



U.S. Department of Agriculture
Office of Inspector General
Western Region
Evaluation Report

EVALUATION OF THE FOREST SERVICE
REPORT TO THE SECRETARY OF
AGRICULTURE ON THE LAND EXCHANGE
PROGRAM
WASHINGTON, D.C.



Report No.
08801-7-SF
December 2000



UNITED STATES DEPARTMENT OF AGRICULTURE
OFFICE OF INSPECTOR GENERAL
Washington, D.C. 20250



DATE: December 5, 2000

REPLY TO

ATTN OF: 08801-7-SF

SUBJECT: Evaluation of the Forest Service Report to the Secretary of
Agriculture on the Land Exchange Program

TO: Mike Dombeck
Chief
Forest Service

This report presents the results of the U.S. Department of Agriculture, Office of Inspector General (OIG) review of the Forest Service's (FS) *Report to the Secretary of Agriculture on the Forest Service Land Exchange Program*, dated October 2, 2000, and the accompanying action plan. The objective of the evaluation was to assess whether the FS' report and action plan addressed the deficiencies noted in previous OIG and General Accounting Office (GAO) audits of the FS Land Exchange Program. This was a preliminary review and was limited to assessing if the corrective actions initiated by the FS addressed the recommendations we have made in our recent audits. Based on a request from the Secretary, OIG will complete a comprehensive assessment of FS corrective actions once they are fully implemented.

Our work was conducted in accordance with the Quality Standards for Inspections issued in March 1993 by the President's Council on Integrity and Efficiency.

BACKGROUND

GAO issued a report on the Bureau of Land Management (BLM) and FS land exchanges in June 2000 (Report No. RCED-00-73). GAO concluded that, in some cases, both the FS and BLM acquired land without due regard for key statutory requirements governing land exchanges, and had disregarded congressional direction and interests. Specifically, the agencies had given more than fair market value for non-Federal land they acquired, had accepted less than fair market value for Federal land they conveyed, and had not demonstrated that the public benefits of the land acquired matched or exceeded the public benefits of the Federal land given away – thereby raising doubts as to whether these exchanges served the public interest. Based on the report issues, GAO suggested that Congress should consider directing both agencies to discontinue their land exchange programs.

As a result of the GAO audit report, Congressman George Miller wrote to the Secretary on July 12, 2000, and requested that the Secretary direct the FS to enact a moratorium on land exchanges until the agency demonstrated that it could ensure all exchanges were in the public interest and of equal value, as required by law. On July 27, 2000, the Secretary responded to Congressman Miller's letter. In his response, the Secretary stated that he would direct the FS Chief to review all FS corrective actions taken to date and their impact on the land exchange program, provide an action plan for any additional measures needed to further improve the program, and provide a report to him within 30 days. The Secretary also stated that he would request OIG to analyze the recent FS actions and determine whether they would ensure that future exchanges were of equal value and in the public interest.

On October 2, 2000, the FS Chief provided the Secretary with a report that outlined FS efforts to strengthen the Land Exchange Program, emphasizing improvements in the valuation function, organization, training, accountability and consistency. The report also identified the remaining actions to be taken and provided a timeline for their completion.

SCOPE

We limited the scope of our evaluation to a review of the FS report to the Secretary, and the accompanying action plan. We assessed whether the FS actions set forth addressed the deficiencies noted in previous OIG and GAO audits. A list of completed OIG and GAO audits of FS land exchanges, issued August 1998 through July 2000, is shown in Exhibit A. The evaluation did not validate the adequacy of the corrective actions, nor did it determine whether the corrective actions had been effectively implemented. The effectiveness and adequacy of the corrective actions will be assessed when FS has fully implemented all its planned actions.

METHODOLOGY

To accomplish our objective, we performed the following procedures.

- We summarized recommendations made by OIG and GAO in previous audit reports relating to controls over FS land exchanges.
- We obtained and reviewed the FS report to the Secretary, and the accompanying action plan, and determined if the report and action plan addressed the deficiencies noted in previous OIG and GAO land exchange audits.
- We contacted the U.S. Department of Agriculture, Office of the Chief Financial Officer to obtain the status of OIG recommendations.

- We discussed the status of open OIG recommendations with FS Washington Office (FSWO) staff to determine when corrective action would be completed.

