

Part A

MANAGEMENT'S DISCUSSION
AND ANALYSIS

Unaudited

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Forest Service, U.S. Department of Agriculture (USDA), has chosen to produce an alternative to the consolidated Performance and Accountability Report (PAR) called an Agency Financial Report (AFR). This AFR was produced in accordance with the Office of Management and Budget (OMB) Circular A-136, Financial Reporting Requirements.

The AFR provides an overview of the agency's financial performance and results to help Congress, the President, and the public assess our stewardship over the financial resources entrusted to us.

The agency will include its fiscal year (FY) 2008 annual performance report and FY 2010 performance plan with its Congressional Budget Justification and will post it on the Forest Service Web site at <http://www.fs.fed.us> in February 2009.

In addition, the Forest Service will produce a Citizens' Report and post it on the Forest Service Web site at <http://www.fs.fed.us> by January 15, 2009. The Forest Service anticipates that this approach will improve its performance reporting in the following ways—

- Eliminating redundancy, especially where actual data can be used in lieu of estimates due to timing of the report
- Making the information more meaningful and transparent to the public
- Providing a more succinct and easily understood analysis of the Forest Service's accountability over its resources

The Management's Discussion and Analysis (MD&A) serves as a high-level overview of the FY 2008 performance for the Forest Service.

The MD&A also discusses the agency's compliance with legal and regulatory requirements, including the Federal Managers' Financial Integrity Act (FMFIA), the Federal Financial Management Improvement Act (FFMIA), Inspector General Act, and other key legal and regulatory requirements. This MD&A presents financial and performance highlights and related information, as well as the agency's progress on the President's Management Agenda (PMA).

MISSION STATEMENT

The Forest Service operates under the following mission:

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's commitment to land stewardship and public service is the framework within which the national forests and grasslands are managed.

ORGANIZATIONAL STRUCTURE

The Forest Service operates under the guidance of the USDA Under Secretary for Natural Resources and Environment. Functioning in nearly all States, Puerto Rico, and the Virgin Islands, Forest Service policy is implemented through nine National Forest System (NFS) regional offices, one State and Private Forestry (S&PF) area office, five research offices (R&D), the Forest Products Laboratory (FPL), and the International Institute of Tropical Forestry (IITF).

Reporting to the Chief are the deputy areas: Business Operations, R&D, NFS, S&PF, as well as the Chief Financial Officer (CFO).

Throughout this year's AFR, there may be references to a transformation of the Washington Office, regional offices, and S&PF's Northeastern Area (WO/RO/Area).

The purpose of the WO/RO/Area Transformation is to focus on designing fundamentally different ways of delivering integrated leadership, direction, and oversight at the top two levels of the Forest Service organization. Achieving this will help the agency:

- Invest a greater portion of resources toward mission delivery
- Have improved and more efficient processes that help us better serve our customers and partners
- Be well integrated in addressing the most important current and emerging issues facing the Forest Service today and in the future

Included in the Transformation are all staff areas at the WO/RO/Area, including detached units.

Not included in the Transformation are research stations, Human Capital Management (HCM) and Budget and Finance (B&F) at the Albuquerque Service Center (ASC), the Chief Information Office (CIO), the Enterprise Program, and Job Corps.

In the financial statements and notes section of this report, the discussion revolves around "responsibility segments," rather than deputy areas. Deputy areas are administrative groupings, while responsibility segments are constructs used to assess net costs.

The Forest Service's mission includes the following four major responsibility segments:

National Forests and Grasslands. This responsibility segment includes protection and management of an estimated 193 million acres of NFS land, which includes 34.8 million acres of designated wilderness areas. In addition, the Forest Service partners with other nations and organizations to foster global natural resource conservation and sustainable development of the world's forest resources.

Forest and Rangeland Research. This responsibility segment is responsible for research and development of forestry and rangeland management practices to provide scientific and technical knowledge for enhancing and protecting the economic productivity and environmental quality of the estimated 1.6 billion acres of forests and associated rangelands in the United States.

State and Private Forestry. This responsibility segment uses cooperative agreements with State and local governments, tribal governments, forest industries, and private landowners to help protect and manage non-Federal forests and associated rangeland and watershed areas.

Wildland Fire Management. This responsibility segment is responsible for protection of life, property, and natural resources on an estimated 193 million acres of NFS lands and the estimated 20 million acres of adjacent State and private lands.

