

June 2004

FEDERAL LAND MANAGEMENT

Additional Guidance on Community Involvement Could Enhance Effectiveness of Stewardship Contracting





Highlights of [GAO-04-652](#), a report to congressional requesters

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Additional Guidance on Community Involvement Could Enhance Effectiveness of Stewardship Contracting

Why GAO Did This Study

In their efforts to reduce hazardous fuels and the risk of wildfire on the nation's public lands, the Forest Service and the Bureau of Land Management (BLM) expect that stewardship contracting will play a major role. Stewardship contracting involves the use of contracting authorities—such as the exchange of goods for services—first authorized in 1998 and intended to help the agencies achieve land management goals that meet community needs. GAO was asked, among other things, to determine (1) the contracting and financial controls the agencies use to ensure accountability in managing stewardship contracting projects and (2) the steps the agencies have taken to involve communities in the projects.

What GAO Recommends

To enhance the effectiveness of stewardship contracting and improve public trust in the agencies, GAO recommends that the Secretaries of Agriculture and the Interior direct the agencies to issue additional guidance on community involvement identifying best practices in seeking and incorporating community input, and establish minimum requirements for seeking involvement on each project.

In commenting on a draft of this report, the Forest Service generally agreed with its contents. The Department of the Interior did not provide comments.

www.gao.gov/cgi-bin/getrpt?GAO-04-652.

To view the full product, including the scope and methodology, click on the link above. For more information, contact Barry Hill at (202) 512-3841 or hillbt@gao.gov.

What GAO Found

Although the Forest Service provided limited initial guidance on establishing contracting and financial controls, the eight stewardship projects GAO visited had incorporated such controls. (BLM was first granted stewardship authority in 2003 and had no projects under way at the time of GAO's review.) The projects generally used pre- and post-award controls, such as reviews of contractor bids using preestablished criteria, and performance and payment bonds to ensure completion of required activities. GAO's review of selected financial controls at the projects we visited showed that they appeared to have procedures in place to account for retained receipts, including tracking funds received and expended, and had incorporated procedures designed to ensure the completion of specific work tasks before contractors were paid. Both the Forest Service and BLM issued guidance in January 2004 containing such controls for future projects.

The Forest Service initially provided minimal guidance on soliciting and incorporating public involvement in stewardship contracting projects and, as a result, the type and extent of efforts to involve communities varied considerably among the projects GAO reviewed. However, managers who did not incorporate public input may have missed valuable opportunities to strengthen their projects. For example, one project manager said that public involvement led to more stringent criteria for protecting water quality, and another reported that public involvement improved agency access to public lands needing fuel reduction. Although most managers GAO spoke with said they wanted additional guidance on public involvement, the Forest Service's recently issued stewardship contracting handbook does not contain specific guidance for obtaining community input—and BLM's recent guidance is similarly lacking. Without such guidance, each project manager must independently determine the type and extent of community involvement to solicit and then develop and implement community involvement procedures—an inefficient process that could lead to variation in community involvement across stewardship contracting projects in both agencies.

Forest Thinning and Prescribed Burning Undertaken Using Stewardship Contracting Authority



Source: Forest Service.

Contents

Letter

Results in Brief	1
Background	3
Most Pilot Projects Are Ongoing and Include Removal of Timber or Other Vegetation to Improve Forest Health	5
Despite Limited Initial Guidance, Forest Service Has Incorporated Contracting and Financial Controls in Eight of Its Projects, and Both Forest Service and BLM Have Included Such Controls in Their Recent Guidance	8
The Agencies Have Not Provided Substantial Guidance on Community Involvement, and Efforts to Involve Communities Varied among Projects	24
Both Agencies Have Additional Projects Planned and Intend to Assess the Effectiveness of Stewardship Contracting	35
Conclusions	41
Recommendation for Executive Action	43
Agency Comments and Our Evaluation	43

Appendixes

Appendix I: Forest Service’s Responses to Environmentalists’ Concerns about Projects Identified as Problematic	46
Appendix II: Objectives, Scope, and Methodology	55
Appendix III: Pilot Project Names, Locations, Acres Treated, and End Dates	62
Appendix IV: Comments from the Department of Agriculture	65
Appendix V: GAO Contacts and Staff Acknowledgments	66
GAO Contacts	66
Staff Acknowledgments	66

Tables

Table 1: Selection Criteria Met by Each Pilot Project at Which We Conducted Site Visits	58
Table 2: Pilot Project Names, Locations, Acres Treated, and End Dates	62

Figures

Figure 1: Number of Stewardship Contracting Pilot Projects in Each Forest Service Region	10
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Figure 2: Number of Stewardship Contracting Pilot Projects Expected to Be Completed Each Calendar Year through 2014	11
Figure 3: Helicopter Logging to Reduce Fuels at the Baker City Watershed Rehabilitation Pilot Project, Wallowa-Whitman National Forest	12
Figure 4: Limestone to Be Added to a Creek to Reduce Acidity at the Burns Creek Pilot Project, George Washington-Jefferson National Forest	13
Figure 5: Mechanical Thinning at the Antelope Pilot Project, Fremont-Winema National Forests	14
Figure 6: Prescribed Burning at the Antelope Pilot Project, Fremont-Winema National Forests	15
Figure 7: Installation of Public Toilet at the Treasure Interface Pilot Project, Kootenai National Forest	16
Figure 8: Number of Stewardship Contracting Pilot Projects Addressing Each Land Management Goal to a Great or Very Great Extent	17
Figure 9: Number of Stewardship Contracting Pilot Projects Reporting the Use of Each Stewardship Contracting Authority	18
Figure 10: Number of Stewardship Contracting Pilot Projects, by Project Size	19
Figure 11: Sawlogs at the Fernow Experimental Forest Pilot Project, Monongahela National Forest	22
Figure 12: Firewood at the Seven Mile Pilot Project, Arapaho-Roosevelt National Forest	23
Figure 13: Slash Pile at the Winiger Ridge Pilot Project, Arapaho-Roosevelt National Forest	24
Figure 14: Locations of Stewardship Contracting Pilot Projects Visited during Our Review	25
Figure 15: Multiparty Monitoring Team Reviewing Project Site at the Clearwater Pilot Project, Lolo National Forest	38

Abbreviations

BLM	Bureau of Land Management
ccf	hundred cubic feet
CERT	Clearwater Elk Recovery Team
CSFS	Colorado State Forest Service
FACA	Federal Advisory Committee Act
FFIS	Foundation Financial Information System
HCPC	Hell's Canyon Preservation Council
NEPA	National Environmental Policy Act
TSA	Timber Sale Accounting
USDA	U.S. Department of Agriculture

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United States General Accounting Office
Washington, D.C. 20548

June 14, 2004

Congressional Requesters

Recent severe wildfire seasons have focused attention on the state of our nation's forests. Many of these forests have become dense with small, tightly spaced trees and thick brush, which—combined with drought, wind, and other adverse weather conditions—have fueled extensive wildland fires in recent years. Both the Forest Service in the Department of Agriculture (USDA) and the Bureau of Land Management (BLM) in the Department of the Interior are placing greater emphasis on thinning forests and rangelands to help reduce the buildup of potentially hazardous fuels, partly in response to the Healthy Forests Restoration Act of 2003.¹ Among other things, the act directs the Secretaries of Agriculture and the Interior to give priority to hazardous fuel reduction projects that provide for the protection of at-risk communities or watersheds, or that implement community wildfire protection plans. The Forest Service and BLM, which together manage a total of about 450 million acres of federal land, are focusing on a new tool they consider essential to their efforts to reduce fuels: stewardship contracting.

Stewardship contracting involves the use of any of several contracting authorities that were first authorized for use by the Forest Service on a pilot basis in October 1998. The Omnibus Consolidated and Emergency Supplemental Appropriations Act for 1999 established stewardship contracting authority to achieve national forest land management goals that meet local and rural community needs.² Prominent among the stewardship contracting authorities is the ability to (1) trade goods—timber, for example—for contract services, such as thinning of small trees and brush; and (2) retain for use in future stewardship projects any receipts generated through selling forest products such as timber, rather than returning the receipts to the Department of the Treasury, which is required under traditional timber sales. The law stated that the land management goals of stewardship contracts include road and trail maintenance, watershed restoration, and prescribed burning and noncommercial tree removal to improve forest health. Although stewardship contracting was initially established as a demonstration project that involved a limited

¹Pub. L. No. 108-148, 117 Stat. 1887 (2003).

²Pub. L. No. 105-277, § 347, 112 Stat. 2681-298 (1998).

number of individual projects within the Forest Service and was to end in 2002, the Consolidated Appropriations Resolution of 2003, among other things, extended the use of stewardship contracting authority to 2013, eliminated the limit on the number of projects, authorized commercial tree removal for forest health purposes as a project purpose, and extended the authority to BLM.³

Because of your interest in the status of the Forest Service's and BLM's implementation of stewardship contracting authority, you asked us to determine (1) the status of stewardship contracting projects and the land management goals they address; (2) the extent to which the agencies have contracting and financial controls in place that ensure accountability in managing stewardship contracting projects; (3) the steps the agencies have taken to involve communities in designing, implementing, and evaluating stewardship contracting projects; and (4) each agency's plans for future stewardship contracting activities. In addition, you asked us to determine the Forest Service's response to concerns raised by environmental groups about six specific stewardship contracting projects; the results of this work are contained in appendix I.

In conducting our review, we met with Forest Service and BLM headquarters officials and reviewed agency documents and guidance related to stewardship contracting; conducted a Web-based survey on the status of all ongoing and completed stewardship contracting projects as of September 30, 2003; visited 8 stewardship contracting project sites, where we reviewed project financial and contracting files for evidence of selected management controls and met with Forest Service officials, project contractors, and local citizens to obtain information about project implementation, including community involvement in the projects; conducted telephone interviews of officials at 25 project sites regarding community involvement efforts; conducted telephone interviews of representatives of six environmental organizations and Forest Service officials regarding the 6 project sites of concern; and spoke with representatives of several conservation and forestry organizations to obtain their perspectives on stewardship contracting. While the results of our telephone discussions and site visits cannot be projected nationwide, they represent a mix of stewardship contracting projects by virtue of their geographic diversity; the stewardship contracting authorities being used; and project status, objectives, and activities. Appendix II provides further

³Pub. L. No. 108-7, § 323, 117 Stat. 275 (2003).

details on the scope and methodology of our review. We conducted our work between April 2003 and April 2004 in accordance with generally accepted government auditing standards.

Results in Brief

As of September 30, 2003, the Forest Service had completed 9 pilot projects, and another 68 were ongoing, with scheduled project completion dates through 2014. BLM did not have any projects under way at the time of our survey. The Forest Service pilot projects generally focused on removing timber and other vegetation to reduce fuels or improve forest health; some projects pursued other activities on national forest lands to benefit local communities, such as improving trails or installing new public toilets intended to protect water quality. The projects had treated—that is, conducted stewardship activities on—about 13,800 acres and were expected to treat about 158,000 additional acres.

The Forest Service provided limited initial guidance on how to establish contracting and financial controls to provide accountability in managing projects, in part to allow project managers to experiment with different implementation approaches. Nevertheless, the 8 projects we visited had incorporated such controls. The projects generally included preaward activities, such as reviews of contractor bids using preestablished criteria to ensure thoroughness and objectivity in evaluating bids and awarding contracts, and meetings with potential contractors to clarify project objectives and contract terms and schedules. Similarly, awarded contracts generally included elements such as performance and payment bonds designed to ensure proper completion of required activities, and on-the-ground inspections of contracted work intended to ensure that the work was conducted appropriately. Regarding financial controls, the projects we visited appeared to have established procedures to account for retained receipts from the sale of forest products, including tracking funds received and expended. Moreover, these projects had incorporated procedures designed to ensure that contractors were paid only upon completion of specific work tasks. Both the Forest Service and BLM issued guidance in January 2004 containing such controls for future projects.

The Forest Service initially provided minimal guidance on soliciting and incorporating public involvement in stewardship contracting projects and, as a result, the type and extent of efforts to involve communities varied considerably among the Forest Service projects we reviewed. While some Forest Service project managers actively solicited public input in designing projects or formed monitoring teams to evaluate their implementation,

others did relatively little to solicit or incorporate public input. Unfortunately, managers who did not incorporate public input may have missed valuable opportunities to strengthen their projects. For example, one manager told us that public involvement in her project led to more stringent criteria for protecting water quality during project activities, and another manager told us that public involvement in his project helped improve agency access to public lands needing fuel reduction. Although many managers we spoke with told us they wanted additional guidance on how to involve the public, the Forest Service's recently issued stewardship contracting handbook does not contain specific guidance for obtaining community input, and BLM's recent guidance is similarly lacking. Without such guidance, Forest Service and BLM project managers must independently determine the type and extent of community involvement to solicit and then independently develop and implement community involvement procedures. Undertaking these activities individually is inefficient and could lead to variation in community involvement across stewardship contracting projects in both agencies.

The Forest Service and BLM plan to implement several additional stewardship projects in fiscal year 2004 and beyond. While the Forest Service did not specify the number of additional projects it expects to undertake in 2004, BLM officials told us the agency has recently initiated 2 projects and plans about 34 more projects in fiscal year 2004, and officials from both agencies reported that they expect additional stewardship contracting projects in the years ahead. Both agencies are planning to collect information on ongoing and future projects to help them analyze the effectiveness of stewardship contracting relative to other contracting tools.

To more fully realize the potential of stewardship contracting and ensure that community involvement is incorporated into stewardship contracting projects, we are recommending that the Secretaries of Agriculture and the Interior direct the agencies to provide additional guidance to field staff clarifying the types of community involvement expected in stewardship contracting projects and identifying best practices for soliciting such involvement. We provided a draft of this report to the Secretaries of Agriculture and the Interior for review and comment. The Forest Service generally agreed with our report. The Forest Service's comment letter is presented in appendix IV. The Department of the Interior did not provide comments.

Background

In managing federal lands, the Forest Service and BLM often contract for services such as road maintenance, forest thinning, and other activities. They also frequently contract to sell forest resources such as timber or firewood. Traditionally, these contracts have been executed separately—service contracts have generally been funded with appropriated funds from the agencies’ budgets, while timber has been sold through contracts with private purchasers. The Omnibus Consolidated and Emergency Supplemental Appropriations Act of 1999 authorized the Forest Service to combine these contracting mechanisms by entering into “stewardship end result contracts,” under which the agency could use the value of forest products sold to offset the cost of contracted services.⁴ Under such goods-for-services contracts, the Forest Service could, for example, pay for thinning operations by using the proceeds from any commercial timber removed as part of the project. Additional contracting authorities were also included in the legislation; the full list of authorities follows. (Stewardship contracting authority was initially granted only to the Forest Service; in 2003 it was extended to BLM.)

