

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

**Forest Service Handbook 1409.18 – Management Controls Handbook  
Chapter 10 - Internal Controls**

**Amendment:** 1409.18-2008-1

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**Superseded Directive:** 1409.18\_10, Amendment 1409.18-2006-1, March 9, 2006

**Approved by:** Sally Collins, Associate Chief

**Date approved:** October 22, 2007

**Responsible Staff:**

**Posting Instructions:** Amendments are numbered consecutively by handbook number and calendar year. Post by document; remove the entire document and replace it with this amendment. Retain this transmittal as the first page(s) of this document. The last amendment to this handbook was 1409.18-2006-1 to 1409.18\_10.

**Explanation of changes:** Following is an explanation of the changes throughout the directive by section.

**11.1:** Replaces exhibit 01 with a revised edition of “The Chief’s Review, Accounting for Results in the Forest Service through Shared Learning and Problem Solving, Guidelines (revised March 15, 2007).”

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## 10.1 - Authority

The principal authorities governing the review system are:

1. Government Performance and Results Act (GPRA) of 1993. To support results-oriented management, GPRA requires agencies to develop strategic plans, set performance goals, and report annually on actual performance compared to goals.
2. Office of Management and Budget (OMB) Circular A-123, Management's Responsibility for Internal Control (Revised December 21, 2004). Management is responsible for establishing and maintaining internal controls to achieve the objectives of effective and efficient operation, reliable financial reporting, and compliance with applicable laws and regulations. Management shall consistently apply the internal controls standards to meet each of the internal controls objectives and to assess internal controls effectiveness.
3. Federal Managers' Financial Integrity Act (FMFIA) of 1982. This act requires agencies to establish and maintain internal controls and provides the statutory basis for management's responsibility for and assessment of internal controls.
4. Federal Financial Management Improvement Act (FFMIA) of 1996. The Federal Financial Management Improvement Act of 1996 (FFMIA) builds on the foundation laid by the Chief Financial Officers (CFO) Act of 1990 by emphasizing the need for agencies to have systems that can generate reliable, useful, and timely information with which to make fully informed decisions and to ensure accountability on an ongoing basis.
5. Departmental Regulation 1110-002, Management Accountability and Control. Establishes department-wide policy and detailed guidelines and procedures for all agencies and staff offices to:
  - a. Improve the accountability and effectiveness of USDA's programs and operations through the use of sound systems of internal/management controls and
  - b. Ensure compliance with laws and regulations.

## 10.2 - Objectives

The overall objectives of the management review system are to provide a method of evaluating Forest Service operations, to ensure accountability in program performance, and to adjust performance or direction as necessary to reasonably ensure achievement of the basic management goals in FSM 1402. Specific objectives of the review system are to provide management officials with reasonable assurance that:

1. Programs are efficiently and effectively performed in accordance with applicable law and management policy.

2. Obligations and costs comply with applicable law.
3. Assets are safeguarded against waste, loss, unauthorized use, and misappropriation.
4. Revenues and expenditures applicable to agency operations are recorded and accounted for properly so that reliable financial and statistical reports may be prepared and accountability of assets are maintained.

### **10.3 - Policy**

1. The reviews shall emphasize strong line and staff officer involvement, an interdisciplinary team approach wherever practicable, and mutual identification of management issues, problems, and solutions to improve accomplishment of the Forest Service mission.
2. The scheduling and frequency of management reviews shall be adequate to ensure that effective management controls are in place and units are held accountable for performance. Consider the factors listed at FSM 1441 when determining the coverage, frequency, and priority of reviews.
3. The type and depth of reviews conducted shall be commensurate with the scope of programs or management issues to be evaluated and the risk of waste, loss, and misuse inherent in agency activities.
4. Review findings and any needed corrective actions shall be given serious and careful attention by the responsible reviewing official and the unit that is reviewed. Reviewing officials ensure that corrective actions are accomplished. Failure to take corrective action shall be addressed in performance reviews of responsible line and staff officers.
5. Responsible reviewing officers shall ensure that reviews cover any subject matter agreed to between the Forest Service and the Department of Agriculture, Office of the Inspector General, or the Government Accountability Office (GAO) as a result of audits, investigations, or special studies.

### **10.4 - Responsibility**

Management accountability is the expectation that managers are responsible for the quality and timeliness of program performance, increasing productivity, controlling costs, and mitigating adverse aspects of agency operations, and assuring that programs are managed with integrity in compliance with applicable law. For responsibilities of the Agency Management Control Officer, see FSM 1410.43.

All managers, whether line or staff officers, are responsible for establishing, evaluating, reporting on, and improving controls in their areas of responsibility (FSM 1404 and FSM 1410.4).

Exhibit 01 is provided to assist agency managers in meeting recurring reporting requirements in a timely manner. These dates are approximate and should be used for planning purposes. Requirements identified in exhibit 01 shall be submitted as scheduled unless the Agency Management Control Officer (MCO) has adjusted the submission date in writing (FSM 1410.43).

#### 10.4 - Exhibit 01

##### Management Control Annual Reporting Requirements

<u>Requirement</u>	<u>FSH 1409.18</u>	<u>Date Due</u>	<u>Submitted by</u>	<u>Submitted to</u>
Conduct National Risk Assessment	Sec. 14	approx. Jul 15	Agency Management Control Officer (MCO)	Region/Station/Area (RSA) and Washington Office (WO) Staffs
Responses to Risk Assessment	Sec. 14	Aug 15	RSA and WO Staffs	Agency MCO
Risk Assessment Results - DRAFT	Sec. 14	Sep 15	Agency MCO	Executive Leadership Team
Risk Assessment Results - FINAL (Pre-release)	Sec. 14	Oct 15	Agency MCO	Chief
Risk Assessment Results - FINAL	Sec. 14	Oct 31	Chief (Agency MCO)	Department
Management/Internal Controls Review Schedule - Final Schedule Released	Sec. 12.11	Dec 1	Agency MCO	Executive Leadership Team
Management/Internal Controls Review Schedule - Quarterly Update with Executive Summaries for Completed Reviews	Sec. 12.33	Dec 19 Mar 20 June 15 Aug 15	RSA and WO Staffs	Agency MCO
Material Weakness Action Plan (Used to Update Quarterly FMFIA/FFMIA Submissions)	Sec. 12.31	Dec 14 Mar 20 June 15 Aug 15	RSA and WO Staffs	Agency MCO

## 10.4 – Exhibit 01--Continued

### Management Control Annual Reporting Requirements

<u>Requirement</u>	<u>FSH 1409.18</u>	<u>Date Due</u>	<u>Submitted by</u>	<u>Submitted to</u>
FMFIA Quarterly Report – Update on Corrective Action Plans for Agency Material Weaknesses	Sec. 12.31	Dec 31 Mar 24 June 23 <sup>1</sup> Aug 29	Agency MCO	Department
FFMIA Quarterly Report - Update on Corrective Action Plans for Achieving Substantial Compliance	Sec. 12.31	Jan 14 Mar 24 June 23 <sup>1</sup> Aug 31	Agency MCO	Department
Outstanding Office of the Inspector General (OIG) Audits Quarterly Reports	Sec. 12.31	Jan 20 Apr 11 Jul 11 Aug 15	Agency MCO	Department
Management Challenges Quarterly Progress Report - Update to Corrective Action Plans for OIG Identified Management Challenges and Program Risks	Sec. 12.31	Jan 14 Apr 8 Jul 8 <sup>1</sup> Sep 9	Agency MCO	Department
Year End Report on Management Controls and Annual Assurance Statement <b><i>Beginning FY06: This will be an update to the June 30 assurance statement.</i></b>	Sec. 13	Aug 20 <sup>2</sup>	RSA and WO Staffs	Agency MCO
<b><i>Beginning FY06:</i></b> Report on Management Controls and Annual Assurance Statement as of June 30	Sec. 13	Jul 15	RSA and WO Staffs	Agency MCO
Chief's Report - Yearend Report on Management Controls and Annual Assurance Statement	Sec. 13	Sep 15	Chief (Agency MCO)	Department

<sup>1</sup> Data used in annual Performance and Accountability Report (PAR).

<sup>2</sup> Include details on activities through the end of the fiscal year, as available. Date adjusted to meet external reporting requirements.

## **11 - Management Reviews**

### **11.1 - Chief's Review**

A Chief's Review provides line managers with the opportunity to:

1. Validate strategic goals and assist in establishing priorities and program focus areas.
2. Provide an in-depth look at specific issues.
3. Evaluate progress and accomplishment strategic issues and executive priorities.

The Chief's Review is conducted at the Region, Station, Area, and Institute level on an as needed basis. The review is led by the Chief or Associate Chief, unless the Chief designates a Deputy Chief to lead a review based on a particular need. The review schedule is established annually in consultation with the Deputy Chiefs and may involve one or more Regions, one or more Stations, the Area, and/or the Institute. Prior to the review, the content must be agreed to between the Chief, Associate Chief, and affected Regional Forester, Station Director, Area Director, and/or Institute Director. See exhibit 01 for the guidelines on conducting a Chief's Review and FSM 1410.45a, exhibit 01 for the purpose and responsible officer for this type of review.



# THE CHIEF'S REVIEW

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## **ACCOUNTING FOR RESULTS IN THE FOREST SERVICE THROUGH SHARED LEARNING AND PROBLEM SOLVING**

### *Guidelines*

*Revised 15 March 2007*

## 11.1 - Exhibit 01--Continued

### BACKGROUND

Management reviews in the Forest Service go back to the time of Gifford Pinchot. Performance measures and review systems initially focused on management actions and program outputs. For many decades, they served the agency's purposes well.

By the 1990s, however, regional management reviews were not providing a clear enough picture of progress toward strategic goals and the overall health of the organization. The arduous and time-consuming process of producing detailed reports, negotiating action plans, and tracking accomplishments seemed to have become an end in itself. As a result, enthusiasm for the reviews waned. Former Associate Chief Dave Unger described the situation this way: "We don't really know if we are accomplishing the desired end result. We are just looking at the pieces but not accounting for the whole."

### Management Context

With the advent of ecosystem management, the Government Performance and Results Act (GPRA) of 1993, and collaborative land management, the context for assessing results and accountability has dramatically changed:

- Managing the land across ecosystems and large watersheds creates the need for collaborative and integrated decisionmaking, team-oriented management, and shared leadership and responsibility for results. Internally, the National Forest System (NFS), Research and Development (R&D), and State and Private Forestry (S&PF) are all partners in delivering the goods, services, and values that Americans want from the Nation's forests and rangelands.
- The GPRA-based Forest Service Strategic Plan lays out corporate goals in terms of end results and raises the question of how the agency will monitor progress and remove barriers to success.
- Until recently, annual performance plans were distinct from agency budgets. This lack of integration raised the question of how the agency will link planning, budgeting, monitoring, and reporting. We are making progress in budget/performance integration, but we still face a fundamental operational question: Can we fully implement the Strategic Plan?
- Local community impacts, stakeholder buy-in, and public satisfaction must all be factored into the assessment of results.
- In a corporate assessment of the review system done in 1995, the Regional Foresters, Station Directors, and Area Director rejected the traditional top-down style of the old review system in favor of a shared-learning and problem-solving approach.

