

Special Report

Legislative Joint Auditing Committee

February 10, 2012

Arkansas Forestry Commission

Review of Selected Transactions

INTRODUCTION

This report is issued to inform the Legislative Joint Auditing Committee of selected transactions at the Arkansas Forestry Commission (AFC) involving the transfer of federal monies to state fund accounts to pay for Agency general operational salaries. Incorrect certification of income documents were filed with the Department of Finance and Administration (DFA), identifying streams of revenue to pay for general operations that were not available to AFC; inaccurate federal grant documents were filed with the granting federal agency, misrepresenting the use of federal funds; and 36 AFC employees were subjected to Reduction in Force (RIF) procedures in January 2012. This report identifies those individuals involved in the transfers and the steps that might have been taken to prevent the transactions. In addition, this report examines the cost-saving measures implemented by AFC management during the review period in response to the Agency's overall financial difficulties. The results of our review are summarized in the **Conclusion section beginning on page 7**, and the AFC management response is provided in **Appendix A**.

OBJECTIVES

The objectives of the report are as follows:

- Provide an explanation of the financial transactions related to the use of federal grant monies for Agency general operations and determine if those uses were allowed by the grant agreements.
- Determine which members of AFC management were aware of inappropriate activities related to the transactions selected for review.
- Document when financial difficulties at AFC began and what cost-saving measures were implemented by Agency management.

SCOPE AND METHODOLOGY

This review covers the period July 1, 2006 through December 31, 2011. We examined federal grant award and expenditure documents as well as state certification of income forms submitted to DFA relating to AFC. We interviewed AFC and DFA employees whose duties related to the selected transactions reviewed, Forestry Commissioners, and representatives from the Arkansas Agriculture Department. We also reviewed related Agency emails and financial records.

ARKANSAS DIVISION OF LEGISLATIVE AUDIT

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www.arklegaudit.gov

Report ID: PSSR08312 Report Date: February 9, 2012



The methodology used in conducting this review was developed uniquely to address the stated objectives and, therefore, was more limited in scope than an audit or attestation engagement performed in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States.

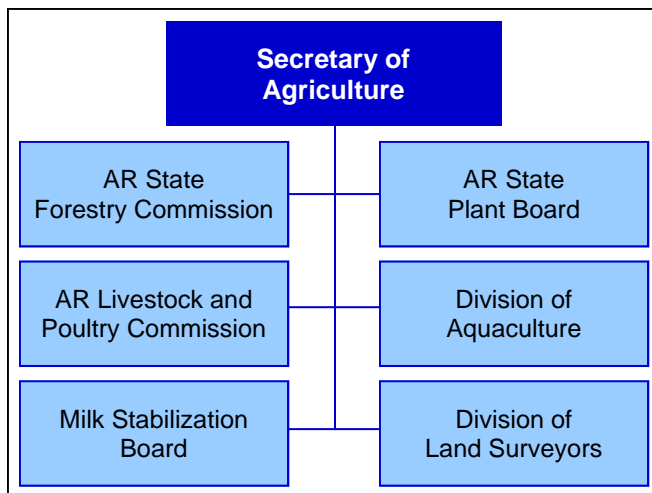
ORGANIZATIONAL STRUCTURE

In fiscal year 2008, AFC was merged with five other agencies to form the Arkansas Agriculture Department, and Mr. Richard Bell was appointed Secretary of Agriculture. As designed, each original agency, now a division of the Department, would retain its own director and oversight board while functioning under the umbrella of the Department for agricultural promotion. **Exhibit I** illustrates the organizational structure of the Department.

The new divisions retained their own accounting staff but are treated in the Arkansas Administrative Statewide Information System (AASIS) as one agency. As time progresses, it will become more difficult to ascertain the individual financial activities of each division unless changes are incorporated to begin coding division individual identifiers correctly in AASIS.

Exhibit I

Arkansas Agriculture Department
Organizational Chart



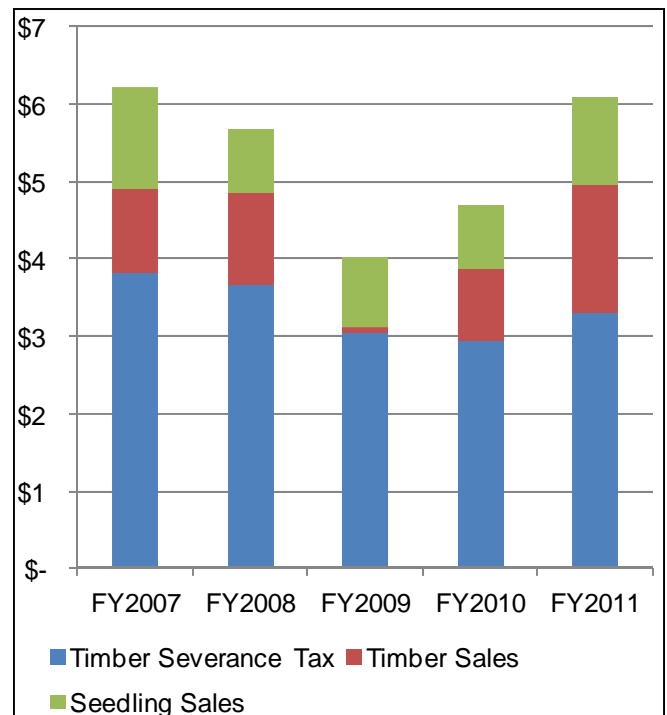
Source: Arkansas Agriculture Department

BACKGROUND

A significant decline in the demand for lumber followed the recent economic downturn, and a corresponding drop-off in AFC's timber severance tax revenue (which is based on the volume of timber harvested), timber sales, and seedling sales materialized. **Exhibit II** shows the change in special revenue for each source for fiscal years 2007 through 2011.

Exhibit II

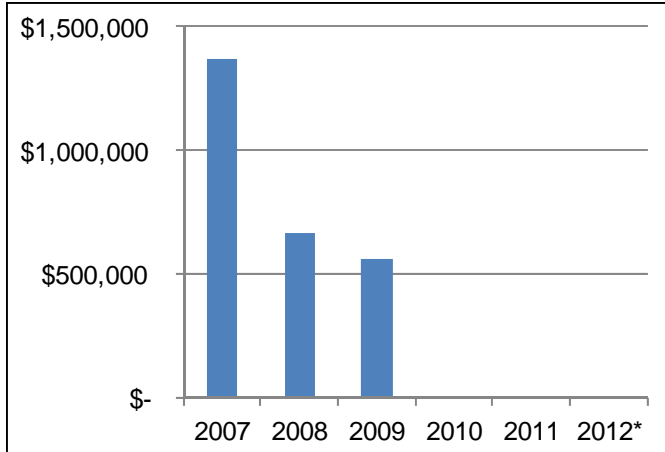
Arkansas Forestry Commission
Special Revenue
Fiscal Years 2007 through 2011
(in millions)



Fiscal Year	Timber			Total
	Severance Tax	Timber Sales	Seedling Sales	
2007	\$ 3.8	\$ 1.1	\$ 1.3	\$ 6.2
2008	\$ 3.7	\$ 1.2	\$ 0.8	\$ 5.7
2009	\$ 3.1	\$ 0.1	\$ 0.9	\$ 4.1
2010	\$ 2.9	\$ 0.9	\$ 0.8	\$ 4.6
2011	\$ 3.3	\$ 1.6	\$ 1.2	\$ 6.1
2012*	\$ 1.7	\$ 0.1	\$ 0.8	\$ 2.6

*Through December 31, 2011

Source: Arkansas Administrative Statewide Information System (unaudited by the Division of Legislative Audit)

Exhibit III**Arkansas Forestry Commission
Trust Fund****Fiscal Years Ending June 30, 2007 through 2011
and at December 31, 2011**

*At December 31, 2011

Source: Arkansas Administrative Statewide Information System
(unaudited by the Division of Legislative Audit)

In addition, the Agency's trust fund, used as a cash flow reservoir, was depleted by the end of fiscal year 2010. **Exhibit III** illustrates the ending balance of AFC reserve funds for fiscal years 2007 through 2011 and at December 31, 2011.

AFC lacked the necessary resources to fund the salaries of AFC employees beginning in September 2007. Federal monies were transferred from federal accounts to AFC operating accounts on a frequent and increasing basis through the remainder of our review period.

Currently, the U.S. Department of Agriculture (USDA) is reviewing AFC documents and will ultimately determine which expenditures will be allowed and the exact amount to be repaid to the federal grant fund. However, based on Agency records, we noted:

- 59 instances totaling \$6.4 million improperly transferred from federal grants throughout the review period, with \$1,567,926 remaining outstanding.
- Five additional transfers totaling \$427,886 not documented, possibly increasing the

amount owed the federal grant fund to \$1,995,812.

- These amounts do not include federal grant monies that may be used for legitimate, grant-related administrative expenditures.
- Documents were not adequately maintained to verify all administrative grant costs are permissible.

In January 2012, after discontinuing the use of federal grant monies to fund operational salaries, AFC enacted RIF procedures to reduce its workforce. In addition to the 34 positions listed in **Exhibit IV**, two employees resigned, bringing the total number of "RIFed" positions to 36.

Exhibit IV**Arkansas Forestry Commission
"RIFed" Positions
January 2012**

Position Title	Quantity
Forest ranger	9
Forester	6
Administrative specialist	3
Local office administrative specialist	3
Telecommunications specialist	3
Auto/Diesel mechanic	2
Fiscal support analyst	1
Heavy equipment operator	1
Human resources specialist	1
Maintenance technician	1
Natural resources program specialist	1
Natural resources program technician	1
Public information specialist	1
Training instructor	1

RIF - Reduction In Force

Note: In addition to the 34 positions listed above, two employees resigned, bringing the total number of "RIFed" positions to 36.

Source: Arkansas Forestry Commission

IMPROPER USE OF FEDERAL GRANT MONIES

Federal grant monies are obtained through two methods: advancements (federal monies are deposited into agency accounts before the corresponding grant expenditures occur) and reimbursements (federal monies are deposited after grant expenditures occur). The vast majority of federal grants in Arkansas are funded on a reimbursement basis, with exceptions allowed for advancements only with the written approval of the federal granting agency. All federal grants involved in the transactions reviewed at AFC were reimbursement grants, and no advancements of federal monies were authorized. The AFC agency director or the fiscal officer signed each of these agreements. Examples are provided in **Appendix B**.

Fiscal Officer Involvement

On January 17, 2012, Division staff interviewed Mr. Robert Araiza, the former AFC fiscal officer. When available Agency monies declined to the point that Agency salaries could not be paid in September 2007, Araiza stated he approached Mr. John Shannon, Arkansas State Forester and AFC director, to inform him of the problem. Araiza also stated he informed Shannon that federal grant monies were available to borrow against as long as the federal monies were repaid before the end of the fiscal year. Araiza then stated that Shannon instructed him to do what was necessary to fund payroll. Shannon disputes the timing of this conversation, dating it in 2010. Regardless, Araiza began submitting inaccurate federal grant documents to draw down federal grant monies prior to being spent, transferring the grant monies from federal fund to state fund accounts, and expending the federal grant monies for Agency general operational salaries, in conflict with grant agreements (see **Appendix B**).

After being presented with a draft copy of this report, Araiza stated on February 6, 2012, that

in September 2007 Shannon asked if any funds were available, to which Araiza replied they were not. According to Araiza, Shannon then asked about borrowing from federal funds, and Araiza replied that doing so was inappropriate and that funds would have to be paid back as soon as possible. Araiza further stated that Shannon instructed him to draw down federal funds and do whatever was necessary to fund payroll.

Management Involvement and Oversight

In an interview on January 17, 2012, Shannon stated he was informed by Araiza in 2010 that AFC was “borrowing” federal grant monies. Shannon stated he was informed in June 2011 AFC had an outstanding balance of advanced federal grant funding of approximately \$980,000 and \$650,000 at June 2010 and 2011, respectively. However, Shannon did not act to discontinue the practice of “borrowing” federal grant monies. Shannon indicated he should have known using federal grant funds for Agency general operations was improper, as evidenced by his signature on grant award acknowledgement documents in 2004, 2005, and 2011 provided in **Appendix B**. The documents in **Appendix B** specify grant rules and restrictions on the use of federal funds.

In addition, Mr. Doug Akin, Assistant State Forester for Management, whose duties include forest health grant management, acknowledged in a January 17, 2012, interview that he heard the term “borrowing” used in the AFC office as early as spring 2011 but that the Agency’s “borrowing” of federal funds was not confirmed to him until November 17, 2011. In a follow-up interview on January 25, 2012, Akin was presented with copies of the Agency’s internal financial grant schedules (see **Appendix B**) dating back to April 2009. Akin stated that he should have known of the advancements of federal grant monies based on the grant schedules that he and his staff were provided and confirmed that the grant schedules show that excessive draws of federal monies had occurred prior to related proper federal grant expenditures.

