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An Audit Report on

# **Selected Business Functions at the Texas Forest Service**

March 2008

Report No. 08-025



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### *Overall Conclusion*

The Texas Forest Service (Forest Service) follows applicable state laws and Forest Service policies and procedures to account for emergency response incidents and for its administration of assistance grants to volunteer fire departments. However, the Forest Service should strengthen certain controls over accounting for emergency response incidents and grants administration.

The methodology the Forest Service used to calculate the emergency appropriations it needed to pay for emergency response expenditures incurred during the 2006 fire season was reasonable. Auditors concluded that, although no payment errors were found, the Forest Service could improve its process for verifying invoices billed to it from other government and private entities prior to payment; in response, the Forest Service revised its procedures during the course of this audit to include reviews of emergency incident resource orders prior to approving payments.

In general, the Forest Service processed expenditures for travel, purchasing, fuel, and payroll in accordance with state laws and Forest Service policies and procedures. However, it should strengthen controls over completing and submitting its supporting documentation in a timely manner.

In fiscal year 2006, the Forest Service funded 2,151 grant requests from volunteer fire departments for a total of \$15,154,410 in Rural Volunteer Fire Department Assistance Program funds (see text box for information on the assistance program). In fiscal

#### **Background Information**

The Texas Forest Service (Forest Service) is a state agency within the Texas A&M University System. The Forest Service is authorized 372 full-time staff members and maintains 55 offices across Texas. The Forest Service performs operations including emergency response management, forest fire control, forest resource protection, forest planning, urban forestry, pest control, and tree nurseries.

The Forest Service requested and received an emergency appropriation of \$44,730,767 during the 80th legislative session for costs incurred during the 2006 fire season. The Forest Service received \$36,190,379 in appropriated funds for fiscal year 2006 and \$36,190,378 for fiscal year 2007.

During the 2006 fire season, the Forest Service reported that 29,141 fires occurred during 515 consecutive days, burning a total of 2,260,240 acres and causing \$628,110,961 in total losses. During this period of emergency response, the Forest Service reported 19 fatalities: 2 firefighters and 17 civilians. Although 734 homes and 1,320 buildings were lost, emergency responders saved 21,737 homes and 13,019 buildings.

#### **Rural Volunteer Fire Department Assistance Program**

The Rural Volunteer Fire Department Assistance Program was established in 2001 by the 77th Legislature. Under the program, the Forest Service provides approximately \$15 million in grants annually to volunteer fire departments for training and equipment. In addition, the Forest Service may award grants funded with U.S. Department of Agriculture Forest Service funds. The program is designed to provide cost-sharing grants to volunteer fire departments in the following categories:

- Fire trucks.
- Fire truck chassis/slip-on modules.
- Fire equipment/rescue equipment.
- Firefighter protective clothing.
- Training/training libraries.
- Dry hydrants.

year 2007, the Forest Service funded 2,429 grant requests for a total of \$15,871,065. The Forest Service generally awards grants, processes expenditures, and monitors grants in accordance with applicable policies, grant provisions, and state and federal regulations. However, the Forest Service should strengthen its controls over determining fire departments' eligibility for federal grant funds and over its inspections of large equipment purchases.

## ***Key Points***

**The methodology the Forest Service used to calculate its emergency appropriations was reasonable; however, the Forest Service should verify invoices from government and private entities prior to payment.**

Costs related to the 2006 fire season exceeded the Forest Service's appropriations. Therefore, the Forest Service requested and received an additional \$44,730,767 during the 80th legislative session for a two-year period beginning June 15, 2007, for the purpose of providing reimbursement for wildfire expenditures.

Auditors obtained and reviewed fire suppression and assistance invoices from government entities and reimbursement acknowledgement letters from the Federal Emergency Management Agency (FEMA), which the Forest Service used to substantiate its request for emergency funding. The Forest Service did not verify the accuracy of the invoice detail on billings received from government and private entities for emergency response assistance to supporting resource orders for personnel and equipment that were on scene during the 2006 fire season.

**The Forest Service generally follows state laws and Forest Service policies to account for emergency response expenditures; however, it should strengthen certain controls.**

The Forest Service does not consistently maintain supporting documentation for fuel purchases and does not review fuel purchases for compliance with administrative procedures as required. In addition, the Forest Service does not consistently receive supporting documentation for purchases made with agency credit cards in a timely manner.

**The Forest Service generally administers the Rural Volunteer Fire Department Assistance Program in accordance with state laws and Forest Service policies.**

Although it generally administers the program in accordance with state laws and agency policies, the Forest Service should strengthen certain controls over the Rural Volunteer Fire Department Assistance Program. The Forest Service does not comply with its internal procedures to award federally funded grants to eligible volunteer fire departments. In addition, the Forest Service lacks details within its written procedures to ensure (1) that it verifies whether recipients of grants containing federal funds are eligible and (2) that field inspections of large

equipment purchases funded through the assistance program are completed in a timely manner.

Auditors also identified insignificant issues that were communicated separately in writing to the Forest Service.

## ***Summary of Management's Response***

The Forest Service agrees with the findings and recommendations in this report.

