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Alaska Region's Operating Costs for Fiscal Years 1993 Through 1998

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Mr. Chairman and Members of the Committee:

We are pleased to be here today to discuss our recently issued report to you on the costs to operate the Forest Service's Alaska Region.[1] The Forest Service provides the Alaska Region with annual appropriations for its operations, and the region further allocates these appropriations to cover the regional office's costs, the centralized field costs that fund activities that usually have regionwide benefits, and the costs of the four field offices at the Tongass and Chugach National Forests. The remainder is designated as reserves.

In response to your request, we provided you with information on (1) the region's allocation of funds for its operating costs for fiscal years 1993 through 1998; (2) the nature, purpose, and allocation of centralized field costs and the steps the Alaska Region is taking to comply with the congressional limitation on the expenditures for the regional office and centralized field costs; (3) the rationale for and the distribution of regional reserve funds; and (4) whether the Forest Service's National Forest System and Research appropriations were used appropriately to pay for work performed by the Pacific Northwest Research Station in connection with the revision of the Tongass Land Management Plan and for post-plan studies.

In summary:

- The Alaska Region's operating costs ranged from $108 million to $127 million annually during fiscal years 1993 through 1997. The region allocated from 71 to 76 percent of these funds to the field offices for carrying out local programs, such as timber sale preparation or wildlife activities; 13 to 17 percent for managing regional office operations, including overall direction and support for field offices; 4 to 7 percent for centralized field costs; 2 to 5 percent for regional reserves; and 2 to 4 percent for State and Private Forestry operations. For fiscal year 1998, the region's estimated allocations totaled about $106 million to carry out these regional programs.

- Until fiscal year 1998, the Alaska Region used centralized field costs to manage certain programs or activities for the benefit of multiple offices. Centralized field costs include activities such as payments to the National Finance Center for payroll and accounting services. The Forest Service's fiscal year 1998 appropriations act limited the Alaska Regional Office's

[1]Forest Service: Review of the Alaska Region's Operating Costs (GAO/RCED-98-106R, Mar. 31, 1998).

expenditures for regional office operations and centralized field costs to $17.5 million. To comply with this legislative requirement, the Alaska Region eliminated the use of the centralized field cost category, included unallocated funds in regional reserve accounts until the funds are distributed to the field units, and separated the costs for State and Private Forestry operations from the operations of the regional office.

- The Alaska Region establishes reserves because of the uncertainty about the timing or the amount of funds needed for certain projects. Once the specific amount or responsible unit is determined, the region distributes the necessary reserves to the unit responsible for making the payment. In fiscal years 1995 through 1997, the Alaska Region distributed reserves ranging from $6 million to $12 million. The four field offices received from 87 to 98 percent of the reserves during this period, and the remainder went to the region for regional office operations. Any ending balance in the reserve category becomes the carryover amount for the next fiscal year.

- Beginning in fiscal year 1995, both the Alaska Region's portion of the National Forest System appropriation and the Pacific Northwest Research Station's portion of the Forest and Rangeland Research appropriation funded the work performed by the Research Station scientists on the revision of the Tongass Land Management Plan and post-plan studies. Although we asked for documentation of the rationale for decisions about the funding split for the particular work performed by the research scientists, neither of these organizations could provide us with such documentation. As a result, we could not determine whether the National Forest System and the Research appropriations were used appropriately or inappropriately for fiscal years 1995 through 1998.

Alaska Region's Operating Costs for Fiscal Years 1993 Through 1998

Annually, the Forest Service receives appropriations to operate its nationwide programs. On the basis of these appropriations, the Forest Service allocates a portion to each of its regions to carry out the regional and field office programs. In the case of the Alaska Region, appropriations are further allocated to (1) the regional office, which provides overall direction and support for programs and activities in the region as well as funds for the State and Private Forestry operations located in Anchorage, Alaska; (2) the centralized field costs, which fund programs or activities that usually have regionwide benefits;[2] (3) the four field offices to operate "on the ground" programs; and (4) reserve accounts from which distributions are made during the year to the field offices.

[2]The region eliminated the use of centralized field costs in fiscal year 1998.

As shown on table 1, the Alaska Region's operating costs ranged from $108 million to $127 million annually during fiscal years 1993 through 1997 and were estimated to be about $106 million for fiscal year 1998.

Table 1: Year-End Budget Allocations, Fiscal Years 1993 Through 1998

Dollars in thousands

Budgeted amounts	Fiscal year					
	1993	**1994**	**1995**	**1996**	**1997**	**1998[a]**
Regional office[b]	$17,513	$18,726	$17,913	$15,672	$16,453	$18,749
State and Private[c]	2,586	1,988	4,369	3,561	2,568	4,154
Centralized field costs	5,018	5,653	6,139	7,283	7,619	0.0
Field offices	94,990	91,504	77,173	84,767	83,977	69,760
Reserves	6,508	3,185	2,568	6,295	5,611	13,386
Total	**$126,615**	**$121,056**	**$108,162**	**$117,578**	**$116,228**	**$106,049**

[a]Based on the Alaska Region's Final Budget Allocation; the year-end statements were not available at the time of our review.

