



Resources, Community, and  
Economic Development Division

B-279757

May 6, 1998

Congressional Requesters

Subject: Forest Service: Indirect Expenditures Charged to Five Funds

In fiscal year 1996, the Forest Service reported that the timber program lost money for the first time in its history. This reported loss has heightened the interest in the financial status and spending habits of the Forest Service. Recognizing this increased interest, you asked us to provide data on expenditures for indirect support activities by five Forest Service funds. We also agreed to alert you to any limitations in using these data. The five funds cover such activities as brush disposal (the Brush Disposal Fund), road and trail reconstruction and maintenance (the Cooperative Work-Other Fund), reforestation (the Reforestation Trust Fund and the Cooperative Work-Knutson-Vandenberg Fund, commonly called the K-V Fund), and the preparation and administration of salvage timber sales (the Salvage Sale Fund)—all of which are defined in enclosure I. We have assembled this preliminary information as an initial step in responding to your larger request for an analysis of indirect costs incurred by these funds, which we expect to provide to you in a report due to be issued in July of this year.

The information we are providing in this report is taken directly from expenditure documents from the Forest Service without any analysis on our part of the reasons for changes in expenditures over the period. Enclosure II contains a general summary of expenditures for all funds and offices combined. Enclosure III is a graph of the relationship between indirect and total expenditures for all five funds combined. Enclosure IV contains a summary of expenditures by fund for all offices combined. Enclosure V is a graph of the relationship between indirect and total expenditures for each of the funds, and enclosure VI identifies for each Forest Service region and the Washington Office, the amount of indirect expenditures made from each fund in fiscal years 1993-97 and the size of these indirect expenditures relative to the total expenditures from each fund.

## BACKGROUND

Each of the five funds we reviewed has a specific account that is used for indirect expenditures. As defined in the Forest Service Handbook, this account, called "Indirect Support Activities," is for "those costs that cannot be readily identified specifically with a single project activity in a feasible manner." For example, forest supervisors involved with overall forest management would charge their time to indirect support activities, whereas staff working directly on preparing a timber sale would charge their time to the specific project. When the Forest Service identifies indirect support activities, it includes the following three categories of work:

- Line management. This category is for costs related to line officers and their identified support staff. Line officers include district rangers, forest supervisors, regional foresters, and specifically named Washington Office positions. Costs that can be assigned include salary, travel, training, vehicle use, and secretarial support costs.
- Program support. This category is for costs to coordinate, manage, and execute the program, business activities, community involvement, and common service activities (defined below). It includes the salary, travel, training, and vehicle use of employees involved with the coordination and management of program support.
- Common services. This category is for the nonpersonnel costs associated with providing space and a working environment for employees. It includes such costs as those for rent, utilities, communications, radio, office and computer equipment, mail and postage, office supplies, and forms.

## LIMITATIONS WITH DATA

Several limitations with the data affect the extent to which conclusions can be drawn:

- Although the Washington Office provides general guidance on what should be considered indirect expenditures, regions have flexibility in deciding how this guidance should be applied in their situation. Regions may differ in what they have decided to include as indirect expenditures—and, therefore, in what the data reflect. Such region-to-region differences affect both the aggregated data and the comparability of data from location to location. Furthermore,

The Forest Service suggested that we use the term "outlays" instead of "expenditures" to describe its spending. We continue to use the term "expenditures" because we believe it is more commonly used to describe spending and, as a result, is more easily understood. In addition, both the Forest Service Handbook and GAO's A Glossary of Terms Used in the Federal Budget Process use the terms "expenditures" and "outlays" interchangeably.

The Forest Service objected to the comparison of indirect and direct costs on an annual basis because it believes that while indirect expenditures generally represent current annual costs, direct expenditures represent some costs associated with obligations from prior years. However, we made no comparisons of indirect and direct expenditures in this report. Instead, the report illustrates what has happened to indirect expenditures as a percentage of total expenditures over the past 5 years.

We also made several technical changes to increase the report's precision and completeness.

#### SCOPE AND METHODOLOGY

To develop the figures and tables summarizing indirect and total expenditures by the five funds for each regional office and the Washington Office, we utilized expenditure data drawn from the Forest Service's Central Accounting System. We did not independently verify the reliability of the financial data provided nor did we trace the data to the systems from which they came. We performed our work during March and April of 1998 using the same Forest Service documents that the agency uses to identify its annual expenditures for the five funds.

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As we arranged with your offices, unless you publicly announce its contents earlier, we plan no further distribution of this report until 30 days from the date of this letter. At that time, we will send copies to the Secretary of Agriculture, the Chief of the Forest Service, and other interested parties. We will also make copies available to others upon request.

our analysis does not capture indirect expenditures that regions may have placed in other accounts.<sup>1</sup>

- Year-to-year comparisons may also be affected somewhat because the Forest Service said it changed the coding requirements for indirect expenditures between fiscal years 1993 and 1994 and added a new code for common services. As a result, 1993 may not be comparable to later years. We expect that our ongoing work will provide some insight as to the comparability of 1993 data with those of later years.
- Forest Service officials stated that some of the increases in indirect expenditures probably resulted from changes they made to correct prior inaccuracies, inconsistencies, or inequities that occurred when charging these expenditures to the funds.
- As we have reported previously, we continue to have concerns about the reliability of the Forest Service's financial information in general.<sup>2</sup> Some areas of questionable reliability include real property valuation and revenue accounting, which may not affect the data used in this report. We expect that our ongoing work will provide some insight as to whether some of the major year-to-year changes in expenditure patterns within individual funds reflect programmatic changes or result simply from unreliable financial systems.

#### AGENCY COMMENTS

We provided a copy of our draft report to the Forest Service for comments and met with Forest Service officials to discuss their observations on the results of our work. In their comments, (see enc. VII), the Forest Service officials informed us that the data they originally provided to us were incorrect and understated expenditures for the 5-year period because the information incorrectly accounted for unpaid obligations. They provided new data, which have been incorporated into this final report. While almost all of the individually reported expenditures changed, the totals for indirect expenditures and expenditures overall increased, on average, between 10 and 20 percent.

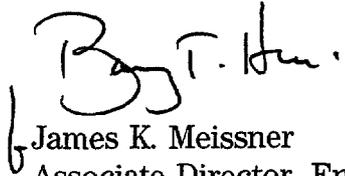
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<sup>1</sup>It should also be noted that in addition to the regions and the Washington Office, other offices such as the Forest Experiment Stations charge the five funds for indirect expenditures. Because these amounts are relatively minor, we chose not to include them in this compilation of expenditures.

