



U.S. Department of Agriculture
Office of Inspector General
Western Region
Audit Report

FOREST SERVICE
LAND ACQUISITIONS AND
URBAN LOT MANAGEMENT
LAKE TAHOE BASIN MANAGEMENT UNIT
SOUTH LAKE TAHOE, CA



Report No.
08003-5-SF
DECEMBER 2000



UNITED STATES DEPARTMENT OF AGRICULTURE

OFFICE OF INSPECTOR GENERAL

Washington D.C. 20250



DATE: December 15, 2000

REPLY TO

ATTN OF: 08003-5-SF

SUBJECT: Land Acquisitions and Urban Lot Management, Lake Tahoe Basin Management Unit, South Lake Tahoe, CA

TO: Mike Dombeck
Chief
Forest Service

This report presents the results of our audit of the land acquisition and urban lot management programs on the Lake Tahoe Basin Management Unit (LTBMU). Our audit found areas where inefficiencies in the LTBMU land acquisition program could have been overcome by better direction and planning. In addition, we found that the LTBMU has not effectively managed the environmentally sensitive lands acquired within the Lake Tahoe Basin, in part, because funding was either not available or was considered insufficient by LTBMU staff.

Your written response to the draft report is included in its entirety as exhibit D. Based on your response, we have accepted your management decision for all recommendations except Recommendation No. 23. In order to reach management decision on this recommendation, please provide the timeframe for implementing the corrective action.

In accordance with Departmental Regulation 1720-1, please furnish a reply within 60 days. Please note that the regulation requires a management decision to be reached on all findings and recommendations within a maximum of 6 months from date of report issuance.

The Office of the Chief Financial Officer (OCFO), U.S. Department of Agriculture, has responsibility for monitoring and tracking final action for the findings and recommendations. Please note that final action on the findings and recommendations should be completed within 1 year to preclude listing in the semiannual report to Congress. Please follow your agency's internal procedures for forwarding final action correspondence to OCFO.

We appreciate the cooperation provided by your staff during the audit.

/s/

JAMES R. EBBITT
Assistant Inspector General
for Audit

EXECUTIVE SUMMARY

FOREST SERVICE LAND ACQUISITIONS AND URBAN LOT MANAGEMENT LAKE TAHOE BASIN MANAGEMENT UNIT SOUTH LAKE TAHOE, CA

REPORT NO. 08003-5-SF

RESULTS IN BRIEF

This report presents the results of the U.S. Department of Agriculture, Office of Inspector General's (OIG) audit of land acquisitions and urban lot management at the Forest Service

(FS), Lake Tahoe Basin Management Unit (LTBMU) at South Lake Tahoe, California. Since the passage of the Santini-Burton Act of 1980,¹ the LTBMU has purchased 3,494 parcels of land that together comprise 11,906 acres at a cost of \$97 million. Our audit objectives were to review the land acquisition program to evaluate the sufficiency of internal controls over the LTBMU land acquisition process; to ensure acquisition processing complied with applicable laws, regulations, and FS policies and procedures; and to determine if urban lots acquired were being efficiently and effectively managed by the LTBMU lands staff.

While the LTBMU land acquisition program at Lake Tahoe has been successful in purchasing lands that meet the broad intent of the acquisition authorities, we found areas where inefficiencies could have been overcome by better direction and planning. Long-term direction for management of urban lots was provided in the LTBMU National Forest Land and Resource Management Plan developed in 1988. The plan was intended to guide the LTBMU's management activities over a 10 to 15-year period, and was to be reviewed at 5-year intervals and revised whenever conditions or demands had significantly changed. However, we found that the LTBMU's forest plan has not been updated, even though demands on the LTBMU were greater than anticipated and the LTBMU could not realistically meet the goals it had set in the plan.

In the absence of a more up-to-date, comprehensive forest plan, the following conditions have hindered the program's cost effectiveness:

¹ Public Law 96-586

- The LTBMU wasted funds by repeatedly appraising private lots that were never acquired and by making inappropriate payments during the acquisition process. We reviewed 165 appraisals and found that 88 percent of the appraisals, obtained at a cost of \$117,000, did not result in land acquisitions. We also found that the LTBMU spent \$176,200 to pay off future homeowner's association assessments even though the LTBMU had already signed an agreement that released them from these assessments provided the property owner agreed to pay them. Instead, FS elected to incur this expense. As a result, the LTBMU needlessly spent almost \$300,000 on unused, repetitive appraisals and inappropriate payments: monies that could have been put to use in other areas of the land acquisition and urban lot management program.
- FS appraisers approved questionable appraisal valuations which resulted in overstated values for parcels acquired by the LTBMU. In a sample of 11 appraisals, we found that 4 of the values were based on a speculative methodology that projected the future developability of the parcels when valuing the land. In other acquisitions, appraisal values were overstated because inappropriate fees were added to the land values. As a result, the LTBMU paid excessive values for the property, land acquisition funds were inappropriately spent and the LTBMU land database values were overstated.
- The LTBMU paid \$444,000 for development and water rights that they did not acquire. In 2 sampled land acquisitions, documentation relating to development and water rights, which are valuable assets in the Lake Tahoe Basin, did not show the FS as the owner of the rights after they were paid for by the Government. As a result, these rights could be claimed and used by other individuals without compensation to the Government and allow additional urban development that the acquisitions were meant to prevent.
- LTBMU lands staff purchased lands that increased management obligations, did not meet the intent of acquisition authorities, or resulted in unnecessary expenditures of funds. This occurred because internal controls over the LTBMU's acquisition process were inadequate. As a result, the FS now owns lands that present a public safety hazard, may have title problems, or that serve no public need.

Our review of the urban lot management program found that the LTBMU has not effectively managed the environmentally sensitive lands within the Lake Tahoe Basin. We found that the LTBMU has only been able to maintain 26 percent of the urban lots acquired and has left 74 percent unmaintained. In addition, the LTBMU has been unable to promptly resolve encroachments² identified on these environmentally sensitive parcels. As a result, sensitive urban lots are exposed to environmental damage, and the Government is exposed to possible legal actions resulting from unmaintained lots that contain hazard trees (dead and dying trees that could fall at any time) and heavy brush and weeds that are susceptible to wildfires. Based on costs provided by the FS, we estimate that the LTBMU needs at least \$7 million to meet its current maintenance obligation. We concluded that adequate management of urban lots should be a top priority for the LTBMU to accomplish its mission of protecting environmentally sensitive lands and preserving the clarity of Lake Tahoe.

Finally, we found administrative inefficiencies in tracking land acquisitions and in disposing of “checkerboard” lots. Specifically, we noted the following conditions:

- The LTBMU has not taken action to consolidate its ownership of urban lots interspersed with lands owned by the States of California and Nevada. We believe that this “checkerboard” ownership pattern is contributing to inefficient urban lot management and that consolidation of urban lot ownership with the States of California and Nevada would lead to greater efficiency. In addition, the LTBMU should reach an agreement with the States of California and Nevada that would clearly define the areas to be targeted for urban lot acquisition by each entity and would prevent the interspersed ownership pattern from continuing.
- The LTBMU does not have a database that can be used for overall program management of the land acquisition and urban lot management programs. We found that the computerized database system used by the LTBMU to track lands acquired after the passage of the Santini-Burton Act was unreliable and understated the number of lots and total cost by almost \$9 million³. Also, rather than using the computerized database system to efficiently track the status of urban lot acquisitions, maintenance work, and encroachment resolution, the LTBMU relied on manual records that were time consuming to review and update, and that did not facilitate urban lot management. Correcting the information in the acquisition database and

² Encroachments are unauthorized occupancy or use of FS land.

³ The understatement of the number and cost of parcels is based on a comparison of a current and previous database. We did not verify the actual number and cost of parcels owned.

incorporating lot management information into this system would create a more effective management tool.

KEY RECOMMENDATIONS

We recommend that the FS develop an updated, comprehensive forest plan that addresses the acquisition and urban lot management issues identified in this report.

Concerning acquisition costs, we recommended that the FS (1) implement procedures to limit the payment of appraisals to one appraisal per landowner (2) require landowners to pay the lump-sum assessment fees or homeowner's associations to waive the assessment fees before the LTBMU acquires additional lands in subdivisions requiring such payments; (3) disallow the use of the speculative Individual Parcel Evaluation System (IPES) line methodology; and (4) develop adequate controls to verify all rights, including water and development rights, acquired in future land acquisitions.

Concerning overall administration of the urban lot program, we recommended that the FS (1) ensure that LTBMU lands staff submit all land adjustment cases to the Central Zone Land Adjustment Team and Regional Office (RO) lands staff for review and approval before transactions are finalized; (2) conduct a new environmental assessment (EA) in order to determine the number of urban lots that need to be treated and the estimated costs involved; (3) request the funding authorized by the Santini-Burton Act for urban lot management; (4) formalize agreements to coordinate new lot acquisitions with the States of California and Nevada; (5) determine which acquisition cases were lost in the database conversion process and update the current database to include this information; and (6) incorporate urban lot maintenance and encroachment data into the computerized database, to create a more effective management tool.

AGENCY RESPONSE

The FS concurred with all of the audit findings and recommendations, with the exception of Recommendation No. 15, for which they proposed an alternative action that would

achieve the same result as OIG's recommendation. The complete FS written response is shown in Exhibit D.

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INTRODUCTION

BACKGROUND

Lake Tahoe is world famous for its scenic beauty and startling water clarity. However, expanding urban development has brought an increase in erosion and runoff, soil degradation and air pollution to the Lake Tahoe Basin. This is increasing the lake's nutrient level and degrading its water quality. Since 1968, Lake Tahoe's waters have lost more than 40 feet of clarity.

On December 15, 1972, the Chief of the FS approved the establishment of the LTBMU to administer all FS activities within the Lake Tahoe Basin. The administrative unit became effective on April 1, 1973 and includes portions of the Eldorado, Tahoe and Toiyabe National Forests. The LTBMU is part of the Pacific Southwest Region.

The LTBMU operates a land adjustment program that acquires lands through purchase, donation, or exchange, under various acquisition authorities. The purpose of the program, identified in the LTBMU's Forest Plan⁴, is the acquisition of lands that will enhance public recreation opportunities and obtain an optimum land base for resource management.

In recognition of Lake Tahoe's unique character and national significance, Congress passed the Santini-Burton Act in 1980, which authorized the FS to acquire environmentally sensitive lands in the Lake Tahoe Basin. Environmentally sensitive lands include stream environment zones; lands with steep slopes and erosion potential; lands modified by man that cause unacceptably high rates of sedimentation; and shore zones which are sensitive to cliff or beach erosion, and near-shore instability. The States of California and Nevada also implemented similar acquisition programs in support of the effort to preserve the clarity of Lake Tahoe.

The LTBMU began acquiring environmentally sensitive land in 1982. Many of the environmentally sensitive lands acquired are lots in urban subdivisions located around the lake. The acquired lands in subdivisions are referred to as "urban lots" and are managed by the LTBMU lands staff. The LTBMU urban lot manager is responsible for the maintenance of the urban lots, and resolution of encroachment cases. From 1982 through September 30, 1999, the LTBMU acquired 11,906 acres, consisting of 3,494 lots, at a cost of \$96.9 million. However, 141 lots were transferred to local governments for

⁴ Land and Resource Management Plan, issued by the LTBMU in 1988. This plan presents the management strategy for the next 10 to 15 years.

erosion control projects leaving the LTBMU with 3,353. The majority of the lands acquired since 1982 were acquired under the authority of the Santini-Burton Act.

The Tahoe Regional Planning Agency (TRPA) was created by the U.S. Congress⁵, based on an agreement between California and Nevada, to oversee development in the Lake Tahoe Basin. In 1987, TRPA implemented the Individual Parcel Evaluation System (IPES) to evaluate the environmental sensitivity of each privately owned lot at Lake Tahoe to determine if the lot could be developed. Each lot was assigned an IPES score ranging from 0 to 1,150. The more sensitive the lot, the lower the score. In 1987, TRPA set the line for development at an IPES score of 726, meaning that lots having scores of 726 or higher could be developed, subject to other restrictions.

Lots below the IPES line of 726 could not be developed. However, in recent years, TRPA has further lowered the IPES development line in two of the five counties at Lake Tahoe. As of May 2000, the current development line for Washoe County, Nevada, and Douglas County, Nevada, is 325 and 639 respectively. By lowering the IPES developable threshold in these two counties, TRPA has allowed additional lots to be developed. TRPA attributes its actions, in part, to the success of the land acquisitions completed by the FS and state agencies.

In order for a private property owner to build in Lake Tahoe, they must have land that—

- has an acceptable IPES score,
- has a development right (a right to build a residence),
- has sufficient land coverage,
- has received a building allocation from TRPA, and
- has obtained a building permit from the appropriate county.

Coverage is the term used to denote the amount of land that can be used to support improvements (e.g. the residence, driveway, carports, etc.) and is calculated based on the sensitivity of the lot.

A property owner who cannot develop his/her land due to its IPES score can still sell the development rights and land coverage to another person or transfer them to another parcel. When the LTBMU acquires a parcel of land, TRPA retires the development rights and coverage associated with that parcel. This further reduces the development potential at the Lake.

⁵ Public Law 91-148 (1969), amended by Public Law 96-551 (1980)

OBJECTIVES

Our audit objectives were to review the land acquisition and urban lot management programs at the LTBMU to ensure that (1) internal controls over the land acquisition process were sufficient, (2) land acquisition processing complied with applicable laws, regulations, and FS procedures and policies, and (3) environmentally sensitive urban lots were being managed effectively and efficiently.

SCOPE

The scope of our review was the land acquisition and urban lot management programs of the LTBMU. We did not audit the management practices of the general forest staffs. Our review included a judgmental sample of 100 acquisitions (See Exhibit B) with deeds recorded between 1974 and 1999. Of that 100, we visited 90 lots and performed a detailed case review of 56 acquisitions. Fieldwork at the LTBMU was completed in December 1999.

We also performed limited reviews of the following judgmentally selected acquisitions:

- 5 additional urban lots subject to possible encroachments that we identified during field visits to our sampled parcels and/or were identified by LTBMU lands staff;
- 28 urban lots targeted for future acquisition by the LTBMU;
- 49 LTBMU acquisitions in Tyrolian Village involving the LTBMU's payment of homeowner association assessments;
- 4 urban lots identified by LTBMU lands staff that were subject to encroachments at the time of acquisition;
- 165 appraisals completed for the LTBMU for FY 1997 through FY 1999, and a separate detailed review and analysis of 11 additional urban lot appraisals, completed FY 1991 through FY 1998.

The audit was conducted in accordance with the U.S. General Accounting Office's "Government Auditing Standards" (1994 revision).

METHODOLOGY

To accomplish our review of the land acquisition and urban lot management programs at the LTBMU, we performed the following steps and procedures.

