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JOINT HEARING ON THE MANAGEMENT OF THE UNITED STATES FOREST SERVICE

JOINT HEARING

BEFORE THE

COMMITTEE ON RESOURCES

AND

COMMITTEE ON THE BUDGET

AND

SUBCOMMITTEE ON INTERIOR

OF THE

COMMITTEE ON APPROPRIATIONS
HOUSE OF REPRESENTATIVES

ONE HUNDRED FIFTH CONGRESS

SECOND SESSION

MARCH 26, 1998, WASHINGTON, DC

Serial No. 105–82

Printed for the use of the Committee on Resources, Committee on Budget, and the Subcommittee on Interior of the Committee on Appropriations

U.S. GOVERNMENT PRINTING OFFICE
48–275 CC ⇆ WASHINGTON : 1998

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OVERSIGHT HEARING ON THE MANAGEMENT OF THE UNITED STATES FOREST SERVICE

THURSDAY, MARCH 26, 1998

HOUSE OF REPRESENTATIVES, COMMITTEE ON RESOURCES, COMMITTEE ON BUDGET, SUBCOMMITTEE ON INTERIOR, AND COMMITTEE ON APPROPRIATIONS, *Washington, DC.*

The Committees met jointly, pursuant to notice, at 11 a.m., Hon. Don Young, chairman of the Committee on Resources, presiding.

STATEMENT OF HON. DON YOUNG, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF ALASKA

Chairman YOUNG. The Resources Committee, the Budget Committee, the Interior Appropriations Subcommittee will come to order.

I believe this is the first time the three different Committees have come together in hearings of this magnitude. Because of the size of the Committee today we have agreed to limit opening statements to the Chairman and Ranking Minority Members of the two full Committees and the three Subcommittees.

This should allow us to hear from our witnesses sooner, and help members to keep their schedules. Therefore, if any other members have opening statements, they can be included in the hearing record by unanimous consent.

[The information referred to follows:]

STATEMENT OF HON. JERRY F. COSTELLO, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF ILLINOIS

Mr. Chairmen, I thank you for calling this joint hearing. As is so often in the case with matters before this body, management of the United States Forest Service falls under the jurisdiction of several House committees, and I appreciate this unique opportunity for many of the concerned parties to examine this issue together.

The U.S. Forest Service is responsible for managing more than 191 million acres of public lands located in 44 states, Puerto Rico, and the Virgin Islands. The Administration has requested $3.3 billion in the Presidents fiscal year 1999 budget to fund the Forest Service in the next fiscal year.

The Shawnee Forest, one of the 155 national forests overseen by the Forest Service, is located, in part, in my Congressional District. This beautiful area of 265,000 acres in Southern Illinois offers thousands of people each year the opportunity to observe bald eagles, witness annual snake migrations, and enjoy wonderful recreational opportunities.

Because I know the value of this forest, I am concerned by reports that Forest Service inefficiency and waste are costing taxpayers millions of dollars each year. Mr. Chairmen, I look forward to learning more about the management of this agency. Thank you.

Chairman YOUNG. In my opening statement, I am going to sort of ramble through it as I usually do, but I would like to suggest

one thing: that this is not about personalities. It is not about individuals. It is not about Chief Dombeck.

I believe that our forests are in terrible, deplorable shape, and we must address the problem of forest health and where we are headed. We do know that there are some serious problems because of the GAO report, and that will be addressed today by the GAO. And contrary to what some people say, leave Chief Dombeck alone, this not Dombeck's problem, particularly, this is a problem of the Forest Service, collectively.

I believe this is a terrible mess and has to be addressed by this Congress, and we must quit burying our heads in the sand. There are enough complaints going around from all walks of the Congress, different political philosophies and parties.

But in reality, our forests today are in worse shape than they have been in in the last 55 years. Not from logging, but mismanagement. We have burned more trees in the last 10 years than we have cut for commercial use during the time that man arrived on these shores. And that is a loss to not only mankind, but it is a loss to the management of the forest.

It may be natural, but it is not realistic, nor should it be allowed to take place.

We are losing more to beetle kill and wind blows. All across this Nation this is occurring because there is no management of the forest. In an area the size of 178 million acres, we are now producing less timber than they are in a very small amount of privately held timber lands, of less quality, and less, in fact, availability. And being so we have left less timber for the future generations.

We have to keep in mind, though, the Forest Service budget has increased dramatically, 11 times above inflation since 1952. And I think that is another example of terrible mismanagement. The idea that we can have Forest Service employees painting rocks so they look old for the general public. They cannot account for $215 million. Do not know where it went. That is a hell of a vacation as far as I am concerned.

They had a $500,000 alternative reality rally last year, paid for by the taxpayers. A loss of true foresters and retention of anthropologists and biologists. All the "ologists" are all left, but no foresters are left.

And, very frankly, what is brought to this head is this administration has deprived the Nation of not only the log resources, but for the first time the Forest Service has lost money, and doing so, now they have been exposed in their weak underside.

And so our attempt today is to find out where we are going and where we are headed. I have talked to the people in the Forest Service to give us some ideas on solutions to the GAO report. If that does not occur, I suggest you come back here next year, and you will have, as I said before, less of a budget.

There is no reason for the taxpayer to be paying for an agency that is in fact in shambles and is operated very foolishly, and is not really doing what is right for the general public.

I think it is crucially important that we address this issue correctly, with enthusiasm and direction, and I expect to hear answers today.

The gentleman from California.

STATEMENT OF HON. GEORGE MILLER, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CALIFORNIA

Mr. MILLER. Thank you, Mr. Chairman, and I am happy to hear you state in your opening remarks that this is not about personalities. That would be a tragic mistake, if we assembled these three Committees to come together and decide that somehow this all falls on the shoulders of one person.

Because the fact is that the problems pointed out by the GAO, and I think I see stacked on the table the history of reports done about the Forest Service, goes back many years through many chiefs of the Forest Service and through numerous administrations.

The fact of the matter is that we do have some systemic problems within the Forest Service, but for someone to try to decide that this is the current chief's problems and his fault only, and he is to be held accountable for all of those past practices would be a mistake.

First of all, it would be a mistake because this chief has the full support of the President, the Vice President, the Security of Agriculture in his efforts to broaden the mission of the Forest Service, in keeping with the outlook of the American people.

We all understand on this Committee, as we have watched the transitions and the changes that have taken place in the perception of the American people, the desires of the American people, the needs and the uses of the American people, on our Federal lands.

They are truly multiple use lands at this point, and while at one time this agency was simply governed by the notion of what yield it could provide on a yearly basis, and what kind of cut it could provide, that no longer is the single purpose mission of the Forest Service.

It now has to manage competing interests, strong competing interests, as the West becomes more and more urban, and as Americans move more and more around the country and enjoy our public lands.

So I am encouraged by your remarks. Let us not suggest that efforts have not been made to try to reform a number of the problems that will be addressed in the GAO report and in the Inspector General's report, but most of those have met with a lack of success on the floor of the House of Representatives or in the Appropriations Committee, or elsewhere, as we have tried to remedy one of the major problems outlined in the GAO report, and that is the failure of the Forest Service to get fair market value for the resources that it is managing, and for licensing those resources and renting those resources and leasing those resources.

We have not allowed them to get that. Why? Because other special interests come before the Congress and overrule the notion of fair market value.

We also know that there is a whole series of accounts, apparently, where the accounting is maybe non-existent. But we also know there have been efforts to try to bring those accounts on to budget, to exercise them to oversight by the Appropriations Committee, by this Committee, by the Agriculture Committee, and those efforts have failed because mainly the single purpose interests of timber harvesting are benefited by having those multiple small accounts held off of budget.

So there is clearly enough blame to go around, but hopefully this hearing is the first in a series of hearings, as you have pointed out, as we review really what is a new mission under the mandate of the American public for this agency to take care of these resources, and to provide them for multiple use and multiple values.

We are in the middle of that transition. It started with the train wrecks in the Northwest, where we saw the collapse of our forest, where we saw the inherent problems, where we saw the failure to consider other values. And that transition will continue.

It will continue to gain support by a majority of the American people, and it is going to be a very difficult one for us to participate in, but it is necessary. And I look forward to these hearings, and I thank the various chairmen for agreeing to combine this hearing and make these joint efforts.

Chairman YOUNG. I was supposed to recognize Mr. Kasich, but he has not joined us at this time. So I will recognize our good chairman, Mr. Regula.

STATEMENT OF HON. RALPH REGULA, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF OHIO

Mr. REGULA. Thank you, Mr. Chairman. I think you and the Ranking Member have pretty well outlined the concerns that brought about this hearing. The forests are a national treasure. I think we should look from this day forward to how we can best manage this resource to serve people in a diverse number of ways.

Obviously, historically there has been mismanagement. You need only to look at the GAO report. I quote, "the agency's financial statements are unreliable. And expenditures of significant amounts cannot be accounted for."

Well, we do not want that to happen prospectively. And I am hopeful that out of this hearing there will be techniques and policies developed that will avoid this kind of problem in the future.

The GAO report also focuses on internal control weaknesses, and finally I think the Forest Service's weak contracting practices have exposed appropriated dollars to an increase risk of fraud, waste and abuse.

I think, frankly, the American public is somewhat ambivalent about what they expect out of the national forests. They obviously like to have wood fiber at a reasonable rate to build their homes, to achieve their dreams, in terms of housing.

But they likewise also like the multiple use aspect of the Forest Service. I am always struck by the fact that in terms of visitor days, the Forest Service has twice as many as does the Park Service, and that is indicative of the fact that the public uses these lands extensively for their enjoyment.

And as our population grows, as our society becomes more stressful, I think the value of multiple use in our forests will be a great resource for the enjoyment of the public.

But, likewise, it is a great resource for the production of fiber, and it is a matter of managing this system in the most effective way on behalf of the owners, namely the American people.

I hope that out of this hearing and out of the leadership in the Forest Service there will be policies developed that will address those concerns, that will focus on how best to manage this re-

source, and that in the future we will not have to have these kinds of hearings. The Forest Service will have responded to the GAO and the IG concerns about the way in which they have managed the resource.

So out of this hearing today, we should be able to develop these ideas for the future, and I look forward to hearing from the managers of the Forest Service. It is easy to identify the problems, but what I am interested in is identifying the solutions.

[The prepared statement of Mr. Regula follows:]

STATEMENT OF HON. RALPH REGULA, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF OHIO

I. The National Forests are a great treasure. They include nearly 200 million acres of some of the finest lands in the nation. These lands provide tremendous opportunities to all of our citizens; these natural resources and open space are of vital importance to this generation and to our children. It serves as the working man's country club. We need to take very good care of this special heritage.

Multiple use has been the driving force behind the management of this land. This is a policy that must be continued. There are proud traditions in the Forest Service for professionalism and local independence, but these must not come before, or at the expense, of prudent management of natural resources and taxpayer resources.

We all share a great concern for many the issues impacting the Forest Service, such as: forest health, providing a variety of recreational opportunities, managing a massive road system, and providing water, open space and habitat vital to our flora and fauna.

We recognize that large and ongoing debates and crises have stressed the agency during the past decade and have distracted the agency from adequately managing its affairs.

But today we say that it is time to get serious about managing the agency. *This hearing will be focused on fiscal management issues.*

These problems have developed over many years, but they must be solved soon.

The testimony will demonstrate that there have been many years of promises to clean up these kinds of problems, all to little or no avail.

The Interior subcommittee and the Forest Service developed some budget reform in 1995, but already the Committee has had to once again tighten up reprogramming guidelines in an attempt to increase accountability.

II. My Committee has recently had numerous **oversight** hearings dealing with Forest Service activities. In addition, I have held regular, annual hearings with the Chief and with Secretary of Agriculture, as well as special oversight hearings, including:

1. the Interior Columbia River Basin project
2. construction practices
3. backlog maintenance and property inventories.

Further, my Committee has required the Forest Service to closely examine major issues affecting our nation's forests, so much so, that the Administration complained in last year's Statement of Administration Policy that this was excessive Congressional micromanagement. We disagree, oversight is vital. We have required reports on diverse issues, including:

financial system improvements and linkage to GPRA timber sales
land management planning and budget linkages
Recreational fee demonstration program
transportation and road planning and inventory backlog maintenance, and
wildfire fuels management.

III. My Committee has also demanded more and better explanation in the Forest Service's annual budget justification to more fully detail:

ecoregion assessments
forest planning workload
wildland fire management planning
overhead budget assessments for "national commitments"
funding equity by Regions, and adherence to the Government Performance and Results Act.

And, my Committee has initiated work by the GAO on the impact of the 1995 budget reform and work by committee investigators on funding accountability for

forest planning, inventory and monitoring; the purchase of a major new computer system; and civil rights.

IV. Today we will hear of substantial financial management problems in the Forest Service. This includes the agency's continued inability to take accounting seriously and get financial systems to work. The GAO says, and I quote:

> *"The agency's financial statements are unreliable, and expenditures of significant amounts cannot be accounted for."*

We will also hear of substantial problems with the major USDA financial systems. The IG for USDA wrote,

> *"Our reviews at the (USDA) National Finance Center have disclosed continuing severe internal control weaknesses, culminating most recently with an adverse opinion we rendered on its overall control structure."*

We will hear of other problems, such as the inability to capture revenue and the potential for serious contracting problems resulting from poor oversight and excessive delegating of authority to field and regional offices. The GAO writes,

> *"... the Forest Service's weak contracting practices have exposed appropriated dollars to an increased risk of fraud, waste and abuse. These and other findings have led us, Agriculture's Inspector General, and Forest Service task forces to make numerous recommendations to improve performance. The agency has not acted on some, has studied and restudied others without implementing them, and has left the implementation of others to the discretion of its independent and autonomous regional offices and forests with mixed results."*

V. We will hear of a matter of great concern to the Interior Committee: the inability to properly track appropriations. We will hear that budget formulation is not based on local program needs and that furthermore, allocations of appropriations to the field is based on odd formulas and not on program needs or accomplishments. We will also hear that the agency charges excessive overhead which is used to support endless planning efforts and we will hear that there is an inadequate link between forest plans, financial systems and budgets. For instance, the IG writes,

> *... "there is very limited assurance that funds have been expended consistent with the budget. ... funding is subjected to absorbing overhead charges as the appropriations are reallocated down through the organizational framework of the agency. As a result, the amount of funds appropriated for a specific purpose or activity are significantly reduced before they are available for that purpose."*

VI. Based on all of this testimony, it is clear to everyone around that we need to have better management based on performance and results. The Government Performance and Results Act provides a framework to help solve some of these problems, but we will need better definitions of mission-critical goals and objectives.

Our Nation needs and wants to continue the multiple use model. We expect to have production of goods and services in a way that does not harm the land or waters and which provides long-term public service.

Where we focus on restoration, the Forest Service will need to have clear goals and benchmarks whereby the public can measure success.

This is the direction we will need to go. I expect the Department of Agriculture and the U.S. Forest Service to redouble its efforts so the American people can once again have faith in how these tax dollars are used and how these precious lands and waters are cared for.

Chairman YOUNG. Mrs. Chenoweth, do you have an opening statement, as chairman of the Subcommittee?

STATEMENT OF HON. HELEN CHENOWETH, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF IDAHO

Mrs. CHENOWETH. Thank you, Mr. Chairman. I do have a short statement. We do see a pile of reports there that have been accumulating, and unfortunately we look to the agency to correct their problems.

But as the Ranking Member said, and I agree with him on this, this is not just the agency's problem. This is the Congress's problem too. Because without regard—I have said this before—without regard to which political party is in power, this system has grown worse and worse.

We ask our managers, we ask our Chief to make his people accountable, and yet that is impossible under the systems that he has now, to require accountability. And it is up to the Congress to make those necessary changes in the laws that will allow him to do what we are requiring of him.

I blanche at the thought that this is the only agency, the Forest Service, that is entrusted with billions and billions of assets, and the Forest Service has so poorly managed those assets, that this agency is now deep in the red.

Now the Forest Service is coming back and asking for more money than they got last year, and they have had an increase every single year. And they are coming back to us with this poor track record, and asking for an increase over last year's budget.

We do not like that. But we have got to be able to work in tandem to solve these problems, and get serious about it. The seriousness has to go beyond the politics of the day, and the personal whims of the day that we turn into public policy.

We have to be able to require accountability from the Forest Service. And as Congressmen, we have to give them the power to require accountability from their managers.

Thank you, Mr. Chairman.

Chairman YOUNG. Thank you, Mrs. Chenoweth.

Mr. Hinchey?

STATEMENT OF HON. MAURICE D. HINCHEY, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEW YORK

Mr. HINCHEY. Thank you very much, Mr. Chairman. I want to make a very brief statement, which is largely in accord with what I have heard other members say just a few moments ago.

And that is essentially that whatever problems are perceived here, by the members of this Committee and others in the Congress, with regard to the Forest Service and the way the forests are being operated, is a problem for which responsibility is shared equitably perhaps by both the Forest Service and the Congress.

And to the extent that it is not shared equitably, I think a larger burden falls upon the Congress than falls upon the Forest Service. And that burden largely has to do with our responsibility and obligation to fund the maintenance and care of our resources.

And it is quite clear to me that we have not done so, and that this failure is one that dates back over a very long period of time.

We note that in the Forest Service, for example, the Forest Service is of course replete with roads—there are a great many roads through the Forest Service lands. We made the point a number of times that these roads now cover 373,000 miles—eight time as long as the Federal Interstate Highway System, and enough to circumnavigate the globe 16 times—and that there is within this road system a maintenanace backlog of $10.5 billion.

In other words, in order to maintain these roads and keep them up, there is a backlog of funding deficiencies to the tune of $10.5 billion.

Now, that is a sad observation to make, because many of these roads are not just roads for forests. I have heard my friend, Mr. Hansen, talk about this, and I listen to him very carefully, because I am very respectful of his knowledge in this area.

And he said yesterday at a hearing that during hunting season you almost need a traffic cop back up in some of these roads, because of all the traffic up there. And I firmly believe that.

I come from a part of the country in the East where we have the Catskill Park and the Adirondack Park, and hunting is a major occupation—an occupation to take up spare time, at least.

So I understand the traffic that must be on these roads, based upon what I am told by my colleagues in the West. I have seen a little bit of it myself, with my own eyes, as a result of being out there with Mr. Hansen and with Mrs. Chenoweth.

So I understand that these roads have a great burden placed upon them, and that they cover traffic not just for hunters, but for people who just need to get from one place to another. And that includes people on school buses, going to schools, and things of that nature.

If I am correct, I think I heard someone say that about 10 percent, at least, of the bridges in this network are deficient.

That tells me that we need to catch up to our responsibilities, and somehow we need to start making up that $10.5 billion. It is not going to be made up in one year, but it has got to be made up very quickly, and we need to get on to it very, very rapidly.

Because unless we do, we are going to have a major accident out there, and we are going to see loss of life. I think it is almost inevitable, at the rate things are going.

So I just want to say that this is a responsibility of the Congress. We need to fulfill this responsibility, and we have not done so. And that responsibility has to do with funding this operation properly.

The same thing might be said for the National Park System. Anyone who has had an opportunity to be out in the National Park System, and I have had that opportunity recently, Yellowstone, Yosemite and places like that, you see that the places are almost literally falling apart before our eyes.

The deterioration is clearly discernible, almost palpable. And we need to address that problem. We need to address it by providing the necessary funds, to maintain the road systems in the National Parks, and maintain the other infrastructure that makes these operations so important.

So I think there is a lot to be said here, and perhaps this hearing is a very good thing, if it begins to open our eyes, the eyes of Members of the Congress, to our financial obligations to the resources owned by all of the people of the United States, and which have been entrusted to our care and the care of these Federal agencies.

So, I hope that we begin to do that, because our failure to do so is only going to add to the burden, add to the responsibility, and make it more difficult to catch up at some point in the future.

Chairman YOUNG. I can only suggest one thing, before I recognize Mr. Herger, and then Mr. Dicks, and that is it. One suggestion, good funding does not cover bad management.

Mr. Herger.

STATEMENT OF HON. WALLY HERGER, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CALIFORNIA

Mr. HERGER. Thank you, Mr. Chairman. I would like to thank Mr. Hill, Mr. Viadero, Mr. Dombeck for being here today, and for

testifying on the management and practices of the United States Forest Service.

I personally have all of or parts of nine national forests in my Congressional District in Northern California. Management decisions have a great impact on the health of our forests. As a result, I have many grave concerns about the reports of chronic waste of both financial and natural resources, as well as the agency's inability to proactively manage the land under its jurisdiction.

The Forest Service currently manages approximately 192 million acres of land—close to 9 percent of the Nation's total surface—and yet, even by the agency's own admission, 40 million acres are currently at a high risk for catastrophic fire.

Instead of working to improve this situation, however the agency is plagued by what the GAO calls, quote, indecision and delay, end quote. Instead of proactively improving forest health, the agency recently proposed to place a moratorium on all road building activities on roadless areas of the National Forest System. Quite simply, if we cannot get to an area to fight the fires, the areas will burn.

The purpose of this hearing is to explore the reasons behind the agency's management and problems which were summed up on a statement by former Northern California Modoc National Forest Supervisor Diane Henderson–Bramlett. In her January 1, 1998, letter of resignation to Chief Mike Dombeck, Supervisor Bramlett said, quote, a secondary reason for my departure is my frustration and dismay of the ever increasing redundant and costly agency practices, policies and regulations, the lack of accountability, both with all employees and with agency management, and the lack of leadership and vision throughout all levels of the Forest Service.

Continuing, I feel we are trying to be everything to everyone all the time. As a result, we deliver very little to anyone. End of quote.

This lack of management referred to by Forest Supervisor Bramlett has produced situations ranging from an inability to account for $215 million to highly questionable programs such as a 1996 Forest Service sponsored leadership seminar featuring drums, improv theater, finger painting, chimes, singing, body movement and story-telling. One Forest Service employee stated that this seminar was more like a group therapy session than a leadership seminar.

In November 1997, the Forest Service sponsored another employee event which press reports indicated cost at least a half million dollars. This event used taxpayer dollars to explore concepts such as "everyone's truth is truth," and "alternative realities are OK."

In construction areas, the Forest Service has also engaged in painting rocks to make them look older. Cattle ranchers in my district were asked probing personal questions as a condition of receiving a Federal grazing permit. These ranchers were asked, among other things, whether they were, quote, a person having origins in any of the original peoples of the Far East, the Indian Subcontinent, or the Pacific Islands, end quote.

They were also asked whether they had any disabilities. A Forest Service document then stated, quote, furnishing of this information is voluntary. However, individuals administering the permit will

attempt to identify the needed information by visual perception if not provided by the permittee, end quote.

What do these situations have to do with managing our national forests? They all have one fact in common: they are a waste of taxpayer dollars.

Further, the GAO has observed, quote, according to a November 1995 internal Forest Service report, inefficiencies within the agency's decisionmaking process cost up to $100 million a year at the individual project level alone. These costs are not borne by the Forest Service, but by the American taxpayer, since the agency accomplishes fewer objectives with its yearly appropriations, end of quote.

This mismanagement is unconscionable, and must be corrected immediately. If not, we may well end up sacrificing the very health of our National Forest System. Thank you.

Chairman YOUNG. I thank the gentleman. Before I recognize my good friend from Washington, Norm Dicks, I would like to acknowledge that Senator Craig has joined us, and he is going to sit down just about where he was when he left.

[Laughter.]

Chairman YOUNG. Welcome, Senator.

Mr. Dicks from Washington State.

STATEMENT OF HON. NORMAN D. DICKS, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF WASHINGTON

Mr. DICKS. Mr. Chairman, I appreciate your yielding. Chief, obviously the allegations of the General Accounting Office and the Department of Agriculture's Office of Inspector General are very condemning on the Forest Service's ability to effectively manage its finances and insure programmatic performance efficiency.

Just pointing out a couple of things in the GAO report: according to a November 1995 Forest Service report, inefficiencies with the agency's decisionmaking process cost up to $100 million a year at the individual project level along. Another point: because it has not obtained needed information, Federal regulatory agencies and stakeholders continue to insist that it prepare increasingly time consuming and costly detailed environment analysis and documentation before making a decision, effectively front loading the process and perpetuating a cycle of inefficiency.

Preliminary results in a soon to be issued GAO report to the chairman of the House Committee on Agriculture on the Forest Service contracting practices indicate that in fiscal year 1996 the agency's weak contracting practices made $443 million in appropriated funds vulnerable to fraud, waste and abuse.

For example, in reporting its fiscal year 1995 financial results, the Forest Service could not identify how it spent $215 million of its $3.4 billion operating funds and program funds. In addition, the $7.8 billion value reported for assets, including property, plant and equipment, was erroneous because records for these assets were not consistently prepared, regularly updated, or supported by adequate documentation.

Because of these and other deficiencies, Agriculture's Inspector General concluded that the agency's financial statement for fiscal year 1995 was unreliable.

And I understand that the remedy here is that we will just not do any more financial statements. Now, that does not cut it. And I think there is one thing that even those of us who have been strong supporters of the Forest Service throughout our careers simply cannot tolerate this kind of complete ignoring of what these reports have shown going back to 1980.

And I think, frankly, if we needed a control board in the District of Columbia, we need a control board for the Forest Service. And I think just as we had to have an outside trustee appointed to take care of the problems in terms of the individual claims of tribes and individual members, because we just simply could never get the Interior Department to come up with an accounting system to follow it, we are going to have to do the same thing here.

Now, I am just frankly appalled by the lack of commitment, and I think this is something that we are going to have to, in the Appropriations Committee, at least, and with the help of the other Committees here, take action on and insist that we get this thing straightened up, or we just have to appoint an outside trustee to come in and manage this thing, and put in the financial systems that are necessary.

Thank you, Mr. Chairman.

Chairman YOUNG. I thank the gentleman. I deeply appreciate your comments.

At this time I would like to call up the first panel. Mr. Barry Hill, Associate Director, Energy Resources and Science Issues, Resources, Community and Economic Development Division, General Accounting Office, Washington, DC.

And I would ask that anybody who comments with you at the table, please identify yourself when you do so.

At this time also I would like to have Mrs. Chenoweth chair the rest of the meeting, because she is the chairman of the Forest Health and Forests Subcommittee, and she will be chairing the rest of the meeting.

I want to thank each one of the members that are not on this Committee for attending today, and hopefully, as I mentioned in my opening statement, this is supposed to be constructive, somewhat objective in the sense of those that are being questioned today, keep in mind, most of them have not been on the watch.

This is not partisan, in the sense that this has been going on and getting worse every year. I just think it has accelerated in the last 3 or 4 years, and I hope that we can go on from this day on to try to get this Forest Service, as the gentleman from Washington mentioned, under a direct, good business management problem that serves the people of America.

Mrs. Chenoweth.

Mrs. CHENOWETH. Before we continue, I would like to explain that I intend to place all witnesses under oath. This is a formality of the Committee that is meant to insure open and honest discussion, and should not affect the testimony given by the witnesses.

I believe all of the witnesses were informed of this before appearing here today, and they have each been provided a copy of the Committee Rules.

If you would, all three of you, stand and raise your right hand to the square.

[Witnesses sworn.]

Mrs. CHENOWETH. The Chair recognizes testimony from Mr. Barry Hill, the Associate Director for Energy, Resources and Science Issues, Resources, Community and Economic Development Division, General Accounting Office, in Washington. Mr. Hill?

STATEMENT OF BARRY HILL, ASSOCIATE DIRECTOR, ENERGY, RESOURCES AND SCIENCE ISSUES, RESOURCES, COMMUNITY AND ECONOMIC DEVELOPMENT DIVISION, GENERAL ACCOUNTING OFFICE, WASHINGTON, DC, ACCOMPANIED BY CHARLIE COTTON AND McCOY WILLIAMS, GENERAL ACCOUNTING OFFICE, WASHINGTON, DC

Mr. HILL. Thank you, Madam Chairman. And Messrs. Chairmen and members of the Committees, before I begin, allow me to introduce my colleagues. With me today on my right is Charlie Cotton, who has led much of our recent and ongoing work on the Forest Service's operational management; and on my left is McCoy Williams, who is leading our ongoing effort to monitor and periodically report on the agency's progress toward financial accountability.

We are pleased to be here today to discuss the management of the Forest Service. And, if I may, I would like to briefly summarize my prepared statement and submit the full text of my statement for the record.

Mrs. CHENOWETH. Without objection, so ordered.

Mr. HILL. In 1987, the Forest Service proposed a quid pro quo to the Congress. If the Congress would increase the agency's flexibility in fiscal decisionmaking, the Forest Service would improve its accountability and budget execution through better accounting for its expenditures and performance.

During the intervening decade, the Congress has given the Forest Service virtually all the flexibility in fiscal decisionmaking that it requested. Specifically, the Congress has simplified the agency's budget structure, and significantly increased its spending flexibility to insure that funds are available when and where they are needed.

However, the Forest Service has not improved its accountability as it promised. In a March, 1988 report, we stated that before the Forest Service could be held accountable, it would need to correct known financial and performance reporting deficiencies.

The report noted that the Forest Service was at the time addressing all of these problems. However, today, 10 years later, these problems continue to persist.

Madam Chairman, as many of you have already pointed out, this stack of reports I have here in front of me represents over 140 products that the General Accounting Office has issued since 1988 on the Forest Service—a list of which I would also like to introduce for the record.

Mrs. CHENOWETH. Without objection, so ordered.

[The document may be found at end of hearing.]

Mr. HILL. These products, reinforced by our ongoing work, have led us to observe that foregone revenue, inefficiency, and waste throughout the Forest Service's operations and organizations have cost taxpayers hundreds of millions of dollars.

For example, the Forest Service has often not obtained fair market value for goods or recovered cost for services when authorized by the Congress. As a result, the agency forgoes at least $50 million in revenue annually.

It also has not always acted to reduce or contain costs as requested by the Congress. For example, concerned with the escalating costs of the Forest Service's timber program, the Congress in Forest Service 1991 asked the agency to develop a multi-year program to reduce the costs of its timber program by not less than 5 percent per year.

However, in April 1997, the Forest Service was preparing to undertake the third major examination of its timber program in the last 4 years. Meanwhile, the costs associated with preparing and administering timber sales remain higher than it was in fiscal year 1991 when the Congress first voiced its concern, and that is despite the fact that less timber is being sold and harvested.

In addition, up to $100 million a year is wasted as a result of inefficiencies within the agency's decisionmaking process. Among its shortcomings, the agency has historically failed to live up to its own monitoring requirements, and to comply with environmental and planning requirements.

Moreover, in fiscal year 1996, the agency's weak contracting practices exposed $443 million in appropriated funds to an increased risk of fraud, waste and abuse. Rather than require its field offices to comply with government-wide and Department of Agriculture-wide requirements intended to reduce costs or improve performance, some Forest Service managers merely trust that their contracting officers will perform competently and ethically.

Furthermore, the agency's financial statements are totally unreliable, and expenditures of significant amounts of money cannot be accounted for. For example, in reporting its fiscal year 1995 financial results, the Forest Service could not identify how it spent $215 million of its $3.4 billion in operating and program funds.

These and other findings have led us, Agriculture's Inspector General, and Forest Service task forces to make numerous recommendations over the years to improve the Forest Service's financial and operational performance and to obtain a better return on the American taxpayers's multi-billion dollar annual investment in the agency.

The Forest Service has not acted on some, has studied and restudied others without implementing them, and has left the implementation of others to the discretion of its independent and autonomous regional offices, and forests with mixed results.

For instance, a February 1994 report by a Forest Service task force on accountability set forth a seven step process to strengthen accountability and made recommendations to help the agency change its behavior.

The concepts in this task forces's report were adopted by the Forest Service's leadership team and distributed agency wide. However, the task force's recommendations were never implemented throughout the agency. And as a result, many of the agency's processes and programs remain broken and in need of repair.

To improve its operational efficiency and effectiveness, the Forest Service must be accountable for its expenditures and performance.

While the agency has in recent years made some progress, it is still years away from achieving financial accountability and possibly a decade or more from being accountable for its performance.

Specifically, the Forest Service has identified the actions required to correct known accounting and financial reporting deficiencies, and has established a schedule to attain financial accountability by the end of fiscal year 1999.

However, serious problems have been encountered in attempting to implement the agency's new financial accounting system; additional accounting problems continue to hamper its ability to produce reliable financial information; and the new financial accounting system is not Year 2000 compliant.

According to several agency officials responsible for implementing the new financial accounting system or taking other corrective measures, the agency is unlikely to achieve its goal of financial accountability by the end of fiscal year 1999.

The agency has also taken an important first step toward becoming accountable for its performance by making clear that its overriding mission and funding priority, consistent with its existing legislative framework, has shifted from producing goods and services to maintaining and restoring the health of the lands entrusted to its care.

However, it has not identified the actions required to correct decade old problems with its inventory data, accomplishment measures, and reporting system. It has not addressed new challenges resulting from its changed priorities, and it has not established a schedule to achieve accountability for its performance by a certain date.

In particular, revenue and commodity outputs are now contingent on healthy aquatic, forested, and rangeland ecosystems. However, the agency does not know the condition of many of these ecosystems. In addition, it has not made a serious, systematic attempt to develop objective and independently verifiable measures or indicators of the health and trends in the condition of these ecosystems.

As a result, it cannot predict with any reasonable degree of certainty what levels of goods and services the national forests can produce.

In conclusion, we recognize that the Forest Service is not a private firm, in that its stewardship responsibilities and conservation mandates can strain its ability to generate revenues and provide goods and services.

We also recognize that protecting public goods, like endangered and threatened species, and their habitats, increases management costs on the national forests.

However, we believe that the agency is also responsible for spending taxpayers's dollars wisely and providing taxpayers with a complete and accurate accounting of how funds are spent, and what is accomplished with the money.

Foregone revenue, inefficiency and waste, increased vulnerability to fraud and abuse, and lack of financial and performance accountability indicate to us that the American public is not receiving a fair return for its annual investment in the Forest Service.

Unlike the management of national forests, compliance with the requirements for financial and performance accountability cannot be left to choice, and strong leadership within the agency, and sustained oversight by the Congress will be needed to insure corrective action.

We believe that at a minimum, the agency must replace its decade-old promises to improve with firm scheduled to correct identified management deficiencies, and to achieve both financial and profitability accountability.

Finally, we believe that future years funding should be based in part on the Forest Service's demonstrated progress toward developing and implementing these schedules.

This concludes my prepared statement. I would be pleased to respond to any questions that you or other members of the Committees may have.

[The prepared statement of Mr. Hill may be found at end of hearing.]

Mrs. CHENOWETH. Thank you, Mr. Hill.

Before we get to the members, I wonder if you would like to just introduce for the record those people who are with you.

Mr. HILL. OK. To my right is Charlie Cotton, who is responsible for much of the Forest Service operational management work that we have done over the years.

To my left is McCoy Williams, who is responsible for auditing the financial accounting systems in the Forest Service.

Mrs. CHENOWETH. Thank you. The Chair would like to ask the Committee's indulgence and recognize first Senator Craig. He is very busy, and I am very pleased—I think we all are, that he has joined us here.

So without objection, the Senator.

Senator CRAIG. Thank you, Mr. Chairman. Thank you very much for that courtesy. I am here to listen. Obviously I have spent a good deal of time on this issue on the Senate side. I think we are now up to 13 or 14 comprehensive hearings on the management of the Forest Service.

I have also had the privilege of working with Mr. Hill and his studies, and we have used those as templates from which to try to make some decisions and propose changes. So I am very interested in what you are all doing here in the House.

We have got a marvelous old agency that has become terribly dysfunctional. We ought to try to get it back together and operating. I think this effort by the House is very positive. Thank you.

Mrs. CHENOWETH. Thank you, Senator, and welcome.

The Chair recognizes Mr. Miller.

Mr. MILLER. Thank you, Madam Chairman. Thank you, Mr. Hill, for your report, and I think you have already seen the reaction that it has created. Let me ask you a couple of general questions on your testimony here.