## 11.1 - Exhibit 01--Continued

### Review Model

The model for today's Chief's Review is as follows:

- Typically, three geographic regions per year are chosen for review on a rotating basis. Boundaries coincide with the NFS Regions. Every region is subject to review every 3 to 5 years.
- All Forest Service units and mission areas within the boundaries are subject to review, including R&D Stations, the Forest Products Laboratory, the Northeastern Area, and S&PF programs. Reviewers evaluate strategic goals and accomplishments, coordination across units and programs, and contributions to the agency's overall mission.
- The review takes about 5 days on the ground (usually Monday through Friday) at sites selected by the Region/Station(s)/Area, in consultation with the Review Team Leader. Three to five focus areas identified in advance provide the main context for the review.
- The focus is on strategic goals and the associated results, with an integrated view across all Deputy areas. Strategic goals are contained in the Forest Service Strategic Plan; goals for the Region/Station(s)/Area should tier to them.
- The focus is on *where we want to be* rather than on *where we've been* and *how we got there*. Findings are in terms of desired future conditions rather than corrective actions. The emphasis is on improving performance and communicating expectations to ensure that the Chief and leaders in the field are on the same page.
- Partners, stakeholders, and community representatives are integrated into the schedule for field trips and other events, presentations, and dialogues during the review.
- Findings are documented in the review report as *observations*, *commendations*, and/or *concerns* rather than as lists of actions to be taken.
- The Region/Station(s)/Area issue a response, as needed, proposing adaptive or corrective actions and making recommendations for action by the Washington Office, subject to approval by the Chief.
- About a year after the report is final, in the course of a visit to the Region/Station(s)/Area, the Chief or Associate Chief discusses review results.
- Accountability is not based on command, but rather on trust, positive interaction, shared learning, and shared responsibility for improved performance.
- By focusing on a few strategic issues and executive priorities rather than on many operational details (which can be examined in subordinate reviews), executive leaders use their time effectively.

## 11.1 - Exhibit 01--Continued

### Review Objectives

The management review is designed to bring the Chief and/or Associate Chief and leaders in the field together to:

- validate strategic goals, executive priorities, and program focus areas;
- evaluate progress toward long-term results and identify barriers; and
- identify and adopt new ways to improve capabilities for accomplishing results and removing barriers.

### Review Team

A Deputy Chief is Team Leader, with leadership rotating every year to a new Deputy Chief. The **Core Team** includes:

- the Chief and/or Associate Chief;
- Chief of Staff/External Affairs Office;
- Deputy Chiefs or Associate Deputy Chiefs from each Deputy area or their Staff Directors representing them;
- the Regional Forester, Station Director(s), and Area Director (for a Chief's Review in the East);
- Deputy Regional Forester(s), Station Director(s), and Area Director;
- a State Forester, if possible from the Region; and
- the Regional Forester and/or Station Director/Area Director from the next Region scheduled for review.

Ad hoc participants include Forest Supervisors; District Rangers; and selected Regional Office, Station, and Area Program Directors and managers.

The **Support Team** includes:

- A Washington Office Coordinator who—
  - provides the Region with advance planning and scheduling guidelines;
  - coordinates all prework and logistics with the Regional Coordinator; and
  - works with the Recorder to complete and distribute the final review report.

### **11.1 - Exhibit 01--Continued**

- A Regional Coordinator who—
  - works with the Washington Office Coordinator on all aspects of the review;
  - performs or leads all prework, such as arranging the review agenda and logistics, possibly with the support of regional teams for planning and logistics; and
  - arranges for a meeting facilitator.
- A Facilitator who—
  - manages field trips and other events as well as presentations and dialogues;
  - keeps dialogues at a strategic level; and
  - toward the end of the review, helps the Review Team bring out the few most important strategic themes.
- One or more Recorders who—
  - document presentations and dialogues;
  - work with the Regional Coordinator to provide Team members with a synopsis of dialogue results for each day;
  - work with the Review Team Leader to prepare a closeout presentation and/or summary report on the final day of the review;
  - capture Review Team findings in a full draft report after the review; and
  - work with the Washington Office Coordinator to incorporate changes/comments from Team members into the report and to finalize it for distribution.

### **STEPS IN THE REVIEW**

Steps in the review, from focus setting through follow-up, are outlined below. A timeline is shown in the box on the following page.

#### **Focus: A Few Strategic Issues**

At least 3 months prior to the review, the Washington Office and the Region/Station(s)/Area agree on three to five strategic focus areas. The focus areas will set the stage for presentations, field trips and other events, and dialogues during the review. Based on the focus areas, the Review Team will assess how well the Region/Station(s)/Area are achieving the Forest Service's strategic goals.

### 11.1 - Exhibit 01--Continued

As soon as the focus areas are chosen, the Executive Leadership Team (ELT) meets to review them and to reflect on any other major issues and concerns for the Region/Station(s)/Area. Through the Team Leader, the ELT gives the Review Team additional direction on particular issues and concerns to focus on during the review.

#### Chief's Review Timeline

- 3 Months Ahead—Review Planners Agree On Focus Areas. Executive Leadership Team Reviews Them
- 2 Months Ahead—Region Completes Arrangements, Sends Out Documentation.
- Review Takes Place.
- 2 Weeks Later—Recorder Sends Draft Report To Review Team Members.
- 2 Weeks Later—Team Members Return Comments.
- ~2 Weeks Later—Team Leader Distributes Final Report And Has Posted On The Web.
- 4 Weeks Later (If Applicable)—Region/Station(S)/Area Send Response To Team Leader.
- ~2 Weeks Later (If Applicable)—Chief's Office posts response on the Web.
- 1 year later (if applicable)—Chief or Associate Chief follows up on response.

#### Pework: Review Arrangements

Two months prior to the review, the Regional Coordinator forwards the following documentation to the Washington Office Coordinator:

- A regional strategic plan/business plan, overview, or framework stating the primary goals for the Region/Station(s)/Area, their major challenges (environmental, social, and economic), and the main barriers to achieving their goals. The document should include a description of how the Region/Station(s)/Area are addressing the Forest Service Strategic Plan.
- Short, to-the-point briefing papers for each of the focus areas agreed upon for the review.
- A 5-year budget and accomplishment profile (past 2 years, current year, and 2 out years).
- Recent public service/customer satisfaction assessments and workforce attitudes/morale assessments, if available.

### **11.1 - Exhibit 01--Continued**

- The review agenda, a travel schedule for the Review Team (with information for making flight and hotel reservations), and a description of special events (socials, meetings with partners, etc.) and any associated logistics. Note: In scheduling activities and events, regional staff should leave sufficient time in the late afternoon and evening for the Review Team to do its work and for Team members to eat, exercise, and catch up on their own work.

The Region may also prepare a binder for each Review Team member containing the items above and additional information and materials, such as maps, newspaper articles, and planning documents.

The Washington Office Coordinator makes the previous Chief's Review report for the Region/Station(s)/Area available to Review Team members.

#### **Review Team Tasks**

Review Team members assess the degree to which presentations and other events during the review, as well as written materials from the Region, reflect the strategic goals of the Forest Service. At the end of each day, the Review Team meets for a strategic dialogue about what it saw and heard that day. Its observations, commendations, and/or concerns are captured by the Recorder(s) and become the basis for most of the review report.

On the last evening, the Review Team goes a step further. In a separate dialogue, it extracts the most important cross-cutting themes from the review. These are captured by the Recorder(s) and become the basis for a separate section of the review report. Finally, the Team outlines a presentation and/or summary report for the closeout session on the following day.

#### **Final Report**

About 2 weeks after the review, the Recorder(s) complete(s) a draft review report that (1) captures the strategic observations, commendations, and/or concerns raised during the Review Team's evening dialogues; and (2) contains a section outlining, in greater depth, the few most important strategic themes or other findings discussed on the final evening of the review.

Working with the Washington Office Coordinator, the Recorder distributes the draft report to Review Team members, who respond within 10 working days with comments. Nonresponse within the 2-week deadline implies concurrence. Within about 2 weeks, the Recorder incorporates comments and changes into a final report and passes it to the Team Leader for distribution. The report is also posted on the Web.

## 11.1 - Exhibit 01--Continued

### Followup

The Team Leader decides whether any followup is needed. He or she might ask for a joint response from the Region/Station(s)/Area. The response may take any form and address any part of the final report, but it *must* contain proposed actions to address concerns articulated in the report's section on strategic themes or key findings. In the spirit of shared learning and problem solving, the response may include measures that the Region/Station(s)/Area want the Washington Office to take to help address the concerns.

The Region/Station(s)/Area submit their response to the Team Leader within 20 working days. The Team Leader ensures that the response is timely and submits it to the Chief for review. With the Chief's approval, the response is posted on the Web together with the final report.

If a response has been requested, then the Chief or Associate Chief, after an appropriate interval (about a year), will consult with the Region/Station(s)/Area on progress made toward implementing actions outlined in the response.

Results from all reviews are periodically analyzed and common themes presented and discussed at an ELT meeting.



## **11.2 - Deputy Chief's Review**

The Deputy Chief's Review is an evaluation of the overall performance of a field unit program area or areas.

1. Review the following program areas:
  - a. Research,
  - b. State and Private Forestry,
  - c. Business Operations,
  - d. Programs, Legislation, and Communication,
  - e. National Forest System, and
  - f. International Programs.
2. Use the Deputy Chief's Review to develop actions needed to improve the efficiency and effectiveness within and between program areas. At a minimum, review the topics shown in section 11.1, exhibit 01. A Deputy Chief's Review may include one or more deputy areas and should concentrate on implementation of current plans and overall program direction and/or unit issues and concerns. The review should take a vertical look from planning to project implementation. The review team should be selected across Deputy areas based on the objectives of the review plan. Include staff directors with primary program responsibility for the areas in the review plan.

Deputy Chief's Reviews should be scheduled when attainment reports, other reviews, audits, administrative initiatives, congressional interest, or other factors indicate that adjustments in the overall program, coordination, or adjustments to the plan may be necessary. Staff Directors have the responsibility to provide continuous feedback to their respective Deputies on the Region's, Station's, Area's, and Institute's performance (sec. 10.4). See section 12 for detailed standards for planning, conducting, and documenting these reviews.

## **11.3 - Regional Forester's and Director's Reviews**

Regional Foresters, Station Directors, the Area Director, and the Institute Director may:

1. Conduct reviews similar to the Deputy Chief's Reviews or develop a review system that meets the objectives of section 10.2. If these reviews are conducted and/or a review system is developed, issue a supplement to this section. See section 12 for detailed standards for planning, conducting, and documenting reviews.

2. Utilize a special action team approach similar to that established in section 11.2 where appropriate and useful.

#### **11.4 - Activity Reviews**

Use Activity Reviews to evaluate the specific operations of an activity as defined in FSM 1405.

1. Reasons to Schedule Activity Reviews. Activity Reviews can be scheduled to:
  - a. Examine an activity identified through other reviews.
  - b. Examine the need to change specific direction or procedure.
  - c. Review skill levels.
  - d. Review specific plan standard(s) and/or guideline(s).
  - e. Review compliance with laws, regulations, and policy.

The Activity Review is the most common review because it examines the detailed operations that use personnel, capital, and information that are most subject to waste (inefficiency), loss, or misuse. In accordance with the Integrity Act and OMB Circular A-123, the review must evaluate whether the management controls in the activity are applied as intended and are cost effective.

2. Areas to Review. At a minimum, review the following areas:
  - a. Application of primary purpose policy by all staffs.
  - b. Compliance with policy and procedures established in applicable Forest Service manuals and handbooks.
  - c. Property inventories and reconciliation procedures by the Acquisition Management Staff.

An Activity Review may include one or more activities within a program, and may involve one or more units when this is a more efficient method of review.

3. Review Schedule. Each Deputy area develops an annual schedule of Activity Reviews (FSM 1410.4). Staff Directors identify needed Activity Reviews, conduct Activity Reviews, monitor unit follow-up to ensure recommendations from Activity Reviews are completed in a timely manner, and maintain a log or records that readily display the progress of each review (FSM 1410.4). Conduct Activity Reviews according to the priorities established by the risk assessment process, as agreed to as a result of Office of the Inspector General (OIG)/Government Accountability Office (GAO) audit findings, or as adjusted for other management requirements/ regulations.

