

**REPORT TO
THE CONGRESS OF THE UNITED STATES**

**REVIEW OF
ADMINISTRATION OF FOREST MANAGEMENT ACTIVITIES
BY
PORTLAND AREA OFFICE
BUREAU OF INDIAN AFFAIRS
DEPARTMENT OF THE INTERIOR**



**BY
THE COMPTROLLER GENERAL OF THE UNITED STATES
JANUARY 1962**



COMPTROLLER GENERAL OF THE UNITED STATES

WASHINGTON 25

B-114868

JAN 29 1962

Honorable John W. McCormack
Speaker of the House of Representatives

Dear Mr. Speaker:

Herewith is our report on the review of the administration of forest management activities by the Portland Area Office, Bureau of Indian Affairs, Department of the Interior. The review consisted primarily of a follow-up of the findings discussed in the report we issued to the Congress on April 9, 1957, concerning the administration of forest management activities by the Bureau's Portland Area Office (B-114868).

Our review disclosed that no action has been taken by the Department to recover allowances to timber purchasers of interest on advance payments to Indians, which the Comptroller General had ruled were improper. We are recommending that the Secretary of the Interior start collection action by issuing the proposed demands for payment now under consideration in the Department.

We comment in the report on the fact that a number of fire detection lookout structures, essential to locating and controlling of forest fires in vast acreages of destructible timber resources valued at an estimated \$365 million, are irreparable or in need of major repairs. Several of these structures are unsafe in their present condition. The Department has advised us that replacement and repair of unsafe lookout structures are being considered in the fiscal year 1963 appropriation request.

Our review disclosed that improvement has been made in the Bureau's administration of forest management activities in the Portland Area. The Bureau has corrected or has taken steps to correct many of the weaknesses discussed in our prior report.

B-114868

This report is also being sent today to the President of the Senate. Copies are being sent to the President of the United States and to the Secretary of the Interior.

Sincerely yours,

A handwritten signature in cursive script, likely belonging to the Comptroller General of the United States, positioned above the typed name.

Comptroller General
of the United States

Enclosure

C o n t e n t s

	<u>Page</u>
GENERAL COMMENTS	1
NEED TO REPLACE OR REHABILITATE UNSAFE FIRE DETECTION LOOKOUT STRUCTURES	6
STATUS OF FINDINGS AND RECOMMENDATIONS IN PRIOR REPORTS	9
Improper allowance to timber purchasers for interest on advance payments to Indians--demand for payment being considered	9
Recommendation to the Secretary of the Interior	10
Inadequate control over logs moving from the woods to scaling points--further corrective action needed	11
Absence of current reliable forest inventories upon which to base the development of management plans-- inventories completed or in process	13
Use of unaudited operators' costs in appraisal and reappraisal of timber--costs now being audited	13
Absence of documented support for appraisal and re- appraisal computations--appraisals now documented	14
Timber sale contracts did not specify the location of access roads or minimum construction standards-- corrected	15
Long-term, large-volume sales discouraged competi- tion for Indian timber--substantially discontin- ued	17
Other prior findings	17
SCOPE OF REVIEW	19

REPORT ON REVIEW
OF
ADMINISTRATION OF FOREST MANAGEMENT ACTIVITIES

BY
PORTLAND AREA OFFICE
BUREAU OF INDIAN AFFAIRS
DEPARTMENT OF THE INTERIOR

GENERAL COMMENTS

The General Accounting Office has made a review of the administration of the forest management activities by the Portland, Oregon, Area Office, Bureau of Indian Affairs, Department of the Interior. This examination was made pursuant to the Budget and Accounting Act, 1921 (31 U.S.C. 53), and the Accounting and Auditing Act of 1950 (31 U.S.C. 67). Our work was directed primarily to a review of the action taken by the Area Office on recommendations made in a prior report which we submitted to the Congress on April 9, 1957 (B-114868), and in a follow-up report which we issued to the Commissioner of Indian Affairs on March 30, 1960 (B-114868), on those forestry matters concerning the Quinault Indian Reservation. Our field work on the current review was completed in October 1960. The scope of our review is described on page 19.