It seems to me that when you start outlining sort of what is dysfunctional in the various accounting systems, that the first effort, if this was a business, would be, you would say hold on here a second. If you just took over the Forest Service in a takeover—hopefully you would go through the books before you made that deci-

sion, but if you didn't, you would say hold on here a second, and I want to know what the various compartments are doing.

As I understand corporate accounting, functions are broken down, and either there are profit centers or they are not profit centers; either they pay for themselves or they do not, or there are losses, and that may be acceptable. But you kind of know what is going on across the various functions.

As I look at your report, we do not know that, because we have unreliable accounting systems. We have costs that are real costs, but not included in the cost as presented. In the case of road building, road surface is not included. It is not depreciated. An assumption is made that it will last forever. But we do depreciate culverts and bridges and other aspects of that.

So that in itself is a problem, because you are making an assumption about your future cost to go back to that area. You pointed out in your report that road building is now going into more—or is anticipated to go into more difficult habitat, so the immediate cost of each of those miles goes up because it is going to be challenged, it is going to be litigated, more scientific evidence has to be provided, more homework has to be done to make the case affirmatively to do that.

And in some cases even the terrain is more difficult, and yet those do not seem to be factored into anticipated road building in roadless areas or what have you.

Obviously we have built a system of repayment here, or remuneration, I guess, back to the agency, and to local school districts and counties, based upon one aspect of the entire service, and that is timber harvest.

But as the timber harvests come down from 12 billion to, what is it now? Three, almost 4 billion, nation-wide, no adjustments in payments, allocations, percentages or projects has really been made.

And so we are sort of standing a larger and larger agency on the head of an inverted pyramid here. And those timber sales, harvests and cuts are calculated to provide a huge amount of resources to this agency, but, in fact, it is getting more and more difficult to do that.

It sounds to me like that has violated almost every common sense accounting process you might want to invoke. And at the same time, we are adding additional burdens to this Service, in terms of the increased use for recreation, all of the fish and wildlife protections that are incumbent in modern forest plans and development plans and all the rest of that.

And yet those are not really factored in as part of the cost other than that. I guess maybe you hear some of this in the Appropriations Committee, but appropriations have been fairly level here, and yet we are conducting smaller activities, but more costly, and we are not accurately accounting for them.

How do we compartmentalize the activities, whether it is recreation, whether it is fish and wildlife protection, ecosystem protection, timber cuts—how do we really get a realistic picture of what are our profit centers, what are centers that are simply paying for themselves, and what our loss centers?

And I include in that the whole question of what are the things we are doing below cost, that we are subsidizing activities at the risk to the agency.

Mr. HILL. I am going to let Mr. Williams and Mr. Cotton chime in after I have said a few words here, with their different perspectives on this. But I think that your summarization and explanation of what is and what has evolved is right on target. That is exactly right.

The basic problem with their financial information is you really cannot identify and concentrate cost along certain activities or performance areas that they are trying to achieve, their objectives.

A lot of their cost is based on activities, like recreation, or timber, as you correctly pointed out, as opposed to ecosystem management or forest health, or whatever activities, or watershed analysis, whatever activities that you want to measure.

And unless you can identify costs and put them into a particular activity that you are trying to achieve, it is impossible to have accountability, because you cannot identify just what the true cost of any given activity is.

Mr. COTTON. I would just like to add an example. For fiscal year 1999, only 29 percent of the Forest Service's timber volume is going toward saw timber, green timber. Another 32 percent is salvage. Another 34 percent is vegetation management, and 5 percent is fuel wood.

Now, if you were a private industry, you would look at your saw timber green program, and I think you would expect that to make a profit, that that should cover its costs. But the salvage program, the vegetation management program, it may be that they are working toward stewardship objectives, making the land healthier, and the primary objective of them is not to turn a profit.

And I think it would be very important for the agency, just like a private company, to separate saw timber from salvage timber, because salvage timber, you never set out to make a profit to begin with. And they have not done that, and that to me fuels this whole argument over below cost timber sales.

Mr. MILLER. If I might, and I do not want to prolong the point, but also in terms of the appropriators, or those of us on the authorizing committee, we would then know the real cost of each of the programs. We could decide whether or not that is where we want to put the public's money or not.

Mr. COTTON. Absolutely.

Mr. MILLER. And the public could decide if that is a real value they have, or it is only a value when it was kind of hidden and subsidized.

Mr. COTTON. Absolutely.

Mr. MILLER. So, I mean, in terms of our decisionmaking process about what we are funding or not, these sort of shuffled costs do not allow us to know where we are investing the public's money.

Mr. COTTON. That is correct. And could I add just one more thing? With those percentages, only 29 percent of saw timber, and yet the allocation criteria that the Forest Service has used to distribute, their timber sales management funds that you give them are based 100 percent on green timber sales. A total disconnect be-

tween the allocation criteria and what they are asking the money for, and what they plan to do with it.

Mr. MILLER. Thank you.

Mrs. CHENOWETH. Thank you. The Chair recognizes Mr. Herger.

Mr. HERGER. Thank you, Madam Chair.

Mr. Hill, in your testimony you stated that your review of the Forest Service financial procedures have revealed that appropriated dollars are exposed to an increased risk of fraud, waste and abuse. As a result, the GAO, the Agriculture Inspector General, and the Forest Service task forces have made numerous recommendations to the Service to improve its performances.

Could you please explain to us what these exposed shortcomings are?

Mr. HILL. The exposed shortcomings in terms of the potential for fraud, waste and abuse?

Mr. HERGER. Yes.

Mr. HILL. That information is based on some ongoing work that we have right now for the House Agriculture Committee that should be coming out shortly. And basically what they are finding is that in a highly decentralized organization, such as the Forest Service is, you have to have effective internal controls over expenditures of money that go toward contracting.

And in this case we are talking about $443 million in fiscal year 1996. Certain things like providing routine supervision of contractors' work, monitoring and overseeing the work to make sure they are performing properly, internal controls that limit certain spending authority—thresholds, basically.

These are all effective controls and measures that you have to have over the contracting process in order to insure that the money that you are providing the contractors is being used efficiently and effectively and that there is no misuse or waste or fraud that is going on.

What we are finding is that there is a real, inconsistent application of the way these controls are being implemented within the Forest Service. If you look out at the local level, it is not being done in a consistent basis, and a lot of the managers, forest managers, are using what they term trust. They trust their contracting officers, they are professional, they are educated, they know their business, and we trust them to do an ethical and a competent job.

Mr. HERGER. Now have you in the past, when you have given recommendations to the Forest Service—let me rephrase that.

You have been discovering problems for some time, is that not correct?

Mr. HILL. That is correct.

Mr. HERGER. And you have been making recommendations to the Forest Service for some time?

Mr. HILL. That is correct.

Mr. HERGER. Could you tell me what were some of these recommendations?

Mr. HILL. Well, as you can see by these reports—I will not go through all of them—but some of the key ones I think have already been mentioned. When you look at what they are receiving for goods and services that they are providing, they are not getting fair

market value for special use permits, and uses of the forest lands for commercial and non-commercial purposes.

The Forest Service has traditionally not been getting fair market value, and in some cases we found that they are only getting maybe 10 percent of what the fair market value could be for some of these uses. That one we could quantify.

We estimate that the Forest Service is forgoing about $50 million annually, alone, in that one. And then of course, internally, the Forest Service themselves have identified another $100 million annually that is being wasted in terms of inefficiencies that are within the organization.

Some that cannot be quantified, I think, are just as important, and the example I used deals with the maintenance backlog. The agency estimates that there is a $7–$8 billion maintenance backlog, and I know that has been a concern of the Congress, not only with the Forest Service, but with the Park Service and the other Federal land management agencies. And you have provided a lot of funding to handle this maintenance backlog situation.

Yet we are finding that the estimate is not really based on reliable information. They really do not have a good handle for what that backlog is, and whenever you are providing them money, they really cannot give you any assurance that they are spending those moneys on the proper projects, and that they are addressing the highest priority needs in terms of maintenance needs.

That is just as wasteful an example as some of the others that we have given.

Mr. HERGER. Now, these recommendations that you have been giving for some years, would you say that the Forest Service has been following up on them?

Mr. HILL. May I say there is a pattern here. And the pattern is they always agree with the problems we point out and with the recommendations we make, and they always promise corrective action. But that is as far as it goes.

We really do not see over the long run where they have really taken substantive action on a lot of the recommendations that we have made and that they agree to do.

Mr. HERGER. Thank you, Madam Chair.

Mrs. CHENOWETH. Thank you, Mr. Herger. The Chair recognizes Mr. Dicks.

Mr. DICKS. Thank you, Madam Chair.

Another one of your examples is, in reporting its fiscal year 1995 financial results, the Forest Service could not identify how it spent $215 million of its $3.4 billion in operating and program funds.

In addition, the $7.8 billion value report for assets, including property, plant and equipment, was erroneous because the records for these assets were not consistently prepared, regularly updated, or supported by adequate documentation.

Now, let us go to the $215 million first. Were there just no documentation whatsoever for how the $215 million was spent?

Mr. WILLIAMS. As far as the $215 million, it was identified in the Forest Service annual report as unidentified. Based on that, we do not know——

Mr. DICKS. Unidentified?

Mr. WILLIAMS. Unidentified.

Mr. DICKS. Has this been a practice over the years, of having a certain amount of money just unidentified?

Mr. WILLIAMS. That is the first time I have seen it in financial statements. Listing it as unidentified, you have various categories. For example——

Mr. DICKS. Did you ask them what unidentified meant?

Mr. WILLIAMS. No, we did not ask what unidentified meant. Basically we knew that they had not—they could not identify if those amounts were spent for personnel, if it was spent for rent, and the various categories on your financial statements that you use to identify how you spent your money.

But there was this one category that was listed as unidentified, and that is why we reported that for fiscal year 1995, there was $215 million that the Forest Service had reported as unidentified.

Mr. DICKS. In terms of how it was spent.

Mr. WILLIAMS. That is right.

Mr. DICKS. And out of that you then determined that their financial statement was completely unreliable. Is that correct?

Mr. WILLIAMS. Well, it was the OIG's audit that determined that the financial statements were unreliable.

Mr. DICKS. This is the Office of Inspector General of the Agriculture Department.

Mr. WILLIAMS. That is correct. And we just reviewed the financial statements to try to put in lay terms exactly what does it mean to receive an adverse opinion on the financial statements. And we went through the various categories that the Office of the Inspector General identified in reaching the conclusion that the financial statements were not correct.

Mr. DICKS. And since 1995, they have not prepared any more financial statements. Is that not correct?

Mr. WILLIAMS. Financial statements were not prepared for fiscal year 1996. I believe they have statements for 1997, and the OIG is in the process of looking at those statements now.

Mr. DICKS. Now, because time is limited, and we have a lot of members here, a lot of interest, let me ask you this bottom line question. Either this is arrogance, or it is incompetence. And how do you characterize it? Or is it a combination of both?

Mr. HILL. We would just characterize it as major problem. This is a major problem.

[Laughter.]

Mr. DICKS. OK. Now, let us go to the Dicks proposal. Should we bring in somebody from the outside to try to put in order the financial house of the Forest Service at this juncture, based on this, what 17 years of these reports, and the fact that nothing has happened?

Would bringing in an outside trustee at this point to try to put together a program and a plan be something the Congress should give serious consideration to?

Mr. COTTON. I think if history is any indicator, the Forest Service has had a difficult time correcting these problems themselves. And, in fact, as far as their financial accountability, they have brought in an accounting firm to try to help them in their implementation of the financial accounting system, and now with a more

recent contract to help them with other financial deficiencies and shortcomings as well.

So they went out at least on the financial side and sought outside help because of the difficulties they were having delivering it themselves.

Mr. DICKS. But do you think bringing in a trustee of some sort be an option that Congress should give consideration to?

Mr. COTTON. We most certainly have talked about a control board internally. The GAO, has, for a number of years.

Mr. DICKS. So the President would appoint a number of people, and they would manage the financial part of the agency. The policy, the ecosystem protection, all the other good policy things, but would bring in some people who could give us the data, the information, the accounting, all the financial side so we could track and see how the public money is being spent?

Mr. COTTON. Well, Mr. Dicks, if you think they are having problems on the financial side, you have not seen anything yet until you get over to the performance side. Because I would think as appropriators you not only want to know where they are spending that money, but what they are accomplishing with it.

So in the end you are going to have to link that financial system with some type of promised accomplishments on their part, and to know that if you give them money to perform a certain activity or certain function, they are doing that, and they are accomplishing what they set out to do.

I think a very good observation that has been made in the past on the part of the Forest Service is that they are rewarded just as much for failure as they are for success.

Mr. DICKS. Thank you, Madam Chairman.

Mrs. CHENOWETH. Thank you, Mr. Dicks. The Chair recognizes Mr. Nethercutt.

Mr. NETHERCUTT. Thank you, Madam Chairman.

Welcome, Mr. Hill and gentlemen. I had an interesting meeting with Mr. Dombeck this week, and had a chance to meet Mr. Pandolfi, who has been brought in to look very carefully at the financial operations of the Forest Service.

And I was told that there are literally millions of transactions that go on in the Forest Service annually, and over a multi-year period there are multi-million transactions.

Is that what you found as well, that there are numerous transactions that go on all over the country under the auspices of the Forest Service, and the operations of the Forest Service, relative to timber sales and all kinds of other things that they do. Is that what you found?

Mr. HILL. There is no question. It is a large organization. You are talking 36,000 people, 155 forests across the Nation. It is a huge organization. And they have tremendous amounts of responsibilities and there are a lot of activities going on out there.

They also have a tremendously high visitation rate in terms of the number of people that visit the forests. So there are lots of things that they are dealing with.

Mr. NETHERCUTT. You know, your report is a clear indictment of the past and the status quo. My hope is that this business ap-

proach that is being undertaken in the Forest Service is going to be beneficial. That is my greatest hope.

And certainly with the benefits of yours and Mr. Viadero's reports, I think we are hopefully going to add some benefit to the way the Forest Service does business.

Having said that, and having reviewed your report, and all the, again, indictments essentially in Mr. Viadero's, of the problems that exist in the agency and apparently have existed for years, I think it is understandable in some respects with the change in people, the leadership and the number of employees and so on.

We in Congress have a—I will not say a short attention span, but a desire for fast results. I am wondering if you can, for the record here, identify three things that you would recommend that the Forest Service undertake immediately in order to accomplish a certain defined objective within the next year.

Let us say by the end of the next fiscal year. By the end of fiscal year 1999. What can you tell this Committee, this group of members, that the Forest Service could do, based on your knowledge, that would improve their system, whatever it might be, and that would be a definable objective result, that would be acceptable to us.

Mr. COTTON. I think what you will hear from the Chief of the Forest Service today is that it will, as you just observed, take a number of years to fix what is broken. And we agree with that. It is not going to be fixed overnight.

And so it is going to require a sustained oversight by the Congress and long term attention by the agency.

And what we have asked and suggested, and I think the No. 1 thing that they can do, is to establish a very clear schedule of what it is that needs to be done and when they are going to do it, when they are going to provide you with deliverables.

Then you at least have a schedule to hold them accountable for ultimately being accountable. And I think that the most you can hope for is what progress are you going to make in the next year, so at least this time next year we can all come back and say, yes, they are on schedule, or no, they are not, and here is why.

Mr. NETHERCUTT. I am in agreement with you, sir. I am wondering if someone else has as followup answer. If you do not or if you do, please include in your answer what specific things you think are subject to that accountability that we can make judgments on in the next year.

Mr. COTTON. First of all, they have identified what is broken in the way of their financial accounting system and their other financial shortcomings, and have established a schedule to meet them. They need to do the same thing on the performance side.

And what we believe is the starting point of that is their strategic plan and its stated goals and objectives. But right now the budget is not linked to those goals and objectives. Their allocation criteria are not linked to their goals and objectives, nor are their outcome measures, which are primarily outputs and not outcomes.

So what we would see is progress in the next year in clearly identifying what people agree on as being appropriate performance measures so they can come up and tell you we did or we did not accomplish this goal with the money you gave us this year.

Mr. NETHERCUTT. Any other comments?

Mr. WILLIAMS. I would like to add on the financial management side, one of the keys to attaining financial accountability will be to implement the new accounting system that the agency is in the process of implementing.

To meet that goal of implementing that system successfully, I think that the Forest Service, along with the Office of the Chief Financial Officer, should follow recommendations made by the Office of the Inspector General last summer, and that is to make sure that the new system that was piloted in the three units this fiscal year is properly tested, and all coding is taken care of.

I guess overall, it is important from a timeliness standpoint, but it is also more important that it is done correctly. So I think they should take those considerations, recommendations identified in the OIG's report, and that would go a long way in helping the agency attain financial accountability.

Mr. NETHERCUTT. Thank you. Thank you, Madam Chairman.

Mrs. CHENOWETH. Thank you. Mr. Farr?

Mr. FARR. Thank you, Madam Chair.

Well, welcome to the first bicameral, tri-committee hearing, and this room is packed, and there is 100 percent agreement in this room that we all love forests. The difficulty is that 50 percent of them love it vertical and 50 percent of them love them horizontal.

[Laughter.]

Mr. FARR. And I think you can see from the testimony in this room that we are not all going in the same direction. What I thought was very curious, and has been overlooked, is that if you in your summary that you gave us, the first word you lead with is "foregone revenue."

You also say, for example, we have previously reported the Forest Service has often not obtained fair market value for goods or recovered costs for services when authorized by Congress. And then you go on to describe in the next few pages, as I read it, a protection of this government of special interests in the forest.

It does not obtain fair market fees for commercial activities on national forests, including resort lodges, marinas, guide services for special non-commercial uses, such as private recreational cabins, special group events, or recovered costs incurred in reviewing and processing applications for special use permits.

The Forest Service also has, No. 1, not charged fair market value for rights of way for oil and gas pipelines, for power lines, for communications lines on its lands, and has, No. 2, not used sealed bids for certain timber sales, relying instead on oral bids which generate lower revenue.

As a result, the agency forgoes at least $50 million annually in revenue. It also does not suggest, which the question gets into, I happen to represent one of the largest national forests in California, Las Padres. In the northern part of it we do not have any commercial sales. We have a little bit, maybe, of grazing lands.

But it is a recreational forest. And it is a remarkable draw for the local economy. And that is not in the formula. What value is that? What value is there in leaving old growth redwoods that have been historically difficult to get to because they are in roadless

areas remaining roadless, and remaining old growth, and remaining of value to this country.

I mean I think one of the difficulties in this debate up here is that some people see the forest as, if you mine it, drill it, dam it, cut it there is revenue in there. And the other part of the Committee realizes that as a public, national forest, there are private lands, there are State lands which have different revenue extractions, and different laws for them.

But these are the national forests, and in some purposes, these national forests have value in being left as is. And in a business sense it is more cost effective.

Some of the biggest resorts in America have set aside most of the land for non-commercial uses. It draws people. They play golf on it, maybe. But they do not develop it.

And I am suggesting that there is a value, a land use management value in management of these forests in some cases in some places just leaving them as they are. Could you respond to that, and could you respond to why these special interests do not pay fair market value?

Mr. HILL. Well, that is quite a question you posed. Let me see if I can attack it a little at a time here. I think there is a central policy question that all of your comments focus on, and that is to what extent do we want the Forest Service to cover its costs or to cover at least a larger portion of its costs than it is currently covering?

Clearly, as we say in our statement, there are uses of the national forests that are not intended to generate revenue—wildlife protection, recreation use and things like that.

There are other uses that by law they are required to get fair market value for providing those goods and services, which are the ones that you have already mentioned.

I think it is a question, though, of incentives here, and policy in terms of just what you want the Forest Service to do, to what extent do we want the taxpayers to have free or low cost use of recreation, water sports in the national forests, picnicking areas, camping grounds, or to what extent do we want the users of those services to pay a portion of the cost, or at least cover a portion, if not all the costs, so that these forests can be more self-sustaining.

In that regard, we have recently done some work where we have looked at various entities that are similar to the Forest Service out in the States and in the private sector to see from their standpoint how they are covering their costs, and the techniques they are using.

And a lot of it deals with what their basic purpose is and what their policy is.

Mr. FARR. As you pointed out, these are commercial activities that are not capturing fair market value. These are not passive activities. These are commercial activities.

Mr. HILL. Yes. And in those cases, the law is pretty clear, that the Forest Service must obtain fair market value for those services.

Mr. FARR. Why do they not?

Mr. HILL. We do not know.

Mr. COTTON. They could argue the fact, or one of the arguments is that they do not get to keep the revenue that they generate. The

other thing is that the Congress has really never held them accountable for collecting the revenue that they should.

They have had authority since 1952 to cover their costs of issuing special use permits, and they have never issued the regulations.

Mrs. CHENOWETH. Thank you very much. The Chair recognizes Mr. Peterson.

Mr. PETERSON. Thank you very much, Madam Chairman.

I want to congratulate the committees for doing this jointly. I think it is outstanding. We should be doing this a little more often.

I am new here. I do not know very much about Washington, so I will share a few thoughts with you and then have your reaction.

I want to say that I do not know that the Forest Service is as bad as it is being painted here. That may surprise a few. When we look at the Federal Government overall, when we have HCFA, the agency that deals with health care, and there is nothing more important than that, reports by their own Inspector General indicate the agency spent $23 billion last year that they did know whether it should have been spent or not.

We look at the Treasury and the IRS, and 21 percent of the earned income tax credits they feel are fraudulent, and that is worth about $10 billion. And we could go on and on with a long list.

Now, we have a lot of problems in the Forest Service, but let us keep them in perspective. I come here from a 26 year business background, and a 20 year State government background, with no Federal experience. I came here with the concept that Washington does not work. We are too big. We are too diverse.

When you look at the Tongass National Forest in Alaska, the Boise National Forest in Idaho, the Allegheny National Forest in Pennsylvania, in my district, the Green Mountain National Forest in New England, and the Routt National Forest in Colorado, they do not have much in common.

They are very different. Yet we are trying to manage them from the national perspective.

Now, you as an agency have to deal with issues like last year in the budget process and the year before. Two Congressmen, one from Illinois and one from Massachussetts, came within one vote of taking away your road budget, destroying it, just wiping it out.

Neither of those Congressmen have a national forest in their district, and I would debate them that neither one of them know very much about our national forests. But their concept almost took away your road budget. So how can you manage?

Now, in the corporate world, the business world, bureaucracies are a problem everywhere. When they get too big, and they lose their focus and their mission, in business the company goes bankrupt. Somebody takes their place, or the board in time brings in a new leader, but they have the ability to lead.

I do not think you have the ability to lead, because we have Congressmen from all over this country, we have interest groups from all over this country with their narrow special interests who want very different things out of our public lands.

I guess I would like you to react to a concept of where we have a national Forest Service which sets goals and objectives, but we have regional national forests that are managed regionally, with

boards appointed by Governors, the counties in which they are located, conservation agencies, forestry schools—I mean, good folks, that are from that part of the country, where we cannot have national Congressmen destroying a part of your budget, or having far too much influence on a part of this country that they know very little about.

So I do not think it works in those other agencies. I do not think it will work in your agency until we go to a regional approach where we have people managing that know what they are managing.

Would you respond?

Mr. HILL. Yes. If I could respond to that, being with the General Accounting Office, we do have the benefit, I guess, of visiting a lot of the different forests, seeing different regions of the country, being exposed to the different cultures and uniqueness that these forests and regions have, and I have a couple of thoughts on that.

One, like a business, you want people who are engaged in what they are doing and believe in what they are doing. And let me say unequivocally, no matter what forests we have gone to, no matter what region of the country we have been in, we have always been impressed with the quality of the Forest Service employees.

Their expertise, their dedication, their aggressiveness, they are hard working individuals that really care about their forests, and we really believe they are doing the best they can.

Because of that, and because of the uniquenesses out there in the regions, we do not question the need to have a decentralized organization like the Forest Service has. But with any decentralized organization, you need to have policy direction and leadership and goals and objectives that everyone agrees to and is working toward.

It is like putting eight people in a boat, a row boat, and giving them each an oar, and having them in the row boat rowing as fast as they can. Well, if they are all rowing in different directions, that boat is going to go no where fast. And in some sense, that is what the Forest Service is doing right now.

At the forest level, these employees are working very hard, but they are not all going in the same direction. We have got to get them focused basically on the same objectives and mission, and have a clear understanding of what their expectations are, and then they have to be accountable.

We have to go in there and look at what they are doing, and seeing how they are performing to make sure we are still on course as that boat goes down the river.

Mr. PETERSON. But can we, as diverse are our forests are, can we have a one size fits all in the top management?

Mr. COTTON. Absolutely not.

Mr. PETERSON. But we do.

Mr. COTTON. Where we make the distinction is we fully agree with you, and with the Forest Service that the management of the lands and the resources must be tailored to the region and to the locale that the forest is in.

And one forest may be a pure recreational forest, and another forest may be primarily still for timber production. It varies by forest. It varies not only by ecological needs, but by socio-economic needs.

And so we strongly support the fact that a one size fits all approach to managing the lands and the resources is not appropriate. But in return for that flexibility, for that discretion in decision-making that is critical for this agency to operate efficiently and effectively, we think you deserve accountability on their part on where they have spent this money and what they have accomplished with it.

So we separate management of the land, which has to be decentralized, and has to be tailored to a certain locale from the Federal requirements of being accountable to the Congress, to the American taxpayer of where you spent the money and what you accomplished with it.

And that is where we are looking for consistency, at that level. Not at the management level.

Mr. PETERSON. You think we should look at, maybe, a regional management approach.

Mr. COTTON. It is a regional management approach now. It is a forest by forest approach.

Mr. PETERSON. Not governing. We are governed by Washington. Washington governs. I mean regional boards of people who are helping to manage each regional forest, that are somewhere from that part of the country that understand that forest.

We have far too much pressure from vice presidents and presidents, and interest groups who have very single purposes—on both sides—who have very single purposes in mind for our public lands.

And you should not let anybody run the ship. We have a Forest Service who spends more time in lawsuits because there are interest groups who use the lawsuit to stop whatever they do not want to stop and to make their job impossible.

I mean, the legal system in this country we all know is out of control, but the Forest Service, they have been fighting lawsuits by the score. So the costs of managing a forest when you are dealing with all of those lawsuits, I mean I just think in my view, if we keep it as it is, with national management over all the forests with a lot of similarity, we will be here in 10 years with another pile of books like that, and everything will be the same.

Mr. COTTON. Mr. Peterson, if I could add one thing, the problem I think that you have here is that they are national forests. They are not regional forests or State forests. They are national forests. So I think everybody feels that they have an equal vote in how those forests are managed.

Mr. PETERSON. Thank you, Mr. Chairman.

Mr. HERGER. [presiding] Thank you, Mr. Peterson. Mrs. Smith will inquire.

Mrs. Linda SMITH. Thank you, Mr. Chairman. I thank you gentlemen. You have been very patient with us. I think you are feeling a lot of the frustration. We are picking up your frustration.

I was just re-reading some of your testimony that I was not privileged to hear at the beginning because I was a little late. And I want to go over quickly, because there are sections of it that lead me to believe that we are at a point of decision. I do not want to have this hearing again next year, that next year we have lost a lot between now and then.

It starts with while the agency has in recent years made some progress, it is still years away from achieving financial accountability and possibly a decade or more away from being accountable for its performance.

And then it goes on and says the Forest Service has said that in, maybe, the next few years they might—might—attain financial accountability. Then it goes down to say, however, it has not identified the actions required to correct decades old problems with its system. And then it goes on.

I cannot imagine sitting before a judge with one of the corporations that is in trouble and saying, I will tell you what, maybe in 10 years I will be accountable, and I might be able to get the books straightened out in a few years, and having that judge not look at me and say, we are going to put you into someone else's hands for stability.

As I have just gone through both your report and the Inspector General's report, this would not be acceptable anywhere else but in government. Now, I have heard that it is complex, and that we have gone into the debate over whether it should be managed on a regional or national basis.

Management is really important, but you can figure out the goal. The goal is legislative. It is already in law. We are to manage the health and productivity of the forests, and, yes, in a lot of different varieties. But it should be able to be done.

I guess where I am at right now is asking you a very blunt question. If you were to make the choice today of leaving it in the hands of the people that it is in, or giving it to another entity, whether that be a group of experts or whatever, would you risk changing for hope of some progress forward? Are you willing to wait for 10 years?

Mr. Hill, or whichever of you want to respond may begin.

Mr. COTTON. Well, for those of us who have been doing this for more than 10 years, we have already waited 10 years for improvement, and it has not happened. And like I said earlier, I think that the Forest Service, at least on the financial side, has realized that they could not do it alone, and has brought in outside help.

And I would have to imagine that if you wanted more assurance, and a quicker delivery date on the performance accountability side, that they are going to have outside help as well.

Mrs. Linda SMITH. So you would say now it not too soon?

Mr. COTTON. I think it is 10 years overdue.

Mrs. Linda SMITH. Because I would agree with the statement of the local personnel and their expertise, and also their dedication to what they do. But I can also share with you their total frustration in what they will tell you about the management over them with no clear direction, like a boat without a rudder, I think someone said earlier, going in a circle.

And nothing can be worse to good people than to have no direction, and feel like they have nowhere to go.

What we are seeing, too, is people saying I just want to get out of this. You get your best people wanting to retire and then you have a bigger problem.

Mr. Hill, do you agree with that?

Mr. HILL. Yes, I agree with that. If I could add, the problem is a little more complex than that. There will be no quick fixes here, regardless of whether it is done inside, or if you bring an outside group in.

There is a lot that needs to be done. There is a lot that is overdue. And I will give you an example. If you go out there and you establish a clear objective, if you say your objective is improved forest health, so there is improvement in the sustainability of the resource, there is no data on the forest's health.

And as far back as 1980 we were recommending that they needed to establish an inventory of data of forest resources, a baseline data that you could use to measure performance.

How can you determine if you are meeting a goal of improving forest health when you do not even know what resources are in the forest? You have no baseline to work on, much less what condition they are in.

So even if they get this clear vision, and even if they all agree on what the objectives should be in individual forests, they do not have the data and the reporting systems and the accounting systems in place to really make a difference in the short term.

It is going to be a huge undertaking on their part.

Mrs. Linda SMITH. Thank you, Mr. Hill. I guess in conclusion what I want to say, though, is I have seen reasonable people in a short time work miracles when they wanted to work together, and you remove the bureaucracy from the decisionmaking.

So I think somehow we have to find somebody who can make the decisions and move forward within the Congressional mandate.

And, no, it is not just trees down or trees standing. We can manage the forests for both, and we can have a beautiful resource without the trees down burning up the trees standing, when we have the forest fires because we have not managed those forests.

So I thank you for coming and putting up with all of us. We hope to see you again with a good report next year on how we have progressed.

Mr. HILL. We would like that, too.

Mrs. Linda SMITH. Thank you.

Mrs. CHENOWETH. [presiding] Thank you, Mrs. Smith. Mr. Schaffer.

Mr. SCHAFFER. Thank you, Madam Chairman.

I would ask the Committee's permission to enter some introductory remarks for the record, so I can get right to the questioning.

Mrs. CHENOWETH. Without objection, so ordered.

[The prepared statement of Mr. Schaffer follows:]

STATEMENT OF HON. BOB SCHAFFER, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF COLORADO

Thank you Mr. Chairman. I am grateful for this opportunity to examine the U.S. Forest Service, an agency in need of repair. This hearing into the workings and management of the U.S. Forest Service should be an impetus for positive reform in an agency that has lost sight of its mission, its accountability and its management. For years, Congress has pressed for positive reform only to be assured time and time again that "steps were being taken" or that the Forest Service is "implementing changes" or "adopting new policies." Those assurances have rung hollow for long enough.

I am dismayed at the General Accounting Office (GAO) reports on the Forest Service. Poor accounting; the inability to track costs and revenues. We are not talk-

ing about a decimal point here and there. We are talking about billions of dollars! Allow me to cite some examples from the GAO's findings. The Forest Service lost track of $215 million. They don't know how that money was spent. They do know that they allocated $500,000 on a conference to explore "diversity and alternative realities." Yet our forests are dying and are at risk of catastrophic fires. The Forest Service complains of losing money on timber sales while the Forest Service has been drastically reducing the timber put up for sale. They underestimated accounts payable by $38 billion! Yet, as justification for blocking access for management to at the very least 34 million acres, the Forest Service cites a $10 billion road maintenance backlog. How are we to believe anything the Forest Service says?

I have seen recreation statistics from the Routt National Forest in Colorado. If we are to believe those statistics on recreation, then the entire population of Routt County, plus four thousand people are up recreating on the Routt every day! If we are to believe the Forest Service, then the streets, the highways and the businesses of Routt County should be empty today and every day because people are up recreating in the National Forest! If we are to believe Forest Service statistics, every one of those people is putting $125 every day into the economy for recreation alone. How are we to believe anything the Forest Service tells us?

Any good company is accountable to its board of directors and to the public. I think its time we consider the Forest Service a company with a job to do. We will not stand for inefficiency and waste at the expense of the health of our national forests. As Members of Congress we will no longer accept the Forest Service's word. Only real reform is acceptable. We demand good management of our resources. Good management means management for multiple uses. We demand accountability, and most importantly, we demand public input. Thank you Mr. Chairman. I look forward to this opportunity to work towards those goals.

Mr. SCHAFFER. Let me ask a couple of questions. Mr. Hill, in your testimony you indicated the agency has not responded to some of your recommendations. What is the most significant recommendations the agency has not acted which has a budgetary impact?

Mr. HILL. I think the one that we have been able to quantify the best would be the one dealing with obtaining fair market value for special use permits from commercial and not-commercial interests.

That certainly was one that we were able to quantify, but there are lots of others that are not as easy to quantify that are just as significant.

Mr. SCHAFFER. In terms of easy to quantify, why don't you do that for us now. What would you estimate the expense of that one failure to be?

Mr. HILL. Well, for these special use permits, it is $50 million each year.

Mr. SCHAFFER. Could you make any recommendations to us now in how we might go about addressing that particular or problem? Or have you made recommendations to the agency itself?

Mr. HILL. We have made numerous recommendations. We have done numerous reports in this area dealing with commercial special use permits, non-commercial special use permits, right of ways for transmission lines and things like that.

We have talked about, in some of those areas they are using a payment schedule fee system as opposed to getting appraised value for some of the goods and services that they are providing.

And we made a host of recommendations.

Mr. SCHAFFER. How many times and over how many years has that recommendation been made?

Mr. HILL. Well, I know we have done at least three reports in the last 5 years, I believe, that have talked about various aspects of the special use permit program.

Mr. SCHAFFER. Has there been any rationale put forward by the agency in resisting your recommendations and suggestions?

Mr. HILL. The agency usually agrees with those recommendations, and in all fairness the agency has tried, in some cases, to raise the special use permit fees that they have charged, and they have met resistance upon occasion.

Mr. SCHAFFER. The notion that the agency continuously acknowledges the many problems that it has is nothing new. It is almost as long as the history of the agency itself.

I guess I just want to ask a general question, as one of my constituents might ask it, and that is can the agency be fixed at all in your opinion, and do you see any real cause for optimism?

Mr. HILL. Well, we definitely think it can be fixed. It is going to take a lot of work. Whether we are optimistic, based upon all the work we have done over all the years and all these reports, I would have to say we are not on the optimistic side of the fence.

Mr. SCHAFFER. In response to Mrs. Smith's questions, you referred to the financial management progress reports. That because inventories are incomplete, the Congress be assured that requests are fully warranted.

In light of that statement, why should roads and buildings be funded at all in fiscal year 1999?

Mr. COTTON. There is not a question that they not only have a significant backlog in their infrastructure, their facilities out there, including the roads, but they also have a significant backlog, as has already been discussed here, as far as their backlog in treating their natural resources, their forest health problems, dead and dying trees.

