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

**REVIEW OF
RECREATION AND OTHER SELECTED LAND USE ACTIVITIES
FOREST SERVICE
DEPARTMENT OF AGRICULTURE**



**BY
THE COMPTROLLER GENERAL OF THE UNITED STATES
MARCH 1963**

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THE CONGRESS OF THE UNITED STATES**

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RECREATION AND OTHER SELECTED LAND USE ACTIVITIES
of the FOREST SERVICE,
DEPARTMENT OF AGRICULTURE** ; *+ 3a*



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For info
GAO Wash, D.C.

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COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON 25

MAR 28 1963

B-125053

To the President of the Senate and the
Speaker of the House of Representatives

Herewith is our report on the review of recreation and other selected land use activities of the Forest Service, Department of Agriculture.

We noted that fees charged for permits for summer-home sites at four of the six national forests which we visited were less than fees computed, in accordance with Forest Service instructions, on the basis of the estimated values of comparable privately owned lands used for the same purpose in the same areas. At one forest the annual permit fees were about \$138,000 less than the annual fees computed by forest office personnel on the basis of 5 percent of the estimated values of comparable privately owned sites in the same areas, a guide set forth in Forest Service instructions for arriving at a fair annual rental.

In January 1959 the Chief, Forest Service, directed all regional foresters to review special-use permits and adjust them as necessary. By letter dated December 27, 1962, from the Acting Chief, Forest Service, we were informed that increased emphasis has been given since that time to review of home-site fees. We believe, however, that the extent to which inadequate fees were noted in our reviews, made about 18 months to 2 years after issuance of the Chief's instructions, indicated that the Government was losing significant amounts of revenue on permits for summer-home sites. Accordingly, we are recommending that the Chief, Forest Service, reemphasize to regional foresters the need to determine the reasonableness of existing summer-home-site permit fees charged in their respective regions and, where warranted, to adjust existing fees as soon as possible under the provisions of the permits.

The above and other matters disclosed in our review are summarized in the forepart of the report and are discussed in more detail in subsequent sections. The views of Forest Service officials on these matters are considered in the report.

B-125053

Copies of this report are being sent to the President
of the United States and to the Secretary of Agriculture.

A handwritten signature in cursive script, appearing to read "Roger Campbell".

Comptroller General
of the United States

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REPORT ON REVIEW
OF
RECREATION AND OTHER SELECTED LAND USE ACTIVITIES
FOREST SERVICE
DEPARTMENT OF AGRICULTURE

INTRODUCTION

The General Accounting Office has made a review of recreation and other selected land use activities of the Forest Service, Department of Agriculture. The review was concerned primarily with the administration of permits for the use of national forest lands for summer-home sites and for commercial activities related to recreation. Our review 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). The scope of our review is described on pages 49 and 50 of this report.

This is the fourth report resulting from our review of selected land use activities of the Forest Service. Reports to the Congress on (1) the administration of mining claims located on national forest lands, B-125053, (2) unauthorized diversion of revenues from sale of special permits for hunting and fishing in national forests, B-146724, and (3) certain land exchanges in the Pacific Northwest Region, B-125053, were issued on May 29, 1962, December 12, 1962, and December 28, 1962, respectively.

GENERAL COMMENTS

Custody and management of the 182 million acres of federally owned lands which are located within the boundaries of 154 national forests are made a responsibility of the Forest Service by delegation from the Secretary of Agriculture to the Chief of the Forest Service.

The basic authority under which the Secretary of Agriculture regulates the use and occupancy of national forest land, the act of June 4, 1897, as amended (16 U.S.C. 551), does not make specific reference to recreation activities. However, legislation subsequently enacted provides for the use, development, and protection of recreation resources within the national forests. The act of February 28, 1899, as amended (16 U.S.C. 495), authorizes the Secretary to rent or lease to responsible persons or corporations areas around mineral springs in national forests which the public desires to frequent for health or pleasure. The act of March 4, 1915, as amended (16 U.S.C. 497), authorizes the issuance of permits for summer homes, hotels, stores, or other structures needed for recreation or public convenience. The act of April 24, 1950 (16 U.S.C. 580d), authorizes the issuance of permits for the use of structures or improvements under the administrative control of the Forest Service. The act of June 12, 1960 (74 Stat. 215), specifies, among other things, that the national forests are established and shall be administered for outdoor recreation.

According to Forest Service records, recreation visits reached an all-time high of about 102 million in calendar year 1961. To

help meet the needs of recreationists, the Forest Service develops and operates, and enters into agreements with concessionaires to develop and operate, recreational facilities such as campsites, picnic grounds, swimming areas, ski areas, and other sport areas. Agency records indicated that there was a total of about 9,200 recreational areas and facilities in the national forests as of June 30, 1962. Except in certain areas of California and Oregon, recreationists are not charged for the use of recreational facilities developed and operated by the Forest Service.

The Forest Service also issues permits to individuals and organizations for approximately 80 types of special uses of national forest lands and facilities, including such varied uses as agriculture and cultivation, apiaries, churches, playgrounds, radio and television antenna sites, hotels, resorts, and residences. Of the approximately 76,000 permits in effect as of June 30, 1961, about 23,000 were for purposes related to recreation; about 19,500 of the 23,000 permits were for summer-home sites.

Forest Service instructions provide that special-use permits may be issued without charge when the use is (1) by a Federal or non-Federal governmental agency, (2) of a public or semipublic nature, (3) for noncommercial purposes, (4) in connection with an authorized use of national forest resources, or (5) of benefit to the Government in the administration of the national forests, or for similar purposes compatible with the public interest, and when authorized and directed so to be issued by acts of Congress. Federal or State governmental agencies are not entitled to free use

for a concession charging commercial rates, the profits of which go into a general fund for expenditures elsewhere.

For other than the above-mentioned uses, Forest Service instructions provide that special-use permits require the payment of a fee commensurate with the value of the use authorized, except that permits to public agencies or for nonprofit purposes may require a lesser fee. Also, some permits are issued without a monetary fee but, in such cases, the permittee is required to perform maintenance work equal in value to the fee otherwise chargeable. A fee commensurate with the value of the use authorized is defined in Forest Service instructions as a fee that would be obtained by competitive bidding for commercial uses. For certain uses, including summer homes and commercial public-service uses, mandatory guidelines have been prescribed for determining the amounts of the fees.

According to Forest Service records, obligations of approximately \$15,012,000 were incurred in fiscal year 1961 and about \$21,180,000 in fiscal year 1962 for the administration and development of recreational facilities; the compilation of recreation visitor statistics and preparation of recreation surveys, plans, and maps; the administration of special-use permits for summer-home sites and for commercial enterprises related to recreation. Fiscal year 1961 receipts from recreational activities, principally from special-use permit fees for summer-home sites and concessions, amounted to approximately \$1,223,000. In fiscal year 1962, receipts from recreational activities were about \$1,338,000.

The names of the principal officials of the Department of Agriculture responsible for the administration of recreation and other selected land use activities at the locations involved in this report are listed in the appendix.

SUMMARY OF FINDINGS AND RECOMMENDATIONS

The matters noted in our review are summarized below. In each case, page references are given to a more detailed discussion of the subject in subsequent sections of the report.

SUMMER-HOME-SITE FEES WERE LESS THAN PROVIDED FOR IN FOREST SERVICE INSTRUCTIONS

Fees charged by the Forest Service for permits for summer-home sites were often less than fees computed, in accordance with Forest Service instructions, on the basis of the estimated values of comparable privately owned lands used for the same purpose in the same areas. We found this condition at four of the six national forests where we made such comparisons.

