

**WASHINGTON OFFICE ACTIVITY REVIEW
OF
TIMBER SALE ADMINISTRATION, SALE PREPARATION,
STEWARDSHIP CONTRACTING, NEPA AND TIMBER THEFT PREVENTION
REGION 10**

June 12-20, 2016

**REPORT
USDA FOREST SERVICE
WASHINGTON, D.C.**

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2016

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FOREST MANAGEMENT ACTIVITY REVIEW
REGION 10- ALASKA
June 12 – 20, 2016

I. INTRODUCTION

Type of Review

A Forest Management Activity Review focusing on timber sale and stewardship contracting activities in Region 10, including preparation, administration, and timber theft prevention was conducted from June 12–20, 2016. The review team examined and evaluated regional guidelines, program direction, accounting procedures, and accomplishments at the regional office and forest level. The Forest Service internal review system guidelines (FSM 1410) were used to conduct this review.

Need for Review

Preparation and administration of timber sale and stewardship contracts are key areas of resource management and critical for the attainment of resource objectives. National Environmental Policy Act (NEPA) disclosure, decision implementation, and theft of timber from National Forest System land continues to attract national attention. The last similar review in Region 10 was completed in 2001. A limited review of the transaction evidence appraisal (TEA) system was conducted in 2003. A functional assistance trip was conducted in 2013 to discuss the residual value appraisal system being used. The intent of this review is to follow up on these past findings and recommendations to determine where progress has been made and identify any areas that continue to need attention.

Review Objectives and Major Areas of Emphasis

1. Evaluate compliance with national policies and directions pertaining to preparation and administration of timber sale and stewardship contracts, delegations of authority for timber disposal, NEPA decision implementation, and timber theft prevention procedures
2. Follow up on Action Items from 2001 Activity Review and 2013 Functional Assistance Trip conducted by the Washington Office (WO) including use of timber information manager (TIM), timber sale accounting, and the appraisal system
3. Evaluate implementation of authorities from the 2014 Farm Bill including stewardship, Good Neighbor Authority, and designation by prescription
4. Evaluate implementation of silviculture prescriptions for consistency with land management objectives and NEPA decisions
5. Review implementation of NEPA decisions and monitoring during timber sale and stewardship contract preparation and administration
6. Evaluate the adequacy and effectiveness of the organizational structure and the coordination of the forest management program at all levels

7. Evaluate the training and skill level of forest management program employees
8. Evaluate regional and forest training and certification programs related to sale preparation and sale administration
9. Evaluate the management controls for log accountability and payments
10. Evaluate the management controls for sale appraisal, contract preparation, permit issuance, and reporting
11. Evaluate implementation of national policy and standards regarding transportation planning, road maintenance, and construction methods

Review Approach

The review was conducted on the Tongass National Forest and included the review of the Big Thorne timber sale and to a lesser extent the Tonka Integrated Resource Timber Contract (IRTC) stewardship contracts. This review covers office records, discussion with field personnel, and observation of procedures applied on the ground. Dave Harris, Director for Forest Management in Region 10, served as the review team liaison responsible for coordinating the Region's interdisciplinary participation in the review, arranging for review of materials and travel within the Region. An in-person closeout report was provided with findings and observations before the team left on Monday, June 20, 2016, which was followed by a final written report after the review.

II. COMMENDATIONS

1. Dave Harris provided excellent logistical support for all aspects of this review. The travel and lodging for more than ten individuals by plane, boat, and truck covering four overnight locations and numerous short stops, was extremely challenging and the team recognizes, especially after the fact, how much effort he and his team must have expended to make the trip as flawless as it was.
2. Safety was seamlessly incorporated into the review itinerary. Inspections and briefings were conducted sometimes openly, sometimes subtly, personal protective equipment and mandatory pre-flight safety training was provided as appropriate. Dave and his team did an excellent job of mitigating the hazards that are inherently part of doing business in Alaska.
3. Dave Harris and his team provided very comprehensive pre-review electronic documentation, which was very useful in preparing for this review.
4. Tongass National Forest (NF) and District personnel who participated in the review are commended for providing the team with candid insights and information. Their willingness to speak openly about the issues, challenges, and successes, of which there are many, speaks to the great potential for improving the work environment and team atmosphere across the Tongass NF. There is no doubt that the management team and staff

of the Tongass NF consists of dedicated professionals who are striving against monumental headwinds to achieve the results the public expects.

5. In light of the political pressure and tight deadlines, the Forest should be commended for their ability to complete the project within the timeframe.

III. FOLLOW UP TO ACTION ITEMS FROM 2001 ACTIVITY REVIEW

Adaptive Management: The Timber Program Review in 2001 found that partial harvest prescriptions failed to adequately identify future vegetation management objectives or options. Should the Forest continue partial cutting and uneven-aged management, the review report recommended developing silviculture prescriptions needed to implement the new strategy including an appropriate update to the forest plan. The 2016 review found that the Forest is following these recommendations.

The Program Review found that non-painted trees in diameter limit prescriptions may not be meeting all resource objectives and recommended that the Region define under what conditions diameter limit prescriptions are to be used. The Region's 2001 Action Plan addressed implementation of this recommendation. The 2016 review found that the Region has transitioned to partial harvest prescriptions based upon a basal area (BA) removal approach.