## **11.41 - Financial Compliance and Internal Controls Review**

The financial compliance and internal controls review addresses selected financial activities. The Albuquerque Service Center (ASC), Financial Operations Staff, Quality Assurance Branch conducts these reviews annually, ensuring cyclical assessment of each Region and two forests at least once every 3 years (FSM 1410.44). The assessment of financial compliance and internal controls over financial reporting shall be coordinated with other reviews to avoid duplication of effort with similar activities. Agencies are required to perform reviews of financial systems under the Federal Financial Manager's Integrity Act (FFMIA) or information security under the Federal Information Security Management Act (FISMA). Results of separate reviews may be used to help accomplish this assessment. Follow the direction in section 12 for planning, conducting, and taking actions on review findings.

### **11.41a - Financial Compliance**

Cover the following areas when assessing financial compliance:

1. Management Review Process. Evaluate the review process to assess whether the reviews are sufficient to support the Yearend Report on Management Controls and Assurance Statement (sec. 13, ex. 01).
2. Appropriation and Fund Usage. Determine whether appropriations are properly charged as intended by Congress through budget line items (BLI) and whether or not they are accounted for properly in the Foundation Financial Information System (FFIS) in accordance with the primary purpose policies contained in FSH 6509.11g. Examples of appropriation and fund usage areas that should be assessed for compliance include:
  - a. Coverage of funding utilized for major real or personal property acquisitions;
  - b. Effectiveness of compliance with bona fide need requirements for yearend purchases;
  - c. Use of fire funds, including State fire reimbursements and receipts from interpretative associations,
  - d. Donations and Knutson-Vandenberg (K-V) projects financing, and
  - e. Accounting for timber costs reported in the Timber Sale Program Information Reporting System.
3. Financial Management. Determine the overall effectiveness of financial compliance as it pertains to:
  - a. Financial procedures and controls used to prevent the over-expenditure of funds,

- b. Tracking of reimbursements and expenditure transfers, including the Senior Community Service Employment Program (SCSEP), and
  - c. Management of Cooperative-Other, K-V, Brush Disposal (BD), Salvage Sale accounts, and Job Corps funds.
- 4. Apportionment Limitations. Examine the procedures and controls in place to ensure that they comply with apportionment limitations and the process for identifying, requesting, and approving reprogramming needs (FSM 6520 and FSH 1909.13, sec. 46).
- 5. Accounting System. Evaluate the effectiveness of the accounting system.
- 6. Non-monetary Awards. Determine if the policies and procedures being used in giving employees and others non-monetary awards are consistent with the direction set forth in FSM 6511.13e and FSH 6109.13.
- 7. Payments. Determine whether payments being made through the various systems are appropriate and adequately documented (FSM 6540, FSH 6509.11k, ch. 40, and FSH 6509.31).
- 8. Collections. Determine whether the requirements for collecting, safeguarding, and depositing Government funds received from all sources, as required in FSM 6530, FSH 6509.11k, chapter 30, and FSH 6509.11h are met, including:
  - a. Assessing the adequacy of unannounced cash verifications and audits,
  - b. Determining whether effective debt management tools are being used, and
  - c. Determining the adequacy of documentation supporting administrative costs charged on overdue debts.
- 9. Imprest Funds. Determine whether the requirements are being met for the safeguarding and expenditure of imprest funds, including assessing the adequacy of unannounced cash verifications and audits (FSH 6509.13b).
- 10. Accounting Adjustments. Determine whether accounting adjustments are sufficiently documented and properly authorized (FSH 6509.11k, sec. 41.7).
- 11. Information Technology. Determine the adequacy of security over hardware and software applications as related to fiscal applications and internal controls (FSH 6509.11k, ch. 60 and FSM 6600).

## **11.5 - Functional Assistance Trips and Special Washington Office Action Teams**

### **11.51 - Functional Assistance Trips**

The functional assistance trip assists in transferring information in any program or activity. Conduct an assistance trip to:

1. Assist a unit in implementing direction,
2. Solve technical or operational problems,
3. Exchange information, and/or
4. Survey or review needs.

Emphasis should be on solving problems, exchanging information, and developing and testing new ideas. A functional assistance trip is a low-cost alternative (though not a substitute) to conducting a review, particularly where risks of waste, loss, and misuse are low. Make assistance trips as needed. Plan and conduct the trips in a manner appropriate to the purpose(s).

Document the purpose and the results of the trip in formal correspondence to the unit. As a general rule, hold a brief closeout discussion with supervisory staff or line officers to summarize and highlight the accomplishments of the trip.

### **11.52 - Special Washington Office Action Teams**

Special problem solving trips focus on complex problems or emerging situations that need more in-depth technical or managerial review and/or resolution. Team members are selected across Deputy areas, Regions, Stations, the Area, and the Institute based on their expertise, ability to work as part of a team, and ability to simplify and solve complex problems. The Chief or Deputy Chiefs select and formally designate special problem solving teams (FSM 1410.4).

## **12 - Planning, Conducting, and Taking Actions on Reviews**

### **12.1 - Planning Reviews**

The results of the national risk assessment shall be used in conjunction with results from Office of the Inspector General (OIG), Government Accountability Office (GAO) and Region, Station, Area (RSA) or Institute evaluations to concentrate reviews where risks of waste, loss, and misuse of resources are highest, unless administration, congressional, or other interests justify priority changes (sec. 14).

## 12.11 - Annual Schedule

1. Agency-level Schedule. The Agency Management Control Liaison prepares an agency level schedule showing the reviews planned for a period of 3 fiscal years in early December of each year. To support this requirement, each Region, each Station, the Area, the Institute, and each Washington Office staff shall submit a 3-year schedule of the reviews planned by their offices. WO Office staff submissions shall be consolidated at the Deputy Chief level. In the package, include the current fiscal year and the projected plans for the next 2 fiscal years (FSM 1410.4) to the Agency Management Control Liaison, by October 31 of each year.

2. Review and Approval of Schedule. The Agency Management Control Officer coordinates the review and approval of the management/internal controls annual review schedule with the Executive Leadership Team prior to release to ensure:

- a. Concentration of reviews in areas where potential material deficiencies in the controls or risks of waste, loss, and misuse are highest,
- b. Coordinated coverage of reviews for program areas, and
- c. Elimination of the potential for duplicative reviews (for example, management control review, functional review, performance review, and/or activity reviews).

3. Annual Schedule. The annual schedule shall include:

- a. Name of the staff scheduling the review,
- b. Program area/location to be reviewed,
- c. Risk ranking of the program area based on prior assessments or separate evaluation,
- d. Type of control evaluation to be performed,
- e. Month and year in which the evaluation is to be completed, and
- f. Assigned lead for completing the evaluation.

4. Quarterly Updates. The schedule shall be updated quarterly in compliance with sections 10.4 and 12.33 of this handbook, to promote early reporting of potential material weaknesses and permit management to focus attention on correcting the problem in a timely manner. Quarterly updates to the schedule shall include:

- a. Actual review date,
- b. Disclosure of material deficiencies, and

c. Copy of the Executive Summary prepared in compliance with section 12.25.

Exhibit 01 is a template that may be used by managers to submit the annual list of scheduled reviews and the quarterly update to the schedule.

## 12.11 - Exhibit 01

### Management/Internal Controls Annual Review Schedule

<b>Name of Person Completing Form:</b> _____						
<b>Position of Person Completing Form:</b> _____						
<b>Date:</b> _____						
Check as appropriate to indicate intent of submission: ( ) <b>Annual input to the Management/Internal Controls Review Schedule</b> (Complete Section A.) ( ) <b>Quarterly update of reviews completed</b> (Update Section A and complete Section B.)						
<b>SECTION A:</b>						
UNIT STAFF	REVIEW TYPE/AREA	RISK RANK	TYPE OF EVALUATION	SCHEDULED REVIEW DATE MM/YYYY	RESPONSIBLE LEAD	ACTUAL REVIEW DATE MM/YYYY
WO -LEI	DRUG ENFORCEMENT ON NATIONAL FORESTS	--	ACTIVITY REVIEW	12/2005	JOHN DOE	
R3 – RO	SAFETY AUDIT OF CIBOLA NF	--	SAFETY AUDIT	01/2006	JANE SMITH	
<b>SECTION B:</b>  Based on the results of the reviews completed this quarter, our review findings:  <p style="text-align: center;"><b><i>Complete by checking the appropriate response to complete the statement.</i></b></p> <p><b>DO ( ) or DO NOT ( )</b> meet the criteria for classification as a material weakness, control deficiency, or reportable condition listed in FSH 1409.18, section 13.</p> <p><b>WILL ( ) or WILL NOT ( )</b> be reported as material weaknesses, control deficiencies, or reportable conditions during year end reporting (FSH 1409.18, sec. 14).</p> <div style="display: flex; justify-content: space-between; margin-top: 20px;"> <div style="width: 45%;">           _____            Line Officer Name            Line Officer Title         </div> <div style="width: 45%;">           _____            Date         </div> </div> <p style="text-align: center; margin-top: 20px;"><b><i>If a material weakness, control deficiency or reportable condition has been identified, complete FSH 1409.18, section 13, exhibit 02.</i></b></p> <p><small>*Risk Rank is based on the results of the National Risk Assessment.</small></p>						



### **12.12 - Review Team**

After scheduling a review, assemble a review team composed of a team leader and team members to:

1. Prepare the review plan,
2. Conduct the review and prepare the review report,
3. Oversee development of the action plan, and
4. Assist in follow-up until action is complete.

### **12.13 - Team Structure**

Select a team leader and team members on the basis of the scope and complexity of the topics to be reviewed and the technical and analytical expertise needed. Generally, a team should consist of three to five members that represent expertise in the areas to be reviewed.

### **12.14 - Review Plan**

Prepare the review plan with the line officer or designated representative of the unit(s) under review. The responsible officer of the reviewing office (FSM 1410.4) must approve the review plan before initiating onsite review work. At a minimum, the plan should show the following:

1. Name of unit(s), program(s), or activity(s) under review.
2. Type of review and resources required. Ensure that adequate resources are made available to perform the type of assessment scheduled.
3. Planned dates of review and travel itinerary. Ensure that the assessment is carried out in a thorough, effective and timely manner.
4. Management topics or areas of concern to be reviewed. Ensure that objectives are clearly communicated to the appropriate staff areas throughout the agency.
5. Proposed review approach. Determine the review design and methodology.
6. Pre-review work needed by either level. Determine the scope of the assessment, such as, reports covered by the assessment and so forth.

## **12.14a - Deputy Chief's, Regional Forester's, and Director's Review Plans**

In Deputy Chief's, Regional Forester's, and Director's Review Plans, show the management topics (FSM 1410.45a, ex. 01) and any special issues to be reviewed.

## **12.14b - Activity Review Plans**

Activity Reviews focus on the areas within the activity that are of greatest concern (that is, the highest risk) to the program manager. In Activity Review plans, show the area(s) of concern to be reviewed. Normally, these are the area(s) in which the program manager perceives any of the following problems to exist:

1. Inconsistency with law, regulation, or policy.
2. Inefficiency due to excessive requirements.
3. Ineffectiveness in producing the desired quality or quantity of results.
4. Occurrence of financial or non-financial losses.
5. Use of unnecessary or inaccurate information.

## **12.2 - Conducting Reviews**

### **12.21 - Onsite Procedure for Reviews**

After completing the review plan and pre-review work, initiate the onsite portion of the review. Use the following as a guide to organize the onsite review:

1. Entrance Conference. At the start of the onsite review, meet with unit managers to ensure mutual understanding of the areas to be reviewed and the review approach. (At the team leader's discretion, other areas may be included during the course of the review if needed.)
2. Analysis of Conditions. Through observations, review of documents, interviews with unit managers and staff, and tests of applicable controls, analyze the reviewed areas. Determine the existing conditions in each review area and identify specific problems and opportunities for improvement. The analysis of conditions should also show the root cause of the condition identified and the effect the condition has had on the reviewed area. Also, identify any notable accomplishments that deserve commendation.