Pursuant to its responsibility under law for the trusteeship, development, protection, and effective use of Indian lands, resources, and other assets, the Bureau of Indian Affairs (BIA)

administers about 14 million acres of Indian-owned forest and woodland containing about 49 billion board feet¹ of timber. The Bureau estimates that about 6 million acres, with an estimated volume of 42 billion board feet of timber, are commercial timber lands and that the remaining 8 million acres contain an estimated volume of 7 billion board feet of timber which is considered non-commercial because of inaccessibility or inferior timber species.

The Portland Area Office is responsible for management of about 2 million acres of commercial forest lands, with an estimated volume of 22 billion board feet, and about 83,000 acres of noncommercial forest lands administered by the Bureau. The Portland Area Office has jurisdiction of about 52 percent of the total estimated timber on commercial forest lands administered by the Bureau.

Forest management activities include forest inventorying; growth studies; preparation of management plans; protection of the forests from fire, insects, disease, and trespass; appraisal and reappraisal of stumpage in accordance with contractual provisions; and administration of active timber sales, including general supervision, marking of trees to be cut, scaling of cut trees or logs to determine merchantable volumes and amounts due from purchasers, and disposing of logging slash.

Forest management and protection are financed from appropriations by the Congress and from funds made available by the various

¹A board foot is a unit of lumber measurement one foot square and one inch thick, or its equivalent.

tribes. It is the stated policy of the Bureau to encourage increasing participation by the tribes in the financing of their forestry programs.

The first general authorization for sale of live timber from Indian land was the act of June 25, 1910 (25 U.S.C. 406-407). Most of the sales of Indian timber after 1910 have been made under the provisions of that act. Section 6 of the Indian Reorganization Act of June 18, 1934 (48 Stat. 986), provides that the Secretary of the Interior shall make rules and regulations for the operation and management of Indian forests on the principle of sustained yield management. Although the act of June 18, 1934, applies only to tribes that have accepted it, the Secretary's policy is to manage the timberlands of other tribes in accordance with the sustained yield principle wherever timber is available in sufficient quantity to make such management economically feasible.

Timber is sold under contract or under permit. Sales of an estimated value of more than \$200 are made under contract, after advertisement, by sealed bid, public auction, or a combination of the two. Sales may be made under contract without advertising under certain limited conditions with the consent of the Indian owners and the approval of the Secretary. Open-market sales may be made without advertising to tribal members for timber not exceeding \$5,000 in value. Sales of less than \$200 and sales by an individual Indian from his own allotment are covered by permit.

In calendar year 1960, Bureau-administered Indian timber cut for sale totaled 562,381 thousand board feet (M b.m.) and receipts

from sales amounted to \$11,276,033. In the Portland Area the timber cut for sale totaled 348,314 M b.m. and receipts from sales totaled \$7,572,110, accounting for 62 percent and 67 percent, respectively, of all Indian timber sold during the year.

The Department and Bureau officials responsible for the administration of forest management activities in the Portland Area during the period covered by our review and at the present time are as follows:

<u>Name</u>	<u>Title</u>
Fred A. Seaton (Succeeded by Stewart L. Udall on January 21, 1961)	Secretary of the Interior
Elmer F. Bennett (Succeeded by James K. Carr on January 30, 1961)	Under Secretary of the Interior
George W. Abbott (Succeeded by John A. Carver, Jr., on January 12, 1961)	Assistant Secretary, Public Land Management
D. Otis Beasley	Administrative Assistant Secretary
Glenn L. Emmons (Succeeded by John O. Crow as Act- ing Commissioner, February 9 to September 21, 1961, and by Philleo Wash as Commissioner on September 21, 1961)	Commissioner of Indian Affairs
H. Rex Lee (Succeeded by John O. Crow on September 21, 1961)	Deputy Commissioner
Ervin J. Utz	Assistant Commissioner, Division of Resources
George S. Kephart	Chief, Branch of Forestry
Don C. Foster	Director, Portland Area Office

The report gives recognition to the comments of the Department transmitted to us by the Administrative Assistant Secretary of the Interior on October 26, 1961.