## ***Summary of Information Technology Review***

The Forest Service has adequate controls over its accounting system and its grants database; however, the Forest Service should strengthen certain controls over user access. Auditors assessed the information technology (IT) controls over the database the Forest Service uses for the Volunteer Fire Department Assistance Program. Auditors also assessed IT controls over the Forest Service's Financial Accounting Management Information System (FAMIS) and evaluated general IT controls related to logical access and application controls, such as input controls, process controls, and output controls.

## ***Summary of Objectives, Scope, and Methodology***

The overall objective of this audit was to determine whether the Forest Service has proper controls to ensure that it follows applicable state laws and agency policies and procedures for selected business functions. The specific objectives were to:

- Determine whether the Forest Service accounts for emergency responses in accordance with applicable policies and regulations to ensure accuracy.
- Determine whether the Forest Service awards, processes expenditures from, and monitors grants to volunteer fire departments in accordance with applicable policies, grant provisions, and regulations.

The scope of this audit included the calculation of the Forest Service's emergency appropriations request submitted to the 80th Legislature, the Forest Service's emergency response expenditures for fiscal years 2006 and 2007, and the Volunteer Fire Department Assistance Program for fiscal years 2006 and 2007. The audit scope also included the automated systems and processes that support the functions being audited; however, audit work related to automated systems was limited to determining the reliability of the information in automated systems.

The audit methodology included collecting information and conducting interviews with staff at the Forest Service, performing selected tests and procedures, and analyzing and evaluating the results of the tests.

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# Detailed Results

## Chapter 1

### *The Methodology the Forest Service Used to Calculate Emergency Appropriations Was Reasonable, But It Should Ensure That Invoices Are Verified Prior to Payment*

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The Texas Forest Service (Forest Service) used a reasonable methodology to calculate its request for emergency appropriations from the 80th Legislature, but the Forest Service could improve its procedures for verifying emergency response invoices prior to payment. Costs incurred by the Forest Service during the 2006 fire season exceeded its General Appropriation for fiscal years 2006 and 2007. The Forest Service requested and received an additional \$44,730,767 under House Bill 15 (80th Legislative) for a two-year period beginning June 15, 2007, for the purpose of reimbursing wildfire costs.

Costs the Forest Service incurred during the 2006 fire season exceeded those during the previous six years combined (see Table 1). A fire season begins when multiple fire events occur that exceed the capabilities of local and volunteer fire departments. A fire season can start at any time of the year and is generally identified by the fiscal year during which it occurs.

Table 1

Forest Service Wildfire Response Activity 2000-2006 (Unaudited)			
Year	Number of Fires	Total Acres Burned	Costs the Forest Service Incurred
2006	2,362	1,467,600	\$68,828,742
2005	2,094	133,805	\$ 2,051,281
2004	583	17,190	\$ 202,884
2003	929	35,933	\$ 270,883
2002	962	24,017	\$ 237,568
2001	659	71,417	\$ 5,952,810
2000	2,757	211,924	\$15,966,169

Source: Forest Service.

The Forest Service can request mutual-aid assistance during an emergency incident through the Texas Interagency Coordination Center. During the 2006 fire season, the Forest Service requested aid from members of the Southern

#### **Southern Compact and Cooperative Agreements**

**Southern Compact:** This consists of two groups: the South Central Compact and the Southeastern compact. Members provide mutual aid to states in both of the groups, as well as to other regional compacts. The South Central Compact includes: Arkansas, Louisiana, Mississippi, Oklahoma, and Texas. The Southeastern Compact includes: Alabama, Florida, Georgia, Kentucky, Mississippi, North Carolina, South Carolina, Tennessee, Virginia, and West Virginia.

**Cooperative Agreement:** This is a contractual agreement between the Forest Service and the U.S. Forest Service under which the State of Texas has access to federal resources for emergency response activities.

Governments that provide assistance under both of these agreements are reimbursed by the Forest Service for costs incurred during the emergency response.

Compact (see text box). If the needed response is beyond the resources of the Southern Compact, the Texas Interagency Coordination Center can request additional aid through the National Interagency Coordination Center under the Cooperative Agreement (see text box).

During the 2006 fire season, the Forest Service and volunteer fire departments in Texas incurred a total of \$80,197,148 in emergency response expenditures (see Table 2 on the next page). To substantiate its request for emergency appropriations, the Forest Service used documentation related to its own expenditures, fire suppression invoices from Southern Compact and Cooperative Agreement agencies, reimbursement acknowledgement letters from the Federal Emergency Management Agency (FEMA), and volunteer fire department costs.

#### **Reimbursement from FEMA**

The Forest Service may request reimbursement for up to 75 percent of allowable costs for eligible emergency events, plus a 3 percent administrative fee from FEMA. The Forest Service works with the Division of Emergency Management within the Governor's Office to facilitate reimbursement from FEMA.

