

STATE OF MICHIGAN
DEPARTMENT OF MANAGEMENT AND BUDGET
ACQUISITION SERVICES
P.O. BOX 30026, LANSING, MI 48909
OR
530 W. ALLEGAN, LANSING, MI 48933

February 28, 2006

CHANGE NOTICE NO. 4
TO
CONTRACT NO. 071B5200038
between
THE STATE OF MICHIGAN
and

NAME & ADDRESS OF VENDOR NSF ISR/SCR 789 North Dixboro Road Ann Arbor, MI 48105-9273	TELEPHONE: Win Wedering (203) 483-4316
	VENDOR NUMBER/MAIL CODE (002)
	BUYER/CA (517) 373-1080 Melissa Castro
Contract Compliance Inspector: Ron Murray Forest Certification Assessment – Department of Natural Resources	
CONTRACT PERIOD: From: October 1, 2004 To: December 31, 2009	
TERMS N/A	SHIPMENT N/A
F.O.B. N/A	SHIPPED FROM N/A
MINIMUM DELIVERY REQUIREMENTS N/A	

NATURE OF CHANGE (S):

Effective immediately, this Contract is hereby **EXTENDED** through December 31, 2009 and **INCREASED** by \$113,335.00. All other terms, conditions, specifications and pricing remain unchanged.

AUTHORITY/REASON:

Per agency and vendor agreement and DMB/Acquisition Services approval.

INCREASE: \$113,335.00

TOTAL ESTIMATED CONTRACT VALUE REMAINS: \$234,635.00

STATE OF MICHIGAN
DEPARTMENT OF MANAGEMENT AND BUDGET
ACQUISITION SERVICES
P.O. BOX 30026, LANSING, MI 48909
OR
530 W. ALLEGAN, LANSING, MI 48933

December 28, 2005

CHANGE NOTICE NO. 3
TO
CONTRACT NO. 071B5200038
between
THE STATE OF MICHIGAN
and

NAME & ADDRESS OF VENDOR NSF ISR/SCR 789 North Dixboro Road Ann Arbor, MI 48105-9273	TELEPHONE: Win Wedering (203) 483-4316
	VENDOR NUMBER/MAIL CODE (002)
	BUYER/CA (517) 373-1080 Melissa Castro
Contract Compliance Inspector: Ron Murray Forest Certification Assessment – Department of Natural Resources	
CONTRACT PERIOD: From: October 1, 2004 To: December 31, 2006	
TERMS N/A	SHIPMENT N/A
F.O.B. N/A	SHIPPED FROM N/A
MINIMUM DELIVERY REQUIREMENTS N/A	

NATURE OF CHANGE (S):

Effective immediately this contract is EXTENDED until December 31, 2006 and the contract is modified to provide four optional one-year extensions to be exercised at the states discretion.

Please Note: The Buyer has been changed to Melissa Castro.

AUTHORITY/REASON:

Per agency and vendor agreement.

TOTAL ESTIMATED CONTRACT VALUE REMAINS: \$121,300.00

STATE OF MICHIGAN
DEPARTMENT OF MANAGEMENT AND BUDGET
ACQUISITION SERVICES
P.O. BOX 30026, LANSING, MI 48909
OR
530 W. ALLEGAN, LANSING, MI 48933

April 11, 2005

CHANGE NOTICE NO. 2
TO
CONTRACT NO. 071B5200038
between
THE STATE OF MICHIGAN
and

NAME & ADDRESS OF VENDOR NSF ISR/SCR 789 North Dixboro Road Ann Arbor, MI 48105-9273	TELEPHONE: Win Wedering (203) 483-4316
	VENDOR NUMBER/MAIL CODE (002)
	BUYER/CA (517) 241-1646 Greg Faremouth
Contract Compliance Inspector: Ron Murray Forest Certification Assessment – Department of Natural Resources	
CONTRACT PERIOD: From: October 1, 2004 To: December 30, 2005	
TERMS N/A	SHIPMENT N/A
F.O.B. N/A	SHIPPED FROM N/A
MINIMUM DELIVERY REQUIREMENTS N/A	

NATURE OF CHANGE (S):

See the attached document that modifies the deliverable due dates. All other terms and conditions of this agreement remain the same.

Please note: The original contract was reissued for signature because of work statement clarifications.

AUTHORITY/REASON:

Per agency and vendor agreement.

TOTAL ESTIMATED CONTRACT VALUE REMAINS: \$121,300.00

CHANGE AUTHORIZATION REQUEST

Contract No. 071B5200038 and 751P5200382
Change Authorization Request No. 2005-002 for Contract 071B5200038

I. General

This Change Authorization Request is subject to all terms and conditions of the subject contract between NSF-International Strategic Registrations and the State of Michigan. Except as expressly specified herein, all terms and conditions of the Contract shall remain in full force and effect upon execution of this request. This request is not valid until all parties sign it, the Issuing Office prepares a Contract Change Notice and the Department of Natural Resources issues a Purchase Order.

II. Description of Change

The purpose is to change the dates for deliverables related to the audits as detailed under IV below.

III. Costs

The cost structure for the contract will remain the same.

IV. Impact on Contract (\$ and Schedule)

Add/modify deliverables:

Change the schedule of events surrounding the audits. Working backwards from completion date:

- Final Audit Report December 1, 2005
- Review comments from DNR by Nov 7
- Draft Report by Oct 24
- Audit between Sept 19 and Oct.1
- Final Audit Plan by July 18, 2005 (allow 2 weeks for review of draft)
- Readiness Review late June, 2005

V. Signatures

Contractor

By: Cemir B. Ljko
Title: General Manager
Date: 2/7/05

DNR Contract Administrator

By: [Signature]
Title: Contract Administrator
Date: 3/25/05

CHANGE AUTHORIZATION REQUEST

Contract No. 071B5200038 and 751P5200382
Change Authorization Request No. 2005-002 for Contract 071B5200038

I. General

This Change Authorization Request is subject to all terms and conditions of the subject contract between NSF-International Strategic Registrations and the State of Michigan. Except as expressly specified herein, all terms and conditions of the Contract shall remain in full force and effect upon execution of this request. This request is not valid until all parties sign it, the Issuing Office prepares a Contract Change Notice and the Department of Natural Resources issues a Purchase Order.

II. Description of Change

The purpose is to change the dates for deliverables related to the audits as detailed under IV below.

III. Costs

The cost structure for the contract will remain the same.

IV. Impact on Contract (\$ and Schedule)

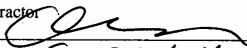
Add/modify deliverables:

Change the schedule of events surrounding the audits. Working backwards from completion date:

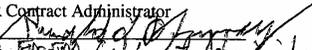
- Final Audit Report December 1, 2005
- Review comments from DNR by Nov 7
- Draft Report by Oct 24
- Audit between Sept 19 and Oct 1
- Final Audit Plan by July 18, 2005 (allow 2 weeks for review of draft)
- Readiness Review late June, 2005

V. Signatures

Contractor

By: 
Title: General Manager
Date: 3/15/05

DNR Contract Administrator

By: 
Title: Principal Contract Administrator
Date: 3/25/05

STATE OF MICHIGAN
DEPARTMENT OF MANAGEMENT AND BUDGET
ACQUISITION SERVICES
P.O. BOX 30026, LANSING, MI 48909
OR
530 W. ALLEGAN, LANSING, MI 48933

December 9, 2004

CHANGE NOTICE NO. 1
TO
CONTRACT NO. 071B5200038
between
THE STATE OF MICHIGAN
and

NAME & ADDRESS OF VENDOR NSF ISR/SCR 789 North Dixboro Road Ann Arbor, MI 48105-9273	TELEPHONE: Win Wedering (203) 483-4316
	VENDOR NUMBER/MAIL CODE (002)
	BUYER/CA (517) 241-1646 Greg Faremouth
Contract Compliance Inspector: Ron Murray Forest Certification Assessment – Department of Natural Resources	
CONTRACT PERIOD: From: October 1, 2004 To: December 30, 2005	
TERMS N/A	SHIPMENT N/A
F.O.B. N/A	SHIPPED FROM N/A
MINIMUM DELIVERY REQUIREMENTS N/A	

NATURE OF CHANGE (S):

See the attached document that modifies the deliverable due dates. All other terms and conditions of this agreement remain the same.

Please note: The original contract was reissued for signature because of work statement clarifications.

AUTHORITY/REASON:

Per agency and vendor agreement.

TOTAL ESTIMATED CONTRACT VALUE REMAINS: \$121,300.00

CHANGE AUTHORIZATION REQUEST

Contract No. 071B5200038 and 751P5200382
Change Authorization Request No. 2005-001 for Contract 071B5200038

I. General

This Change Authorization Request is subject to all terms and conditions of the subject contract between NSF-International Strategic Registrations and Scientific Certification Systems and the State of Michigan. Except as expressly specified herein, all terms and conditions of the Contract shall remain in full force and effect upon execution of this request. This request is not valid until all parties sign it, the Issuing Office prepares a Contract Change Notice and the Department of Natural Resources issues a Purchase Order.