3. Alternative Actions. Consider what can be done to solve the problems or take advantage of the opportunities for improvement. Solutions should address the root cause of the condition. Outline alternative actions that should correct or improve the conditions found. Alternatives should be cost-beneficial whenever possible.

4. Exit Conference. At the end of the onsite review, present unit managers with a draft report of the conditions found and the alternative actions. Reach agreement on the facts and significance of the findings, if feasible, and on how the action plan would be developed.

In the event of disagreement, the review team leader should record the team's position and the reviewed unit's position in the final report. The Executive Summary should note the disagreement and provide a determination on the materiality of the issue (sec. 14.71). The Management Control Liaison will complete a limited assessment of material issues and may forward the issue to the Agency Management Control Officer with a recommendation for final disposition. Issues that are not determined to be material and do not violate law or agency policy and procedure will be noted in the final report and no additional assessment will be required.

#### **12.22 - Deputy Chief's Review Procedures**

Examine the unit management or program management topics shown in the Deputy Chief's Review plan in a manner the team considers appropriate for the unit or program under review.

#### **12.23 - Regional Forester's and Director's Review Procedures**

Examine the unit management or program management topics shown in the review plan in a manner the team considers appropriate for the unit or program under review.

#### **12.24 - Activity Review Procedures**

Evaluate management controls to ensure that they are applied and are cost-effective. Examine the areas of concern shown in the Activity Review plan using the following as a guide:

1. Appraise performance to ensure that the desired results are achieved. Desired results are usually achieved in an activity if:

- a. The overall management systems of planning, organization, direction, review and accountability, internal and external coordination, human resources management, and information management that govern the activity are working effectively.
- b. The specific functional direction for the activity is appropriate and has been applied.

If there are weaknesses in the management systems, or if the functional direction is inappropriate or not followed, failure to achieve the desired end result may occur.

In appraising performance, identify where the desired results have not been achieved. Propose actions as needed to either adjust the overall management systems, modify the specific objectives or controls that make up the functional direction, or ensure the controls are applied as intended.

2. Evaluate direction to ensure that the requirements are cost-effective. Controls are needed to reduce significant risks of waste, loss, or misuse, or to ensure the achievement of certain desired results (defined by the objectives). Otherwise, controls should be minimized to give managers maximum flexibility to use professional judgment in achieving the objectives. If the required controls do not reduce risks, or if they do not help achieve the objectives, they are probably not cost-effective.

In evaluating direction, critically examine and challenge the Forest Service Manual and Handbook requirements against the risks or objectives in the areas of the activity under review. Identify those controls that are not crucial to reducing the risks or achieving the objectives including:

- a. Standards that are higher and more costly than needed.
- b. Processes that generate too much paperwork or are unnecessarily complex.
- c. Procedures that should be left up to local discretion.
- d. Reports or forms that are of little use to the requiring level.
- e. Approval authorities that can be delegated to lower levels.
- f. Burdensome requirements imposed by outside agencies.

Propose actions to simplify, reduce, or eliminate the excessive controls. Conversely, identify any additional controls that are needed to reduce the risks or achieve the objectives. Propose actions to establish the needed controls.

3. Identifying more efficient ways to achieve the objectives. Objectives should be achieved in the most efficient manner possible, particularly as personnel and capital become more limited.

In appraising performance or evaluating direction, identify any innovative or improved methods that could be employed to increase productivity. Propose actions to apply the methods, or to adopt them in formal direction if appropriate.

## 12.25 - Review Report

Prepare a report and transmit it to the unit(s) and concerned staffs within 45 days following the exit conference.

The report may be in draft if there is a need for additional agreement on the report's contents. However, the report must be substantively complete for development of the action plan. The final review report may be transmitted along with the action plan. Prepare the report in the following format:

1. Transmittal Memorandum. Transmit the final report in compliance with section 12.33. The transmittal must be signed and dated by the team leader responsible for the evaluation.
2. Cover Sheet. The cover sheet should include:
  - a. Type of review.
  - b. Name of unit(s), program(s), or activity(s) reviewed.
  - c. Dates of review.
  - d. Names and titles of review team members.
  - e. Date and name of team leader of last similar review, if applicable.
3. Table of Contents. The table of contents shall contain the following:
  - a. Executive Summary. The summary should be able to stand alone from the entire report. This information shall be stated in the body of the report as the "EXECUTIVE SUMMARY." The purpose is to summarize:
    - (1) What was evaluated,
    - (2) Why it was evaluated,
    - (3) When was the evaluation done (start and end dates),
    - (4) Where was the fieldwork conducted,
    - (5) What approach was used,
    - (6) What was found, and
    - (7) Who were the team members.

b. Program Information. Describe the program being evaluated. This section must include the following:

(1) Program name and any sub-programs.

(2) The linkage of the program to strategic goals published in the Strategic Plan and Annual Performance Plan.

(3) Specific activities and outputs of the program.

(4) The date and title of the last evaluation. List all evaluations of this program area performed within the last 3 fiscal years.

c. Evaluation Objectives. List the overall objectives of the evaluation.

d. Methodology. Describe the method and approach used to conduct the evaluation. Include details on how the evaluation was conducted, dates, locations, types of interviews, and types of records examined. Steps in the evaluation process should be tied to the specific objectives of the evaluation.

e. Commendations/Areas of Positive Performance. Show notable accomplishments by units or individuals in exceeding planned results and making breakthrough improvement.

f. Opportunities for Improvement/Statement of Findings. Describe each finding in the following format:

(1) Caption. Show the topic or area reviewed.

(2) Opening statement. Briefly state the condition found.

(3) Details. Support the opening statement by providing enough information to convince management of the need to take action.

(4) Alternative actions. List actions management can take to correct the condition. Show only one if no others are feasible.

g. Appendix. Include any backup material needed to support the report and action plans.

## **12.3 - Planning and Taking Action**

### **12.31 - Action Plan**

Develop a corrective action plan and transmit the plan to concerned units and staffs within 30 days following transmittal of the review report (sec. 12.25). At a minimum, the action plan must include the following:

1. Topics titled and numbered as in the review report.
2. Planned corrective actions.
3. Officials responsible for the actions.
4. Target dates for completion of actions (preferably within 1-year).

If possible, use an action-planning session to bring the appropriate officials together to develop the action plan. For the Chief's Overview, include the line officers of both levels and the review team leader. For the Deputy Chief's Review and an Activity Review, include the staff officers of both levels responsible for the program or activity and the review team leader.

Have the action plan approved by the line officers of both levels and incorporate the approved action plan as an appendix to the final review report. See section 12.21 for resolving disagreements.

Preparation of corrective action plans for material weaknesses reported in compliance with the Federal Manager's Financial Integrity Act (FMFIA) and the Federal Financial Management Improvement Act (FFMIA) must be coordinated by the Agency Management Control Liaison (FSM 1410.43). These plans will be updated quarterly to ensure timely reporting on the status of corrective actions, as necessary, to the Department in the quarterly FMFIA, FFMIA, and Management Challenges Reports (FSM 1410.43).

### **12.32 - Follow-up**

Use the following process to ensure the completion of planned corrective actions:

1. Instructions. The line officer responsible for the review provides instructions for reporting the completion of actions in the letter transmitting the action plan.
2. Progress reports. Line officers responsible for actions submit interim progress reports if actions are not completed as scheduled.
3. Certification. Line officers responsible for actions certify to the reviewing line officer the completion of planned actions.

4. Closure. The team leader monitors the follow-up process to ensure the submission of all certifications and the closure of the review.

In the event the team leader retires, transfers, or is otherwise unable to complete the follow-up, the line officer responsible for the review designates another team member or the responsible staff officer (for Deputy Chief's Reviews and Activity Reviews) to complete the follow-up.

If any agency review results in the conclusive finding of a material control weakness, follow-up actions shall be the responsibility of the Agency Management Control Liaison (FSM 1410.43). The Agency Management Control Liaison reports on the material control weakness, development of the corrective action plan, and assignment of responsibility for corrective action. Further, the Agency Management Control Liaison tracks the status of corrective actions and requests closure of the finding after certification of completion of planned actions has been submitted.

### **12.33 - Review File**

Maintain an official case file for each management review at both the reviewing office and the reviewed unit. At a minimum, include the following items:

1. Review plan,
2. Review report and associated work papers, and
3. Action plan, accomplishment reports, and completion certifications.

The responsible staffs maintain the files for their respective reviews. However, a summary of all reviews completed shall be provided to the Agency Management Control Liaison on a quarterly basis using the format at section 12.11, exhibit 01. A copy of the Executive Summary from each Review Report (sec. 12.25) shall be attached to the summary report. Quarterly summary reports should promote early reporting of potential material weaknesses and permit management to focus attention on correcting the problem in a timely manner. The Agency Management Control Liaison uses the Management/Internal Controls Annual Review Schedule (sec. 12.11) as the basis for tracking the receipt of review summaries.

### **13 - Yearend Report on Management Control**

The yearend report accumulates results of the year's management reviews, Government Accountability Office (GAO), Office of the Inspector General (OIG) audits, and other special reviews of Forest Service activities. The report's purpose is to:

1. Seek relief from burdensome requirements imposed by the Forest Service or higher authorities (Department of Agriculture, Office of Management and Budget (OMB),



Office of Personnel Management (OPM), General Services Administration (GSA), and so forth).

2. Highlight significant Forest Service control weaknesses that need management emphasis.

a. The criteria for determining a material control weakness is set forth in OMB Circular A-123 (FSM 1401, para. 3). This circular requires reporting of a material weakness that:

- (1) Significantly impairs the fulfillment of the Department's or agency's mission,
- (2) Deprives the public of needed services,
- (3) Violates statutory or regulatory requirements,
- (4) Significantly weakens safeguards against waste, loss, unauthorized use or misappropriation of funds, property, or other assets, or
- (5) Results in a conflict of interest.

b. Since these factors are judgmental and can be widely interpreted, the following additional elements are prescribed by OMB to be used by agencies to determine whether weaknesses are to be reported. Each material weakness should meet one or more of the following supplementary criteria:

- (1) Merits the attention of the Secretary/Department senior management, the Executive Office of the President, or the relevant congressional oversight committee,
- (2) Exists in a major program or activity,
- (3) Could result in the loss of \$10 million or more, or 5 percent or more of the resources of a budget line item, or
- (4) Its omission from the Federal Managers' Financial Integrity Act (FMFIA) report could reflect adversely on the management integrity of the Department.

3. Fulfill Department reporting requirements under sections 2 and 4 of the Federal Financial Management Improvement Act (FSM 1401).

### 13.1 - Unit Reports

Deputy Chiefs, Regional Foresters, Station Directors, Area Director and the Institute Director must submit yearend reports for their units to the Chief through the Agency Management Control Liaison. The reports must extract from the year's management reviews, audits, and other special reviews of Forest Service activities any findings that in the line officer's judgment constitute significant management control weaknesses. Material weaknesses must be reported in the annual Financial Managers' Financial Integrity Act (FMFIA) assurance statement. Only those control deficiencies determined to be a material weakness after review by the Agency Management Control Officer after coordination with the Executive Leadership Team should be reported (sec. 14). Excessive or inadequate controls and burdensome requirements should be reported through the Agency Management Control Liaison to the Agency Management Control Officer as they become known.

At least annually, the Agency Management Control Liaison, at the direction of the Executive Leadership Team through the Agency Management Control Officer, forwards the Department's request for information on management controls. See section 13, exhibits 01 and 02 for the formats used to report this information.

1. Statement on Management Controls and Assurance Statement. (Ex. 01). Report the number of management reviews accomplished and certify that all material control weaknesses have been reported.
2. Description of Specific Weakness and Critical Milestones for Corrective Actions. (Ex. 02). Describe the material control weakness and the actions to be taken to correct the weakness.