- At the FS Pacific Southwest RO, we interviewed lands staff to discuss the efficiency of program operations, regional oversight, funding sources, achievements of the programs, and any concerns they might have. We also reviewed documentation RO staff provided relating to the land acquisition and urban lot management programs at the LTBMU.
- At the LTBMU, we met with forest staff to discuss acquisition case processing, urban lot maintenance, and urban lot encroachment resolution. We also reviewed documents and correspondence relating to the sampled transactions. Further, field visits were made to the sampled lots, and to additional lots with potential encroachment problems that were identified by our visits or by LTBMU staff.
- We met with a regional staff attorney at the Office of the General Counsel (OGC) to discuss legal issues relating to the land acquisition program in the Lake Tahoe Basin. This included a discussion of pending litigation, claims, and liabilities.
- We met with the staff of TRPA to discuss the retirement of development rights and coverage on lands acquired by government agencies, and adjustments to the IPES line. We also reviewed TRPA guidelines and individual case files relating to our sample parcels.
- We met with staff from both the State of California's Tahoe Conservancy and the Nevada State Division of Lands to discuss their land acquisition programs and to identify procedures that could potentially make the LTBMU program more efficient. We also discussed the concept of consolidating ownership patterns.
- We met with members of the League to Save Lake Tahoe and Tahoe Sierra Preservation Council to determine what weakness' they have observed in the LTBMU land acquisition program and any changes they would recommend.
- We met with the Fire Chief and Assistant Fire Chief of a local fire district to discuss the LTBMU's participation in the Tahoe Re-Green program (an inter-agency fire prevention group) as well as any problems areas that they have observed in the LTBMU acquisition and maintenance programs.

FINDINGS AND RECOMMENDATIONS

CHAPTER 1	FOREST PLAN NEEDS TO SET REALISTIC GOALS BASED ON CURRENT LAND ACQUISITION AND URBAN LOT MANAGEMENT ISSUES
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FINDING NO. 1

The current LTBMU forest plan does not adequately address the unique problems associated with land acquisitions and management of urban lots. The plan has not

been updated since 1988, even though demands on the LTBMU's resources have proven to be greater than anticipated in the plan. Our audit identified specific management areas that need to be addressed in an updated, comprehensive forest plan to improve the effectiveness of the land acquisition and urban lot management programs (see Chapters 2, 3 and 4). Without such an inclusive strategy, the deficiencies noted in our report will continue unabated and may increase over time.

The LTBMU National Forest Land and Resource Management Plan was developed in 1988 to provide, in part, long-term direction for managing urban lot activities in the LTBMU. The goal of the LTBMU's forest plan was to provide a comprehensive program that managed, protected, and enhanced these environmentally sensitive FS lands. Since the FS had only recently begun to acquire lands in urban areas, the LTBMU's urban lot plan represented an entirely new and nontraditional management direction. The 1988 plan was intended to guide the LTBMU's management activities over the next 10 to 15 years, and was to be reviewed at 5-year intervals and revised whenever conditions or demands had significantly changed.

The urban lot management policies described in the 1988 plan were based on the assumption that the LTBMU would receive sufficient funding to achieve its stated objectives. However, over the intervening years, actual urban lot management funding was either non-existent or, according to the FS, was insufficient to accomplish the stated goals (See Finding No. 6). With reduced resources, the FS could not meet the demands assumed in the plan and did not achieve the goals the plan had set.

- According to the FS, the majority of urban lots acquired by the LTBMU do not exhibit typical national forest characteristics and are difficult to administer. The 1988 plan directed LTBMU staff to transfer urban lots unsuitable for FS administration to state or local governments. The LTBMU was to develop criteria that would determine which urban parcels were eligible for such transfers. However, over the intervening 11-year period, the LTBMU lands staff had not created any criteria for transferring urban lots out of FS ownership and had only transferred 141 lots (about 4 percent) to state and/or local governments (See Finding No. 7).
- The 1988 plan directed LTBMU lands staff to inspect each urban lot at no less than a 5-year interval; to determine if activities were occurring that were detrimental to water quality. Appropriate corrective actions were to be taken if any such conditions were found. However, at the time of our review, the LTBMU had only performed these activities on approximately 26 percent of the urban lots acquired. Approximately 2,400 urban lots had not been inspected since their acquisition (See Finding No. 6).
- The 1988 plan recognized that urban lots had a greater risk of unauthorized occupancy and use, including dumping of refuse, and that natural hazards on the lots, especially from falling trees, increased the probability of claims against the Federal Government. Although the LTBMU had only inspected a small number of urban lots, it found that one of every three contained encroachments that it lacked sufficient staff to effectively resolve (See Finding No. 6).

Urban lot management inadequacies were further exacerbated by the LTBMU's aggressive pursuit of additional urban lot acquisitions. As of September 30, 1999, the LTBMU had acquired 3,494 parcels, consisting of approximately 11,906 acres, which must be effectively managed to protect these environmentally sensitive lands.

In spite of its inability to achieve the goals of the 1988 forest plan the LTBMU has not updated this management tool. The LTBMU continues to operate by strategies that are clearly ineffective. Our review concluded that the LTBMU needs to improve its accountability over land acquisitions (see Chapter 2) and to develop an effective management strategy to protect the environmentally sensitive land it acquires (see Chapter 3). A comprehensive, updated forest plan, addressing the issues described in this report, is a first step in ensuring that sufficient accountability is established

for the LTBMU's acquisitions and ongoing urban lot management responsibilities. The updated forest plan should balance future lot acquisitions against urban lot management needs, and seek realistic solutions to the LTBMU's current urban lot management problems.

RECOMMENDATION NO. 1

Take action that addresses the acquisition and urban lot management issues identified in this report and ensure that these issues will be addressed in a comprehensive forest plan.

FS Response

The FS concurs with the recommendation. The Land and Resource Management Plan for the LTBMU is currently scheduled for revision in 2003.

Changing the scheduled revision date is not reasonable based on other priorities in the region including the Sierra Nevada Framework. Prior to revision we will continue to address the issue of urban lot acquisition and management and make changes that will improve our administration of these programs.

The Conference Report for the Appropriations Act for the Department of Interior and Related Agencies for the Fiscal Year ending September 30, 2001 provides direct guidance to the FS. It states, in part, "None of the funding provided for Federal land acquisitions shall be used to acquire additional lots." It also states "the role of the FS in acquiring, administering, and maintaining the urban lots appears inappropriate and often ineffective." Based on this language the forest will not acquire urban lots until this issue is resolved.

OIG Position

We accept management decision on this recommendation.

The goals of the LTBMU land acquisition program are to acquire lands that will enhance public recreation opportunities, obtain an optimum land base for resource management, and meet the intent of the Santini-Burton Act. The LTBMU has been successful in acquiring lands that meet these goals; however, we found weaknesses in the program. We found that the LTBMU performed numerous appraisals of lands that were never acquired, made payments to a homeowner's association that were unnecessary, allowed land parcels to be overvalued by an appraisal methodology that was speculative, and acquired land without ensuring that development and water rights that were paid for were actually transferred to the FS. In addition, weaknesses in internal controls allowed for the acquisition of lands that increased LTBMU management obligations, did not meet the intent of acquisition authorities, and resulted in unnecessary expenditures of funds.

The *Standards for Internal Controls in the Federal Government*⁶ specifies that internal controls should provide reasonable assurance that the organization is operating efficiently. Office of Management and Budget Circular Number A-123 states that management policies and procedures should be such as to ensure that programs achieve their intended results and that resources are protected from waste. Also, Forest Service Manual (FSM) 1920.3 states that each forest needs to determine the most cost-efficient method of meeting the goals and objectives of its Forest Plan.

We concluded that a combination of past and current policies and procedures of the LTBMU have resulted in an inefficient land acquisition program and are recommending changes that will improve the operation of the LTBMU's acquisition process.

FINDING NO. 2**FUNDS WERE WASTED ON
REPETITIOUS APPRAISALS AND
ON LUMP-SUM HOMEOWNERS'
ASSOCIATION FEES**

The LTBMU wasted funds by repeatedly appraising private lots that were never acquired and by making inappropriate lump-sum payments to a homeowners' association. As a result, the LTBMU needlessly spent almost \$300,000 on unused, repetitive appraisals, and inappropriate payments: monies that could have been put to use in other areas of the land

acquisition and urban lot management program.

⁶ These standards were issued by the General Accounting Office in 1983 and updated in 1999.

LTBMU Paid For Repetitive Appraisals And Associated Processing Costs

Each year the LTBMU contacts landowners in targeted areas to identify landowners interested in selling their property to the FS. Interested landowners respond in writing and authorize the FS to enter their land and appraise it. We found that many of these appraisals go unused because the landowners decide not to sell their land to the FS after being informed of the appraised value, or the FS determines that there are problems with the title to the land that cannot be resolved, preventing FS acquisition. For example, in FY 1997 through 1999, we determined that the LTBMU paid for 165 appraisals. However, as of December 2, 1999, the LTBMU had only purchased 20 of the appraised parcels and 145 appraisals (88 percent) were not used. We estimated the cost of the unused appraisals to be over \$117,000.

After we identified the large number of unused, repetitive appraisals noted above, we completed a file review for 56 of the 100 land acquisitions we judgmentally sampled from FY 1974 through FY 1999. Based on this review, we found that some parcels had been appraised as many as 6 times, and that there was an average of 2.3 appraisals for each parcel. RO lands staff believed that some landowners have received an appraisal every year.

A similar analysis was performed for the estimated 2,000 parcels the LTBMU has targeted for future acquisition. We selected a random sample of 28-targeted parcels and found that each parcel had been appraised an average of 2 times. The number of appraisals per parcel ranged from 1 to 5.

Further, because the valuations of the 28-targeted parcels have expired, each parcel will need another appraisal prior to acquisition, increasing the average number of appraisals to 3 per parcel.

We also determined that repetitious appraisals increased other case processing costs. When a parcel is reappraised, the LTBMU must complete another lot inspection, in some cases have a survey performed, and purchase another preliminary title report. We believe that the continuous valuation of the same parcels wastes funds that could be used in other areas of the land acquisition program.

Needless Payment Of Homeowner's Association Assessments

We found that the LTBMU needlessly spent \$176,200 to pay off future homeowner's association assessments related to lots acquired in the Tyrolian Village subdivision. The LTBMU elected to make these payments even though it had signed an agreement that released the LTBMU from these assessments, provided the property owner agreed to pay them. We determined that the LTBMU did not attempt to have the previous owners pay the fees, and did not request that the homeowners' association waive the fees. In addition, we found that the State of Nevada had acquired lots in the same subdivision, but had not paid any homeowners' association assessments. We believe the LTBMU's payment of these assessments was unnecessary since the LTBMU will not derive any future benefits from association-provided amenities.

We conclude that the LTBMU needs to make more efficient use of the funds made available to it. Unnecessary appraisals and payments of homeowners' association assessments need to be eliminated. Money saved could then be used to acquire additional lands or to pay for acquisitions costs. The LTBMU should implement procedures to reduce the number of unneeded appraisals, and it should prohibit payments of homeowners' association assessments.

RECOMMENDATION NO. 2

Implement procedures to limit payment of appraisals to one per lot per owner.

ES Response

Since the fieldwork of the audit was completed, informal policy has been implemented where the LTBMU will only pay for one appraisal and one preliminary title report for each small lot purchase case. This policy will be formalized in a letter from the Regional Office to the LTBMU no later than January 31, 2001. Since this is new policy, the LTBMU will pay for one final appraisal and preliminary title report on cases that have previous appraisals and offers that were refused.

OIG Position

We accept management decision on this recommendation.

RECOMMENDATION NO. 3

Require the previous owners to pay the lump sum assessments or have the homeowners' associations waive the assessment fees before the LTBMU acquires additional lands in these subdivisions and prohibit payment of these fees by the LTBMU.

FS Response

The FS will require the owners to pay lump sum assessments. This policy will be formalized in a letter from the Regional Office to the LTBMU no later than January 31, 2001.

OIG Position

We accept management decision on this recommendation.

FINDING NO. 3

QUESTIONABLE APPRAISAL PRACTICES OVERSTATED VALUE OF URBAN LOT ACQUISITIONS

Questionable appraisal practices overstated the value of urban lots acquired by the LTBMU. This occurred because FS review appraisers approved values that deviated from Federal appraisal standards. As a result, the LTBMU paid excessive values for the property, land acquisition funds were inappropriately spent, and the LTBMU land database was overstated.

The FS appraisal review process is designed to protect the public by providing an independent analysis of the value conclusions cited in contracted appraisal reports. Forest Service Handbook (FSH) 5409.12 (7.2), August 1992, specifies that FS review appraisers must ensure that appraisal reports follow recognized appraisal practices and standards, that contract appraisers use appropriate approaches and techniques, and adequately document appraisal reports with factual data and analysis to support the value estimates.

We judgmentally sampled 11 urban lot appraisal valuations and found that 4 (36 percent) were based on potential uses that were speculative and unsupported. We also determined that the appraised value of 49 urban lots had been overstated by a total of \$176,200 because case-processing costs had inappropriately been added to each lot's appraised value.

Appraised Values Were Based on Speculative and Inaccurate IPES Projections

We determined that 36 percent of the sampled urban lot appraisals, with a total acquisition value of \$181,000, were based on the speculative assumption that environmentally sensitive lots, undevelopable at the time of the appraisals, could actually be developed. These sensitive lots were appraised as fully developable based on the assumption that the contract appraiser could predict when, and by how much, the buildable IPES line designated for each county would drop in future years. Consequently, even though the appraised lots had IPES scores below the buildable IPES line at the time of the appraisal, the contract appraiser valued each of the parcels as though they *could* be built on, and then discounted the appraised values based on his prediction of how many years the landowner would have to wait for the buildable IPES line to fall.

The *Uniform Appraisal Standards for Federal Land Acquisitions* (UASFLA) was established to promote uniformity in the appraisal of real property acquired by the Federal Government. Appraisers must comply with these standards when valuing lands involved in a Federal land acquisition. UASFLA states that appraised values cannot be predicated on potential uses that are speculative and conjectural. Elements affecting value that depend upon events or combinations of occurrences which, while within the realm of possibility, are not shown to be reasonably probable, are to be excluded from consideration.

In each of the sampled valuations, the contract appraiser provided no evidence to support the accuracy of his hypothetical IPES projections. Yet in each case, the appraisal report was reviewed and approved by a FS review appraiser. We determined that the contract appraiser's methodology was flawed, speculative, and should not have been approved by FS appraisers. For example:

Parcel #11-151-04:

This urban lot was appraised in 1990. It was located in Douglas County, Nevada, had an IPES score of 500, and was unbuildable at the time of the appraisal. The contract appraiser ignored the lot's official IPES score of 500 and used a higher score of 604, under the speculative assumption that the landowner would be able to access the lot by crossing a neighboring lot. The contract appraiser had no evidence that such access could actually be acquired. The contract appraiser then further speculated that the buildable IPES line for Douglas County, 726 at that time, would drop to 604 in 5 years. Again, he provided no evidence to support his hypothetical assumption. The lot was valued at \$19,000 under the speculative assertion that it could be

developed within 5 years. We determined that the hypothetical IPES projection was incorrect. In 1995, 5 years later, the buildable IPES line had only moved down to 695 and the lot remained unbuildable.