So being the Congress, you would want to give them money to fix their infrastructure, and to fix the resource. Now, you cannot in any reasonable scenario give them enough money to fix everything.

The problem that you have and they have is they cannot tell you how big a problem they have, where it is, and where they have prioritized—if you give us this much money we will spend it here and accomplish this, and if you give us this much more, we can do these many more things.

They cannot tell you the size of their backlog. They cannot even tell you if the money that you would give them for infrastructure would be spent on maintenance and repair or on building a new facility.

And that is the type of information you need if you are going to fund them.

Mr. SCHAFFER. Right. Well, for some in Congress, that level of confusion is a compelling cause for more funding, not for many people here, I would submit.

How optimistic are you that the new financial system will be implemented in the way the Forest Service has indicated it will be?

Mr. WILLIAMS. At this time, as we reported on two occasions, there is a lot of work that still remains to be done. They have taken some steps to improve the financial, reporting, but unless those issues that we identified earlier as far as properly testing the system, making sure the coding is correct, and all of those things that you need to do before you bring the system up, if those things

are not done, then it is highly unlikely that implementation of the new system will be successful.

In addition to that, it is really a two part process the way I see it. No. 1, you have to have this new system to account for your activity, but in addition to that, you have to have good information that you are transferring over from your old system.

So there is a lot of work that still must be done in that area also. So unless the agency is able to clean up the old data that is in the old system, as well as properly test and make sure the new system is operating properly, it is going to be very difficult to achieve financial accountability.

Mr. SCHAFFER. Getting back to my original question, though, I am interested in your opinions. Are you optimistic or not about the Forest Service actually following through as they indicate they will?

Mr. WILLIAMS. I am not that optimistic at this particular point in time. Things could change down the road, but based on what I have seen so far, I have reservations.

Mr. SCHAFFER. Do your colleagues concur?

Mr. HILL. What I wanted to say is I think the success could be increased if the Congress maintains close oversight and not wait until the end to see if they have done it or not.

I think you have to have them come to you with a pretty specific schedule of events that need to unfold if they are going to get to there—either on the financial side or the performance side, and then you need to keep visiting that schedule, and when these various milestones come due, you need to talk to them and find out were you successful at reaching this milestone, if not, why not, and make sure there is no slippage.

So I think if the oversight were increased, you would be improving the chances for success. We are certainly going to be on the job.

Mr. SCHAFFER. Thank you, Madam Chair.

Mrs. CHENOWETH. Thank you, Mr. Schaffer.

Mrs. Cubin?

Mrs. CUBIN. Madam Chairman, since I came in late, so I will not repeat other questions, I do not have any questions of this panel.

Mrs. CHENOWETH. Thank you.

Mr. Hill, I have some questions for you. Mrs. Smith asked about the inventory, and why there was not better control of the inventory, and you said somehow they did not have the data. What did you mean by that?

What happened? Why do they not have the data?

Mr. HILL. I think there are two types of inventories we have talked about today. One dealt with the problems they have had in their financial statements in terms of accounting for the inventory.

And the other inventory that I think I was referring to with Mrs. Smith dealt with forest resources, and a recommendation we made back as far as 1980 to collect and obtain data in terms of what were the forest resources that were out there, what are the condition of those resources, to use as a baseline from which you can measure performance or success.

Mrs. CHENOWETH. That is what I was referring to specifically. Why is not the data there?

Mr. COTTON. They have, over the years, given a very low priority not only to inventory, but to monitoring. And monitoring would tell you whether or not this inventory is getting better or getting worse.

And the Forest Service, in their 1995 proposed revisions to their planning regulations, said that they did not have good data when they did their first set of plans, they are getting ready to revise and amend those plans 10 years later, and they still do not have good data.

They have not done their job as far as inventorying their resource, and monitoring the outcomes of their decisions, so they do not know.

Mrs. CHENOWETH. Can you tell me also about the assessments and valuations on the financial statement with regard to fixed assets, plant, property and equipment? How has that been handled, and how would you recommend it be improved?

Mr. WILLIAMS. On the fixed asset side, you are talking about assets that in some cases were acquired many years ago, and over the years the supporting documentation, as far as how much was paid for an item, has been misplaced, or that information is just not available.

What you need to do in a situation like that is you need to go out and you need to count your inventory, to identify what you actually own. My understanding is that the Forest Service is in the process of performing these inventories now, and according to the Forest Service schedule, they should be completed by this summer.

Once you get that inventory count completed, then you have to go through a process to make sure you put a proper value on that particular asset. I think that this is a task that we are talking about that should be completed in a few months.

So I think we will be monitoring that really closely, and we should be able to say exactly what has been done in that particular area.

To carry that a step further, it is very important that those inventories are completed from the standpoint of when you are looking at areas such as deferred maintenance, you need to know how many assets you own, where those assets are, and what condition those assets are in.

And unless you have a good handle on that inventory, you probably do not have a good handle on what your overall deferred maintenance is for the organization.

Mrs. CHENOWETH. Thank you. Mr. Hill, I want to ask you, do you believe that the new expanded ecosystem assessments and eco-region plans are accomplishing any of the following:

Are they accomplishing being able to provide improved and usable data?

Mr. COTTON. Could I comment on that?

Mrs. CHENOWETH. Yes, please.

Mr. COTTON. We are in the process now of looking at the implementation of the President's Northwest Plan in development of the interior Columbia River Basin record of decision.

And we are looking at not only the ecological information that they are using to reach decisions, as far as what to do and how to do it, but also at the socio-economic information as well.

Right now that work is ongoing. We have promised the requesters a report sometime toward the end of the summer, and we would be in a position at that time to better address these questions.

Mrs. CHENOWETH. What we will need to, and if you want—I will be putting it in writing—we need to have you analyze that with regards to the usable data; the reduced planning costs—if this will really be achieved; more efficient decisionmaking; improved accountability; reduced controversy; improved legal defensibility; and the achievement of the agency's goals.

I listened with great interest, gentlemen, and what I am hearing, too, even from our GAO auditors is unlike what we see in business, that there should be a definable time with certain goals set to reach these objectives, that we are all here together to try to reach, we are not quite in tune yet. We are not seeing it happen.

And so we take the responsibility also of having built up over the years a system that has made it difficult to meet those goals and reach those objectives.

But I also ask the GAO to think crisply and to think precisely about timeliness as we would in business. I appreciate your reports. I have plowed through, personally, an awful lot of them, and appreciate the good work that you have done.

But there has to be a whole paradigm shift, not only with us and you and the agencies, but even with the American people, because they are getting frustrated out there, and we have to begin to operate as a business would.

We are at critical mass, so to speak, with this agency, that we are responsible for, and the American people are running out of patience.

I thank you gentleman. This has been a long session, and I thank you for your patience. Mr. Miller.

Mr. MILLER. Thank you, Madam Chairman. I have a couple of questions if I might.

An interesting GAO report would also be list all the times that the agency has recommended changes to recover more revenues and the Congress has stopped them from doing that.

That would be a very interesting report because time and again we see the agency in the 20 years, 25 years I have been here, the agency has tried to change directions, tried to make improvements, and they just do not go down well in the Congress of the United States.

We keep saying we want this to be like a business, and we want those timeframes, but we are reminded that it took Jack Welch about 10 years to turn GE around to what is now considered one of the great worldwide corporations. Sears took something like 5 to 7 years to turn itself around.

Union Pacific, we are hoping they will turn themselves around in the next decade. Chrysler, of course, took almost a decade to turn itself around, with substantial public help.

We could go the route of Scott Paper. We could just get rid of those things that we do not like and then reach out and grab a profitable company and marry them. But that is not allowed under this system.

Or we could be like Sunbeam, and just get rid of those things that do not make money any more. Simply get rid of them at a fire sale.

The problem would be all of those would run into a political buzz saw here. A simple moratorium to try to get a handle on the road issue has now spawned a bill that requires 120 different hearings.

This is a program that everybody agrees, the IG, the GAO, the Forest Service, everybody agrees is losing money. When you try to figure out how it's losing money, Congress says do not do that, just do not do that.

So you do not get to operate like a business here. I mean, part of the mystery, if it is a mystery for this Committee and the Budget Committee and the Appropriations Committee—Mr. Pandolfi was up here, the gentlewoman from Idaho had the hearing, and he said, look, it does not make any difference to the Congress. If we do our job or we do not do our job, you give us $2.8 billion.

So there is something wrong with this side of the board of directors. We do not want to hear about those things that are losing money because they are popular. We have more and more obligations dependent upon green cuts, but we have never thought, are all of these communities that are getting money from us from the timber cut, are they enjoying additional benefits because of their recreational days and the development and the infrastructure and all that is put in the forest.

Could we rejigger how maybe we share that revenue? It is like the old days when we had revenue sharing here. We are sharing revenue we do not have. We are running a deficit to share revenue with local communities.

Now, maybe we ought to analyze what are the benefits of recreation and all these other concessions and things that are going on, and maybe we could reconfigure. Maybe that is better for the local communities, if they got a share of that pie, as opposed to a declining share of a timber cut.

But I bet you Congress will not let you look at that one either. And it goes on and on and on. And, you know, the fact that Congress, looking at the CRS report, talks about 23 different accounts that provide 30 percent of the Forest Service funds every year, that range from $100,000 to $300 million and they are off budget and nobody is paying attention to them from the Congress of the United States.

Why? Because that is the way they used to like it in the Forest Service with its constituents. Now we are yelling you are not accountable. Well, I think it is about time for the Congress to grow up and think about accountability.

But I tell you what you have to do. You have to put each one of these special accounts on the table, and ask a question: is this the most efficient use of this money? Is this consistent with the national mandate on national forests? Is this consistent with generating revenues? Is this consistent with the environment?

I bet you that is not what they want to do around here, because each forest has a client that is dipping into that $100,000 account, that $300 million account. Relationships have built up over the years. Communities come to rely on that.

So we really do not get to reinvent this Service. We will have more reports like this unless Congress faces up to the fact, the Appropriations Committee takes back these accounts, we take back our oversight, and we do not hammer this agency every time they say we think we have a better idea, or we think there is another way to do this.

Because again, Mr. Pandolfi, who comes from the private sector, he does not come from the Forest Service, he does not come from government, he says the Forest Service takes an enormous price in decentralization.

And that is because not only do we decentralize what you are talking about—the local running of the forests, to make them consistent with what people in California or Pennsylvania think, but we have decentralized the accounting and the financial aspects so far beyond even that that nobody can tell us what they do.

Even the Congress, where we found ourselves, I think, when the Republicans took over, with about 8,000 more desks than we had people or something. Even we in the day of bar codes can tell you where every one of our pieces of office equipment is, and when we purchased it, and at what rate it is being appreciated. Even the Congress can do this. But I am not sure we want to do that for the Forest Service.

So there has to be a political gut check here, on whether we really want this to operate like a business. Because that is what our constituents always ask us. Why do not you operate it like a business. The minute we try, or we try, the politics overwhelms the business sense.

Mrs. CHENOWETH. The gentleman's time is up. Thank you, Mr. Miller.

Mr. MILLER. Thank you, Madam Chairman, it has been a pleasure. I think there is a question there, but we will get a response in writing.

[The information referred to may be found at end of hearing.]

Mrs. CHENOWETH. I just love his enthusiasm.

Mr. Miller, I do have to say I love your enthusiasm. I just wish we could have seen the enthusiasm directed this way 10 years ago.

Mr. MILLER. I have been there, Madam Chairman. Losing to your side on these votes day in and day out on the floor of the House and everywhere else.

Mrs. CHENOWETH. Thank you, Mr. Miller.

Mr. Hill, gentlemen, thank you very much for your time. The Chair now recognizes now Mr. Roger Viadero, Inspector General, U.S. Department of Agriculture in Washington, DC.

Mr. Viadero, I wonder if you might introduce the gentleman who will be with you.

Mr. VIADERO. Yes, Madam Chairman. This is Mr. Robert Young. He is the Deputy Assistant Inspector General for Audits.

Mrs. CHENOWETH. I wonder if both of you might rise and take the oath. If you will stand and raise your right arm to the square.

[The witnesses were sworn.]

Mrs. CHENOWETH. Mr. Viadero, we welcome your testimony.

STATEMENT OF ROGER C. VIADERO, INSPECTOR GENERAL, U.S. DEPARTMENT OF AGRICULTURE, WASHINGTON, DC, ACCOMPANIED BY ROBERT YOUNG, DEPUTY ASSISTANT INSPECTOR GENERAL FOR AUDIT, U.S. DEPARTMENT OF AGRICULTURE, WASHINGTON, DC

Mr. VIADERO. Thank you, Madam Chairman, and members of this Committee.

I am pleased to be here to provide testimony about the Forest Service's financial management. With me today is Mr. Robert Young, Deputy Assistant Inspector General for Audit.

I would like to submit my statement for the record, and present some highlights to you at this time.

Mrs. CHENOWETH. That would be fine. Please proceed.

Mr. VIADERO. Thank you.

Reliable financial data is essential to provide the basis for informed decisionmaking and program assessment. The United States Department of Agriculture has made significant strides in improving its financial management systems since the advent of the Chief Financial Officers Act in 1990.

But much remains to be done, particularly with the Forest Service. The Forest Service's financial statements are not reliable. Reliability is defined by the Financial Accounting Standards Board as the quality of information that assures that information is reasonably free from error and faithfully represents what it purports to represent.

Our annual financial statement audits, which we have performed since 1991, have only disclosed a limited correlation between the Forest Service's accounting numbers they report and the resources or events those numbers are to represent.

The weaknesses in the agency's financial management system are longstanding, and very, very significant. The deficiencies are prevalent throughout the accounting process, from the rudimentary recording of accounting transactions through to material internal control weaknesses at the National Finance Center.

I will briefly describe these problems to provide you with a sense of the lack of reliability of the financial data, and the pervasiveness of these problems. I will try to avoid a lot of accounting jargon and detail. I know the subject of accounting is one which generally does not trigger the release of endorphins.

Let us start with accounting at the field level. The lack of accountability which besets the Forest Service's financial data stems from the data entry level. Transactions historically have not been adequately documented, and supporting records have not been maintained.

A prime example of this rudimentary problem is the property, plant and equipment account, commonly called PP&E. The most recent Forest Service financial statement in 1995 disclosed that the agency had property, plant and equipment with a book, meaning depreciated value, of almost $8 billion. The Forest Service does not, however, have any support for the values reported, and the property records in the field do not agree with the accounting system.

In addition, inventories of real property have not been routinely performed. As a result, no reasonable determination can be made as to what the real property balance should be.

I would now like to discuss the agency's use of management codes. At the crux of the Forest Service's accounting process is the use of management codes to account for expenditures. Management codes are established as pre-structured budgets. An operating plan is developed at the beginning of the year which sets forth the prospective distribution of expenditures. The methodology used to develop these allocations is based on empirical data and generally is not adequately documented.

The Forest Service uses about 100,000 management codes, which can contain up to 99 lines of accounting each. Though some codes are centrally prescribed, the vast preponderance are locally developed and are unique to each venue.

The accounting distribution for each management code contains several fields. For example, one field is called the fund code, which equates to an expanded budget line item. Another is the work activity code. There are hundreds of work activity codes from which to choose, spanning program areas such as wildlife, to functional areas, such as planning, to administrative areas, such as human resources.

All semblance of accountability is greatly impaired, however, through modifications of the management codes that may occur at any time during the year. This process, referred to as retroactive redistribution, provides the capability to change, for example, the predetermined percentages of expense allocation or even the appropriation account.

When the retroactive redistribution occurs, all transactions are reversed and reposted according to the revised criteria. It is difficult to identify where changes occurred and all record of prior activity can be potentially retrieved only after arduous reconstruction.

Our reviews have disclosed the vulnerabilities associated with the management code process. For example, a recent audit we performed on the Wildlife and Fisheries Habitat Management program found an incurred cost was shifted from Wildlife to another program to avoid overspending Wildlife funds.

We concluded that the process provides the latitude to charge costs to fund codes based upon the availability of funding, rather than where they were actually expended.

Another key issue is the problems at the National Finance Center. The Forest Service utilizes the National Finance Center's Central Accounting System, commonly called CAS. Even if the agency's financial systems were adequate, the CAS is not.

Our reviews at the National Finance Center have disclosed continuing severe internal control weaknesses, culminating most recently with an adverse opinion we rendered on its overall control structure.

These weaknesses impair and hinder the Forest Service's financial management as well as other user agencies. As an example, the National Finance Center relies on numerous automated and manual reconciliation routines. Reconciliations, however, are frequently achieved through plugs, or by simply denoting unidentified differences.

For example, in 1997, the National Finance Center adjusted its cash account by increasing disbursements by a net of about $1 bil-

lion, and increasing deposits by a net of $174 million in order to agree with Treasury records. The reasons for these differences were not identified.

Let's talk about budgeted versus the actual expenses. Of concern to Congress, we know, is the reliability of the data presented in the agency's budget, and assurance that funds have been expended in accordance with the budget.

Although the Office of Management and Budget initially required an annual financial statement entitled Budget and Actual Expenses, the statement was eliminated with the passage of the Government Management Reform Act of 1994.

As a result, we do not audit this process. It does appear, however, based upon the weaknesses I have just described, that there is no assurance that the funds have been expended consistent with the budget.

The requirement to audit the reconciliation of budget to financial has been reinstated, however, for 1998.

The Department decided in 1993 to develop a new accounting system, known as the Foundation Financial Information System, to replace the General Ledger in the Central Accounting System.

The FFIS, as it is called, is supposed to serve the Department as a single integrated financial management system, and bring USDA in compliance with Treasury, OMB and the Federal Accounting Standards Advisory Board requirements.

FFIS, which was originally proposed to be fully functional by October 1st, 1998, has been plagued by numerous problems, and schedules have slipped.

The central segment, or core of the system, is a commercial off the shelf product purchased from an outside vendor. The Office of the Chief Financial Officer, in consultation with the user agencies, opted to retain the legacy or feeder systems at the National Finance Center, and interface them with the core package.

Mrs. CHENOWETH. Mr. Viadero, I am sorry to interrupt you, but I wonder if you could wrap up your testimony.

Mr. VIADERO. Well, let us go to the good news, then.

Mrs. CHENOWETH. All right.

Mr. VIADERO. All is not lost, however, and improvements are under way. The Forest Service, the Office of Inspector General, and the Chief Financial Officer have worked together since mid-fiscal 1996 to plan and implement changes to strengthen the agency's financial accounting processes.

Forest Service management has emphasized the importance of financial health to its line managers, and developed core financial competencies training for managers, financial staff and others.

Most staff have now received some training geared toward improving financial accountability. The Forest Service issued a financial health desk guide designed as a reference source for all staff to use in properly recording financial transactions.

The guide provides uniform accounting instructions for accounts receivable, accounts payable, real and personal property and other transactions.

In conclusion, the Forest Service's financial management has been materially deficient for many years. With the efforts under way to achieve financial health and implement a new accounting

system, the road to recovery has been laid, and the Department is headed in the right direction.

However, the corrective action remains a long term venture, and continued emphasis and discipline will be needed to stay the course.

Thank you, Madam Chairman, and I would be pleased to answer any questions you or other members may have.

[The prepared statement of Mr. Viadero may be found at end of hearing.]

Mr. HERGER. [presiding] Thank you, Mr. Viadero. Any questions?

Mr. NETHERCUTT. Roger, you always do good work, and I think I will submit questions for the record, if you do not mind, and ask that they be answered in due course, and we will move forward.

Chairman YOUNG. Yes, sir. Thank you.

[The information referred to may be found at end of hearing.]

Mr. HERGER. Mr. Miller.

Mr. MILLER. Thank you, Mr. Chairman.

Thank you for your testimony. I think it is depressingly straight forward. Let me ask you, on page 7, in the middle of the large paragraph there. You say timber sales, for example, are accounted for in an automated timber sales accounting system, which due to the timing problems, does not adequately reflect accrued sales.

Can you decipher that for me?

Mr. VIADERO. I am going to ask Mr. Young to do that for you.

Mr. YOUNG. Not all sales are properly handled on the accrual basis. In other words, if sales were made and the money had not been received, then it oftentimes would not be counted in that year's transactions.

Mr. MILLER. Let me ask you: what is the general practice? Why would there be a delay, or why would different sales be different?

Mr. YOUNG. Essentially what they are doing is that at year end they are not recognizing all sales activity.

At the end of the year, if there is a timber cut for which they have not yet received the money, then, not all of those accruals are included in their sales numbers.

Mr. MILLER. So they are not counting money they have received. But they are not counting money they have not received.

Mr. YOUNG. Right. They are not counting money on all sales that have been consummated, but the cash has not been received. In other words, the sales have taken place, but they have not received the funds in hand yet, nonetheless, the sales should be counted.

Mr. MILLER. Why would you do that?

Mr. YOUNG. Well, it gives you a true picture of what you are earning each year. In other words, if you had so many timber sales throughout the year, you would want to show the value of that timber which was sold.

If you wait and do not record it until a subsequent period, you do not give a true picture of what your operation earned in relation to sales expenses.

Mr. MILLER. I guess I am still not clear.

Mr. VIADERO. Mr. Miller, if I can, what we end up here is——

Mr. MILLER. Is this an acceptable practice that you point out here, or is this something that should be changed?

Mr. VIADERO. No, it is not. What you want to do in accounting to make financial information useful is to show the actual cost and the actual revenues each year.

Mr. MILLER. OK.

Mr. VIADERO. What you are doing is in some years is giving a false impression, showing that you received more money than you actually did.

Mr. MILLER. We theoretically could have expenses to produce a sale in one year, and three years later we could be getting revenues from that sale. And so that does not accurately reflect on a fiscal year basis what really transpired.

Mr. VIADERO. There is no matching here. If you are operating a business, you want to match your expenses against your revenues——

Mr. MILLER. Right.

Mr. VIADERO. [continuing] what we find here is they are taking the expenses all in one year, and there were no expenses, let us say, three years later to offset the revenue. So it is an accounting issue. It is a timing difference. Accounting principles require matching of revenue and expense. Again we get back to that endorphin statement.

Mr. MILLER. If we were to look at that, we would not necessarily get an accurate picture of what took place on the ground in each fiscal year.

Mr. VIADERO. That is correct. You have to match your revenues with the expenses in the individual accounting period. That is all we are stating.

Mr. MILLER. Is that a recommendation of yours to change that, to do that?

Mr. VIADERO. Yes, sir. We would like the Forest Service to adhere to the fundamental Federal Accounting Advisory Board Standards.

Mr. MILLER. Thank you. One quick question: what about the issue, is there any method by which we can properly assess what is generically referred to as timber thefts?

I mean, is there any mechanism here within the Service to determine what they are losing off of the forest? It has been alleged from time to time that this is substantial, but other people have said it is not much. What do we know about it?

Are they set up to look at it?

Mr. VIADERO. Let me backtrack, if I may, sir. This past summer myself and the Deputy Under Secretary for Natural Resources, Mr. Brian Burke, went out to Region 6 in Oregon, and visited the Ochoco National Forest, to see what was going on.

I am from the South Bronx. A big forest to me is three trees.

We went out there, and we observed the entire sales process from the time that the sales are issued. We met with the manager of the sale, we visited the cutting site, we followed it to the mill, we watched it be sample graded at the mill, and we watched the logs leave.

My prior career was with the Federal Bureau of Investigation, and I have identified at least six separate ways you can get timber theft into the system. And that was my first day on a national forest.

I think by nature, the cutting and transporting of these large timbers out lends itself to the possibility of some abuse. We have worked with the Forest Service enforcement side on many occasions in large timber theft sales.

To give you a more definitive answer as to the exact dollar amount, the only thing I would feel safe saying is it is a lot. It is a lot. That is all I can say, because I really have not had the opportunity——

Mr. MILLER. So your vision of the system is that a lot of timber can seep through the current system of checks and balances.

Mr. VIADERO. Yes, sir. As when we do the Food Stamp reviews, a lot of the food stamps seem to go out.

Mr. MILLER. OK. We will pursue that later. Thank you very much.

Mr. VIADERO. Yes, sir.

Mr. HERGER. Thank you, Mr. Miller. I thank you very much, Mr. Viadero. We will recess and then come back.

Mr. DICKS. Mr. Chairman, we have 10 minutes before we have to leave.

Mr. HERGER. OK. Would you like to go ahead?

Mr. DICKS. We are going back and forth.

Mr. HERGER. That will be fine.

Mr. DICKS. OK. And then we can walk over together.

Let us go back to, the Forest Service uses about 100,000 management codes which can contain up to 99 lines of accounting each. Though some codes are essentially prescribed, the preponderance are locally developed and are unique to each venue.

Is that system still in place?

Mr. VIADERO. Yes, sir.

Mr. DICKS. I mean, if you do not straighten that out, you do not have a prayer.

Mr. VIADERO. We have made recommendations, sir——

Mr. DICKS. You can bring in Price Waterhouse or anybody else, but if you do not change that basic system, you do not have a chance of getting this turned around.

Mr. VIADERO. That is correct, sir.

Mr. DICKS. Is there any plan to do that?

Mr. VIADERO. We have made recommendations that the Forest Service follow basically the same outline as the Natural Resource Conservation Service, in so far as a time utilization record keeping, for lack of a better term, and back these codes out on a time basis, and then you can make your budget reconciliation at the end of the year on a separate system, not the financial management system.

Mr. DICKS. Are they doing that?

Mr. VIADERO. No, sir.

Mr. DICKS. Second question. You mentioned this little change they did because of the Treasury. Let me see if I can find that one. You said NFC relies on numerous automated and manual reconciliation routines. These reconciliations, however, are frequently achieved through the use of plugs or by simply by denoting the unidentified differences.

For example, in 1997, the NFC adjusted its cash account by increasing disbursements by a net of about $1 billion, and increasing

deposits by a net of $174 million in order to agree with Treasury records.

And there is no identification on this whatsoever?

Mr. VIADERO. No, sir.

Mr. DICKS. I mean, that is pretty hard to do. I mean, a billion dollars, they just created it out of thin air?

Mr. VIADERO. That is at the National Finance Center, sir, not by the Forest Service.

Mr. DICKS. And so how did the National Finance Center justify this?

Mr. VIADERO. That is why we gave them an adverse opinion this week, sir.

Mr. DICKS. And we still do not have any documentation or information for these amounts?

Mr. VIADERO. I would ask Mr. Young to give me a hand here.

Mr. YOUNG. The accounting system at NFC does not provide for reconciliations, period. They take the amounts that the Treasury shows and they do not match with the amounts that they show on their books.

So as a result, they say we will adjust our books to match with Treasury because they assume Treasury would be correct.

Mr. DICKS. But without any basis for doing that.

Mr. YOUNG. The only basis for doing that is they are out of balance, and they have to balance with Treasury. So they do not go behind to find out why there is a difference. So it is made essentially to equal the numbers. That's the adjustments that are made.

Mr. DICKS. Now, you mentioned, you said they hired an accounting firm, and they are doing this and that. But if you do not put enough money into this, if you do not take out of your budget and say we are going to have to have X millions of dollars to get the outside help, and to buy the financial systems and the accounting and all the other things that go into putting together a financial management system, they are not going to get there.

I mean, it is fine to say we are going to hire an accounting firm to help us. But if you do not put the resources behind that, you are not going to get there, is not that correct?

Mr. VIADERO. Sir, we do have the commitment. And, again——

Mr. DICKS. Commitment, verbally, we have heard does not work very well. What about resources? What about budget?

Mr. VIADERO. We are working. We are working. I have got on average about 20 people working with the Forest Service at the data entry level—at the data entry level on their financial health plan.

Where additional issues arise is at the National Finance Center, with the Foundation Financial Information System.

Mr. DICKS. Where in the hell is the National Financial Center? Where is that?

Mr. VIADERO. That is in New Orleans, sir.

Mr. DICKS. Is it a part of the Department of Agriculture?

Mr. VIADERO. It certainly is, sir.

Mr. DICKS. This was created to bring fiscal integrity to the process?

Mr. YOUNG. The National Finance Center has been in business for years, and it was established at a time when the Department

wanted to consolidate all the payment functions of the USDA into one center, so they would have the economy of centralization.

So the National Finance Center not only handles the Department of Agriculture, but numerous other government agencies, as far as payroll personnel, and the accounting functions.

Mr. DICKS. And you are saying it is broke?

Mr. VIADERO. We are saying, sir, with the new system that they went off the shelf with, and they opted to stay with the legacy systems which basically take other software, let's say, that the Forest Service has in place, and integrates it to this off the shelf package.

That is where the problems are. They are known as feeders. Those feeders are really messed up. The Forest Service attempted on October 1st of 1997, in conjunction with the Office of the Chief Financial Officer, and against the recommendations of this office, the Office of Inspector General, to put that system on line October 1st as if it were going to be a magical panacea to all accounting woes.

We said test it, test it thoroughly, test each feeder one at a time. And as those feeders came on line, sir, they failed. And that is why we are in the condition we are in right now.

Now, people want us to think that NFC can bring on seven additional Forest Service regions October 1st, 1998 and have those regions flip the switch and it will magically work.

We cannot reconcile the closing balance of 1997 to an actual balance and beginning balance, and the new year moneys in fiscal 1998. So we are less than cautiously optimistic that this system will be ready by October 1st of 1999.

Mr. DICKS. Thank you, Mr. Chairman.

Mr. HERGER. Thank you, Mr. Dicks. Thank you, Mr. Viadero, for your testimony. We will recess for a half an hour, and then return with the Forest Service, with the next panel.

Thank you.

[Recess.]

Mr. HERGER. We will reconvene the hearing, and call our next witness, Chief Dombeck of the Forest Service.

Chief Dombeck, if you could first raise your right arm to be sworn.

[Witness sworn.]

Mr. HERGER. Please proceed.

STATEMENT OF MICHAEL DOMBECK, CHIEF, UNITED STATES FOREST SERVICE, UNITED STATES DEPARTMENT OF AGRICULTURE, WASHINGTON, DC

Mr. DOMBECK. Thank you, Mr. Chairman. I appreciate the opportunity to appear before this extraordinary joint committee hearing.

For someone from Northern Wisconsin who grew up on a national forest, this really is an extraordinary event for me. I know we all care very, very deeply about the Forest Service, and the resources it manages, and I thank you for the hearing today.

I acknowledge the issues put forth by both the GAO and the IG, and they indeed have identified many issues that the Forest Service needs to deal with, and I stand here ready to work with Congress, the Secretary and others to move forward on these problems.

I want you to know that I am strongly committed to addressing the issues of accountability, of financial management, of performance within the Forest Service. I also want you to know that while I was acting director of BLM, BLM received its first unqualified audit, in 1995, and has received unqualified audits since that time.

The process was not that complicated to achieve that. First of all, we stressed and pursued working relationships with the Inspector General to create an atmosphere of positive working environment. We placed high priority and a management commitment to sound financial management, as well as stewardship of resources.

We insured that managers recognized and were accountable for insuring and applying sound financial practices and project planning in meeting stewardship responsibilities. And we placed a very high priority on data integrity and accuracy and also brought in a very highly qualified Chief Financial Officer.

Now, it is important to understand that this comparison that I have just made with the Bureau of Land Management, the BLM has much simpler procedures. And it is also important to note that the problems that we are talking about here associated with the financial system and accountability within the Forest Service evolved over time.

I sort of view it as an accretion of things that developed over time, and I want to say, No. 1, it is the complexity that we have to cut through. It is the complexity that is killing us in achieving what we need to do.

The cumulative effect over time of the many things, a decentralized culture that is important for natural resource management. But a credit and a debit is the same, whether we are in Alaska, in Florida or in your State of California.

Essentially over time, and I have said this at many, many hearings, that we have essentially moved the resource manager out of the field and into the office. And I think the thing that we want to achieve is to move the resource manager back out into the field, to simply the processes that we work in.

And, most importantly, that our financial and accounting systems have to be integrated to get the best resource management decisions.

The question was asked, can it be fixed, and the answer is yes, it can be fixed, but it will take time, and it will take commitment. And I want to say that from my very first day on the job, I stressed accountability, financial management. We have made some progress, but we have a long way to go, and I want to stress, a long way to go. But we can show progress on an annual basis.

Well, what is needed? First of all, we need general agreement on resource priorities. We need the properly trained people, and to really focus on business management skills that have eroded over time, through downsizing and other efforts.

We need accurate and current information. We need to operate in partnership with our constituencies, with Congress, the IG, the GAO and others. And we need time. We need time. As was mentioned earlier in this hearing, it took Jack Welch 10 years to get GE where it is today.

The Forest Service is a large organization. It is equivalent to a Fortune 500 company, and we need to apply the best management practices to that agency.

In the 14 or 15 months that I have been on the job, I just want to highlight some of the things that have moved forward. I brought in Francis Pandolfi from the private sector, a highly successful CEO, very familiar with running large businesses.

I have made leadership changes, and have more to go. And I am most importantly interested in leadership, committed to change, committed to moving the Forest Service into the 21st century.

We initiated the Coopers & Lybrand study, which I know the Committee has a copy of. And this study basically lays out many of the solutions that we can move forward with, and begin moving forward with fairly quickly, and are prepared to do that.

We have reduced the number of direct reports to the Chief. When I came on the job, I had 30 employees reporting directly to me. We have reduced that. We have moved the decisionmaking levels down in the organization to where the experts are.

We have begun the implementation of land-based performance measures, that are going to be tied to the Government Performance and Results Act. I have initiated the Chief's Reviews to begin moving forward, and identifying issues, and to move management into a proactive mode, sort of looking ahead of the headlights, to help move the Forest Service out of the reactive atmosphere it has been in.

We have begun to implement the Foundation Financial Information System that was mentioned earlier today. We have focused on accountability, and I have issued a Natural Resources Agenda, to bring clarity to the mission.

And I want to emphasize that this is a multiple-use agenda. It is an agenda designed to protect and restore watersheds, to move forward with sustainable forest management, to deal with Forest Service roads issues, and to focus on an increasing recreation workload.

I want to acknowledge the many, many Forest Service employees, for decades, for the good work that they have done, and I want to emphasize that those employees did what was expected of them. They did what Congress directed and what the leadership of the Forest Service directed.

The lists of accomplishments are many, and I want to just highlight a few from 1996. We had over 66,000 acres of watershed improvements; 357,000 acres reforested; 258,000 acres of timber stand improvements; 117 abandoned mine sites reclaimed.

We assisted in tree planting on 760,000 acres of private lands. We reconstructed 2,800 miles of roads. We exchanged 65,000 acres of land. We located 65,000 miles of boundaries. We sold 4 billion board feet of timber. And the list goes on and on of the many accomplishments of the employees that I am proud of.

And I have got to say that the best resource managers in the world work for this agency, the best wild land fire fighters, the best silviculturalists. And I believe you know many of them in your State of California, as Madam Chairman, you know in the State of Idaho.

I stand ready to work with Congress, the GAO, the IG, the Secretary, to move a retooled and revitalized Forest Service into the 21st century. And the benefactors will be the resources and the individuals and the owners of the national forests in the United States.

And I think I share with you a common goal that our objective is to have a Forest Service that will work better and that will be a better place to work.

Thank you, and I ask that my statement be entered into the record, and I would also like to acknowledge Under Secretary Jim Lyons, who is here; Deputy Chief of the National Forest System Bob Joslin; and I also have all of the deputy chiefs of the Forest Service with me here today should additional expertise be needed to answer any questions you might have.

Thank you.

[The prepared statement of Mr. Dombeck may be found at end of hearing.]

Mr. HERGER. Thank you very much, Chief Dombeck. I want to concur with you on your statement on the quality and dedication of the Forest Service employees that we have. As you are aware I have all of or parts of nine national forests within the district that I represent, and certainly some of the most dedicated and hard-working individuals that I have ever known are your employees.

I really believe that the challenges that we have and seem to be recognizing in this hearing, the purpose of this hearing, really is not the quality of the people we have working on the grounds in these forests. It is more directed toward the policy of lack thereof and the management that seems to be coming down that seems to be the overwhelming problem.