Log Accountability: The 2016 review found that the Region is following the recommendations in the review report and in their action plan.

Financial Accountability: The 2001 review found that following a long delay in filling the position dealing with automated timber sale accounting (ATSA) and other business management activities, problems were identified that needed attention. The recommendations were for the Region to identify problems and conduct workshops to train personnel on resolving the problems and to continue functional assistance trips intended to ensure that quality work is being accomplished in a timely fashion. The Region's action plan addressed the recommendations.

The 2016 review found that there continues to be problems with filling vacancies. The combination of skillsets of those individuals currently in ATSA and other business management activities, the impact of the unfilled regional position, and the normal logistical challenges in the Region is impeding their ability to conduct workshops and functional assistance trips.

B. FOLLOW UP ON RECOMMENDATIONS OF TIMBER SALE APPRAISAL FUNCTIONAL ASSISTANCE TRIP (FAT) (2013)

Overview: The issues identified in this FAT have been or are being addressed. Many of the issues are addressed in the June 2016 direction letter from the Regional Forester to the Tongass NF Supervisor.

IV. ISSUES AND FINDINGS

Note: An issue is a general description of a subject area containing findings. A finding is an observation of an activity that does not meet policy and needs corrective action to bring it into compliance with national or regional policy. Issues are not listed in order of importance or priority.

ISSUE 1: Financial Issues

FINDING 1: Salvage Sale Fund (SSF) collection plans have been approved for use on the Tonka and Big Thorne Stewardship sales. Distribution of funds to SSF reduces the funds available to support stewardship projects.

DISCUSSION: Deriving receipts from the sale of products designated for removal through stewardship contracting projects is a secondary objective to achieving land management goals. In accordance with 16 U.S.C. 2104 (d)(2)(3) and 2014 Farm Bill, Sec 8205(2)(3) cash receipts realized from stewardship sales are to be used to fund other stewardship projects and are not considered to be monies received from the National Forest System or the public lands under any provision of law.

In accordance with Forest Service Handbook (FSH) 2409.19, 67(1)(c) cash revenue from stewardship projects can only be distributed to the SSF to reimburse the SSF expenditures incurred in preparing the project.

RECOMMENDED ACTION: Cancel Salvage Sale Plans associated with any stewardship contracts and remove from ATSA if the stewardship projects were not prepared with salvage sale funds.

FINDING 2: Advance Deposit requirements for payment prior to cutting under E.2.1.2 Advance Deposits of the Big Thorne IRTC, are not being met. Advance deposits are only being required for the minimum amount of 30 days, however cutting and hauling operations exceed projected volume and value, resulting in an account balance that consistently falls below the mandatory 10-day cut suspension balance requirement.

DISCUSSION: Contract statement projections do not accurately reflect advance deposit needs, and the review team identified several instances where operations were not adequately covered. No documented evidence of suspension of operations or revised operating plans was found. Lack of adequate coverage of minimum advance deposits is putting the Forest Service and the contracting officer (CO) at risk of financial loss, resulting in personal liability for the CO if payment is not received from the contractor for timber removed.

RECOMMENDED ACTION: Bring projected cut and removal volume and value in line with operating plans and actual production. Require sufficient cash or payment guarantee to cover actual production. Provide additional training on advance deposits and calculating projections. Ensure projections are accurately reported on the monthly statement and billings and collection of advance deposits is timely.

FINDING 3: A complete official contract record was not available. Records are located at multiple locations and while sale preparation documentation was provided from a second location, these files did not include official, signed, hardcopy documents to support the awarded contract.

DISCUSSION: The official contract records are not in compliance with FSH 2409.15 Sale Administration Handbook, Chapter 14 and FSH 6209.11 Records Management Handbook, Chapter 40. The Tongass NF contract records appear to be dispersed between several locations; however, the Forest was unable to provide official approved documents when requested from local offices. One complete official record is not being maintained with the CO. It is critical that the CO maintains a complete record and accurate documentation of all records to administer the contract. Forest Management directives on contract records identify the required documents that should be printed and maintained in hardcopy. For example, the contract record located at the Petersburg Supervisor's Office with the CO did not include pertinent environmental analysis disclosure and decision documents. Financial internal controls also provide for specific documentation requirements found at FSM 6503 POLICY (31 U.S.C. 3512(c), General Accounty Office (GAO)-14-704G Federal Internal Control Standards (pages 47 and 48). Finally, agency records management requires a hardcopy contract record with a 30-year retention.

RECOMMENDED ACTION: Ensure that all pertinent documents are submitted to the CO for printing and filing in a single official contract record.

FINDING 4: No documentation was included in the CO's official files from the Engineering Representative(s) or Construction Inspector.

DISCUSSION: Electronic copies were made available but were still in an editable form (MSWord Document). The last recorded visit to the Big Thorne stewardship sale was in March of 2016.

RECOMMENDED ACTION: Consolidate all engineering inspection reports and any other correspondence into the official file with the CO. Review documentation and project/sale visit requirements in FSH 2409.15, Chapter 10 and regional supplement R-10 2409.15-2006-2. The supplement requires Engineering Representatives to use form R10-2400-25a, Timber Sale Inspection Report. If electronic copies of documentation are submitted, place a hard copy in the official file.