II. Description of Change

The purpose of this change is to modify the due dates of 071B5200038 and 751P5200382 for deliverables required due to delayed contract issuance over the planned start up date, making it necessary for the contractor to adjust the schedule to fit with other demands in the contract. All terms and conditions of the original contract remain the same, except for the dates the following deliverables are due:

- Draft Reports issued 11/15/04
- Comments from MI DNR due on the report 11/22/04
- Presentation of Final Scoping/ Assessment Reports 12/13-16/04
- Work plan, schedule, costs for full certification audits 12/16/04
- Final audit reports detailing terms of certification 9/30/2005

III. Costs

The cost structure for the contract will remain the same.

IV. Impact on Contract (\$ and Schedule)

Increase: \$ 0
Decrease: \$ 0
Add/modify deliverables: Change dates of remaining deliverables per the schedule under II above.
Other

V. Signatures

Contractor
By: [Signature]
Title: Sr. V.P. Admin
Date: 11/22/04

DNR Contract Administrator
By: [Signature]
Title: State Contract Admin
Date: 12/6/04



CHANGE AUTHORIZATION REQUEST

Contract No. 071B5200038 and 751P5200382
Change Authorization Request No. 2005-001 for Contract 071B5200038

I. General

This Change Authorization Request is subject to all terms and conditions of the subject contract between NSF-International Strategic Registrations and Scientific Certification Systems and the State of Michigan. Except as expressly specified herein, all terms and conditions of the Contract shall remain in full force and effect upon execution of this request. This request is not valid until all parties sign it, the Issuing Office prepares a Contract Change Notice and the Department of Natural Resources issues a Purchase Order.

II. Description of Change

The purpose of this change is to modify the due dates of 071B5200038 and 751P5200382 for deliverables required due to delayed contract issuance over the planned start up date, making it necessary for the contractor to adjust the schedule to fit with other demands in the contract. All terms and conditions of the original contract remain the same, except for the dates the following deliverables are due:

Draft Reports issued 11/15/04
Comments from MI DNR due on the report 11/22/04
Presentation of Final Scoping/ Assessment Reports 12/13-16/04
Work plan, schedule, costs for full certification audits 12/16/04
Final audit reports detailing terms of certification 9/30/2005

III. Costs

The cost structure for the contract will remain the same.

IV. Impact on Contract (\$ and Schedule)

Increase: \$ 0

Decrease: \$ 0

Add/modify deliverables: Change dates of remaining deliverables per the schedule under II above.

Other

V. Signatures

Contractor

By: [Signature]
Title: Sr. V.P. Admin
Date: 11/22/04

DNR Contract Administrator
By: [Signature]
Title: Contract Administrator
Date: 12/6/04

STATE OF MICHIGAN
DEPARTMENT OF MANAGEMENT AND BUDGET
ACQUISITION SERVICES
P.O. BOX 30026, LANSING, MI 48909
OR
530 W. ALLEGAN, LANSING, MI 48933

December 9, 2004

NOTICE
OF
CONTRACT NO. 071B5200038
between
THE STATE OF MICHIGAN
and

NAME & ADDRESS OF VENDOR NSF ISR/SCR 789 North Dixboro Road Ann Arbor, MI 48105-9273	TELEPHONE: Win Wedering (203) 483-4316
	VENDOR NUMBER/MAIL CODE (002)
	BUYER/CA (517) 241-1646 Greg Faremouth
Contract Compliance Inspector: Ron Murray Forest Certification Assessment – Department of Natural Resources	
CONTRACT PERIOD: From: October 1, 2004 To: December 30, 2005	
TERMS N/A	SHIPMENT N/A
F.O.B. N/A	SHIPPED FROM N/A
MINIMUM DELIVERY REQUIREMENTS N/A	

The terms and conditions of this Contract are those enclosed. In the event of any conflicts between the specifications, terms and conditions indicated by the State and those indicated by the vendor, those of the State take precedence.

Estimated Contract Value: \$121,300.00

STATE OF MICHIGAN
 DEPARTMENT OF MANAGEMENT AND BUDGET
 ACQUISITION SERVICES
 P.O. BOX 30026, LANSING, MI 48909
 OR
 530 W. ALLEGAN, LANSING, MI 48933

CONTRACT NO. 071B5200038
between
THE STATE OF MICHIGAN
and

NAME & ADDRESS OF VENDOR NSF ISR/SCR 789 North Dixboro Road Ann Arbor, MI 48105-9273	TELEPHONE: Win Wedering (203) 483-4316 VENDOR NUMBER/MAIL CODE (002) BUYER/CA (517) 241-1646 Greg Faremouth
Contract Compliance Inspector: Ron Murray Forest Certification Assessment – Department of Natural Resources	
CONTRACT PERIOD: From: October 1, 2004 To: December 30, 2005	
TERMS <p style="text-align: center;">N/A</p>	SHIPMENT <p style="text-align: center;">N/A</p>
F.O.B. <p style="text-align: center;">N/A</p>	SHIPPED FROM <p style="text-align: center;">N/A</p>
MINIMUM DELIVERY REQUIREMENTS <p style="text-align: center;">N/A</p>	
MISCELLANEOUS INFORMATION: The terms and conditions of this Contract are those enclosed. In the event of any conflicts between the specifications, terms and conditions indicated by the State and those indicated by the vendor, those of the State take precedence. Estimated Contract Value: \$121,300.00	

THIS IS NOT AN ORDER: This Contract Agreement is awarded on the basis of our inquiry bearing the [ITB No. 071I3001342](#). Orders for delivery of equipment will be issued directly by the [Department of Natural Resources](#) through the issuance of a Purchase Order Form.

All terms and conditions of the invitation to bid are made a part hereof.

FOR THE VENDOR:

FOR THE STATE:

NSF ISR/SCR

 Firm Name

 Authorized Agent Signature

 Authorized Agent (Print or Type)

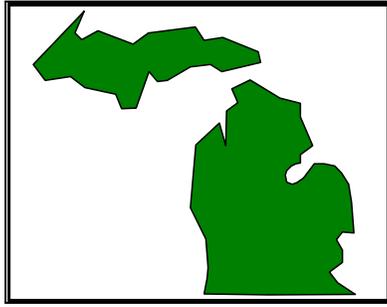
 Date

Signature
Greg Faremouth, CPPB, Buyer Specialist

 Name
Strategic Business Development,
Acquisition Services

 Title

 Date



**STATE OF MICHIGAN
Department of Management and Budget
Acquisition Services**

Contract No. [071B5200038](#)
FOREST CERTIFICATION ASSESSMENT

Buyer Name: Gregory Faremouth

Telephone Number: 517-241-1646

E-Mail Address: Faremouthg@michigan.gov

DEFINITION OF TERMS

TERMS	DEFINITIONS
CONTRACT	A BINDING AGREEMENT ENTERED INTO BY THE STATE OF MICHIGAN RESULTING FROM A BIDDER'S PROPOSAL; SEE ALSO "BLANKET PURCHASE ORDER."
CONTRACTOR	THE SUCCESSFUL BIDDER WHO IS AWARDED A CONTRACT.
DMB	MICHIGAN DEPARTMENT OF MANAGEMENT AND BUDGET
RFP	REQUEST FOR PROPOSAL - A TERM USED BY THE STATE TO SOLICIT PROPOSALS FOR SERVICES SUCH AS CONSULTING. TYPICALLY USED WHEN THE REQUESTING AGENCY REQUIRES VENDOR ASSISTANCE IN IDENTIFYING AN ACCEPTABLE MANNER OF SOLVING A PROBLEM.
ITB	INVITATION TO BID - A GENERIC FORM USED BY ACQUISITION SERVICES TO SOLICIT QUOTATIONS FOR SERVICES OR COMMODITIES. THE ITB SERVES AS THE DOCUMENT FOR TRANSMITTING THE RFP TO INTERESTED POTENTIAL BIDDERS.
SUCCESSFUL BIDDER	THE BIDDER(S) AWARDED A CONTRACT AS A RESULT OF A SOLICITATION.
STATE	THE STATE OF MICHIGAN FOR PURPOSES OF INDEMNIFICATION AS SET FORTH IN SECTION I-J, STATE MEANS THE STATE OF MICHIGAN, ITS DEPARTMENTS, DIVISIONS, AGENCIES, OFFICES, COMMISSIONS, OFFICERS, EMPLOYEES AND AGENTS.
BLANKET PURCHASE ORDER	ALTERNATE TERM FOR "CONTRACT" USED IN THE STATE'S COMPUTER SYSTEM (MICHIGAN AUTOMATED INFORMATION NETWORK [MAIN])
EXPIRATION	EXCEPT WHERE SPECIFICALLY PROVIDED FOR IN THE CONTRACT, THE ENDING AND TERMINATION OF THE CONTRACTUAL DUTIES AND OBLIGATIONS OF THE PARTIES TO THE CONTRACT PURSUANT TO A MUTUALLY AGREED UPON DATE.
CANCELLATION	ENDING ALL RIGHTS AND OBLIGATIONS OF THE STATE AND CONTRACTOR, EXCEPT FOR ANY RIGHTS AND OBLIGATIONS THAT ARE DUE AND OWING.

