

GAO

Testimony

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Forest Service Cost Reporting
for National Forest System Programs

Statement of
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Before the
Subcommittee on Interior and
Related Agencies
Committee on Appropriations
House of Representatives



Mr. Chairman and Members of the Subcommittee:

As you requested, we are here today to discuss our work with the Forest Service in developing an outline of a cost reporting system to disclose the results of managing the national forests. We have recently provided you with a report detailing our work on the project.¹ I will also bring the Subcommittee up-to-date on the Service's progress in implementing the timber cost accounting system. Finally, I will discuss some early observations on our review of whether the Forest Service is accurately capturing program cost information. This work was done in response to your direction at last year's appropriation hearing and related requests.

PROGRESS IN DEVELOPING

ALL-RESOURCE COST REPORTING

In 1984, we issued a report entitled, Congress Needs Better Information on Forest Service's Below-Cost Timber Sales (GAO/RCED-84-96). Later, in 1985, we reported on financial management reforms needed to improve federal financial systems and reports.² In discussing these views with the Forest Service,

¹Forest Service: Status of the All-Resource Cost Reporting Project (GAO/AFMD-89-65, April 14, 1989).

²Managing the Cost of Government: Building an Effective Financial Management Structure (GAO/AFMD-85-35 and 35A, February 1985).

we have found the Service especially receptive to trying concepts and ideas that will provide its managers with more useful financial information. Also, over the past several years, your Subcommittee has been instrumental in encouraging the Service to work toward better reporting on the costs and benefits of selling timber and, more recently, on the costs of all of the Service's National Forest System programs.

In September 1988, the Chief of the Forest Service approved a project work plan to develop a reporting system to provide cost information on the Service's National Forest System programs. According to the initial project plan, the new all-resource cost reporting system will provide cost information by National Forest System programs, such as range management, and their activities, such as improving watershed. Additionally, it will report program outputs, such as miles of trails maintained. Reporting the cost of these programs is to be one part of a broader information reporting system. The system will also provide socioeconomic information, such as the effect of Forest Service programs on employment and income in communities located near national forests.

The Forest Service's schedule for developing the all-resource cost reporting system is to (1) complete an outline of the system design by September 30, 1989, (2) at that time, initiate testing of the system presented in the outline, and

(3) decide whether to fully implement the system after reviewing the preliminary results of testing in fiscal year 1990. The system's outline is expected to identify the content of the basic types of financial reports to be produced by the system, provide reporting formats, and determine sources for the data to be included in the reports.

The project team has proposed the basic information the reports should contain and is working toward completing other aspects of the all-resource cost reporting system's design outline. As with any effort of this nature, further analyses and decisions will be made and other issues resolved. To date, the project is on schedule, and a completed outline should be ready for testing as planned.

We advised and assisted the Service in developing the financial requirements of the proposed reporting system. A joint project team gathered information regarding forest management at the following national forests:

- Carson National Forest, New Mexico;
- Clearwater National Forest, Idaho;
- White Mountain National Forest, New Hampshire; and
- Humboldt National Forest, Nevada.

These forests were chosen because they represent a range of different resource programs (minerals, fish and wildlife, recreation, and range), and they volunteered to be test sites for developing the cost reporting system. The information gained during visits to these forests provided a broad spectrum of views regarding the financial information needed to manage Service programs. We plan to visit two additional forests to cover the watershed and protection and stewardship programs.

Now, I would like to describe the financial information which the system is being developed to provide and how this information might be used.

EXPANDED FINANCIAL INFORMATION

Forest Service managers have reports which show amounts spent, authorized amounts that are unspent, and the types of purchases or payments made, such as purchasing supplies or paying salaries. Such appropriation reporting is necessary to control the annual outflow of funds. Thus, the Forest Service will continue to have this type of information available.

In addition to information on the use of the National Forest System funds, the all-resource cost reporting system will be able to relate costs to the periods in which they are used to provide services or earn revenue. Financial information of this nature

will be prepared for each forest through reports which will show a forest's costs for the National Forest System programs it operates. Besides timber management, these programs include (1) range, (2) minerals, (3) outdoor recreation, (4) wildlife and fish, (5) watershed, and (6) protection and stewardship. Forest-level information on the programs will be consolidated to produce regional and national level cost reports.

Reports showing costs related to the separate activities performed in managing the National Forest System programs will supplement a forest's program-level cost information. For example, information will be available on the cost of activities involved in carrying out the range program, including managing vegetation; administering permits, such as those for grazing; and eradicating and controlling noxious weeds.

