



**U. S. Department of Agriculture**



# **Report of the Forest Service FY2002**

**Healthy Forests and Grasslands –  
Financial and Performance Accountability**

May 2003

# FY2002 REPORT



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United States  
Department of  
Agriculture

Forest Service



# Report of the Forest Service FY 2002

Healthy Forests and  
Grasslands—Financial and  
Performance Accountability

## About This Document

This document presents an accountability report for the U.S. Department of Agriculture (USDA) Forest Service for fiscal year (FY) 2002, consistent with the Reports Consolidation Act of 2000 (P.L. 106-531). The consolidated report combines the agency's Financial Statement, including the Management's Discussion and Analysis section, the Annual Performance Report, the Federal Manager's Financial Integrity Act Report, and selected information from the annual Report of the USDA Forest Service.

Combining these various reports will accomplish the following:

- Present a cohesive and comprehensive picture of USDA Forest Service accountability;
- Eliminate duplicative reporting;
- Provide a single source for corporate information; and
- Facilitate the integration of financial accountability with performance accountability.

The report provides a comprehensive overview of the USDA Forest Service, including who we are, what we do, and how well we met performance goals set for FY 2002. This information is relayed through the mission statement, major program area descriptions, organizational chart, discussion of the major issues facing the USDA Forest Service, and analyses of the agency's financial statements, performance goals, and results. To provide a complete picture of how well the USDA Forest Service is doing, the report addresses the agency's financial performance and the management controls being taken to ensure accountability. Significant progress in improving the USDA Forest Service's financial accountability was achieved in FY 2002, resulting in an unqualified audit opinion. A complete analysis of the USDA Forest Service financial position from the agency, as well as from the Office of Inspector General (OIG), can be found in Appendixes A and B, respectively.

Required supplementary information concerning land stewardship, heritage assets, human capital, research and development, and deferred maintenance can be found in Appendixes C and D. A thorough description of each performance goal, the FY 2002 results, and conclusions can be found in Appendix E. Program details, historically published in the annual Report of the USDA Forest Service, can be found in Appendix F. Finally, a glossary of agency acronyms and abbreviations can be found in Appendix G.

If you have comments or questions about this report, please send them to

**USDA Forest Service**  
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A copy of this report can be obtained at <http://www.fs.fed.us/publications>.

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## Message from the Chief



A lot has happened this past year that created significant challenges for the USDA Forest Service. The fire season of 2002 was the most expensive and second largest in our Nation's history, made even worse by the death of 23 wildland firefighters throughout the country. Approximately \$1 billion was transferred from other programs to support fire suppression efforts. The impact of the transfer on contributing programs in many cases will not be recognized until the field season of 2003 or beyond. Serious forest health problems exist on more than 70 million acres of public lands administered by the Forest Service. Burdensome processes that delay or derail our ability to complete needed work have created difficulties in delivering on many of our commitments.

Despite challenges, the Forest Service had a very productive year in fiscal year (FY) 2002. Through the dedicated efforts of many employees, the Forest Service obtained a clean audit opinion, signifying that our financial records are in order. This is a significant accomplishment, one the agency has been trying to reach for many years. A key goal for the future will be to maintain this level of financial accountability, and in doing so, we must continue our efforts in such areas as account reconciliation and reporting of fire suppression obligations.

Despite the large number of acres that were burned during the severe fire season of 2002, it is phenomenal to note that the Forest Service, along with its firefighting partners, suppressed 99 percent of all fires during initial attack. Through the concerted efforts of these men and women, untold natural resources were protected and homes, businesses, and lives were saved.

During FY 2002, the Administration and the Forest Service took major steps to improve forest health. In August, the President unveiled the Healthy Forests Initiative, which has raised the Nation's level of consciousness about the forest health crisis. This initiative further emphasizes efforts of the National Fire Plan (NFP), a cooperative program between the Forest Service and the U.S. Department of the Interior, which, in part, addresses the hazardous fuels problem, a major impediment to forest health. Through projects associated with the NFP, more than 1.3 million acres of hazardous fuels have been treated to reduce the risk of catastrophic fires, especially around communities adjacent to forested public lands. Other forest health issues being addressed by the Forest Service include efforts in collaboration with partners at many levels to eliminate the introduction and control the spread of invasive plant and animal species, and watershed restoration projects that, in part, improve the quantity and quality of fresh water that comes from our national forests.

The Forest Service issued *The Process Predicament* report to identify the problems in getting projects completed on time, while meeting regulatory and statutory requirements. This is a major first step in resolving the issue. Once the problem areas can be identified and agreed upon, solutions can be found to expedite needed projects, while at the same time ensuring regulatory and oversight opportunities are in place and followed.