Parcel #16-091-44:

This urban lot was appraised in 1991. It was located in El Dorado County, California, had an IPES score of 591 and, at the time of the appraisal, could not be developed because it was below the buildable IPES line of 726. However, the contract appraiser valued the lot as though it were developable, based on his projection that the buildable IPES line in El Dorado County would fall to 591 in 6 years (by 1997). The contract appraiser provided no evidence to support his hypothetical IPES projection. Using this speculative procedure, the appraiser valued the property at \$125,000. Again, his IPES projection was incorrect. In 1997, 6 years later, the buildable IPES line in El Dorado County remained at 726. It is still 726 as of May 2000, 9 years after the lot was appraised.

We concluded that this process of valuing urban lots based on the contract appraiser's hypothetical projection of future events was speculative, contrary to UASFLA, and overstated the fair market value of sensitive lands acquired by the Government. When we questioned the regional appraiser about this speculative procedure, he disagreed with our conclusion. He told us that he thought projecting the future buildable IPES line was an appropriate methodology to use when appraising urban lots. The regional appraiser also told us that the contract appraiser responsible for the development and use of this IPES methodology recently explained the process to him and told the regional appraiser that the IPES projections had been tested over time and were "fairly accurate". The regional appraiser stated that he had never asked the contract appraiser to provide any documentation to support the accuracy of the IPES projections, made over a period of 10 years, and had not verified the accuracy of past IPES score projections himself.

Appraised Values Overstated by Homeowner Fees

We determined that FS review appraisers inappropriately allowed homeowner association fees to be added to urban lot valuations. As a result, the appraised values of 49 urban lots were overstated by a total of \$176,200.

FSH 5409.12 (1.12)(August 1992) specifies that the purpose of an appraisal is to estimate the market value of land as if privately owned. The appraisal is not to estimate the land's value to the Government, but only consider those elements recognized and given value in the private marketplace.

The Tyrolian Village subdivision charged annual homeowner association fees for all lots in its development. To facilitate Government acquisitions in this subdivision, Tyrolian Village allowed these annual assessments to be paid in a lump sum at the time of acquisition. These lump sum payments ranged from \$2,200 to \$6,000, depending on the location of the particular parcel in the subdivision, and represented annual homeowner's association fees over a 50-year period.

The LTBMU purchased 49 urban lots in the Tyrolian Village subdivision from March 1990 through January 1998. We determined that the fair market value of all 49 lots had been significantly overstated because the contract appraiser inappropriately added the lump sum association payment to each lot's appraised value.

The lump sum association fees were not part of the land's real market value and should not have been included in the appraisal analyses. Rather, the lump sum payments were additional costs associated with acquiring the property, like title reports or survey work, and should have been paid from case processing funds. We determined that the appraised values of the 49 lots were overstated by a total of \$176,200. We are also questioning the validity of the LTBMU's payment of these fees (see Finding 2).

Because these fees were inappropriately added to each lot's fair market value, the LTBMU incorrectly used land acquisition funds to pay processing costs. As a result, the land values recorded in the LTBMU's urban lot database, and used for LTBMU reporting purposes, were overstated. We discussed this issue with the regional appraiser and the Washington Office Chief Appraiser who agreed that the homeowner association fees should not have been added to the land's fair market value.

It is the responsibility of the FS review appraisers to ensure the quality and accuracy of contracted appraisal valuations. By accepting appraisal reports that utilized inappropriate practices and techniques, the FS review appraisers did not adequately protect the public's interest and allowed urban lot parcels to be overvalued.

RECOMMENDATION NO. 4

Disallow the use of the speculative IPES line methodology.

FS Response

The FS will formalize this policy in a letter from the Regional Office to all FS appraisers in the region, with a copy to the LTBMU, no later than January 31, 2001. This policy will be emphasized in all pre-work meetings with contract and staff appraisers and be documented as part of the instructions to the appraiser in fiscal year 2001.

OIG Position

We accept management decision on this recommendation.

RECOMMENDATION NO. 5

Correct the overstated appraised values for each of the 49 Tyrolian Village parcels recorded in the LTBMU urban lot database.

FS Response

The FS will correct the 49 Tyrolian Village parcels recorded in the LTBMU urban lot database by March 31, 2001.

OIG Position

We accept management decision on this recommendation.

RECOMMENDATION NO. 6

Strengthen current appraisal controls to ensure that inappropriate costs, such as homeowners' association fees, are not added to the appraised value of lands.

FS Response

The FS believes that developing specific regional policy preventing deviations from Federal appraisal standards is not necessary. All appraisals must conform to the Uniform Appraisal Standards For Federal Land Acquisitions, 1992, and to current FS manual direction. This policy will be reemphasized in the letter from the Regional Office to all FS appraisers in the region, with a copy to the LTBMU, no later than December 31, 2000 (see recommendation 4 above). This policy will be emphasized in all pre-work meetings with contract and staff appraisers for fiscal year 2001, and be documented as part of the instructions to the appraiser.

OIG Position

We accept management decision on this recommendation.

FINDING NO. 4

PURCHASED DEVELOPMENT AND WATER RIGHTS WERE NOT ACQUIRED

The LTBMU paid \$444,000 for development and water rights that they did not acquire. This occurred because the LTBMU lands staff had no procedures to verify that development and water rights included in the appraised values were actually owned by the seller, or that the rights paid for were transferred to the Government

when the land was acquired. As a result, these rights could be claimed and used by other individuals without compensation to the Government and allow additional development to occur in Lake Tahoe.

The *Standards for Internal Controls in the Federal Government* states that internal controls are designed to help managers improve accountability. One of the purposes of internal controls is to safeguard assets. These standards state that an agency's internal controls should provide reasonable assurance that unauthorized acquisition, use, or disposition of an agency's assets does not occur.

Development Rights Were Not Transferred To FS Ownership

In our review of 56 land acquisition case files, we determined that the LTBMU did not account for development rights in 1 urban lot acquisition. The acquisition of development rights plays an important role in the preservation of Lake Tahoe, and should be carefully monitored and accounted for.

Development rights are required before any type of residence or commercial structure can be built in the Lake Tahoe Basin. TRPA has assigned only 1 development right to each parcel of land. Therefore, the number of development rights is limited. By acquiring and retiring these rights, the LTBMU can effectively prevent future development.

The sampled lot had been appraised at \$525,000 under the assumption that the lot could legally be developed into a 7-unit condominium project. Although the lot had only 1 development right at the time, the FS approved the value under the assumption that the landowner would transfer the lot, with its 1 development right, and 6 additional development rights to the LTBMU when the transaction closed. We determined that these 6 development rights increased the appraised value by about \$400,000.

Under the terms of this transaction, the landowner was supposed to remove development rights from 6 other lots he owned and then transfer the detached development rights to the parcel being acquired by the LTBMU. The LTBMU lands staff prepared a draft deed that would have transferred the development rights from the 6 lots to the FS. However, the LTBMU elected not to record this deed. Instead, the LTBMU staff relied on representations made by the landowner and TRPA staff that transfer of the development rights to the appraised lot was unnecessary. According to the landowner, the 6 detached development rights would be automatically retired by TRPA, so he did not have to deed those rights to the LTBMU.

We reviewed documentation at the LTBMU and TRPA and found no evidence that the 6 development rights had been retired as presumed by LTBMU lands staff. Documentation we obtained indicated that the landowner still retained ownership of the 6 development rights, even though the LTBMU had paid for them. If the landowner has retained these rights, he would be able to sell them on the open market for additional profit or transfer the rights to another parcel and increase its development potential. This would not only result in a loss of about \$400,000 to the FS, which paid for the 6 development rights, but would also allow additional development to occur in the Lake Tahoe Basin, which is contrary to the intent of the LTBMU land acquisition program.

When we questioned the LTBMU lands staff officer about the status of the 6 development rights, he said he did not know anything about that particular transaction. The lands staff officer told us that he would follow up and determine if the LTBMU had actually acquired the rights the LTBMU paid for. As of June 14, 2000, the LTBMU lands staff officer has not notified us about the status of the 6 development rights.

Water Rights Not Accounted For

In another of the sampled transactions, we found that the LTBMU had not properly accounted for water rights acquired in an urban lot acquisition. The LTBMU had acquired a lot that was supposed to contain 2 water rights. However, LTBMU staff could only account for 1 of these rights.

A Nevada State Water Engineer informed us that all of the water rights in the Lake Tahoe Basin are fully appropriated. This means that there are no additional water rights available from the State of Nevada, and any water rights needed for development must be obtained from a willing seller in the area. In a recent land exchange, water rights had a value of \$9,000 to \$11,000 per acre-foot. These rights represent a valuable asset and should be protected when acquired by the LTBMU.

The LTBMU acquired a 32-acre lot for \$4.1 million in 1992 that was supposed to contain 2 water rights: 1 for 2.5-acre feet of water and another for 4-acre feet. The landowner had provided the LTBMU with a deed purporting to transfer these 2 water rights to the FS. We met with the LTBMU hydrologist to determine if these rights had been properly accounted for and found that the LTBMU could only account for the water right that provided 2.5 acre-feet. The hydrologist had no information regarding the larger water right. We also discussed the situation with the LTBMU lands staff officer and he could not explain what had happened to the second water right.

We visited the Nevada State Water Engineers Office and found that their records indicated that the FS was the owner of only 1 of the water rights (the same right the LTBMU had on file). A water engineer reviewed the file for the 4-acre water right and found that the FS was not shown to be the owner. In fact, the Nevada water records indicated that the landowner who deeded the 4-acre water right to the FS might not have been the legal owner of that right at the time of the presumed transfer. According to the state's records, another party, other than the landowner, may be the owner of the 4-acre water right.

The FS should determine the status and legal ownership of the unaccounted for water right. If the water right values referred to above are accurate, the 4-acre feet of water could be worth as much as \$44,000. Further, if the water right is accounted for and in the possession of the FS, it could be used to enhance wildlife habitats or stream environments. A water right in private ownership could be used to facilitate more development in the Lake Tahoe Basin.

The Santini-Burton Act has authorized the LTBMU to acquire land in the Lake Tahoe Basin in an effort to slow down development and preserve the clarity of Lake Tahoe. It is the responsibility of the LTBMU to ensure that all assets, such as development and water rights, paid for are acquired.

RECOMMENDATION NO. 7

steps to do so.

Obtain written verification from TRPA that the 6 development rights paid for by the FS have been retired from the associated lots. If the rights have not been retired, take the necessary

ES Response

The status of the six development rights will be confirmed. The case will be researched and a written request for a determination of the status of the six development rights will be submitted to TRPA by January 31, 2001. A response from TRPA would be expected by March 1, 2001. If the rights were not retired or were transferred to other property, the case will be referred to OGC to determine what legal action may be taken to resolve the issue by September 30, 2001.

OIG Position

We accept management decision on this recommendation.

RECOMMENDATION NO. 8

Determine the status of the unaccounted for water right that was paid for and take the necessary action.

ES Response

LTBMU personnel will confirm by December 31, 2000, the status of the water right. The appraisal will be reviewed to determine what water right was included in the appraised value. If the subject water right has not been transferred to the U.S., LTBMU personnel will do so if possible. If there are legal problems involved with completing the transfer, the case will be referred to OGC by January 31, 2001, to determine what legal action may be taken to resolve the water rights issue.

OIG Position

We accept management decision on this recommendation.

RECOMMENDATION NO. 9

Develop adequate controls to protect all rights, including water and development rights, acquired in future land acquisitions at Lake Tahoe.

ES Response

Procedures are in place to protect all rights acquired by the United States and should be reflected in the report. Over the last several years, Region 5 has instituted changes in the procedures for processing purchase and

exchange cases that greatly enhance the identification and tracking of ancillary rights such as water rights, minerals and access. To underscore the importance of water rights, Region 5 has recently issued a letter to emphasize that water rights will be considered during the acquisition process and Federal interest must be protected. In addition, the LTBMU has implemented changes in their purchase process to identify and track development rights, coverage, building allocations, and the status of any building permits.

OIG Position

We accept management decision on this recommendation.

FINDING NO. 5

**LTBMU ACQUIRED LANDS THAT
WERE INAPPROPRIATE OR
UNNECESSARY**

LTBMU lands staff purchased lands that increased LTBMU management obligations, did not meet the intent of acquisition authorities, or resulted in unnecessary expenditures of funds. This occurred because the LTBMU management had emphasized acquisition of additional urban lots without consideration of whether the acquisition was consistent with

overall management objectives of the program. Additionally, controls had not been established to ensure adequate oversight of each acquisition. As a result, the FS paid \$9,592,000 for lands that present a public safety hazard, may have title problems, or that serve no public need.

The *Standards for Internal Controls in the Federal Government* specifies that key duties and responsibilities be divided among different people to reduce the risk of error or fraud. This should include separating the responsibilities for authorizing transactions, processing and recording them, reviewing the transactions and handling any related assets. Further, in implementing internal control standards, management is responsible for developing the detailed policies, procedures and practices to fit their agency's operations.

Although the majority of the 56 land transactions we reviewed at the LTBMU met the broad intention of land acquisition authorities and FS land management objectives, we did identify a number of transactions that did not. We determined that approximately 13 percent of the sampled land acquisitions were inappropriate or unnecessary as follows:

- 2 parcels (4 percent) were acquired with Santini-Burton funds even though the lots were not environmentally sensitive and therefore ineligible for purchase under the provisions of the Act.
- 3 other parcels (5 percent) were also acquired by the LTBMU with Santini-Burton funds even though the lands had already been protected from future development.
- 2 parcels (4 percent) included extensive improvements that the LTBMU had no need for and did not have the funds to maintain.

We also determined that at least 4 parcels acquired by the LTBMU (not included in our initial sample) had encroachments on the land at the time of acquisition that were not properly resolved before the lots were purchased.

Some of these improper acquisitions occurred because responsibilities for processing, reviewing, and approving land acquisitions were not properly separated. Others occurred because neither the LTBMU nor the RO had developed any written direction concerning land acquisitions with existing improvements, and the LTBMU lands staff were not required to coordinate improvement acquisitions with the FS staff ultimately responsible for using and maintaining those structures.

Land Acquisition Responsibilities Were Not Properly Segregated

Land acquisition responsibilities were not properly segregated at the LTBMU. We determined that, until recently, LTBMU lands staff were allowed to initiate, process, and approve all land acquisitions under \$150,000 without having to submit the transaction documents for review and approval to the Central Zone Land Adjustment Team or RO lands staff. Such a review process could have helped the LTBMU avoid purchasing land that was subject to unresolved encroachment problems, did not comply with the cited acquisition authorities, and was an unnecessary expenditure of funds.

Unresolved Encroachment Problems: The LTBMU lands staff improperly purchased at least 4 parcels that had encroachments on the land at the time of the acquisition. These encroachments included paved driveways, patio decks, and other improvements that extended onto the property the LTBMU was purchasing.

In 2 of the transactions, the encroachments were not identified prior to the purchase because the LTBMU did not properly complete the required site inspections. In the other 2 cases the encroachments were identified prior to

the purchase but, because of inadequate follow-up on the part of lands staff, were not removed from the parcels, as specified in the site inspections and/or title documents.

LTBMU lands staff told us that they did not know how many urban lots were acquired with pre-existing encroachments and that these problems are usually not discovered until the LTBMU performs maintenance work on a particular lot. Further, according to the LTBMU realty specialist, the LTBMU does not have the funding or staff to resolve these pre-existing encroachments when they are identified. The realty specialist added that in cases where the LTBMU purchased lots subject to encroachments, the FS may not have clear title to the land, and may have to transfer a portion of the FS land to the neighboring landowner in order to legally resolve the situation.