FINDING 5: Corporate certifications on various legal instruments, including the stewardship or timber sale contract, are not properly executed.

DISCUSSION: When the legal entity is a corporation, the corporate signature must be certified by a different member of the corporation. Signers cannot self-certify the validity or authenticity of their corporate representation. Also, no witnesses should sign a contract with a corporation as they do not provide any legal certification for the corporate signer. Contracts are not executed properly. Corporation certification is "self-certified."

RECOMMENDED ACTION: Ensure that all legal instruments, e.g. contracts, bonds, etc., are executed by a corporation officer, and are properly certified.

FINDING 6: Project plans, certifications, or other documents that must be signed by a Line Officer under FSM 2404 are being signed by staff identified as signing “for” the Line Officer.

DISCUSSION: Line Officer approval that cannot be re-delegated, such as Gate Certifications or Salvage Sale Plans, must be signed by the Line Officer or their designated Acting. Signatory authority is delegated as Acting Forest Supervisor or Acting District Ranger. The title on the official document should identify the signer as the designated acting and not signing for the Line Officer, as the authority cannot be re-delegated outside the line organization.

RECOMMENDED ACTION: Discontinue the practice of signing documents “for” the Line Officer and ensure the title is documented as “Acting.” Review letters of delegation for Acting’s to insure that authority for signing official documents is specifically delegated.

ISSUE 2. Need For Accountability and Compliance with the Regional Timber Theft Prevention Plan.

FINDING 1: No Law Enforcement and Investigations (LE&I) inspection reports were found in the Big Thorne Project file.

DISCUSSION: Region 10 Timber Theft Detection and Prevention Plan requires Law Enforcement Officers (LEO) to document site visits on standard timber sale inspection report R10-2400-25a. Completed inspection reports will be retained in timber sale folders and LE&I files. The LEO indicated that timber sale site visits had been conducted and documented only by using FS Form 5300-1 Incident Report and was only maintained by LE&I and not provided to timber sale administrator (SA).

RECOMMENDED ACTION: Follow Region 10 Timber Theft Detection and Prevention Plan for documenting timber sale inspections.

FINDING 2: Load receipt use requirements are not being followed.

DISCUSSION: Load check conducted during site visit found the load receipt attached with only two randomly placed staples instead of the standard of 5 staples as shown on the receipt. Correct attachment of load receipts is required as a method to prevent the reuse of load receipts. The SA communicated the infraction to the purchaser representative and the CO. No record of load receipt field checks was found in the contract records.

RECOMMENDED ACTION: Each truck check should include a thorough inspection of the load receipt and attachment method with results documented on the timber sale inspection report and to LE&I. There may be a need to improve the specific direction and training for completing and documenting these truck checks.

ISSUE 3: Engineering portions and administration of the Big Thorne Stewardship Contract did not meet standards.

FINDING 1: Nationally required Forest Service supplemental specification (FSSS) used to make the standard specifications applicable to timber or stewardship contracts were not included in the specified road packages. Supplemental specifications 230 Brushing and 30311(01) Blading, do

not follow or meet the standards of handbook direction for Forest Service Supplemental Specification development.

DISCUSSION: Specific supplemental specifications remove all references to Federal Acquisition Regulations (FAR). While others remove language already covered by provision or require reference back to a provision. The specifications appear to be a maintenance T-spec copied into the specified road package. Blading 30311(01) is not listed in the table of contents for the road package under the Big Thorne Stewardship.

RECOMMENDED ACTION: Future sales shall include all nationally required supplemental specifications or required supplements for use in other divisions in the specified road package. See list below:

FSSS 101.01 dated 01/22/2009 or FP-14 equivalent FSSS

FSSS 101.04 dated 11/06/2007 or FP-14 equivalent FSSS

FSSS 104.03 dated 02/22/2005 or FP-14 equivalent FSSS.

FSSS 106.01 dated 07/31/2007 or FP-14 equivalent FSSS.

FSSS 107.08 dated 03/29/2005 or FP-14 equivalent FSSS.

FSSS 201.06 dated 02/18/2005 or FP-14 equivalent FSSS.

Supplemental specifications shall include the information listed in FSH 7709.56–72.2-Use of Specifications. See supplements from other regions for examples of blading and brushing requirements.

FINDING 2: Supplemental specifications did not have any approval dates.

DISCUSSION: There was no way to tell that the supplements used in the specified road package were approved at a national, regional, or forest level for use. The supplemental specifications used to modify the FP must not replace or modify mandatory Division 100 FSSS.

RECOMMENDED ACTION: Future sales shall include supplemental specifications that are approved by the appropriate authority whether at the national, regional or forest level. Supplemental specifications shall include the information listed in FSH 7709.56–72.2-Use of Specifications.

ISSUE 4: The Big Thorne Project did not follow national policy in implementing the Gate System.

FINDING 1: For the Big Thorne project, Gates 1-6 were not implemented sequentially.

DISCUSSION: FSH 2409.18, Chapter 10 states that each gate must be closed out prior to initiating the next gate. The project record and supporting documents clearly show overlap in all of the Gates except for Gate 6. This includes Gate 2, the NEPA stage, continuing all the way through Gate 5. NEPA needs to be completed and the decision signed prior to moving forward with the rest of the project.

