Forest Service's internal control over operations, financial systems, and financial reporting meet the objectives of FMFIA and FFMIA. The financial information presented herein is complete and accurate, and in accordance with law and Office of Management and Budget guidance.



Abigail R. Kimbell
Chief