



OFFICE OF INSPECTOR GENERAL
U. S. DEPARTMENT OF AGRICULTURE

Regional Forester Authorities for Cost Share Agreements - Inspection



Inspection Report 08801-0001-41

October 2021

Regional Forester Authorities for Cost Share Agreements - Inspection

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We assessed the adequacy of FS' policies and procedures to ensure duties and responsibilities of personnel are adequately segregated from initiating, approving, or executing reimbursable agreements or CSAs.

OBJECTIVE

To assess the adequacy of the design of FS' policies and procedures to ensure that the duties and responsibilities of such personnel are adequately segregated from initiating, approving, or executing reimbursable agreements or CSAs in accordance with *Standards for Internal Control in the Federal Government*.

WHAT OIG FOUND

The Forest Service (FS) protects natural resources on National Forest System lands and adjacent State and private lands. FS' collaboration with Federal, State, and local governments is essential to effectively control fires. When a fire impacts multiple jurisdictions, those jurisdictions may enter into a cost share agreement (CSA). Each fire generally has its own CSA that establishes the share of the overall fire suppression costs that FS, along with other entities, pays, and is based on the commitment, support, and coordination framework established in the corresponding Cooperative Fire Protection Agreements (CFPA).

REVIEWED

We ascertained OMB's concerns regarding the adequacy of FS' controls, reviewed FS' new policies and procedures, and reviewed additional information obtained from FS Washington Office officials and FS officials at selected regional offices.

In 2020, the Office of Management and Budget (OMB) restricted funds to FS' Pacific Southwest Region (Region 5) until the duties and responsibilities of Region 5 personnel are adequately segregated from initiating, approving, or executing reimbursable agreements or CSAs. Prior to the OMB restriction, FS' Washington Office revised its standard operating procedures (SOP) for administering CFPAs and reimbursable agreements. We found that, while FS had established adequate controls surrounding CFPAs, the agency did not establish adequate controls surrounding CSAs, which are instrumental in establishing the actual share of the overall fire suppression cost FS pays. Without controls to ensure CSAs are consistent with their corresponding CFPAs, there is no assurance that the costs FS pays for fire suppression are fair and equitable.

RECOMMENDS

We recommend that FS: require that all CSAs undergo a second level review and establish a standardized process for the review, incorporate the second level review controls into the Washington Office SOP, establish a formal process for reviewing and approving regions' supplemental SOPs and incorporate the process into the Washington Office SOP, and adequately address the Washington Office SOP in the FS handbook.

We also found that the FS Washington Office had not established a formal process for reviewing and approving regions' supplemental SOPs for administering CFPAs and reimbursable agreements. Without this process, FS has reduced assurance that regions will timely submit supplemental SOPs to the Washington Office for review and approval. Finally, FS did not adequately address the Washington Office SOP in its directives system, specifically the handbook. As a result, FS risks that the Washington Office SOP may not be fully implemented as intended.

FS generally agreed with our findings and recommendations and we accepted management decision on all six recommendations.



OFFICE OF INSPECTOR GENERAL
United States Department of Agriculture



DATE: October 6, 2021

ENGAGEMENT

NUMBER: 08801-0001-41

TO: Randy Moore
Chief
Forest Service

ATTN: Robert Velasco
Chief Financial Officer
Forest Service

FROM: Gil H. Harden
Assistant Inspector General for Audit

SUBJECT: Regional Forester Authorities for Cost Share Agreements - Inspection

This report presents the results of the subject review. Your written response to the official draft is included in its entirety at the end of the report. We have incorporated excerpts from your response, and the Office of Inspector General's (OIG) position, into the relevant sections of the report. Based on your written response, we are accepting management decision for all recommendations in the report, and no further response to this office is necessary. Please follow your internal agency procedures in forwarding final action correspondence to the Office of the Chief Financial Officer (OCFO).

In accordance with Departmental Regulation 1720-1, final action needs to be taken within 1 year of each management decision to prevent being listed in the Department's annual Agency Financial Report. For agencies other than OCFO, please follow your internal agency procedures in forwarding final action correspondence to OCFO.