The realty specialist told us that the LTBMU has had procedures in place to prevent land acquisitions with existing encroachments since 1991. He told us that under the current process all property boundaries are positively identified and all encroachments resolved prior to the acquisition. The LTBMU currently has an identified backlog of approximately 12 potential cases of “pre-existing” encroachments on lots purchased prior to 1991.

Non-Compliance with Cited Acquisition Authorities and Unnecessary Expenditure of Funds: The LTBMU lands staff inappropriately purchased lands that did not comply with the cited land acquisition authorities or represented an unnecessary expenditure of public funds.

We found that 2 of the 56 reviewed acquisitions were purchased under the authority of the Santini-Burton Act even though the lands were not environmentally sensitive. These lands were buildable as determined by TRPA, and did not contain any other qualifying characteristics of environmentally sensitive land. These purchases, acquired at a total cost of \$132,500, did not meet the provisions of the Act and should not have been approved by LTBMU lands staff.

We also found that the LTBMU purchased 3 other parcels, at a total cost of \$119,500 that, although environmentally sensitive, had already been protected from development. At the time of the acquisitions, each of the parcels was designated as permanent open space and could not be developed. Consequently, acquisition by the LTBMU served no purpose and was an inefficient use of the funds made available to acquire sensitive lands in the Lake Tahoe Basin.

When we questioned LTBMU lands staff about these acquisitions, they told us that the LTBMU originally operated under the perception that they were to acquire as many urban lots as possible. The lands staff explained that in the years immediately following the enactment of the Santini-Burton Act,

Congress had provided large appropriations for land acquisitions and the LTBMU bought whatever lands were available.

We concluded that these inappropriate land purchases occurred because land acquisition processing, review, and approval functions at the LTBMU were not properly segregated. If these transactions had been subjected to a secondary review by zone or RO staff before the LTBMU purchased the lots, it is likely that the noted deficiencies would have been identified and properly resolved.

Lack of Written Direction and Coordination Resulted in Inappropriate Acquisitions

Lack of coordination among LTBMU staff and an absence of written direction resulted in 2 inappropriate acquisitions involving improvements. We found that the LTBMU acquired 2 parcels of land, at a total cost of \$9.3 million, that included extensive improvements the LTBMU had no demonstrated need for and no funds to maintain.

- The LTBMU acquired the Round Hill Pines Resort in 1984 for \$8,950,000. This property, valued as an “exclusive luxury resort”, consisted of about 20 buildings and, according to the LTBMU Forest Supervisor, was fully operational when it was purchased by the LTBMU.
- The LTBMU acquired Camp Chonokis in 1990 for \$390,000. At the time of acquisition, this property contained several structures, including two large log cabins and a stable.

In the absence of written direction, the LTBMU land staff who selected these parcels for acquisition and approved the final purchases, did not coordinate or get approvals from the LTBMU staff who were ultimately responsible for operating and maintaining these facilities when they became FS property. After the parcels were purchased, the LTBMU determined that it did not have enough funding to identify a use for the facilities and could not issue a special-use permit for their operations.

These unnecessary structures, paid for with public funds, have sat unused since their acquisition. We visited the sites and found that the buildings were in a general state of deterioration and/or had been vandalized. Several structures had been severely damaged by fire, some had collapsed roofs, and others had broken windows and doors.



Photo 1: Building at Round Hill Pines damaged by fire.



Photo 2: Trash inside building at Camp Chonokis.

We concluded the LTBMU lands staff's acquisition of these unnecessary structures imposed an unwarranted management obligation onto LTBMU staff. Further, the improvements present a safety hazard to the general public due to the deteriorated condition of the structures. Camp Chonokis presents an additional risk because, according to LTBMU lands staff, the abandoned buildings have become a haven for transients. We discussed these abandoned facilities with OGC who stated that the areas should be properly posted and marked as hazardous sites in order to put the public on notice and to minimize the risk of public injury.

FSM 5470.2 (June 1, 1990) directs FS personnel to accomplish land adjustments (purchases, donations and exchanges) that are free from encumbrances that would detract from present or future uses of FS lands or that would impose an unwarranted management obligation on the FS. However, there is no written direction from the RO or the LTBMU that specifically addresses land acquisitions involving improvements, and no written requirement that such acquisitions be coordinated with FS staffs ultimately responsible for managing the structures. According to a former LTBMU Forest Supervisor, lands staffs are not accountable for their land acquisition decisions.

We concluded that internal controls over the LTBMU land acquisition process need to be strengthened. In order to properly separate processing and review functions, all land transactions initiated at the LTBMU should be subjected to a separate review and approval by zone and RO lands staff. Further, the LTBMU should take the actions necessary to resolve the pre-existing encroachment problems currently identified on the 4 parcels acquired by the LTBMU, and develop a procedure to identify and resolve any additional encroachment problems that existed on FS parcels at the time of acquisition. Finally, the RO should develop written direction that specifically addresses land acquisitions involving improvements and requires coordination between lands staff and other affected LTBMU staffs. The RO should also develop and implement a written plan to use or remove the structures at Roundhill Pines and Camp Chonokis. While the plan is being developed, the LTBMU should properly post the sites as hazardous in order to minimize the risk of public injury.

RECOMMENDATION NO. 10

Ensure that LTBMU lands staff submits all land adjustment cases to the Central Zone Land Adjustment Team and RO lands staff for review and approval before transactions are finalized.

ES Response

This policy will be emphasized in a letter from the Regional Office to the LTBMU no later than December 31, 2000. Under current policy all purchases in the region undergo full review by the appropriate Land Adjustment Team (LAT) as part of the appraisal request process. This was implemented over the last two years. The Appraisal Project Information package submitted to the Central Zone LAT includes a preliminary title report and all supporting documents, a legal description verification, a certificate of inspection, a completed summary of title and a draft grant deed. Additional specific information concerning water rights, minerals, and access and development rights are also included. The package is reviewed for completeness, adequate title, conformance with regional and Washington Office policies and directives and any other factors necessary for an accurate appraisal and preliminary title opinion from OGC. Purchases over \$150,000 in value receive two additional reviews by the Central Zone LAT, before submission to OGC for the preliminary title opinion and before submission to OGC for the final title opinion. In addition, The National Land Adjustment Team will temporarily review all of the LTBMU's acquisitions valued at over \$500,000.

The LAT represents the Regional Office in reviewing purchase and exchange cases. The Regional Office as well as the National Land Adjustment Team will continue to monitor the LTBMU's acquisition program.

OIG Position

We accept management decision on this recommendation.

RECOMMENDATION NO. 11

Develop and implement written direction that specifically addresses land acquisitions involving improvements and requires coordination between lands staff and other

affected LTBMU staffs.

ES Response

FS policy on acquisition of structures in land acquisition cases has been outlined and incorporated in the draft Land Acquisition Handbook (FSH 5409.13) under Section 32.7. Regional policy regarding acquisition of structures has been outlined in an August 28, 2000 letter to Forest Supervisors reiterating the service-wide policy. The LTBMU Lands staff will follow written policy and coordinate with other LTBMU Staff regarding suitability of acquiring improvements in all future acquisitions. The draft handbook should be published by December 31, 2001.

OIG Position

We accept management decision on this recommendation.

RECOMMENDATION NO. 12

Develop and implement a written plan to use or remove the structures at Roundhill Pines and Camp Chonokis. While the plan is being developed, the LTBMU should properly post the

sites as hazardous in order to minimize the risk of public injury.

FS Response

Discussions regarding the future management of Roundhill Pines and Camp Chonokis are currently underway between LTBMU staff, Regional Office staff and Washington Office staff. A Memorandum of Understanding (MOU) exists between the FS and other agencies within the Lake Tahoe Basin regarding Roundhill Pines. LTBMU staff will complete a Future Use Determination for Roundhill Pines by March 2001. LTBMU staff will complete an environmental analysis (NEPA), along with consultation with the State Historic Preservation Office as to historical site eligibility by March 2002. Depending on the outcome of this analysis, a Prospectus may be developed for concessionaire operations of these facilities in the future. The site will be appropriately signed regarding any possible risks to the public.

The LTBMU staff will complete a written action plan regarding future management of Camp Chonokis by January 31, 2001. Camp Chonokis has been identified as a possible Capital Improvement Program decommissioning project for the LTBMU, and if approved the structures could be removed as early as 2003. The FS has submitted a report on Camp Chonokis to the State Historic Preservation Register. Pending a decision on the structures, the site will be appropriately signed regarding any possible risks to the public.

OIG Position

We accept management decision on this recommendation.

RECOMMENDATION NO. 13

Resolve the 12 potential pre-existing encroachments noted on FS urban lots.

ES Response

LTBMU personnel will resolve the 12 encroachments and verify that the encroachments actually existed prior to acquisition by the U.S. Each case will be either resolved or a recommended type of resolution will be completed by September 30, 2001.

OIG Position

We accept management decision on this recommendation.

RECOMMENDATION NO. 14

Take the necessary actions to resolve the 4 pre-existing encroachment problems currently identified.

ES Response

The LTBMU is taking actions to resolve these encroachments. One case has already been resolved and the remaining three are in the process of being resolved. These will be resolved by October 31, 2001.

OIG Position

We accept management decision on this recommendation.

FINDING NO. 6

The LTBMU has not adequately managed its urban lots. This occurred because the LTBMU had neither established effective priorities for the management of the urban lot program nor

obtained the funding they considered necessary to carry out essential management practices. As a result, the LTBMU is unable to effectively maintain its urban lots, increasing the Government's risk of legal action resulting from hazard trees and forest fires. The LTBMU is also unable to adequately identify and resolve urban lot encroachments, increasing the risk of environmental damage to these sensitive lots.

The Forest Plan was developed to direct the LTBMU in their mission to manage, protect, and enhance the environment of Lake Tahoe for the benefit of the people. The plan provides for managing the small, environmentally sensitive Santini-Burton lots in urbanized areas. Urban lot management consists of clearing brush, removing hazard trees, and identifying and resolving encroachments. These activities are performed to prevent forest fires, falling trees, and damage to environmentally sensitive land. Other areas of urban lot management include conducting boundary identification, insect and disease management, vegetation manipulation, and watershed improvement projects. The LTBMU lands staff manages the urban lots while other staff manages the lands in the general forest.

Urban Lot Management Funding Did Not Meet Estimated Program Needs

The LTBMU started acquiring environmentally sensitive urban lots in 1982. However they did not receive funding to manage the lots until 1991, 9 years later, after purchasing 3,100 lots. Further, the funding received was significantly less than the amount LTBMU staff believed was necessary for effective urban lot management.

In 1995, the LTBMU developed an Urban Lot EA that proposed actions for the management of an estimated 3,200 environmentally sensitive urban lots through FY 2000. The EA cites a need for action from years of drought and disease, tons of refuse dumped on these FS lots, and numerous encroachment cases still unidentified and unresolved. The EA estimated that the LTBMU's urban lot management needs were approximately \$848,000 per year (average) based on the probable cost for managing 300 lots annually on an ongoing basis. To meet the management needs, the LTBMU set a goal of completing management activities on 1,500 lots within 5 years, which they estimated would cost \$4.2 million. However, for FY 1996

through FY 2000, the LTBMU only received 53% of the needed funding (about \$450,000 per year). With this limited funding, the LTBMU was only able to manage a total of 871 lots, 629 lots short of its goal. Further, the LTBMU continued to acquire additional urban lots during this period, increasing the total inventory to 3,353 lots as of September 30, 1999. Based on FS figures, we estimate the LTBMU needs about \$7 million to complete management activities on the remaining 2,482 urban lots (74 percent).

Although the Santini-Burton Act authorizes management funds, the FS has never requested these funds. According to the language of the Act, the management funds can total as much as 5 percent of the amount appropriated for acquisitions.

...there is authorized to be appropriated a sum equal to 5 per centum of the amount appropriated...to be used by the Secretary of Agriculture only for purposes of preventing, controlling, or mitigating water pollution associated with National Forest lands in the Lake Tahoe Basin and for managing acquired lands within the Lake Tahoe Basin. Such sum shall be in addition to any other amounts available to the Secretary of Agriculture for expenditure in the Lake Tahoe Basin.⁷

Although authorized by the Act, the FS must specifically make a budget request for these funds in order for Congress to make the appropriation. By our calculations the FS failed to request about \$4 million in urban lot management funds since 1982. We believe our report has demonstrated that such funds are resources the LTBMU badly needs to help it meet its management requirements as the Santini-Burton acquisitions continue to grow, and we conclude that it would be prudent for the FS to request these funds.

Urban Lots Contained Unidentified And Unresolved Encroachments

We reviewed 105 lot inspections performed by LTBMU crews in FY 1998 and found that 34 encroachments had been identified; an encroachment rate of 32.4 percent. If this rate is typical of all 3,353 urban lots, the LTBMU may have as many as 1,086 unidentified and unresolved encroachments on environmentally sensitive lands. The FS stated that, due to limited funding, the LTBMU is unable to adequately identify and resolve these encroachments. For example, although the Urban Lot EA called for the resolution of 250 encroachment cases per year, we found that the LTBMU was only able to resolve 59 encroachments cases in FY 1999.

We visited 95 lots and identified 24 with the following types of encroachments (See Exhibit C):

⁷ See the Santini-Burton Act, section 2 (h), Public Law 96-586- December 23, 1980

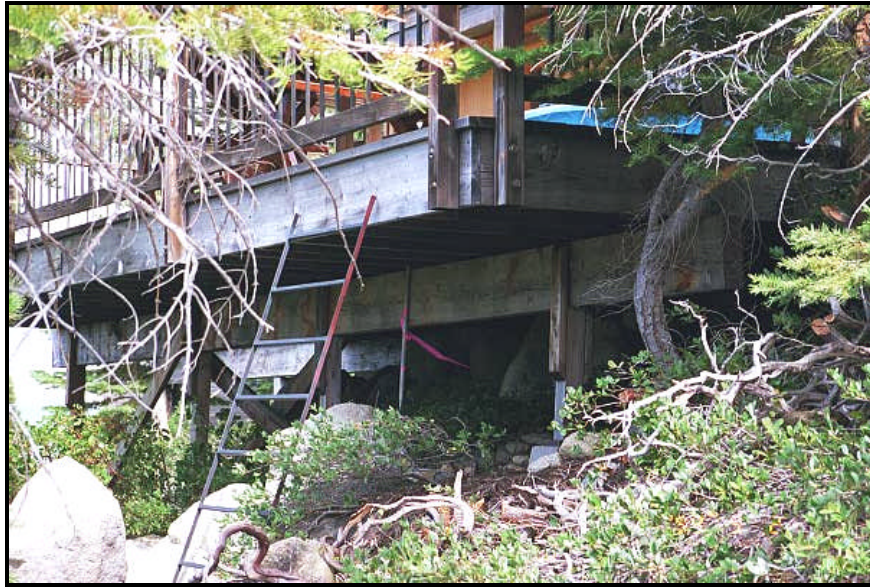


Photo 3: Deck encroaching onto FS property.