WORK PRODUCT	WORK PRODUCT MEANS ANY DATA COMPILATIONS, REPORTS, AND ANY OTHER MEDIA, MATERIALS, OR OTHER OBJECTS OR WORKS OF AUTHORSHIP CREATED OR PRODUCED BY THE CONTRACTOR AS A RESULT OF AND IN FURTHERANCE OF PERFORMING THE SERVICES REQUIRED BY THIS CONTRACT.
FOREST CERTIFICATION	A PROCESS WHEREBY FOREST MANAGEMENT PRACTICES ARE EVALUATED ACCORDING TO ESTABLISHED STANDARDS AND PROTOCOL.
SUSTAINABLE FORESTRY	FOREST MANAGEMENT PRACTICES DESIGNED TO MEET PRESENT PHYSICAL, ECONOMIC, AND SOCIAL NEEDS WHILE PRESERVING OPTIONS FOR FUTURE GENERATIONS.
THIRD PARTY CERTIFICATION	THE EVALUATION OF PRACTICES BY AN EXTERNAL PARTY, UNAFFILIATED WITH THE AGENCY UNDERGOING THE CERTIFICATION.
FOREST STEWARDSHIP COUNCIL (FSC)	ONE OF THE MAJOR THIRD PARTY FOREST CERTIFICATION ORGANIZATIONS.
SUSTAINABLE FORESTRY INITIATIVE (SFI)	ANOTHER OF THE MAJOR THIRD PARTY FOREST CERTIFICATION ORGANIZATIONS, ORIGINALLY AFFILIATED WITH THE AMERICAN FOREST & PAPER ASSOCIATION (AF&PA).
EXTERNAL AUDIT	ASSESSMENT BY AN INDEPENDENT THIRD PARTY OF THE SUSTAINABILITY OF MANAGEMENT OPERATIONS FOR THE MICHIGAN STATE FORESTS BASED ON THE STANDARDS OF SFI AND/OR FSC
INTERNAL AUDIT	ASSESSMENT BY THIS CONTRACTOR AND MDNR STAFF OF THE SUSTAINABILITY OF MANAGEMENT OPERATIONS FOR THE MICHIGAN STATE FORESTS BASED ON THE STANDARDS OF SFI AND/OR FSC. THIS AUDIT IS IN PREPARATION FOR THE EXTERNAL AUDIT.
SCOPING	TERM APPLIED TO A PRELIMINARY REVIEW OF AGENCY PRINCIPLES, POLICIES, PROCEDURES, AND ACTIVITIES AND DOCUMENTATION TO IDENTIFY AREAS THAT MAY POSE SIGNIFICANT PROBLEMS IN AN FSC AUDIT
ASSESSMENT	TERM APPLIED TO A PRELIMINARY REVIEW OF AGENCY PRINCIPLES, POLICIES, PROCEDURES, AND ACTIVITIES AND DOCUMENTATION TO IDENTIFY AREAS THAT MAY POSE SIGNIFICANT PROBLEMS IN AN SFI AUDIT



Forest Certification Assessment Contract

TO i
 N/A i
 N/A i
 TO ii
 N/A ii
 N/A ii
 TO iii
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 TO vi
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SFIS Certification Audit Process..... 35

1. As specified in the SFI® Verification/Certification Principles and Procedures (SFI-V/PPP), the NSF-ISR SFIS Certification Audit shall establish whether the Program Participant’s SFI program is in conformance with the SFIS Objectives and Performance Measures, as well as any additional self-imposed requirements. 35

2. Firm dates will be confirmed for the SFIS Certification Audit..... 35

2.509 The lead auditor shall confirm certification audit dates in writing to the Program Participant during the On-site Readiness Review with copies to the audit team members. . 35

2.510 If the dates are not acceptable to the client, alternative dates shall be determined. The Facility Record Sheet (FRS) shall be updated to reflect the revised schedule. Any changes to the schedule should be emailed to schedule@nsf-ISR.org..... 35

2.511 Any adjustments in the composition of the audit team will be made to reflect appropriate areas of technical expertise needed on the audit team and to accommodate scheduling issues. 35

2.512 The lead auditor will coordinate the travel arrangements of the audit team members, but each member will be responsible for making their own travel arrangements..... 35

3. The lead auditor shall work with the Program Participant to provide all necessary and documents to the audit team members prior to the scheduled audit dates. 35

3.509 Documents providing background information about the Program Participant’s operations or SFI Program should be provided directly by the Program Participant to all team members. Optional: if time allows, the lead auditor can provide the copies to team members. 35

3.510 Information that will be provided by the Lead Auditor to the audit team members (who should print copies as needed and bring them to the audit) includes:..... 36

3.510.1 the On-site Readiness Review Report; 36

3.510.2 the final Audit Plan; and..... 36

3.510.3 a copy of the SFIS Certification Audit Matrix (started by the Lead Auditor during the readiness review) that will be used to document conformance to the SFIS..... 36

3.511 Audit team members shall download the following documents from the NSF-ISR Extra-net and bring them to the audit (optional –these may be provided by Lead Auditor to team members lacking access to the NSF-ISR Extra-net): 36

3.511.1 blank copies of Corrective Action Request (CARs) forms; and..... 36

3.511.2 NSF-ISR - Agreement to not Disclose and to not Consult, completed and signed. 36

4. Notification to the Sustainable Forestry Board..... 36

Any Program Participant seeking independent certification or recertification in accordance with the SFI Standard, if it plans to publicly state its intentions, shall notify the Sustainable Forestry Board (SFB) prior to undertaking the audit..... 36

5. Prior to the SFIS Certification Audit, the audit team shall hold a planning meeting to discuss the efficient implementation of the audit plan. The planning meeting will generally be held the night before the opening meeting and shall cover:..... 36

5.509 A review of assignments for each team member will be conducted by the Lead Auditor. The audit team shall address all SFIS Performance Measures and Core Indicators, as well as any additional self-imposed requirements;..... 36

5.510 the use of the SFIS Certification Audit Matrix to document conformance to the SFIS; 36

5.511 NSF-ISR audit procedures; and..... 36

5.512 NSF policy not to consult or disclose..... 36

5.512.1 all team members shall provide completed Agreement to not Disclose and to not Consult forms. 36

6. The SFIS Certification Audit will begin with a brief opening meeting. Items to cover at this meeting include:..... 36

6.509 introductions of meeting participants and circulation of a meeting sign-in sheet; 36

6.510 objectives of Certification Audit listed in Section # 1 above..... 36

6.511 confirmation of the scope of the audit and indicators of conformance to be used; 37

6.512 a review of the FRS with the company representatives: 37

6.512.1 verify each section of the FRS..... 37

6.512.2 sign it, and..... 37

6.512.3 have it signed by the Program Participant’s representative; 37

6.513 an overview of the NSF-ISR SFIS Certification Audit Process including: 37



6.513.1 auditors will be recording objective evidence of conformance as the basis for SFIS certification; 37

6.513.2 evidence and information collected by the audit team will remain confidential and discussed only with the Program Participant or NSF-ISR; 37

6.513.3 discussion of terms related to findings (major non-conformance, minor non-conformance, opportunities for improvement, practices that exceed the basic requirements of the SFIS, and full conformance) as listed in Section 10 below; 37

6.513.4 the central importance of assessing conformance at the Performance Measure level; 37

6.513.5 the CAR process including the NSF policy of immediately notifying Program Participant when a non-conformance has been identified; 37

6.513.6 the CB review process; and..... 37

6.513.7 time frames for completion of certification process (Section 14 below).. 37

6.514 A review of the audit plan and field audit arrangements including: 37

6.514.1 the field site and interviewee selection process and criteria and confirmation with the Program Participant that final selection of field sites and interviewees have been made; 37

6.514.2 the daily schedules, which shall be reviewed and modified as appropriate, based on local weather conditions, current road access, and other logistics as needed to efficiently utilize the time allocated for the SFIS Certification Audit; 37

6.514.3 a confirmation the schedule for daily debriefings where preliminary findings can be discussed; 37