Some of the responsibility segment names are the same as those used for deputy areas, but the terms are not synonymous.

MITIGATING FACTORS THAT COULD AFFECT PERFORMANCE

The Forest Service is challenged with restoring fire-adapted forests to more resilient conditions, providing natural resource materials to the American public, sustaining recreational opportunities, combating the spread of invasive species, restoring watershed health, and mitigating the loss of open space.

Historically, wildland fire has been a natural component of ecosystem processes. Suppression efforts in recent decades allowed trees and underbrush to increase in density, creating hazardous conditions when combined with prolonged drought and lower than average precipitation. This combination of factors increased the risk of catastrophic wildland fire in the dense underbrush, threatening both communities and the environment. While wildland fire is a natural element of ecosystem processes, these catastrophic wildland fires are not.

Meanwhile, the annual increase in the number of private residences adjacent to national forest land in the wildland-urban interface (WUI) has increased the agency's land and resource management, fire suppression, and law enforcement responsibilities.

The high priority on wildland fire suppression resulted in a dramatic impact on the budget in the last several years, affecting the Forest Service's program delivery. The Forest Service recognizes that it cannot maintain its current organization and infrastructure while providing programs and services that the public demands. Therefore, changes are taking place to create a flexible, more contemporary Forest Service that is better positioned to adapt to future needs.

The Forest Service is undertaking a number of major initiatives—all with the aim of intensively reviewing and, in some cases, making fundamental changes to the future organization and its culture. These initiatives are far-reaching and represent a dramatic change in the organization and its operations, creating a significant challenge for the Forest Service.

Any organizational transformation of this magnitude necessitates an investment of time and a commitment of resources to succeed at an interdisciplinary approach to a 21st century design. Forest Service leadership acknowledges the challenges and accepts the risks of investing in these initiatives. It is leadership's intent to transform the agency into an organization that focuses on the highest priorities, provides the safest environment in which to provide services, and maximizes efficiencies to accomplish the mission.

ANALYSIS OF FINANCIAL STATEMENTS AND STEWARDSHIP INFORMATION

The Forest Service produces a series of financial statements on a quarterly basis to summarize the activity and associated financial position of the agency. The four principal statements are as follows:

- Consolidated Balance Sheet
- Consolidated Statement of Net Cost
- Consolidated Statement of Changes in Net Position
- Combined Statement of Budgetary Resources

In producing these statements, the agency seeks to provide relevant, reliable, and accurate financial information related to Forest Service activities. Analysis of the agency's September 30, 2008, financial statements provides the following highlights. The exhibits below reflect the comparative amounts for FY 2008 and FY 2007.

ASSETS

The Forest Service reports \$5.8 billion in assets at the end of September 30, 2008, representing a decrease of 21 percent from FY 2007 amounts.

The agency attributes this primarily to a decrease in General Property, Plant and Equipment (General PP&E), resulting from a voluntary change in accounting principle to reclassify NFS road (road prism) assets from General PP&E to Stewardship PP&E.

Further information on this change is presented in Financial Statement Note 19—Change in Accounting Principle.

The three major asset categories are shown in Exhibit 1.

Exhibit 1. Assets (in millions)

ASSET	FY 2008	FY 2007	Difference	
			Dollars	Percentages
Fund Balance with Treasury	\$4,066	\$3,641	\$425	12%
Accounts Receivable, Intragovernmental, and Non-Intragovernmental	303	220	83	38%
General Property, Plant, and Equipment	1,375	3,458	(2,083)	(60%)
Total of Major Categories	\$5,744	\$7,319	(\$1,575)	(22%)
Other Asset Categories	31	20	11	55%
Grand Total Assets	\$5,775	\$7,339	(\$1,564)	(21%)

General PP&E consists primarily of forest road surface improvements, culverts, bridges, campgrounds, administrative buildings, other structures, and equipment.

General PP&E also includes assets acquired by the Forest Service to be used for conducting business activities, such as providing goods or services. General PP&E does not include the value of heritage assets¹ or stewardship assets².

Heritage and stewardship assets do not have a readily identifiable financial value and are not recorded within the financial statements of the Forest Service. A more in-depth discussion of heritage and stewardship assets is presented in the Financial Statement Note 5—Stewardship PP&E, and in the Required Supplementary Information (RSI).

LIABILITIES AND NET POSITION

Liabilities

The Forest Service reported \$2.1 billion in liabilities as of September 30, 2008, representing probable future expenditures arising from past events. This amount is consistent with the reported balance as of September 30, 2007.