After reviewing a draft copy of this report, Akin stated on February 6, 2012, that he was never notified of any advancement of federal grant monies, did not know there were any excessive draws of federal grant monies, and never said that he mistakenly did not act when notified of the advancements.

Certifications of Income

Certifications of Income are an essential part of an agency's Annual Operating Plan (AOP). The certifications encumber or assign streams of revenue to specific expenditures appropriated to an agency. AFC certified excess federal funds designated for specific federal program purposes to Agency general operational expenditures in fiscal years 2008, 2011, and 2012 (see **Appendix B**). Araiza's preparation of incorrect certifications, in effect, misled DFA regarding the availability of federal funds and the degree of the Agency's precarious financial situation. The inaccurate certifications provided to us by the DFA - Office of Budget were prepared by Araiza, and all but one were signed by Agriculture Secretary Richard Bell. Bell stated inadequate documentation and explanation were provided to him prior to his signing. Bell further stated it was his understanding the documents had been verified at AFC and he was asked to sign because Shannon was unavailable.

Outside Agency Oversight

In addition to management oversight, we also examined procedures used by DFA - Office of Budget and the Division of Legislative Audit to detect the transfer and misuse of federal grant monies.

Office of Budget

DFA - Office of Budget typically must approve all transfers of monies from one fund to another. However, DFA interprets Ark. Code. Ann. § 15-31-109 to specifically allow AFC to transfer monies from the federal fund account to a state fund account without DFA approval. Once in the state fund account, the monies

were expended on AFC operational payrolls. When interviewed, the DFA budget analyst who served as the liaison for AFC stated she did notice the significant number of transfers but noted that transfers were permitted by Arkansas Code and took no further action. DFA employees do not have routine access to the terms of the federal grant agreements entered into by agencies and rely on the fiduciary oversight of the director and fiscal officer of each agency.

We concur that DFA operations are not designed or expected to detect the type of inappropriate activity subsequently discovered at AFC. In addition, staffing levels at the Office of Budget would not allow each budget analyst to know the intricate details of each federal grant administered by each state agency.

However, we recommend DFA consider implementing additional procedures for agencies with declining trust fund or special revenue accounts that are critical to an agency's operations to ensure frequent or significant fund transfers are appropriate.

DFA Management Response:

The Department of Finance and Administration (DFA) concurs with the Division of Legislative Audit's findings that "DFA consider implementing additional procedures for agencies with declining trust fund or special revenue accounts that are critical to an agency's operations."

DFA is reviewing the state agency fund transfer process to determine what "additional procedures" or information can be required from all state agencies to provide additional oversight of agency fund transfers. Agencies must accurately and timely identify trust fund and special revenue declines to prevent budget shortfalls and improper transfers.

DFA has implemented a process of enhanced review of agency revenue certifications to require that agencies accurately report certified trust and special revenue. This will assist in identifying declining trust and special revenue

account information that is critical to agency operations. This will also assist in accurate budgeting, which will minimize fund transfers.

DFA will develop a process that will allow agency fiscal staff to integrate information from the State budget system (PBAS) and the State accounting system (AASIS) to track actual revenue collections by source and compare collections to budgeted expenditures. This information will allow periodic reporting to timely identify declining fund balances.

Division of Legislative Audit

The Division of Legislative Audit audits all federal programs for the State in one "Single Audit" and is reimbursed for its services by the federal government. Based upon guidelines listed in United States Office of Management and Budget Circular A-133, each federal program is inventoried, and then a test of federal grants is selected for audit. For the 2011 "Single Audit," the Division tested 88.3% of all federal award expenditures.

The monetary value of the federal grants at AFC has fallen well below the threshold of federal programs to be audited over the past few years in conjunction with the "Single Audit." However, in light of the inappropriate activity subsequently discovered at AFC, the Division is evaluating what additional auditing procedures might be implemented at each agency's regularly scheduled review as staffing available to the Division allows.

OTHER SIGNIFICANT USES OF AFC RESOURCES

Apart from the inappropriate use of federal funds, AFC's financial difficulties were common knowledge among AFC employees and Commissioners and had been brought to the attention of DFA. We were asked to examine the cost-saving measures implemented by AFC management during

the review period in response to the Agency's overall financial difficulties.

Shannon and other AFC management stated that cost-reduction steps were implemented in 2009 to offset the decline in special revenue. Steps reportedly taken included keeping unfilled positions vacant, delaying equipment purchases, and reducing travel expenditures. As part of our review, we examined all significant uses of AFC resources to determine if cost-saving measures were taken. Highlighted expenditures we examined are discussed separately below.

Vacant Positions

AFC contends cost-saving measures used to offset the decline in revenue included allowing authorized positions to remain unfilled. AFC management represented to the Division that 10 positions were vacant in October 2010 and 20 positions were vacant in September 2011. The review of filled and vacant positions at AFC found one position remained vacant until fiscal year 2012. **Exhibit V** details authorized, filled, and vacant positions at AFC from July 1, 2006 through December 31, 2011.

Exhibit V

Arkansas Forestry Commission Authorized, Filled, and Vacant Positions For the Fiscal Years 2007 through 2012

Fiscal Year	Positions		
	Authorized	Filled	Vacant
2007	329	329	0
2008	329	329	0
2009	329	329	0
2010	329	329	0
2011	329	328	1
2012*	329	309	20

*Through December 31, 2011

Note: Does not include extra help positions or positions affected by the January 2012 Reduction in Force (RIF) procedures.

Source: Arkansas Administrative Statewide Information System (unaudited by the Division of Legislative Audit)

Equipment Purchases

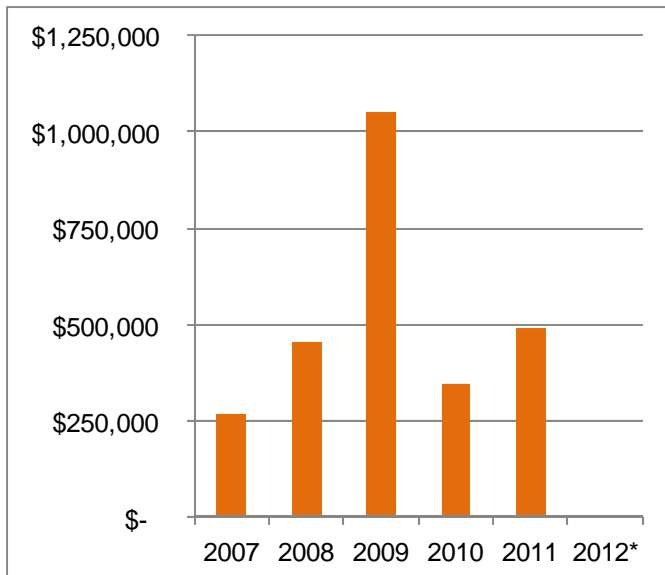
A review of equipment purchased with state funds indicated AFC made minimal effort to contain expenditures except in fiscal years 2010 and 2012. **Exhibit VI** shows annual equipment purchases averaged \$524,000 in fiscal years 2007 through 2011. Examples of purchases include vehicles, tractors, computers, firearms, and radios.

Land Purchases

Ark. Code Ann. § 19-5-927 permits AFC to use reserve funds for general operations and to acquire land for state forests. In 2008, AFC purchased 2,367 acres of land for its Poison Springs tract using \$590,000 of its reserve funds and 1,704 acres in 2009 using an additional \$265,000 of reserve funds. The expenditures for land in addition to the decline in revenue contributed to the exhaustion of AFC reserve funds.

Exhibit VI

Arkansas Forestry Commission Equipment Purchases Fiscal Years 2007 through 2012



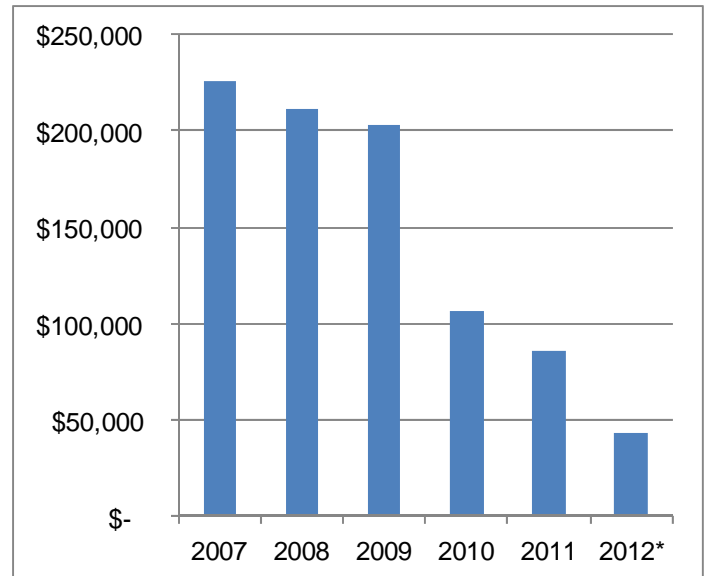
*Through December 31, 2011

Note: Expenditures represented above exclude purchases funded by federal and general improvement monies.

Source: Arkansas Administrative Statewide Information System (unaudited by the Division of Legislative Audit)

Exhibit VII

Arkansas Forestry Commission Travel Expenditures Fiscal Years 2007 through 2012



*Through December 31, 2011

Note: Expenditures represented above exclude travel expenditures funded by federal and general improvement monies.

Source: Arkansas Administrative Statewide Information System (unaudited by the Division of Legislative Audit)

Agency Travel

Exhibit VII shows overall travel expenditures at AFC declined significantly from fiscal year 2007 through December 31, 2011.

Airplane Usage

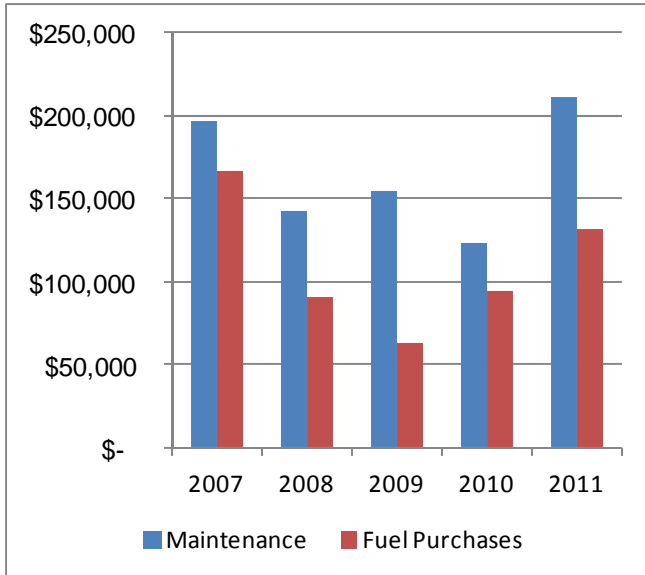
Exhibit VIII on page 8 shows aircraft maintenance costs and fuel purchases at AFC fluctuated in fiscal years 2007 through 2011. AFC records indicate the Agency owns six aircraft: one Commander AC500B, four Cessna 182s, and one Cessna 210. The flight log documentation was reviewed, and the vast majority of log entries indicate flights were for fire detection, fire suppression support, or maintenance.

CONCLUSION

While auditing procedures are not designed to identify whether an individual's actions were intentional, we have identified several

Exhibit VIII

**Arkansas Forestry Commission
Aircraft Maintenance Costs and
Fuel Purchase Expenditures
Fiscal Years 2007 through 2011**



Note: Expenditures represented above exclude purchases funded by federal and general improvement monies.

Source: Arkansas Administrative Statewide Information System (unaudited by the Division of Legislative Audit)

instances in which AFC management actions were questionable.

- Araiza filed inaccurate federal and state financial documents, drew down federal grant monies prematurely, and improperly used federal monies for state operations over a three-year period.
- In conducting his oversight responsibilities as AFC director, Shannon did not:
 - ♦ Fully question the Agency's ability to obtain loans from a federal program.
 - ♦ Review prepared internal financial grant schedule reports showing the excessive drawing of federal monies without corresponding federal program expenditures.

- ♦ Examine certification of income documents reflecting AFC's assignment of federal dollars to operational expenditures.

- Akin did not report to Shannon that excess federal monies were being drawn on the federal programs managed by Akin.
- Bell signed AFC certification of income documents on behalf of Shannon without fully understanding the implications of the forms and the financial situation at AFC.