- *Goods for services* allows the agency to use the value of commercial products, such as timber, to offset the cost of services received, such as thinning, stream improvement, and other activities.
- *Designation by description or prescription* allows the agency to conduct a timber harvest by providing the contractor with a description of the desired end result of the harvest. For example, the Forest Service might require that all ponderosa pine less than 10 inches in diameter be harvested. Ordinarily, cutting any standing tree before a Forest Service employee has marked or otherwise designated it for cutting is prohibited.
- *Multiyear contracting* allows the agency to enter into stewardship contracts of up to 10 years in length. (Standard service contracts are limited to 5 years, although timber sale contracts of up to 10 years were already authorized.)
- *Retention of receipts* allows the agency to retain receipts generated from the sale of commercial products removed through stewardship

⁴The Forest Service is authorized to use either contracts or agreements in implementing stewardship projects. In this report we refer to all such arrangements as contracts.

contracts, rather than returning the funds to the Treasury. Receipts are to be applied only to stewardship contracting projects.

- *Less than full and open competition* exempts the agency from the requirement under the National Forest Management Act that all sales of timber having an appraised value of \$10,000 or more be advertised.⁵ This allows the Forest Service to favor local contractors when soliciting contract bids.
- *Supervision of marking and harvesting of timber sales* exempts the agency from the requirement that USDA employees supervise the harvesting of trees on Forest Service lands. This has allowed the Forest Service to use one state agency to assist in stewardship contracting.⁶
- *Best-value contracting* requires the agency to consider other factors—such as past performance or work quality—in addition to price when making stewardship contract award decisions.⁷

The law authorized 28 stewardship contracts by the Forest Service, of which 9 were to be in the Forest Service’s Northern Region.⁸ The authority of the Forest Service to enter into these contracts was to end on September 30, 2002. Contracts were to “achieve land management goals for the national forests that meet local and rural community needs.” The goals listed in the legislation included, but were not limited to,

⁵Under the National Forest Management Act of 1976, the Forest Service develops land and resource management plans that guide all natural resource management activities on the national forests. The act includes provisions governing timber sales from national forest lands.

⁶The Department of the Interior and Related Agencies Appropriations Act of 2001 authorized the Forest Service to permit the Colorado State Forest Service (CSFS) to conduct watershed restoration and protection services on national forest land in Colorado when the CSFS is performing similar services on adjacent state or private land.

⁷In contrast to the other stewardship authorities, best-value contracting was not newly introduced in the stewardship legislation. The Forest Service and BLM had been permitted to procure services on a best-value basis prior to the legislation. Under the stewardship contracting legislation, however, the agencies are required—rather than simply permitted—to use best-value contracting when awarding stewardship contracts.

⁸The Forest Service is divided into nine geographic regions. See figure 1.

-
- maintaining or obliterating roads and trails to restore or maintain water quality;
 - maintaining soil productivity, habitat for wildlife and fisheries, or other resource values;
 - setting prescribed fires to improve the composition, structure, condition, and health of stands or to improve wildlife habitat;
 - noncommercially cutting or removing trees or other activities to promote healthy forest stands, reduce fire hazards, or achieve other noncommercial objectives;
 - restoring and maintaining watersheds;
 - restoring and maintaining wildlife and fish habitat; and
 - controlling noxious and exotic weeds and reestablishing native plant species.

The law also required that the Forest Service establish a multiparty monitoring and evaluation process to assess each stewardship contract.

Several subsequent laws modified the requirements of the initial stewardship contracting authority. The Consolidated Appropriations Act of 2000 changed the requirement from 28 stewardship *contracts* to 28 stewardship *projects*, allowing for the possibility that individual projects may involve more than one contract.⁹ The following year, the Department of the Interior and Related Agencies Appropriations Act of 2001 doubled the number of authorized projects for a total of 56, requiring that at least 9 of the newly authorized projects be in the Forest Service's Northern Region and at least 3 in the agency's Pacific Northwest Region.¹⁰ Similarly, a year later, the Department of the Interior and Related Agencies Appropriations Act of 2002 authorized an additional 28 projects (for a total of 84), again requiring that at least 9 of the newly authorized projects be in the Northern Region and at least 3 in the Pacific Northwest Region.¹¹ This law also

⁹Pub. L. No. 106-113, 113 Stat. 1501A-201 (1999).

¹⁰Pub. L. No. 106-291, 114 Stat. 998 (2000).

¹¹Pub. L. No. 107-63, 115 Stat. 471 (2001).

changed the end date of the demonstration project from 2002 to 2004. Most recently, the Consolidated Appropriations Resolution of 2003 extended the authority to enter into stewardship contracts to 2013, extended stewardship contracting authority to BLM, removed the restriction on the number of projects that could be implemented under this authority, removed the emphasis on noncommercial activities among the land management goals listed, and replaced the requirement for multiparty monitoring and evaluation of each project with a requirement to monitor and evaluate the overall use of stewardship contracting.

Stewardship contracting projects are subject to environmental and resource management laws—such as the National Environmental Policy Act (NEPA), the Endangered Species Act, and others—that also apply to nonstewardship projects. Responsibility for administering stewardship contracting authority at the Forest Service lies within two agency offices: the Forest and Rangeland Management Group and the Acquisition Management Group. Each of the nine Forest Service regions has established a stewardship contracting coordinator to facilitate stewardship contracting activities within each region. Within BLM, authority for administering stewardship contracting authority resides with its Forest and Woodland Management Group. Each of BLM’s 12 state offices also has a stewardship contracting coordinator.

Most Pilot Projects Are Ongoing and Include Removal of Timber or Other Vegetation to Improve Forest Health

As of September 30, 2003, the Forest Service had completed 9 pilot projects, and another 68 were ongoing, with project completion dates scheduled through 2014.¹² Most projects included the removal of timber and other vegetation to reduce fuels or promote forest health, while other activities included trail construction, wildlife pond restoration, and public toilet installation. The projects had treated about 13,800 acres and were expected to treat about 158,000 additional acres. Expected project costs and forest product values varied widely: Projects were expected to cost from \$1,000 to \$5.7 million, and the estimated value of forest products to be removed as part of the projects varied from \$124 to \$6.3 million.

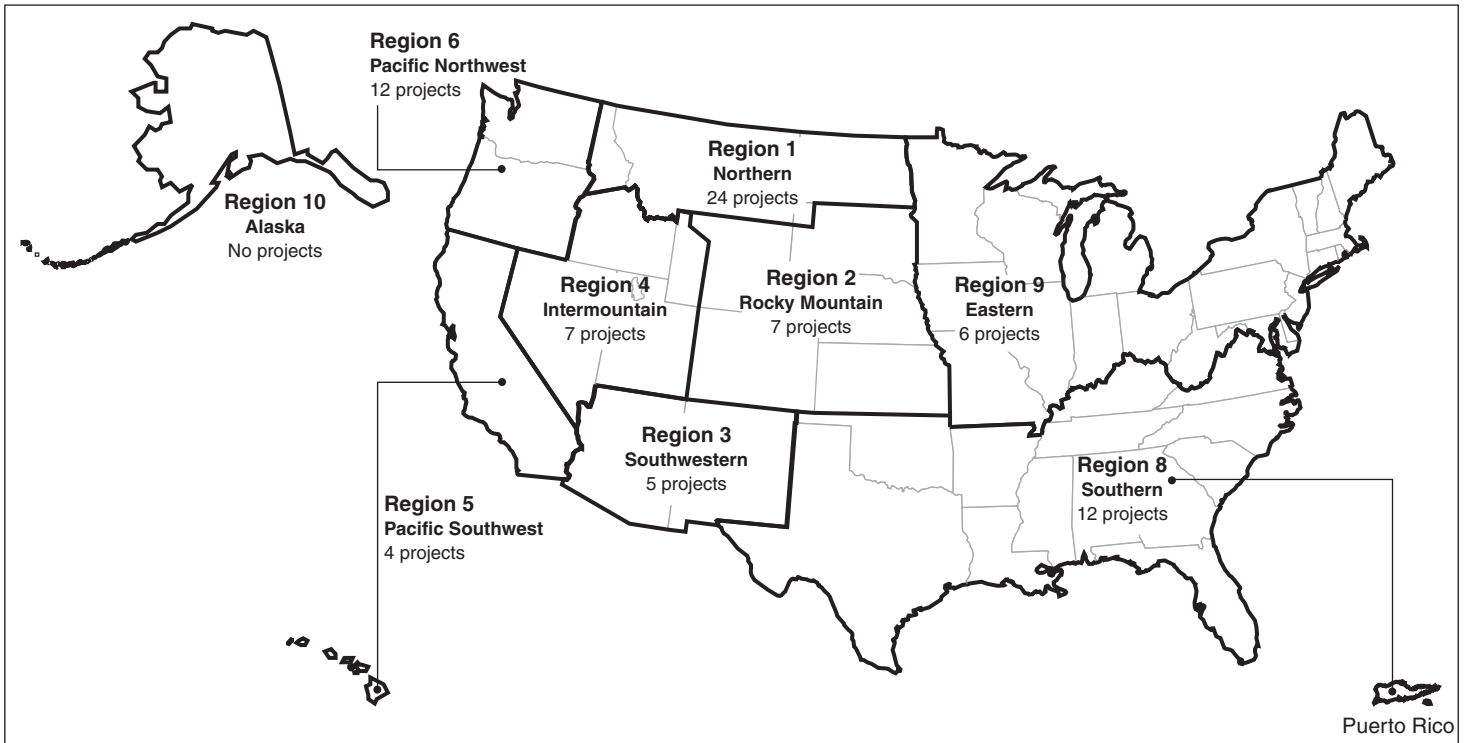
¹²Although 84 pilot projects were authorized, only 77 were ongoing or completed at the time of our review. Additional pilot projects had been initiated, but were terminated prior to our review.

Sixty-eight of 77 Forest Service Pilot Projects Are Still Ongoing; Projects Commonly Have Focused on Removing Vegetation

Forest Service staff reported that as of September 30, 2003, 9 pilot projects had been completed—i.e., all contracts associated with these projects were completed and closed—and an additional 68 projects were ongoing.¹³ Pilot projects were distributed throughout the Forest Service regions, except for the Alaska Region, which had none. As expected, given the requirements of the initial legislation, the Northern Region had the most pilot projects. Figure 1 shows the distribution of pilot projects by Forest Service region. (Appendix III provides a list of all 77 projects and related project details, including project acres and expected completion date.)

¹³The 68 ongoing pilot projects include one, the Granite Watershed Protection and Enhancement project, that was authorized by the Granite Watershed Enhancement and Protection Act of 1998 (Pub. L. No. 105-281, 112 Stat. 2695) rather than the stewardship contracting legislation. A project official told us, however, that the project is being conducted under both authorities—the stewardship contracting legislation and the Granite Watershed Enhancement and Protection Act of 1998.

Figure 1: Number of Stewardship Contracting Pilot Projects in Each Forest Service Region

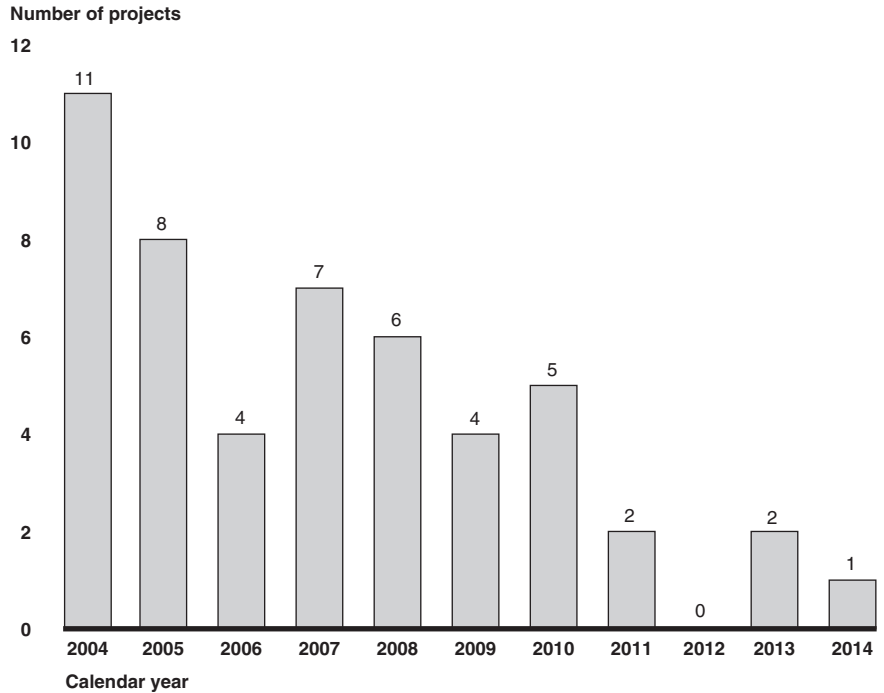


Sources: Forest Service and GAO.

Note: The Forest Service does not have a Region 7.

The earliest reported completion date for a pilot project was May 2001, while the latest reported completion date is expected to be 2014. Figure 2 shows the number of pilot projects expected to be completed each year from 2004 until 2014.

Figure 2: Number of Stewardship Contracting Pilot Projects Expected to Be Completed Each Calendar Year through 2014



Source: GAO.

Notes: Of the 68 ongoing pilot projects, 52 provided an estimated completion date.

Data do not include two projects that were ongoing at the time of our survey but were expected to be completed in late 2003.

The pilot projects encompassed a variety of activities. For example, one project we visited—the Baker City Watershed Rehabilitation project—involved thinning trees on Forest Service land that served as the watershed for an Oregon town. The water provided by the watershed was so pure that the town did not need a filtration facility, according to project and town officials. However, the watershed was at high risk for fire, which officials told us would degrade the watershed to the extent that a multimillion-dollar treatment facility would be required. The watershed was thinned to reduce the density of fuels and thus the risk of fire, with the cost of logging partially offset by the value of timber removed. Logging was done by helicopter to avoid degrading the watershed by building roads. Figure 3 shows a helicopter using a cable to lift and transport trees that were cut by workers on the ground.

