

Part E

OTHER ACCOMPANYING INFORMATION

Unaudited

**OTHER ACCOMPANYING INFORMATION—UNAUDITED
FOR THE YEARS ENDED SEPTEMBER 30, 2011 AND 2010**

OTHER ACCOMPANYING INFORMATION (OAI)

MANAGEMENT CHALLENGES

The Reports Consolidation Act of 2000 requires USDA Office of Inspector General (OIG) to identify and report annually on the most serious management challenges the Department faces. The following table lists the Forest Service responses to address the management challenges identified in August 2011.

Forest Service Management and Community Action Needed To Improve Forest Health and Reduce Firefighting Costs¹
Forest Service's Invasive Species Program—OIG Audit Report Number 08601-7-AT
<p><i>Completed Fiscal Year 2011 Accomplishments/Action(s)</i></p> <ul style="list-style-type: none">-Ensured National Forest System's (NFS) Invasive Species Program accomplishments were included within the agency's annual performance reporting process.-Conducted an overall review of the agency's information systems for the Invasive Species Program and took steps to ensure the systems are adequate to report data. <p><i>Planned FY 2012 Actions</i></p> <ul style="list-style-type: none">-Develop new NFS invasive species management policy (Forest Service Manual 2900) to include program-wide policy of providing early detection and rapid response within Forest Service and document all Invasive Species Program's internal policies and procedures.-Develop an adequate, cohesive internal control environment for managing the Invasive Species Program and reporting accurately how much the agency is spending to combat invasive species.Implement a monitoring plan to assess the Invasive Species Program and related internal control.-Revise the National Strategy and Implementation Plan for Invasive Species management and establish a control for revising the strategy once every 5 years.-Develop an inventory plan including responsibilities, timeframes, and benchmarks for inventorying all invasive species, the risk the species poses, and the efficacy of available treatments.-Develop a standard for how many acres are affected by each of the agency's treatments, and require the regions to follow these standards when reporting performance results.-Develop and implement a formal review system to verify the accuracy of invasive species accomplishment data reported.
Forest Service's Contracted Labor Crews—OIG Audit Report Number 08001-2-AT
<p><i>Completed FY 2011 Accomplishments/Action(s)</i></p> <ul style="list-style-type: none">-Hired a contractor to conduct an in-depth analysis to determine how the agency should proceed with determining future firefighting crew needs and costs.-National Wildlife Coordinating Group established a new evaluation form to reflect clear and objective standards for evaluating the effectiveness of firefighting crews, implemented a plan for tracking the results of these performance evaluations, eliminated duplicate inspections of dispatched contract crews at an incident, and incorporated the use an electronic employment eligibility verification system as required by Executive order.
Large Fire Suppression Costs—OIG Audit Report Number 08601-44-SF

¹ USDA's Management Challenge Number 6.

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Completed FY 2011 Accomplishments/Action(s)

-Required the agency to develop incident commander and line officer evaluations that include performance standards to assess whether the tactics employed are cost effective and assure financial oversight. The Forest Service issued a letter directing the regional foresters to use the **Incident Commander Effectiveness Rating Form** for incident commander and line officer performance evaluations. The agency now focuses on risk management and risk exposure to evaluate incident commander performance and developed the standards based on the information obtained in the Incident Action Plans, Incident Status Summaries and Unit Logs, which provide the necessary information to measure and evaluate the success of daily fire action, activities, and costs.

Replacement Plan for Firefighting Aerial Resources—OIG Report Number 08601-53-SF

Completed FY 2011 Accomplishments/Action(s)

-Revamped the Working Capital Fund (WCF) program and developed the “Aerial Firefighting Aircraft Replacement Action Plan” in an effort to strengthen the agency’s aerial firefighting acquisition process. The plan includes specific goals and timelines for completing the planning and procurement processes. In addition, the plan requires that the integrated project team develop a 5-year “USDA Forest Service Aerial Firefighting Strategic Plan” and adopt goals and performance measures. The plan also requires that the agency analyze its current firefighting systems and databases to address whether the capability for assessing air tankers' impact on suppressing fires during "initial attack," and "after" for those fires that escape, can be incorporated within the systems. Finally, it requires the agency to analyze actual performance data collected from the systems and databases in accordance with the goals and performance measures.