NEED TO REPLACE OR REHABILITATE UNSAFE

FIRE DETECTION LOOKOUT STRUCTURES

A number of fire detection lookout structures at the Yakima, Colville, Warm Springs, and Spokane Reservations are irreparable or in need of major repairs. Several of these structures are unsafe in their present condition. Because these facilities are essential to locating and controlling of forest fires in vast acreages of destructible resources valued at an estimated \$365 million, replacement or rehabilitation should be undertaken as soon as possible.

To provide fire control facilities over forest lands, a number of fire detection lookout structures were built by the Civilian Conservation Corps during the 1930's at the Yakima, Colville, and Warm Springs Reservations. These structures were generally made of wood with a life expectancy of 15 to 20 years.

During our review of forest management activities in the Portland Area, we examined photographs of several of these fire detection lookout structures and inspected the Keller Ridge lookout tower on the Colville Reservation. Although repairs have been made, extreme weathering and age have caused these structures to deteriorate beyond normal repair and several of them are considered to be unsafe.

Area officials advised us that they were aware that a number of lookouts were unsafe but that adequate funds were not available for rehabilitation or replacement. We were told that one lookout on the Yakima Reservation had been replaced in fiscal year 1960

and that the tribe had financed construction of another lookout in fiscal year 1961. No other replacements had been programed for fiscal year 1961. Our review disclosed no evidence that the full degree of deterioration or the urgency of replacement had been reported to the Washington office.

Subsequent to our review, a detailed report on the condition of fire detection lookout structures was prepared by the Portland Area Office and was forwarded to the Commissioner of Indian Affairs on November 28, 1960. This report requested funds for replacement or rehabilitation of 13 lookout structures in the Portland Area. Funds requested totaled \$126,200 and included amounts for overhead and contingencies.

The following schedule lists the lookout structures for which funds were requested for replacement or rehabilitation and also shows the estimated value of destructible timber resources protected at each reservation.

<u>Reservation and lookout structure</u>	<u>Cost estimate to re- place or rehabilitate</u>	<u>Estimated value of destructible timber resources protected</u>
Colville:		
Whitestone Mountain	\$ 10,000	
Gold Mountain	10,000	
Johnny George	7,000	
Noses Mountain	1,200	
Osak Mountain	8,000	
Whitemore Mountain	15,000	
Keller Ridge	15,000	
Cody Butte	<u>10,000</u>	
	<u>76,200</u>	\$120,000,000
Spokane:		
Sherwood Mountain	6,000	
Spokane Butte	<u>10,000</u>	
	<u>16,000</u>	15,000,000
Warm Springs:		
Shitika Butte	4,000	
Eagle Butte	<u>4,000</u>	
	<u>8,000</u>	80,000,000
Yakima:		
Signal Peak	<u>5,000</u>	<u>150,000,000</u>
Total cost to replace or re- habilitate lookout structures	105,200	
Add overhead and contingencies	<u>21,000</u>	
Total	<u>\$126,200</u>	<u>\$365,000,000</u>

By letter of October 26, 1961, the Department advised us that the matter of replacement and repair of unsafe lookout structures is being considered in the fiscal year 1963 appropriation request.

STATUS OF FINDINGS
AND RECOMMENDATIONS IN PRIOR REPORTS

A number of matters requiring corrective action were commented on in our report to the Congress on the administration of forest management activities by the Bureau's Portland Area Office (B-114868, dated April 9, 1957), and in a report to the Commissioner of Indian Affairs on our review of the administration of forest activities on the Quinault Indian Reservation (B-114868, dated March 30, 1960). We followed up on these matters during our current review, and appropriate comments of the status of these findings are presented below.

