

**Forest Service Handbook
National Headquarters - Washington Office Washington, DC**

**Forest Service Handbook 1409.15 – Auditing Concessions Handbook
Chapter 20 - Audit Survey**

Amendment:

Effective date:

Duration: This amendment is effective until superseded or removed.

Superseded Directive:

Approved by:

Date approved:

Responsible Staff:

Explanation of changes:

Table of Contents

21 - Desk Review	3
22 - Preoperational Survey	3
22.1 - Sample Preoperational Survey.....	4
23 - Survey Questionnaire.....	8
23.1 - Purposes of Survey.....	8
23.2 - Sample Survey Questionnaire.....	8
24 - Type of Survey Information.....	13
25 - Format.....	13
26 - Updating.....	13

21 - Desk Review

1. Begin the audit by making the desk review at the office supervising the administration of the permit. A brief recording or updating of the history of the permit, kind of operation, permittee's name, and address, permit terms, and other requirements, are the first elements of the audit. It is unnecessary to repeat these basic data on each successive audit; only changes since the prior audit need be shown on the working papers. Review the files for related correspondence, Ranger inspection reports, documents, and reports requested and furnished by the permittee. The purpose of this background and introductory data is to orient the auditor, a reader of the audit reports, and subsequent auditors to the nature of the permittee's enterprise. A data schedule of fees billed and received should be made part of the desk review. A suggested data schedule is found in section 1.2, exhibit 01.

2. Continue with (1) reading prior audit reports of the permit operation, (2) a review of the permittee's financial statements and statements of net sales and other income since the last audit or beginning of the payment period as the case may be, and then calculate or verify the calculation of the fees. The audit will be facilitated if a permittee with a stated percentage fee-type permit is provided with a form for showing amounts by kind of sale where classification is needed, and deductions there from, and his signature showing that it is a true, correct, and complete report.

22 - Preoperational Survey

Preoperational surveys should be performed of large or complex new or proposed permittees prior to or early into their permit term. One main reason for doing this is to establish whether the permittee's actual or proposed accounting system satisfies the minimum Forest Service requirements of clause A15 of the permit titled "Records, Accounting"; if not, necessary steps will be taken to resolve the problem.

The preoperational survey should result in the Forest Service and the permittee reaching a mutual understanding of required minimum accounting procedures. The required minimum accounting procedures should be stated in writing and signed as being concurred in by the permittee. This statement should preferably be included in the permit. Such a survey will serve to eliminate many of the problems, which are often disclosed during subsequent audits of the permittee's records. It will also provide the permittee with a clear understanding of what is expected in terms of reporting sales for fee calculation purposes and filing annual operating statements.

It will also provide an opportunity to bring to the permittee's attention the requirements that sublessees' books are to be open and that annual operating statements are due from them, too.

22.1 - Sample Preoperational Survey

Exhibit 01 shows a sample preoperational survey of permittee's classes of sales, sales reporting, and accounting records to determine conformance with permit clauses A7, A11, A14, A15, B10, B13, B14, X22, X68, and X92.

22.1 - Exhibit 01

PREOPERATIONAL SURVEY OF PERMITTEES' CLASSES OF SALES, SALES REPORTING, AND ACCOUNTING RECORDS.

Permittee's Name and Address

1. Basic Information

- a. Permittee's address.
- b. Type of ownership.
- c. Names and titles of persons contacted.
- d. Permittee's fiscal year ends.
- e. Brief description of operation.
- f. Name and address of independent accountants.
- g. Type of service rendered by this accounting firm.
- h. Where are accounting records kept and who does accounting work?

2. Classes of Sales

- a. Describe broadly and specifically each of the classes of sales permittee is or plans to engage in.
- b. Signify those sales classes permittee plans to operate through sublease.
- c. Describe any sales activity permittee is or plans to engage in that is outside the purpose for which the permit was or is to be issued; for example, real estate development.
- d. Does permittee have any franchise or commission type activities planned or operating? Explain.

22.1 - Exhibit 01--Continued

3. Sales Reporting and Fee Payment

- a. Date original permit was or to be issued.
- b. Services and/or products covered or to be covered by the permit.
- c. General description of other activities of permittee.
- d. State the services or products offered or to be offered for sale by sublessees.
- e. Describe permittee's selling method; that is, does he sell package plans through newspaper, magazine, radio, and/or television advertising, or something else.
- f. Describe permittee's financial and other arrangements with his sublessees.
- g. Are sales invoices prenumbered or otherwise identified by transaction? If identified by other than prenumbering, explain.
- h. How does or will permittee file sales invoices?
- i. If permit has already been issued, test check locating sales invoices of services or products covered by permit from sales journal to invoice and randomly selected invoices to sales journal. Comment.
- j. How long does permittee retain sales invoices? Are they readily accessible? Explain.
- k. How does or will permittee require sublessees to report operating information to him:
 - (1) How often must sublessees report?
 - (2) What detail must sublessees report?
 - (3) What audit review, if any, does permittee make of sublessees' operating reports?
 - (4) How long do sublessees retain their sales journals, general ledger pages and supporting accounting records?
 - (5) Review permittee's written agreement with sublessees required by clause of the permit. If possible, get a copy of written agreements between permittee and sublessees for survey folder.

