

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

**Forest Service Handbook 6509.18 – Financial Analysis Handbook  
Zero Code**

**Amendment:** 6509.18-1993-2

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**Duration:** This amendment is effective until superseded or removed.

**Approved by:** F. Dale Robertson, Chief

**Date approved:**

**Responsible Staff:**

**Last Change:** Amendment 6509.18-1993-1 to 6509.18, Zero Code Contents

**Superseded Document(s):**

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

**Zero Code:** Revises and reorganizes entire zero code chapter, which was issued previously in Interim Directive 6509.18-91-1, which has expired.

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This Handbook provides direction to contracting officers, authorizing officers, accountants, and fiscal directors for reviewing financial, cost, and related data of timber sale purchasers, special use concessionaires, contractors, or other external entities where a showing of financial ability or other form of financial analysis is necessary. All work performed by accountants in this area is subject to the standards in FSM 1440.6.

Information collected from the public for financial analyses covered by this Handbook is approved by the Office of Management and Budget and assigned control number 0596-0012, Determination of Financial Status of Contractors and Prospective Contractors.

## **01 - Authority**

1. Default Claims. Title 4, Code of Federal Regulations, section 103.2 (4 CFR 103.2) provides the only basis for accepting less than the full amount of a default claim.

2. Timber Sales. Title 36, Code of Federal Regulations, section 223.101 (36 CFR 223.101) provides that the Contracting Officer shall make an affirmative determination of purchaser's responsibility including purchaser's financial resources to perform the contract, as well as all existing commercial and government business commitments of the purchaser.

3. Special Use Applicants. Title 36, Code of Federal Regulations section 251.54(e)(2) (36 CFR 251.54(e)(2)) requires the applicant to provide sufficient evidence to satisfy the authorized officer that the applicant has financial capability to construct, operate, maintain, and terminate the project.

4. Claims Resolution Procedures. Title 41, United States Code, section 601 (41 U.S.C. 601) provides a system of legal and administrative remedies in resolving Government contract claims.

## **02 - Objectives**

1. To ensure that the financial ability of corporations, partnerships, or individuals with which the Forest Service enters into business arrangements is sufficient to fulfill their contractual or other obligations.

2. To ensure that the financial information the Forest Service receives from corporations, partnerships, or individuals is sufficient, accurate, and verifiable.

## **03 - Policy**

1. Apply the procedures in this Handbook, in conjunction with the standards listed in FSM 1440.6 and professional and Governmental audit and accounting standards, to financial analysis associated with timber sales and special use permits and authorizations, analysis of financial

data, and reports submitted for consideration of default settlements, extension of promissory note payment terms, cost and pricing analysis, and contract termination audits.

2. As needed, to perform a competent and timely financial analysis, enlist the assistance of accountants from within the Forest Service or from another Federal agency, or procure such assistance through a contract. (See the definition of accountant in section 05.)

3. Document any deviation from direction in this Handbook to justify and defend omissions of analytical techniques or choice of a different approach when professional accounting judgment dictates that review techniques should differ from those in this Handbook.

## **04 - Responsibility**

### **04.1 - Washington Office, Director of Fiscal and Accounting Services**

It is the responsibility of the Director of Fiscal and Accounting Services to:

1. Provide an accountant to perform analysis of financial data and reports submitted for consideration of default settlements or extension of promissory note payment terms, cost and pricing analysis, and contract termination audits, when requested by the line officer, Contracting Officer, or authorized officer at the national level.

2. Offer or provide information Service-wide on training courses to update and enhance professional skills of accountants engaged in financial analysis and related areas.

### **04.2 - Regional Fiscal Directors**

It is the responsibility of the Regional Fiscal Directors to:

1. Assist in the coordination of assignments of accountants on a Region-wide basis, if individual Forests are unable to obtain required financial analysis skills.

2. Offer training course or provide information on training courses offered elsewhere to update and enhance professional skills of accountants engaged in financial analysis and related areas.

3. Subscribe to a Credit Bureau Service to obtain financial reports covering the person or firm under examination.

### **04.3 - Forest Supervisors**

It is the responsibility of Forest Supervisors to ensure that only accountants who meet the criteria set forth in FSM 1440.6 perform financial ability analysis. Additional responsibilities for line officers are set forth in section 04.4.

### **04.4 - Line Officers, Contracting Officers, and Authorized Officers**

It is the responsibility of those officials with authority for approving the issuance of special use permits and other authorizations (FSM 2340 and 2710) or the award of contracts (FSH 6309.32) to ensure the following:

1. Each prospective permittee or contractor has the financial ability to successfully perform the contract or authorization in question (FSM 2432.62, 2712.1, and FSH 6309.32 - FAR 9.104-1).
2. Adequate and accurate financial information has been furnished.
3. Sufficient analysis of the data has been completed to provide an informed basis on which to base decisions relative to award of the contract or issuance of the authorization in question.

### **04.5 - Accountants**

It is the responsibility of accountants (sec. 05) to:

1. Perform financial ability determinations for the award of timber sales and other contracts and the issuance of special use authorizations.
2. Analyze financial data and reports submitted for consideration of default settlements or extension of promissory note payment terms, cost and pricing analysis, and contract termination audits, when requested by the line officer, Contracting Officer, or authorized officer.
3. Complete financial analysis within 30 days after receiving all of the requested information from a bidder, contractor, or special use applicant.
4. Establish working relationships with the regional Small Business Administration offices to facilitate analyses associated with small purchasers.
5. Maintain professional skills to adequately perform a financial ability determination by completing the annual training outlined in section 06 of this Handbook.