6.514.4 the date, time, and place for the closing meeting; 37

6.514.5 a confirmation of escort/guide and conference room arrangements;..... 37

6.514.6 a confirmation of the official communication links (i.e., official communication shall be between the lead auditor and the management representative.) Concerns by members of the audit team shall be expressed to the lead auditor and concerns by the Program Participant’s staff shall be expressed to the management representative; 37

6.514.7 a confirmation of the Program Participant’s working hours/lunch arrangements; 38

6.514.8 any safety and emergency preparedness procedures; 38

6.514.9 a review any other outstanding issues contained in the audit plan; and. 38

6.515 the lead auditor shall adjourn the meeting. 38

7. Following the opening meeting the Program Participant’s management representative, or designated staff, shall present a brief overview of the company’s operations and management to the audit team. 38

7.509 Option: This presentation can be skipped if there is only one member of the team, as the Lead Auditor will have already been seen the material during the ORR..... 38

8. The audit team shall follow the audit plan to evaluate and verify, through objective evidence (inspection of documents, interviews, field visits, etc.) that the Program Participant’s SFI Program conforms to the SFI Standard..... 38

8.509 Audit team members shall complete the SFI Certification Audit Matrix for each appropriate SFIS requirement, based on assignments developed by the Lead Auditor: 38

8.509.1 For each Core Indicator, and for additional indicators as appropriate, at least one team member shall review the evidence and determine whether the indicator is being effectively addressed, not addressed, or marginally addressed. 38

8.509.2 Conformance is determined at the Performance Measure and Objective. A Program Participant can have effective ratings for all Core Indicators but still not be in conformance with the Performance Measure. Likewise, it is possible to be rated “not effective” in one or more Core Indicators but still achieve conformance to the Performance Measure. 38

8.509.3 With the guidance of the lead auditor, the audit team will rate each Performance Measure as being in full conformance, exceeds the basic requirements of the SFIS, major nonconformance or minor non-conformance. 38

8.509.4 All non-conformances are written against a Performance Measure, citing one or more Core Indicators as examples, if appropriate. 38

8.509.5 Performance Measures can also have one or more “opportunities for improvement” associated with them. Auditors indicate on the audit matrix forms individual indicators where OFIs exist, and provide details on the Notes pages. 38

8.509.6 “Practices that exceed expectations” will be documented on the auditor’s notes page of the Audit Matrix. 38

8.509.7 Findings shall be discussed with the Program Participant’s representative prior to leaving the area where the finding is identified, if possible..... 38



8.510 The audit team members shall document findings of major or minor non-conformance in writing using the Corrective Action Request (CAR) form. The lead auditor shall request that the Program Participant make an appropriate number of photocopies of each CAR..... 39

8.510.1 In the event the auditor documents a potential nonconformance (e.g., one or more of the SFIS Objectives or Performance Measures have not been addressed or implemented), the auditor shall promptly communicate this finding to the lead auditor only. The lead auditor shall review the finding to determine whether it is in fact a nonconformance. If it is a nonconformance, the lead auditor shall promptly inform the management representative..... 39

8.510.2 Auditors shall not advise or consult with the Program Participant about how to solve any major or minor nonconformance. 39

8.511 The audit team will summarize its findings to the Program Participant at the end of each day. Where possible, each auditor should discuss his/her own findings with the Program Participant in the presence of the Lead Auditor. 39

8.512 The audit team shall verify that all CAR's identified during the ORR have been adequately addressed..... 39

8.513 The lead auditor shall, on a daily basis, review with the other audit team members the status of the audit (completion of items on the matrices and the time schedule) to ensure the audit is progressing in an orderly and timely fashion. During the discussions, the time schedule and auditor assignments may be modified as appropriate to ensure that all of the requirements of the SFI Standard are addressed. 39

9. Corrective Action Plans will be developed by the Program Participant for all non-conformances. 39

9.509 Corrective Action Plans will be submitted to the Lead Auditor for review and approval. They will be evaluated for the following components:..... 39

9.509.1 Has the immediate problem been corrected? 39

9.509.2 Has a check been made to determine if similar non-conformances exist elsewhere within the EMS? 39

9.509.3 What steps have been taken to prevent reoccurrence of the non-conformance? 39

9.510 If the Program Participant chooses to take corrective action or submit a corrective action plan to address a non-conformance during the audit process (this includes any audit phase such as the on-site readiness review, certification audit, surveillance audit, etc.) the lead auditor has the authority to make a decision as to whether the corrective action is acceptable or unacceptable..... 39

9.511 If all of the corrective action plans for minor non-conformances are approved, the lead auditor can make a recommendation for immediate certification. 39

10. The following definitions will apply regarding findings: 40

11. Based upon the findings, the lead auditor will make a certification recommendation at the closing meeting. NSF-ISR's Audit Manager will use this recommendation to decide whether to grant SFIS Certification to the Program Participant. Three possible recommendations exist..... 40

12. In the event that there is an internal dispute between the lead auditor and the Program Participant over any issues involved in the certification audit, the first step is for the management representative to call the Audit Manager to resolve the dispute . If the dispute continues, the dispute resolution processes of NSF-ISR will be followed. (See Dispute Resolution Process in AE-989-0002) 42

13. The audit team and the Program Participant's SFI Team will conduct a closing meeting at the conclusion of the SFIS Certification Audit. The following issues shall be discussed: 42

13.509 the closing meeting attendance form shall be circulated; 42

13.510 the lead auditor shall restate the audit scope; 42

13.511 the findings recorded on the SFIS Certification Audit Matrix and Corrective Action Request (CAR) forms will be presented; 42

13.512 overall certification findings and recommendations shall be presented; 42

13.513 any corrective action plans to resolve non-conformances will be discussed and procedures finalized;..... 42

13.514 the Program Participant's management representative will sign all relevant CAR forms; 42

13.515 the lead auditor will leave a copy of the CARs with the Program Participant; and 42

13.516 the process for reviewing and issuing the final and summary reports will be reviewed; 42

13.517 the process for issuing the certificate of conformance will be reviewed; 42

13.518 all other details of the audit plan including surveillance audits will be addressed; and 42

13.519 the closing meeting will be adjourned. 42



14. Final Report Review and Approval Process, including timeline:..... 42

14.509 The lead auditor is responsible for preparing the Draft Final Report and forwarding it to the Program Participant for a review of factual accuracy. This Draft Final Report should be provided within two weeks of the closing meeting, unless otherwise specified in the audit plan or during the closing meeting. This draft will normally be provided by email and will include the text of the report and the attachments containing the audit matrix and the public summary (all other attachments are provided in the final report). 42

14.510 The Program Participant should submit any comments to the lead auditor within two weeks of the date the report is provided, normally by email. The Final Report will be provided to the Program Participant within five weeks of receiving comments..... 43

14.511 After receiving comments, the lead auditor shall make any necessary changes and shall Priority Mail the final report to the assigned Certification Board Member within one week. This Final Report should include all attachments. 43

14.512 The Certification Board Member is responsible for reviewing the Final Report and providing it to NSF within two weeks of receiving it. NSF-ISR shall issue a Final Report within two weeks of receiving approval by the Certification Board Member. 43

14.513 If there are outstanding corrective action plans the timeline shall be extended. 43

14.514 From the time of the closing meeting to the receipt of the final report should require no more than nine weeks The Certification Board Member is responsible for notifying the Program Participant if the nine week timeframe will not be met and establishing a new, mutually acceptable date.43

15. The minimum contents of the Final Report (an example template for a final report is provided in the NSF-ISR SOP SFI Final Report, AA-971-0002).shall include: 43

15.509 the certification audit scope and objectives; 43

15.510 indicators against which the verification was performed; 43

15.511 the certification process, including time period and plan of the verification; 43

15.512 the audit team members; 43

15.513 full conformance, major non-conformance, minor non-conformance, opportunities for improvement, and practices that exceed the basic requirements of the SFI Standard; 43

15.514 audit recommendations; and..... 43

15.515 Appendix Sections as follows; 43

15.515.1 Audit Plan..... 43

15.515.2 SFI Certification Audit Matrix..... 43

15.515.3 NSF-ISR Corrective Action Request (CAR) form(s), including corrective action plans developed by the Program Participant (which may be contained on additional pages). Note: This section should include documentation of all CARS, even those that were closed prior to the Certification Audit 43

15.515.4 Agreement(s) to Not Disclose and to Not Consult (Confidentiality Statement) 43

15.515.5 Opening and Closing Meeting Attendance Form 43

15.515.6 SFI Audit Summary for Public Disclosure 44

16. The auditor shall send the following packet in the order below to the SFI Audit Manager: 44

17. Audit Summary for Public Disclosure..... 44

If the Program Participant intends to make any public statement about the results of the SFIS Certification Audit, the lead auditor will work with the Program Participant to prepare an audit summary for public disclosure that will be part of the final report. The audit summary shall include the audit scope and process, the names of the auditors, and a summary of the findings and recommendation. . 44