[b]Includes amounts for permanent appropriations, trust funds, and revolving funds.

[c]The amounts provided to the State and Private Forestry operations in Anchorage—a separate organizational unit within the Forest Service—are shown as a separate category even though the Alaska Region's financial reports traditionally have included these amounts as part of the regional office costs.

The Regional Office's Use of Centralized Field Costs

Until fiscal year 1998, the Alaska Region used a category of operating costs, known as centralized field costs, as a means to improve efficiency by having one office—either the regional office or one of the field units—manage certain programs or activities for the benefit of multiple offices. Centralized field costs include activities such as payments to the National Finance Center for payroll and accounting services. Overall, the centralized field costs established by the region increased from about $5 million in fiscal year 1993 to almost $9 million in fiscal year 1997, and the number of programs or activities included in these costs fluctuated from 24 to 41 during the same period. However, this overall increase is not reflective of the increases or decreases in individual centralized field costs during this period because the same programs or activities were not funded each year nor did the amounts of individual centralized field costs remain constant. As a component of the Alaska Region's overall operating budget, these costs averaged about 5 percent of the total.

Field Office Officials Cite Both Advantages and Disadvantages of Centralized Field Costs

Regional office budget officials viewed the use of these centralized field costs as a means to better achieve efficiency because the costs of certain programs or activities generally would be managed centrally rather than allocating each unit's share of the cost and then requiring each unit to pay its proportional amount. Field office officials cited both the advantages and disadvantages of using centralized field costs. Yet none of these field office officials could provide us with specific examples of disadvantages that negatively affected their operations or what more they could have accomplished if centralized field costs had not existed.

Recent Legislation Results in Reclassification of Centralized Field Costs

In the conference report for the Forest Service's fiscal year 1998 appropriations, the conferees expressed concern "about the appearance that expenditures for regional office operations and centralized field costs have risen significantly as a proportion of annual appropriated funds since 1993." As a result, in the appropriations act the Congress limited the Alaska Regional Office's expenditures for the regional office's operations and centralized field costs to $17.5 million, without 60 days prior notice to the Congress.

The preliminary budget allocation for fiscal year 1998 regional office operations and centralized field costs totaled about $26.5 million. According to a regional budget official, the region is currently implementing the following measures to meet the congressional limitation:

- Eliminating all existing centralized field costs by allocating the funds directly to the field units whenever the office and amounts are known.
- Placing unallocated funds into a reserve account and distributing them as decisions are reached as to which office will receive the money.
- Separating the costs associated with the State and Private Forestry organizational unit from the regional office's expenses.

According to the regional budget official, the region eliminated centralized field costs and was able to reduce the planned regional office cost allocations to about $18.7 million as of March 4, 1998. Although this estimate exceeds the $17.5 million congressional limitation, according to an Alaska Region budget official, further adjustments will be made as the year progresses to ensure that regional office operating expenses do not exceed the amount allowed by the Congress. He also stated that centralized field costs will not be used in the future.

Regional Reserves Distributed to Local Field Offices

The Alaska Region establishes reserves because of the uncertainty about the timing or the amount of funds needed for certain projects. Once the specific amount or responsible unit is determined, the region distributes the necessary reserves to the unit responsible for making the payment. In fiscal years 1995 through 1997, the Alaska Region distributed reserves ranging from $6 million to $12 million. The four field offices received from 87 to 98 percent of the reserves during this period, and the remainder went to the region for regional office operations. Any ending balance in the reserve category becomes the carryover amount for the next fiscal year.

Local Programs Generally Were Not Affected Because the Region Established Reserves

To determine whether reserves play a positive or negative role in effectively implementing programs, we spoke with officials of each of the four field offices. The officials agreed that establishing a reserve amount to facilitate the accounting for unknowns was an effective procedure and believed that the region's actions in this case generally led to less paperwork for the local units. In most cases, the field offices viewed reserves as a reasonable approach to addressing the uncertainties related to contracting, such as delays, cost increases, or the lack of appropriate bids. Thus, overall, the field office officials generally supported the process of establishing reserves and the manner in which the regional office approached the distribution of these funds.

The Rationale for the Split Funding for the Work of Research Scientists on the Tongass Land Management Plan Was Not Documented

Beginning in fiscal year 1995, the Forest Service's Pacific Research Station scientists performed work in connection with the Tongass Land Management Plan. The work of the Research Station scientists was jointly funded: Part of the expenses was funded from the Alaska Region's portion of the National Forest System appropriation, which is normally used for forest planning activities, and another part was funded by the Research Station's portion of the Research appropriation, which is used for research activities. The work performed by the Research Station scientists dealt with (1) the revision of the Tongass Land Management Plan, including resource conservation assessments, resource analyses, workshops, and risk assessment panels and (2) the post-plan priority research studies identified in the plan as important for further amendments or revisions to the plan. Although we asked for documentation of the rationale for decisions about the funding split for the particular work performed by the research scientists, neither of these organizations could provide us with adequate explanations or documentation.