The Forest Service reported it used \$6,768,392 of its base 2006-2007 appropriations and \$28,697,989 in reimbursements from FEMA to offset the costs incurred during the 2006 fire season (see text box for details on FEMA reimbursements). The \$44,730,767 emergency appropriation that the 80th Legislature approved was calculated correctly and equaled the difference between the total amount of emergency response expenditures incurred during the 2006 fire season—\$80,197,148—and the total

amount of Forest Service and FEMA funds used to pay for these costs—\$35,466,381 (see Table 3 on the next page).

The Forest Service reported it used \$31,667,003 of the emergency appropriation during fiscal year 2007 to pay for wildfire-related costs that were not reimbursed by FEMA and to pay invoices from Southern Compact agencies and the U.S. Forest Service. The Forest Service will allocate \$9,317,125 of the funds to volunteer fire departments during fiscal year 2008 and use the remaining \$3,746,638 to pay additional non-reimbursed expenditures from the 2006 fire season.

Table 2

Costs Incurred for 2006 Fire Season	
Agency	Costs
Forest Service	\$ 12,010,077
Cooperative Agreement with US Forest Service	54,945,399
Southeastern Compact	3,924,547
Volunteer Fire Departments	9,317,125
<b>Total Costs for 2006 Fire Season</b>	<b>\$80,197,148</b>

Source: Forest Service.

Table 3

Funding Received for 2006 Fire Season <sup>a</sup>	
Funding Source	Amount
Forest Service Appropriations	\$ 6,768,392
Federal Emergency Management Agency (FEMA)	28,697,989
<b>Total Funding Received for 2006 Fire Season</b>	<b>\$35,466,381</b>
<b>Difference between Costs and Funding Received</b>	<b>\$44,730,767</b>
<sup>a</sup> This does not include the emergency appropriation approved by the 80th Legislature.	

Source: Forest Service.

**The Forest Service should improve its processes for verifying invoices from other government and private entities to ensure that they are accurate and reasonable.**

The Forest Service reviews and approves vouchers to pay invoices it receives from government and private entities for services provided during emergency response incidents. Although auditors did not identify payment errors, the Forest Service should improve its process for verifying invoices billed to it from other government and private entities prior to payment. Four of 8 (50 percent) invoices that auditors tested from emergency response incidents in fiscal years 2006 and 2007 did not have supporting resource orders. In addition, the Forest Service did not verify those four invoices for accuracy prior to paying them (the four invoices totaled \$12,428,550). Forest Service internal procedures did not require staff to verify information on invoices or obtain personnel timesheets, equipment resource orders, and use documents; consequently, the Forest Service could not ensure that paid amounts accurately reflected the amount of personnel and equipment that were on scene and used during the emergency event for which the Forest Service was billed.

The Forest Service could use the emergency incident records maintained at the Texas Interagency Coordination Center and the automated emergency incident cost tracking system to verify the invoice detail. The Forest Service



modified its internal procedures during the audit to include a review of emergency incident resource order documents to verify the accuracy of invoice detail on billings received from external entities.

Auditors tested records to ensure:

- The invoices were reviewed by the Forest Service Chief Fire Administrator.
- Payment documentation was completed in accordance with policies.
- The expenditure was processed to the correct accounting code.
- There was supporting documentation to substantiate the amounts invoiced.

Auditors did not test whether the Forest Service verified the efficient use of resources on scene during the emergency response incidents.

### Recommendation

The Forest Service should implement its revised procedures to verify the accuracy of invoices received from government and private entities prior to payment to ensure that it pays only for resources that were on scene and used during an emergency event.

### Management's Response

*We agree with the auditor's recommendation. The agency's Fire Administration Department Head has already implemented the revised procedures.*

## ***The Forest Service Generally Follows Its Policies and State Laws to Account for Emergency Response Expenditures, But It Should Strengthen Certain Controls***

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The Forest Service generally accounts for emergency response expenditures for travel, payroll, purchasing, and fuel in accordance with applicable laws and policies. However, it should strengthen certain controls over the completion and submission of supporting documentation in a timely manner for expenditures related to fuel and purchasing. In addition, the Forest Service should strengthen user access controls over its accounting system.

### **Emergency Response Expenditures**

Emergency response expenditures are coded by incident number in the Forest Service's accounting system and relate to costs incurred by Forest Service employees and external entities that provide assistance during emergency incidents.

Most Forest Service employees have emergency response duties as part of their job descriptions, even if these duties are not part of their primary job functions.

Emergency response roles include operational (firefighting) and support (finance, logistics, and other areas). The Forest Service reports that 162 employees are firefighter-qualified and an additional 58 employees are qualified for support positions.

**The Forest Service does not consistently maintain supporting documentation for fuel purchases.**

The Forest Service does not consistently maintain supporting documentation for fuel purchases, and the fuel purchase receipts and Vehicle Use Reports (mileage logs) submitted by Forest Service employees do not consistently contain the required information. This hinders the Forest Service's ability to ensure that purchases were made for business purposes.

Of 14 fuel purchase transactions auditors tested for fiscal year 2006:

- All (100 percent) were for Forest Service vehicles, were approved, and were reviewed for accuracy at the local district office.
- 1 (17 percent) was posted to an incorrect object code in the Forest Service's accounting system.
- 9 (64 percent) lacked receipts for \$9,595.07 of \$43,929.81 (22 percent) in total expenses.