Figure 3: Helicopter Logging to Reduce Fuels at the Baker City Watershed Rehabilitation Pilot Project, Wallowa-Whitman National Forest



Source: Forest Service.

Another project we visited—the Burns Creek project in southwestern Virginia—involved cutting timber on Forest Service land and using an elevated cable harvesting system to transport the cut logs across a steep ravine to a sorting area, where they were stacked and sold. Forest Service officials decided against using a traditional logging approach because of the risk of environmental damage to the stream and drainage system in the ravine. After the timber was removed, the cable system was used to transport limestone to the creek at the bottom of the ravine to reduce the creek’s acidity. Project officials told us that without the cable system, the Forest Service would have had to spend considerably more money to transport the limestone to the creek by helicopter. Figure 4 shows the cable system used to transport timber and limestone on this project.

Figure 4: Limestone to Be Added to a Creek to Reduce Acidity at the Burns Creek Pilot Project, George Washington-Jefferson National Forest



Source: Forest Service.

Across all stewardship contracting pilot projects, the most common activities were removing timber to improve forest health or reduce fuels and cutting slash, while other frequently cited activities included road maintenance and prescribed burning. Less commonly cited activities varied considerably and included culvert removal or installation; trail construction, maintenance, or obliteration; tree planting; wildlife pond restoration; and public toilet installation on national forest lands to protect water quality. Figures 5, 6, and 7 show additional examples of the types of activities undertaken as part of stewardship contracting projects.

Figure 5: Mechanical Thinning at the Antelope Pilot Project, Fremont-Winema National Forests



Source: Forest Service.

Figure 6: Prescribed Burning at the Antelope Pilot Project, Fremont-Winema National Forests



Source: Forest Service.

Figure 7: Installation of Public Toilet at the Treasure Interface Pilot Project, Kootenai National Forest



Source: Forest Service.

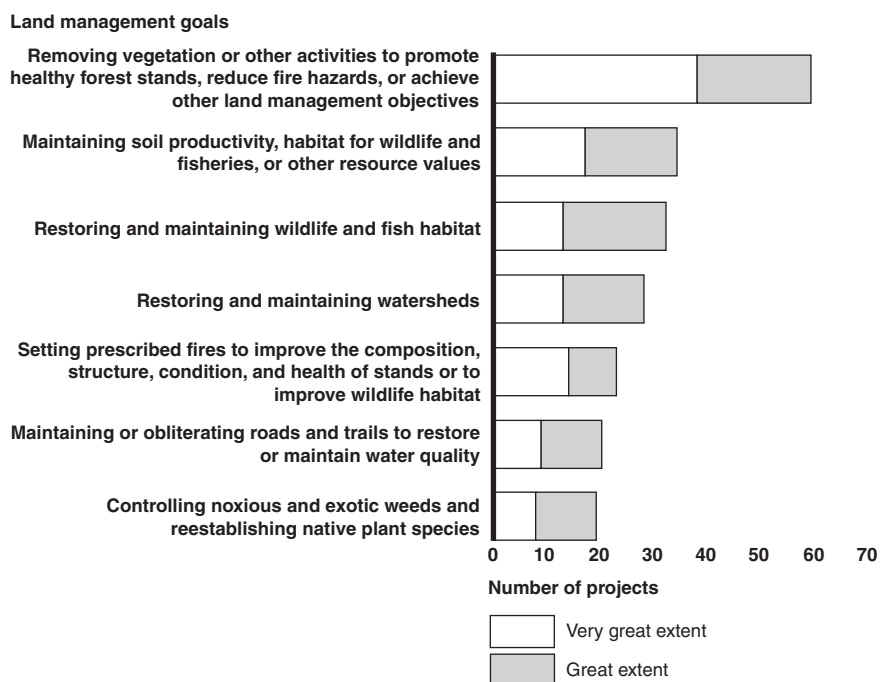
In addition to these activities, several projects cited road construction, maintenance, or obliteration among their activities. In all, about 19 miles of permanent road are expected to be constructed as part of the pilot projects and another 292 miles reconstructed;¹⁴ conversely, 320 miles of permanent road are expected to be decommissioned (that is, closed and stabilized) and another 89 obliterated.

The stewardship contracting legislation enumerated seven land management goals. The goal most commonly cited by Forest Service project managers was removing vegetation or other activities to promote healthy forest stands, reduce fire hazards, or achieve other land management objectives; 59 projects reported addressing this goal to a great

¹⁴Permanent roads are those that are expected to remain part of the National Forest road system after their construction. In contrast, temporary roads are those built for a specific project and closed at the end of the project.

or very great extent.¹⁵ Figure 8 shows the number of respondents reporting that their projects addressed the land management goals to a great or very great extent.

Figure 8: Number of Stewardship Contracting Pilot Projects Addressing Each Land Management Goal to a Great or Very Great Extent



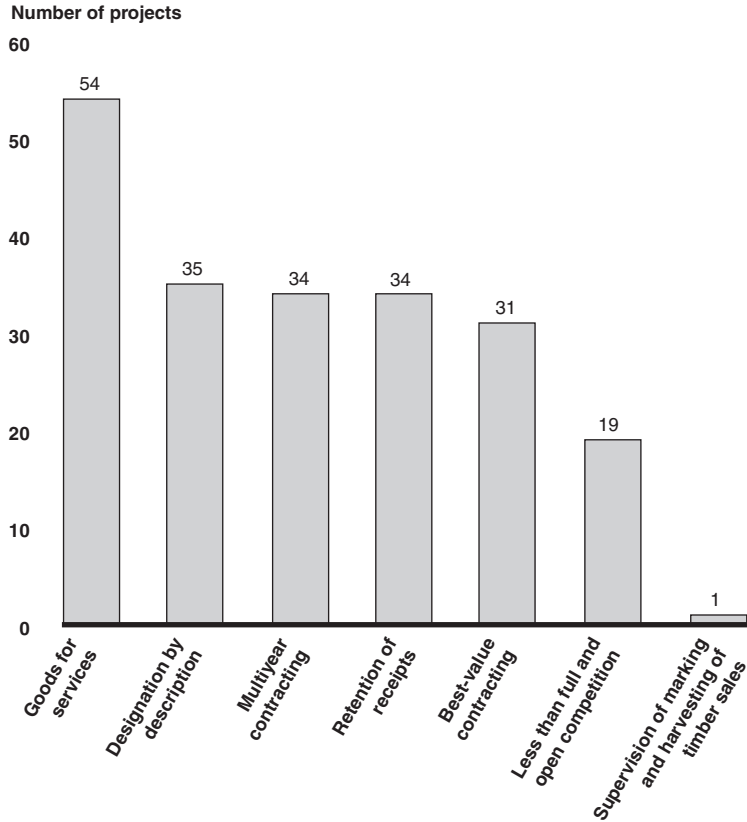
Source: GAO.

Note: Sixty-five pilot projects reported their land management goals. Some projects reported more than one goal.

The stewardship contracting authority most commonly used to address these land management goals was goods for services, reported by 54 projects. Least commonly used was supervision of marking and harvesting of timber sales, reported by only one project in Colorado, where the Colorado State Forest Service is administering the project contract. Figure 9 shows the number of projects reporting the use of each authority.

¹⁵We asked respondents to indicate whether their project addressed each land management goal to a very great extent, great extent, moderate extent, some extent, or little or no extent.

Figure 9: Number of Stewardship Contracting Pilot Projects Reporting the Use of Each Stewardship Contracting Authority



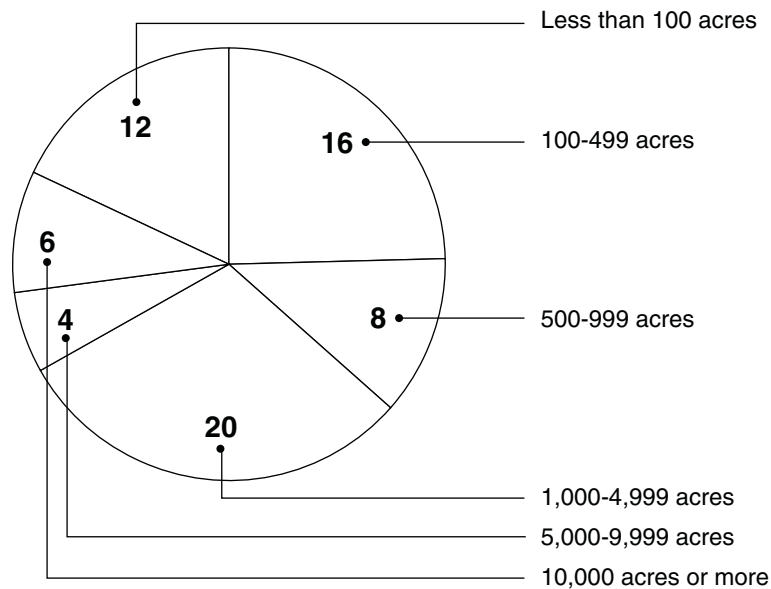
Source: GAO.

Note: Sixty-six pilot projects reported their use of the authorities. Several projects used more than one authority.

Pilot Projects Have Treated about 13,800 Acres and Are Expected to Treat about 172,000 Acres in Total

The sizes of the pilot projects (measured by the number of acres expected to be treated as part of each project) varied considerably, with the smallest project reported at 3.6 acres and the largest at 20,000 acres. The total reported acreage was about 172,000, with a mean project size of about 2,600 acres. As figure 10 shows, slightly more than half of the projects involved less than 1,000 acres, while about 10 percent of the projects exceeded 10,000 acres.

Figure 10: Number of Stewardship Contracting Pilot Projects, by Project Size



Source: GAO.

Note: Sixty-six pilot projects reported their size.

But not all pilot projects had begun activities on the ground. Of the 77 ongoing and completed pilot projects, 31 reported that some treatments had taken place. Only about 13,800 of the 172,000 acres expected to be treated under the pilot projects had been treated by the time of our survey. Among projects reporting some activity, the number of acres treated ranged from 8 to 3,224, with a mean of about 445 acres treated per project.

Reported Project Costs, Revenues, and Products Varied Widely

The expected costs of the projects differed markedly. The lowest reported total project cost was estimated at \$1,000, while the highest was about \$5.7 million. The mean reported pilot project cost estimate was about \$850,000. The portion of these costs attributed to contracts (that is, the amount paid to a contractor to perform services) also varied—from about \$1,000 to \$4 million.¹⁶

Similar variation was evident in the expected value of products removed as part of the projects—primarily timber, but also firewood, wood chips, Christmas trees, and other products. The lowest estimate was \$124, while the highest was about \$6.3 million. These figures reflect the estimated value of material to be removed, without considering the contract costs required for its removal. The mean estimate of product value was about \$480,000 per pilot project.

Slightly more than half of the projects reporting both value and costs expected that contract costs would exceed product value—in other words, that the cost to pay a contractor to perform services would exceed the value of the materials to be removed. Of the 45 projects reporting both expected product values and expected contract costs, 24 (about 53 percent) reported that expected contract costs would exceed expected product values. (The Forest Service may use appropriated dollars to pay contract costs not covered by product values.) The remaining 21 projects reported that expected revenues would equal or exceed expected contract costs. Overall, net revenue estimates (estimated product values minus estimated contract costs) ranged from a negative \$3.27 million to \$2.47 million.

¹⁶Contract costs are those paid by the Forest Service to a contractor and would not include other Forest Service costs, such as salaries or overhead, associated with planning and implementing projects.

Similarly, the amount of products to be removed varied among projects. The Forest Service's standard unit of measure for wood products is 100 cubic feet, or ccf. Thus, 100 cubic feet of wood would be measured as 1 ccf. Estimates of the volume of sawlogs (timber large enough to be milled into lumber) to be removed as part of stewardship contracting projects ranged from 0.7 ccf to 49,000 ccf.¹⁷ About 70 percent of the reporting projects are expected to remove less than 5,000 ccf, and about one fourth are expected to remove less than 500 ccf. Estimates of other products (such as firewood and wood for posts and poles) varied from 4.2 ccf to about 67,000 ccf. Many projects also anticipated removing material of no commercial value, such as brush or small-diameter trees. Estimates of such noncommercial material ranged from 50 ccf to 144,000 ccf. Figures 11, 12, and 13 show examples of the material removed as part of stewardship projects.

¹⁷Not all survey respondents measured volume in ccf. Some used board feet, while others used tons. To facilitate conversion from board feet or tons to ccf, the Forest Service provided conversion factors for each measurement. However, a Forest Service official cautioned that these conversion factors are approximate, and that individual conversion factors are applied depending on product, species, and other factors.

Figure 11: Sawlogs at the Fernow Experimental Forest Pilot Project, Monongahela National Forest



Source: GAO.

Figure 12: Firewood at the Seven Mile Pilot Project, Arapaho-Roosevelt National Forest



Source: Forest Service.