When the Roadless Rule exemption was rescinded, the project dropped 2,500 acres and roads in the Inventoried Roadless Areas from the original pool of units. Due to this change a second Gate 1 was initiated, and a key part of Gate 1 should have been documentation of whether the revised proposal is economically feasible. This was not completed. A project plan was included for the initial Gate 1, but it is not clear that an updated Gate 1 document was signed. The project plan located within the project record corresponds with the initial Gate 1 completed in 2010, but there is no plan completed in 2012. Gate 1 is used to inform Gate 2, and failure to fully complete the revised Gate 1 prior to initiation of Gate 2 caused issues moving through the NEPA process.

RECOMMENDED ACTION: For future projects, ensure policy direction is followed by moving through the gate system sequentially and ensuring each gate is closed before the next one is initiated. Gate 2 should be emphasized, ensuring that NEPA is completed prior to moving on to Gate 3. Ensure all required documentation is included in the project record.

ISSUE 5: Use of Designation by Prescription (DxPRE) is not following direction or achieving results as described in the provision.

FINDING 1: The WO-Special Provision K-C.3.5.5 Designation by Prescription (4/04) is not being properly used.

DISCUSSION: Approved for use in April 2004, this provision requires the purchaser marking of leave trees prior to harvest. The way the provision was used in Big Thorne IRTC does not require any purchaser marking of leave trees prior to cutting. The current (05/15) version of this provision allows for purchaser selection of cut and leave trees without prior marking, but also requires a companion provision for inspection, which is not present in the April 2004 provision.

Directives supporting the use of Designation by Prescription are found in FSM 2440, which were updated effective May 23, 2015. The previous version of this directive supported the April 2004 version of the Designation by Prescription special provision, which required purchaser marking of leave trees for approval prior to cutting. Any changes to national directives at the regional level must result in a more restrictive interpretation and not a less restrictive interpretation of the WO-FSM/FSH (FSM 1113.2-Supplements).

RECOMMENDED ACTION: Develop a method for adapting national policy to meet regional needs that is within the regional authority. Changes to national timber sale contract provisions requires approval by the WO-Director of Forest Management. The team noted that current regional policy, by File Code 2430 letter dated September 2, 2015, has updated the previous letter of direction.

FINDING 2: Designation by Prescription provision is not being administered as required by the contract resulting in a heavier than expected BA retention and lower volume removal.

DISCUSSION: Field observations (Big Thorne Unit 24) and Forest monitoring of the Big Thorne and Tonka IRTC contracts provide a mixed picture with regards to whether BA objectives are being met. Overall it would appear that there is a tendency for the purchaser to remove less than the prescribed BA by species, favoring removal in the larger diameter, more valuable species groups such as western red cedar and spruce. A thorough analysis should be conducted to determine if there is a skew in volume removal that is not consistent with the cruise and appraisal

to the larger diameter trees and higher value species such as western red cedar and spruce and away from hemlock.

Discussion with District and Forest personnel indicate that there is a wide variance in the amount of volume being removed from acre to acre. Whether this is intentional or by accident, the provision, as written, does not indicate that this is the desired result, and that the 50 percent or 25 percent reduction by species should be distributed through all of the species and across the cutting unit.

RECOMMENDED ACTION: Reevaluate the BA retention requirements and establish a method for determining compliance that can be administered during the harvesting process. If the results of cutting under current contracts are acceptable to the responsible line officer, then an adjustment should be made to the timber designation in the contract, cruise, and appraisal methods to account for this fall down in total volume and increased BA retention.

FINDING 3: Prescriptive timber designation criteria based on BA by species is not adequate to achieve a predictable end result and the inspection process is not well defined by the DxPre provision.

DISCUSSION: The prescriptive timber designation that relies only on BA of trees by species to be removed has resulted in an uneven pattern of cutting and acceptable removal is difficult to verify by inspection.

The prescriptive criteria in K-C.3.5.5 requires that a table be attached to describe the BA to be removed in each cutting unit. The table that is supplied also contains two additional prescription requirements as follows:

The Forest Service will provide a table to the contractor showing the approved BA removal by species for each cutting unit. The Forest Service will also provide a table that converts diameter at breast height (DBH) to BA.

The contractor will be required to submit a unit by unit record of the BA of each species cut each day and will stop cutting the species when the BA limit is reached. This record will also provide a DBH by species for each tree cut.

The Forest Service has provided the BA by species table to the contractor. No record was found of how the purchaser's unit-by-unit record of BA of each species cut each day were analyzed or used to determine compliance. There was an indication that these "cutting cards" supplied by the contractor's timber fallers for the Big Thorne IRTC were being kept on the resource specialist's desk at the Thorne Bay district office but the team was unable to follow up due to time limitations. The timber sale administrator determines if proper BA removal is occurring by cumulative, individual tree BA tally from the purchaser and comparing that to unit BA by species as a whole. The individual tree BA tally is not valid until the unit is completed.