We appreciate the courtesies and cooperation extended to us by members of your staff during our fieldwork and subsequent discussions. This report contains publicly available information and will be posted in its entirety to our website (<http://www.usda.gov/oig>) in the near future.

Table of Contents

Background and Objectives	1
Finding 1: FS Needs to Establish Adequate Controls Over Cost Share Agreements	3
Recommendation 1	4
Recommendation 2	5
Recommendation 3	5
Finding 2: FS Needs a Standardized Process for Reviewing Regions’ Supplemental SOPs.....	7
Recommendation 4	7
Recommendation 5	8
Finding 3: FS Needs to Adequately Address the Washington Office’s SOP in its Directives System	9
Recommendation 6	10
Scope and Methodology.....	11
Abbreviations	13
Agency’s Response	15

Background and Objectives

Background

The Forest Service (FS)—a major partner in the Federal wildland fire management community—protects natural resources on 193 million acres of National Forest System lands. FS also supports sustainable management on approximately 500 million acres of private, State, and tribal forests. FS’ collaboration with Federal, State, and local governments is essential to effectively control fires on the Nation’s wildlands.

To accomplish its mission to suppress wildland fires, FS enters into 5-year agreements—commonly known as Cooperative Fire Protection Agreements (CFPA)—with Federal, State, and local firefighting entities.¹ CFPAs document the framework for the commitment, support, and coordination among the firefighting entities suppressing wildland fires.

When a fire impacts multiple jurisdictions, those jurisdictions may enter into a cost share agreement (CSA). A CSA is prepared when there is a multi-jurisdictional incident with a single or unified command and the jurisdictional agencies have decided to share resources. CSAs are based on the commitment, support, and coordination framework established in the corresponding CFPA and are signed by the relevant parties for the fire incident. CSAs establish the share of the overall fire suppression costs that FS—along with other Federal, State, and local entities—pays for suppressing the fire.

After a multi-jurisdictional fire incident ends,² a cost settlement package is prepared to establish the total fire suppression cost incurred by FS, along with the amount that is reimbursable to FS by the State and local entities that benefited from FS’ fire suppression efforts. The reimbursable amounts established in the cost settlement package are determined from the CSA between FS and the non-Federal entities involved in the fire incident.

In January 2018, the Government Accountability Office (GAO) issued a report that identified that “FS (1) did not have adequately described processes and related control activities in manuals and handbooks for its reimbursable agreement processes and (2) lacked control activities related to segregating incompatible duties performed by line officers and program managers.³ For example, line officers may be responsible for initiating cost sharing agreements, modifying cost settlement packages, and changing or canceling the related receivable, which represent incompatible duties.”⁴ In response to the GAO report, in September 2019, FS issued a standard

¹ Federal entities include the Department of the Interior’s Bureau of Land Management, the National Park Service, the Fish and Wildlife Service, and the Bureau of Indian Affairs. State entities include the California Department of Forestry and Fire Protection. Local entities include county fire departments.

² A fire incident is deemed to have ended when there are no more resources, such as firefighters and equipment, on the ground combatting the fire.

³ GAO-18-56, *Forest Service—Improvements Needed in Internal Controls over Budget Execution Processes* (Jan. 2018).

⁴ FS line officers include the Chief, Associate Chief, Deputy Chiefs, regional foresters, forest supervisors, district rangers, station directors, assistant station directors, area directors, and assistant area directors.

operating procedure (SOP) that outlined additional control activities surrounding its CFPAs and cost settlement packages.⁵

Despite the SOP, the Office of Management and Budget (OMB) had concerns regarding the adequacy of FS' controls surrounding its reimbursable agreements and CSAs. As a result, in June 2020, OMB informed FS that, beginning July 1, 2020, for funds apportioned for "Wildland Fire Reimbursable" and "Wildland Fire Mobility/Safety," that "no obligations shall be made by Region 5 [Pacific Southwest Region] personnel, including any line officer, program manager or other Region 5 employee, unless and until the [United States Department of Agriculture] USDA Inspector General certifies to OMB that the duties and responsibilities of such personnel are adequately segregated from initiating, approving, or executing reimbursable agreements or cost share agreements in accordance with *Standards for Internal Control in the Federal Government*."⁶ OMB stated that this restriction would remain in effect until FS institutionalizes adequate mitigating controls in its directive system to separate incompatible duties and responsibilities, including independent Washington Office approval of reimbursable agreements and CSAs.

