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Need to Resolve Differences in Procedures Used by Federal Timber Management Agencies in Appraising Timber Offered for Sale, Forest Service, Department of Agriculture; Bureau of Indian Affairs, Bureau of Land Management, Department of the Interior

There are three principal timber-selling agencies in the Federal Government: the Forest Service, Department of Agriculture, and the Bureau of Land Management and Indian Affairs, Department of the Interior. Each of these agencies uses the analytical appraisal method to calculate appraised values representing the minimum acceptable selling prices of timber. Under the analytical appraisal method, the value of a given amount of standing timber is considered to be the residual value after deducting the estimated processing costs and an allowance for profit and risk from the estimated selling value of the timber end products.

The procedures used by the three agencies to appraise timber in the States of Oregon and Washington have differed in significant respects in regard to (1) determining the estimated selling values of wood products and by-products, (2) estimating the cost of producing wood products, and (3) establishing the allowance for profit and risk. Therefore, because of their varying procedures regarding these factors, the three agencies could compute significantly different appraised values for like stands of timber.

We believe that it is important, when different agencies are selling timber, for the responsible management officials to coordinate their activities to help ensure that the policies and procedures for the appraisal and sale of this timber are uniform and equitable to both the Government and timber purchasers.

We found that certain of the valuation procedures followed by the agencies did not recognize the full value of timber end products. We estimate that, if, in each such instance, the more appropriate procedures of one agency had been used by the other agencies, the appraised value of timber offered for sale in fiscal year 1963 and part of fiscal year 1964 could have been increased by more than \$3.1 million. The inaccuracies causing the underappraisal resulted from (1) not considering the value of sawlog chips, a wood by-product, (2) using inappropriate lumber pricing data, and (3) using outdated veneer prices in establishing selling values for peeler logs (logs suitable for the production of veneer sheets).

Competitive bids accepted from purchasers for part of this timber were sufficiently above the appraised amounts to offset about \$1.5 million of the \$3.1 million understatement of appraised values. If the remaining timber had been offered for sale and sold at appraised values adjusted by the underappraisals disclosed by our review, the Government would have obtained nearly \$1.6 million in additional revenue.

For other differences in procedures identified in our review that contributed to the calculation of different appraised values for like stands of timber, we were unable to determine which agency's procedures were the more appropriate. Consequently, we were unable to estimate what the effect on the appraised values of each agency would