As a matter of fact, maybe I will just start in that line. There is a Forest Service manager who retired back about a year ago, and she wrote a letter of resignation to you, Mrs. Henderson–Bramlett. And in that letter that she wrote, she spoke of ever increasing redundant and costly agency practices, polices and regulations, the lack of accountability both with all employees and with agency management, and the lack of leadership and vision throughout all levels of the Forest Service.

Now, that was a quote from her letter of concerns that she has. She went on in the letter saying that the Forest Service makes vague commitments in attempting to please all parties and be politically correct. I could go on and on about the concerns that she stated in the letter to you.

Some of the main concerns that I have had have really almost all come from Forest Service employees, and that is really the nature of our concern.

Maybe with that in mind, Chief Dombeck, there has been much that has been said about the problems with the financial and management accountability. There seems to be no shortage of agreement from the Forest Service, and I thank you for that, when it comes to the statement that there are financial and management accountability problems.

What there is a shortage of is action. This morning we heard from both witnesses that the GAO and OIG continue to point out to the Forest Service the problems associated with their financial

and management systems, and in addition have provided solutions to those problems.

Yet the Forest Service has not implemented these solutions. My question is do you realize that any success the Forest Service believes it is making will be scrutinized because there is no accurate financial data to qualify your results?

Mr. DOMBECK. Yes. We understand that. In fact, from the standpoint of solutions, the Coopers & Lybrand report that I mentioned begins to layout solutions. In fact, the top five recommendations that they make in this report, and that is to establish a Chief Financial Officer, and a strengthened organization to lead the entire effort; to increase the leverage of the Foundation Financial Information System to better support the production of financial information; to simplify—and I want to underline that word, simplify—the budget and accounting structure to generate more useful corporate data; to provide a financial operating plan at the beginning of fiscal year 1999; to instill a sense of discipline.

And there are many, many suggestions like that that we are prepared to move on, and many suggestions also from within the organization and recommendations of both the IG and the GAO.

As the IG mentioned, we have a financial health team in partnership with the IG, and I believe that we need to work together on these systems, and then we will begin to achieve success. And I want you to know that I am committed to do that, and that is why I have got Mr. Pandolfi here, to bring an outside perspective, and some private sector expertise to the organization.

Mr. HERGER. Thank you. Mr. Miller?

Mr. MILLER. I will pass for the moment.

Mr. HERGER. Mrs. Chenoweth.

Mrs. CHENOWETH. Thank you, Mr. Herger. Chief Dombeck, in your recent State of the Forest Address, it was a very interesting speech, but it lacked your expression with regard to the fiscal concerns.

I would like to know, Chief Dombeck, on how you plan on raising revenues within the forest, from the forest, activities, and how are you going to significantly cut costs?

Mr. DOMBECK. The Natural Resources Agenda that you mentioned, the objective of it was to focus on the four primary objectives of moving forward with recreation, the forest roads issue, moving forward with sustainable forest management, and the watershed health and restoration.

The most important thing we lack from the standpoint of the items you mentioned is good data, and then the systems to process that data in a simple, meaningful way. And I might ask Francis to further elaborate on some ideas and some of the conclusions.

Mrs. CHENOWETH. I welcome hearing from you, but to focus, exactly what I need to know is how you are going to raise revenues. It would appear that that is a reason why the Forest Service ran into the red. So how are we going to raise revenues and significantly cut costs?

Mr. DOMBECK. There are many revenue generators in the Forest Service. Of course, as you know, the harvest of timber, various permitting fees, but it is also important to keep in mind that objective of the Forest Service and the national forest was not to run a prof-

it. The objective was to protect the land, to provide good watershed conditions, and a sustainable supply of timber for the Nation.

Now, I do not want to leave you with a false impression that revenue generation is not important. It is very, very important to offset costs every place that we can, and we are using things like the recreation fee demonstration pilot project as you know, and many others, and I would be happy to provide any detail on any specific that you might be interested in discussing.

Mrs. CHENOWETH. You know, Chief Dombeck, with all due respect, and I have a lot of respect for you, the fact is this is an agency that was set up in order to generate revenues. And also to be able to generate revenues for those counties that were impacted with large blocks of Federal land.

And so I think that if we try to depend on fees, and cut out our timber harvest activities, that we are missing the point here.

I recognize and have done so publicly the encumbrances that we as a Congress over the last few decades have placed on managers like you, the top manager. But the fact is that we have really got to get serious about generating revenues again, and at the same time cleaning up the health of our forests.

I guess I want to hear you say that there really will be an aggressive but sustainable timber harvest program. It was the vision of Teddy Roosevelt and Gifford Pinchot that we do begin to meet the market demand of the Nation for wood supply, and that is being shifted, Chief Dombeck, to the Eastern States. And they are meeting most of the market demand, while the Western forests seem to be degenerating.

That is of great concern to me. So I really would like to ask you again, other than fees, how do you plan on raising revenues, and how do you plan on cutting costs?

Mr. DOMBECK. Well, as I mentioned earlier, we can cut costs through increasing efficiency, through better data systems. What we are talking about from the standpoint of data systems and business management will actually free managers up from the many, many hours they spend dealing with a data system that may be cumbersome and maybe inaccurate.

In fact, one of my managers told me just recently that we could probably save in excess of $100 million in NEPA costs and planning costs using the newer technologies that we have and we are moving forward as aggressively as we can with those projects.

Mrs. CHENOWETH. Other than fees, how do you plan on raising revenues? How do you plan on sustaining a steady flow of receipts for the Forest Service?

Mr. DOMBECK. Timber harvests will continue to be an important tool, and an important activity on national forests. But I think part of the debate that we are in today is we need to continually move toward more extensive and active management to deal with the urban/wild land interface, to deal with the forest health issues, to deal with the threat of fire, to deal with the mosaic, the appropriate mosaic on the landscape that promote forest health.

And when we do that, the products will flow. The fiber will flow, the water will flow, the mosaic of wildlife habitats, the recreational opportunities, and this is the overall direction that I see the Forest

Service going in. And I think it is something that we can work on together.

Mrs. CHENOWETH. Thank you, Mr. Chairman.

Mr. HERGER. Mr. Nethercutt to inquire.

Mr. NETHERCUTT. Thank you, Mr. Chairman. Welcome, gentlemen.

Mr. Dombeck, it seems that in listening to the testimony this morning that there is additional burden being placed upon you. Mr. Miller talked about it in terms of Congressional requirements or lack of Congressional strictness.

The accounting system is in a mess, there are a lot of business functions that are lacking in your agency. And I know you are relatively new to it, and I feel as though your heart is in improving the agency and getting good results.

Perhaps you heard my question this morning in terms of what identifiable outcomes can be reached in the near term, rather than the long term. You may or may not be there in the next 5 years.

Even coming from the White House and the highest levels of environmental policy decisions, it seems that you and other land management agencies, other national resource agencies are being faced with additional burdens.

For example, the issue of the Interior Columbia Basin Management Project that is one that I have weighed in heavily on with you, and I think you know my feelings, and I think the other agencies do as well.

I sense clearly that that directive by the White House is going to cause your agency a lot of effort and expenditure of funds when you are worrying about how you are going to spend your money. I just think you are facing a huge obligation there in terms of your budget in the future. It is going to put additional pressure on you.

I have tried to say this for the last few years, that science collection is a good thing, but in terms of all the studies that your agency is going to be required to do, the sub-basin studies and the watershed studies, and all of those things that relate to the Endangered Species Act, I think you are facing a huge budget crunch.

So I would be interested, sir, in trying to get some sense of how you plan to do all that you are mandated to do, or that others expect you to do, when you are facing not only financial problems, but accounting problems as well as other problems that plague the agency that have been mentioned by the IG and the GAO, not the least of which is this determination by the IG that there is little assurance that funds have been expended consistent with the budget.

The IG says that funding is subjected to absorbing overhead charges, that the appropriations are reallocated down through the organizational framework of the agency. As a result, the amount of funds appropriated for a specific purpose or activity are significantly reduced before they are available for that purpose.

You have a daunting task, it seems to me, especially in trying to take on new initiatives like the Interior Columbia Basin Project. So I would be happy to have some assurance that you think you can get there, but also what can you do in the near term that can assure the Committee that you are on the right track?

Mr. DOMBECK. The information that we have on the Columbia Basin is likely the best science and the best information that we have in any area that the Forest Service manages, and this encompasses about 24 percent of the National Forest System lands, in the Columbia Basin.

That information will be used to update, I believe it is 72 plans, both Forest Service and BLM plans. And what we will have is we will have the best information base we have ever had as we update these plans.

From the standpoint of the overall costs, what we need to get from that is a significant savings, given the information base that we have, better decisions. And also there is an important aspect from the entire Columbia Basin effort that I know I hear when I talk to county commissioners, whether it is in Idaho or in Oregon or Washington, is the concern.

But the simple fact is that because of that effort, there are many, many projects that are moving forward that would likely be enjoined on a project by project basis today. And we are all looking for the best solution, and that is not an easy task, and it will not be an easy task, but it is the best approach that we know of at this time.

Mr. NETHERCUTT. We will get back to that, and we can carry that debate further. My time has expired. I will ask more questions during the next round.

Mr. HERGER. Thank you, Mr. Nethercutt. Mr. DeFazio.

Mr. DEFAZIO. Thank you, Mr. Chairman.

Chief Dombeck, I want to followup on the answer and the direction that Mrs. Chenoweth started on in terms of your revenues. I have raised some concern about your parking, trail access permits, and I will not go into that again here.

But while we are aiming at the public, individuals with low impact use, I am concerned that things of much higher impact on the forests are not carrying their load.

What sort of fee do we assess for like microwave towers, radio-TV towers on the forests?

Mr. DOMBECK. Let me ask Bob Joslin if he has that information.

Mr. JOSLIN. Congressman, the Forest Service and the BLM have developed an interagency schedule of fee rates for communications uses on lands administered by each agency. The scheduled fee rates are based upon the particular type of communication use being exercised, and the population of the community served by the site on which the use is located. For facilities having more than one use colocated in them, the base fee for such a facility is the type of use occurring in it which has the highest valued rate on our fee schedule, with an additional fee of 25 percent of the scheduled rate for all other commercial uses within that facility. The Forest Service and BLM update their fee schedule rates annually using the Consumer Price Index-Urban rate maintained by the Department of Commerce.

Mr. DEFAZIO. So, fair market value. So if they come in, you have to harvest the timber in that area to build the tower, and the Forest Service gets the revenue from harvesting the timber, I assume.

And then they pay rent? Is that it?

Mr. JOSLIN. Yes, sir. That is correct.

Mr. DEFAZIO. What happens on private lands?

Mr. JOSLIN. Pardon?

Mr. DEFAZIO. On private lands? I mean, how would your fees compare to rents they pay on private lands or State lands?

Mr. JOSLIN. I really cannot answer that. I am not sure of that. We can get that information for you, though.

Mr. DEFAZIO. Yes. I would be interested in a comparison, because I believe the Forest Service fees are much lower.

[The information referred to may be found at end of hearing.]

Mr. DEFAZIO. You are also engaged in an effort to raise the fees on vacation homes, as I understand in a number of forests.

Mr. JOSLIN. Yes, sir.

Mr. DEFAZIO. Has there been some problem with Congress on that issue, I think?

Mr. JOSLIN. The areas that we have gone in and done the same thing as I described before, to update those fees, and certainly there is a concern.

Some of those sometimes increase quite substantially, and there has been a concern with some of that work that has been done.

Mr. DEFAZIO. I thought Congress took some action to delay the implementation of the higher rents.

Mr. JOSLIN. That is correct.

Mr. MILLER. Would the gentleman yield?

How often is that reassessment made?

Mr. DEFAZIO. Five years.

Mr. MILLER. That has been done every 5 years?

Mr. JOSLIN. Vacation homes or, as we call them, recreation residence lots, are appraised once every 20 years. For each year in between appraisals, the annual rental fee is adjusted based on the Implicit Price Deflator–Gross National Product (IPD-GNP) index maintained by the Department of Commerce.

Mr. JOSLIN. It is on a 5-year cycle now.

Mr. MILLER. How long has it been since the last one.

Mr. JOSLIN. The fees now being assessed to nearly all of our 15,200 recreation residence permit holders are based on an appraisal that was last conducted sometime during the 5-year window between 1978 and 1982. So the 20-year anniversary of those last appraisals is coming due over the course of the next 5 years, 1998 through 2002. In 1997, we started a 5-year effort to appraise all recreation residence tracts and lots to establish a new base fee for the next 20-year billing period.

Mr. DEFAZIO. But to reclaim my time, there is some sort of limit you have self-imposed, because my understanding is we are seeing dramatic increases to go to market now. So you were limited in terms of your past adjustments every 5 years.

You were not allowed to go and reassess it at market value. You were just allowed an inflation adjustment, or something like that. Is that correct? I mean, as I understand it you are way under market.

Mr. MILLER. If the gentleman would yield, my understanding was, in our hearing, that in some of these cases it has been 20 years since these have been updated.

Mr. DOMBECK. Yes. The information that I have, as I recall, we were instructed by a GAO audit to go ahead and move forward

more quickly on the reappraisals. We did that, and we basically Congress got involved. I believe we delayed it, is it one year? We are moving into a 3-year phase in.

But there was, yes, there was involvement of Congress in that.

Mr. DEFAZIO. OK. And that was intervention by Congress, who at that point was not concerned about market value or maximizing revenues. I think I could go on in some other areas than that. But let me get to something else, and I do not know if this is general or specific. But this would be the most outrageous example to me.

There is a proposed mining claim in an area of critical environment concern in the Siskiyou National Forest by an individual, it is a nickel mine operating under the name Nicor.

It is not patented, and apparently the individual does not intend to take it to patent at this time, and instead wants to operate the claim within the Forest Service. And since it is such a fragile area in the drainage, the Forest Service has put in very significant demands in terms of an EIS before the person gets an operating permit.

But the Forest Service is paying for the EIS. Now, can you explain that to me? So not only are we not charging like any other land owner—and I know you are constrained by law—a royalty fee or some substantial fee for the use of these lands, we are paying for their environment impact statements?

Is that a general policy, or is that specific to this one particular claim? I mean, that is incredible to me. If you want to talk about subsidies and not running like a business, here we are subsidizing for profit activities on the public lands.

I know you may not know that individual claim, but is that a general policy, if people are not going forward to patent, we just generally pay for EIS's for private, for profit activities on public lands?

Mr. DOMBECK. Yes, that is correct. In fact, we did in the neighborhood of 20,000 decisions. We do about 20,000 decisions a year in the Forest Service that are made up of EIS's, EA's, and categorical exclusions. The largest number being the categorical exclusions.

Mr. DEFAZIO. But I mean, for private, for profit activities, we pay for the EIS's, when someone is going to come in and utilize the public resource, paying virtually no rent, no royalty.

We then actually pay to develop the EIS instead of requiring them to develop the EIS?

Mr. DOMBECK. I believe that is correct.

Mr. DEFAZIO. Is that a policy? Is that statutory? What brings us to that point? If I could just get an answer to this, Mr. Chairman, I would appreciate it.

Mr. DOMBECK. I am not sure if it is statutory, but there are instances where the proponent does pay.

Mr. DEFAZIO. OK. I guess I would like know, what are the instances where they pay and where they do not pay, and how are those decisions made? And I would very much like to have an answer on that, and particularly on this one case, because it is a place where we should not be mining, someone is going to mine, and to add insult to injury, the public is paying to enable that person to mine in an area where we should not be mining.

Mr. DOMBECK. We will get that specific case looked at and provide you that for the record.

[The information referred to may be found at end of hearing.]

Mr. DEFAZIO. Thank you, Chief. Thank you, Mr. Chairman.

Mr. HERGER. Thank you, Mr. DeFazio. Mr. Schaffer to inquire.

Mr. SCHAFFER. Thank you, Mr. Chairman.

In June, last year, out in Colorado in the Denver Post, there was an article that stated that Mr. Pandolfi, the former president and CEO of Times-Mirror Magazines, was hired by the Forest Service as chief of staff to create brand equity for Forest Service lands.

What does that mean, brand equity?

Mr. DOMBECK. I will let Mr. Pandolfi talk about brand equity.

Mr. PANDOLFI. I will tell you what brand equity means. I never read the article, Mr. Congressman, but brand equity means that you try to take a brand, like Tide or Pampers, let us say, and give it value, so the people understand that when they buy that product they get a good product.

That is brand equity.

Mr. SCHAFFER. So with respect to Forest Service lands, they quoted you, and it says you wanted to create brand equity for Forest Service lands.

Mr. PANDOLFI. We want people to understand the value of Forest Service lands.

Mr. SCHAFFER. The article said, the quote was, we want the Forest Service to be the Proctor & Gamble of outdoor recreation. Could you elaborate on that a little bit, too?

Mr. PANDOLFI. Sure, I would be happy to.

The Forest Service has probably the most outstanding, in my view, recreation brands, outdoor recreation brands in the world. Forest Service skiing, Forest Service hiking, Forest Service fishing, Forest Service camping, and the like.

It is important to have both our constituents, the people of this Nation, who use the lands for those purposes, and our employees to realize the values we create in those various activities. That is what I meant by that statement.

Mr. SCHAFFER. I dug up the Proctor & Gamble annual report, which goes to its corporate board members and others who are interested in the corporation as well. The information supplied as to the exact value, product value of investments and so on is laid out very clearly.

The Forest Service is a long way from achieving, becoming the Proctor & Gamble of outdoor recreation. To Chief Dombeck, I wanted to ask in a general way, how are we going to break the mold? I think you heard my questions to the previous panel, Mr. Hill, about whether there is any hope or optimism from his professional perspective on whether we are going to be able to see the Forest Service move from a hamstrung bureaucratic model to what approximates a business model.

How do we become the Proctor & Gamble of outdoor recreation?

Mr. DOMBECK. The answer to that is we have to, and we can only achieve it by doing it together. Working with the IG, the GAO, the Forest Service adopting modern business management practices as quickly as is possible. And we propose to do is to set up a frame-

work that involves the points that I mentioned in my initial testimony.

We need a general agreement on resource priorities. We need properly trained people, with the right disciplines, particularly in the business management side of what we do. As we went through the downsizing of the last several years, the largest percentage of employees that left the agency were those in the administrative areas, the areas that we need to move forward in with business management and accountability and the such.

And we need accurate information. We need the partnership, and then of course the appropriate amount of time. And I am not sure you were here when it was mentioned, Congressman Miller mentioned that it took Jack Welch 10 years at GE.

This is not a problem that is going to be fixed quickly. But I believe that with the appropriate milestones, with the appropriate framework, with the appropriate oversight that we can achieve this.

It is interesting that it was not until 1990, I believe, that the Chief Financial Officer Act was passed by the Congress. And as we look at previous decades, the focus of what was expected of the Forest Service was different. And we need to readapt, we need to retool, and we have got the message.

Mr. SCHAFFER. Let me try to beat this light here with one more question. And that is leadership is a big component of making Forest Service the Proctor & Gamble of recreation, outdoor recreation as well. I want to ask a specific question because there was a contradiction in two different bits of testimony that this Committee—or a portion of this Committee—received recently.

When you were here last time in front of Chairman Chenoweth's Committee I asked about the moratorium, and whether the Council on Environmental Quality had played any role in developing the policy and pushing it forward, and you said no, that you had not had any input or feedback from them.

Ms. McGinty, head of the Council on Environmental Quality, was here last week, and the same question was put to her, and she said that they had, the Council on Environmental Quality had a tremendous amount of influence and direction in pushing the moratorium forward.

Now that you are here again, I would like to ask you one more time whether the Council on Environmental Quality played a significant role, or to what extent they played a role in developing the plans and leadership with respect to the roadless moratorium.

Mr. DOMBECK. They played no role in the development of the policy. I am not sure of the date that the President signed the appropriations bill, but because of the controversy associated with the roads issue, there was a statement that accompanied the Interior appropriations bill that basically charged the Forest Service with developing new roads policy based upon science.

And from the standpoint of needing to do, face this issue, there was that dialog. I had a similar dialog with the Secretary. The Forest Service took the policies, developed them. In fact, Deputy Chief Joslin, as well as Tom Mills from our Portland office, took the lead in developing the policies, looking at the alternatives.

Sometime around Christmas we briefed the Under Secretary's Office, we briefed the Secretary's Office. We briefed CEQ, and then the Forest Service went ahead and laid out the proposals as you see them today.

Mr. SCHAFFER. Just for clarity you maintain that the Council on Environmental Quality did not propose the moratorium or pressure the Department in any way to implement it.

Mr. DOMBECK. That is correct.

Mr. SCHAFFER. Thank you, Mr. Chairman.

Mr. HERGER. Thank you. Chief Dombeck, we heard some pretty alarming testimony earlier from the General Accounting Office, from the Inspector General, concerning the management or their concern of very dramatic mismanagement of the Forest Service.

Another concern I have is that this mismanagement is not only in the area of finances, but also is in the area of personnel. I alluded to, earlier, a quote from a letter from a constituent of mine who was the forest supervisor of the Modoc National Forest, Mrs. Henderson–Bramlett.

Are you aware of the letter that she sent you on the 1st of January?

Mr. DOMBECK. Yes, I am.

Mr. HERGER. Within that letter, just to quote parts of this, and quoting from her letter now, I am 38 years old, and have been the forest supervisor of the Modoc in Region Five for almost 6 years. Going on to another part, she goes on to state what high quality people she works with there, as we both stated earlier.

But then she goes on again to quote, a secondary reason for my departure is my frustration and dismay over the ever increasing redundant and costly agency practices, policies and regulations, the lack of accountability, both with all employees and with agency management, and the lack of leadership and vision throughout all levels of the Forest Service.

Again, going to another part of her letter, and again quoting, I feel we are trying to be everything to everyone all the time. As a result, we deliver very little to anyone. This causes distrust within the agency and with the public, since we make vague commitments in an attempt to please all parties and be politically correct.

Again this only increases the distrust as we continue with bureaucratic rhetoric, which the public does not understand, nor want.

Continuing on a little later in her letter, yet we are fearful to make any decisions, to take any action that may result in litigation, an appeal or public uproar, especially if that leads to political or administration involvement. The end result to the agency is a state of paralysis that produces costly and ineffective or poor decisions.

Then continuing on a little bit later, we will continue to make non-decisions and muddle through the next crisis, wasting taxpayers' money and employees time and energy, and lowering morale.

It has been difficult and frustrating to lead a forest into the 21st century when I have had little or no idea of the future of this agency, nor its direction. Leaving that decision to each forest is setting

this agency up for continued and increased chaos, dysfunction, and ultimately the agency's demise.

And you are familiar with this letter, Mr. Dombeck?

Mr. DOMBECK. Yes, I recall reading the letter.

Mr. MILLER. Mr. Chairman, could we have the letter in its entirety put into the record?

Mr. HERGER. Yes, without objection.

[The information referred to may be found at end of hearing.]

Mr. HERGER. Chief Dombeck, are you concerned that a forest supervisor would resign based in part on the frustration of dealing with these types of problems? And now let me quote from this part of her letter: ever increasing redundant and costly agency practices, policies and regulations, the lack of accountability, both with all employees and with agency management, and the lack of leadership and vision throughout all levels of the Forest Service.

Are you concerned that forest supervisor would resign based in part on this?

Mr. DOMBECK. Yes, I am very much concerned. In fact, I have other letters similar to that from people at all levels of the organization. And I think it is important to note that this amplifies the need to bring about the change that we have been discussing here, to simplify the organization, and streamline it.

I also want to point out, from the standpoint of lawsuits, I have never had a job where I am sued so much as this one, and the level of controversy that we deal with. And I also want to mention that some of the areas that we go into are controversial.

And one of the reasons that I came forward with a temporary suspension of road building in roadless areas was for a large part not only a science based decision, but also an economic based decision, because these roadless areas are the most expensive areas for us to go into.

The reason they are roadless is because the easy stuff is gone, from the standpoint of timber. It is tough terrain and it is sometimes low value wood. And these areas were repeatedly litigated and appealed, and from the standpoint of business management decisions we would be much better off directing our resources to areas to work that are less controversial.

There are many areas in the forest that need work that can also produce fiber and all the other values that we associated with the variety of timber management practices, thinnings and all those kinds of things.

Mr. HERGER. Well, Chief Dombeck, again, to be specific to this letter, and you mentioned you know of other letter like this. I can tell you, I know of many Forest Service employees who have expressed the same concern.

But could you outline what steps you are taking in response to these concerns that were expressed by this former forest supervisor regarding redundancy, cost, lack of leadership, lack of accountability and agency paralysis?

Mr. DOMBECK. Well, I believe the Natural Resources Agenda, clarifying the vision, is the first step. In fact, I recently received a letter from forest supervisors that I would be happy to send to you, of strong support of the agenda.

The focus on the core values, the core values of working within the limits of the land that sustained generation after generation of not only fiber production but all of the values, the water values, the recreation values, the values that are out on the national forests.

Mr. HERGER. Thank you, Chief Dombeck. Mr. Miller will inquire.

Mr. MILLER. Thank you, Mr. Chairman.

We have done a lot of comparison, and I think that is quite proper because it is driving a lot of our thinking, between the private sector and the public sector here. And, Mr. Pandolfi, I think your appointment is truly one of the creative ideas in the Forest Service here, to try to get control of this.

I am thinking of the chairman of General Electric, or Proctor & Gamble has been brought up here, and I wonder how well those CEOs would do their job if every time they made a decision they had a subpoena on their desk, or a letter with 50 or 60 questions about how they arrived at that decision, and what were their motives and who did they talk to, and who did they discuss it with.

And it would seem to me that when I look at most of the people in the private sector who are going through downsizing and reorganizations, and especially if people are brought in for that purpose, one of the things they want is the authority to make changes, recognizing that changes bring about some pain, change in direction, change in culture, in thinking, in outcome.

We keep saying we want the change, but I look here, Mr. Craig, March 4th of this year sends to Mr. Dombeck, speaking of letter, some 60 questions about why three people were changed and retired or resigned from the Service. And this goes on and on and on.

We see now land managers being hit with subpoenas from this Committee who are trying to make a decision out there on the land, and, bang. A subpoena tends to focus the mind to think about what you will be able to leave your children and what your annual costs are going to be, and are you going to pay for litigation, is everything going to be OK.

Yet somehow we want people to make change. I just wondered if you knew whether there was anything comparable to that in the private sector?

Mr. PANDOLFI. You are asking me?

Mr. MILLER. Yes, I am asking you, Mr. Pandolfi.

Mr. PANDOLFI. No.

Mr. MILLER. Do you know anybody who would operate a corporation with those infringements?

Mr. PANDOLFI. No. No one operates this way in the private sector. In the private sector, you are exactly right. If this were a corporation—first of all I would tell you that if this were a corporation, the Forest Service, it would be one of the best leveraged buy out opportunities in the world.

We could come here and bring in a management team, as we have right here, an excellent management team that the Chief has assembled, and if we were allowed the incentives that the private sector offers its employees, we would spend far less, far, far less in this agency, and we would find answers to the questions that are bothering us so intensely.

But it is not possible to hire, to change people in their jobs, or to incentivize people the way we do in the private sector.

Therefore, I must tell you that a challenge to me has been to try to find ways that the things that I have learned over the years can be applied here. It has been very frustrating.

Mr. MILLER. I hope that we do not discourage you, because you are the breath of fresh air that for 10 years the GAO and others have been telling us we ought to seek, and this administration of the current Forest Service had enough courage to bring you in.

Usually we bring someone in who is sort of part of the family, to kind of give us an assessment. This is the first time we have had some fresh thinking. I am reading the testimony that you gave back in July of last year.

And we do not get a lot of testimony like that. We do not get people telling the Congress that maybe we are part of the problem, and maybe the fact that we do not have standards for performance, that we give you the money whether you do it right or wrong.

That is not very often that we get offered that kind of testimony. The question is whether we will react to it.

I was also taken, because it is kind of interesting, you were asked by, I think, Mrs. Chenoweth, or Mr. Hill, I am not sure, Mr. Hill, how you would rate the Service. This was back in July. On a one to ten. And you said it is a one.

And they said, where do you think you will be in the year 2000, and you said my guess is we certainly will have made improvements, but we will be no General Electric.

One of your ardent critics, for a number of years the Inspector General's Office, told us before we went off to vote, that in conclusion the Forest Service's financial management has been materially deficient for many years. With efforts under way to achieve financial health and implement new accounting systems, the road to recovery has been laid and the Department is heading in the right direction.

We asked a question a year ago. We are back here a year later. We asked the question of an independent review, and the say they are headed in the right direction, and what we want to do is hit you with a lot of subpoenas and 50 page questions.

I don't get it. Maybe we cannot stand success because you would have to deliver some real bad news about some very tough ingrained constituencies within the jurisdiction of the Forest Service.

But again, I do not get how that is consistent with what I see going on in base closures, what I see going on in corporate reorganizations, and mergers and acquisitions and buy outs and downsizing. We just do not want to hear the bad news. We do not want to hear that one of our friends got transferred across the mountain, or to another town or different State.

Geez, I don't know, I am living in a town full of people that have been transferred between corporations and subsidiaries, and their offices have been taken out from underneath them, and they are still working for people, but they believe it is part of the endeavor to get the effort right side up in a tough, competitive world.

And we want to just continue to run loss leaders. We are like a store. We are like Cosco where we say we will sell everything at a loss, but we will make it up on volume. Just cut more trees, but we are all going to do it at a loss.

I don't get it. I mean, we keep saying we want business, we want business, but you cannot transfer anybody in this operation, you cannot take anybody because they are not competent or not on the team and suggest that they might be better off working somewhere else, when all you get from Congress is a long list of subpoenas.

And I do not mind subpoenaing you guys. You are big guys. You can take it. But we are second guessing, now, with subpoenas people on the ground in the BLM and the Forest Service. These are people who are getting shot at, getting threats of violence and everything else. And here are your champions in the Congress.

Thank you.

Mr. HERGER. Thank you, Mr. Miller. Mrs. Chenoweth will inquire.

Mrs. CHENOWETH. Thank you, Mr. Chairman.

I am familiar with that subpoena, Mr. Pandolfi, and I would think that you would know that anyone in business who exercised authority without the basis and cover of law would get one whale of a lot more than a subpoena to explain their actions.

They would get a pink slip but fast. The fact is that Tucson Rod and Gun Club is employing gun control laws, and there is not a law that allows them to do that. There is not even a written policy that allows them to do that.

Mr. MILLER. If the Chairwoman would yield?

Mrs. CHENOWETH. No. The lady will not yield.

I think a subpoena to ask people to come before this Committee is the least that we can do, and ask them to explain their actions.

Another thing. The gentleman from Oregon made some comments with regards to the National Environmental Policy Act, and the requirement of government to do an environmental impact statement for certain uses on the land.

And for the record, I think it is quite simple. NEPA is a requirement of the Federal Government, not of the private sector, not of the users. NEPA, it is stated in Supreme Court decisions, starting with National Helium v. Morton, followed by Sierra Club v. Morton, and various other Supreme Court decisions have consistently said it is up to the Federal Government to do the NEPA requirement.

Furthermore, Mr. Pandolfi, while I appreciate the fact that together we have to approach the problems we are facing today in a business like manner, I am worried that Mr. Dombeck is putting too much on himself by trying to say—or let me just ask you, Mr. Dombeck, trying to say that we need to establish the new vision, new policy and new goals.

I submit that has already been established by the Congress. The policies and goals have even been codified with the National Forest Management Act.

And for you to try to expand out beyond that makes your job even more difficult. And I resent the pressures that are put on you to do that. I think that if you were allowed politically just to keep the focus on what the law is, and I think you should be, and it would sure lessen a lot of the lawsuits, your job would be one whale of a lot easier.

And, finally, before we go to vote, I would like to say that we have got to remember, these Forest Service lands are not owned by

the Forest Service. I mean, it is not like the Forest Service is a big Fortune 500 company. These lands really are the public's lands, or the resources on the lands are the public's lands.

And the Forest Service is the manager, and we expect you to be efficient managers. But if we lose focus on that, I and my colleagues will be even crankier than we are today. If we try to start running the Forest Service as a business, by running up more fees, and making it more costly for people to get on the land, and to use the resources, whether it is skiing or recreation, or horseback riding or whatever it might be.

Mr. Chairman, I do have a series of questions that I do want to ask. But I see that we do have a vote. Will we be able to ask another round of questions?

Mr. HERGER. Yes. We will recess for 20 minutes and come back for more questions. Thank you.

[Recess.]

Mrs. CHENOWETH. [presiding] The Committee will come to order, and the Chair will recognize Mr. Nethercutt.

Mr. NETHERCUTT. Thank you, Madam Chairman.

Mr. Dombeck, would you agree that a substantial amount of administrative work and cost associated with timber sales is directly attributable to either appeals or preparing to resist appeals?

Mr. DOMBECK. Yes. In some of the most controversial areas that we work in, those costs exceed 50 percent, the office costs. The additional expenses associated with those has to do with dealing with law enforcement issues, protests, those kinds of things. It is very labor intensive. The whole process is labor intensive.

Mr. NETHERCUTT. Could you put a number on the cost of it for the Committee?

Mr. DOMBECK. I am not sure I could. It is highly variable from situation to situation. Do you want to venture a guess, Bob?

Mr. NETHERCUTT. In terms of the amount of money you spend on personnel and people working on the ground and so on, is it 50 percent of your time, 75 percent of your time, 25 percent of your time? Maybe an outside figure.

Mr. JOSLIN. Could I give you some information, Congressman?

Mr. NETHERCUTT. Sure.

Mr. JOSLIN. On appeals, 5 year average cost is just over $5 million. And the same 5 year average cost for lawsuits is just under $5 million. So it is right at $10 million for that 5 year average cost.

Mr. NETHERCUTT. Would it be helpful in the administration of a sound forest policy if there were restrictions or limitations on appeals, and some limitations perhaps on the length of appeals and the time for determining appeals from an administration standpoint? Would that be helpful to you?

Mr. DOMBECK. I know this is an issue that has been around for some time, and the thing that we continually hear from people is that people want the ability to question government, they want the ability to question decisions. The more we can do to build support, to build trust, to expend energy in areas that are not controversial, the more efficient it is.

Mr. NETHERCUTT. Would it be helpful to you in the administration of your program to have a limitation, as I have described it?

Mr. DOMBECK. From the financial standpoint, I think the——

Mr. NETHERCUTT. From the standpoint of financial, the standpoint of administrative operations, efficiency of the Forest Service, implementation of your policies. Would that be a helpful step?

Mr. DOMBECK. Well, certainly from the standpoint of cost. It would reduce the cost. However, people litigate, and choose to litigate, as you know much better than I, in the United States, and what sort of insulation could be built around that, I am sure you have a better understanding than I.

Mr. NETHERCUTT. I take it, in all honesty it would be helpful to you, would it not? It would make your life a little easier? Whether it is constitutional or not, or whether it is going to happen or not is another matter. But it would help you, would it not?

Mr. DOMBECK. Yes.

Mr. NETHERCUTT. In the way you do your work.

Mr. JOSLIN. Congressman, if I could.

Mr. NETHERCUTT. Yes, sir.

Mr. JOSLIN. In regard to the NEPA process, that part of it creates a tremendous opportunity, I think, for public involvement that we have, and I think as a result of that that we do get better decisions.

Mr. NETHERCUTT. I understand. I appreciate that. And you may be right. But my question goes to the practicality of how you do what you are charged with doing. This causes you some stress, I am sure.

I also have the impression that there are more environmental interests, if I can call them that, that exercise their rights of appeal than, shall we say, industry interests, if we can sort of agree on what those two categories of people are. Would that be accurate?

Mr. DOMBECK. Does anyone have that information? We could provide that for the record. I know that we routinely get sued from both sides.