Objectives

Our objective was to assess the adequacy of the design of FS' policies and procedures to ensure that the duties and responsibilities of such personnel are adequately segregated from initiating, approving, or executing reimbursable or cost share agreements, in accordance with *Standards for Internal Control in the Federal Government*.⁷

Although the Office of Inspector General (OIG) had no reportable issues relating to the segregation of duties pertaining to the CFPAs and cost settlement packages, it did have a reportable issue relating to the review and approval of the CSAs. OIG also had other reportable issues relating to the overall control environment surrounding reimbursable or cost share agreements. These issues pertained to FS documenting its new policies and procedures in its directives system and establishing a process for reviewing and approving regions' supplemental SOPs for administering CFPAs and reimbursable agreements.

⁵ USDA FS, *SOP—Agency Incident Financial Controls for Cooperative Fire Protection Agreements* (Sept. 30, 2019).

⁶ On July 28, 2020, OIG informed OMB that it would conduct an inspection to assess the adequacy of the design of FS' policies and procedures to ensure that the duties and responsibilities of such personnel are adequately segregated from initiating, approving, or executing reimbursable agreements or CSAs, in accordance with *Standards for Internal Control in the Federal Government*. At the end of the inspection, OIG would issue an inspection report in lieu of a certification.

⁷GAO, *Standards for Internal Control in the Federal Government*, GAO-14-704G (Sept. 2014).

Finding 1: FS Needs to Establish Adequate Controls Over Cost Share Agreements

We found that, while FS had adequate controls surrounding the CFPAs, the agency did not have adequate controls surrounding their corresponding CSAs. FS officials believed that, because the CFPAs were reviewed and approved at both the regional and Washington Office level, it was unnecessary for them to review and approve the corresponding CSAs. Without adequate controls in place to ensure that CSAs are consistent with their corresponding CFPAs, FS lacked assurance that the costs it ultimately pays for fire suppression are fair and equitable, and that the Government's interests are adequately protected.

Standards for Internal Controls in the Federal Government state that management should implement control activities through policies.⁸ For each unit, management documents policies for its responsibility for an operational process's objective and related risk; and control activity design, implementation, and operating effectiveness.

In September 2019, FS issued a Washington Office SOP outlining control activities surrounding CFPAs and cost settlement packages.⁹ Despite the SOP, OMB had concerns regarding the adequacy of FS' controls surrounding its reimbursable agreements or CSAs. As a result, in June 2020, OMB restricted Region 5 obligations until USDA OIG certifies that the duties and responsibilities of personnel are adequately segregated from initiating, approving, or executing reimbursable agreements or CSAs.¹⁰ OMB further informed FS that "For Region 5 personnel for whom the USDA Inspector General cannot so certify, this restriction shall remain in effect until the Forest Service institutionalizes in their Directive System adequate mitigating controls to separate incompatible duties and responsibilities, including independent Washington Office approval of reimbursable or cost share agreements."

In response to OMB's restriction on obligations, FS established an interim measure until the agency could establish universal controls surrounding its handling of reimbursable agreements or CSAs. On July 15, 2020, the FS Chief directed Region 5 to transmit all of its reimbursable agreements and CSAs to the Chief Financial Officer (CFO) for review and approval.¹¹ In the letter, the Chief noted that "this direction would enhance our internal controls to ensure fiscally sound reimbursable and cost share agreements for wildland fire emergency assistance."