Figure 13: Slash Pile at the Winiger Ridge Pilot Project, Arapaho-Roosevelt National Forest

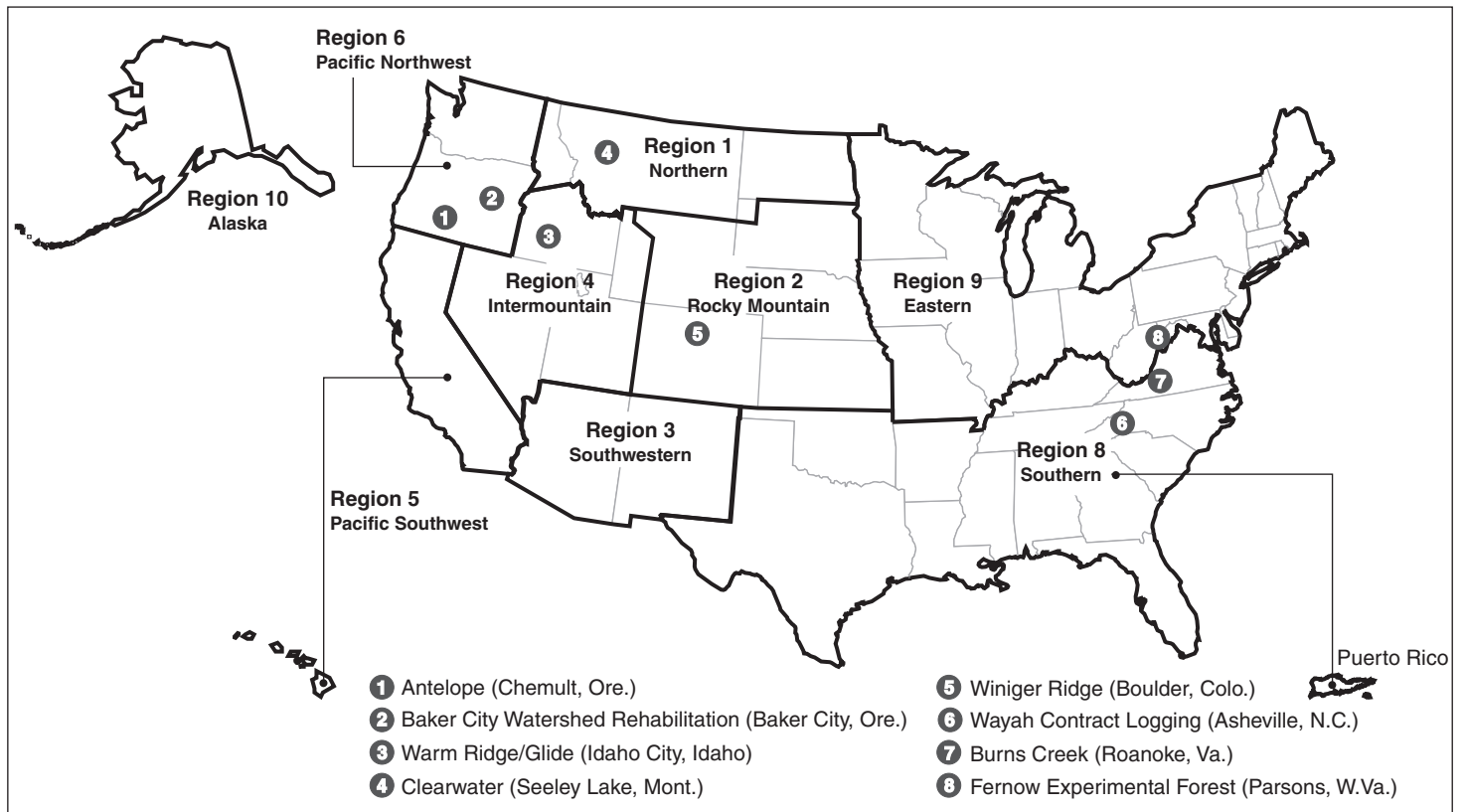


Source: GAO.

Despite Limited Initial Guidance, Forest Service Has Incorporated Contracting and Financial Controls in Eight of Its Projects, and Both Forest Service and BLM Have Included Such Controls in Their Recent Guidance

The Forest Service limited the amount of initial contracting and financial guidance it provided to stewardship contracting pilot project officials to allow them to experiment with different approaches to managing the projects. Despite the limited guidance, the eight projects we visited had contracting and financial controls in place, including both preaward and postaward activities and controls to provide accountability in managing the projects (see fig. 14 for the projects' names and locations). Since the enactment of the 2003 legislation expanding stewardship contracting authority, the Forest Service and BLM have developed more specific guidance on designing and implementing future projects and on accounting for project costs and revenues.

Figure 14: Locations of Stewardship Contracting Pilot Projects Visited during Our Review



Sources: Forest Service and GAO.

Note: Names in parentheses are locations of the Forest Service offices conducting the projects.

Initial Forest Service Contracting and Financial Guidance Was Limited, Slowing Implementation of Some Projects

The Forest Service provided limited initial contracting and financial guidance on stewardship contracting to allow project managers to experiment with different implementation approaches, according to an official with the Forest Service's Forest and Rangeland Management Group. The Forest Service provided a "Desk Guide for Contracting under Existing Authorities for Service Contracts with Product Removal," intended to provide guidance to field staff on conducting pilot projects, although the desk guide focused primarily on contracting authorities other than those in the stewardship legislation. Other guidance was provided by the Pinchot Institute for Conservation¹⁸—with which the Forest Service had contracted to review stewardship contracting implementation, including the design and management of monitoring, evaluation, and reporting processes. For example, the Pinchot Institute facilitated stewardship contracting workshops at Forest Service headquarters and several field locations to explain the nature of the stewardship contracting authority. The Pinchot Institute also provided technical assistance and general program guidance through its three subcontracted partners.¹⁹ Because of the limited guidance available to them, some project managers also sought project design assistance from staff in the Forest Service's Northern Region, which had the greatest number of pilot projects and which had experience in and knowledge of stewardship contracting techniques.

Because of the lack of specific centrally issued guidance, some projects were slow to begin. Project managers attributed this delay to the need to independently determine how to design and implement their projects using their understanding of stewardship contracting and the need to coordinate the efforts of timber sale and acquisition contracting officers in developing a single contract. Under traditional contracts, timber sales are handled by timber sale contracting officers, while service acquisitions are handled by acquisition contracting officers. With the exchange of goods for services under stewardship contracting, only one contracting officer is needed for both activities; but close cooperation and coordination between the timber sale and acquisition offices are needed, which can be difficult and time

¹⁸The Pinchot Institute for Conservation, located in Washington, D.C., is a nonprofit organization specializing in natural resource policy, research, and education.

¹⁹As part of its contract to assist the Forest Service in implementing and monitoring stewardship contracting, the Pinchot Institute hired three subcontractors to provide technical assistance and general program guidance regarding projects within their regions.

consuming. For example, one contracting officer at the Antelope stewardship project said developing a contract combining a timber sale with various services took approximately 6 months, in contrast to the approximately 2 to 3 months that this official said were required for a standard timber sale or service contract. This official told us the delay occurred primarily because of the lack of direction on how to achieve the necessary coordination between the timber sale and acquisition contracting offices.

Projects We Visited Incorporated Both Preaward and Postaward Contracting Controls

The eight projects we visited generally included the preaward and postaward contracting activities and safeguards we believe are necessary for effectively awarding and administering stewardship contracts. Preaward controls we looked for included widely distributed contract solicitations, the use of pre-established criteria for evaluating bids, and meetings with potential contractors to clarify project activities and Forest Service expectations. Postaward controls we looked for included the use of payment or performance bonds, appropriate techniques for valuing forest products, and provisions for on-the-ground inspections of contractor work. See appendix II for more information about our selection of these criteria.

Projects Used Various Preaward Controls

The project managers for the projects we reviewed undertook preaward solicitation and advertisement activities to seek contract bids and proposals. These efforts included solicitations in the form of mailings to potential contractors, advertisements in local newspapers, and national announcements in the *Commerce Business Daily* and on the *Federal Business Opportunities* Web site.²⁰ Such solicitations are intended to maximize the number of potential contractors aware of the project, and thus the pool of potential bidders. When solicitations did not result in any bidders, the solicitations were sometimes expanded to include a broader geographic area. The project managers also held conferences with potential contractors before they submitted bids or proposals, and sometimes potential contractors made trips to the proposed project sites. These “scoping” sessions served to clarify project objectives and contract

²⁰The *Commerce Business Daily* and the *Federal Business Opportunities* Web site (<http://www.FedBizOpps.gov>) list notices of proposed government procurement actions, contract awards, sales of government property, and other procurement information. As of October 1, 2001, all federal procurement offices are required to use FedBizOpps to announce proposed procurement actions and contract awards if they are over \$25,000 and are likely to result in the award of a contract to a subcontractor.

terms and schedules, as well as to solicit ideas from contractors and to increase local awareness of projects. Project managers and other agency staff also conducted bid reviews using predefined criteria to ensure thoroughness and objectivity in evaluating each bid and awarding the contracts. The evaluation criteria included such factors as bidders' past performance and experience, proposed work schedules and technical approaches, and cost or price factors. The Forest Service evaluation teams generally were composed of experienced contracting officers, project managers, and other key Forest Service staff.

Awarded Contracts Generally Included Bond, Valuation, and Inspection Requirements to Provide Accountability in Project Management

Contracts for the eight projects we visited generally incorporated safeguards such as bond, valuation, inspection, and default requirements. The contracts we reviewed contained clear definitions of contract requirements, including work-site locations, access points, and the size of work units. The contracts also generally defined the roles of the various Forest Service staff, including those responsible for oversight activities, such as the contracting officers and the contracting officers' representatives. Before commencing work under the contract, Forest Service project managers generally held orientations with the contractors to clarify contract terms, work performance requirements, and work progress schedules. These meetings sometimes resulted in amendments to the solicitations and clearer contract language.

Nearly all of the stewardship contracts we reviewed included payment and performance bond clauses to ensure the satisfactory performance of contract requirements. These bonds are written instruments executed by the contractor to ensure fulfillment of its obligations. If the obligations are not met, the bonds ensure payment, to the extent stipulated, of any loss sustained. In particular, payment bonds, also known as advance deposits or cash deposits, ensure that the government receives payment for timber harvested. In the event that a contractor harvests timber but then defaults on the contract or goes out of business before paying for it, the agency can keep the cash value of the bond as payment for the timber. Similarly, performance bonds ensure that, in the event the government is required to conduct work to remediate damage done by the contractor, the agency can use the value of the performance bond to finance remediation activities. Although most contracts included bonds, some did not. The Winiger Ridge Restoration project, for example, did not include payment or performance bonds. The project manager told us that she believed such bonds were too onerous for small contractors, and agency officials wanted to make the project as attractive as possible to small local contractors. Additionally, according to the project manager, there was little incentive for the

contractor to cut commercially valuable timber and then default on the remainder of the services because there was very little valuable timber included in the project. This manager characterized the contract as “\$190,000 worth of services and \$500 worth of timber.” Another project—Antelope—did not require a performance bond because of the expense and burden it would place on the contractor, according to the project manager.

The stewardship contracts also included valuation clauses to establish the volume and value of the forest materials to be removed and the services to be provided. Volume is determined by a “cruise” of the project area, which involves staff examining the area in different locations to estimate the timber that is to be removed. Forest Service managers at the projects we examined established the value of timber through government cost estimates or appraisals. Government cost estimates are simply indications of what the timber will bring on the market based on previous sales, according to Forest Service staff. Appraisals, on the other hand, involve calculations of not only what the timber will bring on the market but also the cost of cutting and hauling the timber, constructing or improving roads, and so forth, and are thus more detailed, time consuming, and expensive. According to staff, government cost estimates are appropriate when the value of the material is known to be low, because in such cases the cost of a full appraisal can exceed the value of the material. Of the eight projects we reviewed, five conducted full appraisals while three used government cost estimates.²¹

The stewardship contracts we examined also included provisions for on-the-ground inspections of contracted work to ensure that the work was conducted in accordance with contract requirements and Forest Service expectations. At the projects we reviewed, the contracting officers and the designated contracting officers’ representatives who served as on-the-ground administrators documented their observations on inspection forms and contract daily logs, which we examined. These logs included information on whether the work was performed in an acceptable manner, and the measures necessary to correct any deficiencies.

Additional effort was sometimes required to ensure that contractors performed according to Forest Service expectations. For example, the Winiger Ridge Restoration stewardship project contracting officer told us

²¹Although we determined that appraisals or estimates were conducted, we did not review these appraisals or estimates for accuracy.

that the project's initial contract had to be revised to make the designation by description specifications clearer to the contractor, after it became evident that the specifications as written did not lead to the expected results. (Designation by description allows the agency to conduct a timber harvest by providing the contractor with a description of the trees to be cut or the desired end result of the harvest, rather than by marking individual trees.) At this project, the initial description directed the contractor to, among other things, cut all trees with a certain level of dwarf mistletoe infestation.²² However, project officials realized that it was impossible to verify that the contractor had cut only infected trees, and contract provisions regarding mistletoe infestation were eliminated. Similarly, contracting officers and contractors at other locations also told us that the contractors sometimes had difficulty interpreting the language in designation by description contracts, or that the language was not specific enough to ensure that Forest Service expectations were met. This unclear language sometimes required additional project oversight to ensure that contractors were meeting contract requirements. At the Clearwater stewardship project, for example, the project manager told us that although they had planned periodic project inspections, the use of designation by description authority required them to have inspectors on site virtually every day for several weeks.

Finally, the stewardship contracts we reviewed also included breach or default and dispute resolution clauses. These mechanisms allow the Forest Service to address any issues or problems by issuing default notices and stop work orders. However, aside from work delays, which generally resulted from uncontrollable events such as excessive snow or fire seasons, there were no significant problems with the contracts we examined. In fact, several Forest Service contracting officers we interviewed praised the relative ease of administering the contracts once they were developed and awarded. Similarly, the contractors conducting the work told us that, although the stewardship contracts and the contracting process were somewhat new and time consuming to them, implementation of the contracts themselves was relatively straightforward.

²²Dwarf mistletoe is a small, seed-bearing parasitic plant that infects several tree species. According to USDA, the infection causes increased mortality, reduced growth rates, loss of vigor, lowered timber quality, and reduced seed production.

We Observed Established Financial Procedures at the Projects We Visited

During our project site visits, we observed evidence of established procedures in place for accounting for project funds, including procedures for receiving and tracking timber payments and tracking retained receipts and expenditures, as well as other steps taken to provide financial accountability. Our review of selected items included an examination of payment vouchers, receipts, and other expenditure-related documentation to assess whether retained receipts and other project funds had been spent on stewardship-related activities. We did not review all financial controls for stewardship contracting.

The Forest Service uses two data collection systems—the Timber Sale Accounting (TSA) system and the Foundation Financial Information System (FFIS)—to track project financial activities. The TSA tracks data such as the name of the purchaser and the quantity and species of timber to be harvested, and is the principal system for recording revenues related to timber sales. However, the TSA reflects only a portion of stewardship contracting activity. While the TSA includes timber-specific information such as species, it does not reflect the services contracted for as part of stewardship contracting projects; instead, these services are recorded and tracked at the local forest or regional office. The FFIS, which incorporates some TSA data, is the system of record supporting Forest Service billing and collection functions. As with traditional timber sale contracts, actual payments are received and processed through an independent “lockbox” system in San Francisco.²³ The payment receipts are recorded by job code in a specified distribution account within the FFIS.

At each location, we observed adequate separation of duties and supervisory review responsibilities being handled by officials in the timber and financial groups. For example, a project official at each location was responsible for verifying the accuracy of all the charges to the project account, and the financial group manager was responsible for monitoring the project account balances. At the end of each month, timber and accounting clerks completed reconciliations between the timber and financial system data and their detailed local records. When discrepancies were identified, the problems were researched and corrected in a timely manner. For those projects we looked at, several monthly reports were generated by the TSA and FFIS systems, which managers in each group

²³Lockbox banks establish post office boxes or electronic accounts to receive payments made to federal agencies. The banks then transfer the funds to the Treasury and submit collection reports to the agencies.

used to track project activities and to review and verify the accuracy of the charges against project funds.