18. The contents of the summary report will be agreed to by NFS-ISR and the Program Participant to ensure that it captures the relevant findings and recommendation of the Final Report. The Program Participant is responsible for providing a copy of the summary report to both the AF&PA and the Sustainable Forestry Board at least 2 weeks prior to any public statement or claim about its certification or recertification. An example of a summary report is contained in the SOP "AA-971-0002 SFI FINAL REPORT" 44

19. Certificate of SFIS Conformance 44

Upon successful completion of the SFIS Certification Process, NSF-ISR shall issue a formal certificate of conformance with the SFI Standard to the Program Participant. The goal is to issue the certificate within nine weeks of the completion of the certification audit (within five weeks from the time the Program Participant provides comments). The declaration of conformance shall include the Program Participant's name, standard certified to, the date of certification, NSF-ISR's logo and signature(s) of responsible authorities. 44

20. Document Distribution and Retention 44



SFIS Audit final and summary reports and certificates are the sole property of the Program Participant and confidentiality shall be safeguarded. The Program Participant will determine the distribution of the final report and summary. 44

All working documents, draft and final and summary reports in the possession of the audit team members shall be destroyed at the end of the SFIS Certification Audit process, unless agreed to in writing by NSF-ISR and the Program Participant. NSF-ISR and the lead auditor shall retain one copy of all documents related to the SFIS Certification in a permanent file for purposes of conducting surveillance audits and re-audits, and for other legitimate purposes. 45

21. Use of the SFI Label 45

The SFI Label has been approved for use by SFI Program Participants that have successfully achieved third party certification. SFI Program Participants wanting to use the SFI Label will need to apply to the AF&PA "Office of Label Use" for authorization. 45

Certain SFI Program Participants may need an independent audit of their sources of wood supply in order to use the SFI Labels. NSF-ISR is available to conduct such audits as needed and appropriate. 45

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In the past SCS used a scoring approach, "dual format", where scores were assigned to the SCS Evaluation Criteria for Natural (or Plantation) Forest Management and then cross-referenced to score the FSC Criteria.

This dual format approach must not be used under any circumstance, that is ALL Forest Conservation Program evaluations must be conducted using the "FSC-Only Format"- see 3.5.2.1..... 70

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Article 1 – Statement of Work (SOW)

1.0 Project Identification

1.001 PROJECT REQUEST

The Michigan Department of Natural Resources (MDNR) is interested in obtaining certification of sustainable management for the State Forests under Forest Stewardship Council (FSC) and Sustainable Forestry Initiative (SFI) programs. The objective of this contract will be to obtain a favorable third-party certification of the State Forest program relative to the standards of the aforementioned certification systems.

1.02 BACKGROUND

The Michigan Department of Natural Resources, Forest, Mineral, and Fire Management Division (MDNR-FMFMD) and Wildlife Division (WD) manage 3.9 million of the 21 million acres of forested land in the state of Michigan. Authorizing legislation found in Part 5 of Public Act 451 of 1994, as amended, details various aspects of this management. Michigan State Forest lands have historically been managed for multiple uses including aesthetics, recreation, timber, wildlife, soil and water conservation, biodiversity preservation and restoration, and minerals. Many management operations depend on the revenues from products sold from commodities harvested from commercial operations on these lands. Major users of some forest products have announced that they will only purchase products from lands that are certified as practicing sustainable forest management under a third party standard.

MDNR-FMFMD has 15 forest management units within the State and additional administrative offices.

Three prior assessments of how MDNR operations compare to certification standards will have been completed prior to this proposed project. The first involved a Lake Superior State Forest planning initiative in the eastern Upper Peninsula and the FSC standard. The second involved a comparison of both SFI and FSC standards to statewide State Forest operations. A third effort has recently been completed in June 2004 involving discussions with all Forest Management Units and both SFI and FSC protocols

On February 11, Michigan Governor Jennifer Granholm announced that Michigan's State Forests would be managed under the concepts of sustainable forest certification and that dual third party certification would be sought and obtained by December 31, 2005. To comply with the Governor's announcement, maintain the market for certain forest products, and to continue the tradition of multiple-use management on a sustainable basis, the third party certification effort covered in this Contract is being undertaken.

Michigan intends to pursue dual certification in SFI and FSC with an ultimate goal of creating an overarching ISO 14001 type of environmental management system. Contract deliverables must not only meet the SFI and FSC standard requirements, but must be compatible with ISO 14001 standards as well. However, the State is not seeking certification of its environmental management system under ISO 14001 standards at this time.

Status of Current Operations Systems

Michigan's current system of management and operational planning includes a computerized operations inventory that is updated annually for approximately one-tenth of the State Forest area. This inventory utilizes older technology and an updated GIS-based inventory is being built and is scheduled to be implemented beginning in 2006. The new inventory will provide closer tracking of a wider range of resource variables, treatment activities, and conditions than is currently kept. Likewise, timber sale treatments are proposed and tracked in a computerized system that is also in the process of being rewritten and updated to improve functionality. Treatments and other management actions tracked in both these systems are proposed, reviewed, and approved in a formal process using formalized policies, procedures, and approvals that involve an increasing amount of public involvement at various levels from proposal through treatment completion. These planning efforts are ongoing at this time. The last comprehensive strategic plan for Michigan's State Forest System was written in 1983; since that time, many diverse initiatives have enhanced the planning and management of the State Forests.



Status of Planning

Michigan's State Forests have well-established tactical planning which is used to determine short to intermediate range operational activities. A wide range of programmatic initiatives also address particular natural resource issues. Previous state forest planning efforts have evolved into eco-regional teams which have been established to develop strategic, large-landscape planning and staff specialists have been organized into a state forest vegetation management team.

Policy & Procedures

Formal policies and procedures exist and are documented in policy manuals for MDNR-FMFMD and Wildlife, as well as other Natural Resources Commission policies. These are not all maintained in an up-to-date condition, and some gaps likely exist vis-à-vis forest certification standards.

This contract is seeking knowledgeable professional auditor(s) who will guide the MDNR in audit preparations and conduct independent third party audits to enable the Michigan State Forests to obtain sustainable forestry certification under SFI and FSC.

1.1 Scope of Work and Deliverables

1.101 IN SCOPE

Format to be used to address assessment issues

This is a dual accreditation contract for a joint FSC – SFI Scoping (Phase I) and a joint FSC – SFI Full Evaluation (Phase 2) using the same audit team and a coordinated auditing protocol, including:

- Unified audit team
- Coordinated Document Request
- Joint On-Site Readiness Review and Audit Planning
- Integrated Opening Meeting and Daily Meetings
- Overlapping Use of Audit Evidence
- Coordination of FSC Stakeholder Process with Relevant SFI Performance Measures

The use of a joint process will provide a more robust and comprehensive review while reducing costs.

The dual certification process for both systems will be completed by 10/1/2005

The FSC – SFI Phase 1 certification process, including final reports and work plan for full certification audit, will be completed by 11/15/2004.

The FSC – SFI Phase 2 certification process, including final reports, can be completed by 10/1/2005.

1.102 OUT OF SCOPE

For the individual contracts awarded, MDNR agrees and understands that no contractor shall be responsible for other's scope of work. MDNR staff will be responsible for collaboration and coordination between entities, if needed.

State-owned lands that are not part of the State Forest system will not be included in this work. Contractor(s) will not be required to produce or provide written policies or procedures for MDNR, although they may be asked to advise and comment on MDNR's, or an MDNR sub-contractor's, work in preparation of such documents.

1.103 TECHNICAL ENVIRONMENT

All reports or forms created for the project will be submitted to MDNR in MS (Word) 2000.



1.104 WORK AND DELIVERABLES

The work, deliverables, and timeline are described in detail in the following section.

Work Plan and Milestones

Joint Approach and Procedures for SFIS and FSC Certification Audits

The SFIS and FSC joint audit approach (pioneered by NSF-ISR and SCS) has proven its success at over 6 prior joint certification projects, successfully accomplishing all SFIS and FSC required certification audit tasks.

With each successive joint certification experience Contractor(s) have increased the degree of overlap between our auditing approaches (SFI and FSC) and have developed increasing audit efficiencies. From these experiences, our auditors have determined that it is feasible to link the two leading certification protocols into a joint process. Each protocol is followed precisely, with adherence to all required procedures and methods for accumulating, reviewing, and assessing evidence and reaching conclusions. Because there is considerable overlap in terms of issues addressed, nearly all field site visits and interviews provide evidence that can be evaluated under both protocols. In practice the auditors are able to assess evidence and compile an understanding of the aspects and impacts of the management program during a field audit meeting the needs of both systems. The most important divergence comes during the final stages of each certification protocol. Each protocol requires separate time and resources for scoring and reporting. Finally, Contractor(s) have begun to implement joint surveillance audits (known as “annual audits”), which will provide further savings for forestry organizations desiring to maintain both certifications.