On June 29, 2020, FS revised its Washington Office SOP to add a number of key controls surrounding the CFPAs and cost settlement packages.¹² For example, the revised SOP required the Deputy Chief for State and Private Forestry to review and approve all CFPAs. It also required the establishment of dollar thresholds for the cost settlement packages, which

⁸ GAO, *Standards for Internal Control in the Federal Government*, GAO-14-704G (Sept. 2014).

⁹ USDA FS, *SOP—Agency Incident Financial Controls for Cooperative Fire Protection Agreements* (Sept. 30, 2019).

¹⁰ As noted in the Background Section of this report, OIG is issuing an inspection report in lieu of a certification.

¹¹ A July 15, 2020, letter from the FS Chief to the regional forester in Region 5 required that all CSAs at the region be reviewed and approved by the CFO, until further notice.

¹² USDA FS, *SOP—Agency Incident Financial Controls for Cooperative Fire Protection Agreements* (June 29, 2020).

determined the level of review. For example, cost settlement packages valued at more than \$20 million would have to be reviewed and approved by the CFO.

However, while the revised Washington Office SOP established adequate controls surrounding CFPAs, the revised SOP did not establish adequate controls specific to CSAs. CSAs are instrumental in establishing who pays for what in the settlement packages; therefore, it is critical that CSAs are established correctly.

FS Washington Office officials stated in their January 26, 2021, written response that “CSAs are negotiated, reviewed and approved by the jurisdictional entities of an incident...based on the outlined process and methodologies agreed upon within the approved CFPA. Since the CFPA already receives regional and [Washington Office] approval, it is not necessary to have CSAs (which already follow the approved CFPA methodology) reviewed for a second time.” Furthermore, FS Washington Office officials noted that CSAs are a component of a CFPA and the regional forester is only required to review and approve the CSA if it does not follow the process and methodologies outlined in the CFPA. Although regional foresters are required to only review and approve CSAs under limited circumstances, FS officials at selected regional offices stated that they did review CSAs despite the lack of a standardized process in FS’ directives system for reviewing them.¹³

CSAs are not prepared until after the CFPA has already been established. A CFPA can have several corresponding CSAs since one is prepared for each fire. Reviewing and approving the CFPA is not the same as reviewing all of the CFPA’s corresponding CSAs. Furthermore, without an independent review of the CSAs, there is no assurance that the CSAs followed the processes and methodologies outlined in their corresponding CFPAs.

Given their importance to the cost settlement process, FS should develop and implement adequate controls surrounding CSAs in order to ensure that the Government’s interests are adequately protected. As a control, CSAs should undergo a second-level review similar to the CFPAs. An independent review of the CSAs, which are prepared separate from the CFPA, would not only ensure that the CSAs are consistent with their corresponding CFPAs, but also ensure the costs FS ultimately pays for fire suppression are fair and equitable and the Government’s interests are adequately protected during the cost settlement process. In addition, FS should establish a standardized process for conducting the second-level reviews of the CSAs. Both the requirement for the second-level reviews and the standardized process for conducting them should be incorporated into the revised Washington Office SOP.

Recommendation 1

Require that all CSAs undergo a second-level review.

¹³ As part of our review, we non-statistically selected the regional offices in the following three regions to ascertain their understanding of the new control activities outlined in the revised SOP and their perspective on them: Rocky Mountain Region (Region 2), Pacific Southwest Region (Region 5), and Pacific Northwest Region (Region 6). According to all regional offices we questioned, they stated that they reviewed and approved CSAs despite the lack of a standardized process in FS’ directives system for reviewing them.

Agency Response

In its September 24, 2021, response, FS stated:

The USDA Forest Service concurs with this recommendation. The Forest Service revised FSH 6509.11g chapter 50 to include the requirement that all CSAs undergo a second level review.

FS included with its response the revised FSH 6509.11g, chapter 50, effective August 31, 2021.

OIG Position

We accept management decision on this recommendation.