Photo 4: Unauthorized landscaping on FS property.



Photo 5: FS lot used as an unauthorized parking lot.



Photo 6: Chairs and other debris on a FS lot streambed.

Unresolved encroachments are particularly damaging in the Basin where unauthorized construction, parking, landscaping and garbage dumping in inappropriate areas disturbs soil that increases erosion and runoff. The runoff in turn erodes ditches and overloads stream channels, pouring sediment and other pollution that affects water clarity into the lake.

Lack Of Maintenance Increases Risk of Hazard Trees and Damaging Fires

Unmaintained lots increase the risk of dead and dying trees that could threaten life and property in the Lake Tahoe Basin by falling or through damaging fires. From January through November 1999, the LTBMU responded to 57 hazard tree complaints from private citizens and cut approximately 131 hazard trees on urban lots. It is important to conduct hazard tree abatement on the urban lots due to potential legal liability that could occur if a dead or dying tree falls on private personal property. Timely treatment also reduces the risk of forest fires.

From 1976 through 1997, the LTBMU experienced an average of 69 fires per year, many occurring within the urban interface and on urban lots. Fires can be particularly damaging when highly combustible material such as dead trees and overcrowded brush are present. The Tahoe Re-Green project, which is composed of the Federal, State and local agencies to deal with the risk of a potential large fire at the Basin, estimates that approximately one third of the trees in the Basin are either dead or dying and these constitute the greatest threat of fire.

We concluded that adequate management of urban lots should be a top priority for the LTBMU to accomplish its mission of protecting environmentally sensitive lands and preserving the clarity of Lake Tahoe. Unlike the FS, the State of California has adequately funded its urban lot management program. If sufficient FS funding is not available, as asserted by FS staff, LTBMU management costs could be reduced if it worked with the States of California and Nevada to consolidate its ownership of lots in the Lake Tahoe Basin. (See Finding No. 7). At a minimum, the LTBMU needs to update its 1995 EA report on the urban lot management program (which expired in May 2000) to determine alternatives for maintaining the urban lots based on current conditions. Once the new EA has been prepared, the LTBMU needs to ensure that the alternative selected results in each urban lot receiving initial treatment and that all lots thereafter follow a regular management cycle. Finally, the FS needs to include in their annual budget request the funds authorized by the Santini-Burton Act for the management of lands acquired by the Act.

RECOMMENDATION NO. 15

Prepare a new environmental analysis on the urban lot management program and ensure that the alternative selected results in each urban lot receiving initial treatment and that all lots thereafter follow a regular management cycle.

FS Response

The FS does not concur with this recommendation. The LTBMU will conduct a review of the Urban Lot Environmental Assessment this winter to determine if the findings of no significant impact are still appropriate and that no new conditions exist that would alter the Decision Notice signed in 1995. The review will update any outdated information, include any new regulations that may exist and affect the project, and update the economic analysis. We anticipate completion of the review and update by June 1, 2001; a decision on the level of environmental analysis will be based on the review of the existing environmental assessment.

The current environmental assessment is adequate to meet the need of initial treatment on all urban lots. The LTBMU completed the current environmental assessment in 1995 with the intention of conducting initial treatment on all urban lots and continuing a maintenance program beyond initial treatment. The environmental assessment and decision notice identified the need to conduct initial treatment over a 10-year period. The maintenance of the parcels was identified as an ongoing need. Funding levels have not been adequate to meet the anticipated timeframes.

The FS has been directed to provide a report to the House and Senate Committees on Appropriations by April 30, 2001. This report will include past Federal and State Acquisitions, the costs and challenges of managing these properties, and legislative options for the Federal government to turn over this program to the State and local authorities.

OIG Position

We accept management decision on this recommendation. Although the FS did not concur with this recommendation, the FS proposed an alternative action that we believe will achieve the same result.

RECOMMENDATION NO. 16

Resolve the 24 encroachments identified by
OIG during its visits (Refer to Exhibit C).

FS Response

We have recognized the encroachment problem associated with the urban lots and interface lands and have developed a process to prioritize and resolve these cases. The 24 specific cases, which are just a few of the hundreds they have noted, are not severe enough to warrant an adjustment to the current prioritization process for encroachment resolution.

OIG Position

We accept management decision on this recommendation. Even though the FS is deferring action to resolve the encroachments identified by OIG, the FS has taken immediate action on one of the reported encroachments that was causing resource damage. We also recognize that the FS has identified numerous other encroachments that may be causing more significant resource damage than those identified by OIG. We believe that the FS process of prioritization is an acceptable method for resolving the numerous encroachments on its urban lots.

RECOMMENDATION NO. 17

Request the funding authorized by the Santini-Burton Act for the urban lot management program.

FS Response

The LTBMU will annually request the funding authorized by the Santini-Burton Act for the urban lot management program.

OIG Position

We accept management decision on this recommendation.

CHAPTER 4

OVERALL OPERATING EFFICIENCY OF BOTH THE LAND ACQUISITION AND URBAN LOT MANAGEMENT PROGRAMS COULD BE IMPROVED

The LTBMU has not taken action to consolidate its ownership of urban lots interspersed with lands owned by the States of California and Nevada, or taken steps to prevent this mixed ownership pattern from continuing. In addition, the LTBMU does not have a database that can be used for overall program management of land acquisitions and urban lot management. Consolidation of the ownership pattern with the States of California and Nevada would lead to greater efficiency in urban lot management. By reaching an agreement with the States of California and Nevada, the acquisition program would have a more clearly defined area in which to target acquisitions in order to prevent the interspersed ownership pattern from continuing. Correcting the information in the acquisition database and incorporating lot management information into this system would create a more effective management tool. We believe that the overall operating efficiency of both the land acquisition and urban lot management programs could be improved with the implementation of these recommendations.

FINDING NO. 7

THE LTBMU HAS NOT TAKEN ACTION TO CONSOLIDATE OWNERSHIP OF URBAN LOTS

The FS urban lots are currently interspersed with lands owned by the States of California and Nevada. This mixed ownership occurred because the LTBMU did not have formalized agreements with the state governments that would have coordinated the acquisition of urban lots. In addition, the LTBMU has not taken

action, in cooperation with the state governments, to resolve the mixed ownership pattern. As a result, FS urban lots form a checkerboard pattern in many subdivisions that reduces the efficiency of lot inspections and increases maintenance costs.

The Santini-Burton Act directs that the acquired lands shall be administered as part of the national forest system. However, the Act allows lands that are unsuitable for FS administration to be transferred to the appropriate state or local government for management.

The LTBMU Forest Plan, issued in 1988, also states that lots unsuitable for FS administration may be considered for transfer to state and county governments. The FS must ensure that parcels are transferred with the appropriate deed restrictions to ensure that environmental quality and public recreation use of the lands are protected. The plan specifies that the LTBMU develop criteria, with the assistance of state and county governments, for transferring ownerships.

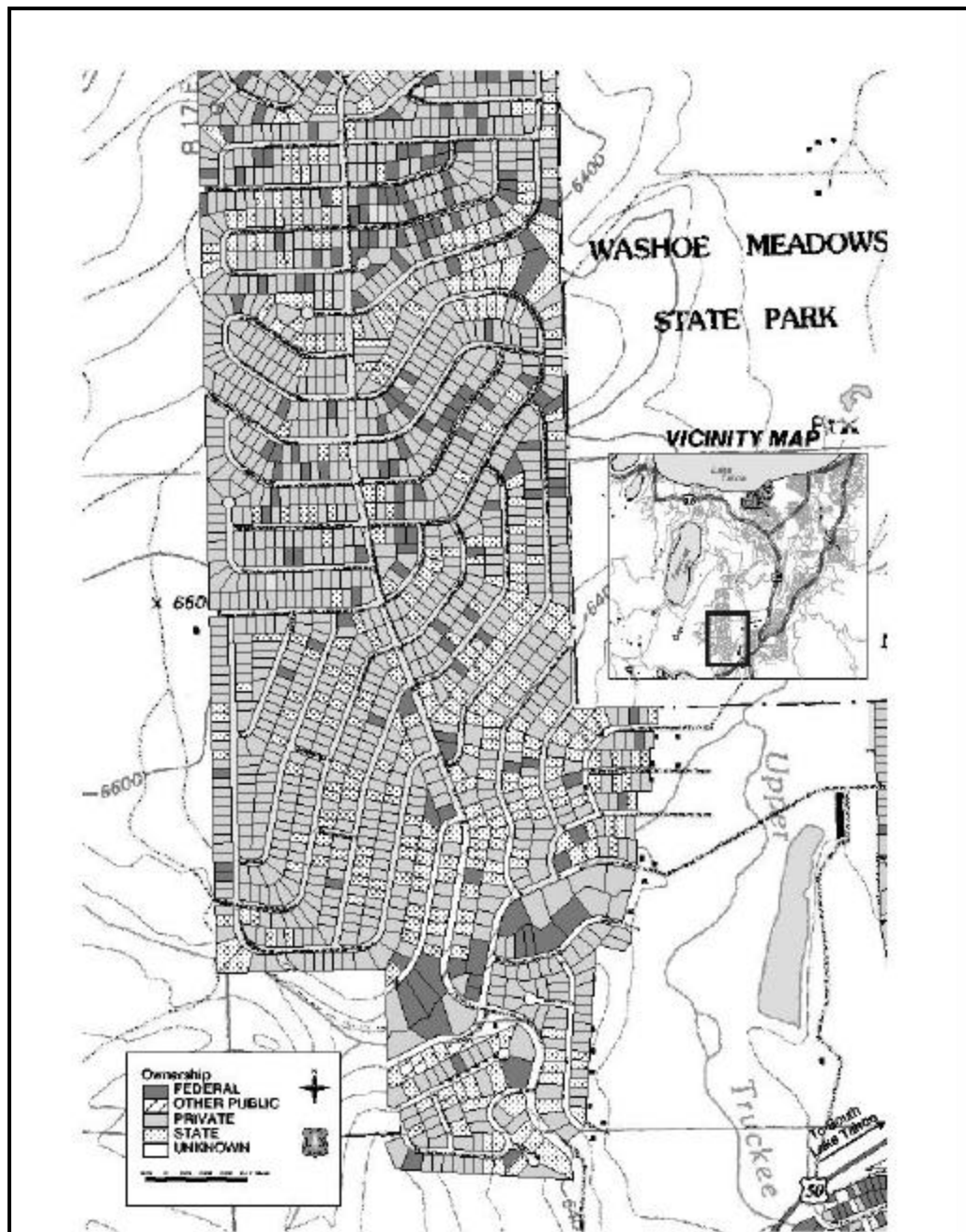


Figure 1: Map of Meyers area in Lake Tahoe showing checkerboard ownership of urban lots.

The LTBMU and the States of California and Nevada have been aggressively purchasing lots in the Lake Tahoe Basin for the past 20 years. However, the lack of coordination between the entities has resulted in a checkerboard pattern of lot ownership in many of the urban subdivisions. An example of this pattern of FS ownership is shown in the Meyers area south of Lake Tahoe (See Figure 1 on previous page). The subdivision is located on

the California side of the lake. This area has 155 FS lots, 349 state-owned lots and 1,015 privately owned lots.

Despite the forest plan, the LTBMU lands staff has not developed criteria, with the participation of the States of California and Nevada, to transfer or exchange lots and consolidate ownership interests. The State of Nevada passed a resolution in 1989 urging the FS to cooperate with state agencies in order to exchange lands to improve management efficiency. However, neither the LTBMU nor the State of Nevada have created any agreements to implement this resolution. This is not presently a problem, because the State of Nevada has suspended their land acquisition program at the Lake.

The LTBMU currently has a verbal, non-binding agreement with the State of California. This agreement provides that each agency focus its acquisition activities in designated areas on the California-side of Lake Tahoe. At the time the informal agreement was created, properties had already been acquired by both agencies, so the checkerboard ownership pattern was already in place. The agreement was created in order to avoid exacerbating the problem. However, we found that the informal arrangement is not effective because the LTBMU has continued to acquire lots in the areas designated for acquisition by California. Also, our discussions with officials from California disclosed that they are reluctant to obtain ownership of the FS lots because of the LTBMU's historically poor management record. They felt that taking ownership of the FS lots would only add to California's maintenance burden.

Consolidating ownership interests would improve the effectiveness and efficiency of the urban lot program. The cost of maintaining consolidated urban lots is less than the cost of maintaining scattered lots in mixed ownership. Also, the small and scattered lots are more prone to encroachments from adjacent landowners.

The LTBMU should develop criteria to coordinate new land acquisitions with the States of California and Nevada, and consolidate its existing mixed ownership interests. In addition, the LTBMU needs to address state concerns about the lack of FS urban lot management, and ensure that all lots transferred to state ownership have been inspected and any problems resolved.

RECOMMENDATION NO. 18

state.

Formalize an agreement for coordinating new lot acquisitions with the State of California. If Nevada resumes land acquisitions, the LTBMU should also formalize an agreement with that

FS Response

The FS and California Tahoe Conservancy (CTC), the state agency that acquires parcels for the California, continue to coordinate closely regarding possible acquisitions within subdivisions on the California-side of Lake Tahoe. LTBMU Land staff directs inquiries from willing sellers to CTC when the lot is located in a CTC-designated area or when the surrounding ownership pattern is largely CTC lots. By March 31, 2001, the FS will request that CTC enter into a formal agreement for lot acquisition in California through a Memorandum of Understanding.

The FS and Nevada Division of State Lands signed a Memorandum of Understanding in May 2000 which states that lots where acquisition is mutually beneficial and meets acquisition criteria for both agencies, State Lands will acquire development and coverage rights and the FS will acquire the land and all other associated rights. The parcel(s) will become National Forest System land and will be managed by the FS.

OIG Position

We accept management decision on this recommendation.

RECOMMENDATION NO. 19

interests.

Develop criteria with the participation of state governments and implement procedures to transfer or exchange existing lots with the objective of resolving the mixed ownership

FS Response

The Forest Plan states that lots will be transferred when State and local governments are prepared to accept responsibility for management of these lots. As noted in other sections of this OIG report, management of these lots is extremely costly for both initial treatment and ongoing maintenance. The FS continues to transfer lots to counties and states on a lot-by-lot basis, particularly when erosion control structures are constructed changing the character and management emphasis of the lot. The FS and CTC have discussed consolidation of ownership of lots within the last few years, however CTC has not shown interest in large-scale lot transfers and has expressed reluctance to assume this management cost for these additional urban lots within their areas particularly where the net benefit of the transfer or exchange is questionable.

The FS will meet with CTC and Nevada Division of State Lands to discuss consolidation of lot ownership around the Lake Tahoe Basin by March 31, 2001. Should the States and the FS determine it is of mutual benefit for affected agencies, a proposal will be developed outlining criteria for transfer or exchange of existing lots in appropriate subdivisions.

OIG Position

We accept management decision on this recommendation.