The USDA is reviewing AFC documents and will ultimately determine which expenditures will be allowed and the exact amount to be repaid to the federal grant fund. However, based on Agency records, we noted 59 instances totaling \$6.4 million improperly transferred from federal grants throughout the review period, with \$1,567,926 remaining outstanding. A lack of documentation for five additional transfers totaling \$427,886 could possibly increase the amount owed the federal grant fund to \$1,995,812.

As a result of our review, we conclude Araiza's actions were inappropriate and may be in violation of Arkansas Code.

Shannon did not exercise due diligence in his oversight of Agency financial activities. After stating he was notified in June 2010 that the Agency was "borrowing" federal funds, Shannon continued the practice, although he had been made aware it was not allowed. This is evidenced by Shannon's signature on federal grant agreements in 2004, 2005, and 2011 that prohibit using award monies for general operational expenses.

Also, with the exception of Agency travel, our review did not identify that Shannon implemented significant cost-saving steps during the Agency's financial difficulties until fiscal year 2012.

In addition, it will become more difficult to ascertain the individual financial activities of each division of Agriculture Department unless changes are incorporated to begin coding division individual identifiers correctly in AASIS.

We recommend AFC reexamine its federal grant award, draw, and oversight procedures to ensure all federal grant monies are

properly recorded, expended, and reported. We also recommend AFC certification of income documents be reviewed and signed by the AFC director and fiscal officer.

The AFC Management Response is provided in **Appendix A**.

This report will be forwarded to the Sixth Judicial District Prosecuting Attorney.



Appendix A

Arkansas Forestry
Commission



Management
Response



ARKANSAS FORESTRY COMMISSION

3821 West Roosevelt Road Little Rock, Arkansas 72204-6396

(501) 296-1940 fax: (501) 296-1949

John T. Shannon, R.F.
State Forester

February 9, 2012

Mr. Doug Spencer
Arkansas Division of Legislative Audit
Room 172, State Capitol
Little Rock, AR 72201

RE: Management Response from the Forestry Commission

Dear Mr. Spencer:

I thank you and your staff for auditing the Forestry Commission and for providing this opportunity to submit a Management Response.

The Forestry Commission welcomes and is implementing the recommendations set-out at page 8. We are changing completely the way we handle federal grants and Certifications of Income.

- From now on grant forms SF 424 (applying for a federal grant), SF 425 (reporting progress) and SF 270 (requesting a reimbursement or an advance) must include summary documentation and be reviewed and initialed by the program manager and signed by the Finance Manager before being presented to me for my initials after a review and approval conference. This practice will apply to every federal grant.
- From now on Certifications of Income must include summary documentation, initials by income producers (Reforestation Manager, etc.) and signature by the Finance Manager before being presented to me (not the Agriculture Secretary) for my signature after a review and approval conference.

In sum, these processes will be heavily peer-reviewed and I will be directly involved every step of the way.

I relied fully on Mr. Araiza to manage the financial aspects of our federal grants. My reliance was in good faith; his audit results were clean and the Southern Region of the US Forest Service had identified Mr. Araiza as the best person to train other southern state forestry agency fiscal managers in federal grants management. But preliminary findings by the federal grants process review team indicate that Mr. Araiza misled the US Forest Service when he falsely claimed reimbursements.

Mr. Araiza alone completed and submitted to the US Forest Service SF 270 forms falsely claiming reimbursements and SF 425 reports falsely claiming grant expenditures. No other staff member saw the SF 270s or SF 425s. Mr. Akin was responsible for accomplishing grant work on the ground. He never signed grant financial documents. Mr. Araiza was responsible for all fiscal aspects of grants management, not Mr. Akin.

On page 3 of the report, auditors state “59 instances totaling \$6.4 million improperly transferred from federal grants throughout the review period, with \$1,567,926 remaining outstanding”. We do not dispute the total amount of transfers referred to in this statement. However we do believe that the amount outstanding to the Federal Government is lower than reported by the auditors. We believe that transfers made with the intent of “borrowing” Federal funds were well-tracked by AFC staff. We too await the results of the US Forest Service financial review to confirm our belief regarding the Federal funds owed.

From page 4, sometime in early 2010 Mr. Araiza told me we would have a hard time making the payroll but that we could borrow from a federal grant “and that would take care of it.” I asked Mr. Araiza if we were allowed to borrow from federal grants. He said yes and that DF&A knew about the borrowing. This admission directly contradicts Mr. Araiza’s claim later on page 4 that he told me borrowing was inappropriate but that I instructed him to do so anyway, which is flatly untrue.

Mr. Araiza also assured Deputy Agriculture Secretary Cynthia Edwards that the Forestry Commission was allowed to borrow from federal grants.

Page 4 also states that “ ... Shannon did not act to discontinue the practice of “borrowing” federal grant monies upon being notified [that the borrowing was improper].” I was not notified and did not know that the borrowing was improper until told by DF&A officials on November 17, 2011, approximately two weeks after Mr. Araiza resigned.

Text on page 4 also states that because I signed grant award documents “Shannon indicated he should have known using federal grant funds for Agency general operations was improper [.]” This is a significant overstatement. The documents indicated to me only that a grant was awarded. I signed where Mr. Araiza asked me to, relying on him to comprehend the details. That will not happen again.

The bottom of page 5 reports that the “AFC’s financial difficulties were common knowledge[.]” There is a big difference between financial difficulties and a financial crisis. Mr. Araiza never told me or the Forestry Commissioners or the Agriculture Commissioners that Forestry’s financial path was unsustainable. The last financial statement Mr. Araiza prepared (Oct. 31, 2011) showed \$7,324,908 in revenues and only \$6,155,109 in disbursements. On November 17, 2011, I learned that the Forestry Commission was facing a \$ 4,000,000 shortfall.

On page 6, the discussion of vacant positions and the associated Exhibit V are misleading. While all 329 authorized positions might not have been vacant for the entirety of the years listed, all 329 positions were certainly not filled for the entire periods. We stand by our representations of vacant positions in October 2010 and September 2011.

The discussion of equipment purchases on page 6 is not entirely accurate, especially for 2009. This expenditure data was taken from asset additions in the AASIS system. Using this methodology does not allow for asset items that are received by AFC without cost or received with fully reimbursed cost. The major example is passenger vehicles that are funded by DFA Administrative Services but then added to the AFC asset records. Additionally, there were items of equipment purchased from the SDF operating fund that were in fact funded by Federal grants, and thus should not have been included in Exhibit VI. Also, there are certain assets, firearms for Enforcement staff as an example, that were purchased with funds specifically donated for that purpose and the funds would therefore not be available for any other operating purpose. For fiscal year 2009, approximately \$585,000 of asset additions fall into these categories. In the auditors' defense, this would have been difficult for them to determine strictly from asset records.

The top of page 7 discusses the Forestry Commission spending \$855,000 to purchase forest land. Those purchases already have returned \$476,734 in timber sale proceeds. That land will continue to provide needed income far beyond our lifetimes.

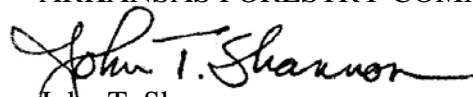
At the bottom of page 7, the auditors conclude that I did not fully question the Forestry Commission's ability to borrow from federal grants. I disagree with this conclusion, as I asked Mr. Araiza an unambiguous question -are we allowed to borrow? He answered unambiguously – yes, and DF&A knows about the borrowing. Please recall that Ms. Edwards asked the same question and received the same assurance.

At page 8 the auditors also conclude that I did not examine Certifications of Income that falsely indicated federal grant dollars were available for operations. I did not have an opportunity to review the Certifications. Mr. Araiza never presented them to me. Instead he bypassed me and asked Secretary Bell to sign the Certifications of Income. With these false Certifications Mr. Araiza misled DFA and Secretary Bell.

Finally, the auditors conclude that I “continued the practice [of borrowing] although he had been made aware it was not allowed.” I vehemently deny this conclusion. I learned the borrowing was unauthorized on November 17, 2011. Had I known earlier I would have halted the practice immediately.

This is a new day for fiscal management at the Forestry Commission. Our Finance Manager is in his 20th year as a CPA and he is an experienced federal grants program and financial manager. All grants documents and Certifications of Income will be intensely peer-reviewed and I will be in the middle of it all. I will exercise due diligence and “trust but verify.” My objective is to implement the auditors' recommendations, correct our fiscal management practices, and restore confidence in the Forestry Commission.

Respectfully yours,
ARKANSAS FORESTRY COMMISSION


John T. Shannon

Appendix B

Arkansas Forestry Commission

Selected Documents

Table of Contents

2004 U.S. Dept. of Agriculture Award Amendment	B-1
2005 U.S. Dept. of Agriculture Award Amendment	B-4
2011 U.S. Dept of Agriculture Southern Pine Beetle Award	B-6
2010 Request for Reimbursement	B-25
2011 Financial Grant Schedule	B-27
Certifications of Income	B-28



United States
Department of
Agriculture

Forest
Service

Southern Research Station
Headquarters

Sarge
P.O. Box 2680
Asheville, NC 28802
828-257-4832 Voice
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828-259-0503 TDD

Appendix B

File Code: 4080-1

Date: April 12, 2004

Mr. John T. Shannon
State Forester
Arkansas Forestry Commission
3821 West Roosevelt Road
Little Rock, AR 72204

Dear Mr. Shannon:

Enclosed is your copy of Amendment No. 2 to SRS 03-CA-11330145-155 which has been executed by the Forest Service. This amendment provides additional funding for the FY 2004 Forest Inventory and Analysis program.

We appreciate your work under this agreement. Please refer project related questions to John Kelly at (828) 257-4306. Administrative questions may be directed to Kathy Hart at (828) 257-4228.

Sincerely,



BETTIE MCGUIRE

Assistant Director for Administration

Enclosure





United States
Department of
Agriculture

Forest
Service

Southern Research Station
Headquarters

P.O. Box 2680
Asheville, NC 28802
828-257-4832 Voice
828-257-4840 Fax
828-259-0503 TDD

File Code: 4080-1

Date: April 1, 2004

Route To:

Subject: Federal Financial Assistance Award of Amendment No. 2 to SRS 03-CA-11330145-155

To: Mr. John T. Shannon
State Forester
Arkansas Forestry Commission
3821 West Roosevelt Road
Little Rock, AR 72204

Upon execution of this document, an increased award to Arkansas Forestry Commission in the amount of \$237,619 is made under the terms of the Forest and Rangeland Renewable Resources Research Act of 1978, as Amended, Public Law 95-307, and accepted for the purposes described in the narrative of the original agreement. The enclosed Amendment No. 2 to Agreement No. SRS 03-CA-11330145-155 provides funding for the FY 2004 performance period, October 1, 2003 through September 30, 2004. Please note that funding provided by this amendment may not be used for any expenditures that occurred prior to October 1, 2003. The agreement is subject to the requirements set forth below.

Forest Inventory & Analysis (FIA) will conduct all Phase 3 measurements for Arkansas in FY 2004. The new work plan is included and made a part of this amendment. When submitting invoices for work performed under this agreement, please do not submit cumulative invoices for combined fiscal years. Instead, please **show only FY 2003 expenses on reimbursement requests for FY 2003 and FY 2004 expenses on requests for FY 2004.** All work performed for FY 2003 should be invoiced completely before submitting invoices for work performed for FY 2004. Please submit invoices for reimbursement at least quarterly, but no more than monthly.

We also need for you to continue to submit accrual information as outlined in the Administrative Provisions of the original agreement, Item 15 – Accrued Accounts Payable. The Forest Service is still being required to report accrued accounts payable every quarter. Please provide the information requested at least quarterly, arriving at the Forest Service office on March 20, June 20, September 20, and December 20.

This is an award of Federal financial assistance and as such is subject to the Office of Management and Budget (OMB) Circular A-102, Grants and Cooperative Agreements with State and Local Governments; OMB Circular A-87, Cost Principles for State and Local Governments, as implemented by the United States Department of Agriculture (USDA) Uniform Federal Assistance Regulations, 7 CFR 3016, and the OMB Circular A-128, Audits of State and Local Governments, as implemented by USDA regulation 7 CFR 3052. The OMB Circulars are available on the internet at www.whitehouse.gov/OMB/grants.



Electronic copies of the CFR's can be obtained at the following internet site:
www.access.gpo.gov/nara/cfr. The enclosed administrative provisions apply to the agreement.

Please complete and sign the acceptance on the bottom of this notice of award and return two signed copies with attachments to the Southern Research Station. After execution by the Forest Service, we will return one originally signed copy for your file.