Mr. NETHERCUTT. But in your record, to date, is there a higher number of environmental interests that exercise their rights of appeal, or is it the other way? Do the industry interests exercise their rights of appeal?

Mr. DOMBECK. We can provide that for the record.

Mr. NETHERCUTT. Well, what is your impression, Chief? I mean, you just have some sense of who is responsible. Which group is more responsible for appeals and the consequent delays that you have to deal with?

Mr. DOMBECK. In the salvage area, it was mostly environmental groups.

Mr. NETHERCUTT. How about the green sales, or any other timber sales?

Mr. JOSLIN. What I would say in regard to that is most of the appeals and litigation that we get are from individuals or groups that really do not have an interest as far as the commodity that we are dealing with.

Mr. NETHERCUTT. And I think that is a big problem. If I live in Maryland or Virginia and I do not like the sale that is going on in the Colville National Forest, I could probably stop that, couldn't I, under the current condition of the law and regulations that exist today. Is that correct?

Mr. JOSLIN. Well, you could certainly appeal.

Mr. NETHERCUTT. I could slow it down.

Mr. JOSLIN. You could appeal it, or certainly enter into a lawsuit.

Mr. NETHERCUTT. And is that a common occurrence for you, these so called outside interest appeals?

Mr. DOMBECK. I believe certainly there are some. Specific numbers, again, we could provide you a breakdown.

[The information referred to may be found at end of hearing.]

Mr. NETHERCUTT. Is it your impression that it is a common occurrence? I am not trying to test your memory. What is your impression? Is it your sense that this is a common occurrence, that this happens regularly? Would you disagree with that?

Mr. DOMBECK. I would not disagree with that, but I am not sure from the standpoint of the long distance lawsuits. There are interest groups in all areas and all States. Everybody from those who think it is a sin to cut a tree to those that want to cut them all, and we deal with the whole spectrum of those interests.

Mr. NETHERCUTT. I understand you deal with the whole spectrum, Chief. I am just trying to understand who do you have to deal with more? Is it the industry that is disaffected by the limitation a timber sale, or is it those who do not want any timber sale to occur, or some variation of that position?

Mr. JOSLIN. Well, I would go back to my earlier statement that I made there, Congressman, that the appeals primarily come from people who are not connected with whatever those commodity interests, or whatever you referred to them, are.

Mr. NETHERCUTT. Let me ask one other question. After you became the Chief, Mr. Dombeck, you indicated you were going to institute a new performance measuring system for all line officers in the Forest Service.

What is the status of that effort?

Mr. DOMBECK. That was initiated last July, and we will be tying that to GPRA. But as was heard earlier today in testimony, performance is also an issue, and I believe we should evaluate and reward land managers based upon the condition of the land.

And we looked at measures like soil stability, forest health, are we making progress with noxious weeds, the trends in water quality, those kinds of things, and move away from as much of the process measuring as we could.

Being one whose general philosophy is what we measure, that is what we get. And if we measure process we are going to get it, and we have plenty of it.

Mr. NETHERCUTT. Are the performance measures in place now?

Mr. DOMBECK. Yes.

Mr. NETHERCUTT. Did they differ substantially from earlier performance measures?

Mr. DOMBECK. I would ask someone on the staff. They are tied to GPRA, but specifically how they are tied in, and the personnel mechanism. This is Ron Stewart. Ron is Deputy Chief for Programs and Legislation.

Mr. NETHERCUTT. Yes, sir.

Mr. STEWART. Good afternoon.

Mr. NETHERCUTT. Good afternoon.

Mr. STEWART. One of my responsibilities is managing the GPRA effort. And I would say that first of all it is somewhat difficult to

compare, because the whole Department changed the entire—at least Senior Executive Service performance standards—in the process of implementing a change throughout the organization in which we will use more generic performance elements.

The approach we have used is in those appropriate, what we would call elements. For instance, program management. We attach a specific list of performance measures that are assigned to that line officer, and they are disaggregated, if you will, from the performance plan, the GPRA performance plan.

So, for instance, we are in the process right now of taking the first formal GPRA performance plan, which was submitted with the budget, as you know, and disaggregating that back out to the line officers through the organization.

There are two kinds. There is a set that deals with the natural resource goals around the Forest Service agenda. And then there are ones for organizational effectiveness, and those are more associated with financial management, and information management and those kinds of things.

And there is specific performance tied to each of those. They are somewhat different than last year's, in that we learned some from last year, and we think we have improved.

One of the things we are trying to do is narrow the number of things, because one of our problems is we are trying to do everything and measure everything. So we are trying to focus on those corporate measures which best determine the agency's performance, particularly against the agenda and the organizational effectiveness which includes, as I said, financial management and so forth.

Mr. NETHERCUTT. Do you feel there has been an improvement, then, since the time you put the new measurement standards, and you have had a chance to look at them? Have you been impressed that there has been improvement, or are things sort of moving slowly? How can you characterize it?

Mr. STEWART. That is my sense, that we have improved. One of the things that we would like to be able to do, that we have not done in the past, is look at trends. In other words, when you are looking at condition on the land, it is not necessarily an annual change, and unfortunately we do annual performance evaluations.

So what we are trying to do is begin now establishing some trends. And not only look at what the current accomplishment is, but what has the trend been. Have things been getting better, in other words, over the last 3 years or so?

And so I think it is much better, but we still have a ways to go.

Mr. NETHERCUTT. Well, I wish you well. I want you to succeed. I really do. I just think we are all struggling, trying to figure out how we can help you, and be constructively critical.

But I think you have implemented good management changes, and if these performance measurement standards are going go work, you have a big job. We all want you to succeed, in my humble opinion. But on the other hand, we are going to tell you what we feel will help you succeed.

So I wish you well, and thank you for being here today.

Mr. DOMBECK. Thank you.

Mr. NETHERCUTT. Thank you, Madam Chair, for the extra time.

Mrs. CHENOWETH. Thank you, Mr. Nethercutt.

Chief Dombeck, you have received a copy of the letter that you signed and sent out March 18th. Or it says reply due March 18th and March 30th.

You have it?

Mr. DOMBECK. Yes.

Mrs. CHENOWETH. I wanted to ask you some questions about it. Reading from the memo, it says as many of you know, the administration is proposing legislation to stabilize payments to States. I support this proposal, and request you and your employees to assist me in sharing information with your internal and external customers.

The letter goes on to say that station directors, the Northeastern Area Director, the IITF Director are also to participate in communicating this important part of our Forest Service Natural Resource Agenda.

What is the Conservation Leadership Policy Initiative, reforming Forest Service payments to States that you address in this memo?

Mr. DOMBECK. The proposal in the President's budget to stabilize payments to counties, the 25 percent fund that basically proposes to make the payment at the 1997 level, or 76 percent of the average of 1986 to 1990, whichever is higher.

Mrs. CHENOWETH. OK. Who was involved in developing this memo, and the directives contained in the memo?

Mr. DOMBECK. Employees of the Forest Service, of the programs. Sandra Key is leading that effort, one of the associate deputy chiefs.

Mrs. CHENOWETH. All right. Were there any outside contractors, consultants or employees not directly working for the Forest Service involved in the development of any portion of this memo, including the lobbying, briefing and support material?

Mr. DOMBECK. Not that I am aware of.

Mrs. CHENOWETH. In your memo you refer to the effectiveness of this package for means of pushing this proposal. Is the package meant to be used to garner support for your proposed policy?

Mr. DOMBECK. The package is meant to make sure that the appropriate information is available to all individuals of the Forest Service so they can converse with their constituents, the public, people who ask questions, that they discuss this with.

Mrs. CHENOWETH. So it is meant to garner support for the proposal?

Mr. DOMBECK. It is meant to provide all of the information, yes.

Mrs. CHENOWETH. Let us again talk about the fiscal year 1998 Interior Appropriations Bill, Public Law 105–83. We have been through this before. The President did sign this legislation, didn't he, Chief?

Mr. DOMBECK. Yes.

Mrs. CHENOWETH. And since he signed the legislation it is now the law of the land, is it not?

Mr. DOMBECK. Yes.

Mrs. CHENOWETH. Do you know that Section 303 of the Act provides that no part of any appropriation contained in this Act shall be available for any activities or the publication or distribution of literature that in any way tends to promote public support or oppo-

sition to any legislative proposal on which Congressional action is not complete?

Did you know that is what is contained in Section 303 of the Act? And I read from the Act.

Mr. DOMBECK. Yes, I recall from our previous dialogue.

Mrs. CHENOWETH. As you know from previous dialogue and discussions about H.R. 2378, the fiscal year 1998 Department of Treasury and Postal Service Appropriations bill, did the President sign this legislation into law?

Mr. DOMBECK. I presume so.

Mrs. CHENOWETH. And since the President signed the legislation, it is now the law of the land, right?

Mr. DOMBECK. That is correct.

Mrs. CHENOWETH. Since it is the law of the land, are you bound by its provisions?

Mr. DOMBECK. Yes.

Mrs. CHENOWETH. Do you believe that one of your responsibilities is to obey the law?

Mr. DOMBECK. Yes.

Mrs. CHENOWETH. And do you think that Section 624 of the Act provides that, and I read from the Act, no part of any funds appropriated in this to any other Act shall be used by an agency of the executive branch other than for normal and recognized executive legislative relationships, for publicity or propaganda purposes, and for the preparation, distribution, or use of any kit, pamphlet, booklet, publication, radio, television or film presentation designed to support or defeat legislation pending before the Congress except in presentation to the Congress itself.

And, Chief, I have just read from Section 624 of the Act. So here are two additional statutes which seem to limit your activities in this area.

So as we look at your compliance with Section 303 of Interior and Section 624 of Treasury appropriations, and as we focus on the publication or distribution of literature, even though that is only part of the prescription of these statutes, your memo directs the employees to lobby county commissioners or supervisors, or school administrators to explain the proposal and get their concerns and key items of support by March 30th.

Also, in your memo, you state that field units should seek opportunities to brief media on the proposal. In your mind, does that activity, or does that involve the distribution of literature or attempting to influence legislative proposals before the Congress?

Mr. DOMBECK. No. From the standpoint of—the questions that I asked myself with regard to your points on lobbying, and that is our responsibility is to provide information to our employees. And I believe this memo was an internal memo providing information to employees, so they were conversant on the issues proposed in the President's budget.

And I would be happy to discuss this with you and staff. Questions that I ask myself are is the information that we are disseminating, is it complete, is it objective. Are we discussing proposals by the administration, since the Forest Service is also a part of the executive branch.

Mrs. CHENOWETH. Well, I think Section 624 and Section 303 address that very, very clearly, and that is why I read very specifically from those Acts. That it prohibits lobbying activities of any kind by an agency to influence legislation before the Congress.

Also, on page 1 of your memo, you indicate that by March 30th the forest supervisors or district rangers must meet with and brief country commissioners or supervisors and district school administrators to explain their proposal and get their concerns and key items of support.

In your mind does this activity involve influencing a legislative proposal currently before the Congress?

Mr. DOMBECK. No. I believe that since these constituents are those most affected by proposed policies, it is very important that they understand what those effects will be.

Mrs. CHENOWETH. Chief Dombeck, then I ask why do you want to get their support on legislation before the Congress?

Mr. DOMBECK. This is a proposal put forth by the administration and it is part of the President's budget and the agency proposal. We are not advocating a pass/fail. We are telling them what it means to them, what the impacts will be, in an attempt to lay out the pros and the cons.

Mrs. CHENOWETH. Why are you attempting to get their support?

Mr. DOMBECK. What we are doing——

Mrs. CHENOWETH. I mean, that is lobbying, by definition.

Mr. DOMBECK. I think I would again just say that the counsel that I have received is that our responsibility is to provide information so our constituents, people that we deal with, can make an appropriate decision.

The specific definition that I work from on lobbying, and this could be where we have a difference, that I would be happy to discuss, is that lobbying is specifically the act of trying to influence a legislator.

And one of the things we are very careful not to do, and that I always advise employees, is that our responsibility is to provide information to constituents so they can make reasoned decisions.

Mrs. CHENOWETH. Chief Dombeck, it would seem that we would not be at a point of disconnect if we knew that rather than pushing your proposal through a communication plan and those activities laid out in the communication plan if we knew indeed that you were responsive to those who asked certain questions.

I think that is the difference. If somebody asks you a specific question, then by all means I think you should answer the question that is asked. No more, no less.

But to initiate the activity is, I believe, and a court will ultimately probably have to answer this, initiating lobbying activity. But I was interested in your answer because did the administration direct you to lobby, and influence these groups?

I mean, these are grassroots groups. Was it the administration that directed you to do this?

Mr. DOMBECK. No, they did not. We provide a wide variety of information on many, many topics to many people. Again, this was a proposal. The information that we put out, the letter was drafted by career Forest Service employees that have been in the field and are involved in many, many programs and have had experience in

dealing with the whole array of people that we deal with in the field.

Mrs. CHENOWETH. Well, Chief, you did sign the letter.

Mr. DOMBECK. Yes.

Mrs. CHENOWETH. I want to look a little more broadly. Since Section 303 prohibits any activity that in any way tends to promote public support or opposition to any legislative proposal on which Congressional action is not complete, and I was reading from the law, this involves a rather broad restriction on agency actions.

Since the activities outlined in your memo are meant to gain support for this legislative initiative, is it not a direct and blatant violation of Section 303?

Mr. DOMBECK. I do not believe so, no. And, again, I would be happy to get additional interpretations from counsel on this.

Mrs. CHENOWETH. Chief Dombeck, let me ask you, did you provide the same information and initiate providing the information, as you call it—I call it lobbying—with other industry groups, such as the logging and timber industry groups, grazing, other people, private sector individuals?

Mr. DOMBECK. I have personally discussed this proposal with, for example, when I was out in your State, most recently with county commissioners. I met with a wide variety of groups, including industry groups, unions.

We went to the National Association of Counties at their request to provide this information.

Mrs. CHENOWETH. I wonder if you would provide a list, by close of business tomorrow, of the names, addresses, and all the groups you provided information to.

Mr. DOMBECK. That I provided the information to personally?

Mrs. CHENOWETH. Yes. As directed through your memo, yes. Would you provide by close of business tomorrow a list of the people who were contacted as a result of your memo?

Mr. DOMBECK. Well, of course the memo was sent to regional foresters, and to many, many Forest Service employees. But the information is also all on the Internet for public viewing, for whoever wants to make it available.

Now, I would be happy to provide you that information. I am not sure we could, given the fact that we wouldn't even get the request out probably till the close of business today, I would be reluctant to promise that I could have it to you by the close of business tomorrow.

Mrs. CHENOWETH. Let us make it 10 days, 10 working days.

Mr. DOMBECK. Yes.

Mrs. CHENOWETH. Is that all right?

Mr. DOMBECK. Yes.

Mrs. CHENOWETH. Chief Dombeck, this line of questioning is the second line of questioning like this that I have tendered. I just want to ask you, as a Member of Congress and as chairman of this Committee, because the Committee members respect you and like you, I think you are treading, or your legal people are letting you tread on very, very tenuous legal grounds.

I join Mr. Nethercutt in the feeling that we want to help you succeed. We are very sincere about that, but this makes it exceedingly difficult for us when the Acts of Congress are blatantly ignored.

And I do not think that is your intention, but it is happening, and the buck stops with you.

I guess just personally I want to say, this awful dangerous for a man as young as you are, and has a long way to continue with your successful career. I am just speaking as an individual, but I feel very badly about this, and I hope that you will ask your people to re-evaluate this kind of activity. I really mean it.

I want to just close, Mr. Chairman, by saying we have heard some very startling information from GAO, from the Inspector General, and from you, Mr. Dombeck, today. And I know that there is a lot of frustration on both parts, and I want to come full circle and say there is a lot of blame to spread all over the place.

We are at critical mass, and I sincerely hope, in spite of the fact that this year gets crazy, because it is an election year, I really hope that we can work together to come up with solutions that take us out of critical mass, or we may have to look in an entirely different direction.

And that is not what our top priority is now. It may be what we have to resort to. And I appreciate you for your tenacity, Mr. Dombeck. Thank you very much.

Mr. DOMBECK. Thank you.

Mr. HERGER. [presiding] Thank you, Mrs. Chenoweth.

Mr. DOMBECK. I particularly appreciate the compliment about my age. I think that is only the second compliment I have received today, so thank you.

Mr. HERGER. Well, Chief Dombeck, I want to give you your third compliment. You and your entire team, everyone, really can be complimented for this long day, for answering these questions the best way you can.

I know this is difficult for you. It is difficult for all of us. As has been pointed out today, this is not a new problem. The problem that has been identified specifically by the GAO and IG and during this hearing today is one of mismanagement, including the mismanagement of $215 million during fiscal year 1995, with the Forest Service, that cannot be accounted for, and that was before you took over.

It is during this administration, but again this problem goes back even prior to this administration. I guess the concern I have is one that I would dislike very much to be back here 2 years from now or 4 years from now and see that things are not any different than they are today.

Perhaps to conclude this hearing today, if you could, I would like to ask you if you could be as specific as you can, Mr. Dombeck, on what some specific things that we are doing, as far as keeping the Forest Service's fiscal house in order, both in the fiscal area as well as the personnel area, which at least I alluded to earlier.

And also some specific dates of completion of these changes, if you could comment on that, please.

Mr. DOMBECK. I can comment on a few of these items, and then I would like to ask Mr. Pandolfi to elaborate. Much of this is in his area of expertise, as well as Clyde Thompson, also in this area.

But what I would suggest, we talked about the Foundation Financial Information System, the FFIS, and that is moving forward.

We are not out of the woods on that system, but the fact is it is moving forward.

We have brought Coopers & Lybrand in. We have got a wide variety of recommendations that we will be moving forward on this. And, again, what we really need is we really need the climate to bring about change.

And I think the time is right. For example, by mid-summer we will have a complete inventory of the Forest Service's real and personal property. And that includes location, the item, and the value.

There are a variety of steps. Before you can run you have to crawl. And we are moving ahead on some of these items. And are there more items that you would like to highlight, Francis?

Mr. PANDOLFI. There has been a lot of progress made to date, Congressman Herger. For example, in cleaning up data. We are expecting, and the IG has reported on this, and has indicated that in fact the data going into our systems now is a lot cleaner than it used to be, and a lot more useful.

Yes, the Chief just indicated, for example, that by June 30 we will have real and personal property assets in our system. So we can give you some more dates on this.

We are still struggling, though, with the FFIS, that the Chief just mentioned. You should know that. Our hope is that the system will be up and running—this is our general ledger—for all of the Forest Service units on October 1 of 1998.

But we cannot guarantee that. There are many problems yet to be overcome. And one of the things that you heard this morning was the Inspector General indicated that there was a qualified opinion given to the National Financial Center. They are our partner in this. We need to work together with them.

I wish we could give you firm dates, but it is going to be very hard. There a number of things that perhaps we could provide you that would be useful.

Mr. HERGER. Well, I would appreciate you considering the question that I asked, and if you could provide this Committee, this joint committee with some specific dates.

[The information referred to may be found at end of hearing.]

Mr. HERGER. I can assure you, and I do not say this to be down on you, but the fact is that the Congress is going to be watching this very closely. The Budget Committee that I sit on is going to be watching this very closely.

Again, we do not want to be here a year from now and look and see that we are not any further than we were today. So I want to encourage you to go out of your way to be very specific on what it is that we are going to be changing.

I want you to be very specific in analyzing these reports that have come out from the IG and the Government Accounting Office, because we are going to be watching those very closely.

And we are also here to work with you. The areas where you need help, you need assistance. I have in past years—it might seem ironic to you—but I have probably been one of your strongest supporters, as far as supporting your budget.

But I am serving notice, letting you know that I am going to be—if we are not getting the results, and if year after year we continue

to not get the results, not only am I not going to be supporting your budgets, I think you can look for some pretty dramatic decreases.

And that is not a threat. That is just merely be responsible to the American taxpayer.

So again, I do want to compliment you. You do have a very tough job. You have an incredibly tough job. I certainly recognize that, and your whole team.

Let me just conclude with this, and that is I believe everyone has indicated that we are very supportive, and recognize the outstanding effort of you and those who work for you.

It is the direction, and the policy that we have very serious question with, and I believe question for very good reason.

With that, this hearing stands adjourned. Thank you very much.

[Whereupon, at 4:02 p.m. the Committee was adjourned.]

[Additional material submitted for the record follows.]

LETTER WRITTEN TO HON. MIKE DOMBECK, CHIEF, U.S. FOREST SERVICE, BY DIANE HENDERSON–BRAMLETTE

On the eve of the end of my eighteen year career, I feel compelled to give you some feedback and reflections from "the field." I am 38 years old and have been the Forest Supervisor of the Modoc in R 5 for almost six years.

I love this position, the Forest and the Agency. I believe the Forest Service has one of the greatest workforce. We have employees that are well trained, educated and are dedicated to doing the best they can and care for the land.

We are world leaders in natural resource management. So it is with a mixture of sadness and joy as I leave my position to pursue my life-long dream as an entrepreneur in the private sector. However, a secondary reason for my departure is my frustration and dismay of the ever-increasing redundant andcostly Agency practices, policies and regulations, the lack of accountability both with all employees and with Agency management, and the lack of leadership and vision throughout all levels of the Forest Service.

I share my reflections and concerns not as criticism based in malice or bitterness, rather as feedback based in a positive and caring light.

Hopefully, they may invoke some pondering and along with other feedback,ultimately lead to some change.

ACCOUNTABILITY

Somehow over the years, the Agency's leadership has created an environment that is not accountable personally nor professionally. To further compound the problem, many Supervisors have confused accountability with caring foremployees. I believe that many times Supervisors have not been honest with employees concerning performance, work behavior, and controversialissues, such as downsizing because they don't want to hurt employees, they fear complaints/grievances will be filed or they will not be supported from above. As a result, trust, morale, productivity and efficiency suffer. I believe the long-held traditional maternalistic/paternalistic attitudes of this Agency need to end. The Agency must deal with nonperformance, ethicaland Civil Rights violations in a more direct and active manner.

In addition employees need honest and direct information concerning their future and that of this Agency. Please remember, employees are savvy and intelligent and usually have most information instantaneously, often times before Administrators do. Unfortunately, many Management attempts to help employees by not being open and direct and sharing information has hindered our ability to be an effective and efficient Agency. In the end this usually creates worse and more drastic effects on the workforce.

I encourage you to continue to be open and direct with the workforce. In addition, require all management to be honest and forthright regardless of the nature of the information. Lastly, please support those individuals whom are pro-active with dealing with sensitive issues. Most employees would rather have the "bad news" and make their own decisions than allow others to do so for them, or wait until options are more limited.

Sadly, I wish I had practiced this more throughout my career.

LEADERSHIP AND VISION

I feel we are trying to be everything, to everyone, all the time. As a result, we deliver very little to anyone. This causes distrust within the Agency and with the public since we make vague commitments in an attempt to please all parties and be politically correct. Again, this only increases the distrust, as we continue with bureaucratic rhetoric which the public does not understand nor want.

Increasing collaboration with the public in our process is a great idea. However, our Society is so polarized today, that difficult decisions still need to be made at times that may not please any or all of our Stakeholders. Yet we are fearful to make any decision or take any action that may result in litigation, an appeal or public uproar, especially if that leads to political or administration involvement. The end result to the Agency is a state of paralysis that produces costly and ineffective or poor decisions. We need an environment that allows employees to take risks and pursue decisions or actions that are the best for the land even if there is controversy from some groups or appeals/litigations. Without that environment, we will continue to make non-decisions and muddle through to the next crisis, wasting taxpayer's money and employees time and energy and lowering morale.

Therefore, I believe it is imperative to have a clear vision and purpose for this Agency which is articulated to the entire workforce. It has been difficult and frustrating to lead a Forest into the 21st Century when I have had little or no idea of the future of this Agency nor its direction.

Leaving that decision to each Forest is setting this Agency up for continued and increased chaos, dysfunction and ultimately the Agency demise. I realize change is inevitable and will continue to occur at an increasing pace.

However, I strongly encourage you to work with Congress, the Administration and Employees to clearly define that vision and articulate it, even if it changes periodically. Then employees can make decisions effectively and efficiently more sure they are promoting the Agency's goals, and do so without fear. Thus ultimately enhancing the Agency image and increasing trust between all parties.

CIVIL RIGHTS & EEO

I believe the Civil Rights/EEO programs and policies are outdated, ineffective and antiquated. I read the Civil Rights Action Team Report with dismay. This Agency has been trying many of the items as outlined in the reports for decades, apparently with little success and with great cost yet we continue to expect different results with the same actions.

I really feel many of the problems would be resolved if individuals were held accountable for their actions, including management at all levels. In the early years of my career, I experienced a lot of sexual harassment and discrimination. I never filed a complaint and yet I always felt the situations were resolved and corrected. They were corrected through open and honest communication, education for all parties and through adverse actions if necessary. We were held accountable for our actions.

Sadly, I have experienced more gender and sexual harassment and physical assault in the last six years then I have in previous years. Much to my amazement I watched many of those individuals be promoted. Thus, I feel many of this Agency's challenges lie within the upper levels of Management, their actions and attitudes, and not within the lower organization levels.

Until Management is held accountable there will be little change. Why should there be? Why should employees at lower organizational levels be held to a higher standard or be more accountable than that of their leaders?

As I watch the present backlog of EEO complaints be settled, I am again dismayed. It appears to many of us that the direction is "settle at any cost." I am perplexed when I see cases settled for large sums which have little merit, with the only rationale being "it makes good business sense."

If the Agency is in the wrong then settle and hold the responsible individual(s) accountable. If the Agency is not in the wrong then don't agree to large monetary settlements. I realize that many times it is good business to settle rather than go to court. However, it does send a strong negative message. Is it a message you want to send? I believe the system is broken and needs repair. Until both grievant, or complainant and the Agency is truly held accountable, it is too easy to abuse the system and little will change.

Overall, my career has been fantastic. I have worked with great, intelligent, and ethical individuals. I have learned so much and I will continue to care about this Agency. I only hope my next career is as successful, memorable and great as this one.

I wish you well in the difficult and formidable challenges you and the Agency face. You have one of the greatest workforces around, involve them, trust them and be honest with them. Thank you.

DIANE HENDERSON–BRAMLETTE,
Forest Supervisor

GAO REPORTS/TESTIMONIES RELATED TO THE FOREST SERVICE

GENERAL MANAGEMENT ISSUES

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Forest Service: Barriers to Generating Revenue or Reducing Costs (GAO/RCED-98-58, Feb. 13, 1998).

Forest Service Decision-Making: A Framework for Improving Performance (GAO/RCED-97-71, Apr. 29, 1997).

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Management Reform: Completion Status of Agency Actions Under the National Performance Review (GAO/GGD-96-94, June 12, 1996).

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Natural Resources Management Issues (GAO/OCG-93-17TR, Dec. 1992).

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Forest Service (GAO/AIMD-97-11R, Dec. 20, 1996).

Forest Service's Financial Data Limitations (GAO/RCED-96-198R, June 19, 1996).

First Audit of the Forest Service's Financial Statements (GAO/T-AFMD-91-4, Apr. 25, 1991).

Financial Audit: Forest Service's Financial Statements for Fiscal Year 1988 (GAO/AFMD-91-18, Mar. 18, 1991).

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Forest Service: The All-Resource System's Cost Features and Areas for Future Improvements (GAO/AFMD-90-62, May 1, 1990).

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Agricultural Marketing: Status of the Forest Products Industry (GAO/RCED-92-170BR, June 23, 1992).

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Statement of Barry T. Hill,

Messrs. Chairmen and Members of the Committees:

We are pleased to be here today to discuss the management of the Department of Agriculture's Forest Service. Our testimony will summarize (1) our prior and ongoing work on the agency's financial and operational management and (2) actions that need to be taken to hold the Forest Service accountable for its expenditures and performance.

Our comments are based primarily on two reports issued within the last year that, together, cap over a decade of work and over 45 GAO products on the Forest Service.[1] Our testimony also draws on recently issued reports on the status of the agency's progress toward financial accountability[2] and the preliminary results of our work to date for you and other requesters on forest health, contracting practices, and budget reform.

In summary, our prior reports, reinforced by our ongoing work, have led us to observe the following:

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[1]See Forest Service Decision-Making: A Framework for Improving Performance (GAO/RCED-97-71, Apr. 29, 1997) and Forest Service: Barriers to Generating Revenue or Reducing Costs (GAO/RCED-98-58, Feb. 13, 1998).

[2]Forest Service: Status of Progress Toward Financial Accountability (GAO/AIMD-98-84, Feb. 27, 1998), Financial Management: Forest Service's Progress Toward Financial Accountability (GAO/AIMD-97-151R, Aug. 29, 1997), and Forest Service (GAO/AIMD-97-11R, Dec. 20, 1996).

- Forgone revenue, inefficiency, and waste throughout the Forest Service's operations and organization have cost taxpayers hundreds of millions of dollars. For example, as we have previously reported, the Forest Service has often not obtained fair market value for goods or recovered costs for services when authorized by the Congress and has not always acted to reduce or contain costs as requested by the Congress. The agency's financial statements are unreliable, and expenditures of significant amounts cannot be accounted for. Furthermore, as our ongoing work is showing, the Forest Service's weak contracting practices have exposed appropriated dollars to an increased risk of fraud, waste, and abuse. These and other findings have led us, Agriculture's Inspector General, and Forest Service task forces to make numerous recommendations to improve performance. The agency has not acted on some, has studied and restudied others without implementing them, and has left the implementation of others to the discretion of its independent and autonomous regional offices and forests with mixed results.

- To improve its operational efficiency and effectiveness, the Forest Service must be accountable for its expenditures and performance. While the agency has, in recent years, made some progress, it is still years away from achieving financial accountability and possibly a decade or more away from being accountable for its performance. Specifically, the Forest Service has identified the actions required to correct known accounting and financial reporting deficiencies and

has established a schedule to attain financial accountability within the next few years. In addition, the agency has taken an important first step toward becoming accountable for its performance by making clear that its overriding mission and funding priority, consistent with its existing legislative framework, has shifted from producing goods and services to maintaining and restoring the health of the lands entrusted to its care. However, it has not identified the actions required to correct decade-old problems with its data, measurement, and reporting; addressed new challenges resulting from its changed priorities; or established a schedule to achieve accountability for its performance by a certain date. Strong leadership within the agency and sustained oversight by the Congress will be needed to ensure that the actions required to hold the agency accountable for its performance are identified and that the Forest Service adheres to schedules to achieve both performance and financial accountability.

OPPORTUNITIES EXIST FOR THE FOREST SERVICE TO OPERATE MORE EFFICIENTLY AND EFFECTIVELY

Reports that we have issued during the last decade have identified numerous opportunities for the Forest Service to generate more revenue or to operate more efficiently and effectively. However, few of our recommended improvements have been implemented, and many of the agency's processes and programs remain broken and in need of repair.

For instance, when the Congress has given the Forest Service the authority to obtain fair market value for goods or recover costs for services, the agency often has not done so. It has not obtained fair market fees for commercial activities on the national forests–including resort lodges, marinas, and guide services–or for special noncommercial uses–such as private recreational cabins and special group events–or recovered the costs incurred in reviewing and processing applications for special-use permits. The Forest Service also (1) has not charged fair market value for rights-of-way for oil and gas pipelines, power lines, and communications lines on its lands and (2) has not used sealed bids for certain timber sales, relying instead on oral bids, which generate lower revenue. As a result, the agency forgoes at least $50 million in revenue annually.

Internal and external reviews of the Forest Service's processes and procedures have identified opportunities for the agency to operate more efficiently at virtually every organizational level. According to a November 1995 Forest Service report, inefficiencies within the agency's decision-making process cost up to $100 million a year at the individual project level alone. Factors contributing to increased costs within the agency's decision-making process include the following:

- The Forest Service is not held accountable for developing forest plans in a timely, orderly, and cost-effective manner. For example, the agency spent

about 10 years and $13 million revising the plan for the Tongass National Forest in southeastern Alaska.

- The agency has historically failed to live up to its own monitoring requirements. Because it has not obtained needed information, federal regulatory agencies and other stakeholders continue to insist that it prepare increasingly time-consuming and costly detailed environmental analyses and documentation before making a decision--effectively front-loading the process and perpetuating a cycle of inefficiency.

- Noncompliance with environmental and planning requirements is also time-consuming and costly. Because some forests have not satisfied or complied with these requirements, timber sales contracts have been suspended or canceled.

- For timber sales contracts that are canceled, the agency has not developed new regulations and a new timber sales contract that would limit the government's liability and redistribute the risk between the Forest Service and the purchaser.

- Limitations in data and systems, which hindered the adequacy and implementation of many of the agency's early forest plans, persist over a decade later and continue to hinder the development of revised plans, result in

legal challenges to plans and projects, and limit the implementation of efforts to improve the timeliness of decisions.

Inefficiency and waste are not limited to the Forest Service's decision-making process. Preliminary results in a soon-to-be-issued GAO report to the Chairman of the House Committee on Agriculture on the Forest Service's contracting practices indicate that, in fiscal year 1996, the agency's weak contracting practices made $443 million in appropriated funds vulnerable to fraud, waste, and abuse. Many of the principal elements of an effective procurement system--including routine supervision of its contracting officers and monitoring and evaluation of the contractors' progress and performance--are absent in the Forest Service, and the internal controls that are used--such as limits on the authority of contracting officers--are not consistently applied or effectively implemented. Moreover, the agency has not required its field offices to comply with governmentwide regulations intended to reduce hurried and unnecessary procurements, enhance competition, and reduce costs, and it has not complied with Department of Agriculture-wide requirements intended to improve performance. Forest Service managers told us that they believe that the agency's contracting officers are well trained to perform their duties and that their spending authority is limited on the basis of their education and experience. Therefore, Forest Service managers "trust" the contracting officers to perform competently and ethically.

Inefficiency within the Forest Service's business processes is accompanied by numerous shortcomings in the agency's accounting and financial data and information systems that preclude the Forest Service from presenting accurate and complete financial information. For example, in reporting its fiscal year 1995 financial results, the Forest Service could not identify how it spent $215 million of its $3.4 billion in operating and program funds. In addition, the $7.8 billion value reported for assets--including property, plant, and equipment--was erroneous because the records for these assets were not consistently prepared, regularly updated, or supported by adequate documentation.

Because of these and other deficiencies, Agriculture's Inspector General concluded that the agency's financial statements for fiscal year 1995 were unreliable. In addition, in 1996, we reported that the inaccuracy of the financial statement data precluded the Forest Service and the Congress from using these data to help make informed decisions about future funding for the agency and raised questions about the reliability of the agency's program performance measures and certain budget data. For instance, the Forest Service's current system for maintaining cost data does not enable the agency to associate the costs incurred in generating revenue from various forest uses. As a result, the Forest Service is unable to provide data showing the costs and revenue of management activities being carried out on each of the national forests.

Recommended Improvements Have Not Been Implemented

Over the years, we, Agriculture's Inspector General, and internal Forest Service task forces have made numerous recommendations to improve the Forest Service's financial and operational performance and to obtain a better return on the American taxpayers' multibillion-dollar annual investment in the agency. However, the agency has not acted on some recommended improvements and has studied and restudied others without establishing a clear sequence or schedule for reaching closure.

When improvements are adopted by the agency's leadership, their implementation is often left to the discretion of regional offices and forests with uneven and mixed results. The Forest Service has consistently operated under the principle that its independent and autonomous regional offices and forests can determine how best to manage their lands and resources. As a result, the agency has given its field managers broad discretion in decision-making. Although accountability should be the price that these managers pay for the freedom to make choices, the Forest Service has given them broad discretion in complying with financial and performance accountability requirements as well as in implementing efforts to operate more efficiently and effectively.