In addition, 7 of 12 (58 percent) fuel purchase transactions auditors tested for fiscal year 2006 had mileage logs that were incomplete or missing; the remaining two transactions did not require mileage logs.

Of 12 fuel purchase transactions auditors tested for fiscal year 2007:

- All (100 percent) were for Forest Service vehicles, were approved, and were reviewed for accuracy at the local district office.
- 1 (8 percent) lacked a receipt for \$26.93.

The Forest Service reported that receipts and mileage logs were lost or misplaced when vehicles were transferred between field offices or sold at auction. The Forest Service implemented an informal practice of drivers completing lost or missing receipt forms, but this procedure was not consistently followed. The Forest Service uses a decentralized structure for

processing fuel card purchases, and each district field office processes fuel card purchases differently. In addition, the Forest Service credit card coordinator does not perform periodic compliance reviews as required by the agency's administrative procedures.

Forest Service administrative procedures require each driver who uses a Forest Service vehicle to complete mileage logs and submit the logs on a monthly basis to vehicle coordinators at each district field office. Field office staff are required to review the monthly billings from the Forest Service's fuel card company and verify that all charges are accurate by comparing the charges to submitted receipts. The Forest Service credit card coordinator is required to perform periodic compliance reviews of fuel card use. However, the Forest Service does not ensure that its administrative procedures are followed.

The Forest Service does not consistently receive supporting documentation for purchases made with agency credit cards.

**Deadlines for Submitting Supporting Documentation for Agency Credit Cards**

Forest Service Administrative Procedures 30.04 and 30.06 require vouchers to be prepared, reviewed, and approved by a supervisor within 30 days of the date that the Forest Service receives a credit card statement. Specifically:

- Credit card holders must submit supporting documentation to the district office payment voucher preparer within 10 days from the date that the credit card statement is received by the Forest Service.
- Payment voucher preparers are required to review the supporting documentation and submit the voucher to the department head for approval and submission to the Forest Service accounting department for approval within 20 days of the date that the Forest Service receives the documentation from the card holder.

All 31 credit card transactions tested for fiscal year 2006 and 8 credit card transactions tested for fiscal year 2007 were approved, accurate, allowable, and properly supported. However, 11 of 31 (69 percent) fiscal year 2006 transactions and 1 of 8 (13 percent) fiscal year 2007 transactions were submitted after the deadline set by Forest Service procedures (see text box). The Forest Service does not enforce the deadlines during emergency response situations, even though its written procedures do not contain an exception for this. During emergency responses, there is a risk that untimely submissions of supporting documentation could hinder the Forest Service's ability to identify non-business purchases in a timely manner.

All 23 sample credit card holders tested for fiscal years 2006 and 2007 received required credit card use training in accordance with Forest Service administrative procedures.

The Forest Service does not regularly update user access to its accounting system.

One user whose employment with the Forest Service had been terminated in September 2006 still had access rights to the Forest Service's accounting system in January 2008. This is a violation of Title 1, Texas Administrative Code, Section 202.75, which requires that a user's access authorization shall be appropriately modified or removed when that user's employment changes.

## Recommendations

The Forest Service should:

- Ensure that authorized drivers and fuel card users submit receipts and mileage logs with complete information in accordance with Forest Service Administrative Procedures 30.03 and 30.07.
- Document in writing the practice of completing a lost or missing receipt form.
- Create and implement standardized procedures for reviewing and verifying fuel card purchases.
- Perform and document compliance reviews for fuel card purchases in accordance with Forest Service Administrative Procedure 30.07.
- Ensure that credit card users submit supporting documentation for department travel card and procurement card expenditures in accordance with Forest Service Administrative Procedures 30.04 and 30.06 or create a policy exception for the submission of documentation during emergency situations.
- Perform regular reviews and updates of user access rights to its accounting system.

## Management's Response

*We agree with the auditor's recommendations. The agency's Associate Director for Finance and Administration will implement the necessary changes. We plan to have these changes implemented by August 31, 2008.*

## *The Forest Service Generally Administers the Rural Volunteer Fire Department Assistance Program in Accordance with Applicable Laws and Forest Service Policies*

The Forest Service generally administers grant funds for the Rural Volunteer Fire Department Assistance Program (Program) in accordance with applicable laws and agency policies and procedures. However, the Forest Service should strengthen certain controls over its administration of the Program.

The Legislature appropriates the Forest Service \$15 million annually to assist volunteer fire departments in paying for equipment and personnel training. The Forest Service reported that it funded 2,151 grant requests for a total of \$15,154,410 in fiscal year 2006 and 2,429 grant requests for a total of \$15,871,065 in fiscal year 2007 (see Table 4). A Forest Service funding committee evaluates and awards equipment grants on a quarterly basis; training tuition grants are evaluated and awarded on a continuous basis throughout the year. The Forest Service reported that it evaluated 4,002 equipment grant applications from volunteer fire department in fiscal year 2006 and 5,489 equipment grant applications in fiscal year 2007.