The major liability amounts for accounts payable, unfunded leave, Federal Employees' Compensation Act (FECA) benefits, Payments to States, and other liabilities appear in Exhibit 2.

Exhibit 2. Liabilities (in millions)

LIABILITIES	FY	FY	Difference	
	2008	2007	Dollars	Percentages
Accounts Payable, Intragovernmental and Non-Intragovernmental	\$52	\$64	(\$12)	(19%)
Unfunded Leave and FECA Benefits	605	576	29	5%
Payments to States	531	394	137	35%
Other Liability Categories	895	1,027	(132)	(13%)
Grand Total Liabilities	\$2,083	\$2,061	\$22	1%

By law, Federal agencies cannot make any payments unless Congress has appropriated funds for such payments and OMB has apportioned the funds. A portion of liabilities reported is currently not funded by congressional appropriations. For example, the unfunded amounts include employees' annual leave (earned, but not yet taken) and FECA benefits that are accrued to cover liabilities associated with employees' death, disability, medical, and other approved costs that have not yet been appropriated.

A major program generating unfunded liabilities is Payments to States, which authorizes annual revenue-sharing payments to States for public schools and public roads in the county or counties in which the national forests are located. A portion of the Payments to States program is funded with agency receipts. The balance is recorded as an unfunded liability for which the Department of Treasury's (Treasury) general receipts are apportioned when the payments are made in the following year.

¹ Heritage assets are assets that are historical or significant for their natural, cultural, aesthetic, or other important attributes that are expected to be preserved indefinitely.

² Stewardship assets are primarily land held by the agency as part of the NFS and not acquired for, or in connection with, other General PP&E.

Net Position

The Forest Service reported a net position of \$3.7 billion for FY 2008, representing a decrease of 30 percent from FY 2007 amounts. The decrease is attributed primarily to a change in accounting principle to reclassify NFS road (road prism) assets from General PP&E to Stewardship PP&E, and expense the related costs as reflected in an adjustment to the beginning balance of Cumulative Results of Operations.

Net position represents unexpended appropriations consisting of undelivered orders, as well as unobligated funds and the cumulative results of operations. In accordance with the Statement of Federal Financial Accounting Standards (SFFAS) 27—*Identifying and Reporting Earmarked Funds*, earmarked funds for which the Forest Service is responsible for program management are presented separately on the Statement of Changes in Net Position. Both earmarked and other fund totals are included in Exhibit 3.

Unexpended appropriations reflect the spending authority made available by congressional appropriation, but has not been used. Cumulative results of operations reflect the cumulative effect of financing in excess of expenditures.

Exhibit 3. Net Position (in millions)

NET POSITION	FY 2008	FY 2007	Difference	
			Dollars	Percentages
Unexpended Appropriations, as Adjusted	\$1,970	\$1,307	\$663	51%
Cumulative Results of Operations	1,722	3,971	(2,249)	(57%)
Total Net Position	\$3,692	\$5,278	(\$1,586)	(30%)

NET COST OF OPERATIONS

The Forest Service's net cost of operations was \$5.8 billion for the year ended September 30, 2008, representing an increase of 1 percent from FY 2007 amounts.

Earned revenue from the public includes such items as the sale of forest products (timber and firewood); recreational opportunities (campgrounds); mineral resources; livestock grazing; and special land use fees for power generation, resorts, and other business activities conducted on NFS lands. The Forest Service also performs reimbursable activities, such as work completed mainly for other Federal agencies, in accordance with the Economy Act and other authorities.

The Forest Service distributes a portion of its earned revenues to eligible States in accordance with Public Law (PL) 106-393, Secure Rural Schools and Community Self-Determination Act of 2000, as amended by PL 110-343, Section 601, (H.R. 1424).

EXPENSES

Forest Service program costs are \$6.7 billion for the year ended September 30, 2008, representing an increase of 6 percent from FY 2007. For FY 2008, the agency had increases in Wildland Fire Management costs and Payments to States accruals. Legislation passed on October 3, 2008, retroactively provided additional Payments to States monies.

Exhibit 4 illustrates program costs by responsibility segment for the years ended September 30, 2008, and September 30, 2007.