RECOMMENDED ACTION: The cutting card system of inspection should be replaced in future contracts with a BA/acre sampling system that is not reliant on the purchaser's own data to monitor the progress of cutting. The system should measure compliance on an acre basis using a standard BA variable plot sampling method.

Consider changing the characterization of the individual tree selection, uneven-aged management system, to “variable density thinning” with a range of spacing tolerances and some additional selection variables such as species and minimum and/or maximum diameter. The current limitation of no more than a 2-acre opening with no spacing sideboards is not enforceable.

FINDING 4: Non-contract documents are being used to reference contract requirements under DxPre.

DISCUSSION: A separate, non-contractual requirement for determining how to implement the BA removal/retention criteria is provided to the contractor and is called a “Prescription Addendum” in addition to the BA table. This addendum includes further explanation of how the prescription is to be interpreted and inspected. This is not referenced in the contract. It indicates that a variable plot sampling method should be used by the SA to determine if “appropriate BA by species is being retained.” The inspection method detailed in this addendum is separate from the “cutting card” inspection.

There is only one criteria established for this DxPre in the contract and that is BA to be cut by species. The Big Thorne IRTC required either 25 percent of the BA is to be cut (75 percent retention) or 50 percent of the pre-treatment BA cut in DxPre units. If additional criteria are required they should be incorporated into the DxPre provision and made part of the sample contract prior to advertisement.

In general, it is difficult to see that BA targets are being met by DxPre. Inspection is based on contractor/purchaser supplied data with no defined process for independently confirming whether the criteria is being met. This obfuscates the acceptability of the end result. This form of contractor self-inspection should provide for independent inspection by the Government, such as is done in service and construction contracts.

RECOMMENDED ACTION: Incorporate timber selection criteria from the prescription addendum into the contract language that describes how timber is to be selected. Use the 5/15 version of the DxPre provision in future contracts and include a companion inspection provision that incorporates the inspection language from the addendum. Design the field cruise based on the prescription designation guide, and use the same method for the inspection procedure in the companion special provision.

FINDING 5: Included timber is not being required for removal.

DISCUSSION: Utility grade Sitka spruce and hemlock are subject to optional removal provision K-C.1.2#. (05/10). This provision requires the contractor to pay for, but elect not to, remove this material. This material may not be getting cut in proportion to its presence in the DxPre stands partially because it is not required to be removed. All hemlock—without regard for product, is shown as a species required to be cut in the contract. The contractor has indicated that the utility will not be removed so it is likely to represent a higher percentage of the retained hemlock component in the residual stand when that product is the only product in individual trees.

Note that the lump sum payment for this utility product is based on the advertised volume in a scaled sale. This is problematic because the estimated volume is based on a lower precision estimate, and therefore is less reliable, than would normally be found in a presale measurement

contract. Estimating the volume under this BA removal designation is very difficult for the cruiser to do with any accuracy.

RECOMMENDED ACTION: Timber that is not required to be cut and removed should be classified under Special Provision K-C.1.1-Timber Subject to Agreement. This volume may be considered as add-volume for attainment purposes but should not be considered sold volume at the time of contract award because it is well known and expected that the contractor/purchaser will opt to leave it in the woods. The effects of leaving all of the utility hemlock, either standing or down, should be a consideration in the silvicultural prescription.

The Region 10 Special Provision K-C.1.2# Optional Removal provision should be restricted to products that generally can be expected to be removed during normal market conditions, but may be subject to periodic downturns in the market.

ISSUE 6: Temporary Roads are Left Open

FINDING 1: Temporary roads are being left open to provide the public with access to firewood areas.

DISCUSSION: Temporary roads are a challenge with respect to travel management. Region 10 has completed travel management motor vehicle use map (MVUM) designation as well as identification of the minimum road system. Forest Service policy prohibiting motor vehicle use, except as authorized by the MVUM, is problematic for Line Officers that would like to leave timber sale temp roads open to the public for several years following commercial activities. Delaying temp road decommissioning is also problematic for the SA and the CO as road decom may be the final work remaining for contract close out. The National Forest Management Act (NFMA) requires temp road closure and revegetation within 5 years of project completion, and leaving these roads open, but not technically open on the MVUM, diminishes public understanding and acceptance of the Agency's travel regulations.

RECOMMENDED ACTION: Address the time period for leaving temporary roads left open for public access in the NEPA decision and how the MVUM will address these opportunities. Address how temporary roads will be closed after the sale is closed using funding from KV or other sources to maintain compliance with NFMA. Temporary roads to be left open must be shown on the contract area map as "Remain Open" (G.6.3.1). This is not a discretionary decision that can be made by the CO after the sale is awarded.

ISSUE 7: Region's appraisal program does not reflect the latest selling values.

FINDING 1: The Region has not updated the appraisal program to their most recent set of cost and selling value data.

DISCUSSION: The appraisal program should reflect the most recent cost and selling value information available. Other tasks in the appraisal arena may be impeding the effort to maintain cost information that is up to date.

RECOMMENDED ACTION: This task should be given priority and completed as soon as possible.

V. OBSERVATIONS

Observations do not require any specific action but the region is encouraged to review and develop strategies to address the observations.