Recommendation 2

Establish a standardized process for conducting the second-level review required in Recommendation 1.

Agency Response

In its September 24, 2021, response, FS stated:

The USDA Forest Service concurs with this recommendation. The Forest Service created a CSA Checklist to standardize the process for conducting the second level review.

FS included with its response the CSA Checklist contained in the revised FSH 6509.11g, chapter 50, effective August 31, 2021.

OIG Position

We accept management decision on this recommendation.

Recommendation 3

Incorporate the controls established in the prior two recommendations into the revised Washington Office SOP.

Agency Response

In its September 24, 2021, response, FS stated:

The USDA Forest Service generally concurs with this recommendation. The Forest Service updated the Agency official policies and procedures to include the controls established in the prior two recommendations are incorporated into the Forest Service revised directive, FSH 6509.11g, chapter 50.

FS included with its response the revised FSH 6509.11g, chapter 50, effective August 31, 2021.

OIG Position

We accept management decision on this recommendation.

Finding 2: FS Needs a Standardized Process for Reviewing Regions' Supplemental SOPs

We found that, while none of the three regional offices we questioned had developed supplemental SOPs, the Washington Office had not established a formal process for reviewing and approving supplemental SOPs, should the regions ultimately have them.¹⁴ FS had not considered the need for a formal review and approval process because none of the regions had issued supplemental SOPs. Without a formal review process in place, FS has reduced assurance that regions will timely submit supplemental SOPs—should they have them—to the Washington Office for review and approval.

FS Handbook 6509.11g, Chapter 50, Wildland Fire Management,¹⁵ states that “If further details for execution are required, the appropriate staff area Director will issue a supplemental SOP in concert and consistent with USDA and Forest Service policy.”

We found that the Washington Office does not have a formal process for reviewing and approving supplemental SOPs. According to FS Washington Office officials, regions can supplement the Washington Office SOP with supplemental SOPs as long as they do not contradict or weaken the control activities required by the Washington Office SOP. So far, none of the three regional offices we questioned had developed supplemental SOPs. However, two of the regional offices were awaiting further guidance from the Washington Office on its revised SOP. Considering the need for additional guidance and considering the decentralized nature of FS, regions could potentially develop supplemental SOPs; therefore, FS should have a formal process in place to review and approve them.

According to the FS CFO, the agency is further assessing whether regions need supplemental SOPs if the Washington Office provides additional guidance on its revised SOP. If FS provides this additional guidance, it may eliminate the need for regions to have their own supplemental SOPs.

Without a formal review process in place, FS has reduced assurance that regions will timely submit supplemental SOPs to the Washington Office for review and approval, should they have them. If FS continues to allow regions to have supplemental SOPs, the agency needs to: (1) be proactive and establish a formal review process to ensure that supplemental SOPs are timely submitted, reviewed, and approved; and (2) incorporate the newly established process for reviewing the supplemental SOPs into the Washington Office SOP.

Recommendation 4

Establish a formal process for reviewing and approving regions' supplemental SOPs.

¹⁴ As part of our review, we non-statistically selected the regional offices in the following three regions to ascertain their understanding of the new control activities outlined in the revised SOP and their perspective on them: Rocky Mountain Region (Region 2), Pacific Southwest Region (Region 5), and Pacific Northwest Region (Region 6).

¹⁵ USDA FS, *Service-wide Appropriation Use Handbook Chapter 50-Wildland Fire Management*, 6509.11g, Amendment 3 (July 2020).

Agency Response

In its September 24, 2021, response, FS stated:

The USDA Forest Service generally concurs with this recommendation. The Forest Service updated the Agency official policies and procedures, FSH 6509.11g, chapter 50, to provide guidance that policy on reimbursable and cost share agreements must not be supplemented, prohibiting FS personnel from creating or using supplemental direction to prevent conflicting guidance and to ensure this directive is followed consistently by all FS.

FS included with its response the revised FSH 6509.11g, chapter 50, effective August 31, 2021.

OIG Position

We accept management decision on this recommendation.