The policy established by the Chief, Forest Service, for special-use permits for summer-home sites is that "An equitable fee based on the purposes for which the land is to be used and comparable to rentals paid for like use of similar private lands will be charged." Forest Service handbook instructions implementing these policies state that, in determining fees for summer-home-site use, the rental and sale value of comparable private lands shall be considered and that an annual fee of 5 percent of the value of comparable private lands used for similar purposes may be considered to be a fair annual rental, subject to a minimum of \$25 a year.

We noted, for example, that annual permit fees for 1,764 summer-home sites in the Eldorado National Forest, California, which were placed in effect for the 5-year period ending in 1964, were about \$138,000 less than annual fees computed by forest office

personnel on the basis of 5 percent of the estimated values of comparable privately owned sites in the same areas. The Regional Forester informed us that, because of a rapid increase in land values, adoption of fees (ranging from \$75 a year to \$250 a year) proposed by the forest office would have resulted in increases of several hundred percent. The region chose, instead, to establish fees (ranging from \$47 a year to \$95 a year) which, while they represented increases of up to 100 percent over the fees previously charged on many permits, were considerably lower than fees based on comparable land values. Washington Forest Service officials stated that the regional forester had the administrative authority to effect, on an installment basis, the fee increases necessitated by increased land values.

In January 1959 the Chief, Forest Service, directed all regional foresters to review special-use permits and adjust them as necessary. By letter dated December 27, 1962, from the Acting Chief, Forest Service, we were informed that increased emphasis has been given since that time to review of home-site fees. We believe, however, that the extent to which inadequate fees were noted in our reviews, made about 18 months to 2 years after issuance of the Chief's instructions, indicated that the Government was losing significant amounts of revenue on permits for summer-home sites.

Accordingly, we are recommending that the Chief, Forest Service, reemphasize to regional foresters the need to determine the reasonableness of existing summer-home-site permit fees charged in their respective regions and, where warranted, to adjust existing

fees as soon as possible under the provisions of the permits. In making such determinations, particular attention should be given, where possible, to the values of comparable private sites in the area used for similar purposes.

This subject is discussed in greater detail on pages 15 to 27 of this report.

WEAKNESSES IN ADMINISTRATION OF CONCESSIONAIRE PERMITS

Our reviews of financial records of concessionaires who pay permit fees to the Forest Service on the basis of a percentage of sales disclosed instances where the Service had not discharged its responsibility for requiring concessionaires to maintain satisfactory records. We also noted instances where audits of concessionaire records by forest office personnel were not made in a timely and effective manner. As a result, assurance was lacking that the Government was receiving the full amounts of the fees due it under the terms of the governing permits.

We reviewed the accounting records of 21 concessionaires in eight national forests whose permit fees were based on a percentage of sales. At 10 of the 21 concessions, we were unable to verify the accuracy of the reported sales because satisfactory records had not been maintained. We also noted that, for the periods we reviewed, six of the concessionaires did not report all the sales which were required to be included in computing the fees due the Government.

Our review of forest office records relating to the audits of concessionaires disclosed a number of instances in which audits were not made at the prescribed intervals. In some cases, although forest office audits disclosed unsatisfactory records, the forest office did not make follow-up audits or promptly take other follow-up measures to determine whether appropriate corrective action had been taken. At some forest offices, we found instances where reports on audits of concessionaire records were not prepared and where audit working papers were sometimes incomplete on such matters as the extent of verification of accounts, the examination of supporting data, the reliability of internal controls, and the reasonableness of reported sales.

By letter dated December 27, 1962, we were informed that, during the past 3 years, Forest Service officials have put additional emphasis on audit requirements and guidelines for auditing concessionaire records. The letter also set forth other actions taken or to be taken by the agency which, if properly implemented, should result in improved administration of concessionaire permits.

Detailed comments on this subject are on pages 27 to 33 of this report.

INADEQUATE FEE FOR COMMERCIAL USE
OF NATIONAL FOREST LANDS AND FACILITIES
AT SQUAW VALLEY, CALIFORNIA

The annual fee for a 30-year term special-use permit issued in May 1958 does not appear to provide a fair and appropriate rental to the Government for the commercial use of national forest lands and facilities in the Squaw Valley section of the Tahoe National

Forest, California. The basic minimum annual fee of \$1,000 charged the permittee, the State of California, for the commercial use of 1,000 acres of national forest land was based on a rate of \$1 an acre for the acreage covered by the permit. The rate of \$1 an acre was determined by the Forest Service on the basis that the land had a value of \$10 an acre for grazing purposes, and the usual annual cash rental of bare, nonfarm land in private industry was 10 percent of its value. We noted, however, that in May 1958 the State of California entered into an agreement to buy about 16 acres of contiguous private lands at an average price of about \$3,350 an acre. Also, an income-sharing provision in the permit, which was intended to provide a fair rental reflecting the added value and utility of a sports arena constructed with Federal funds, had not provided any additional income to the Federal Government as of May 1962 because the permittee had not realized a profit from the operation.

The sports arena, ski lifts, and other facilities for the 1960 Winter Olympic Games were constructed on the national forest lands with Federal and State of California funds at a cost of more than \$9 million. The Federal share, \$3,500,000, was for construction of the sports arena. The lands and facilities are used by sublessees of the State for commercial recreational purposes.

In February 1963, Forest Service officials informed us that the fee for this permit is to be adjusted in May 1963 to base it on a percentage of net sales in the area. We were further informed, however, that the State Attorney General has objected to the change

as being unauthorized without the consent of the State but that, on the basis of an opinion received from the legal staff of the Department of Agriculture, the Forest Service still plans to obtain the fee adjustment.

This subject is set forth in greater detail on pages 34 to 37 of this report.

CHARGES NOT MADE
FOR THE USE OF RECREATION FACILITIES
OPERATED BY THE AGENCY

The Forest Service does not, except in certain areas of California and Oregon, charge forest visitors for the use of campsites, picnic grounds, and other recreational facilities developed, maintained, and operated by the agency. Forest visitors in all regions are charged for the use of special facilities operated by concessionaires.

The matter of charging for public recreation use in national forests has been considered for a number of years. Bureau of the Budget Bulletin 58-3, dated November 13, 1957, directed all executive agencies to act on applying user charges to recover the full cost of rendering special services unless there were restrictions on their authority to charge. Bureau of the Budget Circular A-25, dated September 23, 1959, reiterated the provision of Bulletin 58-3 that a charge should be made to recover the cost to the Federal Government of rendering special services.

Forest Service officials informed us that they believe a reasonable fee should be charged for the use of Federal areas where the United States has developed special recreation facilities but

that the Forest Service should not initiate such action unilaterally. It is their view that the Federal agencies managing lands for recreation use should adopt a uniform recreation fee system. Pending the receipt of additional instructions from the Bureau of the Budget, the Forest Service plans to charge user fees only in those areas where fees will result in substantial revenues in excess of the cost of fee collections.

That progress in establishing recreation fees has been slow is indicated by the fact that, although the Forest Service operates thousands of campsites, picnic grounds, and other recreational facilities in national forests located in 41 States, fees were being charged in only 23 areas in 2 States in 1962. While there may be merit in the Forest Service view that Federal agencies managing lands for recreation use should adopt uniform fee policies, the present lack of uniform policies should not deter the Forest Service from meeting its responsibilities, as set forth by the Bureau of the Budget, for recovering the costs of rendering special services to users of national forest lands.