Exhibit 4. Gross Expenses (in millions)

GROSS EXPENSES	FY 2008	FY 2007	Difference	
			Dollars	Percentage s
Program Costs				
National Forests and Grasslands	\$3,309	\$3,277	\$32	1%
Forest and Rangeland Research	334	302	32	11%
State and Private Forestry	407	378	29	8%
Wildland Fire Management	2,661	2,358	303	13%
Total Program Costs	\$6,711	\$6,315	\$396	6%

BUDGETARY RESOURCES

The Forest Service's total budgetary resources were \$8.6 billion in FY 2008, representing an increase of 8 percent from FY 2007. The increase is related to additional Wildland Fire Management appropriations in FY 2008.

ANALYSIS OF SYSTEMS, CONTROLS, AND LEGAL COMPLIANCE

FY 2008 FINANCIAL STATEMENT AUDIT REPORT RESULTS

The FY 2007 Financial Statement Audit report identified a material weakness under the heading “General Controls Environment.” In FY 2008, this finding was reduced to a significant deficiency. In addition, the FY 2008 Financial Statement report identified eight (8) significant deficiencies.

Corrective action plans (CAPs) are in place to address these and other deficiencies.

MANAGEMENT ASSURANCES

Federal Managers' Financial Integrity Act (FMFIA) Assertions

The FMFIA³ requires Federal agencies to conduct ongoing evaluations of the adequacy of the systems of internal accounting and administrative control and to report all material weaknesses found through these evaluations. Federal agencies are required to provide reasonable assurance that the following objectives are being met:

- Programs operate efficiently and effectively;
- Obligations and costs comply with applicable laws and regulations;
- Funds, property, and other assets are safeguarded against waste, loss, or mismanagement; and
- Revenues and expenditures are properly recorded and accounted for to permit the preparation of reliable financial and statistical reports and to maintain accountability over assets.

During FY 2008, the Forest Service took the steps necessary to ensure that evaluations of the system of internal controls for the agency were conducted in accordance with OMB guidelines.

The Forest Service's annual evaluation, conducted at all levels throughout the agency, indicated that the agency's controls, in general, are achieving their intended objectives. During FY 2008, these controls also provided reasonable assurance that the above-mentioned objectives have been met.

In the FY 2008 FMFIA report, the Forest Service noted the following USDA Office of the Inspector General (OIG) audit identified significant deficiencies. The status of the deficiencies and planned corrective actions for open items are described below:

Significant Deficiencies

Number 1: The Forest Service Needs To Continue To Improve Its Financial Management and Reporting Process

The estimated completion date is June 2009.

Number 2: The Compilation of Performance Measures Needs Continued Improvement

Forest Service completed all action items in June 2008: this deficiency is in the closure process.

Number 3: Accountability for Unliquidated Obligations (ULOs) Needs Continued Improvement

³ This is also known as the Integrity Act.

The estimated completion date is June 2009.

Number 4: The Forest Service Needs To Refine and Monitor Its Expense Accrual

The estimated completion date is June 2009.

Number 5: The Forest Service Needs To Improve Its Business Process for Revenue Transactions

The estimated completion date is June 2009.

Number 6: Controls Related to Physical Inventories of Pooled Real Property Need Continued Improvement

The estimated completion date is June 2009.

Number 7: Review of Credit Card Transactions and Controls Over the Programs Needs Continued Improvement

The corrective action plan for FY 2007 is complete. The FY 2008 audit report indicates additional action will be required to completely close the issue.

Number 8: Process Improvements Are Needed Over Personal Property Transactions

Forest Service will establish a stronger internal control environment over the development and capitalization of internal use software. The estimated completion date (ECD) is December 2008.

Number 9: The Forest Service Needs To Improve Internal Controls Over Its Environmental and Disposal Liabilities (EDL) Process

Forest Service will analyze and evaluate the control design of the EDL process to determine where improvements are necessary to ensure compliance. ECD is December 2009.

Number 10: The Forest Service Needs To Continue To Improve Its General Controls Environment; Downgraded From a Material Weakness in FY 2007 to a Significant Deficiency in FY 2008.

During FY 2009, the Forest Service will close out all remaining information technology (IT) audit findings, complete the SecureCAP project work of finalizing and implementing policies and procedures, and put the necessary resources and tools in place to sustain the improved IT security posture in the agency. The documentation to support closure of audit findings from FY 2008 and prior years has been submitted; closure is in process.

Number 11: Adequate Segregation of Duties

Forest Service completed all action items and closed this deficiency in September 2008.

