

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

**Forest Service Handbook 6509.15 – Collection and Analysis of Timber Purchasers' Cost and
Sales Data
Chapter 10 - Survey Program**

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Approved by: Antoine L. Dixon, Chief Financial Officer

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Responsible Staff:

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00--1 - 06--3, Amend 13, 12/1979 & Amend 14, 12/1983; 10, Amend 13, 12/1979; 20--1 thru 22.9--4, Amend 13, 12/1979; 30 thru 31--4; Amend 13, 12/1979

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

6509.15: Makes minor technical, editorial, and grammatical changes throughout the handbook.

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10.2 - Objectives

Forest Service will perform a survey and analyze the appraisal cost and selling price data of a sawmill and/or logging company operations. The survey will be performed initially before or at the time of the first cost analysis visit and updated each year. If practicable, Forest Service Accountant will visit the manufacturing facilities or logging operations to obtain a better understanding of the operator's data.

The Forest Management staff will be able to construct a flow chart which may be used as a guide in observing the physical operations.

Objectives of the survey are, but not limited to:

1. Obtain basic and descriptive data.
2. Evaluate the adequacy of the internal controls and accounting practices of the timber purchaser.
3. Establish that data are consistent on a year-to-year basis.
4. Define or describe contents of the cost centers as necessary.
5. Indicate adequacy of data and areas where estimates, proration, and so forth, are used or needed.
6. Determine acceptability of data for appraisal purposes. The survey is independent of the cost analysis and cost collection and will retain this separation and distinction in working papers and filing.
7. Provide information needed to distribute costs, such as power ratings of electric motors, by cost center location and functions of each Corporate Officer or partner.

11 - Type of Information

The Accountant shall prepare survey working papers in sufficient detail to record clearly the extent of review of the timber operator's internal controls, accounting practices, and operating procedures. The narrative will be used to provide useful information to future Cost Analysts assigned to the job, to the maximum extent practicable. Each operator file must have a survey section.

Some of the information recorded in the survey, such as type of ownership, description of accounting records, and basic internal controls, will be standard. Specific data related to each phase of the operation will be developed and recorded on survey working papers as the need for it arises. For example, the function performed by the Owners, Officers, and leading management personnel would be determined prior to distribution of labor costs so that their earnings may be charged to the benefitting activities.

12 - Survey Working Papers

A separate survey working paper will be set up for each nonstandard item, even though only a single line may be needed to document it. This will allow the addition of data on that subject later on in the survey, as well as space for updating the item during subsequent survey reviews. The prime survey objective is to record information that is pertinent to cost-analysis needs. An example showing the standard information expected to be included in each survey file is presented in section 13.

13 - Format

Exhibit 01 is the format to use when surveying a timber purchaser's internal controls and accounting practices:

13 - Exhibit 01

SURVEY OF COSTS AND SALES OF THE TIMBER AND LUMBER INDUSTRIES

SURVEY OF COSTS AND SALES OF THE TIMBER AND LUMBER INDUSTRIES			
<u>(Operator Numbers)</u>			
Period Covered	Survey Dates Began Ended		Prepared by (Printed Name)
Cost Accountants's Signature			

PART I - BASIC INFORMATION

1. Type of organization:

a. Corporation.

☐ Closed.

☐ Family.

☐ Publicly held.

☐ Listed on.

(Stock exchange)

b. Partnership.

☐ Family.

☐ Limited.

☐ Regular.

c. Proprietorship.

13 -Exhibit 01--Continued

2. Incorporated in State of _____.
3. Date of incorporation.
4. Divisions or plants surveyed.
5. Subsidiaries.
 - () Parent or affiliated companies.
 - () None.
6. Type of operation.
 - () Band mill () Circular mill () Pulpwood ().
 - Pulp () Sawlog () Veneer () Plywood ()
 - Factory () Molding () Other.
7. What is rate capacity of mill?
8. Fiscal year ends.
9. Personnel names and titles.
 - a. Names and titles of principal executives. (Show percentage of time devoted to enterprise and state their primary work functions).
 - b. Names and titles of persons interviewed.
10. Name and location of independent auditors.

13 -Exhibit 1--Continued

11. Type of audit service rendered by independent auditors:

- ☐ Balance sheet and operations.
- ☐ Balance sheet audit.
- ☐ Tax and accounting service.
- ☐ Other (Specify).

12. Area and general location of company-owned timberlands.

PART II - ACCOUNTING SYSTEMS IN GENERAL

1. Does the timber purchaser have adequate general and subsidiary books of account and are they suited to the operations?

2. Are cost accounts reconciled with financial accounts?

3. Is the system on a cash or accrual basis?

4. Indicate whether the following costs are maintained separately.

- ☐ Logging costs.
- ☐ Development costs.
- ☐ Log-making.
- ☐ Stump to truck.
- ☐ Logging equipment costs.
- ☐ Log transportation.
- ☐ Contract requirements. Timber sale (brush, erosion, and so forth).
- ☐ Subcontracting.
- ☐ Pond and decking expense.
- ☐ Sawing.