FINDING NO. 8

THE LTBMU DATABASE DOES NOT ACCURATELY TRACK THE URBAN LOTS ACQUIRED AND IS NOT USED TO MANAGE URBAN LOTS

The computerized database used by the LTBMU to track lands acquired under the Santini-Burton Act is unreliable, and understated the number and value of urban lots by almost \$9 million, in comparison to the prior database. In addition, the LTBMU did not use the database to efficiently track the status of lot management activities. This occurred because LTBMU staff were not adequately trained to use

the database, did not correct discrepancies in the database, and did not utilize a separate database developed specifically for the management of the lots. As a result, the LTBMU relied on manual records that were time consuming to review and update.

The *Standards for Internal Control in the Federal Government* states that transactions should be promptly and accurately recorded in order to maintain their relevance and value to management in controlling operations and making decisions. In addition, information should be recorded and communicated to management in a form, and within a time frame, that enables them to carry out their responsibilities.

The nationwide landownership database system used by the FS to track lands owned by that agency does not have the ability to account for small parcels of land such as those being acquired in the Lake Tahoe Basin. Because of this, the LTBMU created its own database to record and track information associated with the acquired urban lots. The LTBMU used the database to display information relating to each parcel's acquisition, including appraised value, lot size and location. However, the LTBMU did not use the database to record information relating to urban lot management, such as the status of inspections, surveys, maintenance, and identified encroachments. Instead, the LTBMU used different manual records to record the results of lot inspections and surveys, including information relating to deferred maintenance and unresolved encroachments.

Conversion of Database System Resulted in Lost Data

The LTBMU urban lot acquisition database was recently converted to a new system. We determined that during the conversion process the LTBMU lost data relating to 197 urban lot parcels, with a value of almost \$9 million.

We reviewed information generated from the converted urban lot database and determined that the total number and value of the lots listed was inaccurate. The report from the converted database listed a total of 3,297 urban lots acquired at a cost of \$88,104,847. However, an earlier report provided from the previous database, and updated by OIG to account for recent acquisitions, indicated that the LTBMU had acquired 3,494 parcels of land with a value of \$96,952,975. This amounted to a difference of 197 lots and a value discrepancy of \$8,848,128.

When we questioned LTBMU staff about these discrepancies, they stated that they knew some urban lot information had been lost during the computer conversion and that the current database was inaccurate. However, before our analysis, the lands staff had not known the specific number of missing urban lots or the amount of the value discrepancy.

The LTBMU lands staff acknowledged that the missing urban lot information was a problem. However, they stated that they did not have the time to identify the 197 missing lots and to update the database system.

Manual Records Used To Track Status of Lot Maintenance and Encroachments

LTBMU lands staff did not use the computerized database to record the results of lot inspections and surveys, to monitor the status of maintenance work performed on the urban lots, and to track identified encroachments. Instead, lands staff used non-integrated manual records that were time consuming to review and to update as follows:

Urban Lot Maintenance: In order to plan and schedule maintenance work on urban lots in a particular area, the LTBMU urban lot manager had to first review maps of the selected area and manually identify and count each parcel owned by the FS. If the map was not current, and did not list all recently acquired urban lots, those lots would not be identified and would not receive maintenance treatment.

After the LTBMU performed maintenance work in a particular area, the lands staff documented the specific work done on each FS parcel, and created a separate file folder for each maintained lot. The urban lot manager then updated the maintenance information by manually indicating all newly treated

lots on the applicable area map. In order to determine the total number of FS lots treated in a specific subdivision, or in the entire Lake Tahoe Basin, the urban lot manager had to review each area map and manually count the number of parcels designated as maintained.

Such a procedure was cumbersome and time-consuming. Further, under the current manual procedure, the urban lot manager could not readily identify:

- areas that received maintenance treatment several years earlier and needed additional work,
- areas that had only been partially treated, or
- areas that suffered from specific problems, such as unusually high fire hazard, high incidents of dead and dying trees, etc.

LTBMU lands staff told us that they had begun to input maintenance information into a separate computerized database, but had not been able to update this database for the last three years due to lack of staffing. They added that even if the maintenance information was entered into the database, lands staff lacked the necessary computer skills to effectively sort information or generate useful reports on the new system.

Urban Lot Encroachments: LTBMU lands staff recorded each identified encroachment incident in a manual log and created a separate file for each case. Under this manual system, LTBMU lands staff could not readily identify:

- the total number of encroachment cases,
- the current status of those cases, or
- urban lots with multiple encroachment incidents.

In order to access any such information, the lands staff had to manually count each entry recorded in the log or laboriously sort through the log entries and case files for the required information. Consequently, the bulk of encroachment information was recalled through memory by the more experienced lands staff. New employees, or individuals not personally familiar with past cases, would find it difficult to identify information needed for effective encroachment management.

We concluded that the LTBMU's current manual systems were inefficient and that urban lot maintenance and encroachment information should be integrated into the database system. By automating the functions described above, the LTBMU urban lot management staff would save valuable time and

concentrate their efforts in providing much needed “on-the-ground” management of urban lots.

RECOMMENDATION NO. 20

Determine which acquisitions were lost in the conversion process and update the database to include this information.

FS Response

The LTBMU has contracted with Digital Visions, a FS Enterprise Team to completely redesign the Santini-Burton database and to merge the urban lot database into it. This will result in a single database to track the status of both purchases and urban lot maintenance and encroachments. A service agreement was signed with Digital Visions on September 11, 2000 setting aside \$20,000 for this project. A scoping meeting with a member of the team who is an expert in designing Oracle databases was conducted on September 21, 2000. This work will be completed by April 30, 2001.

OIG Position

We accept management decision on this recommendation.

RECOMMENDATION NO. 21

Perform a validation of all information in the converted database to ensure its overall reliability. This should include a verification that the database includes information relating to all

of the urban lots owned by the FS.

FS Response

After the new database is completed, the process of verifying data, re-entering data for missing acquisitions, and data entry for the urban lot program can begin. This encompasses a major workload. Further use of the Digital Visions Team, use of interns, or a temporary position will be considered to do this work. This work will be completed no later than June 30, 2002.

OIG Position

We accept management decision on this recommendation.

RECOMMENDATION NO. 22

Incorporate urban lot maintenance and encroachment data into the computerized database, to create a more effective management tool.

FS Response

The LTBMU has contracted with Digital Visions to completely redesign the Santini-Burton database and to merge the urban lot database into it. This will result in a single database to track the status of both purchases and urban lot maintenance and encroachments. This work will be completed by April 30, 2001.

OIG Position

We accept management decision on this recommendation.

RECOMMENDATION NO. 23

Ensure that LTBMU staff can easily use the computer system, including accessing and sorting information related to urban lot maintenance and encroachment.

FS Response

A written user guide/instruction manual for the new computer system will be developed that will provide adequate instructions to allow any employee with basic computer skills to fully utilize the database to perform queries, update or edit data, and prepare reports. This guide/instruction manual will be completed after the complete redesign of the database.

OIG Position

In order to reach management decision, the FS needs to provide the timeframe for completing the recommended action.

EXHIBIT A – SUMMARY OF MONETARY RESULTS

RECOMMENDATION NUMBER	DESCRIPTION	AMOUNT	CATEGORY
2	Funds spent on unnneeded appraisals.	\$117,100	FTBPTBU – Management Or Operating Improvement / Savings
3 & 5	Homeowner's Association fees unnecessarily paid and appraised values overstated.	\$176,200	FTBPTBU – Management Or Operating Improvement / Savings
7 & 8	Purchased development and water rights not acquired.	\$444,000	FTBPTBU – Management Or Operating Improvement / Savings
10	Funds spent on inappropriate or unnneeded acquisitions.	\$252,000	FTBPTBU – Management Or Operating Improvement / Savings
13	Acquisitions funds spent on lands containing unnneeded improvements.	\$9,340,000	FTBPTBU – Management Or Operating Improvement / Savings
TOTAL		\$10,329,300	

EXHIBIT B – SAMPLE OF URBAN LOT ACQUISITIONS

No.	Parcel I.D.	Year Bought	County	State	Acres	Purchase Price	OIG Visit	File Review	Problem	Exception
1	011-040-14	1998	Douglas	NV	10.70	\$49,000	N	Y	N	
2	028-162-23	1998	El Dorado	CA	0.53	\$15,000	Y	Y	N	
3	036-350-05	1998	El Dorado	CA	2.50	\$17,500	Y	Y	Y	Maintenance Encroachment
4	126-082-15	1998	Washoe	NV	0.14	\$16,000	Y	Y	Y	Acquisition
5	007-011-13	1997	Carson	NV	40.00	\$60,000	N	Y	N	
6	001-130-08	1997	Douglas	NV	18.91	\$180,000	Y	Y	N	
7	011-052-02	1997	Douglas	NV	12.58	\$93,500	Y	Y	Y	Acquisition
8	041-010-22	1997	Douglas	NV	24.00	\$485,000	Y	Y	N	
9	035-183-15	1997	El Dorado	CA	2.42	\$58,000	Y	Y	Y	Maintenance
10	016-322-16	1997	El Dorado	CA	0.24	\$17,000	Y	Y	Y	Maintenance
11	090-030-05	1997	Placer	CA	7.13	\$55,000	Y	Y	N	
12	090-340-13	1997	Placer	CA	10.40	\$29,000	N	Y	N	
13	016-472-06	1996	El Dorado	CA	0.33	\$15,000	Y	Y	N	
14	016-371-12	1996	El Dorado	CA	0.32	\$15,000	Y	Y	N	
15	018-090-54	1996	El Dorado	CA	0.98	\$632,000	Y	Y	N	
16	098-271-12	1996	Placer	CA	0.23	\$15,000	Y	Y	Y	Maintenance
17	001-020-12	1995	Douglas	NV	7.63	\$1,820,000	N	Y	N	
18	016-432-04	1995	El Dorado	CA	0.32	\$17,000	Y	Y	Y	Encroachment
19	030-360-03	1995	El Dorado	CA	0.85	\$30,000	Y	Y	Y	Maintenance Encroachment
20	035-293-07	1995	El Dorado	CA	0.15	\$9,000	Y	Y	N	
21	081-131-13	1995	El Dorado	CA	0.33	\$20,400	Y	Y	Y	Encroachment
22	018-501-11	1995	El Dorado	CA	0.51	\$27,000	Y	Y	N	
23	125-244-24	1995	Washoe	NV	0.19	\$92,000	Y	Y	N	
24	007-011-09	1994	Carson	NV	40.00	\$56,000	N	Y	N	
25	007-244-05	1994	Douglas	NV	0.24	\$80,000	Y	Y	N	
26	030-363-01	1994	El Dorado	CA	0.52	\$42,000	Y	Y	N	
27	035-272-29	1994	El Dorado	CA	0.28	\$18,000	Y	Y	Y	Maintenance Encroachment
28	016-522-04	1994	El Dorado	CA	0.26	\$20,000	Y	Y	N	
29	083-410-17	1994	Placer	CA	0.34	\$15,000	Y	Y	Y	Maintenance
30	117-020-15	1994	Placer	CA	0.24	\$18,000	Y	Y	N	
31	132-222-02	1994	Washoe	NV	0.56	\$160,000	Y	Y	Y	Encroachment
32	123-110-02	1994	Washoe	NV	11.20	\$80,000	Y	Y	N	
33	123-143-14	1994	Washoe	NV	0.18	\$35,000	Y	Y	Y	Encroachment
34	130-081-27	1994	Washoe	NV	0.14	\$33,000	Y	Y	N	
35	125-223-05	1994	Washoe	NV	0.18	\$37,000	Y	Y	N	
36	124-041-99	1994	Washoe	NV	0.53	\$47,000	Y	Y	Y	Maintenance Encroachment

No.	Parcel I.D.	Year Bought	County	State	Acres	Purchase Price	OIG Visit	File Review	Problem	Exception
37	005-181-26	1993	Douglas	NV	0.24	\$20,750	Y	N	N	
38	005-172-35	1993	Douglas	NV	0.35	\$30,000	Y	Y	N	
39	016-511-05	1993	El Dorado	CA	0.29	\$16,000	Y	N	N	
40	036-581-06	1993	El Dorado	CA	0.23	\$15,000	Y	Y	Y	Maintenance
41	029-415-23	1993	El Dorado	CA	0.22	\$15,000	Y	Y	Y	Encroachment
42	016-432-11	1993	El Dorado	CA	0.28	\$70,000	Y	Y	N	
43	092-031-17	1993	Placer	CA	0.34	\$36,000	Y	Y	Y	Maintenance Encroachment
44	085-020-81	1993	Placer	CA	102.50	\$690,500	N	N	N	
45	132-231-18	1993	Washoe	NV	0.67	\$75,000	Y	Y	N	
46	125-362-08	1993	Washoe	NV	0.19	\$47,500	Y	Y	Y	Acquisition Encroachment
47	124-071-50	1993	Washoe	NV	1.13	\$155,000	Y	Y	Y	Encroachment
48	124-062-12	1993	Washoe	NV	0.41	\$47,500	Y	Y	Y	Encroachment
49	130-050-03	1993	Washoe	NV	0.64	\$180,000	Y	Y	N	
50	126-440-10	1993	Washoe	NV	0.18	\$120,000	Y	Y	N	
51	007-011-06	1992	Carson	NV	32.00	\$4,100,000	Y	Y	N	
52	007-350-08	1992	Douglas	NV	10.00	\$110,000	Y	Y	N	
53	028-090-05	1992	El Dorado	CA	5.00	\$75,000	Y	Y	N	
54	016-091-44	1992	El Dorado	CA	0.16	\$125,000	Y	Y	Y	Maintenance
55	110-060-17	1992	Placer	CA	25.80	\$400,000	N	Y	N	
56	125-362-09	1992	Washoe	NV	0.24	\$85,000	Y	Y	Y	Acquisition
57	041-010-20	1991	Douglas	NV	7.17	\$525,000	Y	Y	Y	Maintenance
58	033-090-14	1991	El Dorado	CA	15.54	\$175,000	Y	N	Y	Maintenance
59	111-010-08	1991	Placer	CA	26.83	\$685,000	Y	N	Y	Maintenance
60	131-110-04	1991	Washoe	NV	13.13	\$750,000	Y	N	N	
61	007-011-05	1990	Carson	NV	7.34	\$2,900,000	Y	N	N	
62	003-080-21	1990	Douglas	NV	0.74	\$260,000	Y	N	Y	Maintenance
63	029-240-07	1990	El Dorado	CA	31.32	\$390,000	Y	Y	Y	Acquisition
64	126-081-21	1990	Washoe	NV	0.32	\$250,800	Y	N	N	
65	005-010-08	1989	Douglas	NV	39.21	\$340,000	Y	N	N	
66	033-792-11	1989	El Dorado	CA	0.29	\$15,000	Y	N	Y	Encroachment
67	116-030-34	1989	Placer	CA	0.06	\$1,000	Y	N	N	
68	125-231-05	1989	Washoe	NV	0.71	\$30,000	Y	N	N	
69	011-300-15	1988	Douglas	NV	0.05	\$10,000	Y	N	Y	Acquisition
70	030-390-11	1988	El Dorado	CA	5.87	\$100,000	Y	N	N	
71	083-400-17	1988	Placer	CA	0.22	\$20,000	Y	N	Y	Maintenance
72	126-242-01	1988	Washoe	NV	3.61	\$142,000	Y	N	Y	Maintenance Encroachment
73	007-011-14	1987	Carson	NV	20.00	\$32,000	N	N	N	
74	007-246-06	1987	Douglas	NV	0.27	\$37,500	Y	N	N	
75	030-380-11	1987	El Dorado	CA	1.25	\$9,000	Y	N	N	
76	016-544-06	1987	El Dorado	CA	0.40	\$8,000	Y	N	Y	Maintenance Encroachment