These activities and many others are moving the agency forward in its mission "to sustain the health, diversity, and productivity of the Nation's forests and grasslands to meet the needs of present and future generations." This *Report of the Forest Service FY 2002* provides a comprehensive picture of agency accountability, incorporating both financial and performance information. We must continue to build on our successes and lessons learned to ensure that our Nation's public lands remain the best in the world.

Thanks to all who contributed to our success in FY 2002.

A handwritten signature in black ink that reads "Dale N. Bosworth". The signature is written in a cursive, flowing style.

DALE N. BOSWORTH  
Chief



## Executive Summary

This document consolidates three reports previously published as separate documents. Those reports are the *Financial Statements and Management's Discussion and Analysis*, the *Annual Performance Report*, and the *Report of the Forest Service*.

Reviewers of this *Report of the Forest Service* should find the information helpful in understanding the mission of the U.S. Department of Agriculture (USDA) Forest Service, the agency's major issues, and how well it accomplished major goals and objectives.

For more than a century, the USDA Forest Service has served as a world leader in the management, protection, and use of forest, rangeland, and aquatic ecosystems. In addressing many challenges in fiscal year (FY) 2002, the USDA Forest Service:

- Continued implementing a 10-Year Comprehensive Strategy to reduce wildland fire risks to communities and the environment.
- Implemented the Healthy Forests Initiative to improve the condition of the Nation's forests and grasslands.
- As a continued priority, addressed the increasing threat of insects, disease, and noxious weeds—including those classified as invasive species—to the integrity and viability of forest and rangeland ecosystems.
- Continued to emphasize restoration and enhancement of watersheds.
- Addressed the impacts that resulted from transferring funds to fight fires in FY 2002.
- Continued improvement of the agency's financial and performance accountability to obtain an unqualified audit opinion.

The National Fire Plan was implemented in FY 2001 in response to a devastating FY 2000 fire season. The multiyear plan focuses on reducing the impacts of wildland fire on rural communities, reducing the long-term threat from catastrophic fires, and ensuring sufficient firefighting readiness. To achieve these goals, the USDA Forest Service is working with communities to reduce hazardous fuel buildups, restoring fire-affected ecosystems, and equipping communities with wildland firefighting tools to reduce fire risk. In addition, the USDA Forest Service is reducing the risks to life, property, and ecosystems by training employees on how to respond to incidents that may threaten homeland security or become national disasters and emergencies.

The Healthy Forests Initiative is a major new effort to reduce the risk of catastrophic wildland fire on the Nation's forests and grasslands and return these lands to healthy condition. The Healthy Forests Initiative works to reduce the unnecessary regulatory obstacles that hinder active forest management, expedite procedures for forest thinning and restoration projects, and ensure that sustainable forest management and appropriate timber production objectives of the 1994 Northwest Forest Plan are being achieved.

The USDA Forest Service continued an invasive species program coordinated by State and Private Forestry, Research and Development, National Forest System, and International Programs. The program's goal is to reduce adverse social, economic, and ecological impacts of key invasive pests, insects, plants, and diseases threatening forest, rangeland, wildland, and urban ecosystems in the United States. Agency efforts include the long-term strategy of using extensive partnerships with international governmental organizations; other Federal agencies; State, local, and tribal governments; nonprofit organizations; and private landowners.

The USDA Forest Service continues to demonstrate innovative ways to improve watershed, forest, range, water, and habitat conditions with a number of multiyear projects in partnership with other Federal agencies and State, local, and tribal governments. Additionally, the USDA Forest Service is increasing cooperative efforts with States involved in water rights adjudications for developing alternative solutions to maintaining sustainable water supplies. This will involve the investment of water mitigation restoration projects.

The FY 2002 fire season was devastating not only to the 6.7 million acres burned, but also in terms of cost. The USDA Forest Service transferred \$1 billion from discretionary and mandatory accounts to meet suppression costs. Many programs moved upwards of \$100 million into suppression accounts. While many of these same programs either met or exceeded FY 2002 performance targets, the transfers will have an impact in FY 2003 and beyond.

USDA Forest Service reorganized its financial management to improve financial and performance accountability. Major issues that were addressed include reliability of the real and personal property accounting and realigning the year-end closing, financial statement, and financial audit liaison responsibilities. As a result of these changes, lessons learned from the FY 2001 year-end process, and assistance from the USDA Office of the Chief Financial Officer, the USDA Forest Service reengineered its processes, focused on account reconciliations, and attained an unqualified audit opinion in FY 2002.

In addition to addressing these significant issues, the USDA Forest Service achieved or exceeded a significant portion of its performance targets in FY 2002. In areas where target definition weaknesses were identified, the agency will prepare a definable, measurable, and verifiable standard for future year accounting and reporting purposes.