Two projects we visited, the Clearwater and Fernow Experimental Forest projects, had expended retained receipts on additional stewardship contracting activities. At these projects, we examined payment vouchers, receipts, and other expenditure-related documentation to ensure that retained funds had been spent on stewardship-related activities, as required, and the funds appeared to have been spent appropriately. Another project we visited, the Burns Creek project, passed all retained receipts on to another stewardship project, the Wayah Contract Logging project, in the same region; however, the Wayah Contract Logging project (which we also visited) did not need to use the funds because receipts and appropriated funds associated with that project were sufficient to cover project expenditures. As a result, the retained receipts were being passed on yet again to a third stewardship project, the Sand Mountain project, also in the same region. At the time of our review, a portion of these funds had been obligated to cover the cost of a contract for work on this project, but had not yet been expended.

Forest Service staff at the locations we visited took additional steps to provide financial accountability. For example, we noted procedures in place to prevent timber harvesting activities from significantly exceeding service activities under goods for services contracts. To this end, two projects (the Clearwater and Warm Ridge/Glide projects) established “land management credits” to record service activities completed. Once the contractor earned such credits, they were then applied to the value of the timber being harvested. At these projects, contractors were not permitted to harvest timber until they had earned the required credits through service work—thus preventing contractors from harvesting commercially valuable timber and then failing to perform needed restoration activities.

Forest Service and BLM Recently Developed Stewardship Contracting Guidance That Includes Contracting and Financial Controls

The Forest Service and BLM issued jointly developed guidance in January 2004 to provide direction in implementing stewardship contracts. The Forest Service’s new handbook and BLM’s new guidance address the use of contracting controls, such as appraisals, and the use of two authorities—designation by description and less than full and open competition; include contract templates for field staff; provide guidance on financial accountability; and outline the responsibilities of agency staff. According to an official with the Forest Service’s Forest and Rangeland Management Group, their handbook is intended to be a working document that will

change as necessary. For example, if the results of ongoing monitoring of stewardship contracting show a need for changes, the handbook will be revised accordingly.

The agencies' guidance includes some of the same elements we examined during our site visits to provide project accountability. For example, both agencies' guidance includes provisions requiring appropriate valuation of service work to be performed and timber to be harvested. To this end, the Forest Service handbook states, "The appraisal for timber and other forest products shall be conducted using appraisal methods as specified in the Timber Sale Preparation Handbook . . . and Regional guidelines." Both agencies also provide guidance on required bonding. For example, the BLM guidance states that "payment protection in the form of payment bonds should be used to protect the value of the byproduct to be removed when the product will be removed prior to cash payment or the contractor's earning of conservation credits." BLM's guidance further states that "contracting officers are encouraged to strive toward the concept of a single bond to cover 'performance,' which would include the product value (payment) and the service work rolled into one bond."

The agencies' guidance also provides expanded discussions on the use of two additional authorities—designation by description and less than full and open competition. Regarding designation by description, the guidance specifies that the amount of material removed from the forest must be verifiable and accountable. For example, the Forest Service handbook generally requires that for commercial material (such as sawtimber), trees to be removed must be identified based on characteristics that can be verified after removal—for example, the contractor might be required to remove all lodgepole pine less than a specified stump diameter. Agency personnel could subsequently measure remaining stumps to verify that contract provisions were met. For noncommercial material, the handbook allows less specific designations setting forth the desired end result of treatment (sometimes referred to as designation by prescription)—for example, the contractor might simply be required to leave a certain number of trees on each acre, with an average spacing between them.

Regarding less than full and open competition, which exempts the agency from the requirement that all sales of timber having an appraised value of \$10,000 or more be advertised, the Forest Service handbook specifies that forest supervisors must document and submit to regional foresters the reasons for the selection process used. Documentation must include the level of competition to be used in the contracting process.

As part of their guidance, the agencies also are developing contract templates that field staff can use as examples when developing their own contracts—potentially improving the efficiency and applicability of stewardship contracts. These are standard contract formats that incorporate timber sale and service components. The Forest Service has also conducted additional training sessions, and staff from both agencies told us they plan to expand their intranet sites to provide more ongoing stewardship contracting project information, including details about successful stewardship contracting projects that can serve as models for staff who are developing projects.

The agencies' guidance also contains direction on financial accountability. According to the Forest Service handbook, the proper use and management of stewardship contracting receipts must be assessed as a normal part of regional- and forest-level renewable resource program and activity reviews. Through the guidance, both agencies have assigned responsibility for various financial activities, including providing technical advice, reviewing and approving retention of project receipts, and ensuring that associated financial data are accurate and reconciled to the financial statements. In addition to specifying responsibility for various activities, the agencies' guidance notes the approved funding source for project-related activities. For example, stewardship contracting preparation, overhead, and project-level monitoring costs normally are to be funded through appropriated funds. According to the guidance, stewardship contracting retained receipts shall not be used for overhead, administrative, or indirect costs or for the completion of environmental studies. The guidance indicates these retained receipts can be used for another stewardship project or to fund national programmatic multiparty monitoring. Although both agencies' guidance states that multiparty monitoring of individual projects is encouraged, the Forest Service handbook states that it is inappropriate to conduct project monitoring with revenues received from a stewardship contract.

Finally, both agencies' guidance outlines the responsibilities of the various headquarters, regional, and state office officials in the implementation, monitoring, and evaluation of stewardship contracting projects. The agencies also have appointed stewardship contracting coordinators at each Forest Service regional office and at each BLM state office. These staff serve as resources for all projects under the respective Forest Service regional offices and BLM state offices and are expected to enhance communication between the agencies' headquarters and the field. Their specific responsibilities include clarifying stewardship contracting

guidance, monitoring project status and soliciting feedback, and making recommendations on how to improve the effectiveness of stewardship contracting.

The Agencies Have Not Provided Substantial Guidance on Community Involvement, and Efforts to Involve Communities Varied among Projects

Despite the stewardship contracting legislation's emphasis on meeting community needs, the Forest Service initially provided little guidance on incorporating community involvement in stewardship contracting pilot projects; as a result, the type and extent of field staffs' efforts to involve communities in projects varied considerably among the projects we reviewed. Some project managers actively sought community involvement in planning or implementing their projects, while other managers took a less active approach—potentially leading to missed opportunities for meeting local community needs. Although the majority of the project managers we spoke with touted the potential benefits of community involvement in stewardship contracting projects and expressed their desire for additional guidance in this area, neither the Forest Service nor BLM included such guidance in their January 2004 stewardship contracting guidance documents.

Because the Forest Service Initially Provided Little Guidance on Community Involvement, the Type and Extent of Community Involvement Varied Significantly among Projects

Although the stewardship contracting legislation explicitly stated that stewardship projects are “to achieve land management goals for the national forests that meet local and rural community needs,” the Forest Service initially provided only minimal guidance on soliciting and incorporating community involvement in stewardship contracting projects, and most managers we spoke with articulated their frustration with the overall lack of guidance on community involvement. Managers told us that little or no formal training on involving the community had been provided, and in some cases reported that the only guidance they had received was in the form of a brief discussion of the topic during a meeting. The most frequently identified source of community involvement guidance was in the form of advice from the Pinchot Institute for Conservation’s regional subcontractors, which reportedly provided some consultation on community involvement efforts. The managers’ desire for guidance or training resulted primarily from two concerns: first, that they were wasting time “reinventing the wheel” because they were unaware of effective or innovative community involvement strategies developed by managers of other projects, and second, that they were potentially violating the Federal Advisory Committee Act (FACA) by incorporating community involvement into their projects.²⁴

Because of the lack of guidance, the steps taken by Forest Service managers to involve communities varied widely. Most of the community involvement we learned about was incorporated through multiparty monitoring teams, which were required by the stewardship contracting legislation. However, the legislation did not specify, and the Forest Service provided little guidance on, the teams’ roles and responsibilities, leading to uncertainty among field staff about what was expected and how to proceed. Some projects simply did not have monitoring teams, and some managers told us they did not realize such teams were required. The project managers who assembled monitoring teams did so using very different approaches. For example, some managers formed teams of primarily Forest Service employees, while others sought to involve a cross section of the community. The Yaak project manager in Montana even transferred the responsibility for assembling the project monitoring team and completing an annual report on the project to the contractor, by

²⁴The Federal Advisory Committee Act was enacted in 1972. (See Pub. Law No. 92-463, 86 Stat. 770, 5 U.S.C. app 2.) Among other things, the act requires advisory committee meetings to be open to the public and requires detailed minutes of each meeting to be kept and made publicly available. (See 5 U.S.C. app 2, § 10.)

making these efforts a requirement in the contract. Some managers formed small teams composed of a few interested local individuals, while the manager at the Priest-Pend Orielle project in Idaho formed a large monitoring team consisting of about 30 members organized into several specialized subcommittees focusing on specific issues such as roads, watershed, wildlife, and noxious weeds. This project manager also coordinated with the team to ensure that a Forest Service specialist was available to consult with each of the subcommittees as needed.

The project monitoring teams also played varying roles and undertook varying activities. Team members included university professors, local government officials, environmental advocates, industry representatives, and other interested citizens, and the composition of the team often helped to determine the level and type of work the team undertook. For example, several project managers noted that their teams focused on assessing the effectiveness of specific ecological work or evaluating the project's impact on the local economy, while other teams focused on assessing the stewardship contracting process, believing that their assessment of the tool would help the Congress evaluate the pilot program. The monitoring teams conducted such activities as inspecting project sites, testing soils and water, establishing photo points,²⁵ and gathering and analyzing economic information. Figure 15 shows a multiparty monitoring team meeting at a project site.

²⁵Photo points are vantage points from which before and after pictures are taken in order to document visual changes to a project site.

Figure 15: Multiparty Monitoring Team Reviewing Project Site at the Clearwater Pilot Project, Lolo National Forest



Source: Forest Service.

In a few instances we noted other forms of community involvement. Some managers took steps such as meeting with local contractors and environmentalists to hear their concerns and answer questions, or setting up demonstration areas that would show local residents how the project site would look once the work was done. However, such steps were not common, and in fact some managers told us that the NEPA process alone allows for sufficient public participation in their projects.²⁶ They said that as a result—and without guidance to the contrary—they did not feel that additional efforts to involve communities were necessary or justified. In fact, one Forest Service official at the Burns Creek project site in Virginia told us that management of the forest might be better left to forestry

²⁶For major federal actions that may significantly affect the quality of the human environment, the National Environmental Policy Act requires all federal agencies, including the Forest Service and BLM, to analyze the potential environmental effects of the proposed action. (See 42 U.S.C. 4332(2)(C).) Regulations implementing NEPA require agencies to involve the public in environmental decision making by, among other things, making draft environmental reviews available to the public for comment. (See 40 C.F.R. 1506.6(b).)

professionals than to a collaborative group of well-meaning—but untrained—community members.

Many Agency Officials Believe Collaboration Enhances Project Effectiveness and Provides Other Benefits

Some project managers may be missing opportunities to improve their projects, as the majority of the project managers we spoke with touted the benefits of involving the community in stewardship contracting projects. Although some project managers noted that community involvement activities require an additional investment of time and effort upfront, several believe that this effort will pay off in the end.

Project managers cited a variety of benefits from community involvement, including improved project design and implementation, better lines of communication with the public, and enhanced public trust in the agencies. Several project managers indicated that they valued the project monitoring teams' expertise and input, and some noted improvements to their projects as a result of team and other community input. For example, the manager of the Upper Blue project in Colorado told us that public involvement in her project led to the development of more stringent criteria for protecting water quality during project activities. The Main Boulder project manager in Montana told us that public involvement in his fuels reduction project led to improved relations with the public, which in turn persuaded a neighboring landowner to offer the agency access across his land to an isolated parcel of public land needing fuel reduction. This allowed the manager to add an additional 40 acres to the project's planned fuel reduction activities.

Some managers viewed their interaction with the project monitoring team as an opportunity to get back in touch with the community and improve the agency's credibility, and some sought to involve a cross section of the community—including environmentalists and loggers—on their monitoring teams to improve the agency's relationship with the community. The manager of the Sheafman Restoration project in Montana said she wanted a cross section of the community on her project's team because she believes "any time you can get people from different sides of an issue together to talk, good things happen." The Priest-Pend Orielle project manager observed that in his community—as in so many others—the Forest Service had lost touch with the local community. He sees tremendous benefits in the agency's new collaboration process with the community, and suggested the agency will have greater opportunities to build credibility with the community on future projects because local individuals have seen the agency responding to their input. The manager of the Red-Cockaded

Woodpecker Habitat project in Georgia told us that by attending the meetings of other community organizations and taking an active interest in what those groups are doing, she has improved communications with the community—leading to increased public input on Forest Service projects, which in turn helps the agency better focus its projects to meet community needs.

However, benefits were often limited because most of the monitoring teams were formed after the projects completed NEPA requirements, meaning that these teams generally participated only during the implementation phase of the projects rather than during project design. Several project managers suggested that stewardship contracting projects could be more effective if the community were brought to the table during the earliest project discussions to assist in drafting proposals of needed work.

Neither Agency’s 2004 Guidance Clarifies How Community Involvement Should Be Incorporated

Despite the many project managers who told us they wanted additional guidance on obtaining and incorporating community involvement, the Forest Service’s recent stewardship contracting handbook does not contain specific guidance in this area, and BLM’s guidance document is similarly lacking. In commenting on a draft of this report, Forest Service officials noted that the agency’s intent was to allow local agency officials the flexibility to determine the appropriate level of collaboration for their communities. Although the agencies’ 2004 guidance documents repeatedly mention “community involvement” and “collaboration,” they do not specify what these terms mean or how agency staff are to accomplish them. For example, the Forest Service handbook indicates that forest supervisors should ensure that all stewardship contracting projects are developed “using collaboration with Tribal governments, local governments, nongovernment organizations, individuals, and other groups, as appropriate.” However, the handbook neither provides guidance on how to effectively involve these various groups and individuals nor defines “appropriate” collaboration. (In contrast, the handbook’s guidance on contracting and financial activities includes defined lists of appropriate and inappropriate activities.) In fact, the closest either guidance document comes to saying what form this collaboration should take is a statement about what collaboration is not. According to the Forest Service handbook, “The use of scoping letters alone does not meet the intent of collaborative

efforts for stewardship contracting projects.”²⁷ Moreover, while the Consolidated Appropriations Resolution of 2003 eliminated the requirement for multiparty monitoring teams to assess each project, it did not specify what form of community involvement should take its place.