The administrative provisions are amended as follows:

ADMINISTRATIVE PROVISIONS

II. NARRATIVE:

10. AVAILABILITY OF FUNDS. Funds in the amount of **\$237,619** for FY 2004 (a total of \$527,499 FY's 2003 and 2004) are currently available for performance of this instrument through September 30, 2007. The Forest Service's obligation for performance of this instrument beyond this date is contingent upon the availability of appropriated funds from which payment can be made. No legal liability on the part of the Forest Service for any payment may arise for performance under this instrument beyond September 30, 2007, until funds are made available to the Forest Service for performance and until the recipient/cooperator receives notice of availability to be confirmed in a written modification by the Forest Service.

The attached work plan addressing training, quality assurance, and productivity are incorporated and made a part of this agreement.

All other provisions of Agreement No. SRS 03-CA-11330145-155 are applicable to this amendment.

If you have any questions regarding this amendment, please contact Kathy Hart at (828) 257-4228.

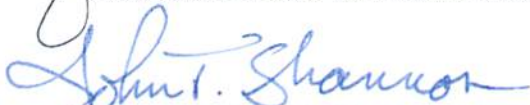
Accepted:



BETTIE MCGUIRE

Assistant Director for Administration

Date: 4/12/04



Arkansas Forestry Commission

Date: 4-7-04

Forest Service Use

Job Code: FRRE4504-\$227,619; NFIM4504-\$10,000



United States
Department of
Agriculture

Forest
Service

Southern Research Station
Headquarters

P.O. Box 2680
Asheville, NC 28802
828-257-4832 Voice
828-257-4840 Fax
828-259-0503 TDD

File Code: 4080-1

Date: April 18, 2005

Route To:

Subject: Federal Financial Assistance Award of Amendment No. 5 to SRS 03-CA-11330145-155

To: Mr. John T. Shannon
State Forester
Arkansas Forestry Commission
3821 West Roosevelt Road
Little Rock, AR 72204

Upon execution of this document, an increased award to the Arkansas Forestry Commission in the amount of \$234,430 is made under the terms of the Forest and Rangeland Renewable Resources Research Act of 1978, as Amended, Public Law 95-307, and accepted for the purposes described in the narrative of the original agreement. The enclosed Amendment No. 5 to Agreement No. SRS 03-CA-11330145-155 provides funding for the performance of the FY 2005 inventory. Please note that funding provided by this amendment may not be used for any expenditures that occurred prior to October 1, 2004. The agreement is subject to the requirements set forth below.

The state of Arkansas will conduct Phase 3 measurements for FY 2005. The new work plan is included and made a part of this amendment. **Please submit invoices for reimbursement at least quarterly, but no more than monthly.**

This is an award of Federal financial assistance and as such is subject to the Office of Management and Budget (OMB) Circular A-102, Grants and Cooperative Agreements with State and Local Governments; OMB Circular A-87, Cost Principles for State and Local Governments, as implemented by the United States Department of Agriculture (USDA) Uniform Federal Assistance Regulations, 7 CFR 3016, and the OMB Circular A-128, Audits of States, Local Governments, and Nonprofit Organizations, as implemented by USDA regulation 7 CFR 3052. The OMB Circulars are available on the internet at www.whitehouse.gov/OMB/grants. Electronic copies of the CFR's can be obtained at the following internet site: www.access.gpo.gov/nara/cfr. The enclosed administrative provisions apply to the agreement.

Please complete and sign the acceptance on the bottom of this notice of award and return two signed copies with attachments to the Southern Research Station. After execution by the Forest Service, we will return one originally signed copy for your file.



The administrative provisions are amended as follows:

ADMINISTRATIVE PROVISIONS

II. NARRATIVE:

10. AVAILABILITY OF FUNDS. Funds in the amount of **\$234,430** for FY 2005 (a total of \$1,011,929 for FY's 2003, 2004, and 2005) are currently available for performance of this instrument through September 30, 2007. The Forest Service's obligation for performance of this instrument beyond this date is contingent upon the availability of appropriated funds from which payment can be made. No legal liability on the part of the Forest Service for any payment may arise for performance under this instrument beyond September 30, 2007, until funds are made available to the Forest Service for performance and until the recipient/cooperator receives notice of availability to be confirmed in a written modification by the Forest Service.

The attached work plan addressing training, quality assurance, and productivity are incorporated and made a part of this agreement.

All other provisions of Agreement No. SRS 03-CA-11330145-155 are applicable to this amendment.

If you have any questions regarding this amendment, please contact Kathy Hart at (828) 257-4228.

Accepted:


BETTIE MCGUIRE
Assistant Director for Administration

Date: 5/3/05


Arkansas Forestry Commission

Date: 4-25-05

Forest Service Use

Job Code: FRRE4505-\$224,192; SPIA4505-\$10,238



United States
Department of
Agriculture

Forest
Service

Southern Region

1720 Peachtree Road NW
Atlanta, Georgia 30309

File Code: 1580

Date: August 30, 2011

Mr. John T. Shannon
State Forester
Arkansas Forestry Commission
3821 Roosevelt Road
Little Rock, AR 72204

Dear Mr. Shannon:

Program: Forest Health Protection
Project: Southern Pine Beetle (SPB) Prevention-Restoration
Period: October 1, 2010 thru September 30, 2013
Award No: 11-DG-11083105-005

AR 110726-082

Upon execution of this document, an award to the Arkansas Forestry Commission, in the amount of **\$750,000** is made for the above project and accepted for the purpose described in the application narrative. The source of funding for this award is from the USDA Forest Service. Your application for Federal Financial Assistance dated June 22, 2011, and the enclosed USDA Forest Service provisions, 'Additional Domestic Award Provisions,' are incorporated into this letter and made a part of this award. By acceptance of this award, the grantee agrees to comply with the applicable Federal requirements for grants and cooperative agreements and to the prudent management of all expenditures and actions affecting the award, as listed below.

The Forest Service will not approve any request for reimbursements on this award until there is a resolution of issues related to the supplies category listed on the SF 424A and respective program narrative and budget tables.

The initial grant period is three (3) years. The project application should be established for the most appropriate period within the three year limitation, but with the intent of assuring that all funds are appropriately obligated by the end of the year. The funds should be obligated to the extent practical during the year of the Federal Appropriation so that consistency with the annual nature of USDA Forest Service planning, budgeting, and accounting systems may be maintained. It is important that you do your best to comply with Federal Budget procedures to retain as much conformity as possible.

This award letter is made under the following Authorities and Cost Principles:

AUTHORITIES: 10.680 FOREST HEALTH PROTECTION

FEDERAL AGENCY: FOREST SERVICE, DEPARTMENT OF AGRICULTURE

AUTHORIZATION:

Cooperative Forestry Assistance Act of 1978, Public Law 95-313; Food, Agriculture, Conservation, and Trade Act of 1990, as amended, Public Law 101-624; Consolidated Appropriations Resolution FY 2003, Public Law 108-7, Division F, Title II; subsequent appropriation Acts, Public Law 108-108.



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This is an award of Federal financial assistance and is subject to the Office of Management and Budget (OMB) Circulars.

COST PRINCIPLES:

OMB Circular A-87 (2 CFR Part 225) Cost Principles for States & Local Governments

ADMINISTRATIVE STANDARDS:

OMB Circular A-102 – Grants & Cooperative Agreements with State & Local Governments and Indian Tribes

OMB Circular A-133 – Audits of States, Local Governments and Non-Profit Organizations

and implemented by:

7 CFR Part 3016 – State and Local Governments and Indian Tribes Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments

7 CFR Part 3017 – Debarment and Suspension States, Local Governments, and Non-Profit Organizations, Institutions of Higher Education, For-Profit Organizations

7 CFR Part 3018 – New Restrictions on Lobbying, States, Local Governments, and Non-Profit Organizations, Institutions of Higher Education, For-Profit Organizations

7 CFR Part 3021 – Government-wide Requirements for Drug-Free Workplace, States, Local Governments, and Non-Profit Organizations, Institutions of Higher Education, For-Profit Organizations.

7 CFR Part 3052 – Audits of States, Local Governments and Non-Profit Organizations, States, Local Governments and Non-Profit Organizations, Institutions of Higher Education, For-Profit Organizations

2 CFR Part 175 – Trafficking Victims Protection Act Award Terms, States, Local Governments, and Non-Profit Organizations, Institutions of Higher Education, For-Profit Organizations

31 CFR Part 205 – Treasury Department Implementing the 1990 Cash Management Improvement Act (CMIA), States, Local Governments

Effective October 1, 2010, recipients are required to report information on sub-award and executive total compensation, as required by the Federal Funding Accountability and Transparency Act of 2006 (Pub. L. 109-282), as amended by section 6202 of Public Law 110-252, hereinafter referred to as “the Transparency Act.” See the award terms in Attachment B: 2 CFR Part 170.

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PRINCIPAL CONTACTS:

	U. S. Forest Service Program Contact	U. S. Forest Service Administrative Contact
Name	Don Duerr	Paulette Anderson
Address	USDA Forest Service Southern Regional State & Private Forestry 1720 Peachtree RD NW, Suite 850 S Atlanta, GA 30309	USDA Forest Service Grants and Agreements Management 1720 Peachtree RD NW, Suite 876 S Atlanta, GA 30309
Telephone Number	404-347-3541	404-347- 2716
E-Mail	dduerr@fs.fed.us	panderson01@fs.fed.us
	Recipient Contact	Recipient Administrative Contact
Administrative Name	Robert Araiza	THE SAME
Address	3821 West Roosevelt Road Little Rock, Arkansas	
Telephone Number	501-296-1931	XXX- XXX-XXXX
E-Mail	robert.araiza@arkansas.gov	

Terms and Conditions

The following administrative provisions apply:

Pre-Award Costs

Pursuant to 2 CFR 215.25(e) I, pre-award costs incurred as of October 01, 2010 are hereby authorized under this award. Grantees may incur pre-award costs within the 90 day period immediately preceding the effective date of the grant provided the approval of pre-award spending is made and documented in accordance with the Grantees normal procedures prior to incurrence of cost. Pre-award costs must be necessary for the effective and economical conduct of the project and the costs must be otherwise allowable. Pre-award expenditures are made at the grantee's risk. Expenditures will not be reimbursed until actual execution of the official award.

Payment Procedures

Payments for grants and agreements awarded by the Southern Region Office (RO), State and Private Forestry (S&PF) are made through the Albuquerque Service Center (ASC). Applicant organizations are assigned a 12-digit Entity Identification Number for payment and accounting purposes. That number is an expansion of the 9-digit Employer Identification Number assigned to an organization by the Internal Revenue Service.

Any questions concerning payments should be addressed to the Albuquerque Service Center at (877) 372-7248. Please ask for the Grants and Agreements Payments section. Please mail invoices and payments-related correspondence to the following address. The invoice must be sent by one of the three methods (email is preferred):

Mr. John T. Shannon

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EMAIL: asc_ga@fs.fed.us

FAX: 877-687-4894

POSTAL: U. S. Forest Service
Albuquerque Service Center
Payments – Grants & Agreements
101B Sun Ave. NE
Albuquerque, NM 87109

Send a copy to: Don Duerr
USDA Forest Service
1720 Peachtree RD NW
Suite 850 N
Atlanta, GA 30309

Advance /Reimbursable Payments – Financial Assistance

Advance/reimbursable payments are approved under this award. **Advance payment request will be reviewed and approved on a case-by-case basis.** Only costs for those project activities approved in (1) the initial award, or (2) modifications thereto, are allowable. Requests for payment shall be submitted on Standard Form 270 (SF-270), Request for Advance or Reimbursement, and shall be submitted no more than monthly. In order to approve a Request for Advance Payment or Reimbursement, the USDA Forest Service shall review such requests to ensure advances or payments for reimbursement are in compliance and otherwise consistent with OMB, USDA, and Forest Service regulations. Advance payments shall not exceed the minimum amount needed to or no more than is needed for a 30-day period, whichever is less. If the recipient receives an advance payment and subsequently requests an advance or reimbursement payment, then the request must clearly demonstrate that the previously advanced funds have been fully expended before the U.S. Forest Service can approve the request for payment. Any funds advanced, but not spent, upon expiration of this award shall be returned to the U.S. Forest Service.

We request that you draw down funds, at least quarterly and more frequently, if needed to stay current with actual expenses. Timely payments (draw downs) are necessary to reflect a timely audit trail and accurate accrual information.

Reporting Requirements

Federal Financial Report (FFR): The FFR is submitted on Standard Form 425 as the report of expenditures documenting the financial status of the award, according to the official accounting records of the grantee organization. When reporting grant-related program income, the SF 425 must be used. FFRs are submitted for review, acceptance and inclusion in the official grant file. The FFR should be submitted quarterly, for multi-year grants, 90 days after the end of the reporting period (i.e., March 31, June 30, September 30 or December 31). A final SF 425 shall be submitted 90 days after the expiration date of the grant or at the end of grant support.