General Approach

Contractor(s) have built upon experience from the previous joint audits to design an efficient audit protocol for the Michigan State Forest lands. This protocol includes all elements of the individual evaluation protocols (See Appendix A: *NSF-ISR SFIS Certification Process [Standard Operating Procedure AA-971-0003]* and Appendix B: *SCS Forest Conservation Program Operations Manual*) with the following enhancements:

- Unified audit team: A single 3-person audit team will conduct both scoping/assessment, and a single 4-person audit team (the original scoping team plus a biologist/ecologist) will conduct both full evaluations. This team includes an FSC-Qualified Lead Auditor, a SFI-Qualified Lead Auditor, and a Michigan-based forester for the scoping, and an additional northern forestry biologist/ecologist for the full evaluations. The full range of necessary expertise is represented: forestry, wildlife biology, economics, harvesting, and public involvement and stakeholder consultation expertise (please refer to resumes of team members).
- Coordinated Document Request: The first step in both Phase 1 and Phase 2 will be the preparation of a single, comprehensive list of documents and information required to conduct the evaluation.
- Joint Final Readiness Review and Audit Planning: Both Lead Auditors will participate in a final readiness review and audit planning session prior to the Phase 2 Joint Certification Assessment.
- Integrated Opening Meeting and Daily Meetings: Both Phases (Scoping/Assessment and the Joint Certification Audit) will feature coordinated/dual focus opening and closing meetings and daily debriefings. The structure ensures that all parties have clear guidance and are fully prepared for the meetings and fully informed as to the progress of the evaluations.
- Overlapping Use of Audit Evidence: Many aspects of the SFI and FSC requirements are quite similar. The SFI process provides an excellent framework for organizing evidence and ensuring that evidence assembled for the SFI can be readily utilized during the FSC review. Likewise, under the FSC protocol discussions about many forestry decisions are both free ranging and detailed, providing additional evidence useful during an SFI evaluation. Our experience in joint certifications allows us to take full advantage of these areas of overlap while managing areas that do not overlap. Overlapping use of evidence is applicable to both Phase I (scoping/assessment) and Phase II (full audits).
- Coordination of FSC Stakeholder Process with Relevant SFI Performance Measures: The FSC process includes detailed, comprehensive stakeholder consultations which overlap with many SFI indicators. Our approach is to utilize the FSC structure here while adding any SFI interviews as needed.



Phase I - Scoping Assessment

During scoping evaluation, the SCS/NSF-ISR team will assess Michigan DNR's level of conformance with the requirements of certification; that is, the FSC Lake States Standard and the 2002-2004 Edition of the Sustainable Forestry Initiative® Standard with consideration for the known portions of the 2005-2010 Edition Revisions. The goals of the assessment are to identify likely areas of conformance and non-conformance with the standards. Additionally, when areas of non-conformance are identified, a detailed description of that deficiency will be provided. The assessment includes a review of Michigan DNR's management systems and a sample-based audit of field conditions. The SCS/NSF-ISR scoping assessment includes the following tasks/steps:

A – Audit Planning, Document Request & Review

- 1) Confirm schedule and itinerary for the Scoping Assessment- This key logistical task is to be completed as early as possible to ensure the team is able to see a representative sample of field activities and interact with needed personnel. For this task- Contractor(s) will coordinate closely with Michigan DNR to ensure that the forests selected to visit represent a good cross section of the States forestry activities.
- 2) Document request- (unified for FSC and SFI Processes)- As part of the Scoping Assessment the Team will review the core documents that collectively form Michigan DNR's State Forest Management Program. Some of these documents will be requested and reviewed prior to the start of the scoping assessment to facilitate planning the itinerary of field inspections.

B – Office Review and Field Assessment of Michigan State Forests

Proposed Comprehensive Scoping Assessment Schedule

The audit will occur over a 5-day (Monday through Friday) period, as detailed in the table below. There will be a day of office administrative review; three days of field reconnaissance; and a day for assessment, additional interviews. Michigan DNR staff would be needed from Monday morning through Friday.

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday am
Audit team travel to Lansing Team evening meeting	Opening Interviews Discussions 8-5	Field Inspection (Forest Management Unit-FMU A*)	Field Inspections (FMU B & C)	Field Inspections (FMU D & E) Preliminary FSC & SFI synthesis	Field Inspection (FMU F) FSC & SFI synthesis (audit team only) Audit team travel home

*Note: FMU's "A,B,C..." are not intended to represent any actual State FMU (forest management unit). Decisions on which FMU's to sample will be made at a later point.

- 1) Opening interviews and discussions with Michigan DNR staff: The main objective for the opening meeting is for forestry (and other pertinent) staff to describe, in detail, their programs for overseeing forest management on Michigan State Forests. Additionally, the lead SCS and NSF-ISR auditors will provide a description of the preliminary evaluation protocols. A preliminary travel itinerary will be developed over the phone and by email prior to the field visit. The travel itinerary will be finalized as part of the opening day meetings.
- 2) Field Reconnaissance: The evaluation team will conduct 3+ days of field reconnaissance of the State Forests in order to observe forest management operations and field conditions. The field visits will commence on the morning of day 2 and continue through the morning of day 5. A single 3-person audit team will conduct both the SFI and FSC scoping. This team includes an FSC-Qualified Lead Auditor and an SFI-Qualified Lead Auditor. The 3-person team will conduct the first day of field inspections as a unified team to ensure consistent implementation of audit protocols. For day 3 and 4 of the field inspections the audit team will break apart into two separate teams (a 1-person and 2-person team) to cover field related criteria of both SFI and FSC; for day 5 the team will reunite. Using this approach, SCS/NSF-ISR can significantly increase the sample intensity, thus providing a more robust preliminary evaluation, without substantially increasing costs and time burdens to Michigan DNR.



- 3) Closing Meeting- if desired by DNR and if DNR personnel are able to meet the audit team in the field, the initial results of the preliminary evaluation (gap analysis) will be reported to Michigan DNR in an abbreviated closing meeting on the final day of the on-site audit. A more detailed briefing of the results of the preliminary evaluation will be provided in a separate visit, prior to December 1, 2004.

C – Report Preparation and Revisions - Deliverable 1 FSC Scoping and SFI Assessment

SCS and NSF-ISR will provide detailed preliminary evaluation reports that identify where compliance with the applicable FSC and SFI forest certification standards is acceptable as well as identify any specific aspects where compliance with the standards is incomplete or not currently adequate. The report will provide a description of any gaps or deficiencies and opportunities for improvement, relative to the standards of certification.

D – Presentation of Findings to FMFMD

Prior to December 1, 2004, NSF-ISR and SCS will meet with FMFMD to present the findings of the FSC Scoping/SFI Assessment Reports.

E – Delivery of Work Plan, Schedule, Costs for Full Certification Audits Deliverable 2 FSC Scoping and SFI Assessment

Upon completion of the FSC Scoping/SFI Assessment, SCS and NSF-IR will prepare a work plan and detailed proposed schedules for full FSC and SFI Certification Audits (Phase I.E. below). In these work plans, Contractor(s) will specify field and office time required, any changes to the full audit cost (though none are expected if the scope of work remains as detailed in the ITB), and a proposed start time for the audits. The work plans will include an option for a joint SFI and FSC full certification audit and options for separate full certification audits.

Timeline for completion of the assessment report
Assuming that the contract start date is September 30:

Proposed Projected Schedule	Phase - Task
5 days *	Early- October I.A) Scheduling, Document Request & Review
15 days *	Mid- October I.B) On-site Scoping Assessment (5 days)
30 days*	Early- November I.C) Draft Reports Issued
40 days *	Mid- November I.C) Comments from MI DNR due on the report
60 days *	December 1 I.D) Presentation of Final Scoping/Assessment Reports
60 days *	December 1 I.E) Work plan, schedule, costs for full certification audits.
360 days*	October 1, 2005 Final audit reports detailing terms of certification

* Days elapsed from contract start date

Phase II: Full Certification Audits

If Michigan DNR decides to move forward with the full certification audits, NSF-ISR and SCS will execute the following tasks to assess conformance and offer certification (if warranted):

A – Audit Planning

Similar to the scoping assessment, audit planning is the first step in the full certification audit. Two weeks of on-site activities (e.g., interviews, field inspections) will be scheduled for the full certification audit. Developing an itinerary, which is dictated by NSF-ISR and SCS, will be completed using a semi-random sampling approach. Forest management units (and Districts) to visit will be stratified by region, management history, and/or other factors, and then randomly selected.

Schedule Overview: The audit will occur over a 13 consecutive day period, beginning on a Monday. 9 days will involve the Audit Team and MDNR personnel visiting field sites; see tables below. MDNR personnel would be needed from Monday morning through Friday each week, and (selected personnel) on Saturday of the first week.