IMPROPER ALLOWANCE TO TIMBER PURCHASERS
FOR INTEREST ON ADVANCE PAYMENTS TO INDIANS--
DEMAND FOR PAYMENT BEING CONSIDERED

At the time we issued our prior report to the Congress, we were studying the practice of the Bureau of reducing prices to purchasers of timber on the Quinault Indian Reservation for allowances of interest on advance payments to Indians and we were considering the propriety of the interest charges and allowances. As a result of the study and after giving consideration to the Department's comments on this matter, the Comptroller General advised the Secretary of the Interior by letter dated August 13, 1957 (B-118601), that the assessment against the Indians of interest on advance payments not contemplated in the original contract was improper and could not subsequently be included under the contract.

On October 9, 1959, the Comptroller General reaffirmed his decision of August 13, 1957, after the Secretary of the Interior requested its reconsideration on June 12, 1959. On February 1, 1960, the Bureau informed us that the amounts of unauthorized interest allowances to be collected are \$101,999.60 from Rayonier, Incorporated (Crane Creek contract), and \$102,791.04 from Aloha Lumber Company (Taholah Units contract). Representatives of the General Accounting Office have verified the computations of these amounts.

On August 11, 1960, the Acting Solicitor of the Department of the Interior submitted the matter to the Attorney General for advance consideration and for any suggestions for incorporating in the demands for payment. In his reply, dated April 17, 1961, the Assistant Attorney General pointed out that he was unable to give advance consideration to this matter because the Government may later become a plaintiff or a defendant in litigation arising as a result of the demands for payment.

By letter of October 26, 1961, the Department advised us that proposed demands for payment were under consideration in the Department, but no action has been taken.

Recommendation to the
Secretary of the Interior

We recommend that, to appropriately rectify the improper allowance to timber purchasers of interest on advance payments to Indians, the Secretary of the Interior start collection action by issuing the demands for payment now under consideration in the Department.

INADEQUATE CONTROL OVER LOGS
MOVING FROM THE WOODS TO SCALING POINTS--
FURTHER CORRECTIVE ACTION NEEDED

Inadequate control over logs moving from the forest to scaling points for two sales on the Quinault Reservation was commented on in our report on administration of forest management activities (B-114868) sent to the Congress on April 9, 1957. Subsequent reviews have disclosed that adequate log control procedures were established for Quinault Reservation sales but that for some sales on the Colville Reservation either no controls had been established or the control procedures were inadequate.

The load receipt ticket procedure, established for some of the sales on the Colville Reservation to permit a determination that all logs leaving the cutting areas pass through a scaling point, lacked essential control elements and was not adequately supervised. Under the load receipt ticket procedure when a truck is loaded a two-part ticket is prepared which identifies the truck and the load number and shows the number and type of logs in the load. One part of this ticket is retained by the person supervising the loading, and the other part is delivered by the driver to the scaler at the point where the logs are scaled (measured). The Bureau scaler had not kept a record of all trucks arriving at the scaling point without a load ticket, and, for trucks with load tickets, the scaler had not recorded differences between the number of logs shown on his part of the load ticket and the number of logs on the truck. The forest manager had not established procedures to compare the loader's part of the ticket with the scaler's part

or to investigate discrepancies between the two. Our comparison of the loaders' parts of the tickets with the scalers' parts disclosed that there were undetected discrepancies and that all logs leaving the sales areas had not been accounted for as contemplated in the load receipt ticket procedure. Moreover, on five other Colville Reservation sales active at the time of our review, load receipts were not used even though logs could be hauled away from each sale area without passing the designated scale point.

The area forester agreed that direction for the log control program should be provided by the area office and advised us that written instructions establishing a log load receipt method of log control would be prepared and issued. He said that the use of load receipt tickets would be required for all sales where logs were transported before being scaled unless a satisfactory justification for not using the method was given to the area office.

To safeguard against possible losses, we proposed that the Commissioner have guidelines prepared for the use of agency forest managers in establishing effective log control methods on timber sales where logs are not scaled at the cutting sites. We proposed also that, where the load receipt ticket method of log control is used, procedures provide for comparison of the loaders' parts of tickets with the scalers' parts to detect significant differences and for the investigation of these differences.