Please note: The use of the Federal Financial Report (SF 425) in lieu of the Financial Status Report (SF 269) was effective October 1, 2009.

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Progress or Performance Report

All Forest Service financial assistance awards shall require, at a minimum if multi-year grants, an annual progress or performance report 90 days after the end of the reporting period.

The recipient shall constantly monitor the performance under Federal Assistance activities to assure that the time schedules are being met, projected work units by time periods are being accomplished, and other performance goals are being achieved. When monitoring reveals problems, delays or adverse conditions which materially affect the recipient's ability to attain program objectives, prevent the meeting of time schedules and goals or preclude the attainment of project work units by established time periods, the recipient shall furnish to the appropriate Program Manager a report outlining the circumstances and showing action taken or contemplated, and any Federal assistance needed to resolve the situation.

The performance or progress report for this award should include information which:

- Compares actual accomplishments to the goals or targets established in the application narrative. Where outputs are quantifiable, such data should be related to cost data for computation of unit costs.
- If applicable, give reasons why established goals or targets were not achieved.
- Other pertinent information including, where appropriate, analysis and explanation of cost overruns or high unit costs.

All final reports (accomplishments, inventions, request for reimbursement, federal financial report) shall be due 90 calendar days after the expiration date of the grant or at the end of grant support.

Failure to submit reports on time may be the basis for withholding financial assistance payments, suspension, or termination of funding.

Send all reports to:

USDA Forest Service
ATTN: Grants and Agreements Management
1720 Peachtree Road, NW
Suite 876 S
Atlanta, GA 30309
Fax: (404) 347-4866

Budget Revisions

Otherwise allowable cost-related budget changes may be made except where specifically prohibited by the terms and conditions of the grant award and provide the revisions do not significantly change the scope of the project.

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Program Income

The recipient shall apply the standards set forth in this Provision to account for program income earned under the award/agreement.

If any program income is generated as a result of this award, the income shall be applied using either the **additive** alternative or **matching** alternative as described in 7 CFR 3016.25 and 3019.24; the deductive alternative is the preferred method, unless specifically authorized by the Signatory Official.

Unless the terms and conditions of the award/agreement provide otherwise, recipients shall have no obligation to the U.S. Government regarding program income earned after the end of the project period. Costs incident to the generation of program income may be deducted from gross income to determine program income, provide these costs have not been charged to the award and they comply with the applicable Cost Principles.

Unless the terms and conditions of the award/agreement provide otherwise, recipients shall have no obligation to the U.S. Government with respect to program income earned from license fees and royalties for copyrighted material, patents, patent applications, trademarks, and inventions produced under an award. However, Patent and Trademark Amendments (35 U.S.C. 18) apply to inventions made under an experimental, developmental, or research awards.

Prior Approval/Programmatic Changes/Modifications

The recipient shall obtain prior approval for any change to the scope of objectives of the approved project, key personnel (including technical positions), or transfer of substantive programmatic work to another party. Until written approval is granted for a modification, the terms and conditions of the original award remain in effect. The Forest Service is not obligated to fund any changes not properly approved in advance.

All requests that require prior approval must be made in writing, to the awarding office no later than 30 days before the proposed change. The request must be signed by the authorized signatory official. Failure to obtain prior approval when required from the awarding office may result in the disallowance of costs, termination of an award, or other enforcement action within the forest Service's authority.

Whenever grantees contemplate re-budgeting or other post-award changes and are uncertain about the need for prior approval they are strongly encouraged to consult in advance with the Grants and Agreements Management office.

Prior approval request include:

- Change in the scope or the objective of the project or program (even if there is no associated budget revision);
- Change in a key person specified in the application or award document;
- Need for additional Federal funding;
- Extension period of availability of funds;

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- Cumulative transfers among direct cost categories or among separately budgeted programs or activities that exceeds 10% of the current total approved budget if the awarding agency share exceeds \$100,000;
- Transfer of funds allotted for training allowances (direct payment to trainees) to other categories of expense;
- Sub-awards transfer or contracting out of any work under an award unless previously approved in original award.
- Request for equipment purchase \$5,000 or more.

Flow-down

Management and compliance with Federal requirements for Federal financial assistance programs is the responsibility of the recipient. The awarding agency holds the recipient, not the sub-recipient, responsible for compliance at the sub-recipient level. Many of the Federal requirements flow down to sub-recipients when the primary recipient provides funds. The primary recipient is responsible for providing written Federal requirements that apply to sub-recipients.

Notification

The recipient shall immediately notify the Forest Service of developments that have a significant impact on the activities supported under this grant. Also, notification shall be given in case of problems, delays or adverse conditions that materially impair the ability to meet the objectives of the agreement.

This notification shall include a statement of the action taken or contemplated, and any assistance needed to resolve the situation.

Acknowledgements

Forest Service support shall be acknowledged in any publications, audiovisuals, and electronic media developed as a result of this award. Language or similar shall read:

“The work upon which this publication is based was funded in whole or in part through a grant awarded by the Southern Region, State and Private Forestry, U. S. Forest Service.”

Termination by Mutual Agreement

This award may be terminated, in whole or part, as follows:

When the USDA Forest Service and Recipient agree upon the termination conditions, including the effective date and, if there is a case of partial termination, the portion to be terminated.

With a 30 days written notification by the Recipient to the Forest Service setting forth the reasons for termination, the effective date, and in the case of partial termination, the portion to be terminated. If the Forest Service decides that the remaining portion of the grant must not accomplish the purpose for which the grant was made, the Forest Service may terminate the award upon 30 days written notice.

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If, in the case of a partial termination, the Forest Service determines that the remaining portion of the award will not accomplish the purposes for which the award was made, the Forest Service may terminate the award in its entirety.

Upon termination of an award, the recipient shall not incur any new obligations for the terminated portion of the award after the effective date, and shall cancel as many outstanding obligations as possible. The Forest Service shall allow full credit to the recipient for the United States Federal share of the non-cancelable obligations properly incurred by the recipient up to the effective date of the termination. Excess funds shall be refunded within 60 days after the effective date of termination.

Disputes

- a. Any dispute under this award must be decided by the USDA Forest Service Program Manager. The Program Manager shall furnish the recipient a written copy of the decision.
- b. Decisions of the Forest Service Program Manager shall be final unless, within 30 days of receipt of the decision of the Program Manager, the recipient appeals the decision to Forest Service's Director, Acquisition Management (AQM). Any appeal made under this provision must be in writing and addressed to the Director, AQM, USDA, Forest Service, Washington, DC 20024. A copy of the appeal must be concurrently furnished to the Program Manager.
- c. In order to facilitate review on the record by the Director, AQM, the recipient shall be given an opportunity to submit written evidence in support of its appeal. No hearing will be provided.
- d. A decision under this provision by the Director, AQM is final.
- e. The final decision by the Director, AQM does not preclude the recipient from pursuing remedies available under the law.

Debarment and Suspension

The recipient shall immediately inform the Forest Service if they or any of their principals are presently excluded, debarred, or suspended from entering into covered transactions with the federal government according to the terms of 2 CFR Part 180. Additionally, should the recipient or any of their principals receive a transmittal letter or other official federal notice of debarment or suspension; they shall notify the Forest Service without undue delay. This applies whether the exclusion, debarment, or suspension is voluntary or involuntary.

COPYRIGHTING

The recipient is/are granted sole and exclusive right to copyright any publications developed as a result of this award. This includes the right to publish and vend throughout the world in any language and in all media and forms, in whole or in part, for the full term of copyright and all renewals thereof in accordance with this award.

No original text or graphics produced and submitted by the U.S. Forest Service shall be copyrighted. The U.S. Forest Service reserves a royalty-free, nonexclusive, and irrevocable right to reproduce, publish, or otherwise use, and to authorize others to use the work for federal government purposes. This right shall be transferred to any sub-awards, sub-agreements or subcontracts.

Mr. John T. Shannon

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This provision includes:

- The copyright in any work developed by the recipient under this award.
- Any right of copyright to which the recipient purchase(s) ownership with any federal contributions.

Central Contractor Registration and Universal Identifier Requirements

1. Requirement for Central Contactor Registration (CCR)

Unless you are exempted from this requirement under 2 CFR 25.110, you as the recipient must maintain the currency of your information in the CCR until you submit the final financial report required under this award or receive the final payment, whichever is later. This requires that you review and update the information at least annually after the initial registration, and more frequently if required by changes in your information or another award term.

2. Requirement for Data Universal Numbering System (DUNS) Numbers

If you are authorized to make sub-awards under this award, you:

- a. Must notify potential sub-recipients that no entity (see definition in paragraph C of this award term) may receive a sub-award from you unless the entity has provided its DUNS number to you.
- b. May not make a sub-award to an entity unless the entity has provided its DUNS number to you.

3. Definitions

For purposes of this award term:

- a. Central Contractor Registration (CCR) means the Federal repository into which an entity must provide information required for the conduct of business as a recipient. Additional information about registration procedures may be found at the CCR Internet site (currently at <http://www.ccr.gov>).
- b. Data Universal Numbering System(DUNS) number means the nine-digit number established and assigned by Dun and Bradstreet, Inc. (D&B) to uniquely identify business entities. A DUNS number may be obtained from D&B by telephone (currently 866-705-5711) or the Internet (currently at <http://fedgov.dnb.com/webform>).
- c. Entity, as it is used in this award term, means all of the following, as defined at 2 CFR part 25, subpart C:
 - i. A Governmental organization, which is a State, local government, or Indian Tribe;
 - ii. A foreign public entity;
 - iii. A domestic or foreign non-profit organization;
 - iv. A domestic or foreign for-profit organization; and
 - v. A Federal agency, but only as sub-recipient under an award or sub-award to a non-Federal entity.

4. Sub-award:

- a. This term means a legal agreement to provide support for the performance of any portion of the substantive project or program for which you received this award and that you as the recipient award to an eligible sub-recipient.

Mr. John T. Shannon

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- b. The term does not include your procurement of property and services needed to carry out the project or program (for further explanation, see Sec. 11.210 of the attachment to OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations").
 - c. A sub-award may be provided through any legal agreement, including an agreement that you consider a contract.
5. Sub-recipient means an entity that:
- a. Receives a sub-award from you under this award; and
 - b. Is accountable to you for the use of the Federal funds provided by the sub-award.

Legal Authority

The recipient shall have the legal authority to enter into this agreement, and the institutional, managerial, and financial capability to ensure proper planning, management, and completion of the project, which includes funds sufficient to pay the nonfederal share of project costs, when applicable.

Collaborative Arrangements

Where permitted by terms of the award, may enter into collaborative arrangements with other organizations to jointly carry out activities with grant funds.

Non-Liability

USDA Forest Service does not assume liability for any third party claims for damages arising out of this instrument.

Notices

Any notice given by USDA Forest Service or the grantee/recipient will be sufficient only if in writing and delivered in person, mailed, or transmitted electronically by e-mail or fax, as follows:

To the USDA Forest Service Program Manager, at the address specified in the grant/agreement.

To grantee/recipient, at the grantee's/recipient's address shown in the grant/agreement or such other address designated within the grant/agreement.

Notices will be effective when delivered in accordance with this provision, or on the effective date of the notice, whichever is later.

SUB-RECIPIENT NOTIFICATION

The recipient shall notify sub-recipients under this award that they are subject to the terms and conditions herein, except with respect to the recipient's OMB Uniform Administrative Requirements and Cost Principles. In the case of sub-recipient Uniform Administrative Requirements and Cost Principles, sub-recipients must be notified that they are subject to the following:

Mr. John T. Shannon

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SUB-RECIPIENT TYPE	APPLICABLE ADMINISTRATIVE REQUIREMENTS AND COST PRINCIPLES	
	Administrative Requirements	Cost Principles
Non-profits	2 CFR 215	2 CFR 230
Local and Tribal governments (when recipient is a State)	State & Federal laws, regulations	2 CFR 225
Local and Tribal governments (when recipient is a non-State)	A-102	2 CFR 225
State agencies	State & Federal laws, regulations	2 CFR 225
Universities	2 CFR 215	2 CFR 220
Profit-makers	2 CFR 215	48 CFR 31.2

USE OF U.S. FOREST SERVICE INSIGNIA

In order for recipient to use the U.S. Forest Service insignia on any published media, such as a webpage, printed publication, or audiovisual production, permission must be granted from the U.S. Forest Service's Office of Communications. A written request must be submitted and approval granted in writing by the Office of Communications (Washington Office) prior to use of the insignia.