For example, in a 1980 report on the Forest Service's then relatively new planning process, we identified the need for a complete inventory of the national

forests' natural resources and noted that without such an inventory, forest plans are bound to be inadequate. Over a decade later, we found that these deficiencies persisted throughout the agency, and the Forest Service has conceded that, regrettably, delays of 2 years or more must still be expected when some forest plans are revised because "realistically, many forests do not have fully updated inventories."

Similarly, Agriculture's Deputy Assistant Inspector General recently testified that the Forest Service's reported maintenance backlog of between $7.3 billion and $8.3 billion is "outdated, inconsistent, inflated, and not readily supported."[3] To correct these deficiencies, we had recommended in 1991 that the Forest Service (1) require that data on maintenance needs be collected and (2) install internal controls to ensure the accuracy of the reported maintenance backlog. The agency agreed with our recommendations; however, 3 year later, the Inspector General followed up on the recommendations and found that little or no corrective action had been taken. Four more years later, the Inspector General again reported that the Forest Service had not established a comprehensive, systematic method to collect and report information on the backlog, nor could it ensure the reliability of the data that had been reported. Once again, the agency generally agreed to implement corrective action.

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[3]Forest Service Maintenance Backlog, U.S. Department of Agriculture, Office of Inspector General, Feb. 4, 1998.

The Forest Service has also failed to sustain the management attention needed to implement operational improvements recommended by the agency's own task forces. For instance, a February 1994 report by a Forest Service task force on accountability set forth a seven-step process to strengthen accountability and made recommendations to help the agency change its behavior. The concepts in the task force's report were adopted by the Forest Service's leadership team and distributed agencywide. However, the task force's recommendations were never implemented throughout the agency.

Similarly, in November 1995, a Forest Service reengineering team made recommendations to streamline and improve the process for conducting project-level environmental analyses. However, the agency has not acted on these recommendations or on proposals from other initiatives, many of which were identified as "high priority." Instead, it has simply rolled them over from year to year.

Lack of sustained management attention has also characterized the Forest Service's response to requests by the Congress for the agency to contain costs. For example, concerned with the escalating costs of the Forest Service's timber program, the Congress, in fiscal year 1991, asked the agency to develop a multiyear program to reduce the costs of its timber program by not less than 5 percent per year. The Forest Service responded to these and other concerns by undertaking a cost-reduction study and issuing a report in April 1993. However, the agency left the implementation of the

field-level action items to the discretion of each of its nine regional offices, and while some regions rapidly pursued the goal of becoming cost-efficient, others did not. In April 1997, the Forest Service was preparing to undertake the third major examination of its timber program in the last 4 years. Meanwhile, the costs associated with preparing and administering timber sales remain higher than in fiscal year 1991 when the Congress first voiced its concern.

STRONG LEADERSHIP WITHIN THE FOREST SERVICE AND SUSTAINED OVERSIGHT BY THE CONGRESS WILL BE NEEDED TO ENSURE CORRECTIVE ACTION

To improve its operational efficiency and effectiveness, the Forest Service must be held accountable for its expenditures and performance. Although the agency has promised to improve its accountability for the last 10 years, it has not done so. In the interim, the Forest Service has asked for, and the Congress has provided, increased discretion in fiscal decision-making. Specifically, the Congress has simplified the agency's budget structure and significantly increased its spending flexibility to ensure that funds are available when and where they are needed.

During the past 2 years, the Forest Service has taken steps to achieve financial accountability. It has (1) identified the actions needed to correct known accounting and financial reporting deficiencies and (2) established a schedule to achieve financial accountability by the end of fiscal year 1999. The Forest Service has not, however, (1) identified the actions needed to correct decade-old performance-related deficiencies or

to address new problems that have been arisen or (2) established a schedule to achieve accountability for its performance by a certain date.

The Forest Service Has Not Kept Its Promises to the Congress to Improve Accountability

In 1987, the Forest Service proposed a "quid pro quo" to the Congress. If the Congress would increase the agency's flexibility in fiscal decision-making, the Forest Service would improve its accountability in budget execution through better accounting for its expenditures and performance.

During the intervening decade, the Congress has given the Forest Service virtually all of the flexibility in fiscal decision-making that it requested. For fiscal year 1995, the Congress (1) simplified the Forest Service's budget structure by consolidating budget line items and extended budget line items and (2) expanded the agency's reprogramming authority, giving the Forest Service greater latitude in shifting funds between and within the line items. In addition, the Congress, beginning in fiscal year 1997, made all of the agency's discretionary appropriations available for an unlimited number of years (no-year appropriations). However, the Forest Service has not improved its accountability as it promised, and, beginning in fiscal year 1998, the Congress began to reduce the agency's latitude to shift funds between and within budget line items.

The Forest Service May Not Meet Its Goal of Achieving Financial Accountability by September 30, 1999

Since Agriculture's Inspector General reported in July 1996 that the Forest Service's financial statements for fiscal year 1995 were unreliable, the agency has taken steps to achieve financial accountability. In its report, the Inspector General identified shortcomings in the Forest Service's accounting and financial data and information systems that preclude it from presenting accurate and complete financial information. Forest Service officials determined that corrective actions could not be completed in time to improve the agency's fiscal year 1996 data. As a result, the Forest Service did not prepare financial statements for fiscal year 1996.

Instead, the Forest Service, the Inspector General, and Agriculture's Office of the Chief Financial Officer identified the actions that would be required to correct the deficiencies and have established a schedule to do so by the end of fiscal year 1999. Implementation of a new financial accounting system for the agency is a joint responsibility of the Forest Service and the Office of the Chief Financial Officer. The Forest Service is also responsible for implementing other corrective measures that are required to achieve financial accountability.

The Forest Service has taken some positive steps to address its accounting deficiencies. However, serious problems have been encountered in attempting to implement the agency's new financial accounting system. Additional accounting

problems–such as the lack of reliable account balances for lands, buildings, and roads and the lack of detailed records to substantiate amounts that the agency either owes or is owed by others–continue to hamper the Forest Service's ability to produce reliable financial information. In addition, the new financial accounting system to be implemented departmentwide–purchased by Agriculture's Office of the Chief Financial Officer in December 1994–is not Year 2000 compliant.

According to several agency officials responsible for implementing the new financial accounting system or taking other corrective measures, the Forest Service is unlikely to achieve its goal of financial accountability by the end of fiscal year 1999 if the serious problems with the new financial accounting system are not corrected. Thus, the earliest that the Congress may have assurance that the agency's financial statements are reliable may be when Agriculture's Inspector General reports on the Forest Service's fiscal year 2000 statements sometime in fiscal year 2001.

The Forest Service Has No Goal or Schedule for Achieving Accountability for Its Performance

On the basis of our work, we believe that the Forest Service's statements of performance are also unreliable and that numerous shortcomings in its inventory data, accomplishment measures, and reporting systems preclude it from presenting accurate and complete performance information. Although the Forest Service has known of these problems for over a decade, it has not (1) identified the actions needed to

correct the deficiencies or (2) established a schedule to achieve accountability for its performance by a certain date. In addition, new performance-related problems have arisen as the agency attempts to (1) shift its emphasis from consumption (primarily producing timber) to conservation (primarily sustaining wildlife and fish) and (2) move from managing individual resources, such as wildlife, recreation, timber, range, and water, to a more comprehensive approach to land management (ecosystem management) that considers the interaction among management activities and programs.

In a March 1988 report,[4] we stated that before the Forest Service could be held accountable for its performance, it would need to accurately charge costs to accounts, identify useful program output targets, accurately record and report target accomplishments, and relate useful oversight targets to forest plans. The report noted that the Forest Service was, at the time, addressing all of these problems. Today, 10 years later, the agency is still addressing these problems.

New problems have also arisen as the Forest Service has shifted its emphasis from consumption to conservation and from managing individual resources to managing natural systems. As the agency has made clear in several recent documents--including its September 30, 1997, strategic plan prepared under the Government

[4]Forest Service: Evaluation of "End-Results" Budgeting Test (GAO/AFMD-88-45, Mar. 31, 1988).

Performance and Results Act of 1993 (the Results Act), its proposed fiscal year 1999 budget, its first annual performance plan developed under the Results Act, and the Chief's March 1998 natural resource agenda for the 21st century–its overriding mission and funding priority, consistent with its existing legislative framework, is to maintain or restore the health of the lands entrusted to its care. The agency intends to limit goods and services on national forests–including recreational experiences, commercial sawtimber and other forest products, and livestock and wildlife forage–to the types, levels, and mixes that the lands are capable of sustaining. The documents also make clear that the agency intends to fulfill this responsibility primarily by maintaining and restoring the health of aquatic, forested, and rangeland ecosystems.

By clarifying its central mission and funding priority, the Forest Service has taken a significant first step toward establishing accountability for its performance. However, before the agency can be held accountable for its performance, other components of its planning, budgeting, and reporting processes and systems must be aligned with its strategic goals and objectives. Currently, there is no clear link between the Forest Service's ecosystem-based goals and objectives and its budget line items, funding allocation criteria, and performance measures.

For example, the fiscal year 1995 budget reforms were intended to improve efficiency and accountability by, among other things, consolidating the funding for a project or an activity in one program. Thus, all activities in support of a timber sale–

including expenditures for a watershed survey, wildlife habitat mitigation, and/or an inventory of archaeological sites–were to be consolidated in and paid for by the timber program. However, under the Forest Service's integrated approach to natural resources management, which emphasizes maintaining and restoring the health of aquatic, forested, and rangeland ecosystems, the timber program is often no longer the program that primarily benefits from a timber sale. Rather, the sale is used as a "tool" for achieving a land stewardship objective that requires manipulating the existing vegetation. Such objectives include promoting the forests' health, creating desired wildlife habitat, and reducing fuels and abnormally dense undergrowth that have increased the threat of unnaturally catastrophic fires.

Since the Forest Service's current budget structure remains highly fragmented along the lines of individual program functions, it works against an integrated approach to natural resources management. For example, an analysis linking the strategic objectives of the agency with its budget structure for fiscal year 1999 identified at least 23 funding sources that could be used to restore or protect a forested ecosystem, indicating that consolidation for strategic planning, efficiency, and accountability purposes has not been accomplished.

The fiscal year 1995 budget reforms were also intended to improve accountability by providing a better link between expenditures and performance. However, 12 of the 23 potential funding sources for forested ecosystems–including

those for forest health, forest stewardship, wildlife habitat management, timber sales management, timber salvage sales, and wildland fire preparedness and operations–also fund one or more other objectives, making it difficult to determine the effects of different funding levels on forest-health-related outputs and outcomes.

In addition, to be most useful to congressional and executive branch decisionmakers, performance information needs to be consolidated with the financial and program cost data in financial statements. However, it is not clear how costs will be charged to accounts so that the agency's financial accounting system can identify and link costs to each objective.

Many of the Forest Service's criteria for allocating funds to its regions and forests are also not clearly linked to its strategic objectives. While the Forest Service's objectives focus on maintaining and restoring aquatic, forested, and rangeland ecosystems and on improving the delivery of goods and services, the agency's funding allocations are based, not on need, but rather on factors such as numbers of acres, forests, or endangered species and on prior years' funding.

Developing data and measures to gauge performance toward meeting long-term and annual goals has also become more problematic for the Forest Service. Revenue and commodity outputs are now contingent on healthy aquatic, forested, and rangeland ecosystems, and the focus of the agency's strategic goals and objectives is

tending toward a system of dynamic, interrelated objectives--frequently called "desired future conditions"--rather than a set of discrete objectives for individual programs or resources, such as the volume of timber offered or sold. However, the agency does not know the condition of many of these ecosystems. In addition, it has not developed objective, verifiable accomplishment measures and criteria that focus on actual improvements and gauge longer-term (5- to 10-year) trends in the condition of specific resources or attributes of environmental quality, such as sediment loads in streams or the percentage of trail miles meeting a specific standard.

In its February 1998 annual performance plan developed under the Results Act, the Forest Service acknowledged that inventories of 40 percent of the aquatic ecosystems on its lands are inadequate to determine their condition and that the boundaries of many of these ecosystems have not been systematically delineated. Similarly, descriptions of the condition of forested ecosystems within the national forests are generally based on estimates, and the criteria for determining their condition and prioritizing needed actions have not been developed.

In its June 1990 Critique of Land Management Planning,[5] the Forest Service stated that "meaningful production goals for recreation, water, wildlife, and fisheries have yet to be established, even in theory, and reported accomplishments would be

[5]Critique of Land Management Planning, Vol. 2, National Forest Planning: Searching for a Common Vision, Forest Service (FS-453, June 1990).

nearly impossible to evaluate objectively or even verify independently." Our work indicates that, in the intervening 8 years, the agency has not made a serious, systematic attempt to undertake this admittedly daunting task. Establishing such goals is, however, essential to being able to predict with any reasonable degree of certainty what levels of goods and services the national forests can produce.

Therefore, identifying objective and independently verifiable measures of the health of aquatic, forested, and rangeland ecosystems must be the Forest Service's first focus in developing a schedule to achieve performance accountability. If such measures cannot be developed, then the Congress and the American public will not have an objective basis for evaluating the agency's performance or for assessing the benefits derived from the yearly investment in the Forest Service.

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In conclusion, Messrs. Chairmen, we recognize that the Forest Service is not a private firm and that its stewardship responsibilities and conservation mandates constrain its ability to generate revenue and provide goods and services. We also recognize that protecting "public goods," like endangered and threatened species and their habitats, increases management costs on the national forests. However, we believe that the agency is also responsible for spending taxpayers' dollars wisely and

providing taxpayers with a complete and accurate accounting of how funds are spent and what is accomplished with the money.

Forgone revenue, inefficiency and waste, increased vulnerability to fraud and abuse, and lack of financial and performance accountability indicate to us that the American public is not receiving a fair return for its annual investment in the Forest Service. Unlike the management of national forests, compliance with the requirements for financial and performance accountability cannot be left to choice, and strong leadership within the agency and sustained oversight by the Congress will be needed to ensure corrective action. We believe that, at a minimum, the agency must replace its decade-old promises to improve with firm schedules to correct identified management deficiencies and to achieve both financial and performance accountability. Finally, we believe that future years' funding should be based, in part, on the Forest Service's demonstrated progress toward developing and implementing these schedules.

Messrs. Chairmen, this concludes our prepared statement. We will be pleased to respond to any questions that you or the Members of the Committees may have.

(141172)

TESTIMONY OF

ROGER C. VIADERO

INSPECTOR GENERAL

U.S. DEPARTMENT OF AGRICULTURE

BEFORE THE U.S. HOUSE OF REPRESENTATIVES

COMMITTEE ON APPROPRIATIONS

SUBCOMMITTEE ON INTERIOR AND RELATED AGENCIES

March 26, 1998

Thank you, Mr. Chairman and members of the Committee. I am pleased to be here to provide testimony about the Forest Service's financial management. With me today is Robert Young, Deputy Assistant Inspector General for Audit.

Reliable financial data is essential to provide the basis for informed decision-making and program assessment. USDA has made significant strides in improving its financial management systems since the advent of the CFO Act in 1990, but much remains to be done, particularly with the Forest Service.

The Forest Service's financial statements are not reliable. Reliability is defined by the Financial Accounting Standards Board as "the quality of information that assures that information is reasonably free from error and faithfully represents what it purports to represent." Our annual financial statement audits, which we have performed since 1991, have only disclosed a limited correlation between the Forest Service's accounting numbers they report and the resources or events those numbers are to represent.

The weaknesses in the agency's financial management systems are long-standing and very significant. The deficiencies are prevalent throughout the accounting process, from the rudimentary recording of accounting transactions through to material internal control weaknesses at the National Finance Center (NFC). I will briefly describe these problems to provide you with a sense of the lack of reliability of the financial data and the pervasiveness of the problems. I will try to avoid a lot of detail; I know the subject of accounting is one which generally does not trigger the release of endorphins.

Accounting at the Field Level

The lack of accountability which besets the Forest Service's financial data begins at the entry level. Transactions historically have not been adequately documented and supporting records have not been maintained. A prime example of this rudimentary problem is the property, plant, and equipment account. The Forest Service is required to account for its real property, which consists of land, roads, buildings, and structures, and personal property, which are all other fixed assets, from the time of acquisition through to disposal. The most recent Forest Service financial statement in 1995 disclosed that the agency had property, plant, and equipment, referred to as PP&E, with a book - meaning depreciated - value of almost $8 billion. The Forest Service does not, however, rely on NFC's general ledger to account for PP&E. Instead, amounts reported to the General Services Administration in the Annual Report of Real Property Owned or Leased are considered by the agency to be its most reliable source of real property values. The GSA report is updated every year by the Forest Service units.

The asset values in the GSA report do not reconcile to the general ledger, nor do the manual real property summary records, in turn, reconcile to the ledger sheets for each property item. In addition, inventories of real property have not been routinely performed. As a result, no reasonable determination can be made as to what the real property balance should be. Personal property balances are also questionable. Our financial statement audits have found that property had not been recorded, property was recorded at erroneous values, and disposed of property still remained on the books.

Inadequate internal controls at the field level also impair the reliability of what the Forest Service reports as accounts payable. Specifically, the operating level has been unable to differentiate between an undelivered order, which represent a budgetary recognition of an obligation setting aside equity to eventually pay for an order, and an accounts payable, which is the financial recognition that a liability has been incurred. Put another way, an undelivered order is established at the time the Government obligates a purchase whereas the accounts payable is recorded when the goods procured are actually received. Our audits have found erroneous misclassifications as high as 76 percent. The Forest Service has been unable to rectify this problem at the field level and now attempts to compute its accounts payable balance by statistically sampling obligations, projecting the amount classified in error, and adjusting the balance.

Financial Statement Compilation Process

Our last financial statement audit in 1995 was impeded by the lack of quality information presented to us for audit by the Forest Service. Personnel were assigned to the process only on a parttime basis and had little or no experience preparing financial statements and management oversight was not adequate to ensure the statements were properly and accurately prepared. As a result, we identified many errors, inconsistencies, inadequate disclosures, and departures from applicable federal financial accounting principles. Completion of the statements was not timely and numerous corrections had to be made.

Management Codes

The Forest Service accounts for expenditures through a vast, complex, and nearly unauditable network of "management codes." Management codes are established as prestructured budgets; an operating plan is developed at the beginning of the year which sets forth the prospective distribution of expenditures. The methodology used to develop these allocations are based on empirical data and generally are not adequately documented. The Forest Service uses about 100,000 management codes which can contain up to 99 lines of accounting each. Though some codes are centrally prescribed, the preponderance are locally developed and are unique to each venue. The accounting distribution for each management code contains multiple fields, each of which contain innumerable options. For example, one field is called the fund code, which equates to an expanded budget line item. Another is the

retroactive redistribution is needed, in part, because Congress sometimes retroactively rescinds appropriations. Our contact with USDA's Budget Officer disclosed, however, that the Forest Service has been the subject of recissions only 4 times in the past 10 years, representing about 13 percent of the total USDA funds rescinded during that time. Further, all rescissions have been Governmentwide to offset supplementals and have featured adequate notice which allowed for sufficient planning. Our reviews have disclosed the vulnerabilities associated with the management code process. For example, we found that "office equipment repairs" at one location were to be charged on the basis of the extent to which employees worked on the programs. We found, however, that 47 percent of the expenses were charged to the Salvage Sale program even though only 20 percent of the employees were assigned in that area. At another location, the forest supervisor's salary was charged almost exclusively to reforestation, and no other program or administrative activity, which does not appear reasonable. At another location, the salary costs of the personnel and financial management staffs, telephone costs, and computer maintenance expenses were disproportionately charged to reforestation (40 percent) and salvage sales (29 percent). Another recent audit we performed on the Wildlife and Fisheries Habitat Management Program disclosed that incurred costs were shifted from wildlife to another program to avoid overspending wildlife funds. We concluded that the process provides the latitude to charge costs to fund codes based upon the availability of funding rather than where funds are actually expended.

Accounting Systems Not Integrated

The Forest Service utilizes the NFC's Central Accounting System, or CAS, to account for many, but not all of its financial accounts. Since 1993, the Forest Service has used NFC's general ledger accounts to compile its statements. Although adopting the general ledger represented a significant improvement in the agency's financial management, numerous problems continue to undermine the reliability of the data reported through the feeder systems. First, the Forest Service generates some of its financial information from stand-alone automated systems and various manual processes each of which feature their own material weaknesses. Timber sales, for example, are accounted for in the Automated Timber Sale Accounting System, which due to timing problems does not adequately reflect accrued sales. Real property, as I mentioned, is compiled from reports to GSA, and not from a centralized accounting system. Second, many accounts generated from the CAS require additional analyses to determine the kinds of information not included in the ledger and any necessary adjustments. This process frequently results in questionable or unsupported changes to accounts. Lastly, even if the Forest Service's financial management systems were adequate, the CAS is not. Weaknesses in NFC's systems alone would be sufficient to impair the integrity of the reported data.

National Finance Center

Our reviews at the National Finance Center have disclosed continuing severe internal control weaknesses, culminating most recently with an adverse

work activity code. There are hundreds of work activity codes to choose from, spanning program areas, such as wildlife, to functional areas, such as planning, to administrative areas, such as human resources. The Central Accounting System is ill-equipped to process the morass of management code activity. When transactions are initially posted, only the first line of what might be 99 lines of accounting on the record is input to the system. Periodically thereafter, usually monthly, the original transactions are reversed and distributed over all of the detailed accounting lines. This process is called the management code "explosion." All semblance of accountability is greatly impaired, however, through the capability to modify the management codes at any time during the year. This process, referred to as retroactive redistribution, provides the capability to change, for example, the predetermined percentages of expense allocation or even the appropriation account. For example, the Forest Service may have prescribed that 20 percent of a regional forester's salary would be charged to the National Forest Treasury symbol, the fund code of Rangeland Management, and the remainder allocated to other program areas. Every two weeks when the payroll is run, the employee's salary equating to that percentage is charged accordingly. At any time this percentage or the impacted programs can be changed. When the retroactive redistribution occurs, all preceding transactions are reversed and reposted according to the revised criteria. It is difficult to identify where changes occurred and all record of prior activity can be potentially retrieved only after arduous reconstruction. Given the amount of transactions and the number of lines of accounting and detail involved, accountability is lost. The Forest Service informed NFC's contractor developing its new system that the capability to perform

opinion we rendered on its overall control structure. These weaknesses impair and hinder the Forest Service's financial management, as well as other user agencies. Among the problems we have noted include:

- We are unable to gain reasonable assurance that the capability to access or modify data is limited to authorized individuals.

- Some of the programs are poorly documented and can be modified without proper authorization or adequate testing.

- NFC relies on numerous automated and manual reconciliation routines; these "reconciliations," however, are frequently achieved through the use of plugs or by simply denoting the unidentified differences. For example, in 1997 NFC adjusted its cash account by increasing disbursements by a net of about $1 billion and increasing deposits by a net of $174 million in order to agree with Treasury records. The reasons for the differences were not identified.

- Financial data can be adjusted without assurance that the actions are appropriate, authorized, documented, approved, or processed correctly.

- The general ledger does not conform with the U.S. Government Standard General Ledger requirements and cannot be fully crosswalked to the financial statements. For example, equity

balances were derived from manipulations of various general ledger asset, liability, revenue, and expense accounts. Audit trails are cumbersome or nonexistent.

NFC systems are so unreliable that GAO estimated that USDA agencies attempt to compensate by operating over 100 separate financial management systems which perform overlapping functions. The Office of the Chief Financial Officer estimates that 750 to 1,500 staff years annually are expended in support of these systems.

Budget Versus Actual

The Central Accounting System currently has two components, the General Ledger System, or LEDG, and the Budget Cost System, or BUDG.

CAS processes the data into the BUDG system for budgetary accounting purposes and into the LEDG system for financial accounting. At the field level, Forest Service personnel input various accounting transactions into feeder systems using management codes. The feeder systems relay transaction data into the system.

Information processed into the BUDG system is grouped and identified by appropriation, fund code, Forest Service region, unit, subunit, and management code. The same information is processed into the LEDG system, with the addition of a general ledger account number, though no longer by

management code. Since management codes are used by field units to input individual transactions, the loss of these codes in LEDG makes it virtually impossible to retrace individual transactions back to source documentation.

Although the same data is processed into LEDG and BUDG, the two systems do not produce balanced results. Currently, NFC uses an automated adjustment to the LEDG system to bring it into balance with BUDG for obligations and reimbursements. In 1995, $55 million in adjustments to obligations had to be made.

Of concern to Congress, we know, is the reliability of the data presented in the agency's budget and assurance that the funds have been expended in accordance with the budget. Although OMB initially required an annual financial statement entitled "Budget and Actual Expenses," the statement was eliminated with the passage of Government Management Reform Act of 1994. As a result, we do not audit this reconciliation. It appears, however, based upon the weaknesses I have described, that there is very limited assurance that funds have been expended consistent with the budget. In addition, as we recently testified before the Subcommittee on Interior and Related Agencies on the Forest Service's maintenance backlog, funding is subjected to absorbing overhead charges as the appropriations are reallocated down through the organizational framework of the agency. As a result, the amount of funds appropriated for a specific purpose or activity are significantly reduced before they are available for that purpose. The requirement to audit the reconciliation of budget data to financial statement information has been reinstated for 1998.

FFIS

The Department decided in 1993 to develop a new accounting system, called the Foundation Financial Information System, to replace the general ledger in CAS. The FFIS, as it is called, is supposed to serve the Department as a single integrated financial management system and bring USDA into compliance with Treasury, OMB, and the Federal Accounting Standards Advisory Board requirements. FFIS, which was originally proposed to be fully functional by October 1, 1998, has been plagued by numerous problems and schedules have slipped. The central segment, or core, of the system is a commercial-off-the shelf product purchased from an outside vendor. OCFO, in consultation with the user agencies, opted to retain the legacy "feeder" systems at NFC and interface them with the core package. We have monitored the evolution of the system and have reported concerns regarding the adequacy of the system's testing and the problems encountered through maintaining the poorly documented legacy systems. The revised FFIS plan called for two Forest Service Regions and a Research Station to go on FFIS on October 1, 1997. Despite what appeared to be incomplete programming as well as testing, OCFO and the Forest Service implemented the plan. The remaining Forest Service Regions and other units are now proposed to be functional by October 1, 1998. Significant problems have arisen, however, which in our view may be too extensive to overcome by October 1 of this year to achieve the full Forest Service implementation. The Office of Chief Information Officer recently contracted for an independent verification and validation of FFIS. The contractor's draft report also indicates that further implementation of the system bears great risk.

The contractor was also sharply critical of the Forest Service's management code cost distribution/retroactive redistribution process, referring to it as a "millstone around the neck of FFIS." The report noted that the process increased the difficulty in coding and testing and has unduly saturated central processing unit time. The contractor further stated that the runs, which were to have been processed overnight, instead took 37 hours to complete and had to be restarted in their entirety, if any failure ensued. On a positive note, FFIS will be designed to provide an audit trail over the management code activity which will enable us to trace transactions once this segment of the system becomes operational.

Financial Health Initiatives

All is not lost, however, in that improvements are underway. The Forest Service, OIG, and OCFO have worked together since mid-FY 1996 to plan and implement changes to strengthen the agency's financial accounting processes. Forest Service management has emphasized the importance of financial health to its line managers and developed core financial competencies training for managers, financial staff and others. Most staff have now received some training geared toward improving financial accountability. The Forest Service issued a financial health desk guide designed as a reference source for all staff to use in properly recording financial transactions. The desk guide provides uniform accounting instructions for accounts receivable, accounts payable, real and personal property and other transactions.

The desk guide and training are intended to improve the quality of field level accounting data and compliance with Federal financial accounting standards. During FY 1997, OIG monitored field office efforts to improve data quality. All units we reviewed had begun to implement national financial health plans. While progress varied from unit to unit, all units were actively engaged in (1) the cleanup of erroneous accounting data and (2) improving accountability over real and personal property, accounts receivable and accounts payable. The agency's strategy is to bring these three critical account classes (property, receivables, and payables) into compliance with accounting standards prior to conversion to FFIS. The existing central accounting system does not contain subsidiary ledger records for real property, receivables, and payables. Therefore, the Forest Service must expend significant human resources to compile a real property data base and manually update receivable and payables monthly. Once the new general ledger system and real property data base are fully implemented, resources needed to maintain these accounts should be significantly reduced.

Forest Service also made improvements in its controls over financial statement preparation. Forest Service contracted for an accounting firm to prepare its FY 1997 statements and implemented a Forest Service staff review and management approval of each financial statement line item. This process has improved the quality of line items presented for audit review.

Conclusion

In conclusion, the Forest Service's financial management has been materially

deficient for many years. With the efforts underway to achieve financial health and implement a new accounting system, the road to recovery has been laid and the Department is headed in the right direction. The corrective action remains a long-term venture, however, and continued emphasis and discipline will be needed to stay the course.

STATEMENT OF

MIKE DOMBECK
CHIEF
FOREST SERVICE
UNITED STATES DEPARTMENT OF AGRICULTURE

before the
House Committee on Resources, Committee on Budget, and
Committee on Appropriations,
Subcommittee on the Interior and Related Agencies
United States House of Representatives
concerning

FOREST SERVICE MANAGEMENT
March 26, 1998

MR. YOUNG, MR. KASICH, MR. REGULA AND MEMBERS OF THE PANEL:

I appreciate the opportunity to appear before you today. I believe this is the first time that the Forest Service has appeared before three Committees at the same time, and the first time that we have been before the Budget Committee. So, I look forward to the dialogue that will occur here today and welcome and value your oversight regarding how this Agency is managed.

I have had the honor of serving as Chief of the Forest Service for the past 15 months, and I agree with former chief Jack Ward Thomas that this job is one of the most challenging jobs in Washington, DC, and definitely the greatest challenge that I have had in my career.

When I became Chief last year, I told our employees that my immediate priorities were to focus on maintaining and restoring the health of the land, improving accountability, and streamlining administrative procedures and decisionmaking. We

have made some progress in these areas and are continuing to work to meet these objectives. But it will take some time for some of the changes to be visible on a broad scale. What is important for you to know, however, is this:

- We realize that we have problems in our administrative processes and with accountability.

- We are serious about these concerns and have made progress towards correcting them;

- We are formulating a plan of action to continue to address these and other concerns, but it will take time to get the job done. What was created over a decade or more cannot be fixed in a year.

I agree with the audit findings of the General Accounting Office (GAO) and the USDA Office of Inspector General (OIG). The Agency's financial systems and administrative processes must be improved. The complexity of the processes and the interrelationships of the activities we manage require a systematic and comprehensive approach. We have worked extensively with these groups in the past and are currently working with OIG to address a number of fiscal and audit issues. We welcome their advice and input into improving our Agency business management practices.

Accomplishments

We are pleased to report that we have made progress towards meeting these objectives. In fact, in my short tenure as leader of the Forest Service, I am proud of what we have already accomplished:

1) I am working very hard to put a new management team in place;

2) I have pushed authority down to other levels in the organization and I hold my employees responsible and accountable for their actions;

3) I have included performance measures tied to the Governnment Performance and Results Act (GPRA) in the performance standards for the management team;

4) Secretary Glickman and I have directly addressed issues related to civil rights and together eliminated our previous crisis situation here in the Forest Service;

5) I have personally visited my local field staff and have heard their frustrations related to having quality and timely information;

6) I recently announced the Forest Service Natural Resource Agenda to establish Agency priorities;

7) I am simplifying internal administrative and management procedures so that we can spend more time focusing on the Agency's priorities;

8) In conjunction with the USDA Chief Financial Officer and the OIG, we are working towards implementing a new general ledger system called foundation financial information system (FFIS);

9) We are working to consolidate and bring up to standards our information databases; and

10) I commissioned a study by the **Coopers and Lybrand** accounting firm to review our financial management situation and provide recommendations to rectify problems and simplify how we do business. Their report was just released last week and I have attached the executive summary to my statement for the record.

I realize the enormity of our challenges. I believe very strongly in the importance of fiscal integrity. In fact, while I was the Acting Director of the Bureau of Land Management, we received our first ever clean audit in 1995.

Overview

As you are well aware, the National Forest System lands are managed in accordance with the Multiple-Use Sustained-Yield Act of 1960 (MUSYA), the Forest and Rangeland Renewable Resources Planning Act of 1974 (RPA), and the National Forest Management Act of 1976 (NFMA), among others. Forest Service programs operate under additional environmental laws that were enacted to protect specific natural resources, including the Endangered Species Act, the Clean Water Act, the Clean Air Act, and other laws such as the National Environmental Policy Act (NEPA). We fully support and remain committed to the full implementation of these laws. These laws define the nation's environmental policies and our job is to meet the needs of people within the legislative framework that Congress has provided us.

Responsible for management of over 191 million acres and over 28,000 permanent employees, the Forest Service's job is quite complex. We often find ourselves caught in the midst of social changes, shifting priorities, and political crosscurrents. It is critical that we have sound business practices to ensure that the monetary and human resources which are entrusted to us are used in a manner that not only supports the Agency's mission, but does so in a way that is efficient, productive, and cost effective.

With an average annual budget of $3.3 billion, we employ a highly decentralized approach to managing the National Forest System (NFS). Additionally, we are responsible for providing sound scientific information through our Research program and providing technical and cost-sharing assistance on private lands through our State and Private Forestry programs.

I am very concerned that some in Congress and other groups feel that the Forest Service does not demand sufficient accountability. Obviously, this concern about the Agency has led to increased scrutiny. For example, over the last three years, almost every program in the Forest Service has been under the microscopes of the USDA Office of Inspector General (OIG) and the General Accounting Office (GAO). Currently, between these two offices, there are approximately 100 separate audits and reviews underway. We take these audits very seriously and have been working with the GAO and the OIG to execute their recommendations as quickly as possible. I would only ask again that you understand that these problems did not develop, nor will they be solved, overnight. But we are making progress.

My goal is to bring dramatically improved accountability to the Forest Service. I can assure you that we will continue to work with these audit branches and with Congress to improve how we do business and to be more accountable for the resources we manage.

Commitment to Improve Management and Accountability

I realize that we have significant improvements to make in financial management and accountability, and I want you to know that I am committed to my employees, the Congress, and the taxpayers to see that these improvements are made. I will continue to take aggressive action to ensure that the Forest Service becomes one of the most efficient agencies in the Federal Government. While we acknowledge that there is much work yet to be done, we have made a good start in implementing long-needed changes.

Last month I announced the Forest Service Natural Resource Agenda to help with these changes. The Agenda focuses special attention on four key emphasis areas: watershed health and restoration, sustainable forest ecosystem management, forest roads, and recreation, and is a clear expression of direction -- direction that is supported strongly by the American people that we will implement in strict accordance with the law.

One of the issues facing the Agency is our tradition of trying to do everything and failing to set a clear set of priorities. This has led to some questionable decisionmaking and failure to implement some projects, particularly those that are complex and contentious. The Agenda is our attempt to give a more focused direction and priorities to our employees over the next few years.

We are implementing this Agenda through the GPRA process. We see GPRA as an extremely useful tool for linking Agency mission to strategy to results. We will reflect the priorities set by this agenda in appropriate GPRA goals, objectives and performance measures. Further, we are linking specific GPRA performance measures to individual standards for Forest Service line officers.

Progress Towards Resolving Management Problems

The audits from OIG and GAO have pointed to significant resource and financial management deficiencies such as: inadequate attention given to improving the Agency's decisionmaking process; inability to improve accountability for performance; lack of agreement within the Agency on how to portray long term strategic goals; inability to address issues that transcend administrative boundaries and jurisdictions; inability to operate under the differences in environmental statutory requirements; slow progress in taking aggressive actions to correct deficiencies; and lack of integration among national processes, data structures, systems and information. These are major challenges that the clear direction of our natural resource agenda will, in part, help to address.

A number of forest and district field offices have consolidated services or are operating under the shared services concept. We have built stronger coalitions with other Federal agencies such as the BLM to jointly manage public lands beyond administrative jurisdictions. These tactics have proven to be quite successful while strengthening the Federal Government's ability to more quickly respond to the health of the land and public demands in a cost effective manner.