The Department advised us that attempts would be made to obtain closer control over the movement of logs from the woods. The Department stated that the Commissioner would provide some

guidelines as suggested but the actual control of log movement would need to be worked out for each individual case because of the infinitely varied conditions under which operations take place.

ABSENCE OF CURRENT RELIABLE FOREST INVENTORIES
UPON WHICH TO BASE
THE DEVELOPMENT OF MANAGEMENT PLANS--
INVENTORIES COMPLETED OR IN PROCESS

In our prior report to the Congress, we pointed out that forest management plans based upon accurate forest inventories had not been developed at the Warm Springs, Western Washington, Yakima, and Colville Indian Agencies. To provide a sound and effective basis for the orderly harvesting of Indian timber, we recommended to the Commissioner of Indian Affairs that forest inventories on the major reservations in the Portland Area be completed and that comprehensive forest management plans be prepared for each reservation.

Our review disclosed that timber inventories have been completed for the Colville, Spokane, Yakima, and Warm Springs Reservations and for the Crane Creek Logging Unit on the Quinault Reservation. Inventories were in process on the Makah Reservation and in the Taholah Logging Unit on the Quinault Reservation.

Forest management plans were being prepared for the Colville, Spokane, Yakima, and Warm Springs Reservations but at the time of our field work had not been completed.

USE OF UNAUDITED OPERATORS' COSTS IN APPRAISAL
AND REAPPRAISAL OF TIMBER--COSTS NOW BEING AUDITED

In our prior report to the Congress, we pointed out that operating costs used in appraising and reappraising Indian timber are

obtained by the Bureau from data submitted by timber operators. However, the Bureau was not auditing the operators' records to determine the reliability of the costs for the purpose for which the Bureau was going to use them. We recommended that the Commissioner of Indian Affairs cooperate with the United States Forest Service and the Bureau of Land Management in arranging for a staff to perform reviews and audits of the cost accounting systems of operators who permit examination of their records.

Our current review disclosed that audits had been made of the financial records of some operators in the Portland Area. As a result of these audits, the Portland Area Office on May 13, 1960, issued a cost guide to be used in appraisal and reappraisal calculations in the ponderosa pine subregion in the Portland Area. We were advised that the study of operators' cost information was continuing and that modifications would be made to improve further the cost guide to make it more effective.

ABSENCE OF DOCUMENTED SUPPORT
FOR APPRAISAL AND REAPPRAISAL COMPUTATIONS
--APPRAISALS NOW DOCUMENTED

In our previous report to the Congress, we commented on the absence of documented support for appraisal and reappraisal computations. We concluded that failure to document computations and decisions that comprise timber appraisals precludes an effective review of the appraisals and, upon subsequent reappraisals, deprives the reappraisers of valuable historical data that are pertinent to the reappraisals. We recommended that the Commissioner of Indian Affairs require that all computations and judgment factors

that underlie appraisal and reappraisal reports be completely documented and retained in the agency files.

Our follow-up audit in 1959 disclosed that the 1958 reappraisals of the Crane Creek and Taholah Units timber sales contracts on the Quinault Reservation were again not adequately documented. Accordingly, we repeated our recommendation for adequate documentation.

On May 13, 1960, the Portland Area Office issued a supplement to the Indian Affairs Manual, 53 IAM 4.3.2A(9), which prescribes the format of appraisal reports. The instructions require that the source of all costs used shall be explained. Preparation of future appraisals and reappraisals in accordance with the standards and requirements prescribed in the supplement should provide the complete documentation and verification of appraisal and reappraisal computations that we recommended in our prior reports.

TIMBER SALE CONTRACTS DID NOT SPECIFY THE LOCATION
OF ACCESS ROADS OR MINIMUM CONSTRUCTION STANDARDS
--CORRECTED

In our prior report to the Congress, we pointed out that the Portland Area Office did not specify in timber sales contracts the location of access roads to be built by the purchasers or the minimum construction standards to which the roads must be built. To provide that access roads are located and constructed to standards that will meet the long-range as well as the immediate needs of the timber program, we recommended that the Secretary of the Interior and the Commissioner of Indian Affairs add to the existing timber sale regulations a provision to require that all timber

sale contracts specify the location of access roads to be constructed by purchasers and minimum construction standards to which the roads must be built.