-Set specific goals and timeframes for completing the aviation planning and procurement processes.

-Developed a “WCF Fleet Aircraft Replacement Plan” approved on April 18, 2011, that shows estimated timeframes and costs for replacing aircraft.

-Established a new process to develop WCF aircraft rates and periodically review the rates to ensure the agency meets its long-term needs for replacing aircraft.

Firefighting Succession Planning—OIG Audit Report Number 08601-54- SF

Planned FY 2012 Actions

-With USDA’s Natural Resources and Environment mission area, continue to work with the U.S. Office of Personnel Management (OPM) to assure fire management positions are classified appropriately and direction on the use of the GS-401 job series is provided throughout the agency.

-Develop a “**Firefighter Workforce and Succession Planning Action Plan**” to list each recommendation from the audit and the key steps and milestones for completing all the tasks under the audit, along with the program leads and estimated completion dates.

-Develop a “**Fire and Aviation Management Workforce and Development Strategic Framework**” document that includes a workforce goal for recruiting, developing, and retaining a highly skilled fire and aviation workforce and a support force of Forest Service employees in other disciplines. This document provides the overall philosophy and desired future of fire and aviation in the Forest Service. The framework will help determine the appropriate numbers and skill mix of employees and detail how the agency will get there.

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NET COST OF OPERATIONS BY STRATEGIC GOAL

The Forest Service Strategic Plan FY 2007-2012 has seven strategic goals:

- Goal 1: Restore, Sustain, and Enhance the Nation’s Forests and Grasslands
- Goal 2: Provide and Sustain Benefits to the American People
- Goal 3: Conserve Open Space
- Goal 4: Sustain and Enhance Outdoor Recreation Opportunities
- Goal 5: Maintain Basic Management Capabilities of the Forest Service
- Goal 6: Engage Urban America with Forest Service Programs
- Goal 7: Provide Science-Based Applications and Tools for Sustainable Natural Resources Management

The Forest Service Strategic Goals align to USDA’s Strategic Goals 1 and 2 (of four).

USDA Strategic Goal	Forest Service Strategic Goal
Goal 1: Assist rural communities to create prosperity so they are self-sustaining, repopulating, and economically thriving	Goal 2: Provide and Sustain Benefits to the American People
	Goal 4: Sustain and Enhance Outdoor Recreation Opportunities
	Goal 6: Engage Urban America With Forest Service Programs
Goal 2: Ensure our national forests and private working lands are conserved, restored, and made more resilient to climate change, while enhancing our water resources	Goal 1: Restore, Sustain, and Enhance the Nation’s Forests and Grasslands
	Goal 3: Conserve Open Space
	Goal 5: Maintain Basic Management Capabilities of the Forest Service
	Goal 7: Provide Science-Based Applications and Tools for Sustainable Natural Resources Management

The following schedule aligning net costs to strategic goals is an estimate and is presented for informational purposes. Allocation of actual gross costs and earned revenue is based on applying a percentage of the enacted budget for each of the respective strategic goals to the total enacted budget.

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**U.S. Department of Agriculture
Forest Service
CONSOLIDATED STATEMENTS OF NET COST
For the years ended September 30, 2011 and 2010
(in millions)**

Strategic Goals:	2011	2010
1. Restore, Sustain, and Enhance the Nation's Forests and Grasslands:		
1A. Gross Costs	4,897	\$ 4,611
1B. Less: Earned Revenue	570	429
1C. Net Goal Cost	<u>4,327</u>	<u>\$ 4,182</u>
2. Provide and Sustain Benefits to the American People:		
2A. Gross Costs	478	430
2B. Less: Earned Revenue	56	40
2C. Net Goal Cost	<u>422</u>	<u>\$ 390</u>
3. Conserve Open Space:		
3A. Gross Costs	235	227
3B. Less: Earned Revenue	28	21
3C. Net Goal Cost	<u>207</u>	<u>\$ 206</u>
4. Sustain and Enhance Outdoor Recreation Opportunities:		
4A. Gross Costs	816	748
4B. Less: Earned Revenue	95	69
4C. Net Goal Cost	<u>721</u>	<u>\$ 679</u>
5. Maintain Basic Management Capabilities of the Forest Service:		
5A. Gross Costs	543	510
5B. Less: Earned Revenue	63	47
5C. Net Goal Cost	<u>480</u>	<u>\$ 463</u>
6. Engage Urban America with Forest Service Programs:		
6A. Gross Costs	43	39
6B. Less: Earned Revenue	4	4
6C. Net Goal Cost	<u>39</u>	<u>\$ 35</u>
7. Provide Science-based Applications and Tools for Sustainable Natural Resource Management:		
7A. Gross Costs	148	137
7B. Less: Earned Revenue	17	13
7C. Net Goal Cost	<u>131</u>	<u>\$ 124</u>
Total Gross Costs	\$ 7,160	\$ 6,702
Total Earned Revenue	833	623
Net Cost of Operations	<u>\$ 6,327</u>	<u>\$ 6,079</u>