Financial Management

In the financial management arena, we are working hard to improve accounting processes. Since last fall, all Forest Service units are working under a Financial Management Action Plan to guide and monitor activities and accomplishments. We are continuing to work with the GAO and the OIG through our Financial Health Task Force.

While we are making progress in some aspects of FFIS implementation, the Forest Service and the National Finance Center still face uncertainties due to the complexity of the Agency budget and program requirements. USDA is working with an outside consultant to decide how to proceed. USDA will inform Congress once decisions are made on the most effective and efficient way to move forward. As we work through the implementation of FFIS, we plan to modify our own financial management requirements and identify where Congress in its authorizing and appropriations processes can help us to achieve a strong and accountable financial management system.

In addition, the **Coopers and Lybrand** report makes recommendations on streamlining and clarifying our financial management systems. Some of the top recommendations include establishing a chief financial officer and simplifying the budget and accounting structures to generate more useful information. I intend to carefully review these recommendations and take appropriate action to strengthen financial management in the Forest Service.

Future Plans to Address Deficiencies

The Natural Resource Agenda is tiered to the goals and objectives described in our strategic plan prepared under the requirements of GPRA. Our national strategic plan and local forest plans establish land management direction for the Forest Service. We will conduct periodic evaluations of our progress across program areas and adjust where necessary to ensure that the goals of the Agenda are being met, including improving accountability and financial management. We will link annual GPRA

performance goals to annual performance standards for employees, and have our entire work force committed to implementing GPRA. Fulfilling the priorities contained in our Agenda through GPRA will help strengthen the confidence of our constituents in the Forest Service's ability to manage our public lands.

We will formulate our financial management action plan to reach our desired outcome of achieving fiscal and accounting successes. The plan will include training our people to be competent with these new financial processes, thereby increasing efficiencies. The Appropriations Subcommittees urged the Forest Service to integrate GPRA and our financial management data. We take that challenge seriously and will utilize our financial management action plan to integrate GPRA into our planning, budgeting, and corporate and individual accountability efforts. To make GPRA work, we know we need accurate, real time financial and program output and outcome information available to every manager. We are moving as quickly as possible to make this happen.

As we move to integrate GPRA requirements, we will work with you as we seek to simplify and consolidate our budget systems. We will invite your advice and cooperation as we seek opportunities to reduce the complexities in our current budget and coding structure.

More Time is Needed To Get the Job Done

The Forest Service operates on an accumulation of faulty information systems -- some more than 20 years old -- that are not integrated to perform the analysis to make sound decisions, and verify accountability. Our existing accounting system tracks far more than the minimally required financial data. Layers and layers of program information are tracked in the accounting system that do not directly relate to federal financial requirements. Improving the Forest Service's financial performance will require modifying and substantially reducing the information load carried in the management code process.

I want to reiterate that many of the accountability issues we face were years -- even decades -- in the making. We have already made some progress in addressing concerns regarding the Agency's management and financial condition. But we still have a very long way to go. It will take time before we can address effectively the full range of fiscal and management accountability issues. Major changes take time. It will take several years to turn this situation around and we urge the Congress and the Federal audit branches to recognize these major shifts and work with us as we strive to meet the mandate of improving the financial health of the Agency. Combined with the complexity of the interrelationships among our programs and the migration to new information systems, we face a great task, and we look forward to the reward.

Closing

The Forest Service's strategy for ensuring organizational effectiveness focuses on implementing an improved performance accountability system, improving our financial systems and information that support fiscal accountability, developing consistent and accurate natural resource information to support agency decisionmaking, integrating information systems, data structures and information management processes, and fully implementing the GPRA.

All of our corporate processes and information must be linked in an integrated, performance-based framework. Our vision is that results-oriented performance standards will be in place for all employees for fiscal year 2000; we hope our new financial management system, FFIS, is fully implemented across the Agency as soon as possible. I am committed to the Agency meeting all financial reporting requirements and implementing the managerial cost accounting standards (MCAS) to ensure that we have a clean audit opinion on our financial audit report as soon as possible.

We will complete a comprehensive report on natural resource status and trends focused around sustainability criteria and indicators by fiscal year 2003.

We will also have integrated computer systems installed for use by all employees and all major administrative processes will be re-engineered by fiscal year 2000.

We have the mechanisms on hand to make this vision a reality and in doing so, we advance the Agency's mission to care for the land and serve people. So what's the payoff? By being good land managers and exercising sound fiscal responsibility, accountability, and decisionmaking, significant long term cost and time savings will result, all of which help to assure sustainability of our treasured national forests for generations to come.

With all of these challenges, it is important to realize that we are not losing sight of our mission. I cannot over emphasize the seriousness of our commitment. Over many decades, Forest Service employees have served the needs of local communities within the limits of the land. We need to fix our financial systems so that our employees can do more. Only by having a firm handle on our management and financial systems can we achieve our full potential as natural resource managers.

That concludes my prepared remarks. I would be happy to answer any questions you may have.

United States Department of Agriculture
United States Forest Service

Modernizing Financial Management at the Forest Service

- Financial Management & Organizational Analysis

March 18, 1998

Coopers & Lybrand L.L.P.
12902 Federal Systems Park Drive
Fairfax, VA 22033

Job Order #43-3187-7-0325

Executive Summary

The Forest Service is striving to reinvent the way it conducts its business in order to achieve its strategic objectives of ensuring sustainable ecosystems and providing multiple benefits for people within the capabilities of ecosystems. This financial and organizational analysis is focused on aiding the Forest Service in getting to its employees and stakeholders better information with which to make strategic and day-to-day tactical choices. The Forest Service, like other federal agencies, is realizing that the lack of quality in financial information can seriously jeopardize investor and stakeholder financial support by undermining the agency's credibility.

This Report identifies changes that the Forest Service must make in order to improve the quality of financial management information and other services. The ideas presented are the product of extensive consultation with experts in the various aspects of Forest Service operations. Though each constituency had somewhat different needs, there was almost universal agreement that the information provided by the current system is not credible and, therefore, is not very useful. This Report provides a high level road map to eliminate many of the more glaring elements of what many consider a dysfunctional financial management system.

The purpose of improving financial management is to enable the Forest Service to bring a solid cohesive analytic strength to its decision-making processes. Better information leads to better strategic and tactical choices. This in turn leads to increased credibility in the connection between what the Service actually does to improve ecosystems and what it reports.

A New Philosophy and Approach

Most of the time and effort involved in financial management in the Forest Service focuses on establishing budget and accounting controls designed to keep spending within authorized levels for approved purposes. Though these are important functions, concentrating reform efforts here will not contribute significantly to enhancing organizational effectiveness. Management needs more from its financial managers. To improve organizational effectiveness managers need financial managers who can convert raw data into useful information that can be used for meaningful analysis and sound business decisions. Merely providing more accurate historical data, while a critical objective in itself, is not good enough.

To contribute to the business of the Forest Service and the achievement of strategic objectives, financial managers must develop financial processes and help managers assess and improve their operations. The Chief

Financial Officers (CFO) Act of 1990 envisions precisely such a focus. It calls for the complete integration of financial processes and organizational goals. Toward this end, it further envisions an integration of accounting and budget operations that will allow complete, reliable, and timely information for use in making business decisions. This Report proposes actions aimed at establishing such a capability in the Forest Service.

The current financial processes fail to produce useful information, in large part, because the Forest Service has asked financial processes and systems to do too much. There seems to be a philosophy that the system must provide answers to almost any question. By trying to do everything, the system is missing what is important. Our recommendations to simplify the system will lead to a reduction in the amount of raw data available to the system. The tradeoff is that what remains will be reliable and timely enough for use in making decisions.

Successfully Implementing Change

The financial processes that are used in the Forest Service were developed in response to a myriad of requirements that, if taken individually, made sense to someone at the time. Taken together, they have fostered a complex system that no longer meets the needs of its customers. Further tinkering will not result in a system that meets current or future needs. Fundamental change is necessary.

"Our financial processes are too complicated. We designed them, but in today's world they're too complex. We don't have the skills to manage what we have created.

- A Forest Supervisor

Only leaders can bring about fundamental change. Others have proposed many of the recommendations in this Report. There is healthy skepticism on the part of many Forest Service employees who have witnessed prior improvement opportunities not supported over the long haul. Senior leaders must take hold of this issue and make it their own. They must instill an understanding at every level that there is a link between excellence in financial management and the ability of an organization to achieve its core objectives. Leaders must ensure that managers throughout the Forest Service accept that financial management is the responsibility of all managers, not just those who work in financial management.

The type of fundamental change required needs full-time attention, which the current management structure cannot provide. Senior leaders must concentrate on many issues in order to ensure meeting strategic goals. Still, they will be unsuccessful unless they also achieve excellence in financial

management. A single senior official must lead the charge to bring about the changes required. The Forest Service needs a CFO who can focus efforts to bring the analytical capability to the decision-making table and thereby contribute to achieving greater organizational effectiveness.

The person to lead this charge must posses certain skills and characteristics beyond just being a good manager. In addition, he must ensure that subordinate leaders share many of the same skills. The potential CFO and other financial managers must embrace the change that is required. Accepting change is difficult enough, driving it is even more so. Leaders must recognize that business as usual will not suffice. Performance is what matters.

In order to drive change leaders must be visionary. Only leaders have the power to set the direction and establish a vision as the rallying point for the organization. Without the ability to envision the possibilities that others don't, the leader will not be able to drive change and improve performance.

Another important requirement on the part of the leader is the ability to communicate. There will be great resistance to change. Leaders must communicate the necessity for change in order to create buy-in at every level of the organization. This cannot be done through memos. Leaders must communicate face to face on what is a very emotional issue. Leaders must also stay engaged and perform as a coach and a boss. Accomplishing fundamental change is an emotional endeavor that will require leaders to stay closely in touch with the work force so that it moves in the direction established in the vision.

Modernizing Financial Management at the Forest Service – The Agenda for Change

This Report presents an agenda for change for improving the overall performance of the Forest Service not just its financial management. It proposes to start by putting someone in charge as a key integrator of financial information. The next steps are to focus on improving financial data so that program managers can be held more accountable for results reported by the system. Finally, the infrastructure must be strengthened to sustain continuous improvement.

1. Develop financial management leadership

Agenda for Change

1. *Develop financial management leadership.*
2. *Improve credibility of financial data.*
3. *Improve program accountability including implementation of the GPRA*
4. *Build the financial management infrastructure.*

Create a single voice for financial management – the Chief Financial Officer.

The financial management[1] issues facing the Forest Service are so fundamental that there must be a single executive responsible and accountable for managing change and resolving issues. Previous initiatives failed because they transcended organizational boundaries and only the Chief could resolve issues that arose among Deputy Chiefs. No one else had the authority to speak on all financial management issues. This lack of focus existed throughout the government and was a primary reason that the CFO Act mandated CFOs at the department level. Establishing a CFO for the Forest Service will focus responsibility and enable the Service to more actively manage competing interests within the Service and with OMB, the General Accounting Office (GAO) and the Inspector General (IG).

The CFO Act views financial management as an integrated process of planning, budgeting and accounting. Many attribute the weaknesses in the current system to a lack of coordination between those responsible for providing financial management guidance in the Washington Office (WO). The Program Development and Budget (PD&B) Staff and the Financial Management Staff often issue conflicting guidance, which causes confusion in the field. The CFO structure should begin by combining these offices under one roof. Making all those charged with developing financial management policy answerable to a single official increases the likelihood of them speaking and acting with one voice. Merely moving boxes on an organizational chart will not guarantee success. The selection of a CFO to lead this effort must be done with care. What is required is a strategic leader not a "bean-counter"; someone who can focus on strategic analysis and policy formulation while at the same time can find ways to improve basic budgeting and accounting processes that will deliver quality information and advice.

[1] Financial management is broadly defined in this analysis as including at a minimum, budget formulation, execution, accounting, strategic planning and performance measurement and performance based budgeting under the Government Performance and Results Act (GPRA), as well as the requirements contained in the CFO Act.

In line with this, the CFO must be a full partner in designing the framework and processes for implementing the various requirements of the GPRA. These requirements cannot be met without the full cooperation and integration of budget, accounting, and traditional "financial" personnel. In the end GPRA calls for performance budgeting which will allow organizations and their stakeholders to view varying levels of performance, including outcomes related to performance, that would result from different budgeted amounts. The strategic analysis capability envisioned in the CFO organization are essential to the successful implementation of GPRA.

Strategic analysis requires credible information. This requires discipline in the system which is currently lacking. The Washington Office has, for the most part, not provided clear, consistent financial management policy. This leads to inconsistent application of policy in accounting for financial actions which, in turn, leads to unreliable output from the financial management system, that is "garbage in, garbage out." Clear guidance will ensure that processes are consistently implemented and will result in quality data that can be used for analysis.

The CFO can not do this alone from the Washington Office. Similar organizations should be established at the regional/station level as well. These officials should work directly for the senior Forest Service official at their location, not for the CFO. However, they should take all financial management policy and processing direction from the CFO in the Washington Office. Only in this manner can the Forest Service gain complete control over the data entered into the financial management system that must yield the information needed for strategic analysis.

2. Improve the credibility of financial data

Increase reliance on financial data.

The financial data produced by the current system lacks credibility, which limits its usefulness in making business decisions. Yet, data will only improve when it is used. Presently, the field has no stake in ensuring the consistent application of policy that will improve the quality of the data. Since financial information is not effectively used in making business decisions, there are no consequences. Financial management touches every part of the organization and the CFO must be able to provide financial information that advances the cause of ecosystem improvements. The CFO must first take steps to improve the quality of financial data and then create

a capability throughout the Service to use the data to perform strategic analysis aimed at improving performance in all programs and operations.

The importance of financial information must be established. This is difficult to do in an environment in which the field is only given its final budget well into the fiscal year. Though there are difficulties to overcome, issuing a formal financial operating plan at the beginning of the fiscal year and holding managers accountable to it will instill its own discipline. If field operatives know that their financial performance will be measured and the data they enter into the system will provide the yardstick, they are much more likely to take ownership of the data to ensure its accuracy.

Aside from providing a yardstick, a more timely budget will contribute to improvement in the workload planning and procurement actions that support important programs. The current environment breeds both unnecessary risk in taking actions that might not be funded and unnecessary conservatism which can lead to less than full utilization of funds.

Redesign the accounting and budgeting structure. Focus on consistency and simplicity.

Representatives from the House Appropriation Committee staff and the Office of Management and Budget (OMB) appreciate the problems caused by the complexity of the Forest Service budget structure. They recognize that Extended Budget Line Items (EBLIs) encourage a stovepipe view of funding. They also recognize that the Forest Service executes by projects that legitimately draw funds from multiple EBLIs. They seem to accept that bringing the EBLI structure more in line with the manner in which the Forest Service executes its budget would simplify the requirements on the financial management system.

The difficulty in seeking simplification is that information reported by the Forest Service lacks credibility almost universally. Outside stakeholders maintain that until credible information on operations is the norm, Congress is unlikely to loosen budgetary restrictions that would allow simplification. We believe that what is required is a fundamental redrawing of the entire budget and accounting structures; such a redrawing will provide key financial information that can help the Forest Service at the strategic level to decide on alternative resource investments, and can help the Service at the local level to make tactical decisions on how to manage projects.

3. Improve program accountability

Identify the core financial information required.

As data becomes increasingly credible, the Forest Service must turn it into information that will be useful to managers in solving business problems. The first step required is for a proactive CFO, working with program managers, to identify the type of financial information managers and outside stakeholders require, when they need it, and in what form.

Given the perceived lack of useful information available from the present system, one Forest Service manager wondered aloud if the Forest Service had ever asked itself exactly what type of information it really needs. We did. One basic question that the Service needs is timely answer to "How much money do I have left?" The inability of the system to provide a timely and reliable answer to this question is most often cited as the cause for the proliferation of "cuff" records. These are time-consuming to maintain and, when used to respond to questions, result in inconsistencies in reported data which diminishes credibility. Once this basic question can be answered other highly analytic answers can follow.

Forest Service managers want unit cost data so they can identify the cost drivers of their outputs and in so doing, identify opportunities to accomplish more with the resources they have. In conjunction with unit cost, managers also need full cost information. Taken together it will enable them to correctly price their fee-for-service activities in order to recover the full costs. Cost information will similarly enable the Forest Service to fully capitalize on business opportunities. In seeking to market additional services managers must also know the costs in order to establish a correct fee structure to avoid unknowingly consuming resources that cannot be recovered.

Publish a "starter kit" of corporate financial reports.

The Forest Service should immediately develop a limited set of financial reports, a "starter kit," that will begin to establish a consistent methodology for using corporate financial information. Such reports will begin the process by which managers use financial information to examine program operations and help refine and expand both corporate and local reporting requirements.

The CFO, working with program managers, should develop the "kit" with the following reports as a suggested starting point:

Source of Funds and Obligation Report: This report, for each operating unit, must be a consistent report of total funds available versus total obligations and commitments. Funds available must include all funds, including those from reimbursable sources.

Net Available Funds Report: To develop this report the CFO must first reach a standard definition for "net available," which does not currently exist in the Forest Service. A consistent definition would then allow a comparison of net available percentages between operating units and better determine what resources are really "getting to the ground."

Unit Cost Reports: There is a great demand for this information. As an initial step the CFO should select a single program and develop a consistent methodology for reporting costs. The ultimate goal should be the implementation of a managerial cost accounting system. An area that deserves immediate attention as a pilot would be timber sales.

General Administration and Overhead Cost Report: In this area also, the lack of a common definition hampers comparisons. After agreeing on a common definition, the CFO should develop a report that allows such comparisons between operating units.

Develop the capacity for strategic financial analysis.

This area requires the leadership of a proactive CFO. As the quality of the data is improved and as managers achieve a greater understanding of what types of information are required, there will be greater demand to know what it all means. This will require a type of analysis not currently provided within the Forest Service. In broad terms, analysis should provide answers to the following questions:

Does it make sense to start a program?: Determine the true full costs of proposed investments with a view toward uncovering business opportunities and avoiding poor business decisions. Compare return on investment among options to establish best use of limited resources. Ensure that analysis of information technology investments is consistent with Information Technology Management Reform Act (ITMRA) requirements.

How well are we doing?: Examine ongoing activities to uncover opportunities for improving operations. Place particular emphasis on determining true infrastructure costs. Currently, there is little consistency in analyzing the true costs of space, equipment, etc. Examine comparative unit labor cost growth among similar activities. Conduct value-added analysis to eliminate activities that don't contribute to mission accomplishment.

How do we generate income?: Examine opportunities for new business ventures and for increasing existing income streams. Additionally, improve analysis of billings and collections in the area of accounts receivable, which could lead to making additional funds available from such programs as timber sales.

Implement managerial cost accounting.

The final, and perhaps most critical step, in providing useful information is implementing managerial cost accounting. Managerial cost accounting standards were issued recently that require all agencies to fully cost their services and products. The real purpose of managerial cost accounting standards, however, is to turn historical data into management information that can be used to improve operations in the future. The Service will be able to better understand its full cost of activities, the timeliness of service delivery and the value-added of its processes to its customers. Managerial cost accounting will also improve the ability to benchmark within the Service as to best practices regarding cost, efficiency, and quality.

We recommend that the Service utilize activity based costing and management (ABC/M) as the primary tool to implement managerial cost accounting. The Forest Service has already had some limited experience with this tool. Understanding the cost of running operations and having the opportunities to improve the way the Service does business are the key reasons to use ABC/M. Additionally, the challenge of solving a specific operational problem (improving the timeliness of an environmental impact statement or lowering the costs of a timber sale) encourages the use of ABC/M without requiring operational or scientific employees to become accountants.

ABC/M is the practice of aggregating work activities into the logical process flows taken to provide a service or produce a product. These activities are performed by front-line (operational) employees and dictate the arraying of organizational costs. This approach cuts across organizational and functional lines so that the full cost of services or

products, no matter who contributes, is available for analysis. It is time that Forest Service managers knew more about their costs then how much travel money is involved, or how many FTEs are associated with a project. What they need is information regarding full costs, across organizational lines, the cycle times to deliver services or products, and measures of customer value of those business processes. This type of critical information can be generated by using financial data in innovative ways through ABC/M techniques. Many other private and public organizations are increasingly using ABC/M techniques to establish more accurate costs in order to establish fees as well as to bring improved management to their business and organizations.

4. Build the financial management infrastructure

The Forest Service must sustain its impetus toward improving and simplifying the financial management system over the long term. Though some of the recommendations in this Report can be accomplished relatively quickly, others will require a sustained effort. This, in turn, will require the leadership to stay the course and devote the attention and resources needed to finish the job. To sustain a long-term effort will require strengthening the financial management infrastructure.

Increase leverage of Foundation Financial Information System on actions to improve financial management.

The Foundation Financial Information System (FFIS) is a crucial component of the infrastructure that the Forest Service is not adequately leveraging. Through the CFO, the Forest Service must build its capacity to take increasing responsibility – and ultimately full responsibility -- for implementation of FFIS. However, the Service must have the resources and the authority. The implementation of FFIS and the utilization of that core system is too important to be left in the hands of the USDA, the National Finance Center (NFC) or more junior officials of the Forest Service. The financial health of the Forest Service is inextricably linked to this program. The Forest Service needs to speak as a more effective and competent leader in the implementation of this system. The NFC must quickly integrate its own implementation efforts so that there is a focus on successful implementation as quickly and effectively as possible. No single organization is in charge of the implementation. No one seems accountable for its success or problems encountered along the way. The Department, including the NFC, and the Forest Service has taken recent steps to clarify responsibility and to integrate some of the efforts. Those steps must be amplified and focused on establishing the Forest Service as the driver of its

own needs and the NFC as responsible for delivering support in a timely and effective fashion.

The Forest Service must establish its control and management over this project with the following short-term objectives:

Make reports available: The availability of reports is an essential element of the new system. Without adequate reports, as is currently the case, the Forest Service is worse off than before because there is no baseline information from which to reconcile transactions. A data warehouse is being used to provide the information for reports rather than using the inherent FFIS reports generator. Effective use of the warehouse requires a knowledge of general ledger accounting, which is lacking in the field. This will inevitably cause a loss of credibility and the retention of "cuff" records.

Revamp standard reports: Current reports, when available, are little more than a replication of those found in the old system. The Forest Service did not take advantage of FFIS to explore more useful reports. The field feels it was ignored in defining the requirements. No one has assessed the information needs at each management level and the reports required to meet those needs to see if new and different items are needed. Once this is done, the Forest Service must then demand that NFC meet its needs as the customer.

For the mid-term, the Forest Service needs to build its own internal capacity to establish strategic objectives for the systems future use, the continuing integration of other systems, as well as the use of the system for strategic analysis. This requires new leadership and additional resources to manage such responsibilities.

Focus reengineering on high-payback financial management processes.

Aside from FFIS, the Forest Service must take an introspective look to determine what it can do internally to strengthen the financial management infrastructure. Many processes comprise the financial management system. These processes are owned by two offices reporting to two different Deputy Chiefs: the Financial Management Staff and Program Development and Budget (PB&D) staff. Opportunities for improvement exist in each of those processes but process improvement requires a large leadership investment in time and effort. To achieve the best return on investment, the Forest Service should focus reengineering efforts on a few processes that will result in the greatest payback.

The new Financial Operations and Policy organization should focus its reengineering efforts on two processes. One is the process of providing national policy and procedures. The other is to revamp the existing internal control processes to ensure that the Service has adequate understanding of the quality of its business processes.

Policy Formulation: The Financial Management Staff identified the responsibility for policy formulation as its most important function. At the same time, the field voiced significant displeasure with how it was being accomplished. A major complaint was that others within the Washington Office, besides the Financial Management Staff, issue policy guidance on financial management issues, most notably PD&B. This often results in policies that are in conflict and leaves the field at a loss as to which to follow. Establishing a CFO who is responsible for both these offices would focus responsibility for all financial policy in one senior official and foster greater consistency.

Internal Controls: The existing internal control processes focused on monitoring of fiscal compliance and internal controls (FCIC) is in disrepair. Reviews are conducted sporadically if at all and there is no adequate feedback loop to indicate they were completed or the nature of the results. The Forest Service, in its Financial Health Initiative, committed to conducting management reviews every three years. FCIC reviews were to be part of that effort. When the management reviews were suspended, so too were the FCIC reviews. This allowed inconsistent policy application to go on without the Washington Office being fully aware. The Forest Service has the ability to correct this immediately. The Forest Service should utilize recently published GAO guidance on internal controls and develop processes that better reflect the current programmatic as well as financial issues in the Service.

The processes managed by PD&B are best viewed on a continuum. Strategic planning is conducted and produces the strategic goals of the Forest Service. Performance planning then helps define how those goals will be reached. Budgets are then formulated and executed with a view toward performing the tasks necessary to achieve the goals. Performance measurement compares actual expenditures to the budgeted amounts to assess how well an organization executed its plan.

The processes, however, do not function as a continuum and are disconnected. Budgets are not based on performance plans but on allocation criteria. Congressional committee staff members are critical of

this and want field budgets to be based on planned performance. Further exacerbating the disconnect is the practice of not budgeting for all known requirements. Formulating a budget without considering the known requirements of the Washington Office and national commitments immediately disconnects the budget from performance planning. It also causes an unnecessary delay in providing a budget to the operating units. This further unhinges any planning they might have done as they must wait to find out what their share of the cuts taken at each level will be. The Forest Service should rethink this practice in order to fully integrate the budget processes.

Improve financial management skills throughout the Forest Service.

Another essential element is the people who operate and use financial processes. The Forest Service, in its own assessment, concluded that its personnel lack key financial management competencies. We agree but feel the assessment did not go far enough.

The approach used by the Forest Service was adequate for defining training needs. We believe it should go further. The Forest Service must specifically identify which skills are lacking for each financial manager throughout the organization. This will require defining each competency as an observable behavior so that employees and supervisors can assess whether the skill is present.

The Forest Service must also assess these skills in terms of future requirements. A key recommendation in this Report is the need for financial managers to provide useful analysis upon which to base business decisions. Such future requirements were not addressed in the skills assessment.

In light of these and other shortfalls in the existing assessment, the Forest Service should conduct a more detailed study to identify what skills exist at what organizational levels. This will open up options for the Forest Service, such as establishing centers of excellence to deliver selected financial management services from locations where the skills already exist. It will also allow the development of a recruitment plan for strategically hiring specific competencies at selected locations.

Conclusion

This Report includes many recommendations for improving financial management in the Forest Service. Seeing it through to conclusion will

take a great commitment in time and energy from top to bottom. Forest Service employees will get behind the effort if it means increasing the financial resources available on the ground. But, the senior leadership of the Service must get out front and demonstrate their commitment to this effort or it will be just be "business as usual."

Forest Service managers and employees for the most part know that change must come in terms of how financial management information is generated. This Report contains many recommendations that will require everyone's support. It is a daunting list. The five recommendations we consider most critical are presented below:

Top Five Recommendations

1. ***Establish a CFO and a strengthened organization to lead the entire effort.***
2. ***Increase leverage of FFIS to better support the production of financial information.***
3. ***Simplify the budget and accounting structure to generate more useful corporate and local data.***
4. ***Provide a financial operating plan at the beginning of FY 1999 to instill a sense of discipline.***
5. ***Publish a "starter kit" of corporate financial reports to begin the process of using corporate information.***

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U.S. House of Representatives
Committee on Resources
Washington, DC 20515

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JOHN LAWRENCE
DEMOCRATIC STAFF DIRECTOR

March 6, 1998

James F. Hinchman
Acting Comptroller of the United States
General Accounting Office
441 G Street, NW
Washington, DC 20548

Dear Mr. Hinchman:

The Committee on Resources, Committee on Budget and Committee on Appropriations Subcommittee on the Interior will hold an oversight hearing on the Management of the United States Forest Service. The hearing will occur on March 26, 1998, at 11:00 a.m. in Room 1324 of the Longworth House Office Building. I would cordially like to invite Barry Hill, Associate Director of Energy, Resource and Science Issues to testify at this hearing.

Oral testimony should not exceed ten minutes and should summarize written remarks. You may introduce into the record any supporting documentation you wish to present in accordance with the attached guidelines. I reserve the right to place any witness under oath. If a witness is sworn in, the witness may be accompanied by counsel to advise on the witness' rights under the Fifth Amendment to the Constitution.

In order to fully prepare for this hearing, 200 copies of your testimony should be submitted to Christine Kennedy, Chief Clerk/Administrator, Room 1328 Longworth House Office Building, no later than the close of business on **Monday, March 23, 1998**. In addition, consistent with the Americans with Disabilities Act, if you require any reasonable accommodations for a disability to facilitate your appearance, please contact Christine Kennedy. Should you or your staff have any questions or need further information, please contact Bill Simmons with the Subcommittee on Forests and Forest Health at (202) 225-0691 or Christine Kennedy, Chief Clerk/Administrator at (202) 225-5150.

Sincerely,

Don

Don Young
Chairman
Committee on Resources

Attachments

http://www.house.gov/resources/

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U.S. House of Representatives
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JOHN LAWRENCE
DEMOCRATIC STAFF DIRECTOR

March 5, 1998

Secretary Dan Glickman
United States Department of Agriculture
1400 Independence Avenue
Room 220-A, Whitten Building
Washington, DC 20250

Dear Secretary Glickman:

The Committee on Resources, Committee on Budget and Committee on Appropriations Subcommittee on the Interior will hold an oversight hearing on the Management of the United States Forest Service. The hearing will occur on March 26, 1998, at 11:00 a.m. in Room 1324 of the Longworth House Office Building. I would cordially like to invite Michael Dombeck, Forest Service Chief and Roger Viadero, Inspector General of the Department of Agriculture to testify at this hearing.

Oral testimony should not exceed ten minutes and should summarize written remarks. You may introduce into the record any supporting documentation you wish to present in accordance with the attached guidelines. I reserve the right to place any witness under oath. If a witness is sworn in, the witness may be accompanied by counsel to advise on the witness' rights under the Fifth Amendment to the Constitution.

In order to fully prepare for this hearing, 200 copies of your testimony should be submitted to Christine Kennedy, Chief Clerk/Administrator, Room 1328 Longworth House Office Building, no later than the close of business on **Monday, March 23, 1998**. In addition, consistent with the Americans with Disabilities Act, if you require any reasonable accommodations for a disability to facilitate your appearance, please contact Christine Kennedy. Should you or your staff have any questions or need further information, please contact Bill Simmons with the Subcommittee on Forests and Forest Health at (202) 225-0691 or Christine Kennedy, Chief Clerk/Administrator at (202) 225-5150.

Sincerely,

Don

Don Young
Chairman
Committee on Resources

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United States Department of Agriculture | Forest Service | Washington Office | 14th & Independence SW
P. O. Box 96090
Washington, DC 20090-6090

File Code: 1510

Date: April 16, 1998

The Honorable Peter A. DeFazio
United States House of Representatives
2134 Rayburn House Office Building
Washington, DC 20515-3704

Dear Representative DeFazio:

As you requested at the March 26, 1998, oversight hearing on Forest Service Management, we have provided additional information to your questions.

1. **How do the fees charged by the Forest Service for microwave towers and other communication sites compare to the fees charged on state or private lands? Does the Forest Service receive fair market value? If not, why not?**

   The Forest Service and the Bureau of Land Management (BLM) developed a new communications site fee schedule in December 1995, using information gained from public responses to the proposed Forest Service policy (58 FR 37840, dated July 13, 1993) and the proposed BLM rule (59 FR 35596, dated July 12, 1994). The agencies also used the Television Broadcast Use Fee Advisory Committee's report; the General Accounting Office report (GAO-RCED-94-248); discussions with hundreds of industry representatives and private lessors; commercial communications site managers; State and local government representatives and appraisers; and nearly 2,000 confirmed private lease transactions to ensure that the fees collected for communications uses on National Forest System lands, using the new fee schedule, would represent fair market value. The communications site fee schedule was implemented on the national forests in the western United States in calendar year (CY) 1996 and on the national forests in the eastern United States in CY 98. The BLM adopted the fee schedule nationally in CY 97.

   In addition, the Forest Service has received inquiries from other Federal agencies (U.S. Army Corps of Engineers, Navy Department, Bureau of Indian Affairs, U S. Fish and Wildlife Service, and the U.S. Park Service) and several states (Idaho Department of Lands, Utah, and Michigan) expressing interest in adopting the Forest Service/BLM communications site fee schedule on lands they administer. We also know of a private utility company that has adopted the Forest Service/BLM communications site fee schedule to assess user fees for communications uses on their land. We feel that this interest in our fee schedule indicates that our current fee schedule is a cost efficient and equitable mechanism for determining fair market value for communications uses on National Forest System lands.

2. **Based on the NICORE mine situation on the Siskiyou National Forest, I am concerned over the decision of the Forest Service to bear the cost of an environmental impact statement (EIS) that is being prepared. Is it true that the Forest Service is subsidizing the miner in bearing the cost of the EIS? What is the Agency's policy in determining when a proponent pays for NEPA versus when the Agency pays?**

   The Forest Service is not subsidizing the cost of the miner's EIS on the Siskiyou NF. Our policy is that we bear the cost for NEPA analysis on lands where we have the responsibility for management of surface resources, including mining. We are required to cover the costs of NEPA, but the costs must be built into the budget process. Funds may or may not be available in a given fiscal year; there are commonly other projects competing for the same scarce funds. As a result, there may be a delay of two to three years before funding allows a particular mining proposal to be addressed through the NEPA process. To expedite the planning process, companies may elect to bear the cost of the environmental analysis. We do not subsidize the miners in any situation. NICORE is being handled based on standard practices. Sufficient funds were available on the Siskiyou NF at the time the project was proposed; consequently, the Forest has covered the costs of NEPA.

Thank you for your inquiry. A copy of this letter will be sent to the House Committee on Resources, Subcommittee on Forests and Forest Health; House Budget Committee; and House Appropriations Committee, Subcommittee on the Interior and Related Agencies.

Should you need additional information, please contact Thelma Strong on the Legislative Affairs staff at 205-0580.

Sincerely,

ROBERT LEWIS, Jr.
Acting Associate Chief

United States Department of Agriculture | Forest Service | Washington Office | 14th & Independence SW
P. O. Box 96090
Washington, DC 20090-6090

File Code: 1510

Date: APR 1 [illegible] 1998

The Honorable George Nethercutt
United States House of Representatives
Washington, DC 20515

Dear Representative Nethercutt:

As you requested at the March 26, 1998, oversight hearing on Forest Service Management, we are providing information to answer the following questions:

What are the relative proportions and costs of appeals and litigation originating from environmental versus commodity interests? How common are appeals and litigation from "outside" interests as compared to local interests?

The Forest Service does not keep records relative to the affiliation of appellants or litigants; similarly, we do not classify respondents as local or outside. We do note how many organizations appeal project and plan decisions. Last year, for example, environmental groups accounted for 439 appeals; sportsmans groups, 31; individuals (those not identifying themselves with any group), 291; permit holders, 123; timber industry groups, 17; and others 69. That means out of a total of 6,694 project decisions that could be appealed, 970 appeals were filed (sometimes more than one appeal per project).

Since most lawsuits last several years, it is hard to determine the cost at any given time other than the salary and an estimate of the amount of time individuals may spend working on a lawsuit (see attached table). Last year, 53 lawsuits were filed.

Thank you for your inquiry. A courtesy copy is also being sent to the House Committees on Resources and Budget, and the Appropriations Committee, Subcommittee on the Interior and Related Agencies. Should you need additional information, please contact Thelma Strong of the Legislative Affairs staff at 205-0580.

