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Resources, Community, and
Economic Development Division

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June 19, 1996

The Honorable John R. Kasich
Chairman, Committee on the Budget
House of Representatives

The Honorable Don Young
Chairman, Committee on Resources
House of Representatives

The U.S. Department of Agriculture's Forest Service manages 155 national forests and carries out a variety of activities at these forests in support of its overall mission, which is to manage its lands for multiple uses, while at the same time sustain, undiminished, the lands' productivity for future generations. In fiscal year 1995, over \$1.3 billion was appropriated to manage the National Forest System, and revenue generated from the use of the forests totaled about \$1.0 billion.

Each of your Committees is examining aspects of the overall management of the national forests. You asked that we obtain data showing the costs and revenues of management activities being carried out at each of the national forests.

In response, we requested the Service to provide us with revenue and cost data for each of the national forests it managed for fiscal years 1992 through 1995. Specifically, we requested data on (1) the revenues generated from various uses, such as timber harvesting, livestock grazing, and some recreational activities and (2) the costs incurred to carry out those uses as well as other uses that do not generate revenues, such as maintaining fish and wildlife and their habitats; maintaining the quality of the soil, water, and air; and protecting the resources. However, the Service was unable to provide us with the requested data because of shortcomings in its accounting and financial information systems. These shortcomings had been identified and reported by the Department of Agriculture's Inspector General over the past few years.

According to the Service's Associate Deputy Chief for Administration, the agency's current system for maintaining cost data does not enable the Service to associate the costs incurred in generating revenues from various forest uses. For example, while its financial information system could identify a specific amount of revenue generated by an individual forest from a particular use, such as livestock grazing, the management costs associated with that particular use could not be identified. The Deputy Chief pointed to specific problems with the financial information system that preclude the Service from presenting accurate and complete financial information. These problems include (1) various material weaknesses in the internal controls for financial management that result in a lack of accurate and reliable financial information and (2) accounting codes that do not accurately assign or track all costs to each resource program. The Deputy Chief said that the Service has known about these accounting-related deficiencies for some time and is taking steps to correct them. Among the actions the Service is taking to resolve these deficiencies is the development of its All Resources Reporting System. The system, expected to be fully operational by 1999, is being designed to clearly display the relationship between the expenditures associated with the management activities of a national forest, the revenues collected from managing the resources, and the actual accomplishments resulting from management.

The Service's inability to readily provide accurate, complete, and reliable information on the cost of various management activities that it performs at specific forest locations takes on added significance because of your Committees' current interests in seeking ways the Service can become more cost-efficient and more business-like in managing individual national forests. In this regard, we are continuing, through other ongoing work, to explore ways the Service could manage national forests more efficiently. In testimony earlier this year before the Subcommittee on Forests and Public Land Management, Senate Committee on Energy and Natural Resources,¹ we provided preliminary observations on the Forest Service's decisionmaking process. At that time, we stated that the Forest Service had identified (1) opportunities to increase efficiency and reduce costs within its existing statutory and regulatory framework as well as (2) differences in laws and regulations that may complicate and delay its decisionmaking. We will complete our review of the agency's decisionmaking process and issue a report later this year that will include any conclusions and recommendations that we may have. We will be happy to discuss any additional work you may require on examining

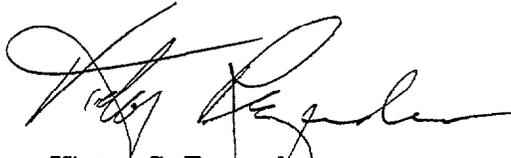
¹Forest Service: Issues Related to Its Decisionmaking Process (GAO/T-RCED-96-66, Jan. 25, 1996).

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opportunities for increasing efficiency and reducing costs within the Forest Service.