Project managers are concerned that without guidance on best practices from other projects, they may be inefficiently developing community involvement mechanisms independently. Guidance on the minimum requirements for community involvement in each stewardship project, including examples of best practices, could increase both the efficiency of managers’ efforts and the extent of community involvement in the projects. By providing more definitive guidance, the Forest Service and BLM could reasonably expect to enhance the effectiveness of stewardship contracting and more fully realize its potential.

Both Agencies Have Additional Projects Planned and Intend to Assess the Effectiveness of Stewardship Contracting

Both the Forest Service and BLM plan to use stewardship contracting in the future. The Forest Service expects to award at least 67 stewardship contracts in fiscal year 2004. BLM, which was granted stewardship authority only in 2003, has begun 2 projects and plans about 34 more in fiscal year 2004. The agencies did not provide specific data for years beyond 2004, but agency officials said they intend to continue expanding the use of stewardship authority in the future. According to Forest Service and BLM officials, both agencies plan to collect information on stewardship contracting projects to assess the utility of stewardship contracting relative to other contracting mechanisms.

Both Agencies Plan Additional Use of Stewardship Authority in Fiscal Year 2004

According to an official with the Forest Service’s Forest and Rangeland Management Group, the agency awarded 49 stewardship contracts in fiscal year 2003 and 7 more as of March 2004, and expects that an additional 60 or more contracts may be awarded during the remainder of fiscal year 2004. However, the Forest Service does not track the authority under which it awards stewardship contracts, and as a result the agency could not determine how many of these contracts pertain to new projects and how many pertain to the 77 pilot projects we analyzed.

²⁷Scoping letters, an element of the NEPA process, request comments, questions, and suggestions from interested parties on the scope of issues to be addressed in the NEPA analysis. (See 40 C.F.R. 1501.)

BLM has begun two stewardship contracting projects, both in Oregon. One project, in Applegate, is expected to be completed in 2004; the other, near Baker City, does not yet have an estimated completion date. Two additional projects—one in Idaho and one in Utah—are being developed, and two more (one in California and one in Oregon) have been approved. BLM plans to begin about 30 additional projects in fiscal year 2004.

Both Agencies Plan to Assess the Use of Stewardship Contracting

Each agency's recent guidance contains provisions for monitoring and assessing the use of stewardship contracting, and agency officials told us that monitoring and assessment serve two purposes—they enable the agencies to provide information both to the Congress on stewardship contracting and to field staff responsible for stewardship contracting projects. BLM's guidance states that "one objective of this monitoring effort is to analyze the effectiveness of stewardship contracting relative to other management tools." The Forest Service's handbook states that "results from the longer term programmatic monitoring generate information about the utility of stewardship contracting authority."

Officials with both agencies told us that the results of the monitoring will be used to construct the agencies' required annual reports to the Congress on stewardship contracting. The agencies are required to report on the status of development, execution, and administration of stewardship contracts; the specific accomplishments that have resulted; and the role of local communities in development of contract plans. Officials also told us that the results of the monitoring will be provided to agency field staff to assist staff in designing and implementing projects. For example, a Forest Service official told us that information on both successful and problematic projects would be shared with field staff to help them determine whether certain types of projects are more suitable for stewardship contracting than others, or whether certain stewardship contracting procedures are more effective than others in certain situations.

To carry out their monitoring efforts, the agencies are jointly developing a request for proposal for a contractor to develop and implement a mechanism for monitoring and evaluating stewardship contracting projects. Agency officials estimated that the request would be issued in spring 2004 and expect to issue a single monitoring contract covering stewardship contracting projects in both agencies.

Conclusions

As the Forest Service and BLM undertake projects to achieve land management objectives—particularly their efforts to reduce fuels under the Healthy Forests Restoration Act—they are likely to rely increasingly on stewardship contracting. This tool has the potential to help the agencies achieve their objectives while meeting community needs. Community involvement is a critical component of stewardship contracting: It enables the agencies not only to construct projects that are targeted toward community needs but also to develop community relationships, thereby enhancing future efforts to collaborate with communities.

However, while we observed contracting and financial controls in place that we believe will provide accountability in managing projects, we believe that the agencies could do more to assist individual project managers as they seek to incorporate public involvement in their projects. Community involvement in the pilot projects most often took the form of multiparty monitoring teams, but these teams are no longer required for each stewardship project, and neither agency provides substantive guidance on incorporating community involvement. Many Forest Service project managers said they wanted more guidance in this area, but managers looking to the agencies' 2004 stewardship contracting guidance for direction on community involvement will likely find little of use. Unless the agencies establish a minimum requirement for community involvement in stewardship projects (to replace the expired requirement for monitoring teams) and provide project managers with examples of successful community involvement practices other projects have used, the agencies may fail to capitalize fully on the potential of stewardship contracting.

Recommendation for Executive Action

To enhance the ability of stewardship contracting projects to meet local needs and improve public trust in the agencies, we recommend that the Secretaries of Agriculture and the Interior direct the agencies to issue additional guidance on community involvement. Such guidance should identify, and encourage the use of, best practices in seeking and incorporating community input, and establish minimum requirements for seeking community involvement on each stewardship contracting project.

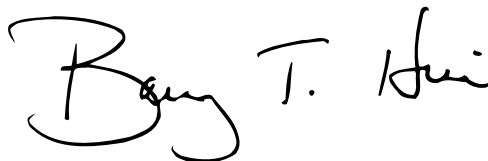
Agency Comments and Our Evaluation

We provided a draft of this report to the Secretaries of Agriculture and the Interior for review and comment. The Forest Service generally agreed with our report and provided technical suggestions that we incorporated, as

appropriate. The Forest Service's comment letter is presented in appendix IV. The Department of the Interior did not provide comments.

We are sending copies of this report to the Secretary of Agriculture, the Secretary of the Interior, the Chief of the Forest Service, the Director of BLM, and other interested parties. We will also make copies available to others upon request. In addition, this report will be available at no charge on GAO's Web site at <http://www.gao.gov>.

If you or your staff have any questions about this report, please contact me at (202) 512-3841. Key contributors to this report are listed in appendix V.

A handwritten signature in black ink that reads "Barry T. Hill". The signature is written in a cursive style with a large, looped initial "B".

Barry T. Hill
Director, Natural Resources and Environment

List of Requesters

The Honorable Tom Harkin
Ranking Democratic Member
Committee on Agriculture, Nutrition, and Forestry
United States Senate

The Honorable Nick J. Rahall II
Ranking Minority Member
Committee on Resources
House of Representatives

The Honorable Jay Inslee
Ranking Minority Member
Subcommittee on Forests and Forest Health
Committee on Resources
House of Representatives

The Honorable Jeff Bingaman
United States Senate

The Honorable Maria Cantwell
United States Senate

The Honorable Patrick J. Leahy
United States Senate

Forest Service's Responses to Environmentalists' Concerns about Projects Identified as Problematic

As requested, we reviewed six stewardship contracting pilot projects identified as problematic by members of various environmental groups: the Buck, Hungry Hunter Ecosystem Restoration, and Sprinkle Restoration projects in the Forest Service's Pacific Northwest Region; the Meadow Face and North Fork Big Game Habitat Restoration projects in the Northern Region; and the Granite Watershed Protection and Enhancement project in the Pacific Southwest Region. According to the environmental group members, these projects either did not allow for sufficient public involvement or adversely affected the environment in some way.

Four of the six projects were cited for insufficient public involvement, which took the form of limited public input or lack of Forest Service commitment and support, according to environmental group members we spoke with. Ecological concerns were raised about several projects and included impacts on wildlife habitat and water quality, high road densities, and soil compaction, as well as the perceived failure of the Forest Service to consider all costs and benefits in its project analyses, including impacts on local communities and big-game habitat. The Forest Service project managers we interviewed generally agreed that public involvement was lacking at the four projects where this was cited as a concern. However, their responses to environmental concerns varied.

In this appendix, we provide, for each of the six projects, a description of the project, a discussion of the concerns expressed by environmentalists, and the Forest Service's responses to those concerns. We do not take a position on the validity of the concerns or responses.

Buck Pilot Project

The Buck project is located in Oregon's Wallowa-Whitman National Forest in the Forest Service's Pacific Northwest Region. It was designed as a timber sale in 1998 before the initial stewardship contracting legislation was enacted. The project was subsequently altered to incorporate activities to reduce wildfire risk and was completed in 2004.

Environmental Group Concerns

According to a member of the Hell's Canyon Preservation Council (HCPC), a local environmental group, HCPC was generally concerned about the lack of public input in the project's design and implementation and about the lack of restoration activities. Specifically, this HCPC member told us the project was simply a repackaged timber sale that was not planned or designed with up-front community involvement beyond that required as part of the National Environmental Policy Act (NEPA) process, which the member did not consider a substitute for true local collaboration. Further,

**Appendix I
Forest Service's Responses to
Environmentalists' Concerns about Projects
Identified as Problematic**

although the Forest Service created a monitoring team for the project, the team was formed after the NEPA process was completed and the contract awarded, minimizing the opportunity for public input. The HCPC member added that the project was too narrowly focused on the sale of timber and involved only limited restoration activities, such as culvert and road replacement.

Forest Service Response

The Forest Service's Buck project manager agreed that community involvement was lacking on the project, noting that public involvement was particularly limited during the project's planning and design stages. He emphasized that future projects will likely involve more public input, especially during planning and design.

With respect to concerns that the project's focus was too narrow and involved limited restoration activities, the project manager noted that once the NEPA process was completed, the Forest Service was limited in the changes it could make to the project because significant alterations would have required going through the NEPA process again. Given the project's initial focus as a timber sale, the amount of restoration activity that could be added after NEPA was limited.

**Hungry Hunter Ecosystem
Restoration Pilot Project**

The Hungry Hunter Ecosystem Restoration project is in Washington's Okanogan and Wenatchee National Forests in the Forest Service's Pacific Northwest Region. The project was designed to remove small-diameter trees, conduct prescribed burning, rehabilitate roads to improve habitat, and reduce erosion. The Forest Service project manager told us he expected the project to get under way in early 2004, following completion of the NEPA process.

Environmental Group Concerns

A board member of the Methow Forest Watch, a local grass roots environmental group, expressed concerns about the Forest Service's lack of commitment to and support for the project, which has delayed project implementation, as well as limited public involvement. Regarding the lack of commitment and support, she said the Forest Service has paid more attention to timber sale projects than to the Hungry Hunter project, citing a local timber sale as an example of a project that is already under way while the Hungry Hunter project is moving forward slowly. She stated that although she understands that forest fires have contributed to project delays, the Forest Service has not made the Hungry Hunter project a high priority. Concerning limited public involvement, the board member noted

**Appendix I
Forest Service's Responses to
Environmentalists' Concerns about Projects
Identified as Problematic**

that although the Forest Service initially incorporated public involvement on the project, this involvement was reduced after the Consolidated Appropriations Resolution of 2003 eliminated the requirement for local monitoring teams. She also noted that although the Forest Service initially proposed 1.3 miles of road as part of the project, the agency currently proposes constructing seven miles of new road, some of it in areas that are currently roadless.

Forest Service Response

The Hungry Hunter project manager disagreed with the contention that there was a lack of commitment to the project. The manager noted that the comparison to the local timber sale does not demonstrate lack of commitment because the two projects did not start at the same time and, further, that the timber sale will be about 3 years late when it is finally completed. However, the project manager acknowledged the project's delays and stated that he understands public frustration over these delays. He noted that in addition to severe fires that have directed Forest Service resources elsewhere, lack of clear agency guidance on how to implement the project has also contributed to delays. For example, he said the permissible use of retained receipts was initially unclear, but the new legislation and guidance clearly specifies what they can be used for. In addition, he noted that time-consuming soils analyses required as part of the project's environmental assessment also caused delays.

The manager agreed that public involvement on the project has been reduced in recent months. He attributed this reduction to several factors. First, there was confusion over the requirements of the Consolidated Appropriations Resolution of 2003, including the extent of public involvement. Additionally, he was concerned about violating the Federal Advisory Committee Act (FACA) by working too closely with the project's monitoring team; partly as a result, he reduced the team's involvement. Finally, a potential conflict of interest arising from monitoring team members who were potential bidders on the project contract also contributed to the project manager's decision to curtail monitoring team involvement. The manager emphasized, however, that once the environmental assessment is finalized and the project is under way, more direct and extensive public involvement will be resumed.

Regarding the concern about high road densities in the Hungry Hunter project area, the project manager stated that no decision has yet been made regarding the number of miles of road in the project. He noted that four alternatives are outlined in the project's environmental assessment, one of which would involve no new road construction. Once the public comment

**Appendix I
Forest Service's Responses to
Environmentalists' Concerns about Projects
Identified as Problematic**

period is completed, he said, a decision will be made on which alternative to select.

Sprinkle Restoration Pilot Project

The Sprinkle Restoration project, like the Buck project, is in Oregon's Wallowa-Whitman National Forest in the Forest Service's Pacific Northwest Region. The project's specific objectives are to provide long-term forest health, reduce the severity of future insect infestations, restore the forest to historical conditions, and provide for wildlife habitat. A contract for the project was awarded in July 2003, and the contractor began working on the project in the spring of 2004.

Environmental Group Concerns

A member of the Hell's Canyon Preservation Council (the same member we spoke with regarding the Buck project) told us the group is mainly concerned about the lack of collaboration on the Sprinkle Restoration Project, but also has concerns about the project's narrow focus on timber harvest activities to the detriment of restoration activities and the limited use of receipts retained.

Regarding collaboration, the HCPC member told us that the local monitoring team was formed only after the project had been through the NEPA process and the contract had been signed and that community input on the project through NEPA is insufficient. However, he noted that the Forest Service is addressing some of the monitoring team's concerns. For example, the team had noticed that a road that was to be decommissioned as part of the project required no action because the road area had adequately restored and regenerated itself. When the team pointed out that decommissioning the road would be unnecessary and would add sediment to a nearby creek, the Forest Service accepted the team's suggestion and withdrew the plan to decommission the road. The HCPC member pointed out that if the Forest Service had involved the community up front, this oversight would not have occurred.

The HCPC member also told us that the project focused on timber harvest activities and did not address the issue of high road density, which jeopardizes wildlife security. More broadly, he told us that the project did not contain sufficient restoration activities and noted that additional activities (such as replacing culverts or decommissioning roads) could have been added to the project to fully use the expected \$300,000 in retained receipts, which had not been used.