<sup>2</sup>We recently reported on these concerns in Forest Service: Status of Progress Toward Financial Accountability (GAO/AIMD-98-84, Feb. 27, 1998).

B-279757

Major contributors to this report include Jill L. Berman, Jonathan T. Bachman, and Stan G. Stenersen. If you or your staff have any questions or wish to discuss this material further, please call me at (206) 287-4810.

  
James K. Meissner  
Associate Director, Energy,  
Resources, and Science Issues

Enclosures - 7

B-279757

List of Requesters

The Honorable Slade Gorton  
Chairman, Subcommittee on Interior  
and Related Agencies  
Committee on Appropriations  
United States Senate

The Honorable Larry E. Craig  
Chairman, Subcommittee on Forests  
and Public Land Management  
Committee on Energy and Natural Resources  
United States Senate

The Honorable Robert F. Smith  
Chairman, Committee on Agriculture  
House of Representatives

DESCRIPTIONS OF THE FIVE FUNDS EXAMINEDBRUSH DISPOSAL FUND

A permanent appropriation that uses deposits from timber purchasers to dispose of brush and other debris resulting from timber harvest. It was authorized by the Act of August 11, 1916, ch. 313, 39 Stat. 446, as amended. (16 U.S.C. 490)

COOPERATIVE WORK-OTHER FUND

A trust fund that uses deposits from "cooperators"—commercial users of the forest road system—for the construction, reconstruction, and maintenance of roads, trails, and other improvements. It was authorized beginning with the Act of June 30, 1914, ch. 131, 38 Stat. 415, as amended. (16 U.S.C. 498)

COOPERATIVE WORK-KNUTSON-VANDENBERG FUND

A trust fund that uses deposits made by timber purchasers to reforest timber sale areas. In addition to planting, these deposits may also be used for eliminating unwanted vegetation on lands cut over by the purchasers and for protecting and improving the future productivity of the renewable resources on forest land in the sale areas, including sale area improvement operations, maintenance, construction, reforestation, and wildlife habitat management. The fund was authorized by the Act of June 9, 1930, ch. 416, 46 Stat. 527, as amended. (16 U.S.C. 576-576b)

REFORESTATION TRUST FUND

A trust fund that uses tariffs on imports of solid wood products to prevent a backlog in reforestation and timber stand improvement work. It was authorized by sec. 303 of the Recreational Boating Safety and Facilities Improvement Act of 1980, Pub.L. 96-451, 94 Stat. 1983, as amended. (16 U.S.C. 1606a)

SALVAGE SALE FUND

A permanent appropriation that uses receipts generated by the sale of salvage timber to prepare and administer future salvage sales. It was authorized by sec. 14(h) of the National Forest Management Act of 1976, Pub.L. 94-588, 90 Stat. 2949. (16 U.S.C. 472a(h))

GENERAL SUMMARY OF EXPENDITURES,  
ALL FUNDS AND OFFICES COMBINED

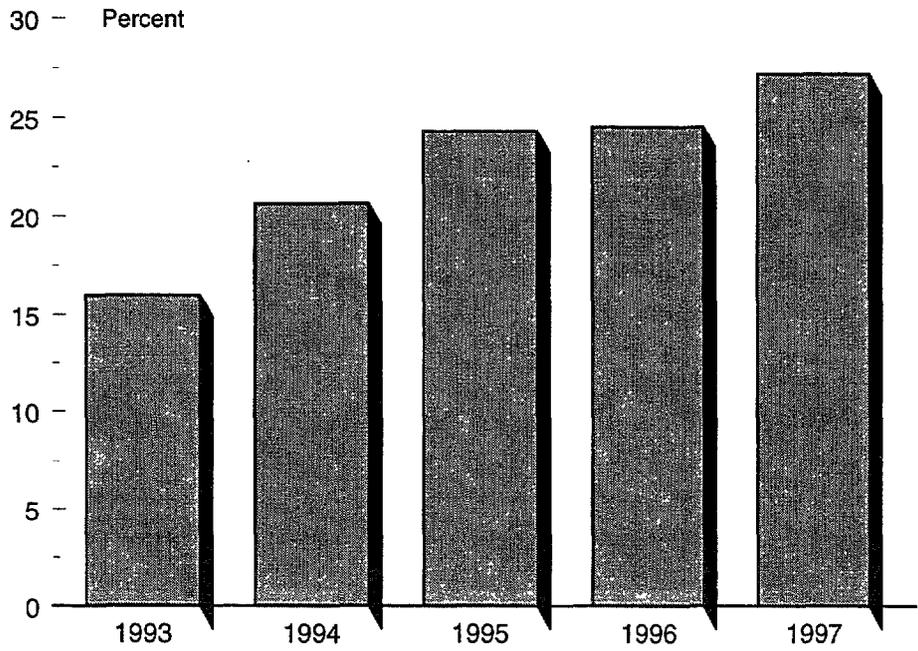
Table II.1: Summary of Expenditures for the Five Forest Service Funds Examined, Fiscal Years 1993-97

|   | Fiscal year   |               |               |               |               |
|---|---------------|---------------|---------------|---------------|---------------|
|   | 1993          | 1994          | 1995          | 1996          | 1997          |
| Total expenditures                        | \$413,513,300 | \$446,445,606 | \$432,116,416 | \$465,354,482 | \$437,189,232 |
| Indirect expenditures                     | 65,966,285    | 92,041,439    | 104,973,072   | 114,058,025   | 118,744,103   |
| Percent of indirect to total expenditures | 15.95%        | 20.62%        | 24.29%        | 24.51%        | 27.16%        |

Note: In addition to the regions and the Washington Office, other offices such as the Forest Experiment Stations charge the five funds for indirect expenditures. Because these amounts are relatively minor, we chose not to include them in the compilation of expenditures.