No.	Parcel I.D.	Year Bought	County	State	Acres	Purchase Price	OIG Visit	File Review	Problem	Exception
77	011-202-05	1986	Douglas	NV	0.29	\$18,750	Y	N	N	
78	016-535-07	1986	El Dorado	CA	1.26	\$30,600	Y	N	Y	Maintenance
79	085-081-05	1986	Placer	CA	0.21	\$7,000	Y	N	N	
80	125-352-04	1986	Washoe	NV	2.50	\$33,000	Y	N	N	
81	005-230-10	1984	Douglas	NV	125.36	\$8,950,000	Y	Y	Y	Acquisition
82	78-19-TB-1	1979	Douglas	NV	410.00	\$4,900,000	Y	N	N	
83	041-010-26	1999	Douglas	NV	15.29	\$390,000	Y	N	N	
84	016-434-03	1999	El Dorado	CA	0.31	\$20,000	Y	N	Y	Maintenance
85	018-300-10	1984	El Dorado	CA	0.46	\$11,500	N	N	N	
86	034-232-13	1985	El Dorado	CA	0.24	\$5,200	Y	N	N	
87	036-573-19	1984	El Dorado	CA	0.65	\$18,000	Y	N	N	
88	011-051-02	1985	Douglas	NV	8.14	\$17,450	Y	N	N	
89	033-484-07	1985	El Dorado	CA	0.23	\$5,200	Y	N	Y	Maintenance
90	028-170-15	1983	El Dorado	CA	0.26	\$8,500	Y	N	Y	Encroachment
91	030-551-09	1988	Washoe	NV	0.17	\$9,000	Y	N	Y	Maintenance
92	025-342-08	1985	El Dorado	CA	0.17	\$6,000	Y	N	Y	Maintenance
93	023-742-18	1985	El Dorado	CA	0.14	\$6,000	Y	N	Y	Maintenance Encroachment
94	005-333-19	1985	Douglas	NV	0.34	\$28,000	Y	N	Y	Maintenance Encroachment
95	016-482-13	1985	El Dorado	CA	0.48	\$12,500	Y	N	N	
96	085-020-77	1984	Placer	CA	20.00	\$45,000	Y	N	N	
97	74-03-TB-2	1974	El Dorado	CA	80.00	\$120,000	N	N	N	
98	097-050-32	1978	Placer	CA	503.00	\$350,000	Y	N	N	
99	78-17-TB-4	1979	Placer	CA	2.20	\$11,000	Y	N	N	
100	085-310-22	1981	Placer	CA	0.49	\$0	Y	N	N	
100	TOTALS				1,723.45	\$32,504,650	90	56	41	7 Acquisition 25 Maintenance 19 Encroachment

EXHIBIT C – ENCROACHMENTS IDENTIFIED BY OIG FIELD REVIEWS

No.	Sample	Parcel I.D.	Condition Noted	Identified By FS	Type of Encroachment
1		016-292-02	Neighbor driving on lot to his back yard and piling wood on FS lot.	N	3
2	3	036-350-05	Trash	N	4
3	18	016-432-04	Possible propane tank over property line.	Y	2
4	19	030-360-03	Trash	N	4
5	21	081-131-13	Landscaping over property line.	N	2
6	27	035-272-29	Children's play area dug into ground with toys and scrap wood.	N	4
7	31	132-222-02	Desk, mattresses, and chairs scattered around parcel.	N	4
8	33	123-143-14	Neighbor has drainpipe running into the drainage on FS lot.	Y	2
9	36	124-041-99	Trash and golf balls	N	4
10	41	029-415-23	Deck across property line.	Y	1
11	43	092-031-17	Paved driveway on lot. Boat stored on FS lot.	Y	1
12		132-231-19	Chairs in stream located in FS lot	N	4
13	46	125-362-08	Neighbor driving vehicle on FS lot.	N	3
14	47	124-071-50	Commercial building next door using as overflow parking lot.	N	3
15	48	124-062-12	One piece of metal pipe identified in inspection report still on ground.	N	4
16	66	033-792-11	Camper parked on edge of lot	N	3
17		125-231-06	Possible wood stacked on FS lot	N	2
18	72	126-242-01	Possible woodcutting on FS lot.	Y	2
19	76	016-544-06	Deck and satellite dish on FS lot.	Y	1
20	90	028-170-15	Trash	N	4
21	93	023-742-18	Boat, trailer for hauling garbage, and lawn swing	N	3
22		023-742-12	Pet buried	N	2
23	94	005-333-19	Invisible fence laid on ground for pet containment	N	2
24		126-020-52	Sprinkler system and landscaping on FS land	Y	2

Type of Trespass/Encroachment

- 1 - The construction of decks and asphalt driveways.
- 2 - The planting of non-native plants and other structures that result in ground disturbances.
- 3 - The driving on and storage of private property that contributes to soil compaction.
- 4 - Trash dumped on the land that contributes to health and safety hazards.

EXHIBIT D – FOREST SERVICE RESPONSE TO DRAFT REPORT



United States
Department of
Agriculture

Forest
Service

Washington Office

14th & Independence SW
P.O. Box 96090
Washington, DC 20090-6090

File Code: 1430

Date: NOV 29 2000

Route To:

Subject: Response to Draft Audit Report "Land Acquisitions and Urban Lot Management, Lake Tahoe Basin Management Unit, South Lake Tahoe, CA" (OIG Report 08003-5-SF)

To: James R. Ebbitt
Assistant Inspector General for Audit

We have completed our review of the Office of Inspector General (OIG) Draft Audit Report entitled "Land Acquisitions and Urban Lot Management, Lake Tahoe Basin Management Unit, South Lake Tahoe, CA" (OIG Report 08003-5-SF), issued October 5, 2000. We generally concur with all of the audit findings and recommendations except recommendation number 15. We request management decision for recommendations 1 through 23.

Enclosed is our response to the OIG report. If you have questions, please contact the Agency External Audit Liaison, Linda Washington at (202) 205-3761.

VINCETTE L. GOERL
Chief Financial Officer
Deputy Chief, Office of Finance

Enclosures



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OFFICE OF INSPECTOR GENERAL (OIG)
AUDIT REPORT NO. 08003-5-SF
LAND ACQUISITIONS AND URBAN LOT MANAGEMENT, LAKE TAHOE BASIN
MANAGEMENT UNIT, SOUTH LAKE TAHOE, CA
NOVEMBER 2000

OIG RECOMMENDATION NO. 1: Take action that addresses the acquisition and urban lot management issues identified in this report and ensure that these issues will be addressed in a comprehensive forest plan.

FOREST SERVICE RESPONSE: The Forest Service concurs with this recommendation. The Land and Resource Management Plan for the Lake Tahoe Basin Management Unit (LTBMU) are currently scheduled for revision in 2003. Changing the scheduled revision date is not reasonable based on other priorities in the Region including the Sierra Nevada Framework. Prior to the revision we will continue to address the issue of urban lot acquisition and management and make changes that will improve our administration of these programs.

The Conference Report for the Appropriations Act for the Department of Interior and Related Agencies for the Fiscal Year ending September 30, 2001 provides direct guidance to the Forest Service. It states, in part that "None of the funding provided for Federal land acquisitions shall be used to acquire additional lots." It also states "the role of the Forest Service in acquiring, administering and maintaining the urban lots appears inappropriate and often ineffective." Based on this language the Forest will not acquire urban lots until this issue is resolved.

OIG RECOMMENDATION NO. 2: Implement procedures to limit payment of appraisals to one per lot per owner.

FOREST SERVICE RESPONSE: The Forest Service concurs with this recommendation. Since the fieldwork of the audit was complete, informal policy has been implemented where the LTBMU will only pay for one appraisal and one preliminary title report for each small lot purchase case. This policy will be formalized in a letter from the Regional Office to the LTBMU no later than January 31, 2001. Since this is new policy, the LTBMU will pay for one final appraisal and preliminary title report on cases that have previous appraisals and offers that were refused.

OIG RECOMMENDATION NO. 3: Require the previous owners to pay the lump sum assessments or have the homeowners' associations waive the assessment fees before the LTBMU acquires additional lands in these subdivisions and prohibit payment of these fees by the LTBMU.

FOREST SERVICE RESPONSE: The Forest Service agrees with this recommendation and will require the owners to pay lump sum assessments. This policy will be formalized in a letter from the Regional Office to the LTBMU no later than January 31, 2001.

RECOMMENDATION NO. 4: Disallow the use of the speculative IPES line methodology.

FOREST SERVICE RESPONSE: The Forest Service agrees with this recommendation and

will formalize this policy in a letter from the Regional Office to all Forest Service appraisers in the region with a copy to the LTBMU no later than January 31, 2001. This policy will be emphasized in all pre-work meetings with contract and staff appraisers and be documented as part of the instructions to the appraiser in fiscal year 2001.

RECOMMENDATION NO. 5: Correct the overstated appraised values for each of the 49 Tyrolian Village parcels recorded in the LTBMU urban lot database.

FOREST SERVICE RESPONSE: The Forest Service agrees with this recommendation and will correct the 49 Tyrolian Village parcels recorded in the LTBMU urban lot database by March 31, 2001.

RECOMMENDATION NO. 6: Strengthen current appraisal controls to ensure that inappropriate costs, such as homeowners' association fees, are not added to the appraised value of lands.

FOREST SERVICE RESPONSE: The Forest Service agrees with this recommendation. However, we believe that developing specific regional policy preventing deviations from Federal appraisal standards is not necessary. All appraisals must conform to the Uniform Appraisal Standards For Federal Land Acquisitions, 1992, and to current Forest Service Manual direction. This policy will be reemphasized in the letter from the Regional Office to all Forest Service appraisers in the region with a copy to the LTBMU no later than December 31, 2000 (see recommendation 4 above). This policy will be emphasized in all pre-work meetings with contract and staff appraisers for fiscal year 2001 and be documented as part of the instructions to the appraiser.

RECOMMENDATION NO. 7: Obtain written verification from TRPA that the 6 development rights paid for by the Forest Service have been retired from the associated lots. If the rights have not been retired, take the necessary steps to do so.

FOREST SERVICE RESPONSE: The Forest Service concurs with this recommendation. The status of the six development rights will be confirmed. The case will be researched and a written request for a determination of the status of the six development rights will be submitted to TRPA by Jan. 31, 2001. A response from TRPA would be expected by March 1, 2001. If the rights were not retired or were transferred to other property, the case will be referred to OGC to determine what legal action may be taken to resolve the issue by September 30, 2000.

RECOMMENDATION NO. 8: Determine the status of the unaccounted for water right that was paid for and take the actions necessary to acquire this asset.

FOREST SERVICE RESPONSE: The Forest Service concurs with this recommendation. LTBMU personnel will confirm by December 31, 2000, the status of the water right. The appraisal will be reviewed to determine what water right was included in the appraised value. If the subject water right has not been transferred to the U.S., LTBMU personnel will do so if possible. If there are legal problems involved with completing the transfer, the case will be referred to OGC by January 31, 2001, to determine what legal action may be taken to resolve the water right issue.

RECOMMENDATION NO. 9: Develop adequate controls to protect all rights, including water and development rights, acquired in future land acquisitions at Lake Tahoe.

FOREST SERVICE RESPONSE: The Forest Service concurs with this recommendation. Procedures are in place to protect all rights acquired by the United States and should be reflected in the report. Over the last several years, Region 5 has instituted changes in the procedures for processing purchase and exchange cases that greatly enhance the identification and tracking of ancillary rights such as water rights, minerals and access. To underscore the importance of water rights, Region 5 has recently issued a letter to emphasize that water rights will be considered during the acquisition process and Federal interests must be protected. In addition, the LTBMU has implemented changes in their purchase process to identify and track development rights, coverage, building allocations, and the status of any building permits.

Procedures that are currently in place:

Under regional policy, before an appraisal can be ordered, a satisfactory preliminary title report must be ordered, and legal description verification, field inspection, certificate of inspection, and summary of title, and a draft grant deed must be completed. The certificate of inspection and the summary of title have been revised with OGC concurrence to include a separate item specifically for addressing water rights. Any surface water, wells, ditches, pipelines or other evidence of potential water rights must be documented in the certificate of inspection. The occurrence and status of water rights must be identified and verified with the appropriate state agency and documented in the summary of title. Any water rights to be acquired are to be included in the grant deed. Once an appraisal is completed, the water rights would also be included in the Purchase Option and Contract. Any severance of the water rights after that time would void the option, appraisal and deed and would prevent closing.

On the LTBMU, development rights, coverage, building allocations, and pending or existing building permits are verified with the landowner and specifically documented in the Appraisal Project Information package which is submitted to the Central Zone Land Adjustment Team and the review appraiser. These rights are then included in the legal description on the Grant Deed and on the Purchase Option and Contract. The Purchase Option and Contract form has also been modified, pending final OGC approval, to include specific language stating that the vendor agrees not to sever any of these rights from the property to be purchased.

RECOMMENDATION NO. 10: Ensure that LTBMU lands' staff submits all land adjustment cases to the Central Zone Land Adjustment Team and RO lands staff for review and approval before transactions are finalized.

FOREST SERVICE RESPONSE: The Forest Service concurs with this recommendation. This policy will be reemphasized in a letter from the Regional Office to the LTBMU no later than December 31, 2000. Under current policy all purchases in the Region undergo full review by the appropriate Land Adjustment Team (LAT) as part of the appraisal request process. This was implemented over the last two years. The Appraisal Project Information package submitted to the CZLAT includes a preliminary title report and all supporting documents, a legal description verification, a certificate of inspection, a completed summary of title and a draft grant

deed. Additional specific information concerning water rights, minerals, and access and development rights are also included. The package is reviewed for completeness, adequate title, conformance with regional and Washington Office policies and directives and any other factors necessary for an accurate appraisal and preliminary title opinion from OGC. Purchases over \$150,000 in value receive two additional reviews by the CZLAT, before submission to OGC for the preliminary title opinion and before submission to OGC for the final title opinion. In addition, The National Land Adjustment Team will temporarily review all of the LTBMU's acquisitions valued at/over \$500,000.

The LAT represents the Regional Office in reviewing purchase and exchange cases. The Regional Office as well as the National Land Adjustment Team will continue to monitor the LTBMU's acquisition program.

RECOMMENDATION NO. 11: Develop and implement written direction that specifically addresses land acquisitions involving improvements and requires coordination between lands staff and other affected LTBMU staffs.

FOREST SERVICE RESPONSE: The Forest Service concurs with this recommendation. Forest Service policy on acquisition of structures in land acquisition cases has been outlined and incorporated in the draft Land Acquisition Handbook (FSH 5409.13) under Section 32.7. Regional policy regarding acquisition of structures has been outlined in an August 28, 2000 letter to Forest Supervisors reiterating the service-wide policy. The LTBMU Lands staff will follow written policy and coordinate with other LTBMU Staff regarding suitability of acquiring improvements in all future acquisitions. The draft handbook should be published by December 30, 2001.