EVALUATION RESULTS

The FS report to the Secretary and the action plan provided comprehensive steps in improving accountability, program consistency and efficiency, staffing and training, and appraisal valuations. Although the report and the action plan did not specifically address each OIG recommendation, OIG has accepted FS' management decision on all audit recommendations issued during our scope period. The chart below summarizes these recommendations by internal control type.

CONTROL TYPE	No. of Recommendations
Managing the exchange process	30
Dealing with facilitators	25
The appraisal process	14
Accountability of assets acquired	5
TOTAL	74

The GAO also addressed one recommendation to the FS in its June 2000 audit report—that all FS land exchanges be reviewed and approved by the agency's review team or other designated officials before those exchanges are completed. The FS addressed GAO's recommendation in that same report, indicating that this process was already in place.

FS Has Taken The Initiative To Strengthen Nationwide Controls

Although previous OIG reports focused on program deficiencies at selected regions and forests, the FSWO has taken the initiative not only to correct the specific problems noted at the local level but to acknowledge the potential implications of such deficiencies at the national level and to develop controls to prevent similar deficiencies from occurring elsewhere. Further, the FS initiated additional actions to improve overall controls, including the following.

- The creation of a National Lands Oversight Team that reviews all land exchange transactions over \$500,000, and transactions with a lesser value that involve strong public concern, complexity, or potential for abuse. This National Oversight review is meant to ensure that the FS land exchanges are consistent with laws, regulations and policies.
- The revision of the FS manual and handbook to provide expanded direction and guidance specifically addressing issues identified by OIG, incorporating land adjustment policy revisions and updates, and reflecting current regulatory and authority provisions.

- The strengthening of appraisal and realty expertise in the FS by establishing understudy and apprentice positions, and by developing in-depth appraisal and land transaction training.

Documentation Of Final Action On OIG Recommendations Is Pending

After OIG accepts FS management decision, it is the responsibility of the Department's Office of Chief Financial Officer (OCFO) to determine if the FS has adequately implemented those recommendations. The FS is required to document its corrective actions and submit this documentation to the OFCO, who reviews the paperwork and determines if the FS actions have met the intent of each recommendation. If the paperwork received by the OCFO is deemed acceptable, the audit recommendation is officially closed.

Although our review determined that the FS has initiated corrective action for all major audit recommendations, the OCFO has not yet received the documentation necessary to close 65 of the 74 recommendations.

CONCLUSION

The FS report and action plan is a comprehensive document for improving accountability and consistency in the land exchange program. The FS has taken the initiative not only to address OIG and GAO recommendations, but also to expand its corrective action to a national perspective when necessary. The FSWO lands staff stated that they have completed actions on all OIG recommendations but they are still preparing the documentation to OCFO for final closure.

This report is an acknowledgement of the Secretary's request to review the effectiveness of the FS' corrective actions in its land exchange program. No response is required to this report. In accordance with the Secretary's letter to Congressman Miller, we will begin our assessment of the FS' implementation of its action plan in the near future. We will be providing the Secretary with a report on the results of this assessment when it is completed.

/s/
JAMES R. EBBITT
Assistant Inspector General
for Audit

cc: Dan Glickman, Secretary of Agriculture



**LIST OF OIG AND GAO AUDIT REPORTS
FOREST SERVICE
LAND EXCHANGES
AUGUST 1998 – JULY 2000**

AUDIT REPORT	ISSUE DATE	NUMBER OF RECOMMENDATION S
Humbolt-Toiyabe National Forest Land Adjustment Program OIG Audit No. 08003-2-SF	August 1998	37
Title to Physical Improvements on the Zephyr Cove Land Exchange OIG Audit No. 08003-4-SF	August 1998	3
Thunderbird Lodge Land Exchange OIG Audit No. 08801-5-SF	April 1999	10
Land Adjustment Program San Bernardino National Forest and South Zone Land Adjustment Team OIG Audit No. 08801-6-SF	January 2000	9
Zephyr Cove Land Exchange OIG Audit No. 08003-6-SF	July 2000	15
BLM and the Forest Service – Land Exchanges Need to Reflect Appropriate Value and Serve the Public Interest GAO/RCED-OO-73	June 2000	1

EXHIBIT A