Members of Congress

Pursuant to 41 U.S.C. 22, no United States member of, or United States delegate to, Congress shall be admitted to any share or part of this award, or benefits that may arise there from, either directly or indirectly.

Trafficking in Persons

1. Provisions applicable to a Recipient that is a private entity.
 - a. You as the Recipient, your employees, sub-recipients under this award, and sub-recipients' employees may not—
 - (1) Engage in severe forms of trafficking in persons during the period of time that the award is in effect;
 - (2) Procure a commercial sex act during the period of time that the award is in effect; or
 - (3) Use forced labor in the performance of the award or sub-awards under the award.

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- b. We as the Federal awarding agency may unilaterally terminate this award, without penalty, if you or a sub-recipient that is a private entity---
 - (1) Is determined to have violated a prohibition in paragraph a.1 of this award term; or
 - (2) Has an employee who is determined by the agency official authorized to terminate the award to have violated a prohibition in paragraph a.1 of this award term through conduct that is either---
 - i. Associated with performance under this award; or
 - ii. Imputed to you or the sub-recipient using the standards and due process for imputing the conduct of an individual to an organization that are provided in 2 CFR part 180, "OMB Guidelines to Agencies on Government wide Debarment and Suspension (Non-procurement)," as implemented by our agency at 2 CFR 417.
2. Provision applicable to a Recipient other than a private entity. We as the Federal awarding agency may unilaterally terminate this award, without penalty, if a sub-recipient that is a private entity----
- a. Is determined to have violated an applicable prohibition in paragraph a.1 of this award term; or
 - b. Has an employee who is determined by the agency official authorized to terminate the award to have violated an applicable prohibition in paragraph a.1 of this award term through conduct that is either---
 - (1) Associated with performance under this award; or
 - (2) Imputed to the sub-recipient using the standards and due process for imputing the conduct of an individual to an organization that are provided in 2 CFR part 180, "OMB Guidelines to Agencies on Government wide Debarment and Suspension (Non-procurement)," as implemented by our agency at 2 CFR 417.
3. Provisions applicable to any recipient.
- a. You must inform us immediately of any information you receive from any source alleging a violation of a prohibition in paragraph a.1 of this award term.
 - b. Our right to terminate unilaterally that is described in paragraph a.2 or b of this section:
 - (1) Implements section 106(g) of the Trafficking Victims Protection Act of 2000 (TVPA), as amended (22 U.S.C. 7104(g), and
 - (2) Is in addition to all other remedies for noncompliance that are available to us under this award.

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- c. You must include the requirements of paragraph a.1 of this award term in any sub-award you make to a private entity.

4. Definitions. For purposes of this award term:

a. "Employee" means either:

- (1) An individual employed by you or a sub-recipient who is engaged in the performance of the project or program under this award; or
- (2) Another person engaged in the performance of the project or program under this award and not compensated by you including, but not limited to, a volunteer or individual whose services are contributed by a third party as an in-kind contribution toward cost sharing or matching requirements.

- b. "Forced labor" means labor obtained by any of the following methods: the recruitment, harboring, transportation, provision, or obtaining of a person for labor or services, through the use of force, fraud, or coercion for the purpose of subjection to involuntary servitude, peonage, debt bondage, or slavery.

d. "Private entity":

- (1) Means any entity other than a State, local government, Indian tribe, or foreign public entity, as those terms are defined in 2 CFR 175.25.

(2) Includes:

- i. A non-profit organization, including any non-profit institution of higher education, hospital, or tribal organization other than one included in the definition of Indian tribe at 2 CFR 175.25(b)
- ii. A for-profit organization
- e. "Severe forms of trafficking in person" "commercial sex act" and "coercion" have the meanings given at section 103 of the TVPA, as amended (22 U.S.C. 7102).

Drug-Free Workplace

1. The recipient agrees that it will publish a drug-free workplace statement and provide a copy to each employee who will be engaged in the performance of any project/program that receives federal funding. The statement must

- a. Tell the employees that the unlawful manufacture, distribution, dispensing, possession, or use of controlled substance is prohibited in its workplace;
- b. Specify the actions the recipient will take against employees for violating that prohibition; and

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- c. Let each employee know that, as a condition of employment under any award, they:
 - (1) Must abide by the terms of the statement, and
 - (2) Must notify you in writing if he or she is convicted for a violation of a criminal drug statute occurring in the workplace, and must do so no more than five calendar days after the conviction.
- 2. The recipient agrees that it will establish an ongoing drug-free awareness program to inform employees about:
 - (a) The dangers of drug abuse in the workplace;
 - (b) Your policy of maintaining a drug-free workplace;
 - (c) Any available drug counseling, rehabilitation and employee assistance programs; and
 - (d) The penalties that you may impose upon them for drug abuse violations occurring in the workplace.
- 3. Without the Program Manager's expressed written approval, the policy statement and program must be in place as soon as possible, no later than the 30 days after the effective date of this award, or the completion date of this award, whichever occurs first.
- 4. The recipient agrees to immediately notify the Program Manager if an employee is convicted of a drug violation in the workplace. The notification must be in writing, identify the employee's position title, the award/agreement number of each award on which the employee worked. The notification must be sent to the Program Manager within ten calendar days after the recipient learns of the conviction.
- 5. Within 30 calendar days of learning about an employee's conviction, the recipient must either:
 - (a) Take appropriate personnel action against the employee, up to and including termination, consistent with the requirements of the Rehabilitation Act of 1973 (29 USC 794), as amended, or
 - (b) Require the employee to participate satisfactorily in a drug abuse assistance or rehabilitation Program approved for these purposes by a Federal, State or local health, law enforcement, or other appropriate agency.

Buy American Act

Federal law requires that any equipment and products purchased with federal funds be, to the extent practicable, American-made.

Eligible Workers

The recipient shall ensure that all employees complete the I-9 form to certify that they are eligible for lawful employment under the Immigration and Nationality Act (8 USC 1324a). The recipient shall comply with regulations regarding certification and retention of the completed forms. These requirements also apply to any contract or supplemental agreement awarded under this award.

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INDIRECT COST RATES – PROVISIONAL

1. Provisional indirect cost rates must be established for the recipient's accounting periods during the term of this award. Pending establishment of revised provisional or final rates, allowable indirect costs must be reimbursed at the rates, on the bases, and for the periods shown in the award/agreement.
2. As new negotiated indirect cost rate agreements are agreed to between the recipient and their cognizant audit agency the revised provisional or final rate(s) are automatically incorporated into this award, as appropriate, and must specify (1) the agreed upon rates, (2) the bases to which the rates apply, (3) the fiscal year for which the rates apply and (4) the items treated as direct costs. The agreement must not change any monetary ceiling or award obligation provided for in this award.
3. Pending establishment of the revised provisional or final rate(s) for any fiscal year, the recipient shall be reimbursed at the established provisional rate(s), subject to appropriate adjustment when the final rate(s) for the fiscal year are established.
4. Failure to provide a revised provisional or final indirect cost rate agreement could result in disallowed costs and repayment to the U.S. Forest Service.

Right to Transfer Equipment

Equipment approved for purchase under this award is available only for use as authorized. The U.S. Forest Service reserves the right to transfer title to the Federal Government of any equipment with a current per-unit fair market value in excess of \$5,000 purchased with U.S. Forest Service funding. Upon expiration of this award, the recipient shall forward an equipment inventory to the U.S. Forest Service, listing all equipment purchased with U.S. Forest Service funding throughout the life of the project. Disposition instructions shall be issued by the U.S. Forest Service within 120 calendar days from termination date of this award.

In general, title to equipment acquired by a grantee with Federal funds vests in the grantee upon acquisition, subject to the property management requirements of 7 CFR 3016 and 7 CFR 3019. Limited exceptions to these general rules are States, which shall use, manage, and dispose of equipment acquired under a grant in accordance with State laws and procedures, and certain research grant recipients with exempt property. These requirements do not apply to equipment for which only depreciation or use allowances are charged, donated equipment, or equipment acquired primarily for sale or rental rather than for use.

Women and Minorities

It is a national policy to place a fair share of purchases with small, minority, and woman-owned business firms. The U.S. Forest Service is committed to the objectives of this policy when it is expected that the award will afford opportunities for purchase from the business community and encourages all recipients of will afford opportunities for purchases from the business community and encourages all recipients of financial assistance to take affirmative steps to ensure such fairness. In particular, recipients should:

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- a. Place small, minority, and woman-owned business firms on bidder mailing lists.
- b. Solicit these firms whenever they are potential sources of supplies, equipment, or services.
- c. Where feasible, divide total requirements into smaller needs and set delivery schedules that will encourage participation by these firms.
- d. Use the assistance of the Minority Business Development Agency of the Department of Commerce, the Office of Small and Disadvantaged Business Utilization, and similar state and local offices where they exist.

Title VI Compliance

The recipient shall comply with all Federal statutes relating to non-discrimination and all applicable requirements of all other Federal laws, Executive Orders, regulations, and policies. These include but are not limited to (a) Title VI of the Civil Rights Act of 1964 (42 U.S.C. 2000d, 2000e-16) which prohibits discrimination on the basis of race, color, disability, or national origin; (b) Title IX of the Education amendments of 1972, as amended (20 U.S.C. 1681-1683) and 1685-1686), which prohibits discrimination on the basis of sex; and Section 504 of the Rehabilitation Act of 1973 as amended (29 U.S.C. 794) which prohibits discrimination on the basis of disabilities.

Freedom of Information Act

It is the U.S. Forest Service's policy to inform the public as fully as possible of its programs and activities. The recipient is encouraged to give public notice of the receipt of this award and, from time, to announce progress and accomplishments. Press releases or other public notices should include a statement substantially as follows:

(Insert the Program) of the U.S. Forest Service, (briefly describe your program, etc.)."

The recipient may call on the U.S. Forest Service's Office of Communication for advice regarding public notices. The recipient is requested to provide copies of notices or announcements to the U.S. Forest Service Program Manager and to Forest Service's Office Communications as far in advance of release as possible.

Text Messaging While Driving

In accordance with Executive Order (EO) 13513, "Federal Leadership on Reducing Text Messaging While Driving," any and all text messaging by Federal employees is banned: a) while driving a Government owned vehicle (GOV) or driving a privately owned vehicle (POV) while on official Government business; or b) using any electronic equipment supplied by the Government when driving any vehicle at any time. All recipients and sub-recipients are encouraged to adopt and enforce policies that ban text messaging when driving company owned, leased or rented vehicles, POVs or GOVs when driving while on official Government business or when performing any work for or on behalf of the Government.

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Public Information

The recipient shall include the following statement, in full, in any printed, audiovisual material, or electronic media for public distribution developed or printed with any federal funding.

In accordance with Federal law and U.S. Department of Agriculture policy, this institution is prohibited from discriminating on the basis of race, color, national origin, sex, age, or disability.

To file a complaint of discrimination, write USDA Director, Office of Civil Rights, Room 326-W, Whitten Building, 1400 Independence Avenue, SW, Washington, DC 20250-9410 or call (202) 720-5964 (voice and TDD). USDA is an equal opportunity employer."

If the material is too small to permit the full statement to be include, the material will at minimum include the statement in print size no smaller than the text that **"This institution is an equal opportunity provider."**

For your information the Department of Agriculture Inspector General keeps reports confidential for information they receive concerning fraud, waste or abuse under grants and cooperative agreements. **Callers may decline to give their names if they choose to remain anonymous.**

Closeout

Awards should be closed out 90 days after the expiration date of the grant or agreement. Closeout includes timely submission of all required reports and processing of final payments from the Payment Management System, which would include any necessary adjustments for amounts due the grantee or the Federal Agency and any interest earned in accordance with 7 CFR 3016.21, & CFR 3019.22, or other relevant law or regulation.

At this time, any un-obligated balances should be reflected on the final financial report. Included with the closeout process will include any special instructions outlined in the original award documentation such as disposition of property or equipment.

During the 90-day closeout period, the recipient has the opportunity to request a time extension. Please be advised that this extension should be requested only if extenuating circumstances exists as to why the project has not been completed within the original award period. Extensions of time will not be granted just to spend any unused Federal funds.

Audit Requirements

Audit requirements for Federal award recipients are defined in OMB Circular A-133. Audits of States, Local Governments, and Non-Profit Organizations (revised June 27, 2003). OMB Circular A-133 now requires those being audited to submit a completed data collection form (SF-SAC) with the audit reporting package to the Federal clearinghouse designated by OMB – currently the Federal Audit Clearinghouse, Bureau of the Census, 1201 E. 10th Street, Jeffersonville, IN 47132. For questions concerning the submission process or to obtain a copy of the form, you may call the Federal Audit Clearinghouse (888) 222-9907. Information can also be found on the internet at <http://harvester.census.gov/sac/>.