Recommendation 5

Incorporate the process established in the prior recommendation into the FS Washington Office SOP.

Agency Response

In its September 24, 2021, response, FS stated:

The USDA Forest Service generally concurs with this recommendation. The Forest Service updated the Agency official policies and procedures, FSH 6509.11g, chapter 50, to provide guidance that policy on reimbursable and cost share agreements must not be supplemented, prohibiting FS personnel from creating or using supplemental direction to prevent conflicting guidance and to ensure this directive is followed consistently by all FS.

FS included with its response the revised FSH 6509.11g, chapter 50, effective August 31, 2021.

OIG Position

We accept management decision on this recommendation.

Finding 3: FS Needs to Adequately Address the Washington Office’s SOP in its Directives System

FS did not adequately address the Washington Office SOP for administering CFPAs in its directives system, specifically in the handbook. Although FS acknowledged that the new SOP should be addressed in the applicable directive’s policy section, the agency did not agree that it should be attached to the handbook. As a result, FS risks that the Washington Office SOP for administering CFPAs may not be fully implemented as intended.

The *Standards for Internal Control in the Federal Government* state that management should internally communicate the necessary quality information to achieve the entity’s objectives.¹⁶

In January 2018, GAO reported that FS’ SOPs for reimbursable agreements were not a part of FS’ directives system and, therefore, were not considered official policy and procedures.¹⁷ GAO recommended that FS incorporate its SOPs into its directives system. In response to the GAO report, FS took the following actions. First, FS referenced the Washington Office SOP in the policy section of the applicable handbook.^{18, 19} Second, FS added a link to the SOP in the handbook.

Despite these actions, FS did not adequately address the Washington Office SOP in the policy section of the handbook because the agency did not provide an adequate description of the SOP along with the link. The policy section of the handbook only stated that the Washington Office SOP contained “a description of process steps and required key control activities in accordance with the GAO Green Book, to include controls to separate incompatible duties and responsibilities.”^{20, 21} FS did not specify what the process steps or required key control activities were, or their significance to the overall control environment for administering CFPAs.

The Washington Office SOP is the primary document that contains the new control activities surrounding FS’ administration of CFPAs. The guidance in the Washington Office SOP covers three main phases: authorization and execution of the agreement, implementation and administration of the agreement, and settlement and disposition of final costs for incident activities. For example, the

¹⁶ GAO, *Standards for Internal Control in the Federal Government*, GAO-14-704G (Sept. 2014).

¹⁷ GAO-18-56, *Forest Service Improvements Needed in Internal Controls over Budget Execution Processes* (Jan. 2018).

¹⁸ The applicable handbook for administering reimbursable agreements or CSAs related to wildland fire is FSH 6509.11g—Chapter 50—Wildland Fire Management, Amendment 3 (July 2020). It included a section on the policy covered by the handbook and referenced the SOP.

¹⁹ According to the Guide to Forest Service Directives: “The FS Directive System consists of the FS Manual (FSM) and Handbooks (FSH), which codify the agency’s policy, practice, and procedure. The system serves as the primary basis for the internal management and control of all programs and the primary source of administrative direction to FS employees.” USDA FS, *Guide to Forest Service Directives* (Sept. 2010).

²⁰ USDA FS, *Service-wide Appropriation Use Handbook Chapter 50-Wildland Fire Management*, 6509.11g, Amendment 3 (July 2020).

²¹ The Green Book contains the *Standards for Internal Control in the Federal Government*. It sets the standards for an effective internal control system for Federal agencies and provides the overall framework for designing, implementing, and operating an effective internal control system. GAO, *Standards for Internal Control in the Federal Government*, GAO-14-704G (Sept. 2014).

SOP outlines the necessary steps to improve financial controls, including steps to ensure segregation of duties or mitigating control activities over adjustments affecting the final disposition of related receivables and payments authorized by CFPAs for incident activities.