22.1 - Exhibit 01--Continued

l. Obtain a copy of permittee's gratuity plan submitted for approval to Forest Supervisor. If not yet submitted, inform permittee to do so and request that he send you a copy of the approved plan.

m. How does or will permittee record and report to Forest Supervisor gratuities beyond the approved plan?

n. Establish and note whether permittee plans to trade off products or services with customer suppliers. If so, how does permittee propose to record these transactions on his accounting records? They should be recorded and preferably at the value of the goods or services given up by the permittee.

o. What will permittee's policy be for charging Forest Service employees for his services and/or products? Explain.

p. What financial arrangements does or will permittee have with ski patrol? Are ski patrol members paid? To the extent ski patrol members are not paid, how does or will permittee remunerate these people for their services?

q. Do or will officers, employees, and/or stockholders receive pay or dividends in kind; that is, will any of their remuneration be in a form other than cash or dividend? Explain fully.

r. How often is or will permittee be required to file fee-calculation forms? What are or will be the required filing dates?

s. If permit has already been issued, has permittee been filing fee-calculation forms on time? If not, explain why.

t. Describe what permittee's procedure is or will be for preparing fee calculation forms. Does or will permittee report sales to Forest Service on basis of orders received, payment received, or how?

4. Accounting Records

a. Describe how permittee services or product sales transactions are or will be recorded from receipt of order to collection from customer.

b. What do accounting records consist of?

c. Is accounting done manually or by data processing equipment?

22.1 - Exhibit 01--Continued

d. How will permittee service and product sales be identified on the general ledger? Explain.

e. Each permit should contain a clause requiring that product sales be identified on sales journal and general ledger. If this is not planned to be, or being, done, try to conceive of a means by which this objective can be accomplished. Work with permittee to resolve any situation where sales are not being or to be distinguished by class and record circumstances and actions taken by permittee to improve the situation.

f. How long does permittee retain sales journal and general ledger pages? Are they readily accessible?

5. Surveyor's Comments and Opinion

a. Give your general comments and opinion of permittee's sales reporting, and accounting records.

(1) Sales reporting.

(2) Accounting records.

b. In your opinion, does permittee's sales reporting and recording system meet the minimum requirements you feel are necessary to satisfy Forest Service needs? That is, to be able to identify all sales by class that is made under this permit.

c. What recommendations for additions, deletions, or changes do you have to the permittee's present system that are not covered in this survey; for example, actions that would result in permittee's system satisfying Forest Service minimum needs.

Surveyor

(Inclusive dates of survey)

23 - Survey Questionnaire

The survey questionnaire is independent of the preoperational survey. It should be tailored to the permittee's operation being surveyed. The survey will be performed initially prior to or at the time of the first audit, and updated at the time of each subsequent audit. Incident to the survey and each updating thereof, unless impracticable, the accountant should tour the permit facilities and observe the physical operations for the purpose of obtaining a current and better understanding of the permittee's operation.

A sample generalized survey questionnaire is shown in section 23.2. This is provided only as a guide to the accountant in developing a survey questionnaire tailored to the specific operation.

23.1 - Purposes of Survey

Some of the purposes of the survey are to:

1. Obtain basic and descriptive data.
2. Evaluate the adequacy of the permittee's internal controls and accounting practices, as well as those of any sublessees operating on the permit area.
3. Establish that data are consistent on a year-to-year basis.
4. Ensure that each class of revenue having a different break-even point and/or fee rate is separately identified on the books of account.
5. Provide information needed to separate revenues for combined classes of sales where needed to compute fees and/or review break-even points; also to identify asset investment (GFA) by sales class.
6. Provide information needed to distribute general and administrative and other overhead costs among the causing and benefiting activities, such as (1) a means for determining labor dollars expended by sales class and (2) asset investment (GFA) by sales class.

23.2 - Sample Survey Questionnaire

Exhibit 01 shows a sample survey of permittee's controls and accounting practices to determine conformation with permit clauses A6, A7, A10-12, A14-15, B10, B13-14, X22, X69, and X92.