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IMPROPER PAYMENTS IMPROVEMENT ACT (IPIA) REPORTING

As required by the Improper Payments Information Act of 2002 (IPIA) and Office of Management and Budget (OMB) Circular A-123, Appendix C, agencies are to measure high-risk programs annually, estimate the amount of improper payments, and report the estimate in the Performance and Accountability Report (PAR).

THE CRITERIA FOR THE RISK ASSESSMENT

USDA programs have been divided into two categories for the purpose of performing risk assessments: management certification and risk assessments. Risk assessments are performed on all programs at least once every 3 years or more frequently if the Office of the Chief Financial Officer (OCFO) deems necessary. In addition to risk assessments, agencies are required to provide a management certification which asserts, among other things, that: (1) the program is still determined to be at low risk of improper payments, (2) there have been no significant program changes since the last risk assessment, (3) there have been no significant internal control changes since the last risk assessment, and (4) there have been no new audit reports describing significant improper payments or internal control issues. If any of these statements are not true, OCFO may ask that the agency perform a risk assessment on that program for the current fiscal year.

Wildland Fire Suppression Fund (WFSU) has been identified as a high-risk program for Forest Service since FY 2004. No new high-risk programs were identified for FY 2011.

THE DESCRIPTION OF THE STATISTICAL SAMPLING PROCESS

The IPIA requires statistical sampling for high-risk programs only. The Forest Service used Monetary Unit Sampling (MUS) to systematically analyze and review WFSU transactions for FY 2011 (the period of 10/01/2009 through 9/30/2010).

THE DESCRIPTION OF THE CORRECTIVE ACTION PLAN(S)

The result of our sampling over the WFSU program resulted in a testing error rate of 0.00 percent for FY 2011. In addition, the enhanced analytics conducted over the WFSU program resulted in \$204,626 of improper payments or 0.03 percent of total outlays. The root causes of the improper payments were mostly administrative in nature or related to travel advances.

Below is a table of the statistical sampling results of the WFSU assessment.

Fund	Population Outlays	Tested Outlay Amount	Population Insufficient Documentation		Population Improper Payment Error	
			Dollars	Rate	Dollars	Rate
WFSU	\$491,122,137	\$ 46,991,848	\$0.00	0.0%	\$0.00	0.0%

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The Forest Service continues to improve internal controls with continuous internal monitoring and analytics of possible improper payments. The centralization of accounting functions has improved communication and follow-up prior to payment authorization, which has reduced the potential for errors.

In FY 2012, the Forest Service is continuing to enhance its risk assessment process and use monitoring and analytics to assess the root cause of improper payments and conduct additional corrective action to improve the effectiveness of internal controls. The Forest Service is also researching automated tools that will serve as effective preventative internal controls to reduce improper payments. In addition to the annual risk assessments, quarterly reviews will also be conducted to identify potential duplicate payments using automated statistical software. Statistical sampling will also be performed over all payments to identify the areas where erroneous payments are more prevalent.

IMPROPER PAYMENT REDUCTION OUTLOOK

The following tables for the Improper Payment Reduction Outlook are limited to the WFSU.