With respect to user charges, the President of the United States stated in his budget message to the Congress in January 1963 that "Appropriate fees should *** be assessed in *** areas in which the Government provides special benefits or conveys special privileges to the users and beneficiaries." This expression on the part of the President emphasizes the need for the Forest Service and other agencies to formulate and place in effect definite plans for charging users of Federal recreational facilities.

We are recommending to the Chief, Forest Service, that definite plans for recovering the costs of rendering special services to users of Federal recreational facilities on national forest lands be formulated and placed in effect as soon as practicable and that Forest Service officials actively work with Bureau of the Budget and other interested officials in an effort to achieve uniform recreation fee policies for Federal land-managing agencies.

Detailed comments on this subject are on pages 38 to 42 of this report.

OTHER WEAKNESSES IN ADMINISTRATION OF SPECIAL-USE PERMITS

Our review of the administration of special-use permits also disclosed numerous instances of noncompliance with prescribed Forest Service procedures and with the terms of permits; in some instances the noncompliance resulted or may result in losses of revenue to the Government. Although the amounts involved in the individual cases generally were not large, the cumulative effect of unsatisfactory administrative practices can be significant.

For example, we noted instances where the basis for fees charged on permits was not a matter of record; in some cases fees were not reviewed at the required 5-year intervals to bring them into conformity with current values; and in other instances agency instructions relating to the orderly administration of permits in other respects were not followed. The Forest Service handbook prescribes minimum fees for permits for commercial enterprises and states that, in most cases, fees charged should be higher than

prescribed minimums. In the four regions we visited, however, we noted that the minimum allowable percentage fees were charged for 200 of the 303 commercial permits connected with outdoor recreation use in April 1961 where fees were based on a percentage of sales.

We are recommending that the Chief, Forest Service, reemphasize to regional foresters the importance of observing established policies and instructions in order to achieve effective administration of special-use permits.

Detailed comments on this subject are on pages 43 to 48 of this report.

FINDINGS AND RECOMMENDATIONS

SUMMER-HOME-SITE FEES WERE LESS THAN PROVIDED FOR IN FOREST SERVICE INSTRUCTIONS

Fees charged by the Forest Service for permits for summer-home sites were often less than fees computed, in accordance with Forest Service instructions, on the basis of the estimated values of comparable privately owned lands used for the same purpose in the same areas. We found this condition at four of the six national forests where we made such comparisons. At two forests, the fees charged some permittees were lower than the minimum fees prescribed by the Forest Service regional office. We estimated that fees for summer-home-site permits at the Eldorado National Forest in California were about \$138,000 a year less than fees computed by Forest Service personnel on the basis of 5 percent of the estimated values of comparable privately owned sites in the same areas, a guide set forth in Forest Service instructions for arriving at a fair annual rental. Also, we found that the California Region followed a policy of not adjusting fees on nonrenewable term permits for summer-home sites at 5-year intervals to give effect to increases or decreases in estimated values, although such adjustments were provided for by Forest Service instructions and by the terms of the permits.

Special-use permits for summer-home sites are either term permits--permits for a stated period of time up to but not exceeding 30 years--or terminable permits--revocable licenses which may be terminated at any time at the discretion of the regional forester

or the Chief, Forest Service. With respect to charges for special-use permits, the policy of the Secretary of Agriculture is that "Special-use permits *** shall require the payment of a fee or charge commensurate with the value of the use authorized by the permit, the amount of which shall be prescribed by the Chief of the Forest Service." The policy established by the Chief, Forest Service, is that "An equitable fee based on the purposes for which the land is to be used and comparable to rentals paid for like use of similar private lands will be charged." Forest Service handbook instructions implementing these policies state that, in determining fees for summer-home-site use, the rental and sale value of comparable private lands shall be considered and that an annual fee of 5 percent of the value of comparable private lands used for similar purposes may be considered to be a fair annual rental, subject to a minimum of \$25 a year.

Term permits provide that fees may be adjusted at 5-year intervals to place the charges on a basis commensurate with the value of the use authorized by the permit. Terminable permits provide that fees may be adjusted whenever necessary to bring them into conformity with current values.

Specific comments on matters relating to low summer-home-site fees at forests in each of the four Forest Service regions we visited follow.

California Region (Region 5)

Fees placed in effect in February 1959 for permits on Federal summer-home sites in the Eldorado National Forest for 5-year periods

ending in 1964 were less than fees computed in accordance with Forest Service instructions on the basis of 5 percent of the estimated sale value of comparable private lands in the same area. Also, the California regional office followed a policy of not adjusting fees on nonrenewable term permits at 5-year intervals, although governing instructions provided that adjustment of fees at such intervals may be made to give effect to changes in estimated values of home sites.

Eldorado National Forest

Annual permit fees for 1,764 summer-home sites in the 66 home-site areas of the Eldorado National Forest were about \$138,000 less than annual fees computed by forest office personnel on the basis of 5 percent of the estimated values of comparable privately owned sites in the same areas. The annual permit fees made effective for the 5-year period ending in 1964 for summer-home sites in the Eldorado National Forest were established by the Eldorado Forest Supervisor under guidelines established by the California regional office which did not provide for full comparability with privately owned sites in the area.

We noted that in 1958 forest office personnel made a study to ascertain the market values of comparable privately owned lots in the area. The study showed that the estimated values of the summer-home sites in the Eldorado National Forest ranged from \$1,500 to \$5,000 a lot and averaged \$2,925 a lot for the 1,764 summer-home sites. On the basis of these estimated values, the Eldorado National Forest Supervisor computed fees for summer-home-site permits

in amounts ranging from \$115 to \$250 a year for 1,720 lots and \$75 a year for the remaining 44 lots.

The maximum fee that could be computed under the guidelines established by the California regional office was \$95 a year, regardless of comparable land values. Annual fees computed on the basis of the regional office guidelines ranged from \$71 to \$95 for the same summer-home sites for which annual fees of \$115 to \$250 were computed by the Eldorado National Forest Supervisor on the basis of the comparability study made by forest office personnel.

According to the record of a meeting of Eldorado National Forest personnel and California regional office officials held in December 1958, a regional official stated that the fees computed on the basis of comparable land values by Eldorado Forest personnel were well documented and probably were proper, considering the then current land values. However, regional office officials decided that the lower fees computed on the basis of the regional office guidelines would be used for the summer-home sites in 5 of the 66 home-site areas in the Eldorado National Forest. Fees for the summer-home sites in the other 61 home-site areas were computed on the basis of the regional office guidelines and were then reduced by 20 percent. Fees were established for the 66 home-site areas in amounts ranging from \$47 to \$95 a year and were made effective in February 1959 for the 5-year period ending in 1964.

The California Regional Forester stated that fees in this area were below what they should be if the summer-home tracts were being established in 1960. He informed us that there had been a rapid

increase in land values in the area and that adoption of the fees proposed by the forest office (\$75 a year to \$250 a year) would have resulted in increases of several hundred percent. The region chose, instead, to establish fees ranging from \$47 a year to \$95 a year which, while they represented increases of up to 100 percent over the fees previously charged on many permits, were considerably lower than fees based on estimated values of comparable privately owned sites in the same areas. Washington Forest Service officials stated that the Regional Forester had the administrative authority to effect, on an installment basis, the fee increases necessitated by increased land values. Forest Service officials advised us that further fee adjustments will be made in the next adjustment period authorized in the permits, which will be in 1964.