GENERAL SUMMARY OF INDIRECT EXPENDITURES  
AS A PERCENTAGE OF TOTAL EXPENDITURES,  
ALL FUNDS AND OFFICES COMBINED

Figure III.1: Indirect Expenditures as a Percentage of Total Expenditures by Five Forest Service Funds, Fiscal Years 1993-97



GENERAL SUMMARY OF EXPENDITURES,  
ALL OFFICES COMBINED

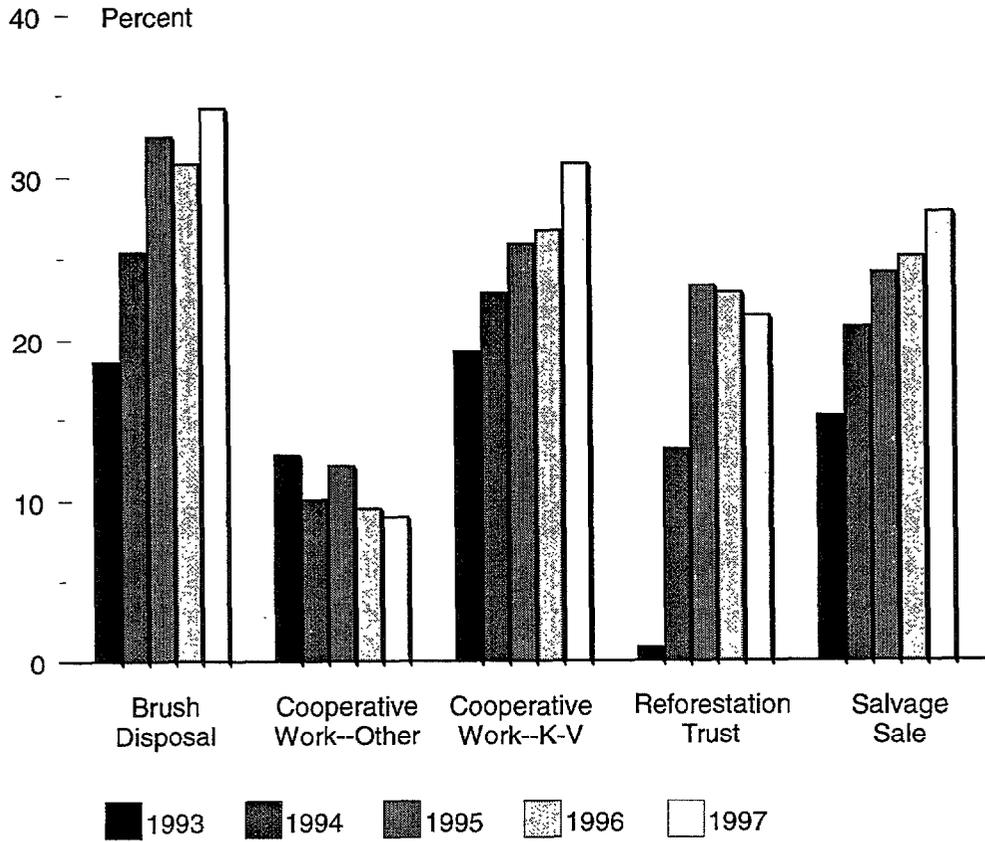
Table IV.1: Summary of Expenditures for the Funds Examined. Fiscal Years 1993-97

| Fund                                      | 1993          | 1994          | 1995          | 1996          | 1997          |
|---|---------------|---------------|---------------|---------------|---------------|
| <b>Brush Disposal Fund</b>                |               |               |               |               |               |
| Total expenditures                        | \$39,155,531  | \$32,682,801  | \$28,516,095  | \$24,779,148  | \$21,792,477  |
| Indirect expenditures                     | 7,276,062     | 8,296,252     | 9,269,824     | 7,628,872     | 7,451,007     |
| Percent of indirect to total expenditures | 18.58%        | 25.38%        | 32.51%        | 30.79%        | 34.19%        |
| <b>Cooperative Work--Other Fund</b>       |               |               |               |               |               |
| Total expenditures                        | \$25,366,234  | \$34,089,814  | \$36,828,275  | \$38,449,576  | \$37,959,632  |
| Indirect expenditures                     | 3,248,775     | 3,424,970     | 4,471,326     | 3,659,738     | 3,409,289     |
| Percent of indirect to total expenditures | 12.81%        | 10.05%        | 12.14%        | 9.52%         | 8.98%         |
| <b>Cooperative Work--K-V Fund</b>         |               |               |               |               |               |
| Total expenditures                        | \$172,845,447 | \$195,157,437 | \$182,381,980 | \$167,816,598 | \$166,324,646 |
| Indirect expenditures                     | 33,259,078    | 44,491,025    | 47,129,820    | 44,804,956    | 51,169,263    |
| Percent of indirect to total expenditures | 19.24%        | 22.80%        | 25.84%        | 26.70%        | 30.76%        |
| <b>Reforestation Trust Fund</b>           |               |               |               |               |               |
| Total expenditures                        | \$31,868,201  | \$32,188,968  | \$26,971,033  | \$30,590,737  | \$30,977,214  |
| Indirect expenditures                     | 260,642       | 4,230,938     | 6,271,400     | 6,974,873     | 6,635,364     |
| Percent of indirect to total expenditures | 0.82%         | 13.14%        | 23.25%        | 22.80%        | 21.42%        |
| <b>Salvage Sale Fund</b>                  |               |               |               |               |               |
| Total expenditures                        | \$144,277,887 | \$152,326,586 | \$157,419,033 | \$203,718,423 | \$180,135,263 |
| Indirect expenditures                     | 21,921,728    | 31,598,254    | 37,830,702    | 50,989,586    | 50,079,180    |
| Percent of indirect to total expenditures | 15.19%        | 20.74%        | 24.03%        | 25.03%        | 27.80%        |

Note: In addition to the regions and the Washington Office, other offices such as the Forest Experiment Stations charge the five funds for indirect expenditures. Because these amounts are relatively minor, we chose not to include them in the compilation of expenditures.