Week One

Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
Opening Meeting Interviews with DNR Forestry Staff, State specialists, and stakeholders	Field Inspection (FMU A*, 1 st day)	Field Inspection (FMU A, 2 nd day)	Field Inspection (FMU B, 1 day only)	Field Inspection (FMU C, 1 st day)	Field Inspection (FMU C, 2 nd day)

Week Two

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday
Review and Synthesis of Week one auditing (audit team only)	Field Inspection (FMU D, 1 day only)	Field Inspection (FMU E, 1 day only)	Field Inspection (FMU F, 1 day only)	Additional interviews/consult ations FSC & SFI synthesis and scoring	Preparation for closing meeting Closing meeting Audit team travel home

Note: FMU's "A, B, C..." are not intended to represent any actual State FMU at this time. Decisions on which FMU's to sample will be made at a later point.

B- Document Request and Review

Document request- (unified for FSC and SFI Processes): The document request task is the same as described under Phase I; however, a more comprehensive list of documents will be requested.

C-On-Site Audit of Michigan's State Forests

The purpose of the on-site audit is to gather the bulk of the information that will enable the team to arrive at judgments as to the extent to which the condition and management of the defined forest areas comply with the standards of certification. This is accomplished through sample-based field inspections, personal interviews with DNR staff and pertinent stakeholders, and review of relevant documents.

Management practices and monitoring processes are primarily evaluated through field inspections. The design of the field phase of the evaluation is intended to acquire first-hand exposure to the full spectrum of management situations and programmatic activities found throughout the defined forest area. In designing a protocol for gathering field observations, a balance must be struck between the desire to accumulate as much information as possible and the desire to keep the overall costs of conducting an evaluation within reasonable limits. A stratified sample-based approach is necessary to gather observations on Michigan's 3.8 million acres of State Forest at reasonable time and cost. The audit team will likely inspect somewhere between 40-60 specific sites covering the main physiographic regions in which the forestlands are located and will observe conditions throughout the various forest types of the defined forest area. Examples of management practices that will be focused on include:

- Regeneration timber harvests
- Commercial and Pre-commercial thinning operations
- Stand establishment
- Allowable harvest planning
- Public use management
- Gene pool reserves
- Landscape planning
- Conservation Areas
- Watercourse Management Zone protection strategies
- Cultural resource identification and protection strategies
- Recreation facility (e.g., trails, campgrounds) maintenance in cooperation with citizen volunteers



Also, during the field assessment, per FSC protocols, one or more members of the team will consult with a range of pertinent stakeholders (e.g., government representatives, contractors, environmental and conservation non-governmental organizations, relevant Native American groups, recreation user groups, trade association representatives) to obtain input on how these individuals/groups view DNR's management of the State Forests. Some of these interviews (for example, with contractors) also serve SFI evaluation needs under one or more Performance Measures of the SFI Standard.

D- Synthesis and Scoring (Deficiency Gap Analysis)

Under the FSC process, after document review, field inspections and stakeholder consultations, the audit team sequesters to translate the team's judgments into numerical scores for each of the criteria that constitute the evaluation standard. Scoring takes place on a 100-point scale, using a consensus process amongst all members of the evaluation team. SCS has found consensus scoring to be the most effective method of translating each team member's observations into a decision as to whether or not there is conformance with a given FSC criterion as well as determining the specific deficiencies of any non-conformances. Scores less than 80 points connote performance in which there is discernible non-conformance to the breadth of a criterion. For any criterion for which the team assigns a score below 80 points, the team is required to specify one or more Corrective Action Requests (CARs), also known as "conditions." CARs are formulated as general actions that need to be taken in order to fill the gap that triggered the non-conformance. Although CARs do not stipulate a specific approach with detailed steps, as that would constitute consultative services, they are specific enough for the landowner to take the necessary actions to comply with the deficiency. Contractor(s) encourage Michigan DNR to contact our references with respect to the effectiveness of how SCS addresses non-conformances. In addition to CARs the team will offer numerous Recommendations. These are suggested actions that would help the forest managers to move even further toward exemplary status. Action on the recommendations is voluntary and does not affect the award or maintenance of the certificate.

Likewise, under the SFI program each relevant performance measure is evaluated. Instead of using a numerical score, the ratings are either "conformance" or "non-conformance." If any non-conformances are indicated, the team will communicate these at the earliest possible time, likely while still at the site of the non-conformance. Non-conformances are fully documented using CAR forms (see detailed description of the NSF-ISR audit process)

E- Certification Decision and Reporting

Deliverable 3: FSC and SFI Full Certification Audit

Under FSC, the overall decision as to whether certification can be awarded is based on the aggregate scores for each FSC Principle (each FSC Principle is further elaborated by sets of 3-10 Criteria which, in turn, are elaborated by sets of Indicators). The results of the certification audit and overall certification decisions will be preliminarily communicated to Michigan DNR in a closing meeting on the final day of the on-site audit (jointly with the SFI findings). After departing from the project site, the SCS team will then prepare a certification evaluation report that presents the team's findings, recommendations and CARs. The justification for any stipulated CARs will be detailed in the assessment report.

Likewise, under SFI the certification decision is closely linked to CARs. A certification can be granted only if there is a plan to address all minor-non-conformances and there are no major non-conformances. Further, if there are sufficient non-conformances certification can also be denied. NSF's lead auditor will work with Michigan DNR to detail expectations for corrective action plans for minor-non-conformances and requirements to close out major-non-conformances

Timeline for completion of the assessment report

The detailed schedule and timeline for completion of tasks outlined in Phase II will be provided in the work plan completed under Phase I.E as identified in the Contractor's proposal. However, and provided Michigan DNR is prepared on schedule, the project and report should be completed by October 1, 2005.



1.2 Roles and Responsibilities

1.201 CONTRACTOR STAFF, ROLES, AND RESPONSIBILITIES

Contractor(s) will provide, as appropriate, including, but not limited to, staff and training and other materials required to complete appropriate tasks described in Article 1.104, and which are mutually agreed to by the contractor(s) and MDNR-FMFMD.

FSC Scoping and Audit

The contractor functions as an auditor conducting and reporting on an FSC audit of the Michigan State Forests.

SFI Assessment and Audit

The contractor functions as an auditor conducting and reporting on an SFI audit of the Michigan State Forests

1.202 STATE STAFF, ROLES AND RESPONSIBILITIES

MDNR will provide all MDNR policies and procedures to be reviewed, office space, telephone, computer hook-up in the Lansing office, and a full-time project manager which will assure coordination between contractor(s) and MDNR staff and assist in getting questions answered/issues resolved in a timely manner.

In addition, MDNR will provide facilities, as well as lodging accommodations for the trainers and trainees during scheduled training sessions. Members of the CIT will participate in and assist in conducting training as appropriate upon mutual agreement between the contractor and MDNR-FMFMD.

1.203 OTHER ROLES AND RESPONSIBILITIES

MDNR-FMFMD will approve the hiring of any and all subcontractors for this project. At the discretion of the MDNR-FMFMD, independent sub-contractors (if required) may be hired by MDNR-FMFMD to complete tasks identified in the Contractor(s) Plan of Work.

1.3 Project Plan

1.301 PROJECT PLAN MANAGEMENT

Project Control

FSC Scoping

The Contractor will carry out the FSC scoping phase of the project under the direction and control of the Michigan Department of Natural Resources, Forest, Mineral, and Fire Management Division.

FSC Audit

Audit phases will be carried out under the direction and control of the auditors. Logistical and contractual questions will be coordinated by the Contract Compliance Inspector and Program Contact as listed in this contract.

SFI Assessment

The Contractor will carry out the SFI assessment phase project under the direction and control of the Michigan Department of Natural Resources, Forest, Mineral, and Fire Management Division.

SFI Audit

Audit phases will be carried out under the direction and control of the auditors. Logistical and contractual questions will be coordinated by the Contract Compliance Inspector and Program Contact as listed in this contract.



1.302 REPORTS

Reports

Six hard copies of all reports are required in addition to an electronic copy sent to the Contract Compliance Inspector and Program Contact. All reports required are listed in appropriate part of Section 1.104.