RECOMMENDATION NO. 12: Develop and implement a written plan to use or remove the structures at Roundhill Pines and Camp Chonokis. While the plan is being developed, the LTBMU should properly post the sites as hazardous in order to minimize the risk of public injury.

FOREST SERVICE RESPONSE: The Forest Service concurs with this recommendation. Discussions regarding the future management of Roundhill Pines and Camp Chonokis are currently underway between LTBMU staff, Regional Office staff and Washington Office Staff. A Memorandum of Understanding (MOU) exists between the Forest Service and other agencies within the Lake Tahoe Basin regarding Roundhill Pines. LTBMU Staff will complete a Future Use Determination for Roundhill Pines by March 2001. LTBMU Staff will complete an environmental analysis (NEPA), along with consultation with the State Historic Preservation Office as to historical site eligibility by March 2002. Depending on the outcome of this analysis, a Prospectus may be developed for concessionaire operations of these facilities in the future. The site will be appropriately signed regarding any possible risks to the public.

The LTBMU Staff will complete a written action plan regarding future management of Camp Chonokis by January 31, 2001. Camp Chonokis has been identified as a possible Capital Improvement Program (CIP) decommissioning project for the LTBMU, and if approved the structures could be removed as early as 2003. The Forest Service has submitted a report on Camp Chonokis to the State Historic Preservation Office in Nevada with a recommendation of

non-eligibility as a site for the National Historical Register. Pending a decision on the structures, the site will be appropriately signed regarding any possible risks to the public.

RECOMMENDATION NO. 13: Resolve the 12 potential pre-existing encroachments noted on FS urban lots.

FOREST SERVICE RESPONSE: The Forest Service concurs with this recommendation. LTBMU personnel will resolve the 12 encroachments and verify that the encroachments actually existed prior to acquisition by the U.S. Each case will be either resolved or a recommended type of resolution will be completed by September 30, 2001.

RECOMMENDATION NO. 14: Take the necessary actions to resolve the 4 pre-existing encroachment problems currently identified.

FOREST SERVICE RESPONSE: The Forest Service concurs with this recommendation. The LTBMU is taking actions to resolve these encroachments. One case has already been resolved and the remaining three are in the process of being resolved. These will be resolved by October 31, 2001.

RECOMMENDATION NO. 15: Prepare a new environmental assessment on the urban lot management program and ensure that the alternative selected results in each urban lot receiving initial treatment and that all lots thereafter follow a regular management cycle.

FOREST SERVICE RESPONSE: The Forest Service does not concur with this recommendation. The LTBMU will conduct a review of the Urban Lot Environmental Assessment this winter to determine if the findings of no significant impact are still appropriate and that no new conditions exist that would alter the Decision Notice signed in 1995. The review will update any outdated information, include any new regulations that may exist and affect the project, and update the economic analysis. We anticipate completion of the review and update by June 1, 2001; a decision on the level of environmental analysis will be based on the review of the existing environmental assessment.

The current environmental assessment is adequate to meet the need of initial treatment on all urban lots. The LTBMU completed the current environmental assessment in 1995 with the intention of conducting initial treatment on all urban lots and continuing a maintenance program beyond initial treatment. The environmental assessment and decision notice identified the need to conduct initial treatment over a 10-year period. The maintenance of the parcels was identified as an ongoing need. Funding levels have not been adequate to meet the anticipated timeframes.

The Forest Service has been directed to provide a report to the House and Senate Committees on Appropriations by April 30, 2001. This report will include past Federal and State Acquisitions, the costs and challenges of managing these properties, and legislative options for the Federal government to turn over this program to the State and local authorities.

RECOMMENDATION NO. 16: Resolve the 24 encroachments identified by OIG during its visits (Refer to Exhibit C).

FOREST SERVICE RESPONSE: The Forest Service does concur with this recommendation.

We have recognized the encroachment problem associated with the urban lots and interface lands and have developed a process to prioritize and resolve these cases. The 24 specific cases, which are just a few of the hundreds they have noted, are not severe enough to warrant an adjustment to the current prioritization process for encroachment resolution.

The LTBMU reviewed the 24 encroachments or trespasses noted in the OIG report. Most of the encroachments noted are minor and are just a few of the hundreds that have been identified and are awaiting resolution. In order for encroachment resolution to be successful, the Forest Service must be able to provide strong evidence identifying the party responsible for the trespass. In many of the 24 noted cases, such as trash, chairs in stream and buried pets are difficult in proving who is responsible. In these cases a crew will be required to do the actual clean up. Due to lack of adequate funding, we currently do not have a crew employed for these types of projects and we would need to divert crews doing critical fuels and hazard reduction for this effort.

The LTBMU has noted numerous encroachments on urban lots and interface lands over the past several years. Many of these encroachments have been resolved, however many more have not. The LTBMU currently attempts to resolve encroachments when they are located within a current project area. The LTBMU actively pursues encroachments outside a project area only when they are in progress and causing resource damage. Encroachments receiving first priority are those that pose an imminent threat to primary water quality degradation, causing active soil erosion, or irreparable damage. Prioritization allows the LTBMU to focus their efforts where there is a high potential for resource damage or future title problems and is the most efficient use of the limited funding and resources available to do this work.

We will continue to prioritize resolution within current project areas and in cases where resource damage is occurring. We will begin an effort to clean up the backlog of encroachments we have previously noted as funding allows.

The following chart shows the current status of the 24 encroachments noted in the OIG audit.

No.	Parcel I.D.	Condition Noted	Action taken by LTBMU	Action Planned Action by LTBMU	Anticipated Resolution Date
1	016-292-02	Neighbor driving on lot to back of house	None	Contact responsible party/barricade access	Unknown – will be worked on in conjunction with project work on parcel and/or as funding allows
2	036-350-05	Trash	None	Trash removal	July 15, 2001
3	016-432-04	Possible propane tank over line	None	Determine if tank is over line/contact responsible party	Unknown – project work completed on parcel, needs professional survey as funding allows
4	030-360-03	Trash	None	Trash removal	July 15, 2001
5	081-131-13	Landscaping over property line	5/17/1999 parcel inspection – No landscape encroachment noted. Illegal burn pile noted – 6/15/1999 contacted certified mail	Resolved – no further action needed	Lot located within project area
6	035-272-29	Children's play area dug into ground/scrap wood	None	Contact responsible party	Unknown – will be worked on in conjunction with project work on parcel and/or as funding allows
7	132-222-02	Desk, mattresses, and chairs spread around parcel	None	Attempt to determine responsible party/contact or remove	Unknown – will be worked on in conjunction with project work on parcel and/or as funding allows
8	123-143-14	Neighbor has drain pipe running into drainage on NFS	Professional Survey 12/1996 – noted drainage routed through lot by GID	Determine if easement for drainage exists /Contact responsible party	Unknown – will be worked on in conjunction with project work on parcel and/or as funding allows
9	124-041-99	Trash and golf balls	None	Trash removal	July 15, 2001
10	029-415-23	Deck across property line	Prior to acquisition 08/25/1993 – deck was placed under easement	Resolved prior to acquisition of parcel	
11	092-031-17	Paved driveway on lot/boat stored on lot	None	Contact responsible party	Unknown – will be worked on in conjunction with project work on parcel and/or as funding allows

12	132-231-19	Chairs in stream located on NFS lot	None	Attempt to determine responsible party/contact or remove	Unknown – will be worked on in conjunction with project work on parcel and/or as funding allows
13	125-362-08	Neighbor driving on lot	None	Contact responsible party	Unknown – will be worked on in conjunction with project work on parcel and/or as funding
14	124-071-50	Commercial building using as overflow parking	Contacted via personal contact 12/14/1999, hand delivered letter 12/16/1999, and certified mail 12/17/1999. Parking signs removed 12/15/99.	Barricade access	Unknown – will be worked on in conjunction with project work on parcel and/or as funding
15	124-062-12	One piece of metal pipe noted prior to acquisition of parcel	None	Remove metal pipe	July 15, 2001
16	033-792-11	Camper parked on edge of lot	None	Contact responsible party	Unknown – will be worked on in conjunction with project work on parcel and/or as funding
17	125-231-06	Possible wood stacked on lot	None	Attempt to determine responsible party/contact or remove	Unknown – will be worked on in conjunction with project work on parcel and/or as funding
18	126-242-01	Possible wood cutting on lot	None	Attempt to determine responsible party – law enforcement action	Unknown – will be worked on in conjunction with project work on parcel and/or as funding
19	016-544-06	Deck and satellite dish on lot	Contacted via certified mail 8/6/1999. Removed 10/27/1999	Resolved - no further action needed	Lot was located in a project area
20	028-170-15	Trash	None	Trash removal	July 15, 2001
21	023-742-18	Boat, trailer, and lawn swing	None	Contact responsible party	Unknown – will be worked on in conjunction with project work on parcel and/or as funding
22	023-742-12	Buried pet	None	Attempt to determine responsible party/contact or remove headstone	Unknown – will be worked on in conjunction with project work on parcel and/or as funding
23	005-333-19	Invisible fence	None	Contact responsible party	Unknown – will be worked on in conjunction with project work on parcel and/or as funding

24	126-020-52	Sprinkler system and landscape	None	Contact responsible party	Unknown – will be worked on in conjunction with project work on parcel and/or as funding
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RECOMMENDATION NO. 17: Request the funding authorized by the Santini-Burton Act for the urban lot management program.

FOREST SERVICE RESPONSE: The Forest Service concurs with this recommendation. The LTBMU will annually request the funding authorized by the Santini-Burton Act for urban lot management.

RECOMMENDATION NO. 18: Formalize an agreement for coordinating new lot acquisitions with the State of California. If Nevada resumes land acquisitions, the LTBMU should also formalize an agreement with that state.

FOREST SERVICE RESPONSE: The Forest Service concurs with this recommendation. The Forest Service and California Tahoe Conservancy (CTC), the state agency that acquires parcels for the California, continue to coordinate closely regarding possible acquisitions within subdivisions on the California-side of Lake Tahoe. LTBMU Lands Staff directs inquiries from willing sellers to CTC when the lot is located in a CTC-designated area or when the surrounding ownership pattern is largely CTC lots. By March 31, 2001, the Forest Service will request that CTC enter into a formal agreement for lot acquisition in California through a Memorandum of Understanding.

The Forest Service and Nevada Division of State Lands signed a Memorandum of Understanding in May 2000 which states that lots where acquisition is mutually beneficial and meets acquisition criteria for both agencies, State Lands will acquire development and coverage rights and the Forest Service will acquire the land and all other associated rights. The parcel(s) will become National Forest System land and will be managed by the Forest Service.

RECOMMENDATION NO. 19: Develop criteria with the participation of state governments and implement procedures to transfer or exchange existing lots with the objective of resolving the mixed ownership interests.

FOREST SERVICE RESPONSE: The Forest Service concurs with this recommendation. The Forest Plan states that lots will be transferred when State and local governments are prepared to accept responsibility for management of these lots. As noted in other sections of this OIG report, management of these lots is extremely costly for both initial treatment and ongoing maintenance. The Forest Service continues to transfer lots to counties and states on a lot-by-lot basis, particularly when erosion control structures are constructed changing the character and management emphasis of the lot. The Forest Service and CTC have discussed consolidation of ownership of lots within the last few years, however CTC has not shown interest in large-scale lot transfers and has expressed reluctance to assume this management cost for these additional urban lots within their areas particularly where the net benefit of the transfer or exchange is questionable.

The Forest Service will meet with CTC and Nevada Division of State Lands to discuss consolidation of lot ownership around the Lake Tahoe Basin by March 31, 2001. Should the States and the Forest Service determine it is of mutual benefit for affected agencies, a proposal will be developed outlining criteria for transfer or exchange of existing lots in appropriate subdivisions.

RECOMMENDATION NO. 20: Determine which acquisitions were lost in the conversion process and update the new database to include this information.

FOREST SERVICE RESPONSE: The Forest Service concurs with this recommendation. The LTBMU has contracted with Digital Visions, a Forest Service Enterprise Team to completely redesign the Santini-Burton database and to merge the urban lot database into it. This will result in a single database to track the status of both purchases and urban lot maintenance and encroachments. A service agreement was signed with Digital Visions on September 11, 2000 setting aside \$20,000 for this project. A scoping meeting with a member of the team who is an expert in designing Oracle databases was conducted on Sept. 21, 2000.

Work to be completed includes redesigning and merging the Santini/Burton and Urban Lot databases into a single Oracle database. New data entry forms will be developed to facilitate data entry and data maintenance. The reports needed by both the acquisition and urban lot programs will be identified and a new report interface will be designed and incorporated into the database. A written user guide/instruction manual for the database will be developed. This user guide will provide adequate instructions to allow any employee with basic computer skills to fully utilize the database to perform queries, update or edit data, and prepare reports. This work will be completed by April 30, 2001. In addition, Digital Visions will be retained for future technical support for the database.

After the new database is completed, the process of verifying data, re-entering data for missing acquisitions, and data entry for the urban lot program can begin. This encompasses a major workload. Further use of the Digital Visions Team, use of interns, or a temporary position will be considered to do this work. This work will be completed no later than June 30, 2002.

RECOMMENDATION NO. 21: Perform a validation of all information in the new database to ensure its overall reliability. This should include verification that the database includes information relating to all of the urban lots owned by the FS.

FOREST SERVICE RESPONSE: The Forest Service concurs with this recommendation. After the new database is completed, the process of verifying data, re-entering data for missing acquisitions, and data entry for the urban lot program can begin. This encompasses a major workload. Further use of the Digital Visions Team, use of interns, or a temporary position will be considered to do this work. This work will be completed no later than June 30, 2002.

RECOMMENDATIONS NO. 22: Incorporate urban lot maintenance and encroachment data into the computerized database, to create a more effective management tool.

FOREST SERVICE RESPONSE: The Forest Service concurs with this recommendation. The LTBMU has contracted with Digital Visions, a Forest Service Enterprise Team to completely redesign the Santini-Burton database and to merge the urban lot database into it. This will result in a single database to track the status of both purchases and urban lot maintenance and

encroachments. A service agreement was signed with Digital Visions on September 11, 2000 setting aside \$20,000 for this project. A scoping meeting with a member of the team who is an expert in designing Oracle databases was conducted on Sept. 21, 2000.

RECOMMENDATIONS NO. 23: Ensure that LTBMU staff can easily use the new computer system, including accessing and sorting information related to urban lot maintenance and encroachment.

FOREST SERVICE RESPONSE: The Forest Service concurs with this recommendation. A written user guide/instruction manual for the new computer system will be developed that will provide adequate instructions to allow any employee with basic computer skills to fully utilize the database to perform queries, update or edit data, and prepare reports. This guide/instruction manual will be completed after the complete redesign of the database.

ABBREVIATIONS

EA	
Environmental Assessment.....	iv
FS	
Forest Service.....	i
FSH	
Forest Service Handbook	12
FSM	
Forest Service Manual	9
IPES	
Individual Parcel Evaluation System.....	iv
LTBMU	
Lake Tahoe Basin Management Unit	i
OGC	
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RO	
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