### 13 - Exhibit 01

#### Statement of Assurance on Internal Controls

<b>Select the assessment area covered by this Statement of Assurance:</b>		
<input type="checkbox"/> <b>Financial Management Systems</b> (FMFIA, Section 4)	<input type="checkbox"/> <b>Operations</b> (FMFIA, Section 2)	
<b>Organizational Level (Region, Station, Area, Institute or Washington Office Staff:</b>		
During fiscal year 2XXX, this [UNIT] performed a total of [#] reviews (exclude functional assistance trips). From these reviews and information from all other sources, such as Office of the Inspector General (OIG) audits, Government Accountability Office (GAO) audits, Whistleblower Complaints, routine operational problems, and so forth:		
<input type="checkbox"/> The [UNIT] can provide reasonable assurance that the internal controls as of [DATE] were operating effectively and <u>no material weaknesses</u> were found in the design or operation of the internal controls.		
<input type="checkbox"/> The [UNIT] identified [number] material weakness(es) in its internal controls as of [DATE]. Other than the material weaknesses disclosed on the enclosed "Description of Specific Weakness and Critical Milestones for Corrective Action," the internal controls were operating effectively and no other material weaknesses were found in the design or operation of the internal controls.		
<div style="display: flex; justify-content: space-between;"> <div style="width: 40%;"> /s/ _____  [Name of Line Officer]  [Title of Line Officer] </div> <div style="width: 40%; text-align: right;"> _____  Date </div> </div>		
<b>For information/questions regarding the preparation of this Statement of Assurance, please contact:</b>		
_____ Name	_____ Telephone Number	_____ Lotus Notes Address

## 13 - Exhibit 02

### Description of Specific Weakness and Critical Milestones For Corrective Actions

<i>Use this format to report any new weaknesses or report progress on previously reported material. If more than one material weakness is being reported, please duplicate this schedule for each weakness.</i>	
Organizational Unit: _____ (WO Staff/Region/Station/Area, and so forth.)	
Activity: Program _____; Administrative _____	Fiscal Year Identified: _____
Title and Description of Material Weakness:	
Source of Discovery: (for example, management review; OIG audit or investigation; GAO audit or other sources.)	
Materiality:	
Impact if action is not taken to correct this weakness:	
Original Target Date	Revised Target Date: (If original target date was changed in a prior report.)
Current Target Date: (If applicable)	_____
Explanation for revision of correction date:	
Name of program manager responsible for verifying completion of the corrective action	
Explain the validation process used to verify completion of corrective action:	
Describe key results achieved that determine whether agency actions corrected the weakness or deficiency.	
List corrective actions completed during the year and indicate quarter in which completed	
List corrective actions planned and indicate the fiscal year and quarter for planned action	
List related strategic plan and annual performance plan goal and objective associated with this weakness	
If applicable, cross-reference the outstanding section 4 system nonconformance associated with this weakness	

## **13.2 - Chief's Report**

By mid-September, the Chief must submit to the U.S. Department of Agriculture's Secretary a yearend report compiled from the unit's yearend reports (FSM 1412.2).

The report states that the Forest Service has evaluated its control system and that the evaluation indicates that the control system did (did not) provide reasonable assurance that the Forest Service achieved the basic management goals in FSM 1402.

The report describes the year's evaluation as follows:

1. Explains the risk assessment and management review process.
2. Lists the current national assessment rankings of all activities.
3. Gives the status of planned corrective actions identified in the previous year's report.
4. Summarizes the significant management control weaknesses found in the current year's reviews, the corrective actions taken or planned, and completion dates.
5. Explains whether accounting systems and subsystems conform to the principles, standards, and related requirements of the Comptroller General.

The Secretary incorporates the Chief's annual assessment in the Department's yearend report to the President and Congress.

## **14 - Risk Assessment**

### **14.1 - Objectives**

The objective of a risk assessment is to identify, measure, and prioritize a component's risk to ensure that primary focus is placed on areas of greatest significance and that proper internal controls are in place to manage identified risks.

### **14.2 - Conducting the National Risk Assessment**

National risk assessments shall be generated annually and distributed to selected program areas identified by the Agency Management Control Officer in coordination with the Executive Leadership Team. The Executive Leadership Team, through the Agency Management Control Officer may delegate this responsibility solely to the Agency Management Control Liaison (FSM 1410.43). The assessment of agency program areas, while conducted annually, shall ensure cyclical assessment of each program at least every 3 fiscal years.

### 14.3 - Assessment Process

See exhibit 01 for the steps and timeframes for the assessment process.

#### 14.3 - Exhibit 01

##### Assessment Process

<u>Responsible Party</u>	<u>Action</u>	<u>Due Date</u> <u>(If Applicable)</u>
Agency Management Control Officer	Provide direction, guidance, and input to support the development and distribution of the annual risk assessment.	
Agency Management Control Liaison	Generate an automated, web-based risk assessment.  Distribute it to the appropriate management officials (National, Regional, Station, Area and Institute).	Between April and July
Managers	Delegate the appropriate individual within their areas of program responsibility to complete the assessment.	
Evaluators	Complete the questionnaire.  Score and rank each program area.  Submit responses to the Agency Management Control Liaison.	August
Agency Management Control Liaison	Analyze the data and compile the national risk ranking based on the results.	September
Agency Management Control Liaison	Submit the draft national risk ranking to the Agency Management Control Officer for review, comment and submission to the Executive Leadership Team.  Adjust the risk rankings based on the comments from the Executive Leadership Team and the Chief Financial Officer.	Mid-October
Chief	Approve and submit the final risk ranking to the Department.	Late December

#### **14.4 - Assessment Design**

The program areas selected for assessment shall be linked to the annual Program Direction. The list of FY 2005 agency program areas is included as exhibit 01. The list of agency program areas is included in the current Program Direction issued by the Program, Budget and Analysis Staff.

## 14.4 - Exhibit 01

### FY 2005 List of Agency Program Areas

CATEGORY	FUND	PRGM	PROGRAM NAME	DEPUTY AREA	STAFF
Capital Improvements and Maintenance			Facilities - Accessibility	NFS	RHR
Capital Improvements and Maintenance	CMCM	CMFC	Facilities Capital Improvements and Maintenance	NFS	ENG
Capital Improvements and Maintenance	CMCM	CMII	Infrastructure Improvements and Maintenance	NFS	ENG
Capital Improvements and Maintenance	CMCM	CMRD	Roads Capital Improvements and Maintenance - High Clearance Road Maintained	NFS	ENG
Capital Improvements and Maintenance	CMCM	CMRD	Roads Capital Improvements and Maintenance - Passenger car road maintained	NFS	ENG
Capital Improvements and Maintenance	CMCM	CMTL	Trails Capital Improvements and Maintenance	NFS	RHR
Land Acquisition			Land Acquisition and Purchase - Rights of Way	NFS	L
Land Acquisition			Land Management - Energy Facility Applications	NFS	MGM
Land Acquisition	LALW	LALW	Land Acquisition and Purchase - Acres Acquired	NFS	L
Land Acquisition	NFNF	NFLM	Authorizations Administered	NFS	L
Land Acquisition	NFNF	NFLM	Boundary Line Maintained	NFS	L
Land Acquisition	NFNF	NFLM	Boundary Line Marked	NFS	L
Land Acquisition	NFNF	NFLM	Land Acquisition and Purchase - Adjustments	NFS	L
Land Acquisition	NFNF	NFLM	Land Use Proposals	NFS	L
Land Acquisition	NFNF	NFLM	Litigation and Administrative Procedures	NFS	L
National Forest System			Forest and Grassland Watersheds Condition	NFS	WFW
National Forest System	NFNF	NFLE	Law Enforcement - Criminal Investigations	LEI	LEI
National Forest System	NFNF	NFLE	Law Enforcement - Enforcement	LEI	LEI
National Forest System	NFNF	NFIM	Above Project Integrated Inventories	NFS	EMC
National Forest System	NFNF	NFIM	Broadscale Ecosystem Assessments	NFS	EMC



## 14.4 - Exhibit 01--Continued

### FY 2005 List of Agency Program Areas

CATEGORY	FUND	PRGM	PROGRAM NAME	DEPUTY AREA	STAFF
National Forest System	NFNF	NFIM	GIS Resource Mapping	NFS	EMC
National Forest System	NFNF	NFIM	Inventory and Monitoring	NFS	EMC
National Forest System	NFNF	NFIM	National Visitor Use Monitoring	NFS	EMC
National Forest System	NFNF	NFIM	Watershed Assessments	NFS	EMC
National Forest System	NFNF	NFMG	Minerals and Geology Management - Geologic Resources and Hazards	NFS	MGM
National Forest System	NFNF	NFMG	Minerals and Geology Management - Mineral Operations	NFS	MGM
National Forest System	NFNF	NFMG	Minerals and Geology Management - Oil and Gas Applications	NFS	MGM
National Forest System	NFNF	NFMG	Minerals and Geology Management - Process D25 Mineral Operations	NFS	MGM
National Forest System	NFNF	NFN3	NFP - Rehabilitation and Restoration of Burned Areas	NFS	L
National Forest System	NFNF	NFPN	Land Management Planning - Amendments	NFS	L
National Forest System	NFNF	NFPN	Land Management Planning - Revisions/New Plans	NFS	L
National Forest System	NFNF	NFRG	Grazing Allotment Administration	NFS	RGE
National Forest System	NFNF	NFRG	Grazing Management	NFS	RGE
National Forest System	NFNF	NFRW	Recreation, Heritage and Wilderness - Travel Management	NFS	RHR
National Forest System	NFNF	NFTM	Timber Sales Management - Appeals and litigation	NFS	FP
National Forest System	NFNF	NFTM	Timber Sales Management - Special Products Permits	NFS	FP
National Forest System	NFNF	NFTM	Timber Sales Management - Volume Harvested	NFS	FP

## 14.4 - Exhibit 01--Continued

### FY 2005 List of Agency Program Areas

CATEGORY	FUND	PRGM	PROGRAM NAME	DEPUTY AREA	STAFF
National Forest System	NFNF	NFTM	Timber Sales Management - Volume Offered for Sale (Appropriated)	NFS	FP
National Forest System	NFNF	NFVW	Improvement of Forest Vegetation	NFS	RGE
National Forest System	NFNF	NFVW	Improvement of Range Vegetation	NFS	RGE
National Forest System	NFNF	NFVW	Vegetation and Watershed - Noxious Weed Treatment	NFS	WFW
National Forest System	NFNF	NFWF	Wildlife and Fish Habitat Management - Lakes Restored or Enhanced	NFS	WFW
National Forest System	NFNF	NFWF	Wildlife and Fish Habitat Management - Terrestrial Wildlife Habitat Restored or Enhanced	NFS	WFW
National Forest System	NFNF	NFWF	Wildlife and Fish Habitat Management - Streams Restored or Enhanced	NFS	WFW
National Forest System	NFNF		Land Management Plans - Revisions/New Plans Completed	NFS	EMC
National Forest System	NFNF	NFCS	Centennial of Service Challenge	NFS	RHR
National Forest System	NFNF	NFVW	Manage ECAP/AML	NFS	ENG
National Forest System	VCVC	VCVC	Valles Caldera Operations	NFS	RHR
Operations	OPS	OPS	Civil Rights	CR	CR
Operations	OPS	OPS	Acquisition Management - Personal Property	OPS	AQM
Operations	OPS	OPS	Acquisition Management - Procurement Policy	OPS	AQM
Operations	OPS	OPS	Acquisition Management - Real Property	OPS	AQM
Operations	OPS	OPS	Acquisition Management - Small Purchase Management	OPS	AQM
Operations	OPS	OPS	Budget and Finance - Budget Execution	OPS	B&F (ASC)
Operations	OPS	OPS	Budget and Finance - Budget Program and Planning	OPS	B&F
Operations	OPS	OPS	Budget and Finance - Financial Operations	OPS	B&F (ASC)