FS Washington Office officials agreed that the Washington Office SOP should be discussed under the policy section of the handbook. However, Washington Office officials stated that it is FS' practice to hyperlink all SOPs, as opposed to attaching them to the handbook. According to Washington Office officials, this is their current practice as the handbook is a guide to the process and the SOPs are detailed, flexible, and can change.

While we understand the need for flexibility, without adequately addressing the Washington Office SOP for administering CFPAs in the policy section of the handbook, FS risks that the SOP may not be fully implemented as intended. According to the FS CFO, the agency is currently considering whether to keep the link and more fully describe the Washington Office SOP in the handbook, or to incorporate the entire SOP directly into the handbook. Both of these options would provide the necessary information to help ensure that the Washington Office SOP is completely implemented as intended.

Recommendation 6

Adequately address the Washington Office SOP in the FS handbook in order to ensure that it is completely implemented as intended.

Agency Response

In its September 24, 2021, response, FS stated:

The USDA Forest Service concurs with this recommendation. The Forest Service updated the Agency official policies and procedures to more fully discuss the Washington Office SOP guidance and created a crosswalk between the SOP and Agency directives.

FS included with its response the revised FSH 6509.11g, chapter 50, effective August 31, 2021.

OIG Position

We accept management decision on this recommendation.

Scope and Methodology

We conducted an inspection of FS' new policies and procedures for administering reimbursable agreements and CSAs. OMB requested the review due to its concerns regarding the adequacy of FS' controls surrounding its reimbursable agreements and CSAs. The scope of our inspection primarily covered the actions FS had taken to date to address OMB's concerns. We conducted our fieldwork from August 2020 through March 2021.

The purpose of the inspection was to assess the adequacy of the design of FS' policies and procedures to ensure that the duties and responsibilities of such personnel are adequately segregated from initiating, approving, or executing reimbursable or cost share agreements, in accordance with *Standards for Internal Control in the Federal Government*.²²

To accomplish our inspection objectives, we:

- reviewed GAO's *Standards for Internal Control in the Federal Government*;
- reviewed GAO's January 2018 report citing FS' inadequate controls surrounding reimbursable agreements and CSAs;²³
- ascertained OMB's concerns regarding the adequacy of FS' controls surrounding its reimbursable agreements or CSAs;
- reviewed FS' manual and handbook pertaining to its administration of reimbursable agreements or CSAs for wildland fire;
- assessed the roles and responsibilities of those responsible for administering reimbursable agreements or CSAs for wildland fire;
- reviewed FS Washington Office's new policies and procedures for administering reimbursable agreements or CSAs for wildland fires and developed a flowchart to document our understanding of the new policies and procedures;
- reviewed additional information obtained from FS Washington Office officials about their new policies and procedures for administering reimbursable agreements or CSAs; and
- reviewed information obtained from FS officials at selected regional offices to ascertain their understanding of the FS Washington Office's new policies and procedures surrounding reimbursable agreements or CSAs and the regional office's plans for implementing them.²⁴

We conducted this inspection in accordance with the Council of the Inspectors General on Integrity and Efficiency's (CIGIE) *Quality Standards for Inspection and Evaluation*. These standards require that we plan and perform the inspection to obtain sufficient, appropriate evidence to provide a reasonable basis for our conclusions and recommendations based on our

²² We focused particularly on those standards relating to designing, documenting, and communicating the internal control system.

²³ GAO, *Forest Service—Improvements Needed in Internal Controls over Budget Execution Processes*, GAO-18-56 (Jan. 2018).

²⁴ We non-statistically selected the regional offices in the following three regions: Rocky Mountain Region (Region 2), Pacific Southwest Region (Region 5), and Pacific Northwest Region (Region 6). We selected these three regions because they had the largest number of CSAs and spent the most funds on them.

review objectives. We believe that the evidence obtained provides a reasonable basis for our conclusions and recommendations based on our review.