## Success Stories

The USDA Forest Service had a very successful fiscal year (FY) 2002, achieving or surpassing its goals in many areas. Despite transferring approximately \$1 billion from programs throughout the agency to suppress fires during the most expensive fire season on record, much was accomplished on National Forest System lands, as well as in partnerships with all levels of government, nongovernment organizations and groups, other cooperators, and private landowners. Although the transfer of funds had some effect on programs during FY 2002, major impacts are expected in FY 2003 and beyond. In many cases, accomplishments in FY 2002 were achieved because of funding and planning done in prior fiscal years. Many accomplishments occurred prior to the start of the fire season. As the fire season heightened and fund transfers were made, some projects or partnerships were necessarily delayed or foregone.

A listing of all the accomplishments would be impractical. Some of the success stories of the agency that highlight the efforts made by its employees in FY 2002 are described below. In addition to these, other highlights can be found in the Analysis of Agency Performance. Reportable program accomplishments are in Appendix E and program details can be found in Appendix F.

### Financial Accountability

The USDA Forest Service received an unqualified audit opinion on the FY 2002 financial statements. This is the first time since the agency has been producing financial statements that it has received an unqualified opinion. Of four possible levels, the unqualified audit opinion is the highest that auditors provide. For FY 2001, the agency received a disclaimed opinion from the Office of Inspector General, the lowest level possible. To improve from a disclaimed opinion to an unqualified opinion in 1 year is a tremendous accomplishment and reflects the leadership and dedication of those committed to improving financial performance in the USDA Forest Service.

Although the agency is proud of its accomplishment, more improvements are still needed. In FY 2003, the agency will work to correct existing problems identified in the audit, as well as to improve and modernize reporting systems that do not substantially comply with Federal financial management systems requirements, applicable accounting standards, or the United States Government Standard General Ledger at the transaction level. Through the continued dedication and hard work of its employees, the USDA Forest Service looks forward to maintaining the impressive unqualified audit achieved in FY 2002.

### Watershed Restoration

Over the past several years, the Millionaire Camp and Bassi Falls area on the Pacific Ranger District of Eldorado National Forest received considerable resource damage from motorized vehicle use off of National Forest System roads. Off-highway vehicle users created many unauthorized roads that were on steep slopes or crossed drainages, causing considerable soil compaction and erosion problems. A study by Colorado State University found the erosion rate in the area was over 8,000 pounds per acre per year, which is 400 - 600 times the baseline erosion rate for the Sierra Nevada of 13 pounds per acre per year. In addition, the high level of recreation also created other law enforcement problems, including unsafe firearms use, illegal campfires, excessive trash, substance abuse issues, and other unlawful activities. Private land in the area was also impacted by this recreational use.

In a cooperative effort between the USDA Forest Service and the private landowner during the spring of 2002, approximately 400 acres were rehabilitated in the recreation area. Various

off-highway vehicle groups, other interested groups, and individuals that were concerned with the resource damage also provided input and labor during the project. Restoration efforts included obliterating the unauthorized roads, installing waterbars and spreading mulched straw to promote soil stabilization, placing rock and log barriers to prevent off-highway vehicle access, and providing educational information through public contacts and signage. Additional restoration activities are planned, including planting ponderosa pine saplings throughout the area during the spring of 2003. As a result of the efforts in 2002, resource damage and law enforcement incidents in the area decreased dramatically. This area, which was once considered unsafe, is again being used for family-oriented recreation.



Resource damage prior to restoration



Site after restoration

## Invasive Species



Monitoring biological control insects on leafy spurge

Leafy spurge is an invasive species present in much of the Northern United States. It displaces native vegetation by shading, competing for water and nutrients, and emitting plant toxins that prevent the growth of plants underneath it. Leafy spurge is extremely difficult to eradicate because of its persistent nature and ability to regenerate from small pieces of root. Although several systemic herbicides have been found to be effective, multiple treatments are necessary every year for several years, making control an extremely expensive undertaking. If left uncontrolled for a single year, leafy spurge can reinfest rapidly.

Biological control offers a highly promising management tactic for leafy spurge. Six natural enemies of leafy spurge have been imported from Europe, including a stem- and root-boring beetle, four species of root-mining flea beetles, and a shoot-tip gall midge. Federal and State officials in many Northern States carry out cooperative large-scale field-rearing and release programs for these biological control agents. The results, although not as immediate as when herbicides were used, have been impressive. As these agents continue to build up to larger numbers within the next few years, results are expected to continue to improve. Unlike herbicides that require repeated applications, biological agents are self-sustaining and always present to control leafy spurge. These biocontrol methods work well in combination with other tools in integrated pest management strategies. These tools include cultural and mechanical controls such as reseeding, clipping, and burning, which give desirable grasses and plants a competitive advantage while reducing leafy spurge's dominance.