23.2 - Exhibit 01

SURVEY OF PERMITTEE'S INTERNAL CONTROLS AND ACCOUNTING PRACTICES				
(Permittee's Name and Address)				
Period Covered	Survey Began	Date Ended	Prepared by (Printed Name)	Surveyor'(s) Signature
(Cover Sheet)				

23.2 - Exhibit 01--Continued

SURVEY OF PERMITTEE'S INTERNAL CONTROLS AND ACCOUNTING PRACTICES

Prepared by: _____

Date: _____

1. Basic Information

- a. Type of organization (corporation, partnership, proprietorship).
- b. Names and titles of owners or principals.
- c. Description of third-party agreements.
- d. Type of operation (ski lift, lodge, restaurant). Fee class, rate, or amount.
- e. Permittee's year ends. Period or season.
- f. Where accounting records are kept and who does accounting.
- g. Name and address of outside auditor.
- h. Type of audit service rendered (balance-sheet) audit, tax service).
- i. Number and types of employees.
- j. Schedule of sales for each permits activity from inception to date.

2. Cash Receipts, Sales, Etc.

- a. Are the general and subsidiary books of account adequate for and suited to the permittee's business?
- b. Are each day's cash receipts deposited intact and without delay?
- c. Are cash registers, sales slips, inventory controls, and separation of employee's responsibilities in effect to safeguard cash receipts.
- d. If cash registers, counter sales slips, etc., function as proof of sales, and of cash receipts, are such proofs checked by an employee other than the person receiving the cash to determine that the proofs agree with the amounts recorded and deposited?

23.2 - Exhibit 01--Continued

- e. Are sales to employees and proprietor recorded in the same manner as sales to customers?
- f. Where invoices are used, are they checked for accuracy of (1) quantities billed, (2) prices used, and (3) extensions?
- g. Are separate sales accounts maintained for each category of sales?
- h. Where dormitories, cottages, or similar facilities are operated, is an independent check made covering occupancy and availability of retable rooms to guest account charge records and to revenue collection records to provide assurance that all revenue is being properly collected and credited?
- i. Is an independent check made of receipts from vending machines at the time the receipts are removed from machines?
- j. Does permittee have a gratuity practice approved by Forest Supervisor? If not yet established, inform permittee and Forest Supervisor of their need to develop and agree in writing to a gratuity practice following Forest Service policy stated in FSM 2783.11a, item 7b.
- k. How does or will permittee document and record gratuities?

3. Fixed assets and Inventory Control

- a. Are physical inventories taken of merchandise held for sale? How often? Is independent check made by someone other than person who took the inventory? Is the physical inventory procedure and results of inventorying satisfactory? That is, do shortages occur beyond acceptable tolerance? What internal controls are in effect to safeguard inventory? Are perpetual inventory records maintained? Are reorder levels of merchandise inventory maintained and observed?
- b. What is permittee's asset capitalization policy? Are assets recorded at cost? If not, how valued? How are assets established by force account valued? Evaluate this valuation procedure, if applicable.
- c. Does permittee's asset schedule agree with schedule of gross fixed assets (GFA)? If not, reconcile to GFA.

23.2 - Exhibit 01--Continued

4. General

- a. Accumulate and retain as permanent file material as many years' financial statements as are available to reflect the financial history of the permit. If extra financial statement copy is not available or will not be released by permittee, copy this information onto working papers for this purpose.
- b. Comment on (1) adequacy of accounting detail and (2) adequacy of internal control.
- c. Remarks.

24 - Type of Survey Information

The accountant will prepare survey working papers in sufficient detail to record clearly the extent of review of the permittee's internal controls, accounting practices, and operating procedures. Narrative should be used to the maximum extent practicable to provide useful information to future accountants assigned to the job. Each permittee folder must have a permanent file survey section.

Some of the information recorded in the survey, such as type of ownership, description of accounting records, and basic internal controls, will be standard. Specific data related to each sales class of the operation will be developed and recorded on survey working papers as the need for it arises. For example, the functions performed by the owners, officers, and leading management personnel would be determined prior to and as a basis for distributing labor costs. This is so that their earnings can be charged to the benefiting activities on their annual operating statements and subsequent overhead distributions, where a labor distribution base is used, can properly reflect the cause and effect of labor dollar expenses. Another survey activity will be to identify and distinguish fixed and variable costs on the permittee's operating statement for use in monitoring the break-even elements of GRFS.

25 - Format

A separate survey working paper will be set up for each nonstandard item even though only a single line may be needed to document it. This will allow the addition of data on that subject later on in the survey, as well as space for updating the item during subsequent survey reviews. The prime survey objective is to record information that is pertinent to fee computation and fee system updating and modification as circumstances indicate the need for it.

26 - Updating

Survey information becomes permanent file material; that is, it should be carried forward each audit to accompany the audit working-paper file. If, in an audit year, conditions are found to remain the same as the previous visit for an item, a notation to this effect should be made on the survey working paper. Where changes are made, the changes and the effective dates thereof will be noted on the applicable survey working paper. Outdated information and superseded survey data should be removed from the current part of the file and placed in the back of the survey folder as historical information.