## 14.4 - Exhibit 01--Continued

### FY 2005 List of Agency Program Areas

CATEGORY	FUND	PRGM	PROGRAM NAME	DEPUTY AREA	STAFF
Operations	OPS	OPS	Budget and Finance - Financial Reporting and Reconciliation	OPS	B&F (ASC)
Operations	OPS	OPS	Budget and Finance - Financial Systems	OPS	B&F
Operations	OPS	OPS	Budget and Finance - Management Control and Audit	OPS	B&F
Operations	OPS	OPS	Performance Measurement	PL&C	SPRA
Operations	OPS	OPS	Budget and Finance - Policy and Standards	OPS	B&F
Operations	OPS	OPS	Directives/Regulation Management	OPS	ORMS
Operations	OPS	OPS	Freedom of Information Act/Privacy Act	OPS	ORMS
Operations	OPS	OPS	HRM - Worker's Compensation Claims	OPS	B&F
Operations	OPS	OPS	Human Resource Management - Labor Management and Employee Relations	OPS	HRM
Operations	OPS	OPS	Human Resource Management - Staffing, Classification, and Organization Management	OPS	HRM
Operations	OPS	OPS	Information Resource Management	OPS	IRM
Operations	OPS	OPS	Safety and Health	OPS	OSOH
Other	ACAC	ACAC	Acquisition - Special Acts		
Other	EXEX	EXEX	Land Exchange	NFS	L
Other	EXEX	EXCL	Site Specific Land Acts	NFS	L
Other	EXEX	EXSC	Conveyance of Administrative Sites	NFS	L
Other	GBGB	GBGB	Gifts and Bequests for Forest and Rangeland Research	R&D	
Other	GDGD	GDGD	Gifts and Donations for Forest and Rangeland Research	R&D	
Other	RBRB	RBRB	Range Betterment	NFS	RGE
Other	SMSM	SMSM	Management of National Forest Lands for Subsistence Uses	NFS	WFW
Perms and Trust Funds	BDBD	BDBD	Brush Disposal	NFS	FM
Perms and Trust Funds	CWFS	CWFS	Cooperative Work, Other	NFS	FM

# 14.4 - Exhibit 01--Continued

## FY 2005 List of Agency Program Areas

CATEGORY	FUND	PRGM	PROGRAM NAME	DEPUTY AREA	STAFF
Perms and Trust Funds	CWKV	CWKV	Cooperative Work, K-V	NFS	FM
Perms and Trust Funds	FDFD	FDAS	Fee Demo Agency Specific	NFS	RHR
Perms and Trust Funds	FDFD	FDCL	Fee Demo Collection Support	NFS	RHR
Perms and Trust Funds	FDFD	FDDS	Fee Demo Site Specific	NFS	RHR
Perms and Trust Funds	FEFR	FEFR	Recreation Fee Collection	NFS	RHR
Perms and Trust Funds	HDWD	HDWD	Hardwood Technology and Research	R&D	
Perms and Trust Funds	LBLB	LBLB	Land Between the Lakes Management Fund	NFS	RHR
Perms and Trust Funds	LBTV	LBTV	Land Between the Lakes Trust Fund	NFS	RHR
Perms and Trust Funds	LPFL	LPFL	Licensee Program - Woodsy Owl	S&PF	CE
Perms and Trust Funds	LPSB	LPSB	Licensee Program - Smokey Bear	S&PF	CE
Perms and Trust Funds	PEPE	PEPE	Purchaser Elect - Timber Roads	NFS	ENG
Perms and Trust Funds	PIPI	PIPI	Midewin NTP Rental Fees	NFS	L
Perms and Trust Funds	QMQM	QMQM	Operations and Maintenance of Quarters	NFS	ENG
Perms and Trust Funds	RIRI	RIRI	Restoration of Forest Lands	NFS	<i>Multiple</i>
Perms and Trust Funds	RTRT	RTRT	Reforestation Trust Fund	NFS	FM
Perms and Trust Funds	SFSF	SSSS	Timber Salvage Sales - Volume Offered for Sale	NFS	FM
Perms and Trust Funds	TPTP	TPCD	Rec Backlog/Timber Pipeline	NFS	FM

**14.4 - Exhibit 01--Continued**

**FY 2005 List of Agency Program Areas**

CATEGORY	FUND	PRGM	PROGRAM NAME	DEPUTY AREA	STAFF
Perms and Trust Funds	TPTP	TPPS	Timber Sales/Timber Pipeline	NFS	FM
Perms and Trust Funds	TRTR	TRTR	Roads and Trails for States	NFS	ENG
Perms and Trust Funds	URRF	URFA	Commercial Filming - RO and WO	NFS	L
Perms and Trust Funds	URRF	URFF	Commercial Filming - Collection Costs	NFS	L
Perms and Trust Funds	URRF	URFM	Commercial Filming - Local Admin Units	NFS	L
Perms and Trust Funds	VCNP	VCNP	Valles Caldera National Preserve	NFS	RHR
Research	FRFR	FRF2	NFP - Forest and Rangeland Research	R&D	
Research	FRFR	FRRE	Forest and Rangeland Research	R&D	
State and Private Forestry	LGCY	LGCY	Forest Legacy	S&PF	CF
State and Private Forestry	SPSP	SPIF	International Forestry - Foreign Based Invasive Species	IP	IP
State and Private Forestry	SPSP	SPIF	International Forestry - Migratory Bird Habitat Restoration	IP	IP
State and Private Forestry	SPSP	SPCF	State Fire Assistance - Community Fire Management Plans/Risks Assessments	S&PF	FAM
State and Private Forestry	SPSP	SPCF	State Fire Assistance - Partnership Agreements	S&PF	FAM
State and Private Forestry	SPSP	SPCH	Forest Health, Coop Lands - Invasive Species Treatment	S&PF	FHP
State and Private Forestry	SPSP	SPCH	Forest Health, Coop Lands - Surveys	S&PF	FHP
State and Private Forestry	SPSP	SPEA	Economic Action Programs	S&PF	CF
State and Private Forestry	SPSP	SPFH	Forest Health, Federal Lands - Treatment for Invasive Species	S&PF	FHP

## 14.4 - Exhibit 01--Continued

### FY 2005 List of Agency Program Areas

CATEGORY	FUND	PRGM	PROGRAM NAME	DEPUTY AREA	STAFF
State and Private Forestry	SPSP	SPIA	Forest Resource Information and Analysis	S&PF	CF
State and Private Forestry	SPSP	SPS2	NFP - State Fire Assistance - Partnership Agreements	S&PF	NFP
State and Private Forestry	SPSP	SPS3	NFP - Volunteer Fire Assistance	S&PF	NFP
State and Private Forestry	SPSP	SPS4	NFP - Forest Health Management - Federal Lands	S&PF	NFP
State and Private Forestry	SPSP	SPS5	NFP - Forest Health - Cooperative Lands	S&PF	NFP
State and Private Forestry	SPSP	SPST	Forest Stewardship - NIPF Lands under Approved Stewardship Management Plans	S&PF	FHP
State and Private Forestry	SPSP	SPUF	Urban/Community Forestry	S&PF	U&CF
State and Private Forestry	SPSP	SPVF	Volunteer Fire Assistance	S&PF	FAM
State and Private Forestry			Forest Stewardship - Stewardship Contract Improvements	NFS	FM
Wildland Fire Management	WFSU	WFSU	Fire Operations	S&PF	FAM
Wildland Fire Management	WFWF	WFHF	Hazardous Fuels Management - Condition Class 2 or 3 Treated With Other Dollars Outside the WUI in Fire Regimes 1, 2, or 3	S&PF	FAM
Wildland Fire Management	WFWF	WFHF	Hazardous Fuels Management - WUI High-priority Treatments	S&PF	FAM
Wildland Fire Management	WFWF	WFHF	Hazardous Fuels Management - WUI High-priority Treatments - Other Dollars	S&PF	FAM
Wildland Fire Management	WFWF	WFHF	Hazardous Fuels Management- Condition Class 2 or 3 in Fire Regimes 1,2, or 3 Outside the WUI	S&PF	FAM
Wildland Fire Management	WFWF	WFPR	Wildland Fire Management - Preparedness	S&PF	FAM

#### 14.4 - Exhibit 01--Continued

#### FY 2005 List of Agency Program Areas

#### LEGEND FOR DEPUTY AREA AND STAFF ACRONYMS

ACRONYM	DEPUTY OR STAFF NAME
AQM	Acquisition Management
ASC	Albuquerque Service Center
B&F	Budget and Finance
CE	Cooperative Education
CF	Cooperative Forestry
CR	Civil Rights
E	Engineering
EMC	Ecosystem Management Coordination
FAM	Fire and Aviation Management
FHP	Forest Health Protection
FM	Forest Management
FP	Forest Products
HRM	Human Resources Management
IRM	Information Resources Management
IP	International Programs
L	Lands
LEI	Law Enforcement and Investigations
MGM	Minerals and Geology Management
NFP	National Fire Plan
NFS	National Forest Systems
OPS	Business Operations
ORMS	Office of Regulatory and Management Services
OSOH	Office of Safety and Occupational Health
PL&C	Programs, Legislation, and Communication

**14.4 - Exhibit 01--Continued**

**FY 2005 List of Agency Program Areas**

<b>ACRONYM</b>	<b>DEPUTY OR STAFF NAME</b>
R&D	Research and Development
RGE	Range Management
RHR	Recreation, Heritage, and Wilderness
SPRA	Strategic Planning and Resource Assessment
S&FP	State and Private Forestry
WFW	Watershed, Fish, Wildlife, Air, and Rare Plants
U&CF	Urban and Community Forestry



The program areas selected for assessment shall represent agency defined executive priorities, significant operational areas, and other selected high-interest program areas identified as a result of Office of Inspector General (OIG) and Government Accountability Office (GAO) audit reports, Agency accountability reports, performance reports and reviews, relevant reports by outside study panels/commissions, reports by congressional committees, and management evaluations.

The assessment shall be comprised of broad-based statements designed to elicit the perception, understanding, and opinion of the evaluator (for example, program managers, reviewing officials, financial managers, and program staff having knowledge of the component being assessed). While the statements are broad-based, they shall be sufficiently specific to highlight program areas that have a likelihood of:

1. Failing to achieve its mission or goals,
2. Producing erroneous reports or data,
3. Allowing unauthorized use of resources,
4. Permitting illegal or unethical acts, and/or
5. Receiving adverse or unfavorable opinions.

The agency risk assessment is designed to capture and rank the evaluator's perception of the program/activity:

1. Control Environment. The agency's attitude toward internal controls and conscientious management. Factors that affect the control environment include:
  - a. Commitment to Competence/Human Resource Policies and Practices,
  - b. Integrity and Ethical Values/Management Philosophy and Operating Style,
  - c. Organizational Structure/ Assignment of Authority and Responsibility, and
  - d. Oversight Groups.
2. Risk. (Inherent Risk). The identification and analysis of risks associated with achieving the objectives defined in the strategic plan and annual performance plans and forms a basis for how risks should be managed.

3. Evaluation of Safeguards. The existing controls are applied as intended and are cost-effective. Specific areas of focus include:

- a. Control activities are the policies, procedures, and techniques that enforce management's directives.
- b. Information and communication assesses the relevancy, reliability and timeliness of communications critical to the agency achieving its objectives, running efficiently and controlling its operations.
- c. Monitoring assesses the quality of performance over time and ensures that the findings of audits and other reviews are promptly resolved.

Exhibit 02 is an example of a risk assessment questionnaire that may be used by managers at any organizational level to assess the potential risk of their assigned activities.