SUMMARY OF INDIRECT EXPENDITURES AS A PERCENTAGE OF TOTAL EXPENDITURES, BY FUND

Figure V.1: Indirect Expenditures as a Percentage of Each Fund's Total Expenditures, Fiscal Years 1993-97



**SUMMARY OF INDIRECT AND TOTAL EXPENDITURES  
BY REGION AND FOR THE WASHINGTON OFFICE**

Table VI.1: Summary of Expenditures for the Funds Examined, Region 1 (Northern Region)

| Fund                                      | Fiscal year         |              |              |              |              |
|---|---------------------|--------------|--------------|--------------|--------------|
|   | 1993                | 1994         | 1995         | 1996         | 1997         |
| <b>Brush Disposal Fund</b>                |                     |              |              |              |              |
| Total expenditures                        | \$5,311,347         | \$5,562,497  | \$4,369,497  | \$4,133,414  | \$3,918,074  |
| Indirect expenditures                     | 800,963             | 1,440,061    | 1,519,361    | 1,240,563    | 1,167,522    |
| Percent of indirect to total expenditures | 15.08%              | 25.89%       | 34.77%       | 30.01%       | 29.80%       |
| <b>Cooperative Work--Other Fund</b>       |                     |              |              |              |              |
| Total expenditures                        | \$2,779,008         | \$3,853,216  | \$3,449,607  | \$3,253,563  | \$5,407,173  |
| Indirect expenditures                     | 746,384             | 579,750      | 501,379      | 516,543      | 628,393      |
| Percent of indirect to total expenditures | 26.86%              | 15.05%       | 14.53%       | 15.88%       | 11.62%       |
| <b>Cooperative Work--K-V Fund</b>         |                     |              |              |              |              |
| Total expenditures                        | \$19,169,364        | \$21,398,082 | \$21,341,650 | \$19,443,279 | \$18,050,921 |
| Indirect expenditures                     | 3,014,684           | 5,066,903    | 5,877,168    | 5,734,214    | 5,332,865    |
| Percent of indirect to total expenditures | 15.73%              | 23.68%       | 27.54%       | 29.49%       | 29.54%       |
| <b>Reforestation Trust Fund</b>           |                     |              |              |              |              |
| Total expenditures                        | \$5,077,768         | \$4,393,531  | \$4,114,484  | \$4,677,311  | \$4,473,386  |
| Indirect expenditures                     | -7,682 <sup>a</sup> | 371,620      | 906,585      | 879,579      | 1,061,063    |
| Percent of indirect to total expenditures | <sup>b</sup>        | 8.46%        | 22.03%       | 18.81%       | 23.72%       |
| <b>Salvage Sale Fund</b>                  |                     |              |              |              |              |
| Total expenditures                        | \$22,799,164        | \$27,483,888 | \$27,373,337 | \$35,426,350 | \$32,430,411 |
| Indirect expenditures                     | 3,345,337           | 6,764,136    | 7,922,119    | 9,813,561    | 8,371,850    |
| Percent of indirect to total expenditures | 14.67%              | 24.61%       | 28.94%       | 27.70%       | 25.81%       |

<sup>a</sup>The negative number is the result of adjustments from prior years.

<sup>b</sup>Not applicable.

Table VI.2: Summary of Expenditures for the Funds Examined, Region 2 (Rocky Mountain Region)

| Fund                                      | Fiscal year  |              |             |             |             |
|---|--------------|--------------|-------------|-------------|-------------|
|   | 1993         | 1994         | 1995        | 1996        | 1997        |
| <b>Brush Disposal Fund</b>                |              |              |             |             |             |
| Total expenditures                        | \$958,647    | \$759,637    | \$423,366   | \$304,232   | \$187,206   |
| Indirect expenditures                     | 167,448      | 158,151      | 60,813      | 83,392      | 40,968      |
| Percent of indirect to total expenditures | 17.47%       | 20.82%       | 14.36%      | 27.41%      | 21.88%      |
| <b>Cooperative Work--Other Fund</b>       |              |              |             |             |             |
| Total expenditures                        | \$1,586,331  | \$2,320,605  | \$2,204,116 | \$3,229,424 | \$3,458,989 |
| Indirect expenditures                     | 56,349       | 78,377       | 123,779     | 244,741     | 271,771     |
| Percent of indirect to total expenditures | 3.55%        | 3.38%        | 5.62%       | 7.58%       | 7.86%       |
| <b>Cooperative Work--K-V Fund</b>         |              |              |             |             |             |
| Total expenditures                        | \$3,327,500  | \$4,530,677  | \$3,813,279 | \$4,040,234 | \$4,347,136 |
| Indirect expenditures                     | 751,088      | 979,912      | 592,981     | 890,065     | 851,740     |
| Percent of indirect to total expenditures | 22.57%       | 21.63%       | 15.55%      | 22.03%      | 19.59%      |
| <b>Reforestation Trust Fund</b>           |              |              |             |             |             |
| Total expenditures                        | \$709,237    | \$333,967    | \$662,535   | \$1,258,607 | \$963,043   |
| Indirect expenditures                     | <sup>a</sup> | <sup>a</sup> | 95,356      | 118,048     | 160,218     |
| Percent of indirect to total expenditures | <sup>b</sup> | <sup>b</sup> | 14.39%      | 9.38%       | 16.64%      |
| <b>Salvage Sale Fund</b>                  |              |              |             |             |             |
| Total expenditures                        | \$4,936,089  | \$5,882,172  | \$3,090,694 | \$4,341,103 | \$4,797,924 |
| Indirect expenditures                     | 919,685      | 1,113,227    | 562,803     | 883,856     | 749,935     |
| Percent of indirect to total expenditures | 18.63%       | 18.93%       | 18.21%      | 20.36%      | 15.63%      |

<sup>a</sup>Expenditures are zero or less than \$200.

<sup>b</sup>Not applicable.

Table VI.3: Summary of Expenditures for the Funds Examined, Region 3 (Southwestern Region)