Abbreviations

CFO.....	Chief Financial Officer
CFPA.....	Cooperative Fire Protection Agreement
CIGIE.....	Council of the Inspectors General on Integrity and Efficiency
CSA.....	Cost Share Agreement
FS	Forest Service
GAO.....	Government Accountability Office
OIG	Office of Inspector General
OMB	Office of Management and Budget
SOP	Standard Operating Procedure
USDA.....	United States Department of Agriculture

**Forest Service's
Response to Inspection Report**



File Code: 1430**Date:** September 24, 2021**Route To:****Subject:** Response to Reach Management Decision on OIG Inspection Report – Regional Forester Authorities for Cost Share Agreements 08801-0001-41**To:** Gil H. Harden, Assistant Inspector General for Audit, Office of Inspector General

Thank you for the opportunity to review and comment on the Office of Inspector General (OIG) Report Number 08801-0001-41. The Forest Service generally concurs with the findings and recommendations and appreciates the time and effort that went into the report. The Agency's response to the inspection recommendations is enclosed. Additionally, the Agency has implemented corrective actions for each recommendation and the supporting documentation is attached. Please contact Robert Velasco, Chief Financial Officer, at (703) 605-4726 or robert.velasco@usda.gov with any questions.

//Signed//

RANDY MOORE
Chief

Enclosures: 5

USDA Forest Service (FS)

Office of Inspector General (OIG) Inspection Report No. 08801-0001-41

Regional Forester Authorities for Cost Share Agreements

Official Draft Issued September 8, 2021

Response to the Official Draft Report / Management Decision Request

Recommendation 1: Require that all CSAs undergo a second-level review.

FS Response: The USDA Forest Service concurs with this recommendation. The Forest Service revised FSH 6509.11g chapter 50 to include the requirement that all CSAs undergo a second level review (**TAB A**).

Estimated Completion Date: Completed

Recommendation 2: Establish a standardized process for conducting the second-level review required in Recommendation 1.

FS Response: The USDA Forest Service concurs with this recommendation. The Forest Service created a CSA Checklist to standardize the process for conducting the second level review (**TAB B**). The Checklist is available at the following link:
https://usdagcc.sharepoint.com/sites/fs-orms/orms-forms/Forms/FS-6500-0030_Final_CSA_Review_Checklist_V3-RE.pdf.

Estimated Completion Date: Completed

Recommendation 3: Incorporate the controls established in the prior two recommendations into the revised Washington Office SOP.

FS Response: The USDA Forest Service generally concurs with this recommendation. The Forest Service updated the Agency official policies and procedures to include the controls established in the prior two recommendations are incorporated into the Forest Service revised directive, FSH 6509.11g, chapter 50 (**TAB A** and **TAB B**).

Estimated Completion Date: Completed

Recommendation 4: Establish a formal process for reviewing and approving regions' supplemental SOPs.

FS Response: The USDA Forest Service generally concurs with this recommendation. The Forest Service updated the Agency official policies and procedures, FSH 6509.11g, chapter 50, to provide guidance that policy on reimbursable and cost share agreements must not be supplemented, prohibiting FS personnel from creating or using supplemental direction to prevent conflicting guidance and to ensure this directive is followed consistently by all FS (TAB C).

Estimated Completion Date: Completed

Recommendation 5: Incorporate the process established in the prior recommendation into the FS Washington Office SOP.

FS Response: The USDA Forest Service generally concurs with this recommendation. The Forest Service updated the Agency official policies and procedures, FSH 6509.11g, chapter 50, to provide guidance that policy on reimbursable and cost share agreements must not be supplemented, prohibiting FS personnel from creating or using supplemental direction to prevent conflicting guidance and to ensure this directive is followed consistently by all FS (TAB C).

Estimated Completion Date: Completed

Recommendation 6: Adequately address the Washington Office SOP in the FS handbook in order to ensure that it is completely implemented as intended.

FS Response: The USDA Forest Service concurs with this recommendation. The Forest Service updated the Agency official policies and procedures to more fully discuss the Washington Office SOP guidance and created a crosswalk between the SOP and Agency directives (TAB D).

Estimated Completion Date: Completed

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