About 80 percent of the summer-home sites in the Eldorado National Forest are in the Lake Valley and Placerville Ranger Districts. Our review indicated that lot values in these ranger districts in 1960 were significantly higher than the values arrived at in the 1958 forest office study. On the basis of independent appraisals furnished us by local real estate appraisers during our review, it appeared that summer-home-site values in 1960 for the Lake Valley Ranger District ranged from \$3,200 to \$8,000 a lot, and those in the Placerville Ranger District ranged from \$2,500 to \$4,000 a lot as compared with the overall range from \$1,500 to \$5,000 a lot determined by forest office personnel in their 1958 study of market values of privately owned lots comparable to those under Federal permit.

Regional office policy with respect
to nonrenewable term permits
results in losses of revenue

The California Region has followed a policy of not adjusting fees on nonrenewable term permits to give effect to increases or decreases in estimated values of home sites. Under Forest Service instructions and the terms of the permits, the fees may be adjusted at 5-year intervals. At two of the forests we visited--the San Bernardino and the Stanislaus--we estimated that, as a result of the regional office policy, a total of about \$15,000 in summer-home-site permit fees will be lost to the Government over the 5-year period ending in 1964 because of failure to increase fees because of increases in site values. Since this policy was applicable to the entire region, additional losses in annual revenue may be occurring at the other 15 national forests in the California Region. Additional amounts may be lost in ensuing periods because of a revised policy which is not to be applied to permits expiring in the period from 1964 to 1969.

Special-use permits are designated as either term (for a stated period of time) or terminable (revocable licenses). In the California Region, nonrenewable term permits, also called permits for "lots on tenure," were issued on lots for use as summer-home sites, but which the region expected to need for other purposes at some future date. For most of the nonrenewable term permits that we examined, the tenures of use as summer-home sites were from 12 to 20 years from the dates the permits were issued. Clause No. 1 of the standard term permit provides that fees may be adjusted at

5-year intervals. The regional policy on nonrenewable term permits, as stated in a letter dated November 19, 1958, addressed to the forest supervisors, is quoted, in pertinent part, as follows:

"Any lot now on tenure or one which will definitely be put on a tenure (up to 20 years) within the next twelve months will retain the present fee."

As of September 1960, 153 summer-home sites in the San Bernardino and the Stanislaus National Forests were on tenure or were to be placed on tenure. Fees established in 1953 and 1954 for the 153 permits were still in effect at the time of our review. The annual permit fees for these home sites were not increased in February and March 1959, when revised fees for other summer-home sites in these forests were placed in effect.

For 91 of the 153 summer-home sites for which the annual fees remained at the 1953 rates, the Forest Service had not determined the future dates at which the sites would be needed for a different use. The tenure periods for the 91 permittees could conceivably extend up to 20 years and, under the regional policy, the fees would remain at the 1953 rates. As a result of not having increased the fees of the 153 permittees in line with the 1959 increases on similar home sites in these forests, we estimated that about \$15,000 in fees will be lost to the Government over the 5-year period ending in 1964.

- - - -

In a letter to us dated January 10, 1961, the Regional Forester, California Region, commented on summer-home-site fees in California as follows:

"This is a follow-up on the discussion had with you and your representatives ***.

"As a result of these discussions and the current review of our recreation and other land use activities made by your office, we plan to make further adjustments of summer home fees at 5-year intervals. As we visualize it this will consist of the following during the next period:

1. Fees for lots on tenures due to expire during that 5-year period [1964-1969] will be left at their present rates.
2. All other lots (tenure as well as non-tenure) will be appraised according to the guidelines of FSH 2713 (50), pages 75 and 76, and fees adjusted as provided by these instructions, by clause No. 1 of the permits concerned, and by the dictates of common sense."

Washington officials of the Forest Service stated that fees for nonrenewable term permits (permits for lots on tenure) due to expire during the 5-year period from 1964 to 1969 are not to be adjusted because the value of lots to be withdrawn from residential use diminishes as termination grows nearer, especially when there is little, if any, salvage to be expected from improvements.

The Forest Service plans as outlined above do not provide for timely adjustment of fees where such action is permissible and warranted. With respect to fees for nonrenewable term permits that are due to expire during the next 5-year period (1964 to 1969), no action is planned although fees on some of these permits were established in 1953 or 1954; the fees were not adjusted in 1959 as allowed by the permits; and the Forest Service may, in accordance with the terms of the permits, make adjustments in 1964.

With respect to terminable permits, the Forest Service handbook states that legally these permits are revocable licenses and

may be amended at any time. In view of the indications of inadequate fees noted in our reviews, we believe that the fees on all terminable permits should be evaluated and, where warranted, adjusted to provide for a fair return to the Government. As of June 30, 1961, about 20 percent of the 8,700 authorized summer-home sites in the California Region were in the Eldorado National Forest. About 4,800 of the 8,700 summer-home-site permits in the region were terminable permits. The remaining 3,900 were term permits on which rates can be adjusted only at 5-year intervals.

Intermountain Region (Region 4)

We compared the annual summer-home-site fee of \$35 established for the Wasatch National Forest with 5 percent of the average selling price of 18 summer-home sites in a nearby private summer-home development. The size, topography, and ground cover of the private sites were comparable to those in the national forest. Also, the restrictions on building construction, removal or destruction of trees and shrubbery, and other matters applicable to the private sites were comparable to the permit requirements for national forest summer-home sites. A fee based on 5 percent of the average selling price of the private lots would amount to about \$60 a year as compared with the \$35-a-year fee established for the Wasatch National Forest. At the time of our review, fees on some permits had not yet been raised to the minimum of \$35.

Intermountain Region officials acknowledged that summer-home-site fees at the forest appeared to be too low on the basis of information available to the Forest Service. In December 1962,

Forest Service officials informed us that an adjustment in fees, in process at the time of our examination, had resulted in increasing all summer-home-site fees to a minimum of \$35 a year. These officials stated that it was considered administratively undesirable to raise the fees for the permits, which were \$35, until all were raised to this rate. They advised us that further adjustments of fees on a collective basis are to be made effective in calendar year 1963.

Pacific Northwest Region (Region 6)

In the Pacific Northwest Region, the minimum fee of \$30 a year charged in 1960 for summer-home sites in the Mt. Hood and Deschutes National Forests had been in effect since January 1, 1956. The fee was based on the results of studies made in 1955. Information on property values, which we obtained from county tax records, recorded sales transactions, and real estate brokers, indicated that fees based on 5 percent of the sales values of comparable private home sites would be higher than the \$30 minimum annual permit fee for average summer-home lots in both forests. Also, because the \$30 minimum fee was used as a base to establish fees for better-than-average lots, the annual fees for better-than-average lots may be too low.

Region 6 officials stated that fees might be too low and that they had scheduled a review to determine their adequacy. In December 1962, Forest Service officials advised us that the review had been completed and that new fees computed on the basis of 5 percent of lot values were made effective January 1, 1962.

Southern Region (Region 8)

In the Southern Region, the sales value and other information that we obtained on privately owned sites that were comparable to summer-home sites in the Pisgah National Forest, North Carolina, indicated that minimum fees established by the regional office for national forest summer-home sites were reasonable.

However, we noted that, of 54 permits for summer-home sites that we examined in the Cherokee and Pisgah National Forests, 12 of the permits (6 in each of the two forests) for lots of approximately one half acre were issued for fees less than the minimum of \$25 a year prescribed by the regional office in 1949. We noted, for example, that the fee for one 4-acre summer-home site at the Pisgah National Forest had not been revised in 42 years. The fee of \$30 a year for four acres established in 1918 was still in effect on September 1, 1960, even though it was much lower than the prescribed minimum fee.