1. FINANCIAL ACCOUNTABILITY

The official source document for reporting scale volumes should be the certificate from the Third Party Scale Organization (TPSO) and does not need to be manually duplicated on a FS-2400-66b Additional Scale Volume Report. The Forest should continue to provide a clear audit trail, by summarizing the multiple certificates into a monthly volume by Species, Product, and Unit of Measure value using a spreadsheet; however, the official source is the certificate of volume. The WO will work with the regional measurements staff and the new accounting system (Forest Product Financial System-FPFS) developers to provide for a transfer of electronic scale from the TPSO to FPFS.

A Raft Inventory tracking system is no longer being used as designed in the 1980s. The Tongass timber resource assistant receives the Raft ID from the TPSO with the scaling certificate. The certified scale value is currently being manually entered into ATSA twice, one with a Raft ID and "hailed" volume and then manually entered as Volume Scaled with the associated Raft ID. This redundancy can be eliminated by discontinuing the Raft Inventory process in ATSA. There is still a need to identify a decked value for billing with charges, but the estimated deck value is not tracked by a Raft ID.

2. DELEGATION OF AUTHORITY

Regional Forester letters delegating contracting authority do not need to include bonding officer authority. All COs are bonding officers by delegation and further delegation is irrelevant.

The Regional Forester delegates authority to the named individual CO to dispose of timber under the Regional Forester's authority. The Tongass NF Supervisor then has the additional task of assigning individual contracts to the two Forest COs.

3. LAW ENFORCEMENT

Based on the lack of documentation of interactions with the sale preparation and sale administration personnel, it appears that LE&I personnel should strive to work closer with timber sale administrators including conducting joint timber sale inspections and attending pre-work meetings.

4. ENGINEERING

The unit is showing Method of Measure on the Schedule of Items, Estimate of Quantities and Project Work Descriptions sheets. Method of Measure is not valid when using FP-03 (or FP-14). All quantities are an Estimated Quantity unless denoted on the plans as a Contract Quantity as stated in FP-03 Section 109 and associated required national Forest Service supplemental specifications (FSSS).

Deposits for Reconstruction Engineering Services (DRES) were not collected on either project the team reviewed. While this is an optional provision, DRES can be used as a source of funding for engineering work associated with timber sale/steward projects.

The utilization standards listed in FSSS 212 (no date) does not include minimum diameter at DBH. The region should consider changing the supplement to remove specific utilization standards and instead reference the standards listed in A.2 of a stewardship or regular timber sale contract. FSSS 201.06 dated February 18, 2005, gives the appropriate language. Small trees not meeting utilization standards that need to be cut should be treated as slash.

Complex road stream crossings should employ the more rigorous Aquatic Organism Passage (AOP) design protocol. Consideration is given to environmental restoration goals and objectives, particularly stream protection and restoration, with the Big Thorne stewardship contract that includes four AOP culvert replacements. Engineering has coordinated with other staffs in meeting stream restoration objectives employing a simplified AOP design method.

There was miscommunication with the design engineer in identifying all of the road segments needing work, which resulted in specified road changes as the Big Thorne project was administered. These changes resulted in stumpage rate adjustments and subsequently decreased potential retained receipts. Further design changes may result in the need to pay with CMRD.

Region 10 timber sale contracts include temporary road construction unlike anywhere else in the country as soft muskeg soils cannot support logging trucks or equipment without a significant amount of rock to create road templates up to two or more feet thick. Much discussion revolved around temporary and specified roads. While observed temp road construction does not conflict with policy, the intent of many of these road templates may be to store them for future use, which is more in line with maintenance level 1 National Forest System roads. Road cost is a significant factor in sale marketability as new specified roads that are designed by an engineer may be 50 percent more expensive. Temporary roads should be carefully considered as timber sales are designed. Specified roads may be more appropriate where the road template is intended to be used in the future and where resource protection, stream geomorphology, or topography are concerns.

Region 10 Engineering is directly involved in supporting the timber program with CMRD funding. The regional engineering group has a good understanding of and working relationships with other regional directorates. The National Construction Certification Program including certification for timber sale engineering representatives (ER) and construction inspectors is managed well with a dozen certified timber sale ER's and Construction Inspectors

5. NEPA

The Big Thorne project NEPA contract did not include the Statement of Objectives and Statement of Work that were crafted by the Tongass NF. This resulted in several issues throughout the project when it came to enforcing certain parts of the contract. There needs to be clear communication between the CO and the Line Officer, and a level of oversight provided to ensure the appropriate measures and language are included in the contract.

There were times with the Big Thorne project where more coordination and oversight should have been provided by the Line Officer and the interdisciplinary team (IDT) to the NEPA contractor. For example, the Logjam environmental impact statement (EIS) was used by the NEPA contractor as a template; however, there were many significant differences between the Big Thorne and Logjam projects, and it should have been clarified that the Logjam EIS was an example, not a template. Additionally, several standards and guidelines had been changed since the Logjam project. Several of these issues became apparent at the beginning of the process and more direct oversight and direction should have been provided to try and prevent future problems. There are also instances where the NEPA contractor seemed to make decisions rather than following the direction of the Line Officer or the IDT.