Table 4

Rural Volunteer Fire Department Assistance Program Grants Fiscal Years 2006 and 2007						
Grant Category	Fiscal Year 2006		Fiscal Year 2007		Totals for Both Fiscal Years	
	Number of Grants	Value of Grants	Number of Grants	Value of Grants	Number of Grants	Value of Grants
Tankers	51	\$ 5,262,638	35	\$ 3,780,000	86	\$ 9,042,638
Brush Trucks	81	5,617,157	107	6,722,049	188	12,339,206
Truck Chassis	20	589,403	32	980,196	52	1,569,599
Slip-On Units	29	329,304	25	305,088	54	634,392
Fire Equipment	202	747,908	147	554,291	349	1,302,199
Rescue Equipment	61	531,942	66	580,601	127	1,112,543
Communications Systems	11	69,605	8	58,888	19	128,493
Computers	81	72,230	111	111,000	192	183,230
Personal Protection Gear	476	766,873	244	973,860	720	1,740,733
Dry Hydrant	3	12,368	12	26,400	15	38,768
Training Equipment	16	66,864	79	270,358	95	337,222
Training	1,120	1,088,118	1,563	1,508,334	2,683	2,596,452
<b>Totals</b>	<b>2,151</b>	<b>\$15,154,410</b>	<b>2,429</b>	<b>\$15,871,065</b>	<b>4,580</b>	<b>\$31,025,475</b>

Source: Forest Service Rural Volunteer Fire Department Assistance Program annual reports for fiscal years 2006 and 2007.

The Forest Service does not have a clear policy to ensure that field inspections of large equipment purchases made with Program grant funds are performed.

The Forest Service does not have clear written procedures within its *Rural Volunteer Fire Department Assistance Program Implementation Guidelines*

#### Equipment Grants Process

- A volunteer fire department (department) submits an equipment grant application to the Forest Service.
- The Forest Service determines whether the department is eligible and assigns a rating score based on information in the application.
- The Forest Service's funding committee awards grants to the highest-rated departments within the funding allocation limits for each grant category.
- The department purchases the equipment and submits the required documentation to the Forest Service.
- The Forest Service reimburses the department.
- The Forest Service performs an inspection of the equipment.

(Revised September 2005) that ensure field inspections of large equipment purchases are conducted in a timely manner. In addition, the guidelines do not specify under what conditions a field inspection is required. The Forest Service defines large equipment items as those with a value of \$12,500 or more. The Forest Service maintains multiple versions of the inspections section in its guidelines, which could lead to confusion as to which version is currently in place. In addition, the Forest Service does not review the guidelines every year as required. The lack of detailed monitoring procedures increases the risk that volunteer fire departments could use grant funds for purchases other than the intended purpose.

The Forest Service performs inspections of large equipment purchases on an inconsistent basis. A Forest Service inspection roster dated December 18, 2007 contained 906 large equipment purchases totaling \$54,426,271. The inspection roster covered large equipment grants awarded from October 2002 through August 2007. Of the 906 purchases, the Forest Service did not have documentation indicating an inspection had been conducted for 68 (8 percent) purchases totaling \$4,069,860. Only 31 of the remaining 838 (4 percent) purchases were inspected by the date that the Forest Service disbursed the grant funds to the volunteer fire department. The remaining 807 (96 percent) had inspections completed during time frames

ranging from one day to three years after the volunteer fire departments received the grants.

#### NIMS Compliance

To be NIMS compliant, a volunteer fire department must:

- Formally adopt NIMS at the community level through proclamation, resolution, meeting minutes, or other written documentation.
- Manage all incidents using the Incident Command System organizational structures and procedures defined by NIMS.
- Participate in interagency mutual aid agreements.
- Participate in all-hazard exercises based upon NIMS that involve first responders from multiple disciplines and jurisdictions
- Ensure that volunteer fire department members complete required training.

The Forest Service does not comply with its internal procedures to award federally funded grants to volunteer fire departments that are National Incident Management System (NIMS) compliant.

On September 26, 2006, the Forest Service issued a special notice to all volunteer fire departments that specified that, beginning September 1, 2006 (fiscal year 2007), all departments applying for grants involving federal funds must certify that they are NIMS compliant (see text box for compliance requirements). Of 16 grants awarded in fiscal year 2007 that auditors tested, 2 (13 percent) grants were partially funded with federal funds

and were awarded to volunteer fire departments that were not NIMS compliant. These two grants totaled \$5,562; federal funds accounted for \$2,781 (50 percent) of this total.

A Federal Emergency Management Agency (FEMA) directive issued in August 2005 stated that all recipients of federal preparedness assistance funds must adopt NIMS to receive federal funding for fiscal year 2006 and thereafter. The Forest Service receives grants from the U.S. Department of

#### U.S. Department of Agriculture Grants

The U.S. Department of Agriculture (USDA) provides grants to the Forest Service to assist volunteer fire departments. The Forest Service uses these federal funds to provide personal protective equipment grants to volunteer fire departments. The USDA grants are match grants, which requires the Forest Service to use state funds to match the amount received from the USDA. The Forest Service received the following grant amounts from the USDA:

- Fiscal year 2004—\$652,074.
- Fiscal year 2005—\$730,174.
- Fiscal year 2006—\$688,937.
- Fiscal year 2007—\$682,061.