Region 8 officials informed us that special-use permits should not have been issued at fees lower than the minimum established by the regional office, and they stated that a complete review of special-use permit fees was being made which should result in correcting deficiencies of this nature. In December 1962, Forest Service officials informed us that this review had been completed and that the fees for all 12 permits conformed to minimum fee requirements.

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By letter dated December 27, 1962, from the Acting Chief, Forest Service, we were informed that:

"In January, 1959, the Chief directed all Regional Foresters to have a review made of all special use permits, making adjustments as necessary and as provided for by the terms of each permit, and generally to conform to existing instructions. There has been increased emphasis given to the program for reviewing fees for homesites since 1959. The value of the uses was determined on the basis of the instructions in the Forest Service Manual and Handbook (FSH 2713, pages 75-76), which provides bases for establishing a rate and reasonability of 5% of valuation. Other conditions may be recognized in the fee structure so that the permittees and the United States are treated fairly. This is the objective of the instructions."

According to Forest Service records as of June 30, 1961, there were about 19,500 annual fee permits in effect which authorized the use of national forest sites for residential purposes. Our reviews of fees charged for these permits were made mainly in eight national forests located in four regions. We believe that the extent to which inadequate fees were noted in our reviews, which were made about 18 months to 2 years after issuance of the instructions referred to in the Forest Service letter, indicated that the Government was losing significant amounts of revenue each year on permits for summer-home sites. We believe that summer-home-site fees equitable to both permittees and the Government will result if fees are computed in accordance with the Forest Service manual and handbook instructions implementing the policies of the Secretary of Agriculture and the Chief, Forest Service.

Recommendation to the Chief, Forest Service

We recommend that the Chief, Forest Service, reemphasize to regional foresters the need to determine the reasonableness of

existing summer-home-site permit fees charged in their respective regions and, where warranted, to adjust existing fees as soon as possible under the provisions of the permits. In making such determinations, particular attention should be given, where possible, to the values of comparable private sites in the area used for similar purposes.

WEAKNESSES IN ADMINISTRATION OF CONCESSIONAIRE PERMITS

Our reviews of financial records of concessionaires who pay permit fees to the Forest Service on the basis of a percentage of sales disclosed instances where the Service had not discharged its responsibility for requiring concessionaires to maintain satisfactory records. We also noted instances where audits of concessionaire records by forest office personnel were not made in a timely and effective manner. As a result, assurance was lacking that the Government was receiving the full amounts of the fees due it under the terms of the governing permits.

The fees for many of the permits for restaurants, ski lifts, trailer and cabin rentals, and other concessions are computed by applying the permit rates (percentages) to sales figures reported to the Forest Service by the concessionaires. Forest Service instructions require that the forest office make an audit of a permittee's accounting records for the first year of operation early in the second year. The instructions provide that thereafter an audit is required to be made at 3-year intervals, or more frequently if the circumstances--for example, inadequate internal controls or accounting procedures--so warrant. The instructions also

require that concessionaire records will be sufficient to satisfy the Forest Service auditor that the concessionaire's financial statements are reasonably accurate and present a true picture of the permittee's business.

We reviewed the accounting records of 21 concessionaires in eight national forests. For 10 of the 21 concessionaires, we were unable to verify the accuracy of the reported sales because the concessionaires did not maintain satisfactory records. We also noted that, for the periods we reviewed, six of the concessionaires did not report all the sales which were required to be included in computing the fees due the Government.

Our review of forest office records relating to the audits of concessionaires disclosed a number of instances in which audits had not been made at the prescribed intervals. In some cases, although forest office audits disclosed unsatisfactory records, the forest office did not make follow-up audits or promptly take other follow-up measures to determine whether appropriate corrective action had been taken. At some forest offices, reports on audits of concessionaire records were not always prepared and audit working papers were sometimes incomplete on such matters as the extent of verification of accounts, the examination of supporting data, the reliability of internal controls, and the reasonableness of reported sales.

Illustrative of the various weaknesses noted in the administration of concessionaire permits which we brought to the attention of regional and forest office officials are the following examples.

1. At a concession in the Inyo National Forest, California, our review disclosed that substantial portions of the reported sales of approximately \$169,500 for 1959 were monthly estimates. One of the concessionaire's cash registers accumulated totals to a maximum of only four digits (\$99.99). For example, for the month of June 1959, sales of sporting goods shown on the cash register tape were \$83.39 and the recorded sporting goods sales were \$1,383.39. The additional \$1,300 was estimated by the concessionaire after a scanning of the cash register tape which was approximately 90 feet long. In addition, rental income could not be verified because registration cards for lodge, cabin, and trailer guests were missing; complete records for service station operation were not available; and the correctness of a year-end adjustment of \$8,300 for unrecorded sales could not be ascertained from the records. The concessionaire stated that when, at the end of the year, his bank account showed that he had deposited more cash than the total amount recorded as sales for the year, the excess was recorded as an adjustment to sales. We could not determine whether the adjustment accounted for all unrecorded sales.

The forest office had not performed an audit of this concession for the fiscal years 1957, 1958, or 1959, although the Forest Service audit report for fiscal year 1956 stated that records for the service station were inadequate and of little value. In December 1962, Forest Service officials informed us that records at this concession had since been audited and that the permittee now has additional controls, including a monthly reconciliation of cash

register tapes and cash receipts and the summarization of prenumbered meal tickets and lodge registration cards and their reconciliation with register totals.

2. In February 1960, the Sierra National Forest Office, California, received a concessionaire's sales report which showed that sales for calendar year 1959 amounted to \$103,120. We reviewed the concessionaire's financial records and found that the reported sales were understated by about \$65,000 because (1) sales applicable to subconcessionaire operations had not been reported, although such reporting is required by the terms of the permit, and (2) the concessionaire had deducted certain costs which, under the terms of the permit, were not allowed to be deducted in arriving at net sales.

Subsequent to the completion of our review, we were informed that forest office officials had determined that the calendar year 1959 sales were \$169,281 and an additional fee of \$662 was collected from the concessionaire.

3. Our review of the records of a concession in the San Bernardino National Forest, California, disclosed that the sales reported to the Forest Service by the concessionaire for calendar years 1958 and 1959 were about \$6,500 less than the recorded sales. During the Forest Service review of this concessionaire's 1957 sales, the auditor found that the concessionaire's records were unsatisfactory and could not be audited. However, the forest office did not perform follow-up audits in subsequent years to determine whether the concessionaire had improved his records. In our review

we compared the reported sales with the sales recorded in the concessionaire's cash receipts ledger but we were unable to verify the recorded sales because of the lack of supporting documentation, such as cash register tapes and sales slips.

The forest supervisor stated that, in the future, follow-up audits would be made of concessions at which records were found to be inadequate. In December 1962, Forest Service officials informed us that they had collected fees from the permittee for the unreported sales for calendar years 1958 and 1959. They also advised us that the concession was audited in November 1961 and that a new permittee who had taken over the business was furnished written notice of record requirements.

4. The net sales of a ski resort in the Deschutes National Forest, Oregon, were understated in the concessionaire's sales reports for calendar years 1958 and 1959 in a total amount of about \$13,000. The special-use permit for this resort was issued in August 1958. At the time of our review about two years later, the forest office had not yet audited the concessionaire's records to determine the accuracy of the reported sales. An audit was subsequently made by the Forest Service and the additional fee due the Government was collected.

5. Our review of the records of a resort and restaurant in the Wasatch National Forest, Utah, disclosed that the concessionaire had omitted vending machine income totaling about \$1,360 from his calendar year 1959 sales report. An additional \$828 which had been properly reported by the concessionaire was erroneously excluded

from total sales by forest office personnel in computing the fee due the Government.