Federal Financial Management Improvement Act (FFMIA)

The FFMIA⁴ of 1996 requires Federal agencies to implement and maintain financial management systems that substantially comply with the following:

1. Federal financial management system requirements;
2. Applicable Federal Accounting Standards; and
3. The U.S. Standard General Ledger (SGL) at the transaction level.

⁴ This is known as the Improvement Act.

FY 2008 Results

For FY 2008, the Forest Service was not in full compliance with the FFMIA in two out of the three areas. Specifically, the agency's financial management systems did not comply with Federal Financial Management System Requirements and the SGL at the transaction level.

Federal Financial Management System Requirements

In the FY 2008 Forest Service Financial Statement audit, the internal control material weakness on the general controls environment was downgraded to a significant deficiency.

Contributing to the significant deficiency and noncompliance were the following issues:

- Vulnerabilities existed with regards to weak access controls and system patches not being updated
- Security planning controls had not been finalized
- Segregation of duties conflicts were found in specific applications
- Audit log weaknesses existed

SGL Compliance at the Transaction Level

During FY 2008, the agency completed all action items related to the development of posting models to appropriately record nonexpenditure financing sources transfers-in and stewardship land acquisitions, and this portion of the deficiency is in the closure process.

Three instances of auditor-identified noncompliance remain:

Equipment Management Information System (EMIS). The EMIS, used to manage the working capital fund (WCF) equipment (aircraft and vehicles), does not record depreciation of equipment at the transaction level using the SGL. EMIS records the depreciation by administrative unit on a monthly basis at the summary level in the Forest Service's general ledger. Modifying the current system would be extensive and the costs unreasonable, given the eminent data migration to a new system. Therefore, the Forest Service will not be in compliance until EMIS is migrated to another system.

The agency did not use proper posting logic to record losses on the disposition of real property assets. Losses were not appropriately recorded as losses; instead, they were recorded as negative gains.

Forest Service's capitalized lease and internal use software (IUS) work in process transactions are not recorded in the general ledger at the transaction level. Instead, they are maintained in off-line spreadsheets and recorded in the general ledger on a quarterly basis.

Remediation for these items will require replacement of the current financial systems.

Federal Information Security Management Act (FISMA)

The FISMA provides the framework for securing the Federal Government's IT. Departments covered by the Paperwork Reduction Act must implement the requirements of FISMA, reporting annually to OMB and Congress on the effectiveness of the agency's security programs and independent OIG evaluations.

Security audit findings, security deficiencies identified in systems' certification and accreditation (C&A) process, and security deficiencies identified in self-assessments are listed and tracked in the FISMA Plan of Actions and Milestones, updated monthly and reported to USDA quarterly for inclusion in its FISMA Report to OMB.

The Forest Service is aware of the vulnerability of its assets and financial data due to error or fraud and has made great strides to correct the information security controls deficiencies.

FY 2008 Results

Although the Forest Service did not resolve all information security weaknesses as planned for FY 2008, the agency made significant progress in implementing the necessary corrective actions to resolve remaining deficiencies.

Highlights were in the areas of:

- Vulnerability Assessment: Forest Service revamped the patch management process by formalizing procedures to identify and categorize vulnerabilities by severity. Once categorized, a risk-based approach to remediation occurs.
- Change Control: Maintained documentation of policies and procedures, testing, approval, and logs.
- Entitywide Security: Made progress in completing C&A packages as required.

The Forest Service will continue with plans to complete the correction of deficiencies in information security controls in FY 2009.

INTERNAL CONTROL OVER FINANCIAL REPORTING ASSERTIONS

The Forest Service implemented the revised requirements of OMB's Circular A-123 "Management's Responsibility for Internal Controls," and Appendix A, "Internal Controls over Financial Reporting." USDA identified 8 cycles and 30 processes that were applicable for assessment under these requirements.

The eight cycles included Funds Control, Funds Management, Human Capital Management (HCM), Grant Management, Procurement, Revenue Management, Property Management, and Financial Reporting. In addition, IT (computer controls) was also considered a component of the Forest Service's self-assessment. Each process was mapped and evaluated for internal control design effectiveness.

For the 2008 Assurance Year (ending June 30 of the fiscal year), Forest Service tested all cycles or processes. The outcome of the A-123 testing identified no new material weaknesses and 11 significant deficiencies in Financial Reporting and Property Management Cycles. The Forest Service developed remediation plans for the identified deficiencies and implemented a monitoring process.