In July 1959 the Bureau replaced the General Timber Sale Regulations issued in 1920 with new Standard Timber Contract Provisions. The new standard provisions contain the following requirement:

"10(b) Road Construction. The location and design of all roads to be constructed by the Purchaser shall minimize damage to Indian lands. The Approving Officer may, before construction begins, require approval of road locations and design by inspection or through the submission of plans and specifications for the location and design of roads and appurtenant structures."

The area forester told us that the office goal is to prescribe specific road locations and construction standards. However, there will be a period of transition during which staff limitations will be corrected and previously planned timber sales will be awarded so that there will be no lapse in Indian timber income. As a preliminary transitional step, the Area Director issued instructions to agency superintendents on September 14, 1960, requiring that locations of all main-line-haul roads be planned jointly by the Forest Officer and a qualified roads engineer and that the Forest Officer's report include a statement showing how the proposed main-line-haul roads will fit into the over-all plan for forest development, particularly with respect to adjoining areas where timber sales are planned in the immediate future.

LONG-TERM, LARGE-VOLUME SALES
DISCOURAGED COMPETITION FOR INDIAN TIMBER
--SUBSTANTIALLY DISCONTINUED

In our prior report to the Congress, we recommended that the Secretary of the Interior and the Commissioner of Indian Affairs make a study to determine whether long-term, large-volume timber sales should be discontinued in favor of short-term, small-volume sales (less than 5 years' duration and 50 million board feet) to help obtain maximum competition and the receipt of top market prices for Indian timber.

Our review of 61 timber sales approved in calendar years 1957 through 1959 at the Colville, Yakima, and Warm Springs Agencies and at the Hoquiam Subagency disclosed no long-term, large-volume sales, except in one instance. The cutting period on this sale which was in excess of 50 million board feet was limited to 5 years. The area forester said that limiting sales to 50 million board feet in volume and 5 years' duration was a general unwritten Bureau policy but that larger sales were not prohibited.

On October 26, 1961, the Department advised us that it may be necessary, in the best interest of the Indians, to offer from time to time sales of timber which are larger or of longer duration than described in the general policy declaration. The Department stated that, before such action is taken, it will receive careful consideration.

OTHER PRIOR FINDINGS

The corrective action taken or promised on other matters commented on in our prior report to the Congress was described in our

report (B-114868), dated March 30, 1960, to the Commissioner of Indian Affairs. We reported that higher log values and lower profit and risk allowance percentages had been used in recent appraisals and reappraisals of Indian timber and that higher prices had been received recently for Quinault timber. We reported also that verification tests, called check scaling, for determining the accuracy of the scaling operation had been expanded to include a sufficiently large sampling. We reported also that we had observed no inadequate road repairs by loggers. We noted that some of the agencies had begun to obtain powers-of-attorney when needed and were preparing individual allotment contracts promptly.

SCOPE OF REVIEW

Our review of forest management activity of the Portland Area Office of the Bureau of Indian Affairs emphasized a follow-up of certain findings and recommendations that were presented in our prior forest management report sent to the Congress on April 9, 1957 (B-114868), and our follow-up report sent to the Commissioner of Indian Affairs on March 30, 1960 (B-114868).

We reviewed the pertinent forest management policies and regulations of the Department of the Interior and the Bureau of Indian Affairs. In addition, we examined selected timber sales contracts and related transactions and made such other tests as we deemed appropriate to identify and develop matters requiring improvement. Our field work, which was completed in October 1960, was performed at the following locations:

<u>Office</u>	<u>Location</u>
Portland Area Office	Portland, Oregon
Colville Agency	Nespelem, Washington
Yakima Agency	Toppenish, Washington
Warm Springs Agency	Warm Springs, Oregon
Western Washington Agency	Everett, Washington
Hoquiam Subagency	Hoquiam, Washington