In December 1962, Forest Service officials advised us that a review of this permit had been partially completed and that an additional fee due as a result of the erroneous calculations had been collected.

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By letter dated December 27, 1962, we were informed that during the past 3 years, Forest Service officials have put additional emphasis on audit requirements and guidelines for auditing concessionaire records and that the Forest Service has been actively improving the administration of special-use permits. The letter stated, in part, as follows:

"*** A review of the adequacy of the audits made in Fiscal Years 1961 and 1962 identified areas where better trained auditors were needed. Professional accounting assistance has been recruited and furnished to field offices by each Region when the local Forest staff was not considered fully qualified to perform audits of complex cases. Training has been provided to qualify the local staffs for audit of the less complex cases. Advice from the Regional Fiscal Offices has been provided Forest Supervisors as to the qualifications of their local staffs for such work. Where a heavy load of this work has been found in one area, additional qualified help has been provided from the Regional Offices or from other offices.

"The Chief, Forest Service, has underway the preparation of instructions for minimum internal controls and accounting records to be followed by each permittee on a percentage fee basis. It was not originally considered desirable to prescribe a standard accounting system for all percentage fee permittees, but experience showed that some national standards were needed for internal control and for the development of data needed in calculating the fee. Many concessions are small family operations without qualified accounting assistance and with an income that does not warrant hiring such help. The Forest Service is

working with these permittees to provide satisfactory records for fee purposes."

Most of the actions referred to in the Forest Service letter were taken subsequent to the completion of our field reviews. The actions stated to have been taken or to be taken, if properly implemented, should result in improved administration of concessionaire permits.

INADEQUATE FEE FOR COMMERCIAL USE
OF NATIONAL FOREST LANDS AND FACILITIES
AT SQUAW VALLEY, CALIFORNIA

The annual fee for a 30-year term special-use permit issued in May 1958 to the State of California does not appear to provide a fair and appropriate rental to the Federal Government for the commercial use of national forest lands and facilities in the Squaw Valley section of the Tahoe National Forest, California. Also, an income-sharing provision in the permit had not provided any additional income to the Federal Government as of May 1962.

A sports arena, ski lifts, and other facilities for the 1960 Winter Olympic Games were constructed on the national forest lands with Federal and State of California funds at a cost in excess of \$9 million. The Federal share, \$3,500,000, was for construction of the sports arena. The permit dated May 22, 1958, was issued under Public Law 85-365 (72 Stat. 78) dated April 3, 1958, and Public Law 85-400 (72 Stat. 109 and 110) dated May 14, 1958. Public Law 85-365 authorized the appropriation of \$3,500,000 for construction of the sports arena on the national forest lands and stated that on or before April 1, 1960, any lease of the property on which the arena is located shall include a fair and appropriate rental reflecting the added value and utility represented by the arena. In this way, it was believed that the Federal Government would recapture a large portion of its investment. Public Law 85-400, which appropriated the \$3,500,000, stated that no part of the amount could be expended until an agreement "*** has been entered into by the United States and the State of California, or its duly constituted agent,

providing for the maintenance by the State of California of the United States lands under lease to the State of California in this area, the arena, and other facilities constructed thereon and payment to the United States of a reasonable share of the income derived from the use of these lands, arena, and facilities after the completion of the VIII Olympic Games or April 1, 1960, whichever is earlier."

The permit issued in May 1958 superseded an earlier permit issued in February 1957 and, as did the earlier permit, provided for a minimum annual fee which was based on a rate of \$1 an acre for each of the acres covered by the permit. The permit issued in May 1958 provided also for a basic minimum annual fee of \$1,000--\$1 an acre for each of the 1,000 acres of national forest lands ("permitted lands") covered by the permit. The rate of \$1 an acre was determined by the Forest Service on the basis that the land had a value of \$10 an acre for grazing purposes and that the usual annual cash rental for bare, nonfarm land in private industry was 10 percent of its value. However, the land and facilities are used by sublessees of the State of California for commercial recreational purposes. The average appraised value of about 20 acres of contiguous privately owned lands, which were appraised for acquisition by the State of California in 1958, was \$4,700 an acre, as compared with the \$10 an acre value placed on the Government lands by the Forest Service. In May 1958 the State of California entered into an agreement to buy about 16 acres of contiguous private lands at a price that averaged about \$3,350 an acre.

The income-sharing provision in the permit provides, in essence, that the permittee's net profit is to be shared with the Forest Service in the ratio of the amounts invested by the United States and the permittee, respectively, for the construction of the arena and other facilities on the lands covered by the permit. Net profit as defined in the permit means all revenues derived by the permittee from operation of the permitted lands and all facilities and improvements constructed thereon, less all expenses incurred in the maintenance, operation, and repair of the facilities and improvements, but not including depreciation, amortization, or capital replacement costs. Our review of the Federal-State investments in facilities on the permitted lands indicated that the Forest Service would be entitled to about 37.5 percent of the permittee's net profit. However, Forest Service officials informed us that, as of May 1962, no income had been realized by the Forest Service from the income-sharing provision because the permittee had not realized a net profit as defined in the permit.

In a letter to us dated November 3, 1960, the Regional Forester stated:

"The State Division of Beaches and Parks has, with our approval, subleased the Olympic facilities in what we consider a worthwhile contract. The State will continue to be responsible for exterior maintenance and the operation of utilities, but it is our belief that, after three years of operation, its income will exceed its operating and maintenance expenses. We should then consider whether the Federal Government's share, plus the \$1,000 minimum fee reflects a fair rental for the use of the land. We share your conviction that the value of the federal lands in Squaw Valley has, by reason of the Olympic development, increased considerably over the \$10 per acre grazing value with which we originally started.

"If, at the end of three years, we find that the total amount of rental collected by the Forest Service is not a fair return for the use of the land, then we should consider invoking Clause 13 of the term permit, which provides for 5-year readjustments of the fee, in order to place the charges on a basis that is equitable to both parties. Inasmuch as the permit uses the wording in the previous sentence, you can appreciate the difficulties we will be up against in making substantial increases if the State then continues to operate at a considerable loss. It would probably not be considered mutually equitable to raise the permit fee if this would only mean making the State's loss greater."

In February 1963, Forest Service officials informed us that the fee for this permit is to be adjusted in May 1963 to base it on a percentage of net sales in the area. We were further informed, however, that the State Attorney General has objected to the change as being unauthorized without the consent of the State but that, on the basis of an opinion received from the legal staff of the Department of Agriculture, the Forest Service still plans to obtain the fee adjustment.

CHARGES NOT MADE FOR THE USE OF
RECREATION FACILITIES OPERATED BY THE AGENCY

The Forest Service does not, except in certain areas of California and Oregon, charge forest visitors for the use of campsites, picnic grounds, and similar recreational facilities developed, maintained, and operated by the agency. Forest visitors in all regions are charged for the use of special facilities operated by concessionaires.

According to Forest Service records, there were about 102 million visits to the national forests for recreation in 1961. In addition to the thousands of miles of fishing streams and trails and millions of acres of fishing lakes and wilderness areas, numerous improved areas and special facilities developed and operated by the Forest Service are included in the recreation resources in the national forests. Data furnished us by agency officials indicated that, as of June 30, 1962, such areas and facilities included about 4,200 campsites, 1,250 picnicking areas, and a number of swimming and boating sites. In fiscal year 1962, obligations of about \$21,180,000 were incurred by the Forest Service for all recreation uses. The income to the Forest Service from recreation activities, principally from fees charged on permits issued for summer-home sites and for the operation of commercial enterprises, amounted to about \$1,338,000.