| Fund                                      | Fiscal year |              |             |             |             |
|---|-------------|--------------|-------------|-------------|-------------|
|   | 1993        | 1994         | 1995        | 1996        | 1997        |
| <b>Brush Disposal Fund</b>                |             |              |             |             |             |
| Total expenditures                        | \$1,260,509 | \$1,135,195  | \$912,592   | \$665,781   | \$374,350   |
| Indirect expenditures                     | 205,786     | 244,309      | 236,815     | 190,462     | 109,539     |
| Percent of indirect to total expenditures | 16.33%      | 21.52%       | 25.95%      | 28.61%      | 29.26%      |
| <b>Cooperative Work--Other Fund</b>       |             |              |             |             |             |
| Total expenditures                        | \$1,510,051 | \$2,366,987  | \$2,813,620 | \$2,789,660 | \$2,731,083 |
| Indirect expenditures                     | 126,150     | 68,097       | 145,100     | 52,056      | 78,625      |
| Percent of indirect to total expenditures | 8.35%       | 2.88%        | 5.16%       | 1.87%       | 2.88%       |
| <b>Cooperative Work--K-V Fund</b>         |             |              |             |             |             |
| Total expenditures                        | \$3,888,603 | \$4,618,235  | \$4,389,995 | \$3,236,002 | \$2,934,727 |
| Indirect expenditures                     | 845,620     | 1,197,813    | 1,156,807   | 1,156,845   | 1,121,156   |
| Percent of indirect to total expenditures | 21.75%      | 25.94%       | 26.35%      | 35.75%      | 38.20%      |
| <b>Reforestation Trust Fund</b>           |             |              |             |             |             |
| Total expenditures                        | \$202,629   | \$31,438     | \$721,029   | \$767,602   | \$731,484   |
| Indirect expenditures                     | 144,000     | <sup>a</sup> | 269,812     | 168,910     | 224,464     |
| Percent of indirect to total expenditures | 71.07%      | <sup>b</sup> | 37.42%      | 22.00%      | 30.69%      |
| <b>Salvage Sale Fund</b>                  |             |              |             |             |             |
| Total expenditures                        | \$3,517,808 | \$4,049,824  | \$3,411,379 | \$4,701,122 | \$4,488,993 |
| Indirect expenditures                     | 655,185     | 870,593      | 942,846     | 1,457,175   | 1,512,174   |
| Percent of indirect to total expenditures | 18.62%      | 21.50%       | 27.64%      | 31.00%      | 33.69%      |

<sup>a</sup>Expenditures are zero or less than \$200.

<sup>b</sup>Not applicable.

Table VI.4: Summary of Expenditures for the Funds Examined, Region 4 (Intermountain Region)

| Fund                                      | Fiscal year  |              |              |              |              |
|---|--------------|--------------|--------------|--------------|--------------|
|   | 1993         | 1994         | 1995         | 1996         | 1997         |
| <b>Brush Disposal Fund</b>                |              |              |              |              |              |
| Total expenditures                        | \$1,724,034  | \$1,358,987  | \$1,100,465  | \$878,845    | \$707,870    |
| Indirect expenditures                     | 252,228      | 291,118      | 233,011      | 241,272      | 233,595      |
| Percent of indirect to total expenditures | 14.63%       | 21.42%       | 21.17%       | 27.45%       | 33.00%       |
| <b>Cooperative Work--Other Fund</b>       |              |              |              |              |              |
| Total expenditures                        | \$1,620,441  | \$2,256,797  | \$2,660,295  | \$3,344,483  | \$3,130,033  |
| Indirect expenditures                     | 29,315       | 12,668       | 104,685      | 37,827       | 122,860      |
| Percent of indirect to total expenditures | 1.81%        | .56%         | 3.94%        | 1.13%        | 3.93%        |
| <b>Cooperative Work--K-V Fund</b>         |              |              |              |              |              |
| Total expenditures                        | \$8,102,541  | \$10,760,005 | \$10,407,648 | \$8,349,603  | \$5,999,986  |
| Indirect expenditures                     | 1,279,199    | 1,771,523    | 1,853,315    | 1,697,933    | 2,048,676    |
| Percent of indirect to total expenditures | 15.79%       | 16.46%       | 17.81%       | 20.34%       | 34.14%       |
| <b>Reforestation Trust Fund</b>           |              |              |              |              |              |
| Total expenditures                        | \$2,672,011  | \$4,437,396  | \$1,964,911  | \$2,723,316  | \$2,458,054  |
| Indirect expenditures                     | <sup>a</sup> | 760,962      | 142,286      | 579,751      | 440,189      |
| Percent of indirect to total expenditures | <sup>b</sup> | 17.15%       | 7.24%        | 21.29%       | 17.91%       |
| <b>Salvage Sale Fund</b>                  |              |              |              |              |              |
| Total expenditures                        | \$11,885,560 | \$13,257,612 | \$16,781,853 | \$17,256,886 | \$14,407,002 |
| Indirect expenditures                     | 1,162,987    | 2,122,130    | 2,851,845    | 3,730,154    | 3,728,092    |
| Percent of indirect to total expenditures | 9.78%        | 16.01%       | 16.99%       | 21.62%       | 25.88%       |

<sup>a</sup>Expenditures are zero or less than \$200.

<sup>b</sup>Not applicable.

Table VI.5: Summary of Expenditures for the Funds Examined, Region 5 (Pacific Southwest Region)

| Fund                                      | Fiscal year  |              |              |              |              |
|---|--------------|--------------|--------------|--------------|--------------|
|   | 1993         | 1994         | 1995         | 1996         | 1997         |
| <b>Brush Disposal Fund</b>                |              |              |              |              |              |
| Total expenditures                        | \$10,960,822 | \$8,846,494  | \$7,446,759  | \$6,224,760  | \$5,775,360  |
| Indirect expenditures                     | 2,472,770    | 1,623,162    | 2,051,407    | 1,556,068    | 1,953,385    |
| Percent of indirect to total expenditures | 22.56%       | 18.35%       | 27.55%       | 25.00%       | 33.82%       |
| <b>Cooperative Work--Other Fund</b>       |              |              |              |              |              |
| Total expenditures                        | \$6,240,741  | \$7,341,325  | \$7,573,299  | \$7,451,303  | \$5,978,942  |
| Indirect expenditures                     | 860,338      | 675,908      | 1,201,396    | 652,107      | 195,670      |
| Percent of indirect to total expenditures | 13.79%       | 9.21%        | 15.86%       | 8.75%        | 3.27%        |
| <b>Cooperative Work--K-V Fund</b>         |              |              |              |              |              |
| Total expenditures                        | \$37,715,688 | \$45,876,327 | \$41,472,938 | \$36,431,499 | \$38,042,930 |
| Indirect expenditures                     | 5,999,056    | 9,738,634    | 9,981,699    | 8,964,175    | 13,675,970   |
| Percent of indirect to total expenditures | 15.91%       | 21.23%       | 24.07%       | 24.61%       | 35.95%       |
| <b>Reforestation Trust Fund</b>           |              |              |              |              |              |
| Total expenditures                        | \$6,725,160  | \$6,081,606  | \$4,814,736  | \$5,042,385  | \$6,390,878  |
| Indirect expenditures                     | 26,777       | 692,157      | 607,702      | 958,060      | 1,362,075    |
| Percent of indirect to total expenditures | 0.40%        | 11.38%       | 12.62%       | 19.00%       | 21.31%       |
| <b>Salvage Sale Fund</b>                  |              |              |              |              |              |
| Total expenditures                        | \$33,782,809 | \$27,911,233 | \$27,086,542 | \$42,168,870 | \$39,111,308 |
| Indirect expenditures                     | 6,391,736    | 5,819,835    | 6,716,976    | 9,958,114    | 10,685,501   |
| Percent of indirect to total expenditures | 18.92%       | 20.85%       | 24.80%       | 23.61%       | 27.32%       |