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If a grant is closed out without an audit, the Forest Service reserves the right to disallow and recover in appropriate amount after fully considering any recommended disallowances resulting from and audit which may be conducted later.

Approval, Obligation, and Acceptance

Enclosed are two (2) copies of the Award Approval/Obligation/Acceptance page. After your review and approval of the award document, **please sign both copies** of the Award Approval/Obligation/Acceptance page, indicating agreement to the terms and conditions.

Funds for this award will not be available for payment until the Forest Service receives signed copies from you of the "Award Approval/Obligation/Acceptance" page. The signed original "Award Approval/Obligation/Acceptance" page should be returned via regular mail within fourteen days for inclusion in the official grant file. One fully executed copy will be returned for your files.

If you have any questions or need additional information, please call Paulette Anderson at 404-347-2716.

Sincerely,

/s/Anthony Love
ANTHONY N. LOVE
Grants Award Officer

Enclosures (3)

cc: Owedia Gray, John Litherland

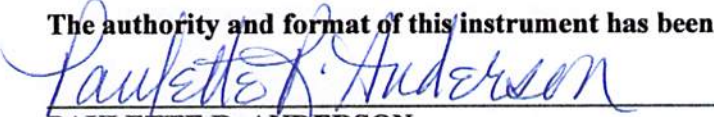
Award Approval/Obligation/Acceptance

Recipient: Arkansas Forestry Commission
 State: Arkansas
 Project: Southern Pine Beetle (SPB) Prevention-Restoration
 Award No.: 11-DG-11083105-005

Obligation:

PROGRAM	FUND CODE	SUBACCOUNT	AMOUNT
Southern Pine Beetle (SPB) Prevention-Restoration	SPCH2511	G08193526	\$750,000
Total			

The authority and format of this instrument has been reviewed and approved for signature.


 PAULETTE R. ANDERSON
 Grants & Agreements Specialist

8/31/11
 DATE

Approval:

This Federal financial assistance award and obligation is approved.


 ANTHONY N. LOVE
 Grants Award Officer

9/2/11
 DATE

AUTHORIZED REPRESENTATIVES. By signature below, the recipient certifies that the individuals listed in this document are representatives of the recipient and are authorized to act in their respective areas for matters related to this agreement.

Acceptance:


 NAME OF AUTHORIZED REPRESENTATIVE

8-30-11
 DATE


 TITLE

NAME OF AUTHORIZED REPRESENTATIVE

DATE

TITLE

REQUEST FOR ADVANCE OR REIMBURSEMENT <i>(See instructions on back)</i>		OMB APPROVAL NO. 0348-0004		PAGE 1 OF 2 PAGES	
		1. TYPE OF PAYMENT REQUESTED a. "X" one or both boxes <input type="checkbox"/> ADVANCE <input checked="" type="checkbox"/> REIMBURSEMENT b. "X" the applicable box <input type="checkbox"/> FINAL <input checked="" type="checkbox"/> PARTIAL		2. BASIS OF REQUEST <input checked="" type="checkbox"/> CASH <input type="checkbox"/> ACCRUAL	
3. FEDERAL SPONSORING AGENCY AND ORGANIZATIONAL ELEMENT TO WHICH THIS REPORT IS SUBMITTED USDA FS SOUTHERN REGION		4. FEDERAL GRANT OR OTHER IDENTIFYING NUMBER ASSIGNED BY FEDERAL AGENCY 09DG11083105007		5. PARTIAL PAYMENT REQUEST NUMBER FOR THIS REQUEST 3	
6. EMPLOYER IDENTIFICATION NUMBER 71-0847443	7. RECIPIENT'S ACCOUNT NUMBER OR IDENTIFYING NUMBER AR090624156	8. PERIOD COVERED BY THIS REQUEST FROM (month, day, year) 3/01/10 TO (month, day, year) 8/31/10			
9. RECIPIENT ORGANIZATION Name: ARKANSAS FORESTRY COMMISSION Number and Street: 3821 West Roosevelt Road City, State and ZIP Code: Little Rock, Arkansas 72204		10. PAYEE (Where check is to be sent if different than item 9) Name: (VXP910080013) Number and Street: City, State and ZIP Code:			
11. COMPUTATION OF AMOUNT OF REIMBURSEMENTS/ADVANCES REQUESTED					
PROGRAMS/FUNCTIONS/ACTIVITIES ►		(a)	(b)	(c)	TOTAL
		SPCH2509			
a. Total program outlays to date (As of date)		\$ 1,799,000.00	\$	\$	\$ 1,799,000.00
b. Less: Cumulative program income		0.00			0.00
c. Net program outlays (Line a minus line b)		1,799,000.00	0.00	0.00	1,799,000.00
d. Estimated net cash outlays for advance period		0.00			0.00
e. Total (Sum of lines c & d)		1,799,000.00	0.00	0.00	1,799,000.00
f. Non-Federal share of amount on line e		899,500.00			899,500.00
g. Federal share of amount on line e		899,500.00			899,500.00
h. Federal payments previously requested		475,000.00			475,000.00
i. Federal share now requested (Line g minus line h)		424,500.00	0.00	0.00	424,500.00
j. Advances required by month, when requested by Federal grantor agency for use in making prescheduled advances		1st month			0.00
		2nd month			0.00
		3rd month			0.00
12. ALTERNATE COMPUTATION FOR ADVANCES ONLY					
a. Estimated Federal cash outlays that will be made during period covered by the advance					\$
b. Less: Estimated balance of Federal cash on hand as of beginning of advance period					
c. Amount requested (Line a minus line b)					\$ 0.00

AUTHORIZED FOR LOCAL REPRODUCTION

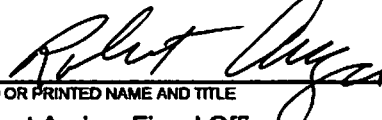
(Continued on Reverse)

STANDARD FORM 270 (Rev. 7-97)
Prescribed by OMB Circulars A-102 and A-110

CERTIFICATION

I certify that to the best of my knowledge and belief the data on the reverse are correct and that all outlays were made in accordance with the grant conditions or other agreement and that payment is due and has not been previously requested.

SIGNATURE OR AUTHORIZED CERTIFYING OFFICIAL



TYPED OR PRINTED NAME AND TITLE

Robert Araiza, Fiscal Officer

DATE REQUEST SUBMITTED Appendix B

October 12, 2010

TELEPHONE (AREA CODE, NUMBER, EXTENSION)

(501) 296-1931

This space for agency use

Public reporting burden for this collection of information is estimated to average 60 minutes per response, including time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding the burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to the Office of Management and Budget, Paperwork Reduction Project (0348-0004), Washington, DC 20503.

PLEASE DO NOT RETURN YOUR COMPLETED FORM TO THE OFFICE OF MANAGEMENT AND BUDGET. SEND IT TO THE ADDRESS PROVIDED BY THE SPONSORING AGENCY.

INSTRUCTIONS

Please type or print legibly. Items 1, 3, 5, 9, 10, 11e, 11f, 11g, 11i, 12 and 13 are self-explanatory; specific instructions for other items are as follows:

<i>Item</i>	<i>Entry</i>	<i>Item</i>	<i>Entry</i>
2	Indicate whether request is prepared on cash or accrued expenditure basis. All requests for advances shall be prepared on a cash basis.		activity. If additional columns are needed, use as many additional forms as needed and indicate page number in space provided in upper right; however, the summary totals of all programs, functions, or activities should be shown in the "total" column on the first page.
4	Enter the Federal grant number, or other identifying number assigned by the Federal sponsoring agency. If the advance or reimbursement is for more than one grant or other agreement, insert N/A; then, show the aggregate amounts. On a separate sheet, list each grant or agreement number and the Federal share of outlays made against the grant or agreement.	11a	Enter in "as of date," the month, day, and year of the ending of the accounting period to which this amount applies. Enter program outlays to date (net of refunds, rebates, and discounts), in the appropriate columns. For requests prepared on a cash basis, outlays are the sum of actual cash disbursements for goods and services, the amount of indirect expenses charged, the value of in-kind contributions applied, and the amount of cash advances and payments made to subcontractors and subrecipients. For requests prepared on an accrued expenditure basis, outlays are the sum of the actual cash disbursements, the amount of indirect expenses incurred, and the net increase (or decrease) in the amounts owed by the recipient for goods and other property received and for services performed by employees, contracts, subgrantees and other payees.
6	Enter the employer identification number assigned by the U.S. Internal Revenue Service, or the FICE (institution) code if requested by the Federal agency.	11b	Enter the cumulative cash income received to date, if requests are prepared on a cash basis. For requests prepared on an accrued expenditure basis, enter the cumulative income earned to date. Under either basis, enter only the amount applicable to program income that was required to be used for the project or program by the terms of the grant or other agreement.
7	This space is reserved for an account number or other identifying number that may be assigned by the recipient.	11d	Only when making requests for advance payments, enter the total estimated amount of cash outlays that will be made during the period covered by the advance.
8	Enter the month, day, and year for the beginning and ending of the period covered in this request. If the request is for an advance or for both an advance and reimbursement, show the period that the advance will cover. If the request is for reimbursement, show the period for which the reimbursement is requested.	13	Complete the certification before submitting this request.
Note: The Federal sponsoring agencies have the option of requiring recipients to complete items 11 or 12, but not both. Item 12 should be used when only a minimum amount of information is needed to make an advance and outlay information contained in item 11 can be obtained in a timely manner from other reports.			
11	The purpose of the vertical columns (a), (b), and (c) is to provide space for separate cost breakdowns when a project has been planned and budgeted by program, function, or		

**ARKANSAS FORESTRY COMMISSION
GRANTS SCHEDULE
AS OF 6-30-11**

TITLE	CFDA NO.	FEDERAL APPLICATION AMOUNT	STATE % MATCH	START DATE:	-END PENDING EXT	FEDERAL IDENTIFIER NUMBER	STATE NUMBER ASSIGNED	DRAWN TOTAL	EXPENDITURE TOTAL	DRAWN BALANCE (TREASURY)	FEDERAL GRANT BALANCE
1. U&CF 2009 ISS	10.664	400,000.00	0%	3/9/09	9/30/11	09DG11083105001	AR090423414	399,900.00	399,900.00	-	100.00
2. SFA 2009 ISS	10.664	750,000.00	0%	3/9/09	9/30/11	09DG11083105002	AR090423413	749,000.00	749,000.00	-	1,000.00
3. FS 2009 ISS	10.664	50,000.00	0%	3/9/09	9/30/11	09DG11083105003	AR090423415	49,900.00	49,900.00	-	100.00
4. FOREST LEGACY	10.664	25,000.00	25%	10/1/08	9/30/11	09DG11083105004	AR090612074	25,000.00	25,000.00	-	-
5.FOREST LEGACY FWRI	10676	2,060,000.00	30%	10/1/08	9/30/11	09DG11083105005	AR090612075	2,060,000.00	2,060,000.00	-	-
6. CPG-FS	10.664	372,053.00	50%	10/1/08	9/30/11	09DG11083105006	AR090624153	372,053.00	372,053.00	-	-
7. CPG-SFA-PRE	10.664	403,734.00	50%	10/1/08	9/30/11	09DG11083105006	AR090624153	403,734.00	403,734.00	-	-
8. CPG-SFA-MIT	10.664	388,234.00	50%	10/1/08	9/30/11	09DG11083105006	AR090624153	388,234.00	388,234.00	-	-
9. CPG-SFA	10.664	497,745.00	50%	10/1/08	9/30/11	09DG11083105006	AR090624153	497,308.00	497,308.00	-	437.00
10. CPG-U&CF	10.664	200,000.00	50%	10/1/08	9/30/11	09DG11083105006	AR090624153	199,950.00	199,950.00	-	50.00
11. CPG-CFHP	10.664	118,544.00	50%	10/1/08	9/30/11	09DG11083105006	AR090624153	118,544.00	118,544.00	-	-
12. CPG-FHMP	10.664	61,000.00	50%	10/1/08	9/30/12	09DG11083105006	AR090624153	-	-	-	61,000.00
13. CPG-EDDR	10.664	20,000.00	50%	10/1/08	9/30/11	09DG11083105006	AR090624153	20,000.00	20,000.00	-	-
14. SPB	10.680	900,000.00	50%	10/1/08	9/30/12	09DG11083105007	AR090624156	899,500.00	50,000.00	849,500.00	500.00
15. VFA	10.664	119,903.00	50%	10/1/08	9/30/11	09DG11083105008	AR090624154	119,903.00	119,903.00	-	-
16. CFPF-SWUI	10.664	155,000.00	0%	10/1/08	9/30/11	09DG11083105009	AR090624157	155,000.00	155,000.00	-	-
17. VFA-NFP	10.664	135,017.00	50%	10/1/08	9/30/11	09DG11083105010	AR090624155	135,017.00	135,017.00	-	-
18. CRP-36	10.669	160,000.00	0%	10/1/08	9/30/11	09DG11083105011	AR090723190	160,000.00	160,000.00	-	-
19. FIA	10.652	394,959.00	25%	10/1/08	5/31/12	08CA11330145032	AR090603034	394,959.00	394,959.00	-	-
TOTAL		\$ 7,211,189.00				TOTAL		\$ 7,148,002.00	\$ 6,298,502.00	\$ 849,500.00	\$63,187.00
AWARD(S)	TOTAL	\$ 7,211,189.00						DRAW FUNDS	AVAILABLE		\$63,187.00

CERTIFICATION OF INCOME
2012 FISCAL YEAR



BUSINESS AREA	0400 ARKANSAS AGRICULTURE DEPARTMENT
FUNDS CENTER TITLE	37N Forestry-Operations-Special
FUND TITLE	SDF Forestry Dept-Oprs

We have reviewed and certify that our agency expects to receive the anticipated revenues reflected herein to fund this appropriation. The agency will monitor these funds during the course of the year and if at any time it appears that these funds will not be received or additional funds become available, we will file an amended form and make appropriate budgetary adjustments.