## 05 - Definitions

(The sources for the definitions in this section are 36 CFR 223.170; Miller Comprehensive GAAP Guide (sec. 07); Federal Personnel Manual (FPM - FSH 6109.41); and Federal Acquisition Regulation (FSH 6309.32). General terms that apply to all financial analysis reviews are as follows:

Accountant. Anyone possessing the qualifications to be classified in the GS-510/511 accountant/auditor series. This includes accountants from other agencies or those procured through contract. It is not necessary that the individual be currently working in those series. A Forest Service accountant must complete the annual training requirements identified in section 06 to remain qualified. Non-Forest Service accountants should possess equivalent training and qualifications in financial analysis activities.

Affiliation. Legal concerns or affiliates if, directly or indirectly: (1) either one controls or has the power to control the other or (2) one or more third parties control or has the power to control both.

Cash Equivalents. Generally, those investments which are short term, highly liquid, readily convertible to cash, and with original maturities of less than 3 months. Throughout this Handbook the term cash shall be intended to include "cash equivalents" as described in Generally Accepted Accounting Principles (Financial Accounting Standards Board 95), Statement of Cash Flows (sec. 07).

Certified Public Accountant. (CPA). An individual, professional corporation, or partnership of individuals, certified under State law to render an opinion as to whether financial statements have been presented fairly in conformity with generally accepted accounting principles. An independent CPA must not be an employee or an affiliate of the applicant.

Current Assets. Cash and those items which, in the normal course of business operations, are readily convertible to cash.

Current Liabilities. Debts or portions of debts falling due within 12 months from the date of the balance sheet.

Financial Forecasts. Prospective financial statements that present the responsible party's (person(s) responsible for assumptions, usually management) beliefs about the entity's expected financial position, results of operations, and cash flows.

Financial Projections. Prospective financial statements that present expected results, to the best of the responsible party's knowledge and belief, given one or more hypothetical assumptions. A projection is a "what would happen if. . ." statement.

Generally Accepted Accounting Principles. (GAAP). (Sec. 07). The rules and practices that represent accepted accounting principles and practices. Accounting principles encompass unwritten rules and written rules (commonly referred to as promulgated GAAP).

Generally Accepted Auditing Standards. (GAAS). (Sec. 07). Auditing standards deal with the quality of the audit performed by the independent auditor. GAAS have been approved and adopted by the members of the American Institute of Certified Public Accountants and are divided into three groups: (1) general standards, (2) standards of fieldwork, and (3) standards of reporting.

Government Auditing Standards. (Yellow Book). (Sec. 07). Standards for audits of government organizations, programs, activities, and functions, and of government funds received by contractors, nonprofit organizations, and other nongovernment organizations established by the General Accounting Office.

Net Worth. The excess of total assets over total liabilities as determined using generally accepted accounting principles which are consistently applied. For a corporation, net worth represents the shareholders' equity. For a partnership, net worth represents the sum of the partners' capital accounts. For a proprietorship, net worth represents the owner's proprietorship account for that business concern.

Statement of Cash Flows/Cash Equivalents. A statement reporting how cash and "cash equivalents" were provided and used over a period of time. This statement is required by Financial Accounting Standards Board (FASB) number 95, Statement of Cash Flows (sec. 07), as part of all financial statements prepared in conformity with Generally Accepted Accounting Principles.

Working Capital. The excess of current assets over current liabilities. This figure reveals the amount of funds available to conduct business operations and retire short-term obligations not recognized in the current operations of the firm.

Verification. The substantiation through personal inspection or third party corroboration or other means of assertions and statements made by the party being analyzed.

## **06 - Training**

Accountants performing financial analysis must complete a minimum of 8 hours of training per year in financial analysis related courses. However, in some cases where accountants have not been operating in the financial analysis area for a long period of time, training in excess of 8 hours per year may be necessary. Service-wide or Regional accounting or auditing meetings can be used to meet this requirement. It is recommended that accountants consider meeting the General Accounting Office "Government Auditing Standards" (Yellow Book; sec. 07) training standards of 80 hours of training every 2 years including 24 hours in Government auditing.

## 07 - References

The following references provide additional information, standard practices, and supplements to direction cited in this Handbook. Use the latest published edition of references cited.

1. Professional Standards - Accounting. American Institute of Certified Public Accountants; Commerce Clearing House, Inc., 4025 W. Peterson Avenue, Chicago, Illinois 60646.
2. Miller Comprehensive GAAP Guide (published yearly). HBJ Miller Accounting Publications, Inc., 465 South Lincoln Drive, Troy, Missouri, 63379-2899.
3. Professional Standards - Auditing. American Institute of Certified Public Accountants; Commerce Clearing House, Inc.. 4025 W. Peterson Avenue, Chicago, Illinois 60646.
4. Miller Comprehensive GAAS Guide (published yearly). HBJ Miller Accounting Publications, Inc., 465 South Lincoln Drive, Troy, Missouri 63379-2899.
5. Government Auditing Standards (Yellow Book). Superintendent of Documents. U.S. Government Printing Office, Washington, DC 20401, stock number 020-000-00243-3.