Table VI.6: Summary of Expenditures for the Funds Examined, Region 6 (Pacific Northwest Region)

| Fund                                      | Fiscal year  |              |              |              |              |
|---|--------------|--------------|--------------|--------------|--------------|
|   | 1993         | 1994         | 1995         | 1996         | 1997         |
| <b>Brush Disposal Fund</b>                |              |              |              |              |              |
| Total expenditures                        | \$17,166,699 | \$14,403,352 | \$12,806,924 | \$11,507,436 | \$9,443,905  |
| Indirect expenditures                     | 2,239,898    | 4,581,792    | 4,325,089    | 3,668,482    | 2,907,907    |
| Percent of indirect to total expenditures | 13.05%       | 31.81%       | 33.77%       | 31.88%       | 30.79%       |
| <b>Cooperative Work--Other Fund</b>       |              |              |              |              |              |
| Total expenditures                        | \$7,704,544  | \$9,475,020  | \$12,196,778 | \$9,721,603  | \$8,490,495  |
| Indirect expenditures                     | 921,519      | 1,443,420    | 1,889,578    | 1,527,911    | 1,454,460    |
| Percent of indirect to total expenditures | 11.96%       | 15.23%       | 15.49%       | 15.72%       | 17.13%       |
| <b>Cooperative Work--K-V Fund</b>         |              |              |              |              |              |
| Total expenditures                        | \$67,167,045 | \$70,607,470 | \$65,050,393 | \$60,723,324 | \$59,976,396 |
| Indirect expenditures                     | 11,118,847   | 15,674,059   | 16,088,686   | 15,018,935   | 15,758,619   |
| Percent of indirect to total expenditures | 16.55%       | 22.20%       | 24.73%       | 24.73%       | 26.27%       |
| <b>Reforestation Trust Fund</b>           |              |              |              |              |              |
| Total expenditures                        | \$13,820,000 | \$15,147,000 | \$10,325,000 | \$10,613,000 | \$10,243,000 |
| Indirect expenditures                     | <sup>a</sup> | 2,184,000    | 3,508,900    | 3,021,090    | 2,099,000    |
| Percent of indirect to total expenditures | <sup>b</sup> | 14.42%       | 33.98%       | 28.47%       | 20.49%       |
| <b>Salvage Sale Fund</b>                  |              |              |              |              |              |
| Total expenditures                        | \$59,262,844 | \$53,182,550 | \$58,201,343 | \$73,987,214 | \$65,859,063 |
| Indirect expenditures                     | 7,882,324    | 11,723,781   | 15,116,984   | 17,957,144   | 17,227,264   |
| Percent of indirect to total expenditures | 13.30%       | 22.04%       | 25.97%       | 24.27%       | 26.16%       |

<sup>a</sup>Expenditures are zero or less than \$200.

<sup>b</sup>Not applicable.

Table VI.7: Summary of Expenditures for the Funds Examined, Region 8 (Southern Region)

| Fund                                      | Fiscal year  |              |              |              |              |
|---|--------------|--------------|--------------|--------------|--------------|
|   | 1993         | 1994         | 1995         | 1996         | 1997         |
| <b>Brush Disposal Fund</b>                |              |              |              |              |              |
| Total expenditures                        | a            | a            | a            | a            | a            |
| Indirect expenditures                     | a            | a            | a            | a            | a            |
| Percent of indirect to total expenditures | b            | b            | b            | b            | b            |
| <b>Cooperative Work--Other Fund</b>       |              |              |              |              |              |
| Total expenditures                        | \$2,573,986  | \$3,815,649  | \$3,613,899  | \$4,946,714  | \$5,086,518  |
| Indirect expenditures                     | 411,187      | 467,443      | 407,388      | 474,131      | 694,380      |
| Percent of indirect to total expenditures | 15.97%       | 12.25%       | 11.27%       | 9.58%        | 13.65%       |
| <b>Cooperative Work--K-V Fund</b>         |              |              |              |              |              |
| Total expenditures                        | \$22,112,955 | \$25,510,241 | \$22,512,101 | \$22,299,814 | \$22,583,383 |
| Indirect expenditures                     | 5,048,564    | 6,013,085    | 5,752,669    | 5,925,057    | 6,020,281    |
| Percent of indirect to total expenditures | 22.83%       | 23.57%       | 25.55%       | 26.57%       | 26.66%       |
| <b>Reforestation Trust Fund</b>           |              |              |              |              |              |
| Total expenditures                        | \$56,094     | \$121,203    | \$2,200,838  | \$2,883,134  | \$3,361,591  |
| Indirect expenditures                     | 14,439       | 4,912        | 404,215      | 696,436      | 805,006      |
| Percent of indirect to total expenditures | 25.74%       | 4.05%        | 18.37%       | 24.16%       | 23.95%       |
| <b>Salvage Sale Fund</b>                  |              |              |              |              |              |
| Total expenditures                        | \$3,068,476  | \$4,998,465  | \$4,481,805  | \$7,288,661  | \$3,262,221  |
| Indirect expenditures                     | 585,594      | 1,163,674    | 720,686      | 1,751,784    | 1,093,313    |
| Percent of indirect to total expenditures | 19.08%       | 23.28%       | 16.08%       | 24.03%       | 33.51%       |

<sup>a</sup>Expenditures are zero or less than \$200.

<sup>b</sup>Not applicable.