**Appendix I
Forest Service's Responses to
Environmentalists' Concerns about Projects
Identified as Problematic**

Forest Service Response

The Sprinkle project manager told us he agrees that collaboration on the project has been lacking and that NEPA had been completed and the project designed before the monitoring team was formed. He stated that the Forest Service is trying to improve collaboration on planning various forest projects.

Concerning high road density, the project manager said that although road removals were planned as part of the project, road density remains high, contributing to reduced elk habitat. He noted, however, that the area is flat, making vehicle use difficult to manage. If the Forest Service closes a road, forest users are likely to simply take their vehicles off road to get where they want to go. Because it may be more ecologically sound to leave the roads in place and keep forest traffic on established roadways, there is some reluctance on the part of the Forest Service to close roads.

Finally, regarding retained receipts, the project manager informed us that the agency has consulted with the monitoring team on the use of the receipts. He said the Forest Service plans to use the funds on nearby stewardship projects as well as on the Sprinkle and adjacent watersheds. For example, the agency plans to use the funds to replace culverts within the Sprinkle area.

Meadow Face Pilot Project

The Meadow Face project is located in Idaho's Nez Perce National Forest in the Forest Service's Northern Region. The project objectives are to return vegetation to its historical range; reduce fire risk, invasive plant species, and sediment; and improve stream channel conditions and recreational opportunities. No contract has been awarded on the project, and the project manager did not provide an estimate of its completion date.

Environmental Group Concerns

Members of Friends of the Clearwater and the Idaho Conservation League, two local environmental groups, expressed concerns about insufficient public involvement in the project, insufficient restoration activities, overstatement of the results of project activities, and site-specific amendments made to the 1987 forest plan that allow environmental degradation.¹ Regarding public involvement, the Idaho Conservation League member said that the Stewards of the Nez Perce, an advisory group

¹The Forest Service is required by law to develop a comprehensive, long-range management plan for each national forest. These plans, commonly called forest plans, must provide for multiple public uses in each forest, such as fishing, mining, and preserving wildlife.

**Appendix I
Forest Service's Responses to
Environmentalists' Concerns about Projects
Identified as Problematic**

composed of representatives of the timber industry, the Idaho Department of Fish and Game, the Nez Perce tribe, environmentalists, and others, presented the Forest Service with a project proposal that was unanimously agreed upon by the group. However, the Forest Service ultimately ignored the group's recommendation and came up with its own project, and the environmental group members do not believe the project will result in the completion of all restoration elements that were proposed.

The Friends of the Clearwater member also commented on one element of the service work—an attempt to reduce sedimentation into area waterways—involving the stabilization of a slide area resulting from past timber harvesting. The member argues that the Forest Service is double counting the sediment savings resulting from this activity—that is, representing the savings as the effect of mitigating the prior timber harvest as well as the effect of the current Meadow Face project.

Finally, the environmental group member expressed concern over three amendments that were made to the forest plan in order to allow project activities. He told us his group is concerned over forest plan amendments that will allow (1) higher levels of sedimentation in area waterways, (2) increased soil compaction in the area, and (3) logging activities within old-growth timber stands.

Forest Service Response

Regarding the concern about ignoring the recommendations of the Stewards of the Nez Perce, local Forest Service officials noted that about 90 percent of what was contained in the Stewards' recommendations is included among the activities the Forest Service intends to undertake and that, in any case, the group was told repeatedly that its recommendations would not necessarily be implemented without further adjustment or review. Further, the Stewards' recommendations were vague in certain respects, making it difficult to determine exactly what activities the group expected.

Project officials also noted that the stewardship project itself will encompass only a portion of the activities the Forest Service intends to undertake and that other contracting mechanisms—such as timber or service contracts—may also be implemented. Thus, the omission of certain activities from the stewardship project does not mean the restoration work will not be completed; rather, it simply means the Forest Service will complete the work using other means.

**Appendix I
Forest Service's Responses to
Environmentalists' Concerns about Projects
Identified as Problematic**

With respect to the Meadow Creek slide area, the project manager said that the area is the result of ponds created by a homesteader, not the result of past timber harvesting. The area was included in a timber sale in order to remediate the slide area; the sediment savings resulting from this remediation were to offset the increased sediment that would result from logging activities. The timber sale is currently being implemented, but the slide area has not yet been treated, so it was included in the Meadow Face project. However, the official added that the Forest Service will not count the slide area remediation toward any "sediment savings" in the Meadow Face project.

Regarding the amendments to the 1987 forest plan, the project officials told us that the water quality amendment actually tightens the water quality requirements for two watersheds in the project area, meaning that less sediment will be permitted to flow into those streams. In the case of a third waterway, sediment restrictions were eased after forest staff determined that the streambed can handle more sediment than was initially believed when the forest plan was developed.

The soil compaction amendment allows greater flexibility in conducting projects, according to project officials. The forest plan originally stated that upon completion of any forest activity, the soil in the area must be less than 20 percent compacted, displaced, or puddled. However, many areas in the forest had undergone significant logging or other activities in the past and were already affected well beyond the 20 percent standard. Consequently, those areas were, in effect, off limits to any additional activities—whether timber harvesting or restoration activities—because remediating the soils to below the 20 percent standard would be difficult when they were substantially above the standard to begin with. The amendment to the 1987 forest plan states generally that the level of compaction, displacement, or puddling after a project is completed must be lower than the level before the project—which in turn would allow activities, as long as the soils are left in better condition after the project than they were before it.

Finally, the officials told us that the old-growth logging amendment applies to about 710 acres of old-growth forest and allows treatment of the stands in order to maintain old-growth characteristics. The stands are becoming dense with small trees and underbrush that could serve as ladder fuels and possibly contribute to a stand-destroying fire. As a result of the amendment, the Forest Service can thin the stands, benefiting old-growth trees by reducing both ladder fuels and competition for water and nutrients.

**Appendix I
Forest Service's Responses to
Environmentalists' Concerns about Projects
Identified as Problematic**

**North Fork Big Game
Habitat Restoration Pilot
Project**

The North Fork Big Game Habitat Restoration project (also known as the Middle Black project) is located in Idaho's Clearwater National Forest in the Forest Service's Northern Region. The project will involve thinning on about 640 acres, and the project manager expects it to be completed in 2009.

Environmental Group Concerns

A member of Friends of the Clearwater (the same member we spoke with regarding the Meadow Face project) told us that his organization is concerned that the project focuses more on increasing the elk population than on other environmental issues and will involve thinning trees and brush in roadless areas.

Forest Service Response

The project manager told us that, while the Forest Service is seeking to restore the elk population, it is also engaged in restoration activities. He acknowledged that the project began as a study undertaken at the request of a local group called the Clearwater Elk Recovery Team (CERT), which was concerned about declining elk numbers. However, he emphasized that despite its origin, the project is being conducted as an ecosystem restoration effort that will restore the forest to a more typical historical condition and reduce the likelihood of fire. As evidence that the project has not paid undue attention to the elk recovery issue, the project manager told us that CERT members "complained vigorously" about the proposed plan for the project, even filing an appeal, because the project did not adequately address their concerns about elk habitat. The manager stated that although thinning will take place in roadless areas, no new roads will be built. Thinning will be conducted manually using chainsaws.

**Granite Watershed
Protection and
Enhancement Pilot Project**

The Granite Watershed Protection and Enhancement project is located in California's Stanislaus National Forest in the Forest Service's Pacific Southwest Region. The project is designed to achieve several objectives, including watershed and enhancement, spotted owl habitat improvement and protection, noxious weed control, and reforestation. The project is ongoing, and the project manager expects it to be completed in 2010.

Environmental Group Concerns

Members of the Sierra Club and the Forest Conservation Council told us that their overall concern about the project is the Forest Service's failure to account for all costs and benefits when designing the project. The members told us that while the project will open or reconstruct 63 miles of road to remove forest products, the Forest Service did not consider the project's

**Appendix I
Forest Service's Responses to
Environmentalists' Concerns about Projects
Identified as Problematic**

impacts on other issues, such as sedimentation and big-game habitat, and the financial and nonfinancial costs and benefits of these potential impacts.

Forest Service Response

The Granite project manager agreed that there are many costs and benefits associated with timber sales and other forest projects beyond those assessed for the Granite project, but he stated that quantifying all costs and benefits would be impossible. For example, he noted that timber harvests might deter people from using forest lands for recreational purposes. Although forest visitors may provide financial benefits such as gasoline purchases from nearby communities, visitors also leave trash behind, creating a nonmonetary cost by degrading the recreational experience of others and potentially creating a monetary cost for cleanup expenses. In addition, visitors' vehicle use may also contribute to watershed damage by increasing sedimentation. Given that project effects are so mixed and involve so many elements that are impossible to quantify, according to the project manager, it would be impossible to account for all costs and benefits in a project analysis.

With respect to the specific impact on big-game habitat, the project manager noted that the project, as designed, would add less than one mile of road to existing roads in the forest. He added that if roads do, in fact, reduce habitat, the one additional mile of road will have little impact on this reduction. He said that the area is not known for big game; the only such game are deer and bears, and neither population has been thriving under existing conditions.

Objectives, Scope, and Methodology

Based on the congressional request letters of July 2002 and March 2003, and subsequent discussions with your staffs, we agreed to determine (1) the status of each stewardship project and the land management goals they address; (2) the extent to which the agencies have contracting and financial controls in place that ensure accountability in managing stewardship projects; (3) the steps the agencies have taken to involve communities in designing, implementing, and evaluating stewardship projects; (4) each agency's plans for future use of stewardship contracting; and (5) the Forest Service's response to concerns raised about 6 specific stewardship projects.

Stewardship Project Status and Land Management Goals

To identify ongoing and completed stewardship pilot projects, we contacted officials at the Forest Service and BLM to obtain a list of such projects. The Forest Service provided a list of 81 pilot projects;¹ an official with BLM's Forest and Woodland Management Group stated that no projects were ongoing.

To determine the status of these stewardship projects and their land management goals, we conducted a Web-based survey of all ongoing and completed stewardship projects. The survey asked respondents to provide data on project activities, costs, time frames, size, and other information, as well as the land management goals addressed by each project.

Because we surveyed all stewardship projects, no sampling error and confidence intervals are associated with our work. However, the practical difficulties of conducting any survey may introduce other types of errors, commonly referred to as nonsampling errors. For example, differences in how a particular question is interpreted, the sources of information available to respondents, or the types of people who do not respond can introduce unwanted variability into the survey results. We included steps in both the data collection and data analysis stages for the purpose of minimizing such nonsampling errors. We pretested the survey at three project sites and conducted a fourth pretest by telephone. In addition, we provided a draft version of the survey to Forest Service headquarters officials familiar with the stewardship contracting program in order to obtain their comments on the draft. We modified the survey as appropriate

¹Although 84 pilot projects were authorized, several pilot projects had been terminated at the time of our review.

to reflect the questions and comments we received during the pretests and Forest Service headquarters review.

Project managers at 4 of the 81 projects identified by the Forest Service told us that their projects had been terminated by the time of our survey or were no longer being conducted under stewardship authority, leaving 77 projects. Of these 77 projects, 7 did not provide information in our survey. The managers for 3 projects—Butte South, Midstory Removal in Red-Cockaded Woodpecker Habitat, and Red River—told us that their projects were too preliminary to reasonably provide information. The manager of the Grassy Flats project told us that she was required to serve on firefighting duty and did not have time to complete our survey. The manager of the West Glacier project told us that because of demands on his time resulting from the 2003 wildfires in his state, he was faced with a substantial backlog of work and would not be able to complete our survey. Finally, the managers of the Grand Canyon and Yaak projects did not respond to our requests to provide data.

We attempted to corroborate survey responses in two ways. First, to the extent possible, we compared survey responses from the projects we visited with information (such as contracts or other documents) we collected during those visits. The survey data generally concurred with the site visit documentation we gathered. When we encountered substantial differences we could not reconcile, we used the more conservative figure. Such discrepancies occurred in four instances, two involving the estimated value of products removed, one involving the estimated volume of products removed, and one involving estimated contract costs. We also identified one source of data—the Forest Service’s Timber Sale Accounting (TSA) system—that contains data about the volume of timber removed as part of Forest Service timber sales. Because in our survey we asked about timber volumes removed during stewardship projects, we attempted to corroborate survey responses regarding timber volumes by comparing them to TSA data. The comparison was not meaningful, however, because of differences in the way the two sets of data (ours and TSA’s) were collected, and because the preliminary nature of many of the stewardship projects meant that, while they provided us with estimates of their timber harvest volumes, such data were not yet entered into TSA.

However, based on our comparison of survey responses to project documentation, we believe the data are sufficiently reliable to be used in providing descriptive information on project size, activities, land management goals, and the like.

Contracting and Financial Controls

To assess the contracting and financial controls in place at stewardship projects, we conducted site visits to a nonprobability sample of 8 ongoing or completed project locations—about 10 percent of the 81 projects initially reported to us.^{2,3} We used numerous criteria to select project locations to visit. First, to respond to your interest in the Forest Service's use of retained funds and its controls over contractor activities, we narrowed our scope to include only projects using receipt retention or designation by description authorities. From such projects we selected all of those that had been completed—a total of 4 projects. (One additional project had been completed but did not use either receipt retention or designation by description authority.)

To select the remaining 4 projects to visit, we first eliminated from our consideration any remaining projects in the Forest Service regions where the 4 completed projects were located, in order to obtain geographic spread in our nonprobability sample and obtain information from various Forest Service regions. We then focused on projects that were well under way, in order to ensure that sufficient contracting and financial activities had taken place for us to evaluate. Our application of these site selection criteria yielded the site visit locations shown in table 1.

²Results from nonprobability samples cannot be used to make inferences about a population. This is because in a nonprobability sample, some elements of the population being studied have no chance or an unknown chance of being selected as part of the sample.

³We also visited stewardship projects near Flagstaff, Arizona, and Fort Collins, Colorado. However, at these locations, we simply toured the project sites and did not apply our site visit methodology.

**Appendix II
Objectives, Scope, and Methodology**

Table 1: Selection Criteria Met by Each Pilot Project at Which We Conducted Site Visits

Project location	Region	Criteria met				
		Using receipt retention authority	Using designation by description authority	Completed project	Geographically separate from completed projects	Project activity under way
Clearwater	1	•	•		•	•
Winiger Ridge Restoration	2		•		•	•
Warm Ridge/Glide	4	•			•	•
Antelope	6		•	•		
Baker City Watershed Rehabilitation	6		•	•		
Wayah Contract Logging	8	•	•	•		
Burns Creek	8	•		•		
Fernow Experimental Forest	9	•			•	•

Source: GAO.