The Prince of Wales IDT ended up doing a considerable amount of work that they wanted the NEPA contractor to do, preventing them from completing other NEPA analyses and adding additional cost. When difficulties with the NEPA contractor continued, it may have been more efficient to use more people from the three IDTs across the Forest, considering the political and external pressures for this project and using a contractor for some of the smaller projects to keep other NEPA projects moving. Depending upon circumstances specific to a project, using a contractor may not always be the most efficient or effective choice.

Gate 2 was completed by the NEPA contractor; it is important that FSM direction be followed and Gate 1 be completed prior to Gate 2. This becomes even more important when using a contractor. The Gate 1 unit pool was rendered ineffective by the rescission of the Roadless Rule exemption and deletion of the associated harvest units and volume. This significantly modified the alternatives being analyzed. A new Logging System and Transportation Analysis (LSTA) unit pool was created to meet the purpose and need and additional field recon was needed for the units added to the project at this time. Field reconnaissance of new units was occurring at the same time NEPA was already being completed for the existing unit pool.

The notice of intent (NOI) and scoping letter for Big Thorne were sent out approximately one month prior to the Roadless Rule exemption being rescinded. The Forest should have been thinking about the possibility of the exemption being rescinded and preparing for it, to the extent possible. If they saw that the Roadless Rule exemption was likely going to be rescinded, it's possible it might have been better to wait to issue the NOI and scoping letter and to have a more complete Gate 1.

6. ORGANIZATIONAL AND WORKFORCE EFFECTIVENESS

Mission critical succession planning to fill vacancies in timber resource positions is not keeping ahead of the turn-over. Recently hired employees lack critical experience, while higher rates of absenteeism have led to a backlog of processing harvesting data and maintaining documentation. On the Tongass NF, timber resource duties at the supervisor's office are divided into two positions, reducing efficiency through workload distribution while not contributing to closing the backlog of work.

The loss of experienced timber sale resource staff to support TIM and ATSA is impacting the Region. The Tongass NF timber resource specialist is providing regional support and representation on the national timber sale accounting cadre in addition to assigned duties. While regional needs are less than a full-time equivalent, inexperienced and absent district staff require

timely support and ongoing training. The Forest is conducting district log accountability audits and is actively working to resolve issues. Changes in financial accountability direction and systems requires leadership and support to district resource staff.

Currently the pre-award and post-award business processes are separated between two timber resource specialists on the Tongass NF. Normally, the timber resource position handles the solicitation, bid opening, award and sale administration that includes expertise in both TIM and TSA business processes. This organization of major duties maintains a continuity of contract financial administration over time and supports consistency and coordination of solicitation through post-award activities.

The Forest could develop a workforce structure that provides critical part-time regional support, blends ATSA and TIM support duties more efficiently, and identifies opportunities to capitalize on the current staffing to establish a "trainee" position. For example, combine part-time regional duties with the Forest position (GS-11/12). With the combining of pre-award and post-award, use the full-time equivalent (FTE) to fill a lower-graded position to absorb the remaining Forest-level duties (GS-9). Create a trainee position (GS-5/6) at the Forest or a District depending on workload and location of trainer.

The Tongass NF is now operated and managed as one forest administrative unit with staff and offices across the communities that comprise the Forest. While the single administration of the Forest conforms to the common agency structure, coordination, cooperation, and collaboration can be slowed or opportunities completely missed because staff and line employees are located in different locations and on different islands.

Experience and longevity among both the regional and Forest staff is evident. A veteran staff has seen and experienced much, which contributes to the ability to focus under intense political and public pressure. In the near-term of 1-3 years, the Alaska Region should recruit replacement staff so that the eventual transition is both measured and orderly. The senior staff can provide information, perspective, and context to the replacement employees about living and working on a unique National Forest. Mentoring and succession planning will become more important as experienced personnel retire. The Forest Engineer is aware of this challenge and is prioritizing workload assignments while encouraging newer employees to gain experience and advance through the engineering representative (ER) certification program. If timber sale activities significantly decrease, as some have forewarned, the region would face a painful realignment and reorganization with significant budget reductions. If the Region 10 timber program were to decline significantly, staffs including engineering would lose capacity in personnel and facilities that would be very difficult to maintain and would be difficult to restore.

7. SALE PREPARATION-APPRAISALS

Appraisals (Volume Appraised Versus Volume Cut): Appraisal group volumes used for the Big Thorne Sale do not reflect the volumes actually being cut. While the appraisal lists hemlock (a severely deficit appraisal group) at 48 percent of the total sawtimber sale volume; the actual hemlock sawtimber volume being cut is much less. If that trend continues, the true value of this sale based upon the appraisal group volumes cut is much greater than the current appraised value. Based upon the appraisal, required removal of hemlock sawtimber reduces the value of the sale in excess of \$50.00/mbf. Fixed costs (road construction, etc.) are not included in this figure since

they would have to be covered by the remaining appraisal group volumes if the hemlock sawtimber volume were not considered. Under the current appraisal, required removal of the hemlock sawtimber (34,040 mbf) represents a reduction in sale value exceeding \$1,700,000.00. If the hemlock sawtimber volume is not being removed, then sale value based upon what is actually occurring on-the-ground has been under-represented.