Table VI.8: Summary of Expenditures for the Funds Examined, Region 9 (Eastern Region)

| Fund                                      | Fiscal year  |              |             |             |             |
|---|--------------|--------------|-------------|-------------|-------------|
|   | 1993         | 1994         | 1995        | 1996        | 1997        |
| <b>Brush Disposal Fund</b>                |              |              |             |             |             |
| Total expenditures                        | \$16,058     | \$20,033     | \$52,685    | \$8,935     | \$13,575    |
| Indirect expenditures                     | <sup>a</sup> | <sup>a</sup> | 40,505      | 2,008       | 319         |
| Percent of indirect to total expenditures | <sup>b</sup> | <sup>b</sup> | 76.88%      | 22.47%      | 2.35%       |
| <b>Cooperative Work--Other Fund</b>       |              |              |             |             |             |
| Total expenditures                        | \$839,909    | \$1,652,378  | \$1,735,981 | \$1,803,838 | \$1,803,254 |
| Indirect expenditures                     | 71,547       | 64,789       | 71,940      | 83,134      | 36,454      |
| Percent of indirect to total expenditures | 8.52%        | 3.92%        | 4.14%       | 4.61%       | 2.02%       |
| <b>Cooperative Work--K-V Fund</b>         |              |              |             |             |             |
| Total expenditures                        | \$7,488,372  | \$8,321,737  | \$7,844,320 | \$8,787,185 | \$9,333,871 |
| Indirect expenditures                     | 1,674,566    | 1,561,907    | 1,798,976   | 2,068,301   | 2,022,063   |
| Percent of indirect to total expenditures | 22.36%       | 18.77%       | 22.93%      | 23.54%      | 21.66%      |
| <b>Reforestation Trust Fund</b>           |              |              |             |             |             |
| Total expenditures                        | \$2,250,530  | \$721,596    | \$1,092,820 | \$1,287,838 | \$1,331,605 |
| Indirect expenditures                     | 86,962       | 55,975       | 218,048     | 191,925     | 185,387     |
| Percent of indirect to total expenditures | 3.86%        | 7.76%        | 19.95%      | 14.90%      | 13.92%      |
| <b>Salvage Sale Fund</b>                  |              |              |             |             |             |
| Total expenditures                        | \$1,472,666  | \$2,722,892  | \$3,525,064 | \$5,230,426 | \$5,496,944 |
| Indirect expenditures                     | 128,021      | 290,974      | 564,434     | 930,145     | 1,208,103   |
| Percent of indirect to total expenditures | 8.69%        | 10.69%       | 16.01%      | 17.78%      | 21.98%      |

<sup>a</sup>Expenditures are zero or less than \$200.

<sup>b</sup>Not applicable.

Table VI.9: Summary of Expenditures for the Funds Examined, Region 10 (Alaska Region)

| Fund                                      | Fiscal year  |             |             |             |             |
|---|--------------|-------------|-------------|-------------|-------------|
|   | 1993         | 1994        | 1995        | 1996        | 1997        |
| <b>Brush Disposal Fund</b>                |              |             |             |             |             |
| Total expenditures                        | \$9,636      | \$15,417    | \$32,241    | \$15,047    | \$53,511    |
| Indirect expenditures                     | 669          | 788         | 25,774      | 6,116       | 49,998      |
| Percent of indirect to total expenditures | 6.94%        | 5.11%       | 79.94%      | 40.65%      | 93.43%      |
| <b>Cooperative Work--Other Fund</b>       |              |             |             |             |             |
| Total expenditures                        | \$446,401    | \$879,419   | \$462,560   | \$1,711,908 | \$804,816   |
| Indirect expenditures                     | 27,203       | 34,518      | 22,081      | 33,288      | 117,808     |
| Percent of indirect to total expenditures | 6.09%        | 3.93%       | 4.77%       | 1.94%       | 14.64%      |
| <b>Cooperative Work--K-V Fund</b>         |              |             |             |             |             |
| Total expenditures                        | \$486,213    | \$1,381,433 | \$1,439,568 | \$927,426   | \$546,296   |
| Indirect expenditures                     | 140,280      | 335,550     | 134,027     | 148,393     | 98,675      |
| Percent of indirect to total expenditures | 28.85%       | 24.29%      | 9.31%       | 16.00%      | 18.06%      |
| <b>Reforestation Trust Fund</b>           |              |             |             |             |             |
| Total expenditures                        | \$358,743    | \$921,231   | \$1,068,680 | \$1,111,274 | \$880,337   |
| Indirect expenditures                     | <sup>a</sup> | 161,312     | 112,496     | 134,804     | 154,126     |
| Percent of indirect to total expenditures | <sup>b</sup> | 17.51%      | 10.53%      | 12.13%      | 17.51%      |
| <b>Salvage Sale Fund</b>                  |              |             |             |             |             |
| Total expenditures                        | \$2,970,592  | \$9,893,879 | \$8,728,008 | \$6,135,820 | \$1,905,220 |
| Indirect expenditures                     | 268,924      | 652,926     | 286,247     | 413,134     | 137,628     |
| Percent of indirect to total expenditures | 9.05%        | 6.60%       | 3.28%       | 6.73%       | 7.22%       |

<sup>a</sup>Expenditures are zero or less than \$200.

<sup>b</sup>Not applicable.

Table VI.10: Summary of Expenditures for the Funds Examined, Washington Office<sup>a</sup>

| Fund                                      | Fiscal year           |                      |             |             |                       |
|---|-----------------------|----------------------|-------------|-------------|-----------------------|
|   | 1993                  | 1994                 | 1995        | 1996        | 1997                  |
| <b>Brush Disposal Fund</b>                |                       |                      |             |             |                       |
| Total expenditures                        | \$1,747,869           | \$581,189            | \$1,371,566 | \$1,040,698 | \$1,318,626           |
| Indirect expenditures                     | 1,136,391             | -43,133 <sup>b</sup> | 777,049     | 640,509     | 987,774               |
| Percent of indirect to total expenditures | 65.02%                | <sup>c</sup>         | 56.65%      | 61.55%      | 74.91%                |
| <b>Cooperative Work--Other Fund</b>       |                       |                      |             |             |                       |
| Total expenditures                        | \$64,822              | \$128,418            | \$118,120   | \$197,080   | \$1,068,329           |
| Indirect expenditures                     | -1,217 <sup>b</sup>   | <sup>d</sup>         | 4,000       | 38,000      | -191,132 <sup>b</sup> |
| Percent of indirect to total expenditures | <sup>c</sup>          | <sup>c</sup>         | 3.39%       | 19.28%      | <sup>c</sup>          |
| <b>Cooperative Work--K-V Fund</b>         |                       |                      |             |             |                       |
| Total expenditures                        | \$3,387,166           | \$2,153,230          | \$4,110,088 | \$3,578,232 | \$4,509,000           |
| Indirect expenditures                     | 3,387,174             | 2,151,639            | 3,893,492   | 3,201,038   | 4,239,218             |
| Percent of indirect to total expenditures | 100%                  | 99.93%               | 94.73%      | 89.46%      | 94.02%                |
| <b>Reforestation Trust Fund</b>           |                       |                      |             |             |                       |
| Total expenditures                        | \$-3,971 <sup>b</sup> | <sup>d</sup>         | \$6,000     | \$226,270   | \$143,836             |
| Indirect expenditures                     | -3,971 <sup>b</sup>   | <sup>d</sup>         | 6,000       | 226,270     | 143,836               |
| Percent of indirect to total expenditures | <sup>c</sup>          | <sup>c</sup>         | 100%        | 100%        | 100%                  |
| <b>Salvage Sale Fund</b>                  |                       |                      |             |             |                       |
| Total expenditures                        | \$581,879             | \$2,944,071          | \$4,739,008 | \$7,181,971 | \$8,376,177           |
| Indirect expenditures                     | 581,935               | 1,076,978            | 2,145,762   | 4,094,519   | 5,365,320             |
| Percent of indirect to total expenditures | 100.01%               | 36.58%               | 45.28%      | 57.01%      | 64.05%                |