Improper Payment Reduction Outlook (in thousands)									
IPIA Reporting Year	FY 2010			FY 2011			FY 2012		
Actual Fiscal Year	FY 2009			FY 2010			FY 2011		
Program	Outlays	IP %	IP \$	Outlays	IP %	IP \$	Outlays	IP %	IP \$
WFSU ²	\$480,800	0.00%	\$0.00	\$491,000	0.00%	\$0.00	\$595,290	0.00%	\$0.00

Improper Payment Reduction Outlook (in thousands)						
IPIA Reporting Year	FY 2013			FY 2014		
Actual Fiscal Year	FY 2012			FY 2013		
Program	Estimated Outlays	IP %	IP \$	Estimated Outlays	IP %	IP \$
WFSU ³	\$885,000	0.00%	\$0.00	\$992,700	0.00%	\$0.00

RECOVERY OF IMPROPER PAYMENT

The Improper Payments Elimination and Recovery Act of 2010 (IPERA) requires Federal agencies to enhance their efforts in preventing, detecting, and recovering improper payments. Beginning FY 2011, the Forest Service conducted a retroactive review of FYs 2010 and 2011 billings to enhance our ability to identify and report recovery of improper payments. Internal reviews were also conducted periodically and reported to OCFO through the quarterly High Dollar Report for the high-risk WFSU fund.

² Credit card transactions and salaries and expenses were excluded from the Wildland Fire Suppression (WFSU) population and considered as separate funds.

³ Credit card transactions and salaries and expenses were excluded from the WFSU population and considered as separate funds.

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Recovery of Improper Payments Actual Dollars Recovered				
FY 2007	FY 2008	FY 2009	FY 2010 ⁴	FY 2011
\$85,658	\$99,361	\$1,720	\$1,700,000	\$2,115,003

RISK ASSESSMENT AND OVERSIGHT BENEFITS

The benefits of enhanced risk assessments and oversight have enlightened Forest Service management with information regarding the payment processes that have higher inherent risk. This will allow management to identify the root causes and improve and enhance internal controls and dedicate additional resources to reduce the risk of improper payments.

SUMMARY OF FINANCIAL STATEMENT AUDIT AND MANAGEMENT ASSURANCES

Exhibit1. Definitions for terms used in this section

Beginning Balance	The FY 2011 beginning balance agrees with the FY 2010 ending balance of material weaknesses.
New	The total number of material weaknesses that have been identified during FY 2010.
Resolved	The total number of material weaknesses that dropped below the level of materiality in FY 2010.
Consolidated	The combining of two or more findings.
Reassessed	The removal of any finding not attributable to corrective actions. For example, management may have re-evaluated and determined a material weakness does not meet the criteria for materiality or is reclassified under another heading, such as the Federal Managers' Financial Integrity Act (FMFIA), Section 2 Effectiveness of Internal Control over Financial Reporting to a FMFIA, Section 4 Conformance with Financial Management System Requirements .
Ending Balance	The Forest Service's FY 2011 ending balance for material weaknesses at yearend.

SUMMARY OF FINANCIAL STATEMENT AUDIT

Summary of Financial Statement Audit						
<i>Audit Opinion</i>	Unqualified					
<i>Restatement</i>	No					
	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
<i>Material Weaknesses</i>	0	0	0	0	0	0
<i>Total Material Weaknesses</i>	0	0	0	0	0	0

⁴ The methodology for reporting improper payments changed for FY 2010. The Forest Service previously reported FY 2010 dollars recovered as \$584,994 in the FY 2010 Forest Service Agency Financial Report.

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SUMMARY OF MANAGEMENT ASSURANCES

Effectiveness of Internal Control over Financial Reporting (FMFIA § 2)						
Statement of Assurance	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
<i>Material Weaknesses</i>	0	0	0	0	0	0
<i>Total Material Weaknesses</i>	0	0	0	0	0	0

Effectiveness of Internal Control over Operations (FMFIA § 2)						
Statement of Assurance	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
<i>Material Weaknesses</i>	0	0	0	0	0	0
<i>Total Material Weaknesses</i>	0	0	0	0	0	0

Conformance with Financial Management System Requirements (FMFIA § 4)						
Statement of Assurance	Systems conform, conform except for the below nonconformance(s), or do not conform to financial management system requirements (OMB Circular A-136, Section 4 OAI)					
	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
<i>Nonconformances</i>	0	0	0	0	0	0
<i>Total Nonconformances</i>	0	0	0	0	0	0

Conformance with Federal Financial Management Improvement Act (FFMIA)		
	<i>Agency</i>	<i>Auditor</i>
<i>Overall Substantial Compliance</i>		
System Requirements	Yes	Yes
Accounting Standards	Yes	Yes
U.S. Standard General Ledger at the Transaction Level	Yes	Yes