13 -Exhibit 1--Continued

- () Seasoning.
 - () Surfacing.
 - () Shipping.
 - () Yard expense.
 - () Power plant.
 - () Byproduct remanufactures.
 - () Selling costs.
 - () Other cost accounts maintained.
5. How are major plant repairs and installation of new equipment costs estimated?
6. Do journal vouchers or equivalent records:
- a. Have adequate explanation attached?
 - b. Contain any items which should be excluded from timber appraisal costs?
7. Are internal audits made of cost centers and are they performed by designated employees? Do such employees function independently of personnel responsible for accounting and finance?

PART III - PHYSICAL INVENTORIES

1. Is an annual physical inventory taken and an independent check made by someone else taking inventory of materials, supplies, work in process, and finished goods?
2. Are inventory cutoff procedures for shipping, receiving, and processing effectively applied?
3. What accounting procedures and internal controls are in effect to provide the footage volume of production, inventories, and sales?
4. Is the physical inventory satisfactory? Quantities and unit conversions are elements to be considered. Are withdrawals and movements under control at time of taking physical inventories?

13 -Exhibit 1--Continued

5. Volume measurement.

a. Logging:

☐ Gross scale.

☐ Scribner decimal C.

☐ Net scale.

☐ Other (Specify).

b. Lumber tally:

☐ Green chain.

☐ Sales.

☐ Other manufacturing process.

6. Prepare a descriptive summary. Is production for the following cost centers corrected for inventory differences? Factory transfers? Company use?

a. Sawmill and green chain.

b. Yard.

c. Drying.

d. Planning

e. Shipping

PART IV - TIMEKEEPING

1. How is timekeeping maintained?

☐ Time clerk.

☐ Timebook.

☐ Other.

13 -Exhibit 1--Continued

2. How is idle time handled? Cover shutdown, strikes, and stoppages.
3. Approximate number of hourly employees.
4. Approximate number of salaried employees.
5. Number of shifts operated.

PART V - INDIRECT COST PRACTICES

1. Are bases of apportionment of indirect expenses acceptable for appraisal data purposes? Describe bases used by purchaser and indicate changes, if any, to be made.
2. Are unusual periodic increases or decreases in overhead charges justified by explanation for such fluctuations?

PART VI - FIXED ASSETS AND CHARGES FOR DEPRECIATION

1. Are depreciation rates based on actual costs, and are they computed in accordance with a definite and consistent policy? Explain. Are they the same as reported for tax purposes?
2. Observe whether salvage values, where applicable, are recognized. If not, adjust depreciation allowance accordingly.
3. Capitalization of interest paid on purchase of assets will not be extinguished by charges to depreciation. Interest, whenever identified, should be excluded from appraisal costs.
4. Are the useful lives assigned to depreciable assets in line with operator's replacement policy or guidelines established by the IRS? Establish this by checking operator's depreciation schedule to see if many assets are still being carried that have previously been depreciated down to establish salvage value. Where this is found, adjust depreciation allowance to bring it in line recognizing normal useful lives or operator's actual replacement practice.
5. Is there evidence of depreciation being taken for assets that have already been fully depreciated or actually disposed of?
6. Note the methods of depreciation used by operator?

13 -Exhibit 1--Continued

PART VII - SALES REALIZATIONS

1. Describe the sales detail maintained by lumber grades and species.
2. Is sales analysis also made directly from individual invoices?
3. What is company practice for sales as related to?
 - a. Commissions (Paid or imputed)?
 - b. Discounts?
 - c. Claims and allowances?
 - d. Freight?
 - e. Freight gains and losses (underweight and overweight)?
 - f. Sales staff salaries in lieu of commissions or other practices?
 - g. Expenses offset against sales?
 - h. Bad debts? Is company's actual practice for charging bad debts in line with its stated policy?
4. Are company use and lumber transfers identified in the records?
5. Are prices Free On Board?
 - a. Mill?
 - b. Railhead, other than mill?
 - c. Destination?
 - d. Other? (Specify.)
6. Are sales made directly to market or wholesale jobber? Are sales to wholesale jobbers, retailers, holding companies, affiliates, subsidiaries, large stockholders, company officers, relatives, and so forth, made at the current rates?

13 -Exhibit 1--Continued

7. Interplant movement of finished or semi-finished products. Describe, prepare current flow chart. Cover in detail by sub-cost center in cost analysis so that cost effect of this activity can be observed and treated properly in averages and appraisals. Include in cost accountant's report.
8. List any qualifying information which is pertinent to timber appraisal.

**PART VIII - ACCOUNTANT'S COMMENTS ON RESULT OF
SURVEY AND COST AND SALES ANALYSIS**

1. Adequacy of internal controls. Explain.
2. Adequacy of accounting detail. Explain.
3. Remarks.

14 - Updating

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