Agriculture that contain federal preparedness assistance funds, which the Forest Service uses to assist volunteer fire departments (see text box). For fiscal year 2007, the Forest Service was in compliance with FEMA's directive because the Forest Service used funding from fiscal year 2004 and fiscal year 2005 federal grants to fund the Forest Service grants to volunteer fire departments. The Forest Service's special notice to volunteer fire departments did not address to which fiscal year federal funding the new standards applied.

The Forest Service does not have written procedures to verify that volunteer fire departments have NIMS compliance certifications. According to a Forest Service

survey, there are 1,450 purely volunteer fire departments and 250 combination volunteer and paid fire departments in Texas. Of these 1,700 fire departments, the Forest Service reported that 465 were NIMS compliant as of November 29, 2007.

If the Forest Service does not verify NIMS compliance, it may be at risk of awarding grants to non-NIMS compliant departments and violating the terms of its federal grants.

The Forest Service does not regularly update user access to its grants database.

The Forest Service does not regularly update user access to a database it uses to administer the Rural Volunteer Fire Department Assistance Program (Program). Specifically:

- One user whose employment with the Forest Service had been terminated in August 2007 still had access rights to the database in December 2007.
- One generic user access account was not assigned to a specific Forest Service employee.
- Three Forest Service employees working in different grant programs had access rights to the Program's database. The employees perform work for grant programs unrelated to the Program.

These issues are a violation of Title 1, Texas Administrative Code, Sections 202.71 and 202.75, which require that user access lists be reviewed, a user's access authorization be appropriately modified or removed when that user's employment changes, and a user's access be modified to correspond with the user's job responsibilities.

## Recommendations

The Forest Service should:

- Update its personal protective equipment guidelines to include detailed procedures for verifying that a volunteer fire department is NIMS compliant before it is awarded a federally funded grant.
- Update its *Rural Volunteer Fire Department Assistance Program Implementation Guidelines* annually. The guidelines should also include detailed procedures for verifying that all recipients of federally funded grants are NIMS compliant, information on what types of equipment purchases require field inspections, timelines for completing field inspections, and procedures to ensure that equipment is monitored on a timely basis.
- Ensure it complies with its internal policy to award federally funded grants to volunteer fire departments that are NIMS compliant.
- Conduct field inspections of large equipment purchases before reimbursement payments are made to a volunteer fire department to ensure that grant funds are used for the intended purpose.
- Perform regular reviews and updates of user access rights to the database it uses to administer the Rural Volunteer Fire Department Assistance Program.

## Management's Response

*We agree with the auditor's recommendations. The agency's Fire Operations Chief will implement the necessary changes. We plan to have these changes implemented by August 31, 2008.*



# Appendices

Appendix 1

## **Objectives, Scope, and Methodology**

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### **Objectives**

The overall objective of this audit was to determine whether the Texas Forest Service (Forest Service) has proper controls to ensure that it follows applicable state laws and agency policies and procedures for selected business functions. The specific objectives were to:

- Determine whether the Forest Service accounts for emergency responses in accordance with applicable policies and regulations to ensure accuracy.
- Determine whether the Forest Service awards, processes expenditures, and monitors grants to volunteer fire departments in accordance with applicable policies, grant provisions, and regulations.

### **Scope**

The scope of this audit covered all matters related to the calculation of the Forest Service's emergency appropriation request to the 80th Legislature, emergency response expenditures for fiscal years 2006 and 2007, and grants awarded through the Volunteer Fire Department Assistance Program for fiscal years 2006 and 2007. The audit scope also included the automated systems and processes that support the functions being audited; however, the audit work related to the automated systems was limited to determining the reliability of the information in the automated systems.

### **Methodology**

The audit methodology included collecting information, conducting interviews with staff at the Forest Service, performing selected tests and procedures, and analyzing and evaluating the results of the tests.

Information collected and reviewed included the following:

- Data from the automated systems at the Forest Service, including the financial accounting and grants database systems.
- Forest Service documents including organizational charts, grant contract files, expenditure files, grant funding allocation methodologies, purchasing documents, grant funding announcements, grant program annual reports, grant inspection roster, wildfire statistics, and emergency appropriation request calculations and methodologies.

- Forest Service guidelines, policies, and procedures.
- Invoice documentation from the U.S. Department of Agriculture Forest Service and other government entities.
- Reimbursement documentation from the Federal Emergency Management Agency (FEMA) and the Division of Emergency Management (DEM) within the Office of the Governor.
- Volunteer fire department cost information for wildfire events from November 2005 through September 2006.