Sincerely,

ROBERT LEWIS, JR.
Acting Associate Chief

Enclosure

Forest Service - Estimated Resources Expended

Appeals

Region	# of Person Days	# Full-time	# Part-time	1-Year Estimated $	5-Year Estimated $
R-1	13	13	0	665,699	3,278,497
R-2	37	29	19	208,780	1,043,900
R-3	40	7	65	670,950	3,354,752
R-4	7	2	10	595,527	2,977,635
R-5	7.75	3.7	8.5	745,507	3,727,535
R-6	3.84	3.11	1.46	578,875	2,894,375
R-8	28	3	50	333,200	1,666,000
R-9	27	2	51	160,964	804,820
R-10	24	1	46	232,015	1,160,078
WO	64.5	23	51	871,338	4,356,690
Totals	251.34	86.81	301.96	5,062,855	25,314,275

Litigation

Region	# of Person Days	# Full-time	# Part-time	1-Year Estimated $	5-Year Estimated $
R-1	13	13	0	204,491	1,022,458
R-2	22	14	17	305,746	1,528,730
R-3	172.75	7	331.5	898,763	4,493,815
R-4	9	4	10	1,195,530	5,977,650
R-5	2.15	1.6	1.1	135,704	678,524
R-6	16.43	15.9	1.07	828,860	4,144,300
R-8	20	0	40	384,000	1,920,000
R-9	17	2	30	64,860	324,301
R-10	23	5	36	435,846	2,179,233
WO	22	16	10	454,506	2,272,530
Totals	481.08	78.5	762.24	4,908,306	24,541,530

United States Department of Agriculture | Forest Service | Washington Office | 14th & Independence SW
P. O. Box 96090
Washington, DC 20090-6090

File Code: 1510
Date: APR 9 1998

The Honorable Helen Chenoweth
Chairman, Subcommittee on
Forests and Forest Health
Committee on Resources
United States House of Representatives
Washington, DC 20515

Dear Chairman Chenoweth:

We appreciate the opportunity to have testified at the March 26, 1998, hearing on the management of the Forest Service. During the discussion on the President's initiative regarding stabilizing payments to States, you requested that we provide additional information identifying who the agency has contacted on this initiative. We have enclosed a summary of the contacts received to date from each region. In order to meet your due date, we are sending what is currently available, which excludes data for the Rocky Mountain Region. Once that data is received, we will quickly send it to you.

The Forest Service takes seriously the obligations and limitations established under the lobbying laws. To enhance our employees' awareness of their obligations under the laws regarding lobbying, we are working with USDA's Office of the General Counsel to develop clear and simple guidelines to be followed in these situations.

If you have additional questions on this issue, please contact Thelma Strong of the Legislative Affairs staff at 205-0580.

Sincerely,

Mike Dombeck

MIKE DOMBECK
Chief

Enclosures

Stabilizing Payments to States
List of Contacts

Region 1 Contacts (Northern Region)

Sanders County Commission

Powell, Mineral and Missoula County Commissions

Seeley Lake School Board

Gallatin Park

Sweetgrass Counties

Bill Murdock, Gallatin County

Lincoln County, County Commissioners Meeting

Cascade Counties

Jamie Doggett, Meagher County

Broadwater Counties

Mike Murray, Lewis & Clark County

Gale Jones, Powell County

Jim Warnken, Mineral County

Steve Wheat, Sanders County

Flathead County

Jack Atthowe, Ravalli County

Powder River County

Rosebud County

Carbon County

Stillwater County

Carter County

Jefferson County

Powell County

Stabilizing Payments to States
List of Contacts

Granite County

Beaverhead County

Silver Bow County

Madison County

Deerlodge County

Ranson County

Richland County

Billings County

Golden Valley County

Slope County

McKenzie County

Williams County

Perkins County

Corson County

Harding County

Bud Bonner and Roger Colgan, Clearwater County

Alan Felgenhaur, Superintendent of Schools

Boundary County

Bonner County

Shoshone County

Kootenai County

George Enneking, Idaho County

Stabilizing Payments to States
List of Contacts

Region 2 Contacts
South Dakota

Governor's Office

State Auditor

State Treasurer

Association of County Commissioners

Education Association

Department of Transportation

County Commissioners
Pennington
Lawrence
Meade
Custer
Fall river

Hill City Scholl Sup.

Custer School Sup.

Hot Springs Schools

Newcastle Schools

Wyoming

Governor's Office

Department of Transportation

Department of Education

County Commissioners Association

Cheyenne offices of Wyoming Congressional Delegation

County Commissioners
Crooks
Weston
Fremont
Park
Hot Springs

Stabilizing Payments to States
List of Contacts

Albany
Carbon
Converse
Platte
Bighorn Mountain Country Coalition
(Bighorn, Johnson, Sheridan, Washakie Counties)

Crook County Attorney

Colorado

Governor's Office
Colorado Counties, Inc.
Public Lands Committee

Local offices of
Congressman Schaeffer
Congressman Schafer
Congressman Skaggs
Congressman Degette
Congressman McGinnis
Congressman Hefley
Senator Campbell
Senator Allard

Commissioners of the following Counties
Grand
Jackson
Routt
Moffatt
Clear Creek
Gilpin
Garfield
Rio Blanco
Eagle
Summit
Pitkin

Nebraska

Commissioners of the following Counties
Blaine
Cherry
Dawes
Sioux
Thomas

Stabilizing Payments to States
List of Contacts

Region 3 Contacts (Southwest Region)

Dr. Steven Starkey, Cloudcroft School Superintendent

Sharon Mosher, Administrative Assistant

Mr. Lynn, Alamogordo School System

Mike Dorme and Vicki Wright, Tularosa School Superintendent

Jose Lopez, Cuban Schools

Orlando Espinosa, West Las Vegas Schools, Pecos Schools

Mary Robinson, Superintendent, Jemez Valley School

Frank Strain, Assistant Superintendent, Jemez Valley School

Sue Cleveland, Superintendent, Rio Rancho Schools

Randy Evans, Business Rep. of Rio Rancho Schools

Gary Dwyer, Superintendent, Bernalillo Schools

Hugh Miller, Business Manager, Los Alamos Schools

Roger Bagley, Acting County Administrator, Los Alamos Schools

Tony Campos for Lorenzo Valdez

P. Archuleta, Superintendent, Espanola School

Paul Babbitt, Coconino County Supervisor

Maggie Murray, Senator Pete Domenici Staffer

Joe Ruiz, Senator Jeff Bingaman Staffer

Virginia Trujillo, Manager, San Miguel County

Mike Burriha, Congressman Bill Redmond Staffer

Troy Benavidez, Lt. Governor's Office

Debbie Hayes, Manager, Sandoval County

Thomas Montoya, Finance Director, Santa Fe County

Stabilizing Payments to States
List of Contacts

Kelly Orrick, N.M. Association of Counties

Sammy Montoya, Taos County Manager

Congressman Bob Stump's Staffer

Senator Jon Kyl's Staffer

Senator John McCain's Staffer

Yavapai County Supervisor

Lorenzo Valdez, Rio Arriba Manager

Domingo Sanchez, County Manager, Santa Fe

Lee Bigelow, Apache County Supervisor

Fred Zumwalt, Greenlee County Supervisor

Lewis Tenney, Navajo County Supervisor

Region 4 Contacts (Rocky Mountain Region)

Daggett County Government

Uintah County Government, Utah

Mayor of Vernal

Utah and City Manager

Tom Kerr, Valley County Commissioner

Phil Davis, Valley County Commissioner

Terry Gestran, Valley County Commissioner

Kevin Gray, Council School Board

Tony Edmondson, Washington County Commissioner

Frank Stirm, Washington County Commissioner

Larry Fry, Adams County Commissioner

Stabilizing Payments to States
List of Contacts

Martin Jensen and Paul Morgan, Piute County Commissioners

Chad Johnson, Beaver County Commissioner

Lana Moon, Tony Dearden, and John Henrie, Millard County Commissioners

Tex Olsen and Peggy Mason, Sevier County Commissioners

Meeks Morrell and Clenn Okerlund, Wayne County Commissioners

Brad Shafer, Senator Robert Bennett's Office

Ron Dean, Senator Orrin Hatch's Office

Taylor Oldroyd, Congressman Chris Cannon's Office

Mayor Billings, Provo city

Commissioner Gary Herbert, Utah County Commission

Commissioner Jerry Grover, Utah County Commission

Commissioner David Gardner, Utah County Commission

Commissioner LaRen Provost, Wasatch County Commission

Juab County Commission

Tooele County Commission

Lee Heinrich, Valley County Clerk

Garfield County

Rio Blanco County

Eagle County

Summit County

Pitkin county

Region 5 Contacts (Pacific Southwest Region)

California Governor's Office

Regional Council of Rural Counties

Stabilizing Payments to States
List of Contacts

California State Association of Counties

California Department of Education

Timber Counties Educators Coalition

California Farm Bureau Federation

California Board of Forestry

California Department of Forestry and Fire Protection

California Forestry Association

State Senator Tim Leslie

Assemblyman Tom Woods

Senator Barbara Boxer, San Francisco Office

County Boards of Supervisors/County Commissioners throughout the State by appropriate National Forest units

County Boards of Education throughout the State as appropriate

Region 6 Contacts (Pacific Northwest Region)

Nancy Schlangen, Chair, Deschutes Co. Commision

Julia Doermann, OR Gov. Assistant

John Howard, Union Co. Commission

Howard Oman, Supt. of Schools, Lakeview, OR

Lake Co. Commissioners

Colleen McCloud, Steve McClure, John Howard, Union Co. Commissioners

Pat Wortman, Mike Hayward, Randy Strom, Wallowa Co. Commissioners

Steve Bogart, Co. Judge, Baker Co. Commission

Bob Dunton, Pine-Eagle District School Supt.

John Snider, Congressman Bob Smith's Office

Stabilizing Payments to States
List of Contacts

Klamath County Commissioner. Steve West. Harold Haugen. Fred Borngasser. and Jim Brock. Josephine Co. Commissioners

Cathy Krouse. Business Mgr., Three Rivers School District. Josephine Co.

Dennis Reynolds. Grant County Judge

Bob Beatty, Supt. Ed. Svc. Dist.

Dale White, Judge, Harney County

Judge John Mabrey, Wasco Co. Commissioner

Jim Kiefert. Supt., Chenowith School Dist.

Julie Hammerstad. Chair. Clackamas Co. Comissionand Donna Peterson. Staff Assistant

Bob Schuppe. Hood River Co. Commissioner

Sharon Kelly. Mult. Co. Comm.. Dist. 4

Beverly Stein. Mult. Co. Comm. Chair

Bill Lesh. Corbett School District Supt.

Heppner Coordinating Council

Chuck Starr. Morrow Co. School Supt.

Morrow Co. Commissioners

Asotin Co. Commissioners James C. Fuller, Donald G. Scheibe, Gordon D. Reed

Garfield Co. Commissioners, Dean Burton. Steve Ledgerwood, Vern Emerson

Asotin School Supt., Paul Beckman

Pomeroy School Supt., Terry Brandon

Umatilla County Commissioners, Bill Hansell and Dennis Daughorty

County Commissioners J.D. Anderson and Fred Lotz

Fred McCurdy, Colville School District; Carol Truxton, Orient School District; Kurt Matter, Kettle Falls School District

Renee Donally, Onion Cr. School District

Stabilizing Payments to States
List of Contacts

Kim Carlson, Selkirk School District No. 70

Trico Economic Development Board of Directors

Pend Oreille Commissioners

Bob Chaney, Newport Miner

Rick McBride, Newport Schools

Fred Willowbrock, Newport Miner

KXLY Radio, Spokane

Ferry Co. Com.
Curlew School Supt.
Republic New Media
Republic School
Republic Com. Radio
Panorama Examiner

Dan Crumley, Commissioner

Darlene McCarthy

Coos Co. Commissioner, Bev Owens

Bill Roberts, Commissioner

Chelan Co. Comm. Chrm.

Gene Sharatt, Admin., NCW Ed. Svc. District

Mary Suebert, Kittitas Co. Comm. Chrm.

Yakima County Commissioners

Entiat School District Supt., Bus Mgr., and Board member

Yakima Province Advisory Committee

Gordon Ross, Coos County Commissioner

Carol Jolly, Gov. Locke's Policy Staff

WA Assoc. of Counties, Bill Vogler

Stabilizing Payments to States
List of Contacts

Boise Cascade

Phil Ketchel, Clallam Co. Commissioner

John Bolender, Mason Co. Commissioner

Dean Judd, CTED

WA State Superintendent of Public Instruction, Mike Bigelow

Senate Natural Resource (State Legislative Staff), Vic Moon

DNR: Craig Partridge, Policy Staff

Editor, Forks Forum

Forks City Attorney & Treasurer

Quillayute Valley School Supt.

Quilleute Tribal School Admin.

Editor, Peninsula Daily News

Jefferson Co. Board of Commissioners: Dan Harpole, Richard Wojt, Glen Huntingford

Port Townsend School Supt., Quilcene School Supt., and Brinnon School Supt.

Walla Walla County Commissioners

Columbia County Commissioners

Clark County Commissioners

Cowlitz County Commissioners

Hockinson School, Clark County, John Davis

Woodland Schools, Cowlitz County, John Bjornson

La Center School, Clark County, Charles Anderson

Castle Rock School District Supt., Ben Aker

Camas School District Supt., Milt Dennison

Evergreen School Dist. Supt., (R. Melching) Rep., John Nissen (Dir. B&F)

Stabilizing Payments to States
List of Contacts

Ridgefield School District Supt., Dr. Dale Scott

Lewis County Commissioner, Russ Wiggley

White Pass School Supt., Rick Anthony

Klickitat County Commissioner, Jean Fry

Supt., White Pass, Bingen, BZ, and Underwood Schools, Rich Carter

Skamania County Commissioners

Skamania School District Supt., Bill Bentley

Lincoln County Commissioner, Nancy Leonard

Oregon Congessman Bob Smith's staffer, Medford, OR

Supt. of Schools, Anacortes School District 103, Dr. Gerald Post

Bob Hart, Chair, Skagit County Commissioners

Mike Casey, Supt. of Schools, Sedro Woolley, WA

Gil Johson, Supt. of Schools, Concrete, WA

Dr. Mack Armstrong, Supt. of Schools, Mt. Vernon, WA

Dr. Gerald Post, Interim Supt. of Schools, Anacortes, WA

Paul Chaplik, Supt. of Schools, Burlington-Edison, WA

Bill Evans, Interim Supt. of Schools, Conway, WA

Tim Bruce, Supt. of Schools, LaConner, WA

Pete Kremin, Whatcom County Executive

Jerry Hunter, Supt. of Schools, Mt. Baker Schools, Demming, WA

Dr. Roger Lehnert, Supt. of Schools, Ferndale, WA

Dr. Dale Kinsley, Supt. of Schools, Bellingham, WA

Gordon Dolman, Supt. of Schools, Blaine, WA

Howard Heppner, Supt. of Schools, Lynden, WA

Stabilizing Payments to States
List of Contacts

Dr. Don Bauthues, Supt. of Schools, Meridian, WA

Mark Johnson, Supt. of Schools, Nooksack Valley, Nooksack, WA

Rick Larsen, Snohomish County Council

Martin Laster, Supt., Darrington Schools, Darrington, WA

Pete Selvig, Board President, Darrington Schools, Darrington, WA

Bob Drewell, Snohomish County Executive Office

Barbara Cothern, Snohomish County Councilor

Dave Somers, Snohomish County Councilor

Kirk Sievers, Snohomish County Councilor

Gary Nelson, Snohomish County Councilor

Connie Adams, Supt., Skykomish Schools

Stuart Woolley, Skykomish School Board

John Robinson, Skykomish School Board

Gary Weikel, Snohomish County Executive Office

Louise Miller, King County Councilor

Larry Phillips, King County Councilor

Brian Derdowski, King County Councilor

Dr. Richard McCullough, Supt., Mt. Si School District

John Shabro, Pierce County Councilor

Wheeler County Courts

Harney County Courts

Crooked County Courts

Grant County Courts

Prineville Chamber of Commerce

Stabilizing Payments to States
List of Contacts

Crooks County School representatives

Frank Weeley, Prineville School Board

Region 8 Contacts (Southern Region)

Jimmy Jones, Chancery Clerk, Franklin County

Larry Jones, Superintendent of Education, Franklin County

Bill Scott, President of Franklin County School Board

Gary Cothern, Franklin County School Board

Mark Thorton, Franklin County School Board

Kim Priest, Franklin County School Board

Carrie Berstrand, Franklin County School Board

Carl Ray Lehmann, President of the Franklin County Board of Supervisors

David Griffin, Franklin County Supervisor

George Collins, Franklin County Supervisor

Charles Freeman, Franklin County Supervisor

J. Ronny Smith, Chancery Clerk, Lincoln County

Cliff Givens, Lincoln County Supervisor

H. E. Martin, Lincoln County Supervisor

Wayne Nations, Lincoln County Supervisor

Sam Laird, Lincoln County Supervisor

Robert L. Smith, Lincoln County Supervisor

Steve Amos, Chancery Clerk, Copiah County

Earl Dixon, Copiah County Supervisor

Tony Smith, Copiah County Supervisor

Barry Good, Copiah County Supervisor

Stabilizing Payments to States
List of Contacts

Macoal Welch, Copiah County Supervisor

Winfred Hammack, Copiah County Supervisor

Dale Sullivan, Superintendent of Education, Copiah County

Helen Sandifer, Copiah County School Board

Walter Bell, Copiah County School Board

Sam Green, Copiah County School Board

Ricky Smith, Copiah County School Board

Dr. Ray Holloway, Copiah County School Board

John Dickey, Superintendent of Education, Jefferson County

Willie Pree, Jefferson County School Board

Roosevelt Anderson, Jefferson County School Board

Frances Perryman, Jefferson County School Board

Gloria Flores, Jefferson County School Board

Henry Wilson, Jefferson County School Board

Ronnie Taylor, Chancery Clerk, Amite County

Maxie Wallace, President, Board of Supervisors, Adams County

Samuel Cauthen, Supervisor, Adams County

Myrtis Salmon, Adams County Supervisor

Thomas Campbell, Adams County Supervisor

Daryll Grennell, Adams County Supervisor

Jackie Whittington, Amite County Supervisor

Dale Sterling, Amite County Supervisor

Jimmy Lobrano, Amite County Supervisor

Wiley Barron, Amite County Supervisor

Stabilizing Payments to States
List of Contacts

Max Lawson, Amite County Supervisor

John Mabry, Mabry Lumber Company

John Behan, President of the Federal Timber Council, Columbus Lumber Company

Eddie Carter, Carterwood Lumber Company

Robert Arnold, Carterwood Lumber Company

Mack Haynes, Supervisor, Wilkinson County

Bill Ferguson, Wilkinson County Supervisor

Venton McNabb, Wilkinson County Supervisor

Robert Morgan, Wilkinson County Supervisor

W. G. Johnson, Wilkinson County Supervisor

Marshall County Board of Supervisors

Benton County Board of Supervisors

Lafayette County Board of Supervisors

Lafayette County Supervisor of Education

Benton County Supervisor of Education

Yalobusha County Supervisor of Eduction

Dean Emmett Thompson, Auburn University

Ronnie Murphy, NRCS

Ami Simpson, Tourism/Travel

Pat Byington, Alabama Environmental Council

Tim Boyze, State Foresters Office

Daniel Robertson, Farm Services Agency

Lindsy Davis for U.S. Representative Terry Everett, Alabama

John Heroux for U.S. Representative Bob Riley, Alabama

Stabilizing Payments to States
List of Contacts

Todd Reich for U.S. Representative Sonny Callahan, Alabama

Mike Sharpe for U.S. Representative Sonny Callahan, Alabama

Jack Zeiman for U.S. Representative Earl Hilliard, Alabama

Mike Short, Winston County Engineer

Charles Gilbreath, Retired Winston County Engineer

Corbin Seymour, Mayor, Double Springs, AL

Betty Porter, Winston County, Superintendent of Public Schools

Mack Rushing, Lawrence County Engineer

Shayne Gill, Congressman Spencer Bachus' Office

Tambi McCollum, Office of Congressman Earl Hilliard

Escambia County Board of Education

Covington County Board of Education

Covington County Commission

Escambia County Commission

County Judges, Commissioners, or Treasurers contacted by the National Forest and Grasslands in Texas, District Rangers

Houston County Judge, Davy Crockett NF

Centerville ISD Superintendent, Davy Crockett NF

Governor Bush's Office

Texas Education Association

Will Wingate, Lieutenant Governor Pierre Howard's aide

Robert Foster, Fannin County Commissioner

Morgan Arp, Fannin County School Superintendent

Rayburn Smith, Gilmer County Commissioner

Stabilizing Payments to States
List of Contacts

Ben Arp, Gilmer County School Superintendent

Charlie Ridley, Lumpkin County Commissioner

Brenda Branson, Lumpkin County School Administrator

Harold Cook, Union County Commissioner

Yalonda Tolbert, Union County Clerk

Tommy Stephens, Union County School Superintendent

Jack Dayton, Towns County Commissioner

Jeff Ivey, Towns County Schools Superintendent

Bobby Wallace, Dawson County Commission

Buddy Chapman, Walker County Commissioner

Jim Parker, Chattooga County Commissioner

Assistant County Administrator, Floyd County

Jonesy Haygood, Stephens County Commissioner

Terry Watts, Habersham County Commissioner

Paul Bjorkman, County Administrator, Greene County

Daryl Rabbit, Superintendent, Greene County Schools

Frank Brantley, Putnam County City Administrator

Betty Williams, Commissioner, Jones County

Sam Goolsby, Chairmen of Board of Commissioners, Jasper County

Bill Moore, Chairman, Putnam County Board of Commissioners

Roz Goolsby, Member Jasper County School Board

Jim Hunt, Chairman, Greene County Board of Commissioners

Ted Stone, Chairman, Jones County School Board

Mike Jones, Chairman, Greene County School Board

Stabilizing Payments to States
List of Contacts

Rabun County Administrator

Rabun County School Superintendent

Lisa Chapman, South Carolina Governor's Office

South Carolina Association of Counties

South Carolina Education Association

Jim Rozier, Berkeley County Administrator

Dr. Chester Floyd, Berkeley County School Superintendent

Ed Fava, Charleston County Administrator

Dr. Chip Zullinger, Charleston County School Superintendent

Ed Lominack, Jr., County Administrator, Newberry County

Donnie Betenbaugh, County Supervisor, Union County

Carlisle Rodey, County Supervisor, Chester County

Norman Branham, County Treasurer, Fairfield County

Ernest Segars, County Administrator, Laurens County

John Hair, Financial Officer, Newberry School System

Brian Basil, WKOK Radio Station

Oconee County Superintendent of Schools

Harrison Orr, Oconee County Supervisor

Buddy Herring, Oconee County Superintendent of Schools

Dr. W. R. Garrett, County Superintendent, Abbeville County

Richard Starks, County Administrator, Abbeville County

Doug Burns, County Administrator, McCormick County

Charles Parnell, County Superintendent, McCormick County

Clarence W. Dickert, County Superintendent, Edgefield County

Stabilizing Payments to States
List of Contacts

Robert B. Sealy, Assistant Superintendent, Edgefield County

John Adams, County Administrator, Edgefield County

Shirley Boone, county Administrator, Saluda County

Dr. Linda Hawkin, County Superintendent, Saluda County

Dr. John Kinlaw, County Superintendent, Greenwood County

Coffield, Augusta County Administrator

O'Brien, Former NACO Official

Mr. Barrett, Marion County Schools

Mr. Baltz, Putnam County Administrator

Jim Lowbry, Marion County Administrator

Tommy Thompson, Putnam County School Administrator

Eve Young and Harold Mikell, Congressman Boyd's Staff

Pat Grise and Catherine Cyr, Senator Graham's Staff

Scott Barnhart, Senator Connie Mack's Staff

Florida Forestry Association

Johnny Eubanks, Liberty County Action Team

Hal Sumers, Liberty County School Superintendent

Rick Smith, Governor's Office

Paula Barton, Superintendent, Baker County Schools

Josie Davis, Baker County Coordinator

Jimmy Knox, Columbia County Commission

Mike Flanagan, Superintendent, Columbia County Schools

Philip Gornicki, Florida Foresty Association, Forester-Environmental Issues

Jimmie Green, McCreary County Judge

Stabilizing Payments to States
List of Contacts

Executive (Contact: Mike Melton)

Bruce Murphy, Deputy County Judge

Executive, McCreary County (Contact: Mike Melton)

Herschel Sexton, Menifee County Judge

Executive (Contact: Dave Manner)

Clyde Thomas, Rowan Judge

Executive (Contact Dave Manner)

Alfred Fawns, Bath Judge

Executive (Contact: Dave Manner)

Sid Stewart, Morgan County Judge

Executive (Contact: Dave Manner)

Laura Martin, Kentucky Forest Industries (Contact: Rex Mann)

Joe Dietz, Kentucky Department for Natural Resources (Contact: Rex Mann)

Hershel Sexton, Menifee County Judge

Executive (Contact: Donnie Richardson)

Forest Meadows, Powell County Judge

Executive (Contact: Donnie Richardson)

Bobby Drake, Powell County Deputy Judge

Executive (Contact Donnie Richardson)

Danny Brewer, Wolfe County Judge

Executive (Contact: Donnie Richardson)

E.T. Kash, Lee County Judge

Executive (Contact: Donnie Richardson)

Dwight Arvin, Estill County Judge

Stabilizing Payments to States
List of Contacts

Executive (Contact: Donnie Richardson)

Louie Floyd, Pulaski County Judge

Executive (Contact: Jerry Stevens)

Buzz Carloftis, Rockcastle County Judge

Executive (Contact: John Strojan)

Dennis Karr, Laurel County Judge

Executive (Contact: John Strojan)

Bill Smith, Jackson County Judge

Executive (Contact: John Strojan)

Onzie Sizemore, Leslie County Judge

Executive (Contact: Dick Rosemier)

Jimmy Herald, Owsley County Judge

Executive (Contact: Dick Rosemier)

Charles White, Clay County School Superintendent (Contact: Dick Rosemier)

Steve Jackson, Owsley County School Superintendent (Contact: Dick Rosemier)

Joe Swafford, Clay County Office of Economics

Tommy Sizemore, Leslie County School Superintendent

Kentucky Congressional Delegation

Vernon Morrison, Superintendent Oden Schools

Jimmy Phelps, Superintendent Acorn Schools

Lendall Martin, Superintendent Cove Public Schools

Jimmy Jones, Superintendent Mena Public Schools

John Campbell, Hatfield Public Schools

Ray B. Stanley, Polk County Judge

Stabilizing Payments to States
List of Contacts

U.S. Senator Bumpers' Staff (AR)

U.S. Senator Asa Hutchinson (AR)

U.S. Senator Nickels (OK)

Tommy Thompson, Superintendent, Perryville Schools

George McNeil, County Judge, Perryville County

Robert Blocker, Assistant to Judge, Garland County

Curtis Turner, Centerpoint Schools

Rick Green, Caddo Hills Schools

Don Baker, Pike County Judge

Larry Williams, Garland County Judge

Don Henson, Lake Hamilton Schools

Dave Hollaway, Murfreesburg Schools

Ted Elder, Montgomery County Judge

Cleda Mitchner, Montgomery County Clerk

Mike Moody, Montgomery County Assessor

Alvin Black, Montgomery County Treasurer

Dr. Jim Regnier, Mt. IDA School Superintendent

Floyd Marshal, Superintendent, Scott County Schools

Booster Hawkins, Scott County Judge

Gary Moore, Yell County Judge

Jack O'Reilly, Superintendent, Fourche Valley School

Ted Lyons, Superintendent, Danville School System

Jimmy Cunningham, Superintendent, Plainview/Rover Schools

Robert Holleday, Superintendent, Western Yell Schools

Stabilizing Payments to States
List of Contacts

Earl Jamison, Superintendent, Ola School System

A. Hoggman, Superintendent, Booneville School

Natchitoches Parish School Board Superintendent and Finance Director

Natchitoches Parish Police Jury President

Claiborne Parish School Board

Winn Parish Police Jury President

Winn Parish Superintendent of Schools

Gerald Woodard, Grant Parish School Superintendent

Grant Parish Police Jury Secretary/Treasury

Dr. Patsy Jenkins, Rapides Parish School Superintendent

Rapides Parish Police Jury President

Vernon Parish Police Jury President

Vernon Parish School Board Financial Officer

Lynda Imes, Director, Municipal Affairs, Governor's Office

Lydia Rogers, Senator Lott's Office, MO

Suzanne Case, Senator Cochran's Office, MO

Mark Jenkins, PAO, State Board of Supervisors

J.C. Allen, Smith County School Superintendent

Eldridge Walker, County Supervisor, District 3

Estes Taplin, Superintendent of Education

D. W. Johnson, County Superintendent, District 2

Doug Moore, County Superintendent, District 1

Joe King, County Superintendent, District 4

Sandra Oxner, Chancery Clerk

Stabilizing Payments to States
List of Contacts

Willie Smith, District 5 Supervisor

Reggie Collums, Clerk, Pontotoc County

David Oswalt, Supervisor, Oktibbeha County

Jerry Heron, Pontotoc School Superintendent

Phyllis Gronewald, Louisville Public Schools

Dr. Walter Conley, Oktibbeha County Schools

Kathy Davis, Chickasaw County Schools

Connie Whitt, Chickasaw County Superintendent

Jerry Estes, Winston County Superintendent

Hank Mosley, Congressman Pickering's Office, MO

Mark Flowers, Congressman Wicker's Office, MO

Ty Cobb, Choctaw County Superintendent of Schools

Don Thredgill, County Clerk for Board of Supervisors

Jasper County Board of Supervisors

Newton County Board of Supervisors

Scott County Board of Supervisors

Smith County Board of Supervisors

Rep. Dick Livingston, State Representative, LA

Office of Chip Pickering, State Representative, MO

Superintendent of Schools, Jasper County

Superintendent of Schools, Newton County

Superintendent of Schools, Scott County

Superintendent of Schools, Smith County

Cherokee NF District Rangers contacted all County Executives/School Superintendents in 10 counties

Stabilizing Payments to States
List of Contacts

David Reavis, North Carolina State Treasurer's Office, Raleigh, NC

Jewell Wilson, Governor Hunt's Western Office, Asheville, NC

Richard Faulkner, Congressman Charles Taylor's Asheville Office

Graham County County Manager

Jorge E. Aponts, Director, Puerto Rico's Office for Management and Budget

Honorable Carlos Pesquers, Secretary, Department of Transportation

Honorable Carlos Romaro Barcelo, President, Commissioner's Office

Honorable Victor Fajardo, Secretary, Department of Education

Region 9 Contacts

Congressman Kildee

Senator Abraham

Congressman Stupak

Senator Levin

Congressman Hoeckstra

Congressman Camp

Ottawa County Commissioner

Huron-Manistee County Commissioner

Hiawatha County Commissioner

Ottawa Road Commissioner

Huron-Manistee Road Commissioner

Hiawatha Road Commissioner

Congressman Peterson

Congressman Spector

Stabilizing Payments to States
List of Contacts

State Representative Sluccum

State Representative Lynch

State Representative Jacowich

State Representative Surah

County Commissioners within 4 county areas of forest

School Superintendents

Township Supervisors

County Commissioner, Hocking County

School Superintendent, Hocking County

U.S. Representative JoAnn Emerson, MO

U.S. Senator Kit Bond, MO

U.S. Senator Pete Ashcroft, MO

Mark Twain Timber Purchaser Association

County Commissioner within Mark Twain NF boundary

U.S. Congressman Vento

U.S. Congressman Oberstar

County Commissioner, St. Louis County

County Commissioner, Chequamegon/Nicolet NF boundary

Region 10 Contacts

Governor's Office in Juneau - Marlyn Heiman, Special Assistant to Governor,

Governor's Office in D.C. - Anna Kertula, Special Assistant

Alaska Visitor Association Exective Director - Tina Lindgren

SE Alaska Conference - Berne Miller, Executive Director (coordinating organization for SE towns)

Stabilizing Payments to States
List of Contacts

Mayors/City Managers throughout SE Alaska, and most of them offered and did contact their local state legislative representative:

Petersburg city manager, Leo Luczak
Coffman Cove mayor, Elaine Price
Craig mayor, Dennis Watson
Juneau mayor, Dennis Egan
Sitka mayor Stan Filler
Ketchikan borough mayor, Jack Shay
Haines administrator, Jerry Lap
Tennakee Springs, Shelly Wilson
Klawock administrator, Doc Waterman
Thorne Bay mayor, Lynda Brown
Wrangell mayor, Douglas Roberts

United States Department of Agriculture | Forest Service | Washington Office | 14th & Independence SW
P. O. Box 96090
Washington, DC 20090-6090

File Code: 1510

Date: April 16, 1998

The Honorable Wally Herger
United States House of Representatives
2433 Rayburn House Office Building
Washington, DC 20515

Dear Representative Herger:

Here is the response to the question you requested at the March 26, 1998, oversight hearing on Forest Service Management.

Question: Provide the Committee specific dates and actions that will be taken to get your fiscal house in order. What will change? Be very specific in analyzing the GAO and OIG reports in preparing your response.

Below are a number of actions that have taken place and will take place to get our financial house in order. We expect to have an action plan with specific timelines that we can share with the three Committees in 60 to 90 days.

We want to stress, however, that there can be no accountability without accurate information to measure it. The Forest Service has been justifiably criticized for a lack of accountability. However, there can be no accountability until the Forest Service has usable financial and resource data. In this regard, we agree with the findings and recommendations of the Office of Inspector General (OIG) and the General Accounting Office (GAO). We are working hard to acquire the data needed to support an accountable organization.

This problem did not develop nor will it be resolved overnight. The genesis of this problem lies in management actions taken over the last twenty years. Furthermore, the problem will not be resolved without making significant change in how the Forest Service is organized and operates.

In order to solve these problems, we are making business management as important as resource management and for this, a cultural change in Forest Service personnel is required. This is the most difficult type of management challenge.

Following is a summary of actions we have already taken:

* Commissioned **Coopers & Lybrand** to analyze the Forest Service financial and budget operations with the intention of recommending how we should be organized, indicating skills requirements and proposed training requirements. The report was completed on March 18, 1998, and is now being studied.

* Launched the Foundation Financial Information System (FFIS) general ledger in the Pacific Northwest and Alaska regions and the Pacific Northwest station.

* Extended the **Coopers & Lybrand** assignment to let them operate as the eyes and ears of the Forest Service on the FFIS general ledger.

* Prepared strategic plan (GPRA) for Fiscal Year (FY) 1999 and have linked various planning processes together and simplified performance measures.

* Completing data cleanup to input good information into the general ledger. OIG has given us good marks on this effort. This task will be almost complete by the end of FY 98.

* Have completed pilot models of natural resource databases to get all nine regions to report on the same basis.

Actions yet to be taken are listed as follows:

* Work with USDA to get FFIS general ledger up and running by October 1, 1998. This project is largely the responsibility of the USDA Office of the Chief Financial Officer (OCFO) and we cannot be certain the date will be met. We expect to have better information on this within 60 days.

* We need to eliminate the process of retroactive redistribution if FFIS is ever to work. We expect to have an alternate plan in place by the end of FY 98.

* We need to implement many of the **Coopers & Lybrand** recommendations; a task group is being formed this week to handle the task.

Finally, we agree with this comment made in the recently completed **Coopers & Lybrand** report:

> "The purpose of improving financial management is to enable the Forest Service to bring a solid, cohesive, analytic strength to its decision-making processes. Better information leads to better strategic and tactical choices. This, in turn, leads to an increased credibility in the connection between what the Service actually does to improve ecosystems and what it reports."

Thank you for your inquiry. Courtesy copies have been sent to the Committees on Budget and Resources, and the Interior Subcommittee of the Appropriations Committee. Should you need additional information, please contact Thelma Strong of the Legislative Affairs staff at 205-0580.

Sincerely,

ROBERT LEWIS, Jr.
Acting Associate Chief

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