The matter of charging fees for public recreation use in national forests has been considered for a number of years. Bureau of the Budget Bulletin 58-3, dated November 13, 1957, directed all

executive agencies to act on applying user charges to recover the full cost of rendering special services unless there were restrictions on their authority to charge. We were informed by a Forest Service official that there are no legal restrictions on the agency's authority to charge for public recreation use in national forests. Bureau of the Budget Circular A-25, dated September 23, 1959, reiterated the provision of Bulletin 58-3 that a charge should be made to recover the cost to the Federal Government of rendering special services and gave further information with respect to scope of user charge activities, guidelines for carrying out approved policies, and agency submissions of periodic status reports. In December 1959, several plans for charging for public recreation use in national forests were discussed at a meeting of Forest Service Washington and regional office officials. None of the plans discussed were adopted.

In April 1961, the Bureau of the Budget requested comments by affected Federal agencies on a draft bulletin that included the following principle:

"A reasonable fee shall be charged for the privilege of using Federal areas for recreational use purposes. Fees charged should be similar to fees on comparable public (State and local) and private recreational facilities."

The Forest Service reply included suggested revisions in the principle to state more specifically the basis for computation of the proposed fees and contained comments on the advantages and disadvantages of various methods of charging. The reply also stated that agency officials felt strongly that the several Federal

land-managing agencies should follow the same principles in establishing recreation charges.

Forest Service officials with whom we discussed the matter stated that they believe that a reasonable fee should be charged for the privilege of using Federal areas for recreation purposes where the United States has developed special recreation facilities but that the Forest Service should not initiate such action unilaterally. It is their view that the Federal agencies managing lands for recreation use should adopt a uniform approach as to the amount of the fee, the manner of collecting the fee, and what facilities should require a user charge. They stated also that where fees are to be charged there must be some expectation that amounts collected will be appreciably larger than the cost of collection. They further stated that:

"Charges for use of facilities operated by the Forest Service have been made in the past at various times and places. The money returns at many smaller sites have not been large enough to warrant the cost of collection. Experiments with collections through use of unmanned vending machines during the last few years, coupled with increased demand and increased willingness on the part of the public to pay for use of such facilities, has resulted in the institution of charges in several areas in California in 1961 and the expansion of this procedure to 21 areas there and two areas in Oregon in 1962. Plans for 1963 are for expansion of the number of areas at which charges will be made."

These officials pointed out that the President of the United States proposed in his March 1, 1962, conservation message to the Congress that a land conservation fund be established and financed, in part, by proceeds from entrance, admission, or user fees and charges at Federal recreation areas and that bills have been

introduced in both houses which would authorize the President to establish entrance, admission, and other recreation user fees at any land or water area administered by or under the authority of various Federal agencies including the Forest Service. They stated that these proposals may eventually lead to a uniform fee system for Federal agencies.

As of December 1962, the Forest Service had not received any additional instructions from the Bureau of the Budget. By letter dated December 27, 1962, we were informed that, pending the receipt of additional instructions, the Forest Service plans to charge user fees only in those areas where fees will result in substantial net revenues for the United States.

That progress in establishing recreation fees has been slow is indicated by the fact that, although the Service operates thousands of campsites, picnic grounds, and other recreational facilities in national forests located in 41 States, fees were being charged in only 23 areas in 2 States in 1962. While there may be merit in the Forest Service view that Federal agencies managing lands for recreation use should adopt uniform policies, the present lack of uniform policies should not deter the Forest Service from meeting its responsibilities, as set forth by the Bureau of the Budget, for recovering the costs of rendering special services to users of national forest lands.

With respect to user charges, the President of the United States stated in his budget message to the Congress in January 1963 that "Appropriate fees should *** be assessed in *** areas in which

the Government provides special benefits or conveys special privileges to the users and beneficiaries." This expression on the part of the President emphasizes the need for the Forest Service and other agencies to formulate and place in effect definite plans for charging users of Federal recreational facilities.

Recommendation to the Chief, Forest Service

We recommend to the Chief, Forest Service, that definite plans for recovering the costs of rendering special services to users of Federal recreational facilities on national forest lands be formulated and placed in effect as soon as practicable and that Forest Service officials actively work with officials of the Bureau of the Budget and other interested officials in an effort to achieve uniform recreation fee policies for Federal land-managing agencies.

OTHER WEAKNESSES IN ADMINISTRATION
OF SPECIAL-USE PERMITS

Our review of the administration of special-use permits also disclosed numerous instances of noncompliance with prescribed Forest Service procedures and with the terms of permits, some of which resulted or may result in losses of revenue to the Government. Although the amounts involved in the individual cases generally were not large, the cumulative effect of unsatisfactory administrative practices can be significant.

Generally, the charges made to permittees who operated commercial public-service concessions were the minimum charges set forth in the Forest Service handbook. The handbook prescribes that a minimum fee equaling one half of 1 percent of sales shall be charged for such commercial enterprises as grocery stores and service stations; a fee equal to at least 1 percent of sales shall be charged for such enterprises as resorts, hotels, and cabin camps; and a fee of at least 1-1/2 percent of sales shall be charged for such enterprises as ski lifts, boat rentals, and restaurants. The handbook further states that, in most cases, fees charged should be higher than those shown in the minimum fee schedule. Generally, the permits provide for fee redeterminations at 5-year intervals.

Our review of Forest Service records on the fees charged for 303 commercial public-service special-use permits connected with outdoor recreation use disclosed that the minimum allowable percentage fees were being charged in 200 of the 303 cases. The 303 permits represented all the commercial public-service permits connected with outdoor recreation use in April 1961 where fees were

based on a percentage of sales, in the Intermountain Region, the California Region, the Pacific Northwest Region, and the Southern Region. In our field reviews, we found that the basis for the fees charged was not always a matter of record and, in some cases, fees appeared low on the basis of available information on land use values. In some areas, the fees on commercial and other permits were not reviewed at 5-year intervals to correct inconsistencies and bring the fees into conformity with current values.

Some examples of weaknesses noted with respect to the general administration of commercial and other types of special-use permits follow.

1. On a special-use permit for the operation of ski lifts and related facilities located partly on land in the Sawtooth National Forest, Idaho, the prescribed minimum fee of 1-1/2 percent of the revenue attributable to national forest lands was being charged. Available documentation did not evidence the propriety of the 1-1/2-percent rate or the portion of revenue considered to be attributable to national forest land (60 percent of one half of net sales from ski-lift operations plus certain other income).

Forest Service officials advised us that they planned to issue a revised permit providing for the allocation of revenue on the basis of actual use of the various lifts as determined by meter counters. We were also advised that consideration will be given to the adequacy of the percentage rate prior to the next fee adjustment date, January 1, 1966.

2. Our examination of 47 permits at the Mt. Hood and Deschutes National Forests, Oregon, disclosed that reviews of fees on 16 permits had not been made at the 5-year intervals specified in the permits.

In December 1962, Forest Service officials informed us that a comprehensive review of permit fees in these forests was underway, that 15 cases had been reviewed as of that time, and that fee adjustments had been made on five of the permits.

3. The fees charged for 20 permits in the Cache National Forest, Utah, were not supported by documents showing the basis used by the Service in establishing the fees. Also, the required 5-year review of fees had not been made at this forest for fiscal year 1960 and available records did not indicate that 5-year reviews had previously been made.

In December 1962, Forest Service officials informed us that fees on the 20 permits had been revised and that the 5-year review of all special-use permits at the Cache National Forest would be completed by December 1, 1963.