<sup>a</sup>Includes expenditures for activities that occur across the agency, e.g., law enforcement.

<sup>b</sup>The negative number is the result of adjustments from prior years.

<sup>c</sup>Not applicable.

<sup>d</sup>Expenditures are zero or less than \$200.

COMMENTS FROM THE FOREST SERVICE

United States  
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Agriculture

Forest  
Service

Washington  
Office

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

Date: APR 28 1998

Mr. Victor Rezendes, Director  
Energy, Resources and Science Issues  
U.S. General Accounting Office  
441 G Street  
Washington, DC 20548

Dear Mr. Rezendes:

We have reviewed the draft report GAO/RCED-98-146R, "Forest Service: Indirect Expenditures Charged to Five Funds." Upon our further review, we have discovered a problem with the financial totals that we provided to you for the report as described in the enclosure. We apologize for the error and have now provided to corrected information to Jim Meissner from you Seattle field office.

We appreciate the opportunity to comment on the draft report.

Sincerely,

CLYDE THOMPSON  
Acting, Deputy Chief for Operations

Enclosure



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U.S. General Accounting Office Draft Report RCED-98-146  
 Forest Service: Indirect Expenditures Charged to Five Funds

USDA Forest Service Comments

General Comments:

In the review of the draft, the outlays reported showed unanticipated trends. Upon review, we discovered that the expenditure figures we previously provided to you included a system generated adjustment for prior year unpaid obligations. Therefore, expenditures previously reported were understated by the amounts of the unpaid obligations of the prior year. Corrected data has been provided for fiscal years 1994, 1995, 1996, and 1997.

Other format and semantic comments on the draft report are listed below:

- ⇒ As stated in the entrance conference, we object to the use of 'outlays', i.e. expenditures, in the comparison of indirect charges in a specific year to 'direct' charges for that year. Outlays include payment of obligations for direct costs that occurred in prior years, sometimes many years ago. Whereas, outlays for indirect costs normally relates to obligations of the current year, e.g. salaries, utilities, rent, etc. In addition, assessments for indirect costs are based on the planned program for the 'current' year adjusted up or down based on the prior year actual 'obligations'.
- ⇒ The methodology used for displaying the trends of indirect charges utilizes confirmed disbursement data (albeit incorrect) from the Forest Service's accounting records. It would provide more clarity if the charts and tables used the term 'outlays' rather than 'expenditures.' This will prevent confusion where some readers might assume 'expenditures' are accrued expenditures.
- ⇒ The methodology presents the indirect charges in absence of a comparison with indirect charges in other appropriated funds. The five funds chosen for examination are unique in that they are permanent or trust funds. The relative equity of indirect charges in these may be better examined in comparison with the indirect charges with more typically managed general appropriated fund(s.) We can provide reports to that end for inclusion in the final. When expenditure trends for these five funds are displayed in isolation, the reader lacks the proper context for evaluating the effect of a changing program mix. For example, with respect to the timber sale program, the salvage sale component of the total program in terms of the volume offered has ranged from a low of 29.5% (1994) to a high of 48.2% (1996.) This changing mix affects the calculation of equities for indirect costs that should be appropriately borne by the salvage sale fund as opposed to indirect costs which should be charged to appropriated funding sources.

Specific comments:

Background Section: In the definition of Program Support, the phrasing could be interpreted to imply that all program support costs are for business management activities. We would suggest the following wording: "...coordinate, manage and execute the program, business management, community involvement..."

Limitations With Data Section. In the second bullet, the Forest Service did not change the definition of indirect expenditures, but rather changed the coding requirements for indirects. TG4 became more inclusive (e.g. including program management rather than just general administration) and common service codes (TG5) were added. That being the case we would urge the warning to readers say that the FY 1993 data is not comparable to later years, rather than not fully comparable.

In the last bullet of this section the report raises questions on the reliability of the Forest Service's financial data. However, the questions of reliability do not affect the data used in this report, as outlay information is not affected by the issues of FY 1998 problems with FFIS, real property valuation, revenue accounting, and the mechanism used to transfer \$215 million for fire suppression activities as reported in your GAO/AIMD-98-84. We would suggest that this bullet be reworded somewhat as follows so that readers can presume the data is more accurate than implied in the draft wording:

-As we have reported previously, we have concerns about the reliability of the Forest Service's financial information in general.<sup>2</sup> The areas of questionable reliability may not affect the data used in this report. We expect that our ongoing work will provide some insight...

Enclosure I.

The definition cited for Cooperative Work -- KV, is too narrow in scope. The statute as amended in 1976 provides for K-V deposits to be used for (1) planting; (2) sowing tree seeds; (3) eliminating unwanted vegetation on lands cut over by the Purchaser; and (4) protecting and improving the future productivity of the renewable resources on forest land on the sale area including sale area improvement operation, maintenance, construction, reforestation, and wildlife habitat management.

Enclosure IV.

It should be made clear to readers that the Washington Office (WO) accounting center includes some activities across the entire agency. For instance, the Chief reorganized the agency law enforcement activities to centralize them. Therefore, the law enforcement activities occur throughout the country, but all the expenditures are recorded in the WO; this explains the large increase in the Salvage Sale outlays in the Washington Office on the table. Other service-wide expenditures are also included in the WO, such as software licence fees, that are centralized for efficiency.

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