At each site visit location, we reviewed the project’s contracting and financial files and interviewed Forest Service officials associated with the project, including project managers, timber sale contracting officers, procurement contracting officers, contracting officers’ representatives, supervisory accountants, and others, to determine whether appropriate controls were in place to provide accountability in managing the projects. We reviewed preaward and postaward contracting elements we identified as important for providing management accountability in awarding and administering stewardship contracts. Regarding preaward activities, we looked for evidence of solicitations and advertisements for the projects to provide public notice of work to be performed and to maximize the number of potential bidders on project contracts. We also looked for documentation of preestablished bid evaluation criteria to show that the Forest Service selected contractors fairly and equitably. In addition, given that stewardship projects may involve new ways of contracting to achieve land management objectives, we looked for evidence of meetings with prospective bidders to clarify project activities and Forest Service expectations.

Regarding postaward controls, we reviewed contracts to determine whether they contained clear definitions of contract requirements as well as valuation, bond, oversight, and breach, default, and dispute resolution

clauses to provide accountability in managing the projects. Clear definitions of contract requirements, accompanied by postaward conferences with contractors, ensure that contractors fully understand the Forest Service's requirements and expectations. Appropriate valuation techniques, such as appraisals and government estimates, ensure that the government is fairly compensated for the timber or other products it is selling. Payment and performance bonds ensure that the government receives payment for timber harvested and that government funds are not required to remediate damage caused by contractor activities. Oversight activities assure the government that contractor activities are being conducted appropriately and according to schedule. Finally, breach, default, and dispute resolution clauses allow the Forest Service to address problems by issuing default notices or stop work orders to prohibit further activity on a project until the problems are resolved.

In addition, at 6 of the 8 sites we visited, we met with the contractor performing the stewardship activities, in order to obtain the contractor's perspective on the project. Finally, we spoke with officials of the Forest Service's Forest and Rangeland Management Group, BLM's Forest and Woodland Management Group, and various agency field staff regarding the contracting and financial guidance provided to staff implementing stewardship projects.

Based on our reviews of agency files, discussions with agency staff, and interviews of contractors outside the agency, we believe the data are sufficiently reliable to be used in reporting on the contracting and financial mechanisms employed by the Forest Service in implementing stewardship projects.

Community Involvement

To determine the measures taken by the agencies to involve communities in designing, implementing, and evaluating stewardship projects, we reviewed project contracting files and interviewed agency officials at each of our 8 site visit locations. At 5 of the 8 locations, we also spoke with a member of the local monitoring team to obtain additional information on the monitoring team's role in the project. The remaining 3 locations did not have monitoring teams.

In addition to these 8 projects, we conducted structured telephone interviews with officials at a nonprobability sample of an additional 25 randomly selected projects. In order to select these projects, we first eliminated from consideration those projects that (1) indicated through our

survey they were no longer viable stewardship projects, (2) were included among our 8 site visits, and (3) were among the 6 included in our assessment of projects about which concerns had been raised. Of the remaining 63 projects, 40 had completed NEPA, according to Forest Service data, and 23 had not. From these 63 projects we randomly selected a total of 25 projects to contact—15 that had completed NEPA and 10 that had not. Our nonprobability sample of 25 projects was similar to our universe of 63 projects in the percentage of projects that had and had not completed NEPA. We then contacted officials at these 25 projects to ask a set of questions regarding community involvement in the projects. Again, we included steps to minimize nonsampling errors. In lieu of pretesting the questions, we used the results of our site visits to ensure that the questions we asked were understandable, balanced, and appropriate.

We also spoke with staff from the Pinchot Institute for Conservation (the Forest Service contractor overseeing multiparty monitoring and evaluation) regarding community involvement, and attended the spring 2003 meeting of the Pinchot Institute's national stewardship monitoring team.

Because we gathered complementary data from multiple sources, including Forest Service project managers, Pinchot Institute staff, and local and national monitoring team members, we believe the data we gathered are sufficiently reliable to be used in reporting on the measures taken by the agencies to involve communities in stewardship projects.

Future Agency Activities

To obtain information on future agency stewardship activities, we reviewed both the Forest Service's and BLM's January 2004 guidance on stewardship contracting. We also obtained from Forest Service and BLM headquarters officials the number of projects they currently had under way or had planned in addition to the 77 pilot projects undertaken by the Forest Service. Finally, we spoke with headquarters officials at both agencies to obtain their views on future use of stewardship contracting authority and their plans for future monitoring and assessment activities.

Projects of Concern

To determine the Forest Service's response to specific concerns raised about 6 ongoing stewardship projects by environmental group representatives, we first obtained the concerns of environmental group representatives for each of the 6 projects. To do so, we telephoned the environmental contacts listed by your staff to obtain information on their

concerns. We also requested documentation such as appeal documents filed, correspondence with Forest Service officials, or other documentation that could provide information on concerns regarding the projects. Subsequently, we telephoned the Forest Service managers for each of these 6 projects to obtain their responses to the concerns that had been raised. Based on our discussions with individuals concerned about specific stewardship projects and Forest Service staff associated with the projects, as well as our review of documentation regarding the projects, we believe the data are sufficiently reliable to be used in reporting on concerns about specific stewardship projects and the Forest Service's response to those concerns.

We conducted our work between April 2003 and April 2004 in accordance with generally accepted government auditing standards.

Pilot Project Names, Locations, Acres Treated, and End Dates

Table 2 provides pilot project information as of September 30, 2003, as reported by project officials.

Table 2: Pilot Project Names, Locations, Acres Treated, and End Dates

Project name	National forest	Project acres ^a	Project end date ^b
Region 1: Northern Region			
Bitterroot Burned Area Restoration	Bitterroot	7,284	9/30/2005
Butte South	Beaverhead-Deerlodge	^c	^c
Clancy-Unionville	Helena	—	—
Clearwater	Lolo	1,280	11/30/2004
Condon Administrative Site Fuels Reduction	Flathead	17	9/30/2003
Dry Fork	Lewis and Clark	300	9/30/2005
Dry Wolf	Lewis and Clark	149	9/30/2004
Frenchtown Face	Lolo	—	—
Game Range	Lolo	2,221	12/31/2007
Iron Honey	Idaho Panhandle	7,200	-
Judith Vegetation and Range Restoration	Lewis and Clark	218	9/30/2006
Knox-Brooks	Lolo	802	11/30/2007
Main Boulder	Gallatin	2,505	4/30/2010
Meadow Face	Nez Perce	59	—
North Elkhorns	Helena	—	—
North Fork Big Game Habitat Restoration (also referred to as Middle Black Ecosystem Restoration)	Clearwater	11,000	9/30/2009
Paint Emery	Flathead	231	11/30/2004
Priest-Pend Oreille	Idaho Panhandle	2,017	2/5/2009
Red River	Nez Perce	^c	^c
Sheafman Fuels Reduction	Bitterroot	104	10/31/2004
Treasure Interface	Kootenai	765	9/30/2004
Westface Forest Management	Beaverhead-Deerlodge	407	10/31/2007
West Glacier	Flathead	^d	^d
Yaak	Kootenai	^e	^e
Region 2: Rocky Mountain Region			
Beaver Meadows Restoration	San Juan	902	9/30/2008
Ryan Park/Ten Mile	Medicine Bow-Routt National Forests and Thunder Basin National Grasslands	879	12/31/2008
Seven Mile	Arapaho-Roosevelt	1,375	6/30/2005
Southwest Ecosystem	San Juan	38	9/30/2003

**Appendix III
Pilot Project Names, Locations, Acres
Treated, and End Dates**

(Continued From Previous Page)

Project name	National forest	Project acres^a	Project end date^b
Upper Blue	White River	1,834	12/1/2013
Upper South Platte Watershed	Pike-San Isabel	—	—
Winiger Ridge Restoration	Arapaho-Roosevelt	1,066	10/5/2005
Region 3: Southwestern Region			
Cottonwood/Sundown	Apache-Sitgreaves	210	9/30/2002
Grand Canyon	Coconino	^e	^e
Montlure/Benne Thin and Fuels Reduction	Apache-Sitgreaves	358	12/31/2004
Ranch/Iris Winter Range Restoration	Apache-Sitgreaves	2,000	12/31/2004
Zuni-Four Corners	Cibola	33	9/24/2003
Region 4: Intermountain Region			
Atlanta South Fuels Reduction	Boise	582	12/31/2005
Duck Creek Village	Dixie	12,000	12/31/2008
Warm Ridge/Glide	Boise	3,500	9/30/2007
Monroe Mountain Ecosystem Restoration	Fishlake	4,971	11/30/2009
North Kennedy-Cottonwood	Boise	3,248	12/31/2009
Recap Density Management	Dixie	155	12/31/2003
Small Wood Utilization	Boise	20,000	9/30/2008
Region 5: Pacific Southwest Region			
Granite Watershed Protection and Enhancement ^f	Stanislaus	7,075	12/1/2010
Grassy Flats	Shasta-Trinity	^g	^g
Maidu	Plumas	1,300	11/30/2013
Pilot Creek	Six Rivers	164	11/15/2007
Region 6: Pacific Northwest Region			
Antelope	Fremont-Winema	1,644	9/23/2002
Baker City Watershed Rehabilitation	Wallowa-Whitman	628	5/15/2001
Buck	Wallowa-Whitman	880	3/31/2004
Foggy/Eden	Siskiyou	4,614	9/30/2010
Hungry Hunter Ecosystem Restoration	Okanogan-Wenatchee	17,906	2011
Littlehorn Wild Sheep Habitat Restoration	Colville	350	11/30/2004
McKenzie	Willamette	250	12/31/2006
Metolius Basin Forest Management	Deschutes	12,600	12/31/2011
Oh Deer	Okanogan-Wenatchee	215	3/31/2005
Siuslaw Basin Rehabilitation	Siuslaw	2,960	9/30/2008
Sprinkle Restoration	Wallowa-Whitman	2,642	10/31/2007
Upper Glade	Rogue River	396	12/31/2006

**Appendix III
Pilot Project Names, Locations, Acres
Treated, and End Dates**

(Continued From Previous Page)

Project name	National forest	Project acres^a	Project end date^b
Region 8: Southern Region			
Burns Creek	George Washington-Jefferson	32	3/15/2002
Comp 113 Red-Cockaded Woodpecker Habitat Improvement	Chattahoochee-Oconee	7,000	9/30/2010
Elk and Bison Prairie Habitat Restoration	Land between the Lakes National Recreation Area	50	9/30/2005
First Loblolly Pine Thinning	Francis Marion-Sumter	10,734	10/20/2006
Fugate Branch	Daniel Boone	1,376	—
Longleaf Ecosystem Restoration and Red-Cockaded Woodpecker Habitat Improvement	National Forests in Florida	2,389	—
Longleaf Restoration	National Forests in Alabama	4,222	9/30/2010
Midstory Removal in Red-Cockaded Woodpecker Habitat	National Forests in Mississippi	^c	^c
Wayah Contract Logging (also referred to as Morgan Cut)	National Forests in North Carolina	14	7/1/2003
Sand Mountain Contract Logging Services	National Forests in North Carolina	55	4/30/2004
Southern Pine Beetle Suppression	Francis Marion-Sumter	58	11/30/2003
Wolf Creek	Cherokee	250	—
Region 9: Eastern Region			
Fernow Experimental Forest	Monongahela	792	9/30/2005
Forest Discovery Trail	White Mountain	10	11/2001
Kirtland's Warbler Recovery	Huron-Manistee	1,749	7/15/2007
North Montowibo Vegetation Management	Ottawa	100	6/1/2008
Snowmobile Trail 13 Reroute	Ottawa	4	6/1/2004
White River Riparian Buffer	Green Mountain-Finger Lakes	16	2014

Source: GAO.

Note: A dash indicates that project officials did not respond to this question in our survey.

^aProject acres include acres treated at the time of our survey and acres expected to be treated in the future.

^bProject end date reflects the date on which the pilot project's final contract was, or is expected to be, closed.

^cProject officials told us these projects were too preliminary to provide meaningful survey responses.

^dThe West Glacier project manager told us that because of his heavy workload resulting from 2003 wildfires in his forest, he did not have time to complete our survey.

^eGrand Canyon and Yaak project officials did not respond to our survey.

^fThe Granite Watershed Protection and Enhancement project was authorized by the Granite Watershed Enhancement and Protection Act of 1998 (Pub. L. No. 105-281, 112 Stat. 2695) rather than by the stewardship contracting legislation. A project official told us, however, that the project is being conducted under both authorities—the stewardship contracting legislation and the Granite Watershed Enhancement and Protection Act of 1998.

^gThe Grassy Flats project manager told us she did not complete our survey because she was serving on firefighting duty in another location.

Comments from the Department of Agriculture



United States
Department of
Agriculture

Forest
Service

Washington Office

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File Code: 1420

Date: MAY 26 2004

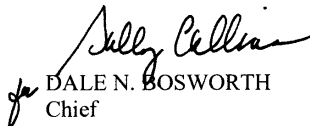
Barry T. Hill
Director
U.S. General Accounting Office
Natural Resources and Environment, Room 2T23
441 G Street, NW
Washington, DC 20548

Dear Mr. Hill:

Thank you for the opportunity to review and offer comments on the draft GAO audit report entitled "*Federal Land Management: Additional Guidance on Community Involvement Could Enhance Effectiveness of Stewardship Contracting*" – i.e., audit report # GAO-04-652. Our specific comments are set-forth in the enclosure. In general, we found very little in the draft report with which we disagree or object. The reality is that this report comes at a most opportune time for us. Because we are still in the early stages of implementing the 10-year stewardship contracting authority provided by Section 323 of P.L. 108-7, we are well positioned to take maximum advantage of the insights provided by your independent look at our prior use of this management tool.

Any questions concerning our comments should be directed, as appropriate, to program managers or technical specialists in our Forest Management and Acquisitions Management staffs.

Sincerely,


for DALE N. BOSWORTH
Chief

Enclosure



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GAO Contacts and Staff Acknowledgments

GAO Contacts

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Staff Acknowledgments

In addition to those named above, Paul Caban, Nancy Crothers, Timothy DiNapoli, James Espinoza, Steve Gaty, Kevin Jackson, Richard Johnson, Diane Lund, Mary Mohiyuddin, Judy Pagano, and Alana Stanfield made key contributions to this report.

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