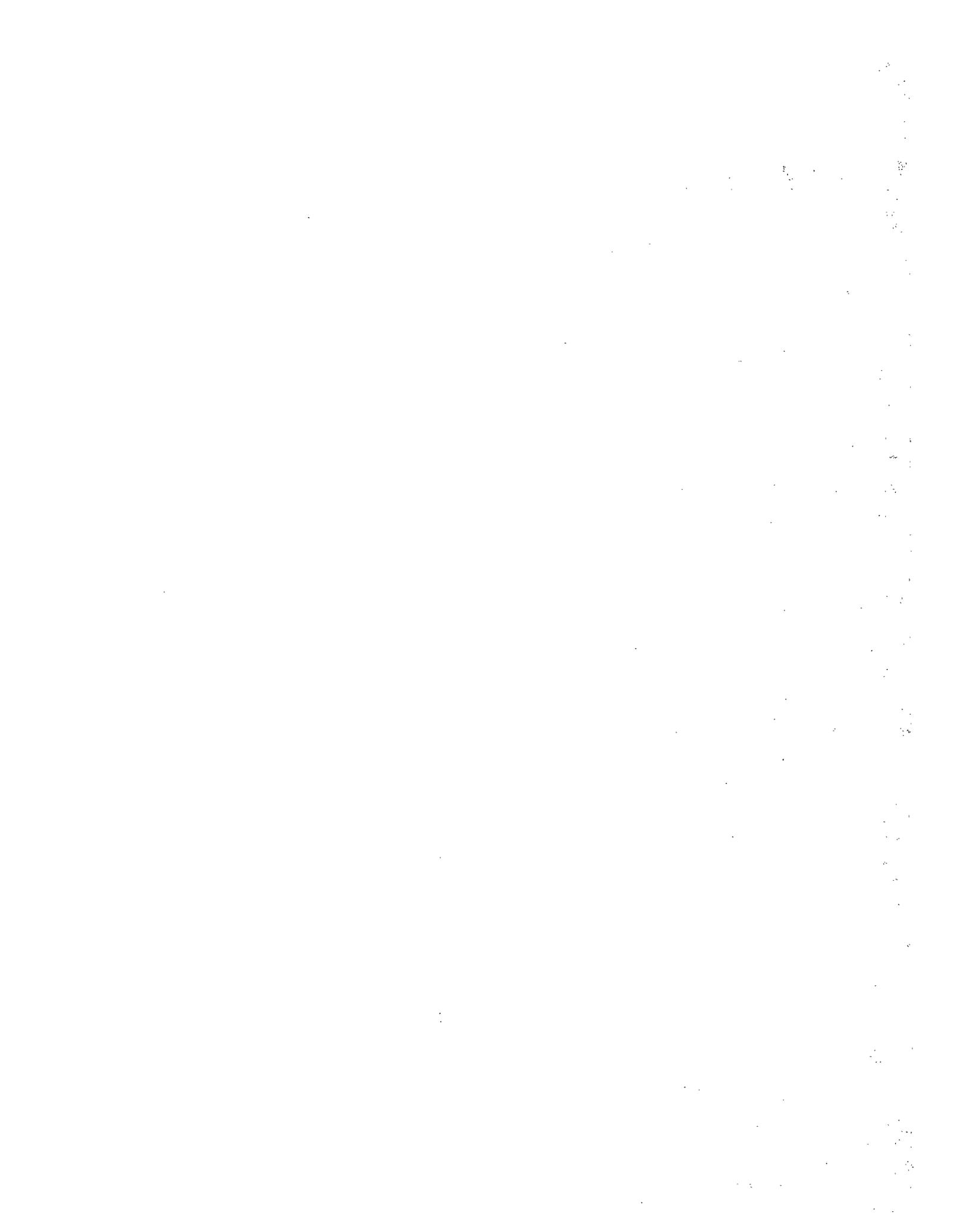
Finally, we remain concerned about the agency's lack of adequate financial and program data and effective internal controls that provide assurance of the accuracy and reliability of such data. Adequate data, internal controls, and performance measures—prerequisites for improving accountability and stewardship—are particularly critical given the highly decentralized nature of the agency and the autonomy of its forest managers. As part of our responsibility for the governmentwide consolidated financial statement audits, we will be assessing those audits performed by Agriculture's Inspector General, which will continue to address the reliability of financial data.

If you or your staff have any questions about this letter, please call me at (202) 512-3841.



Victor S. Rezendes
Director, Energy, Resources,
and Science Issues

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