Procedures and tests conducted included the following:

- Analysis of data from the Forest Service's financial accounting system.
- Analysis of information from the Forest Service's grants database system.
- Testing of selected Forest Service Volunteer Fire Department Assistance Program grant contract files to ensure consistency and compliance with federal and state rules, program requirements, and Forest Service policies and procedures.
- Testing of selected Forest Service travel, purchasing, fuel, and payroll emergency response expenditure documents to ensure consistency and compliance with federal and state rules, program requirements, and Forest Service policies and procedures.
- Analysis of fire suppression invoices from Southern Compact and Cooperative Agreement agencies, and reimbursement acknowledgment letters from FEMA and DEM.
- Analysis of Forest Service expenditure and funding source information that the Forest Service used to calculate its emergency appropriation request.
- Review of volunteer fire department cost information as reported in the Forest Service's Fire Reporting System.

Criteria used included the following:

- Texas statutes and the Texas Administrative Code.
- Forest Service policies, procedures, guidelines, and special notices.
- Grant contract provisions.
- Texas Education Code, Section 88.116 (South Central Interstate Forest Fire Protection Compact).

- Cooperative Wildland Fire Management and Stafford Act Response Agreement between the U.S. Department of Agriculture Forest Service, National Forests and Grasslands in Texas, and the Forest Service
- “Management of Domestic Incidents,” Homeland Security Presidential Directive/HSPD-5, Office of President George W. Bush, February 28, 2003.
- “National Incident Management System (NIMS) Compliance and Day-to-Day Emergency Operations” directive, NIMS Integration Center, FEMA, August 17, 2005.

### Project Information

Audit fieldwork was conducted from December 2007 through January 2008. We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

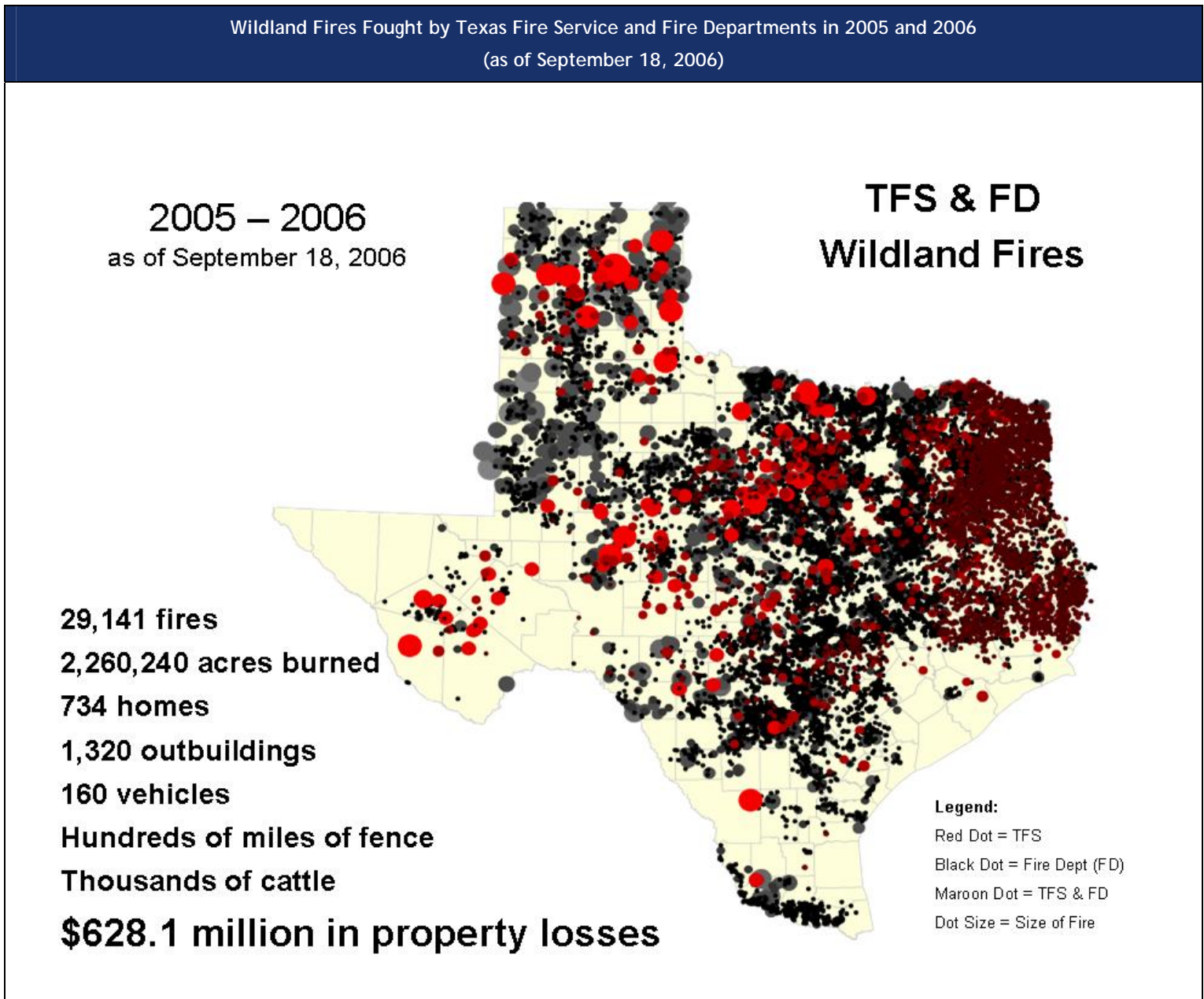
The following members of the State Auditor’s staff performed the audit:

- Jennifer Lehman, MBA, CGAP (Project Manager)
- Rachel Snell, MPAff, CFE (Assistant Project Manager)
- Kelley Bellah
- Gary Leach, MBA, CQA, CISA (Information Systems Audit Team)
- J. Scott Killingsworth, CGAP, CGFM, CIA (Quality Control Reviewer)
- John Young, MPAff (Audit Manager)

## Maps of Wildland Fires in 2005 and 2006 and Fire Departments in Texas

Figure 1 shows the locations of wildland fires that the Texas Forest Service and local and volunteer fire departments responded to during the 2006 fire season.

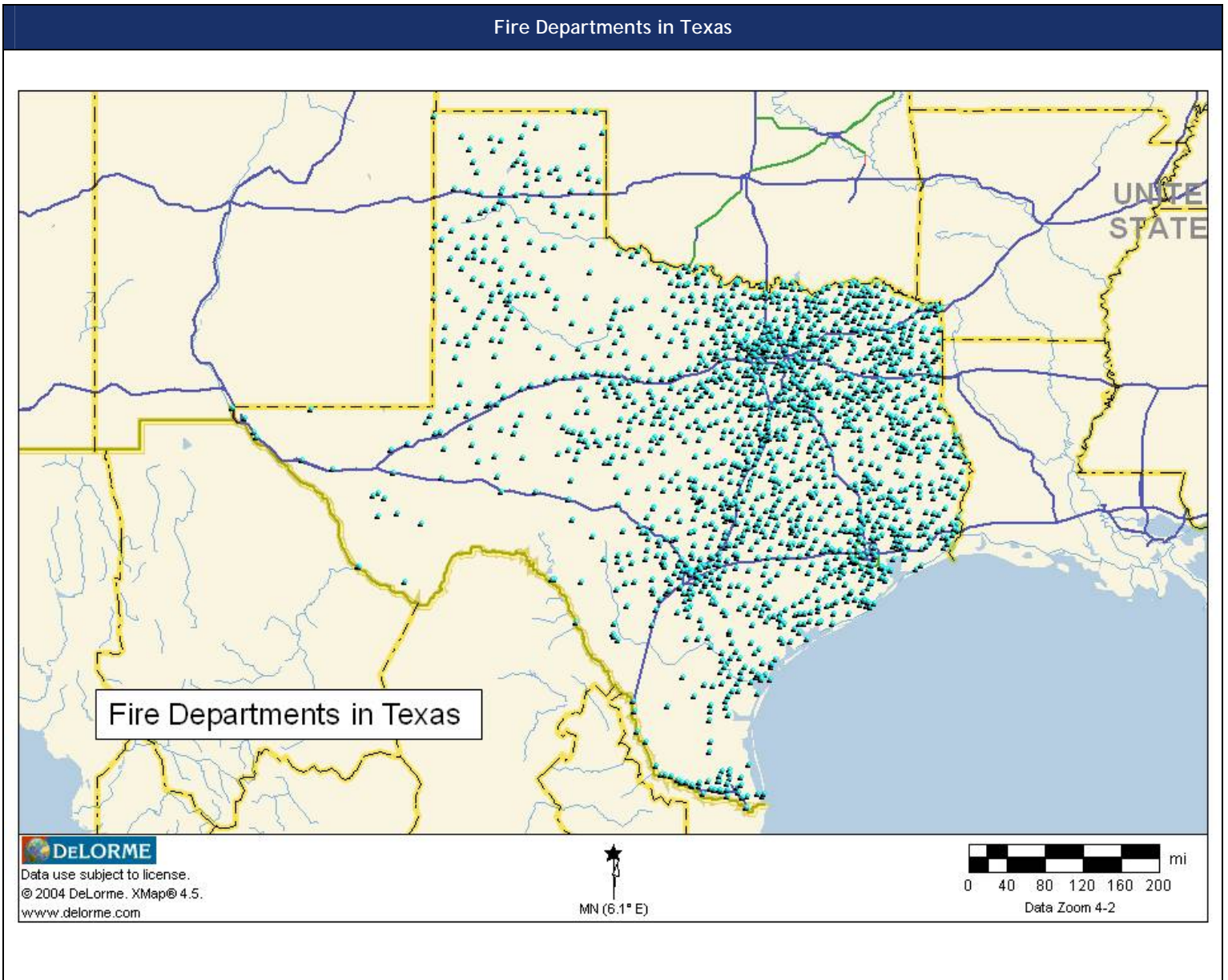
Figure 1



Source: Texas Forest Service.

Figure 2 shows the location of the local and volunteer fire departments throughout Texas.

Figure 2



Source: Texas Forest Service.

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The Honorable Warren Chisum, House Appropriations Committee  
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### **Office of the Governor**

The Honorable Rick Perry, Governor

### **Texas Forest Service**

Mr. James B. Hull, State Forest Director

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