In addition to reporting costs by programs, program activities, and organizational levels, the all-resource cost reporting system would eventually enable cost information to be related to output. Thus, information could be produced, for example, which would show that a particular forest's cost to maintain 100 miles of trails during a certain period was \$100,000.

We believe that the concepts being developed for the cost reporting aspects of the system will provide valuable information

to the Service and to the Congress on the cost of managing National Forest System programs. In particular, the all-resource cost reporting system will extend the concept of "responsibility reporting" to these programs. This means that reports on the cost of operating programs will be provided to managers who are responsible for carrying out program operations.

The Service will have accurate cost information to judge the financial returns of its programs and to evaluate whether its services are being provided efficiently. This kind of information could provide answers to questions such as, "What were "X" National Forest's costs for its various programs?" The reporting system will also result in a base of consistent, credible information to raise questions such as, "Why is the cost of the recreation program of "X" National Forest increasing?"

IMPLEMENTATION OF TIMBER COST ACCOUNTING

In addition to developing the all-resource cost reporting system, the Forest Service has completed development of the Timber Sales Program Information Reporting System (TSPIRS) to report the cost and revenue of the timber program. We have continued to monitor implementation of TSPIRS, which is now operational.

During the past year, the Service released TSPIRS reports for fiscal years 1987 and 1988 as part of its testing of the system. Compiling this data allowed the forests to become accustomed to the procedures and calculations necessary to prepare future TSPIRS reports. In addition, the Service has employed a certified public accounting firm to review the procedures and principles used in the timber cost accounting system.

The Chief of the Forest Service has advised us that financial information from TSPIRS is of benefit to Service managers in examining forest operations. For example, TSPIRS information is useful in analyzing and comparing costs of the timber program on different forests to identify areas in which those costs could be reduced. We believe that TSPIRS' potential for providing useful information on the cost and revenue associated with the timber program will be more fully recognized as managers become accustomed to controlling operations based on the information provided by the system.

The Service has advised us that some computation problems were encountered in the computer programming of TSPIRS. These problems are being corrected and the Forest Service believes that the fiscal year 1989 year-end reports will present correct information based on revised computer programs.

We want to ensure that timber program cost and revenue are accurately and consistently accounted for. We will, therefore, continue to monitor TSPIRS by studying specific issues regarding implementation of the system. We are also conducting a financial audit of the Service's operations, which will include review of TSPIRS data. We will forward our reports on these efforts to your Subcommittee when they become available.

PROPERLY CHARGING COSTS

The usefulness of the financial information from TSPIRS, and, eventually, that of the all-resource cost reporting system, depends on the quality of each field unit's data. We have, therefore, at your request, begun to assess actions being taken by the Service to ensure that charges to accounts reflect work that was actually performed (a concept known by the Forest Service as "charge-as-worked").

In conducting this review, we plan to administer data collection instruments at 30 forests in 8 of the 9 regions of the Service. The primary focus of our work will be on the charging of labor hours. However, some of our work will focus on the charging of equipment costs, indirect expenses, and overhead costs.

To date, we have visited 6 forests in 4 regions. In addition, we have interviewed fiscal officers in all 9 of the Forest Service's regional offices. We have analyzed Servicewide data to determine if the Service has refrained from its past practice of incorrectly charging costs so that accounts balanced to zero at year-end. Lastly, we have reviewed the Service's efforts to reduce the number of accounts used to record projects financed by multiple sources. The use of these accounts could result in costs being captured on a planned rather than actual basis.

In brief, our audit work to date shows that the Forest Service appears to support the need for increased accuracy in accounting data, and is attempting to correct charge-as-worked policy implementation problems during fiscal year 1989. In August 1988, to supplement earlier correspondence, the Chief issued a letter to all line officers emphasizing the need for better financial data. We found that Forest Service headquarters, regions, forests, and districts have put forth a concerted effort to communicate the policy to staff. Our data collection results indicated that employees have a heightened awareness of the need to reflect accurate cost information, and are supporting the Chief's directive. We will continue field work at the remaining 24 Forest Service field units through July 1989.

In summary, the Forest Service is progressing in its design of the all-resource cost reporting system. Also, TSPIRS is now operational and the usefulness of information from the system is being recognized. Finally, while implementation problems exist, the Service appears to be steadily working toward capturing accurate program cost information through its charge-as-worked policy.

Mr. Chairman, that concludes my formal statement. I will be happy to answer any questions you or members of the Subcommittee may have.