In the following section, please detail by funding source the revenue components your agency expects to receive. If there are multiple sources for any category, please attach a worksheet that details each separate revenue source.

Funding Sources	Description	Estimated Amount
Fund Balance		
Special Revenues	Fire Protection Tax	2,030,000
Special Revenues	Timber Severance Tax	2,900,000
Federal Revenues	USDA Forest Service Grants	5,676,897
ARRA Revenues		
Revolving Funds		
Cash Funds		
General Revenue(*)		
Merit Adjustment(**)		
Other	Fire Supp & Presc Burns, Seedling & Timber Sales, Rent, Other	2,025,888
Total Funding		12,632,785
Annual Operations Plan		12,625,535

19-1-611. Civil penalty. If the public officer or employee is found by the court to have knowingly violated the fiscal responsibility and management laws, the court shall impose a civil penalty upon the public officer or employee of not less than one hundred dollars (\$100), nor more than one thousand dollars (\$1,000), for each violation, and may subject the public officer or employee to the payment of damages resulting as a direct consequence of any violation.

 _____ AGENCY FISCAL OFFICER	5-23-11 _____ DATE
 _____ AGENCY DIRECTOR	5-23-11 _____ DATE

(*) General Revenue Funding in accordance with the Official Revenue Forecast of Net Available General Revenue for Distribution

(**) Merit Adjustment Funding will be available in 4th quarter only if salary savings are insufficient to cover allocations

(***) If American Recovery & Reinvestment Act of 2009 (ARRA) funds please provide Title & Program in Description.

0400

CERTIFICATION OF INCOME

2012 FISCAL YEAR

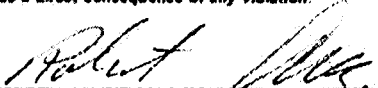

BUSINESS AREA	0400 ARKANSAS AGRICULTURE DEPARTMENT
FUNDS CENTER TITLE	37Q Forestry-Urban Forestry Services-Federal
FUND TITLE	SDF Forestry Dept-Oprs

We have reviewed and certify that our agency expects to receive the anticipated revenues reflected herein to fund this appropriation. The agency will monitor these funds during the course of the year and if at any time it appears that these funds will not be received or additional funds become available, we will file an amended form and make appropriate budgetary adjustments.

In the following section, please detail by funding source the revenue components your agency expects to receive. If there are multiple sources for any category, please attach a worksheet that details each separate revenue source.

Funding Sources	Description	Estimated Amount
Fund Balance		
Special Revenues		
Federal Revenues	USDA-FS Grant for Urban & Community Forestry	436,675
ARRA Revenues		
Revolving Funds		
Cash Funds		
General Revenue(*)		
Merit Adjustment(**)		
Other		
Total Funding		436,675
Annual Operations Plan		436,675

19-1-611. Civil penalty. If the public officer or employee is found by the court to have knowingly violated the fiscal responsibility and management laws, the court shall impose a civil penalty upon the public officer or employee of not less than one hundred dollars (\$100), nor more than one thousand dollars (\$1,000), for each violation, and may subject the public officer or employee to the payment of damages resulting as a direct consequence of any violation.

	5-23-11
AGENCY FISCAL OFFICER	DATE
	5-23-11
AGENCY DIRECTOR	DATE

(*)General Revenue Funding in accordance with the Official Revenue Forecast of Net Available General Revenue for Distribution

(**)Merit Adjustment Funding will be available in 4th quarter only if salary savings are insufficient to cover allocations

(***) If American Recovery & Reinvestment Act of 2009 (ARRA) funds please provide Title & Program in Description.

6400

CERTIFICATION OF INCOME

Appendix B

2011 FISCAL YEAR

BUSINESS AREA 0400 ARKANSAS AGRICULTURE DEPARTMENT
FUNDS CENTER TITLE 37N Forestry-Operations-Special
FUND TITLE SDF Forestry Dept-Oprs

We have reviewed and certify that our agency expects to receive the anticipated revenues reflected herein to fund this appropriation. The agency will monitor these funds during the course of the year and if at any time it appears that these funds will not be received or additional funds become available, we will file an amended form and make appropriate budgetary adjustments.

In the following section, please detail by funding source the revenue components your agency expects to receive. If there are multiple sources for any category, please attach a worksheet that details each separate revenue source.

Funding Sources	Description	Estimated Amount
Fund Balance		
Special Revenues	Fire Protection Tax	2,030,000
Special Revenues	Timber Severance Tax	2,600,000
Federal Revenues	USDA Forest Service Grants	4,740,118
ARRA Revenues		
Revolving Funds		
Cash Funds		
General Revenue(*)		
Merit Adjustment(**)		
Other	Fire Supp & Presc Burns, Seedling&TimberSales, Rent, Other	2,542,000
Total Funding		11,912,118
Annual Operations Plan		11,912,118

19-1-611. Civil penalty. If the public officer or employee is found by the court to have knowingly violated the fiscal responsibility and management laws, the court shall impose a civil penalty upon the public officer or employee of not less than one hundred dollars (\$100), nor more than one thousand dollars (\$1,000), for each violation, and may subject the public officer or employee to the payment of damages resulting as a direct consequence of any violation.


AGENCY FISCAL OFFICER


DATE

Richard Bell
AGENCY DIRECTOR

DATE

(*) General Revenue Funding in accordance with the Official Revenue Forecast of Net Available General Revenue for Distribution

(**) Merit Adjustment Funding will be available in 4th quarter only if salary savings are insufficient to cover allocations

(***) If American Recovery & Reinvestment Act of 2009 (ARRA) funds please provide Title & Program in Description

CERTIFICATION OF INCOME

2011 FISCAL YEAR


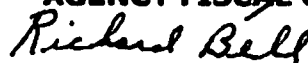
BUSINESS AREA 0400 ARKANSAS AGRICULTURE DEPARTMENT
 FUNDS CENTER TITLE 37Q Forestry-Urban Forestry Services-Federal
 FUND TITLE SDF Forestry Dept-Oprs

We have reviewed and certify that our agency expects to receive the anticipated revenues reflected herein to fund this appropriation. The agency will monitor these funds during the course of the year and if at any time it appears that these funds will not be received or additional funds become available, we will file an amended form and make appropriate budgetary adjustments.

In the following section, please detail by funding source the revenue components your agency expects to receive. If there are multiple sources for any category, please attach a worksheet that details each separate revenue source.

Funding Sources	Description	Estimated Amount
Fund Balance		
Special Revenues		
Federal Revenues	USDA-FS Grant for Urban & Community Forestry	436,675
ARRA Revenues		
Revolving Funds		
Cash Funds		
General Revenue(*)		
Merit Adjustment(**)		
Other		
Total Funding		436,675
Annual Operations Plan		436,675

19-1-611. Civil penalty. If the public officer or employee is found by the court to have knowingly violated the fiscal responsibility and management laws, the court shall impose a civil penalty upon the public officer or employee of not less than one hundred dollars (\$100), nor more than one thousand dollars (\$1,000), for each violation, and may subject the public officer or employee to the payment of damages resulting as a direct consequence of any violation.

 AGENCY FISCAL OFFICER  AGENCY DIRECTOR	5-21-10 DATE 5-21-10 DATE
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(*)General Revenue Funding in accordance with the Official Revenue Forecast of Net Available General Revenue for Distribution

(**)Merit Adjustment Funding will be available in 4th quarter only if salary savings are insufficient to cover allocations

(***) If American Recovery & Reinvestment Act of 2009 (ARRA) funds please provide Title & Program in Description.

CERTIFICATION OF INCOME

2008 FISCAL YEAR

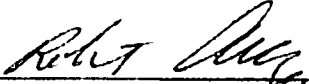
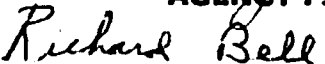
BUSINESS AREA 0400 ARKANSAS AGRICULTURE DEPARTMENT
 FUNDS CENTER TITLE 37N Forestry-Operations-Special
 FUND TITLE SDF Forestry Dept-Oprs

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In the following section Please detail by funding source the revenue components your agency expects to receive. If there are multiple sources for any category, please attach a worksheet that details each separate revenue source.

Funding Sources	Description	Estimated Amount
Fund Balance		
Special Revenues	Timber Severance and Fire Protection Tax-Note 1	5,768,811
Federal Revenues	Various Grants from USDA Forest Service	7,697,311
Revolving Funds		
Cash Funds		
General Revenue(*)		
Merit Adjustment(**)		
Other	Various Sources-Note 2	2,476,100
Total Funding		15,942,222
Annual Operations Plan		10,884,104

19-1-611. Civil penalty. If the public officer or employee is found by the court to have knowingly violated the fiscal responsibility and management laws, the court shall impose a civil penalty upon the public officer or employee of not less than one hundred dollars (\$100), nor more than one thousand dollars (\$1,000), for each violation, and may subject the public officer or employee to the payment of damages resulting as a direct consequence of any violation.

 AGENCY FISCAL OFFICER	<u>6-4-07</u> DATE
 AGENCY DIRECTOR	<u>6-5-07</u> DATE

(*)General Revenue Funding in accordance with the Official Revenue Forecast of Net Available General Revenue for Distribution

(**)Merit Adjustment Funding will be Available in 4th quarter only if salary savings are insufficient to cover allocations

WBS 6-1-07

CERTIFICATION OF INCOME

2008 FISCAL YEAR

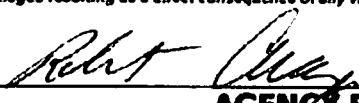
BUSINESS AREA 0400 ARKANSAS AGRICULTURE DEPARTMENT
FUNDS CENTER TITLE 37Q Forestry-Urban Forestry Services-Federal
FUND TITLE SDF Forestry Dept-Oprs

We have reviewed and certify that our agency expects to receive the anticipated revenues reflected herein to fund this appropriation. The agency will monitor these funds during the course of the year and if at any time it appears that these funds will not be received or additional funds become available, we will file an amended form and make appropriate budgetary adjustments.

In the following section Please detail by funding source the revenue components your agency expects to receive. If there are multiple sources for any category, please attach a worksheet that details each separate revenue source.

Funding Sources	Description	Estimated Amount
Fund Balance		
Special Revenues		
Federal Revenues	USDA - FS Grant for Urban & Community Forestry (U&CF)	245,123
Revolving Funds		
Cash Funds		
General Revenue(*)		
Merit Adjustment(**)		
Other		
Total Funding		245,123
Annual Operations Plan		245,123

19-1-11. Civil penalty. If the public officer or employee is found by the court to have knowingly violated the fiscal responsibility and management laws, the court shall impose a civil penalty upon the public officer or employee of not less than one hundred dollars (\$100), nor more than one thousand dollars (\$1,000), for each violation, and may subject the public officer or employee to the payment of damages resulting as a direct consequence of any violation.

 AGENCY FISCAL OFFICER	6-4-07 DATE
Richard Bell AGENCY DIRECTOR	6-5-07 DATE

(*)General Revenue Funding in accordance with the Official Revenue Forecast of Net Available General Revenue for Distribution

(**)Merit Adjustment Funding will be Available in 4th quarter only if salary savings are insufficient to cover allocations

WBS 6-7-07