## 14.4 - Exhibit 02

### Sample Risk Assessment Questionnaire

Program: _____ Person Completing Form: _____						
Position of Person Completing Form: _____ Score: _____						
For each question, make a check in the column that best describes the activity						
	N/A	ALWAYS AGREE	USUALLY AGREE	SOMETIMES AGREE	RARELY AGREE	DISAGREE
	0	1	2	3	4	5
<b>SECTION A - CONTROL ENVIRONMENT</b>						
<b>Assignment of Authority and Responsibility</b>						
Job descriptions clearly indicate the degree of authority and accountability delegated to each position and the responsibilities assigned.						
The agency appropriately assigns authority and delegates responsibility to the proper personnel to deal with organizational goals and objectives.						
<b>Commitment to Competence</b>						
The agency emphasizes the need for continuing training and has a control mechanism to help ensure that all employees actually receive appropriate training and counseling in order to help employees maintain and improve their competence for their jobs.						
Formal job descriptions or other means of identifying and defining specific tasks required for job positions are established and current.						
Evidence exists that the agency attempts to assure that employees selected for various positions have the requisite knowledge, skills, and abilities.						
<b>Human Resource Policies and Practices</b>						
Policies and procedures are in place for hiring, orienting, training, evaluating, counseling, promoting, compensating, disciplining, and terminating employees.						
Background checks are conducted on candidates for employment. Hiring standards require confirmation of educational and professional certifications.						
<b>Integrity and Ethical Values</b>						
The agency has established and uses a formal code of conduct and other policies that communicate appropriate ethical and moral behavioral standards and address acceptable operational practices and conflicts of interest.						

## 14.4 - Exhibit 02--Continued

### Sample Risk Assessment Questionnaire

	N/A	ALWAYS AGREE	USUALLY AGREE	SOMETIMES AGREE	RARELY AGREE	DISAGREE
	0	1	2	3	4	5
Management cooperates with auditors and other evaluators, discloses known problems to them, and values their comments and recommendations.						
Management removes temptation for unethical behavior and provides fair, non-extreme incentives to help ensure integrity and adherence to ethical values.						
The code of conduct is comprehensive in nature and directly addresses issues such as improper payments, appropriate use of resources, conflicts of interest, political activities of employees, acceptance of gifts, and use of due professional care.						
Appropriate disciplinary action is taken in response to departures from approved policies and procedures or violations of the code of conduct.						
The types of disciplinary actions that can be taken are widely communicated throughout the agency.						
An ethical tone has been established at the top of the organization and has been communicated throughout the agency.						
<b>Management Philosophy and Operating Style</b>						
There is frequent interaction between senior management and operating/program management especially when operating from geographically dispersed locations.						
There has not been excessive personnel turnover in key functions, such as operations and program management, accounting, or internal audit that would indicate a problem with the agency's emphasis on internal controls.						
Management has a positive and supportive attitude towards the functions of accounting, information management systems, personnel operations, monitoring, and internal and external audits and evaluations.						
<b>Organizational Structure</b>						
Appropriate and clear internal reporting relationships have been established and effectively provide managers information they need to carry out their responsibilities and perform their jobs.						
Key areas of authority and responsibility are defined and communicated throughout the organization. Organizational charts are current and distributed to all employees.						

## 14.4 - Exhibit 02--Continued

### Sample Risk Assessment Questionnaire

	N/A	ALWAYS AGREE	USUALLY AGREE	SOMETIMES AGREE	RARELY AGREE	DISAGREE
	0	1	2	3	4	5
Management periodically evaluates the organizational structure and makes changes as necessary in response to changing conditions.						
<b>Oversight Groups</b>						
The agency provides Congress and oversight committees with timely and accurate information to allow monitoring of agency activities (for example, mission and goals, performance reporting, financial position, and operating results).						
Within the agency, there are mechanisms in place to monitor and review operations and programs. Senior management reviews internal audit work and coordinates closely with the Inspector General and external auditors.						
<b>SECTION B – RISKS</b>						
<b>Establishment of Activity Level Objectives</b>						
Objectives flow from and are linked with the agency's objectives and strategic plans. They are reviewed periodically to assure continued relevance.						
Activity-level objectives are complementary, reinforce each other, and are relevant to all significant agency processes. The objectives include measurement criteria.						
Management has identified activity-level objectives that are critical to the overall success of agency objectives. All levels of management are involved in establishing the activity-level objectives and are committed to their achievement.						
<b>Establishment of Agency/Entity Level Objectives</b>						
Objectives are clearly communicated to all employees and management obtains feedback signifying that the communication has been effective.						
<b>Managing Risk During Change</b>						
The agency has mechanisms in place to anticipate, identify, and react to risks presented by changes in governmental, economic, industry, regulatory, operating, or other conditions that can affect the achievement of agency goals and objectives.						

## 14.4 - Exhibit 02--Continued

### Sample Risk Assessment Questionnaire

	N/A	ALWAYS AGREE	USUALLY AGREE	SOMETIMES AGREE	RARELY AGREE	DISAGREE
	0	1	2	3	4	5
<b>Risk Analysis</b>						
Management undertakes a thorough and complete analysis of the possible effects of identified risks using established criteria to determine low, medium, and high category.						
Management has developed an approach for risk management and control based on how much risk can be prudently accepted.						
<b>Risk Identification</b>						
Mechanisms exist to identify risks arising from external factors associated with (1) technological advances, (2) changing needs or expectations of Congress, agency officials or the public, (3) new legislation, or (4) natural disaster or criminal actions.						
Management comprehensively identifies risk using various quantitative and qualitative methods on a periodic basis to include findings from audits, evaluations, and other assessments.						
<b>SECTION C - EVALUATION OF SAFEGUARDS</b>						
<b>Control Activities – Documentation</b>						
The documentation of internal controls includes identification of the agency activity-level functions and related objectives and control activities appear in directives, policies, procedures, and other such manuals.						
Documentation, whether hardcopy or electronic, is useful to managers in controlling operations and evaluating or analyzing operations.						
Documentation of transactions and other significant events is complete and accurate and facilitates tracing the transaction or event and related information from authorization and initiation, through processing, to completion.						
Written documentation exists covering the agency's internal controls structure for all significant transactions and events and is readily available for examination.						

## 14.4 - Exhibit 02--Continued

### Sample Risk Assessment Questionnaire

	N/A	ALWAYS AGREE	USUALLY AGREE	SOMETIMES AGREE	RARELY AGREE	DISAGREE
	0	1	2	3	4	5
<b>Control Activities - Access Restrictions</b>						
Access to resources and records is limited and accountability for their custody is assigned to specific individuals to mitigate the risk of unauthorized use or loss.						
Management considers such factors as asset value, portability, and exchangeability when determining the degree of access restrictions.						
<b>Control Activities - Control of Vulnerable Assets</b>						
Access to facilities is restricted and controlled during nonworking hours. Facilities are protected from fire by alarms and sprinkler systems.						
Policies and procedures have been developed, implemented, and communicated to all employees. Vulnerable assets are periodically counted and compared to control records and exceptions examined.						
Assets that are vulnerable to loss, theft, damage, or unauthorized use, such as cash, securities, supplies, inventories, and equipment, are physically secured and access is controlled.						
Safeguards are established to protect personnel, their work environment and property. Periodic checks are made to ensure safety and compliance.						
<b>Control Activities - General</b>						
Supervisory personnel review the functions of control activities and regularly evaluate them to ensure they are still appropriate and working as intended						
Objectives and associated risks for each critical activity have been identified in conjunction with conducting the risk assessment and analysis function.						
<b>Control Activities - Information Processing</b>						
The agency employs a variety of control activities suited to information processing systems to ensure accuracy and completeness.						

## 14.4 - Exhibit 02--Continued

### Sample Risk Assessment Questionnaire

	N/A	ALWAYS AGREE	USUALLY AGREE	SOMETIMES AGREE	RARELY AGREE	DISAGREE
	0	1	2	3	4	5
<b>Control Activities - Information Systems Access Control</b>						
The agency monitors systems access, investigates apparent violations, and takes appropriate remedial and disciplinary action.						
Resource owners have identified authorized users and their access to information has been formally authorized.						
<b>Control Activities – Information Systems Accuracy Control</b>						
Data entry design features contribute to data accuracy. Data validation and editing are performed to identify erroneous data. Erroneous data are captured, reported, investigated, and promptly corrected.						
<b>Control Activities – Information Systems Authorization Control</b>						
Source documents are controlled, access to blank source documents is restricted and appropriate authorizing signatures are required. Master files and exception reporting are used to ensure that all data processed are authorized.						
<b>Control Activities – Information Systems Completeness Control</b>						
Authorized transactions are entered into and processed by computer with appropriate reconciliations performed to verify data completeness.						
<b>Control Activities – Information Systems Integrity Control</b>						
Documented procedures ensure that the current versions of programs and files are used during processing and protects against concurrent updates to files.						



## 14.4 - Exhibit 02--Continued

### Sample Risk Assessment Questionnaire

	N/A	ALWAYS AGREE	USUALLY AGREE	SOMETIMES AGREE	RARELY AGREE	DISAGREE
	0	1	2	3	4	5
<b>Control Activities – Information Systems Security</b>						
The agency periodically performs an assessment of risks to its information systems. Final risk determinations and managerial approvals are documented and kept on file.						
The agency monitors the security program's effectiveness and periodically assesses the appropriateness of policies and compliance with them.						
<b>Control Activities – Information Systems Segregated Duties</b>						
The agency exercises control over personnel activities through the use of formal operating procedures, supervision and review. Incompatible duties have been identified, policies developed and controls implemented to enforce segregation of duties.						
<b>Control Activities – Information Systems Software Control</b>						
The agency limits access to system software based on job responsibilities, and access authorization is controlled, monitored and documented.						
The agency has established procedures to ensure control of its software libraries, including labeling, access restrictions, and use of inventories. All new software or modifications of processing features is thoroughly tested and properly authorized.						
<b>Control Activities – Information Systems System Continuity</b>						
The criticality and sensitivity of computerized operations have been assessed and prioritized. Management has developed and documented a comprehensive contingency plan in case of system interruption.						
The agency has taken steps to prevent and minimize potential damage and interruption through the use of data and program backup procedures including off-site storage of backup data.						

## 14.4 - Exhibit 02--Continued

### Sample Risk Assessment Questionnaire

	N/A	ALWAYS AGREE	USUALLY AGREE	SOMETIMES AGREE	RARELY AGREE	DISAGREE
	0	1	2	3	4	5
<b>Control Activities - Management of Human Capital</b>						
The agency provides workplace flexibilities, services and facilities (for example, flextime, casual days) to help it compete for talent and enhance employee satisfaction and commitment.						
A clear, coherent shared vision of agency mission, goals, values, and strategies is explicitly identified in the strategic plan, annual performance plan and other guidance.						
Management conducts succession planning to ensure continuity of needed skills and abilities.						
<b>Control Activities - Management Reviews</b>						
Control activities are employed, such as reconciliations of summary information to supporting detail and checking the accuracy of summarizations of operations.						
Financial and program managers review financial, budgetary, and operational performance and performance reports to analyze trends and measure results against targets.						
<b>Control Activities – Performance Measures and Indicators</b>						
Analysis and review of performance measures and indicators are used for operational and financial reporting purposes.						
Performance measures are evaluated to ensure they are linked to mission, goals, are balances, and ensure compliance with statutory requirements.						
<b>Control Activities - Segregation of Duties</b>						
Duties involving transactions and events are separated among different employees with respect to authorization, approval, processing and recording, making payments or receiving funds, and review and auditing to reduce the risk of error, waste, or fraud.						
The responsibility for opening mail is assigned to individuals who have no access to files or documents pertaining to accounts receivable or cash accounts.						