The deficiencies in Property Management were in the areas of acquisitions funds certification and inventory controls.

The summary remediation efforts for Property have an ECD of July 31, 2009, and include:

- Conduct root cause analysis and develop optimal solution.

- Implement new process to include controls over the proper accounting, documentation, and classification of capitalized property.
- Develop a monitoring tool to assess progress of implementation of plan.
- Monitor inventory process by requiring submission of documentation to ensure compliance with requirements.
- Develop new documentation to include narrative, flowchart, and a risk and control matrix for the controls within the new process. The A-123 Team will develop these items and then develop new test plans to test operating effectiveness over the new controls.
- Conduct A-123 Validation testing on inventory for both real and personal property in accordance with USDA sampling requirement for annual controls. Testing will include observation of actual inventory taking as well as inspection of documentation.
- Ensure that USDA reviews documentation and clears remediation status for A-123.

In the Financial Reporting Cycle, the controls over the ULO certification process were ineffective.

The summary remediation efforts for Financial Reporting have an ECD of January 31, 2009, and include:

- Ensure compliance with Interim Directive (ID) No. 6509.11k, Forest Service Handbook (FSH) that was issued April 25, 2008. The ID provides servicewide direction for quarterly reviews and annual certification of ULOs and addresses responsibilities and requirements for quarterly review and annual certification.
- Implement new process to include newly designed controls.
- Conduct A-123 validation testing on third and fourth quarters of 2008, and first quarter of 2009 certification process.

THE ANTI-DEFICIENCY ACT

The Forest Service provides aviation support for emergency fire suppression incidents. In FY 2006, a footnote on the apportionment document limited spending of fire suppression funds on aviation resources to no more than \$100 million. The agency exceeded this amount by \$17 million in August 2006. The agency requested a legal opinion from the USDA Office of the General Counsel (OGC) as to whether exceeding the footnote was an Anti-Deficiency Act (ADA) violation.

In July 2007, the agency was advised that OGC had rendered an opinion that exceeding the footnote limitation was an ADA violation. Subsequently, the Forest Service requested an opinion from the Government Accountability Office (GAO).

In February 2008, GAO concurred with OGC that the Forest Service violated the ADA by obligating wildfire suppression funds prior to submitting an Exhibit 300⁵. GAO recognized the Forest Service for taking immediate action to address the issue by seeking and obtaining a reapportionment to cover obligations and making necessary adjustments in the same fiscal year.

⁵ Exhibit 300 refers to OMB Circular A-11, Part 7 (section 300). It establishes policy for planning, budgeting, acquisition and management of Federal capital assets, and instructs agencies on budget justification and reporting requirements for major information technology (IT) investments and for major non-IT capital assets.

Forest Service implemented the following corrective actions as a result of this violation:

- Instituted a more rigorous apportionment monitoring process in which the Albuquerque Service Center (ASC) receives daily accruals of wildfire suppression obligations and reports status to the Washington Office. On a daily basis, personnel track apportionment limits in “real-time” and seek timely reappportionments, if necessary, when limits are approached.
- Required line officers to certify wildfire suppression cost estimates within its wildfire decision support systems. Senior Forest Service officials were notified of the costs associated with wildfires that could require reappointments.

In addition, the Forest Service will revise administrative control of funds and applicable regulations to prevent a recurrence of the violation and submit to the Director of OMB for approval pursuant to 31 USC 1514. The revision will ensure obligations and expenditures against each appropriation or fund does not exceed amounts available; enhance accountability of responsible personnel; and improve the transparency of apportionments, allotments, and allocations.

IMPROPER PAYMENTS INFORMATION ACT (IPIA)

Information on the Forest Service's IPIA evaluation and FY 2008 results is discussed in the Other Accompanying Information (OAI) section of the AFR.

LIMITATIONS OF FINANCIAL STATEMENTS

The Forest Service's principal financial statements have been prepared to report the financial position and results of operations of the agency, pursuant to the requirements of 31 U.S.C. 3515 (b).

The Forest Service statements have been prepared from its books and records in accordance with Generally Accepted Accounting Principles (GAAP) for Federal entities and the formats prescribed by OMB. The statements, however, are in addition to the financial reports used to monitor and control budgetary resources that are prepared from the same books and records.

These statements should be read with the realization that they are for a component of the U.S. Government, a sovereign entity.