Appraisals (Appraisal Average Stem Size versus Cut Stem Size): Based upon the site visit during the review, there was a predominance of larger stems being cut in the helicopter (uneven-aged management) unit. If this observation is representative of the entire sale, there are appraisal implications. The average dbh, average volume per tree, and average volume per piece cut are probably skewed compared to values used in the appraisal. When compared to the values derived from the sale cruise information and used in the appraisal, actual logging costs associated with handling of this material are likely to be less costly. The value of timber actually cut would then be higher than the amount estimated in the appraisal.

Appraisals (Utility Logs): Currently the Region includes this material at a fixed rate (\$2.00). However, they require payment for the entire amount shown in the appraisal and listed in the contract. For the Big Thorne Sale, the volume of utility logs is second only to the hemlock appraisal group (27,524 mbf). While listed on the 2400-17 as optional, payment is required. Removal is optional. If payment is required, then this material should be appraised. Given the low-value to non-existent market for this material, the results from appraising this material will often (and maybe always) result in a deficit sale. To require payment for utility logs and to take credit for volume sold, this material should be appraised. If that process results in a deficit situation, then the material could be offered as truly optional at a fixed price such as under Special Provision K-C.1.1#-Timber Subject to Agreement.

8. REVIEW PARTICIPATION

Participation by the wildlife biologist, fisheries biologist, archaeologist and landscape architects were a noticeable absence from the specialists assigned to the Region and the Forest. Other than an office presentation by the IDT leader (fisheries biologist) and District Wildlife Biologist, these disciplines were not represented in any of the review's field trips. The inclusion of specialists in wildlife, fisheries, and archaeology from both the Regional Office and Forest would have provided perspective and context for the mitigation measures and/or enhancement objectives surrounding issues related to terrestrial and aquatic organisms or cultural/historic resources.

VI. CONCLUSIONS

The WO Review Team recognizes that few of the recommended actions will be easy to implement, and that leadership and staff at the regional and Forest levels already recognize the need to take some of the recommended actions. The team believes that addressing these items in a "one team" approach may be the most effective way to get to the desired result. The review team and the entire WO-Forest Management staff support your objectives of supporting local communities with economically viable timber sales while protecting natural resources and the Government's many interests in Southeast Alaska.

Due to issues identified with the sale preparation and administration of Big Thorne, we recommend an independent review of those aspects be conducted as a follow up to this review.

We believe this will inform solutions and prevent similar issues in future timber and stewardship contracts. The WO Forest Management staff is available to provide support for problem solving and training upon request from the Region.

APPENDIX A: ITINERARY FOR THE REVIEW

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Sat-Monday
June 12	June 13	June 14	June 15	June 16	June 17	June 18-20
<p>WO Participants</p> <p>L48 points to JNU</p>	<p>Intro with RF-Break for 9 AM RLT call.</p> <p>RO Records/Programs Review</p> <p>Depart Juneau-Petersburg on Flight</p> <p>AS 64 @ 2:45 PM JNU-P-Burg. Charter/LEI?</p>	<p>Petersburg SO Entrance-Project Records-TSA, Big Thorne, Tonka, etc. LEI- local LEI, ENG with Dave Morton etc., Records review</p> <p>AS 64 @ 4:20 PM-Petersburg to KTN</p>	<p>Entrance with Forest Supervisor: (Meeting location is now Discovery Center-) Overview of Forest Plan Amendment effort, large scale planning efforts, Transition YG presentation by Spores: AFA/Industry Alcan sort yard-</p> <p>1:45 PM Charter flight(s) over POW and into Craig or Hollis (Rental dependent)</p> <p>Late PM intro to Island with Matt Anderson- Craig RD- BT Lessons learned etc.</p> <p>We will plan presentations and pizza at District office until 6-6:30 ish to set the stage for field visits to Big Thorne and other items on the island on Thursday and Friday.</p>	<p>Viking Mill Visit- Big Thorne Project area</p> <p>Big Thorne Project area—Steelhead Creek area. Helicopter DxP unit, Possible active cable and or shovel logging. On the ground review of planning thru prep thru contract thru admin and accountability.</p> <p>Mike Sheets, Ted Sandhofer, Jim Bauer etc.</p>	<p>Small Mills, Active small sale?- Thorne Bay- Sandy Beach road units- cable-helicopter</p> <p>Additional Sites dependent upon WO Team needs and desires to see.</p> <p>Charter Flight TB to KTN= Depart TB at 3:00- WO Team. (Potential that return flight may depart Hollis instead- schedule will adjust accordingly)</p> <p>Petersburg Group Charter at 3:30</p>	<p>Sat-Sun-review team prepare draft Report.</p> <p>Monday, June 20th- Closeout in Ketchikan Supervisors Office. RF via VTC if possible-</p> <p>9:45-dependent upon end of normal RLT call.</p> <p>L48 contingent schedule return flights beginning at about 1:30 PM southbound</p>
<p>Overnight in Juneau @ Goldbelt Lodge</p>	<p>Overnight in Petersburg @ Scandia House</p>	<p>Overnight-Ketchikan @ Cape Fox</p>	<p>Overnight – Craig @ Ruth Anne's</p>	<p>Overnight Craig @ Ruth Anne's</p>	<p>Overnight Ketchikan @ Cape Fox</p>	<p>2 Nights Ketchikan @ Cape Fox</p>