4. Three special-use permits that we reviewed at the San Bernardino National Forest, California, were for pipelines owned by commercial enterprises. The permits carried no charge although Forest Service instructions require that an appropriate fee be charged for such use. Subsequent to our discussions of the matter, Forest Service officials advised us that appropriate fees were established for these and similar permits for conduits serving commercial establishments.

5. At the Mt. Hood National Forest, Oregon, costs of maintenance work performed on Government facilities by a concessionaire were allowed as deductions in arriving at fees in fiscal years 1960, 1959, and 1957, although the work had not been approved in advance in writing by the forest supervisor. Such approval was required by the terms of the permit and Forest Service instructions.

In December 1962, Forest Service officials informed us that, in most cases involving maintenance costs allowed as deductions in arriving at fees, verbal approval was given in advance but not documented. In other cases, where advance approval was not obtained, they stated that the work involved was subsequently approved because it was of a type which would have been approved had approval been requested in advance. We were further informed that allowable maintenance work is now being included in a plan approved in advance with accomplishment costs verified by work orders, invoices, time reports, and expenditure records.

6. Forest Service instructions issued in fiscal year 1957 restrict the leasing of lands for the production of price-supported crops in surplus supply to permittees who are wholly or almost wholly dependent for livelihood on the lands covered by the permit and to permittees having a lifetime interest in the land based on an understanding between the parties at the time it was acquired. At the Croatan National Forest, North Carolina, in fiscal year 1961, the records of permits that allowed the growing of tobacco-- a crop that is price-supported and in surplus supply--did not, in many instances, indicate that the status of the permittees had been

evaluated to determine whether they qualified under the existing instructions. Our review disclosed that three of the stated permittees were persons who had been dead for a number of years and the lands were being used by their widows without change in the permits. A fourth permittee had been living in a distant city for many years and his father operated the lands. We brought these matters to the attention of Forest Service officials who, after investigation, informed us that the cases of the surviving widows of the three permittees and the father of the fourth permittee were considered to be hardship cases and that new permits were being issued to them.

Also, we noted that two permittees had placed in the 1958 acreage reserve program of the soil bank, the tobacco allotment lands covered by their permits and tobacco allotment land leased by one of them from a third permittee. The permittees involved received a total of about \$1,280 in soil bank payments from the Department of Agriculture in 1958 for lands rented from the Forest Service for approximately \$87 in the same year. The 1958 crop year was the last year for which the acreage reserve program was in effect. Forest Service officials advised us that they would not have permitted the national forest lands to be placed in the acreage reserve program if they had been aware of it at the time it happened. They informed us that two of the three permits were terminated at the end of 1961 and the third was continued for crop production purposes because the permittee was considered to be a hardship case.

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In addition to the above examples, there were other instances where fees appeared inadequate, the basis for fee charges was not a matter of record, and agency instructions relating to the orderly administration of permits were not followed.

Recommendation to the Chief, Forest Service

We recommend that the Chief, Forest Service, reemphasize to regional foresters the importance of observing established policies and instructions in order to achieve effective administration of special-use permits.

SCOPE OF REVIEW

The review work covered by this report was related to the administration by the Forest Service, Department of Agriculture, of recreation and other selected land use activities on national forest lands. Our review was concerned primarily with the administration of permits for summer-home sites and for commercial activities related to recreation.

We reviewed the basic laws, and the regulations, policies, and procedures of the Department of Agriculture and the Forest Service relating to recreation and to permits for the use of national forest lands. We interviewed officials and reviewed, on a test basis, pertinent records at the Forest Service central office in Washington, D.C., and at regional, forest, and district offices in four Forest Service regions. We reviewed the financial records of 21 concessionaires whose permit fees were based on percentages of sales, and we reviewed county court house records and interviewed realtors to obtain estimates of summer-home-site values.

Our review was performed mainly at the Forest Service locations shown below.

<u>Office</u>	<u>Location</u>
Central office	Washington, D.C.
Intermountain Region - Region 4	Ogden, Utah.
Cache National Forest	Logan, Utah
Wasatch National Forest	Salt Lake City, Utah
California Region - Region 5	San Francisco, California
Eldorado National Forest	Placerville, California
Inyo National Forest	Bishop, California
San Bernardino National Forest	San Bernardino, California

<u>Office</u>	<u>Location</u>
California Region - Region 5 (continued)	
Sierra National Forest	Fresno, California
Stanislaus National Forest	Sonora, California
Tahoe National Forest	Nevada City, California
Pacific Northwest Region - Region 6	
Deschutes National Forest	Portland, Oregon
Mt. Hood National Forest	Bend, Oregon
	Portland, Oregon
Southern Region - Region 8	
Cherokee National Forest	Atlanta, Georgia
Pisgah National Forest	Cleveland, Tennessee
	Asheville, North Carolina

Our field work was substantially completed in March 1961;
follow-up work in Washington was completed in May 1962.

APPENDIX

PRINCIPAL OFFICIALS
OF THE DEPARTMENT OF AGRICULTURE
RESPONSIBLE FOR THE ADMINISTRATION OF
RECREATION AND OTHER SELECTED LAND USE ACTIVITIES
AT THE LOCATIONS INVOLVED IN THIS REPORT

	<u>Tenure of office</u>	
	<u>From</u>	<u>To</u>
<u>DEPARTMENT OF AGRICULTURE</u>		
SECRETARY OF AGRICULTURE:		
Ezra Taft Benson	Jan. 1953	Jan. 1961
Orville L. Freeman	Jan. 1961	Present
ASSISTANT SECRETARY, FEDERAL-STATES RELATIONS:		
Ervin L. Peterson	Dec. 1954	Sept. 1960
Clarence M. Ferguson	Sept. 1960	Jan. 1961
Frank J. Welch	Jan. 1961	July 1962
ASSISTANT SECRETARY, RURAL DEVELOPMENT AND CONSERVATION (note a):		
John A. Baker	Aug. 1962	Present
<u>FOREST SERVICE</u>		
CHIEF:		
Richard E. McArdle	July 1952	Mar. 1962
Edward P. Cliff	Mar. 1962	Present
ASSISTANT CHIEF, NATIONAL FOREST RE- SOURCE MANAGEMENT:		
Edward P. Cliff	July 1952	Mar. 1962
Vacant	Mar. 1962	May 1962
Arthur W. Greeley	May 1962	Present
DIRECTOR, RECREATION AND LAND USES DIVISION:		
John Sieker	Mar. 1948	Present
REGIONAL FORESTER, INTERMOUNTAIN REGION, REGION 4:		
Floyd Iverson	Apr. 1957	Present

PRINCIPAL OFFICIALS
 OF THE DEPARTMENT OF AGRICULTURE
 RESPONSIBLE FOR THE ADMINISTRATION OF
 RECREATION AND OTHER SELECTED LAND USE ACTIVITIES
 AT THE LOCATIONS INVOLVED IN THIS REPORT (continued)

	Tenure of office	
	From	To
<u>FOREST SERVICE</u> (continued)		
REGIONAL FORESTER, CALIFORNIA REGION, REGION 5: Charles A. Connaughton	Oct. 1955	Present
REGIONAL FORESTER, PACIFIC NORTHWEST REGION, REGION 6: J. Herbert Stone	May 1951	Present
REGIONAL FORESTER, SOUTHERN REGION, REGION 8: J. K. Vessey	Mar. 1958	Present

^aResponsibility for Forest Service activities transferred on July 30, 1962, from Assistant Secretary, Federal-States Relations, to Mr. John A. Baker, Director, Rural Development and Conservation, who was designated Assistant Secretary on August 6, 1962.