## 14.4 - Exhibit 02--Continued

### Sample Risk Assessment Questionnaire

	N/A	ALWAYS AGREE	USUALLY AGREE	SOMETIMES AGREE	RARELY AGREE	DISAGREE
	0	1	2	3	4	5
<b>Control Activities - Top Level Reviews</b>						
Senior management is involved in developing annual performance plans and targets in accordance with GPRA and for measuring and reporting results. Senior management reviews actual performance against budgets, forecasts, and prior period results.						
<b>Control Activities - Transactions and Events</b>						
Transactions and events are appropriately classified and promptly recorded to maintain relevance, value, and usefulness to management in controlling operations and making decisions.						
Excessive adjustments to numbers or account classifications are not necessary prior to finalization of financial reports.						
Proper classification takes place throughout the life cycle of each of transaction and event and includes appropriate organization and format of information on original documents and summary records from which reports and statements are prepared.						
Authorizations are communicated to managers and employees and include specific conditions and terms under which authorizations are to be made.						
<b>Information and Communications - Communications</b>						
Personnel understand that there will be no reprisals for reporting adverse information, improper conduct, or circumvention of internal controls activities.						
Management ensures that the advice and recommendations of external auditors and evaluators are fully considered and that actions are implemented to correct any problems or weaknesses identified.						
<b>Information and Communications - Forms and Means</b>						
The agency manages, develops, and revises its information systems in an effort to continually improve the usefulness and reliability of its communication of information.						

## 14.4 - Exhibit 02--Continued

### Sample Risk Assessment Questionnaire

	N/A	ALWAYS AGREE	USUALLY AGREE	SOMETIMES AGREE	RARELY AGREE	DISAGREE
	0	1	2	3	4	5
Management uses effective communication methods, which may include policy and procedures manuals, directives, memoranda, bulletin board notices, internet and intranet web pages, and e-mail.						
<b>Information and Communications - Information</b>						
Program managers receive both operational and financial information in sufficient detail to help them determine whether they are meeting strategic and annual performance plans and meeting the agency's goals for accountability of resources.						
External information that may affect the achievement of the agency mission, goals and objectives particularly related to legislative or regulatory developments is reported to managers.						
Internally generated information critical to achieving the agency's objectives is identified and regularly reported to management.						
<b>Monitoring - Audit Resolution</b>						
Agency management is responsive to findings and recommendations of audits and other reviews aimed at strengthening internal controls.						
The agency has a mechanism to ensure prompt resolution of audit findings and other reviews. The agency takes appropriate follow-up actions with regard to findings and recommendations of audits and other reviews.						
<b>Monitoring – Ongoing</b>						
Communications from external parties is used to corroborate internally generated data or indicate problems with internal controls.						
Data recorded by information and financial systems are periodically compared with physical assets and discrepancies are examined.						
Management has a strategy to ensure ongoing monitoring is effective and will trigger separate evaluations where problems are identified or systems are critical and testing is periodically desirable.						

## 14.4 - Exhibit 02--Continued

### Sample Risk Assessment Questionnaire

	N/A	ALWAYS AGREE	USUALLY AGREE	SOMETIMES AGREE	RARELY AGREE	DISAGREE
	0	1	2	3	4	5
Operating reports are integrated or reconciled with financial and budgetary reporting system data and used to manage operations. Management is aware of inaccuracies or exceptions that could indicate internal controls problems.						
<b>Monitoring - Separate Evaluations</b>						
Consideration is given to the risk assessment results and the effectiveness of ongoing monitoring when determining the scope and frequency of separate evaluations.						
Deficiencies found during separate evaluations are communicated to the individual responsible for the function and to one management level above that individual. Serious deficiencies and internal controls problems are reported promptly to top management.						
Add number of items checked in columns 1-5:						
Multiply		x1	x2	x3	x4	x5
Results of Multiplication						
Overall score (sum of all scores)						
Divide by				85		
Risk Score				0.0		
<b><u>RISK RANKING:</u></b>						

## **14.5 - Assessing Internal Controls**

The responses to the assessment should be analyzed and compiled into a composite national ranking by the Agency Management Control Liaison. Reports should be generated at the national as well as Region, Station, Area, and Institute level and made available for management review.

### **14.51 - Risk Ranking**

The agency uses three risk ranking categories (High, Medium, and Low) to quantify the potential risk to the programs based on the responses to the risk assessment.

1. HIGH. A ranking of HIGH indicates that the program does not meet the minimum level of quality acceptable for internal controls in government. Programs that rank in this category are probable candidates for waste, fraud, abuse, and mismanagement. This ranking may indicate that there are control problems that are of significance to the next higher level of management (that is, material weaknesses). A composite ranking of high automatically prompts further review, analysis, and validation to quantify the potential risk and implement risk mitigating strategies in accordance with section 14.7.
2. MEDIUM. A ranking of MEDIUM indicates that the program may not meet the minimum level of quality acceptable for internal controls in government and requires further review, analysis, and validation to clarify the operating status and to ensure that potential material deficiencies have been identified. This ranking may indicate that there are control problems (non-material weaknesses) that can be corrected at the program level without approval or attention of the next higher level of management.
3. LOW. A ranking of LOW indicates that the program meets the minimum level of quality acceptable for internal controls in government and requires no special review, analysis, or validation.

## **14.6 - Reporting on Internal Controls**

The Internal Controls Assessment Process is a continuous cycle within the agency from one fiscal year to the next. The Agency Management Control Liaison prepares a summary of each assessment conducted for program areas during the fiscal year which shall include details on the program area, composite ranking, and the date of the assessment.

The results of the national risk assessment shall be used in conjunction with results from Office of Inspector General (OIG), Government Accountability Office (GAO) and management evaluations to develop the Management/Internal Controls Annual Review Schedule (sec. 12.11).

The results of the annual risk assessment shall be used specifically to:

1. Guide the Executive Leadership Team in selecting program areas for inclusion in the annual risk assessment.
2. Establish the scheduling of reviews by the Washington Office. Deputy Chiefs and staff directors shall follow the assessments' priorities unless administration, congressional, or other interests justify priority changes.
3. Determine the scheduling of reviews by the Regions, Stations, Area and Institute. Regional Foresters, Station Directors, Area Director and the Institute Director should follow the assessments' unless differing local risks or other management needs justify priority changes.
4. Inform the Department of the relative risk of all Forest Service activities.

#### **14.7 - Validating a Finding of High Risk**

Early reporting of a weakness permits management to focus attention on correcting the problem in a timely manner. Agency programs achieving a composite ranking of HIGH based on the agency-level risk assessment shall be further evaluated to validate the HIGH risk ranking. The Agency Management Control Officer directs this evaluation; however, responsibility may be delegated to the Agency Management Control Liaison. The Agency Management Control Liaison shall have access to resources and records from the program areas to facilitate a prompt and thorough evaluation (FSM 1410.42).

Upon completion of the evaluation, the Agency Management Control Liaison in coordination with the respective program manager produces a report to document findings. The report shall sufficiently document the conduct of the evaluation and the basis for the results and conclusions reached. Documentation shall include written evidence which sets forth:

1. Officials participating in the review,
2. Risks reviewed,
3. Controls examined,
4. Extent and type of control tests performed,
5. Analysis of the evaluation,
6. Description of any weaknesses found, and
7. Actions recommended to correct identified weaknesses.

Responsibility for corrective action planning and implementation shall be placed with the office having the authority and capability to correct the deficiency.

The cover sheet format at section exhibit 01 shall be attached to the Evaluation Team Report to certify that the report is complete. All evaluation documentation shall be retained by the Agency Management Control Liaison and made available for review by parties both inside and outside of the agency.



## 14.7 - Exhibit 01

### Evaluation of High Risk Program Areas

<b>PROGRAM AREA</b>		
Reason for Evaluation	Evaluation Team (1) (2) (3) (4)	
Risk Assessment Composite Score		
Risk Assessment Analysis (Summary)		
	<b>YES</b>	<b>NO</b>
Is the HIGH risk ranking valid? Does the risk result in any of the criteria listed for evaluation at FSH 1409.18, section 14.7.		
Is documentation attached to support the findings of the evaluation?		
Have the appropriate management officials been made aware of the findings of the evaluation?		
Is the Corrective Action Plan complete and attached?		
Is the root cause defined in the corrective action plan?		
Are effective solutions identified in the corrective action plan?		
Is an implementation plan included in the corrective action plan?		
Is there a process outlined for monitoring and validating corrective actions?		

**CERTIFICATION BY THE AGENCY MANAGEMENT CONTROL LIAISON:**

I certify that the attached report is complete in accordance with requirements. The report adequately details the process employed to determine the status of the program area and provides sufficient supporting documentation to validate the finding.

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Date

#### **14.71 - Identifying Material Weaknesses**

If the ranking of HIGH risk is validated, the activity shall be reported to the Executive Leadership Team through the Chief Financial Officer to determine as to whether the risk is of sufficient seriousness to warrant reporting as a material weakness. The Office of Management and Budget (OMB) has advised that weaknesses of significance to the President and the Congress are considered material and are to be included in the annual Accountability Report (sec. 13). The determination of material weakness shall be based on the conclusive finding that the risk could result in:

1. Significantly impaired service,
2. Program failure,
3. Significantly reduced effectiveness and efficiency,
4. Injury or loss of life,
5. Unreliable decision-making data,
6. Reduced confidence in government,
7. Material misstatement of the financial statements,
8. Exposure to monetary loss greater than \$10 million or  $\geq 5$  percent of total program/operation cost, and/or
9. Unauthorized disclosure, manipulation, or misuse of sensitive information (personal, financial, or programmatic).

In addition, known deficiencies, irrespective of the process through which they were identified must be considered. This includes considering all Office of Inspector General (OIG) and Government Accountability Office (GAO) audit report findings issued during the current fiscal year, and the results of all management reviews or studies completed during the current fiscal year.

#### **14.72 - Identifying Non-material Weaknesses**

Non-material weaknesses are control problems that can be corrected at the program level without approval or attention of the next higher level of management. This category of deficiency shall be classified as:

1. Control Deficiency. A control deficiency exists when the design or operation of a control does not allow, in the normal course of operations, prevention or detection of errors on a timely basis. A design deficiency exists when a control necessary to meet

the control objective is missing or an existing control is not properly designed. An operation deficiency exists when a properly designed control does not operate as designed or when the person performing the control is not properly skilled to perform the control effectively.

2. Reportable Condition. A reportable condition is a control deficiency that adversely affects the agency's ability to initiate, authorize, record, process, or report data reliably in accordance with standards. A reportable condition suggests that there is likelihood that an error may not be prevented or detected.

3. If the ranking of HIGH is found to be valid, but the requirement for reporting a material weakness is not met, the ranking may be categorized as a HIGH risk, but must be further qualified as either a control deficiency or a reportable condition. The ranking of HIGH may be appropriately adjusted at the discretion of the Chief Financial Officer based on assessment results and coordination with the Executive Leadership Team. The treatment of non-material weaknesses shall be applied to program areas that:

- a. Achieve a composite ranking of HIGH on risk assessment, but on further evaluation do not meet the specific requirements at section 14.71 to qualify as material weaknesses.
- b. Rank MEDIUM or LOW but have been identified by management or a separate evaluation (internal or external) as a program of significant interest that requires additional agency oversight.

#### **14.8 - Monitoring and Improving Internal Controls**

Monitoring the resolution of corrective actions is an important step because it determines if control weaknesses were corrected or still exist. The Agency Management Control Liaison establishes and maintains a follow-up system to record and track all known material and/or significant non-material weaknesses, corrective actions implemented, and progress against scheduled completion dates.

On a selected basis, the Executive Leadership Team, through the Chief Financial Officer requests that the Agency Management Control Liaison validate the correction of any material or non-material weakness a year after the correction of the item is reported. This validation may be in the form of a follow-up evaluation or a review of supporting documentation to ensure actions indicated as corrected have been implemented.