According to the Forest Service's records, for fiscal years 1995 through 1998 the work of the scientists will have cost about $4.7 million, of which $2.8 million was funded by the National Forest System appropriation and $1.9 million was funded by the Research appropriation. Our analysis of these data showed that the Research Station scientists used 60 percent of the funds for the revision of the plan and 40 percent for post-plan studies. According to an Intra-Agency Agreement, the Alaska Region and the Research Station plan to continue funding post-plan studies at about $1.35 million annually in future years with $900,000 and $450,000 from the National Forest System and Research appropriations, respectively.

Use of the National Forest System Appropriation

The Congress provided the National Forest System appropriation for the management, protection, improvement, and utilization of the National Forest System and for forest planning, inventory, and monitoring, all of which are non-research activities.

We asked regional budget and fiscal officials to provide (1) justification for the charges to the National Forest System appropriation for the work of the Pacific Research Station scientists and (2) the criteria that they used to make this determination. These officials said that such a determination was not made and that they could not provide us with information on the types of tasks performed by the scientists with National Forest System funds. They also could not provide us with any criteria, such as agency guidance or procedures, that were available in 1995 to make such a determination. In effect, when the Research Station scientists requested National Forest System funds for work on the Tongass Land Management Plan, the Alaska Region provided the funds requested, but it did not determine if the activities funded were a proper charge to the appropriation.

On March 4, 1998, the Alaska Region provided us with its final budget allocation for fiscal year 1998, and again we asked the budget officials for their justification for charges to the National Forest System appropriation for the work of the Pacific Northwest Research Station scientists, including the documentation required by the August 1997 revision to the Forest Service's Service-Wide Appropriations Handbook. These officials said that such a justification was not made and that they had not complied with the documentation requirements of the Handbook.

The Use of the Research Appropriation

The Forest and Rangeland Research appropriation was provided by the Congress for the Forest Service's research stations to conduct, support,

and cooperate in investigations, experiments, tests, and other activities necessary to obtain, develop, and disseminate the scientific information required to protect and manage forests and rangelands, all of which are research activities.

We asked the Pacific Northwest Research Station staff, including the Science Manager for the Tongass Land Management Plan team, to provide justification for the charges to the Research appropriation for the work of the Research Station scientists and the criteria used to make the determination. This official said that such a determination was not documented and that he could not provide us with documentation on the types of tasks performed using research funds. Also, the official could not provide us with any criteria to make such a determination.

On March 4, 1998, the Research Station provided us with the estimated budget allocation for fiscal year 1998, and again we asked the Pacific Northwest Research Station's Science Manager for justification for the charges to the Research appropriation for the work of the Research Station scientists, including the documentation required by the August 1997 revision to the Forest Service's Service-Wide Appropriations Handbook. This official said that such a justification was not made and that the Research Station had not complied with the documentation requirements of the handbook, although it is in the process of developing a procedure to address the handbook's requirements.

The Office of Inspector General Previously Reported on Similar Situations

The Department of Agriculture's Office of Inspector General addressed a similar issue in its May 1995 report on the use of the National Forest System appropriation for research studies performed by the Forest Service's research stations. The report pointed out that the Forest Service's directives did not provide clear guidance for determining the type of reimbursable work that research stations could do for the Forest Service's other units. According to the Inspector General's report, this situation resulted in unauthorized augmentation of the Forest Service's Forest and Rangeland Research appropriation.

The Inspector General recommended that the Forest Service supplement its direction in its manual that provides guidance on the type of reimbursable work that research stations may perform for the Forest Service's other units and establish procedures for reviewing the work that research stations perform for other units to ensure that it is in compliance with appropriations law and the direction in the manual. On August 28,

1997, the Forest Service issued an interim directive to its Service-Wide Appropriations Handbook that provides direction on jointly funded projects, including preparing financial plans and determining the appropriate funding allocations

However, as of the date of our report, neither the Alaska Region nor the Research Station have complied with the August 1997 directive. Furthermore, because of the lack of documentation or adequate explanations, we could not determine whether the National Forest System and the Research appropriations were used appropriately or inappropriately in fiscal years 1995 through 1998. This type of documentation is particularly important when projects, such as the revision of the Tongass Land Management Plan and post-plan studies, are jointly funded by two appropriations that were provided for specifically different purposes, because the tasks funded by each must be identified and charged to the correct appropriation. Clearly, the use of one appropriation to accomplish the purpose of another is improper.

It is imperative that the Forest Service in general and the Alaska Region in particular have procedures in place to ensure that appropriations are made available only for their stated purposes and that controls are in place to ensure that the procedures are used throughout the Forest Service.

In our report, we recommended that the Chief of the Forest Service direct the Alaska Regional Forester and the Pacific Northwest Research Station Director to (1) fully comply with the Forest Service's August 28, 1997, direction on special Research funding situations, which requires the preparation of financial plans and documentation of the determination of the appropriate funding allocations, and (2) establish procedures to ensure compliance with appropriations law Forest Service-wide. To date, we have not received the Forest Service's statement of actions taken on our recommendations required by 31 U.S.C. 720.

Mr. Chairman, this concludes our prepared statement. We will be pleased to respond to any questions that you or the Members of the Committee may have.

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