1.4 Project Management

1.400 PROJECT MANAGEMENT

Underscoring our commitment to quality service, Mike Ferrucci, NSF SFI Program Manager and Robert Hrubes, SCS Senior Vice President, are the principals for the SFI and FSC portions. Dr. Hrubes and Mr. Ferrucci will co-lead the team during the scoping/assessment and full certification audits as Contractor(s) share the overall project management lead. NSF-ISR provides a full team of support staff to their SFI auditors, with some of the key people being: Ms. Petie Davis, Business Unit Manager, Environment, Health and Safety (EH&S) Programs; Win Wedeking, Account Executive; and, Gail Sheats, Audit Program Administrator. Dave Wager, Director of Forest Management Certification, will assist Dr. Hrubes in overseeing the project (See resumes in Appendix D). SCS program administrative assistant, Trina Westbrook, will also play an important support role. More generally, each firm's forest certification program is supported by a central office of over 30 professional and technical employees, assuring professional and business-like service to our clients. In addition, NSF International, the parent company of NSF-ISR is made up of over 425 employees and provides additional resources toward administration and support of NSF-ISR

1.401 ISSUE MANAGEMENT

If there are disagreements during the Contractual period, the State's Project Manager will bring to the attention the matter to the contractor's Project Manager. If resolution cannot be agreed upon, the issue will then be addressed by the Contract Compliance Inspector, with final resolution to be determined by the Director of Acquisition Services. The Contractor agrees to keep a problem resolution log that he/she will provide to the State's Project Manager/Contract Administrator on a monthly basis.

1.402 RISK MANAGEMENT

Timeline for completion of project by due date; will be monitored by the MDNR Contract Compliance Inspector and Project Manager on a monthly and quarterly basis. Failure to meet project deadline will result in the State's forests not meeting the certification deadline of December 31, 2005.

1.403 CHANGE MANAGEMENT

Contract(s) awarded may be modified, provided that any changes proposed by either party are requested in writing and mutually agreed to by the official representative of the contractor(s) shown in the contract(s) and Contract Compliance Inspector. This request is not valid until it is signed by all parties, and a Contract Change Notice is issued by the Issuing Office.

1.5 Acceptance

1.501 CRITERIA

The following criteria will be used by the State to determine Acceptance of the Services and/or Deliverables provided under this Statement of Work.



FSC Scoping and Audit

Deliverable 1: Scoping report (due 11/15/2004) detailing findings for FSC certification to include at a minimum:

- Elements where compliance with current forest certification standards is acceptable.
- Specific certification standards with which current policies, practices, procedures and monitoring processes do not comply, or where compliance is incomplete.
- In the case where deficiencies are identified, detailed explanations will be provided.

Deliverable 2: Plan of work for an FSC Audit specifying field and office time required, associated costs, and proposing a start time for the audit work (due 12/1/2004).

Deliverable 3: Final Audit report (due 10/1/2005) detailing FSC certification along with any conditions for MDNR-FMFMD State Forests. At a minimum this report should include:

- Elements where compliance with current forest certification standards is acceptable.
- Specific certification standards with which current policies, practices, procedures and monitoring processes do not comply, or where compliance is incomplete where conditions must be met..
- In the case where conditions are identified, detailed explanations will be provided.

SFI Assessment and Audit

Deliverable 1: Assessment report (11/15/2004) detailing findings for SFI certification to include at a minimum:

- Elements where compliance with current forest certification standards is acceptable.
- Specific certification standards with which current policies, practices, procedures and monitoring processes do not comply, or where compliance is incomplete.
- In the case where deficiencies are identified, detailed explanations will be provided.

Deliverable 2: Plan of work for an SFI Audit specifying field and office time required, associated costs, and proposing a start time for the audit work (due 12/1/2004).

Deliverable 3: Final Audit report (due 10/1/2005) detailing SFI certification along with any conditions for MDNR-FMFMD State Forests. At a minimum this report should include:

- Elements where compliance with current forest certification standards is acceptable.
- Specific certification standards with which current policies, practices, procedures and monitoring processes do not comply, or where compliance is incomplete where conditions must be met..
- In the case where conditions are identified, detailed explanations will be provided.

1.502 FINAL ACCEPTANCE

Final acceptance of project will be upon receipt and acceptance by MDNR of the final report for each phase of the project summarizing the entire work done in that phase.

1.6 RESERVED

1.7 RESERVED



Article 2 – General Terms and Conditions

2.0 Introduction

2.001 GENERAL PURPOSE

The Contract(s) is to prepare the State of Michigan's State Forests for certification of sustainable management for the State Forests under Forest Stewardship Council (FSC) and Sustainable Forestry Initiative (SFI) programs, and to conduct appropriate audits to obtain that certification. The objective of the contract(s) will be to obtain a favorable third-party assessment and certification of the State Forest program relative to the standards of the aforementioned certification systems. Orders will be issued, as appropriate, directly to the Contractor(s) by MDNR on the Purchase Order Contract Release Form. Bids are due and will be publicly identified at the time noted on the Invitation To Bid (ITB) Form.

2.002 ISSUING OFFICE AND CONTRACT ADMINISTRATOR

The Contract is issued by Acquisition Services, State of Michigan, Department of Management and Budget, hereinafter known as Acquisition Services, for the Department of Natural Resources (MDNR), hereinafter known as *MDNR*. Where actions are a combination of those of Acquisition Services and MDNR, the authority will be known as the State.

Acquisition Services is the sole point of contact in the State with regard to all procurement and contractual matters relating to the commodities and/or services described herein. Acquisition Services is the only office authorized to negotiate, change, modify, amend, alter, clarify, etc., the specifications, terms, and conditions of the Contract. Acquisition Services will remain the **SOLE POINT OF CONTACT** throughout the procurement process.

Contractor proceeds at its own risk if it takes negotiation, changes, modification, alterations, amendments, clarification, etc., of the specifications, terms, or conditions of the contract from any individual or office other than Acquisition Services and the listed contract administrator

All communications covering this procurement must be addressed to the DMB Buyers indicated below:

Department of Management and Budget
Acquisition Services
Attn: Gregory Faremouth or
Douglas Collier
2nd Floor, Mason Building
P.O. Box 30026
Lansing, Michigan 48909
517.241.1646 or
517.335.4804
Email: Faremouthg@michigan.gov
Collierd1@michigan.gov

2.003 NOTICE

Any notice given to a party under this Contract must be written and shall be deemed effective, if addressed to such party as addressed below upon (i) delivery, if hand delivered; (ii) receipt of a confirmed transmission by facsimile if a copy of the notice is sent by another means specified in this section; (iii) the third (3rd) Business Day after being sent by U.S. mail, postage pre-paid, return receipt requested; or (iv) the next Business Day after being sent by a nationally recognized overnight express courier with a reliable tracking system.

2.004 CONTRACT TERM

The term of this Contract will commence with the issuance of a Contract and will expire December 31, 2005.

**2.005 GOVERNING LAW**

The Contract shall in all respects be governed by, and construed in accordance with, the laws of the State of Michigan. By signing this agreement, vendor consents to personal jurisdiction in the state of Michigan. Any dispute arising herein shall be resolved in the State of Michigan.

2.006 APPLICABLE STATUTES

The following statutes, rules, and laws are applicable to the performance of this contract; some statutes are reflected in the clauses of this contract. This list is NOT exhaustive.

MI Uniform Commercial Code (MIUCC) MCL 440. (All sections unless otherwise altered by agreement)
MI OSHA MCL §§ 408.1001 – 408.1094
Freedom of Information Act (FIOA) MCL §§ 15.231, et seq.
Natural Resources and Environmental Protection Act MCL §§ 324.101, et seq.
MI Consumer Protection Act MCL §§ 445.901 – 445.922
Laws relating to wages, payments of wages, and fringe benefits on state projects MCL §§ 408.551 – 408.558, 408.471 – 408.490, 1965 PA 390.
Department of Civil Service Rules and regulations
Elliot Larsen Civil Rights Act MCL §§ 37.2201, et seq.
Persons with disabilities Civil Rights Act MCL §§ 37.1101, et seq.
MCL §§ 423.321, et seq.
MCL § 18.1264 (law regarding debarment)
Davis-Bacon Act (DBA) 40 USCU §§ 276(a), et seq.
Contract Work Hours and Safety Standards Act (CWHSAA) 40 USCS § 327, et seq.
Business Opportunity Act for Persons with Disabilities MCL §§ 450.791 – 450.795
Rules and regulations of the Environmental Protection Agency
Internal Revenue Code
Rules and regulations of the Equal Employment Opportunity Commission (EEOC)
The Civil Rights Act of 1964, USCS Chapter 42
Title VII, 42 USCS §§ 2000e et seq.
The Americans with Disabilities Act (ADA), 42 USCS §§ 12101 et seq.
The Age Discrimination in Employment Act of 1967 (ADEA), 29 USCS §§ 621, 623 et seq.
The Old Workers Benefit and Protection Act of 1990 (OWBPA), 29 USCS §§ 626, et seq.
The Family Medical Leave Act of 1993 (FMLA), 29 USC §§ 651 et seq.
The Fair Labor Standards Act (FLSA), 29 USC §§ 201 et seq.
Pollution Prevention Act of 1990 (PPA) 42 U.S.C. §13106
Sherman Act, 15 U.S.C.S. § 1 et seq.
Robinson-Patman Act, 15 U.S.C.S. § 13 et. seq.
Clayton Act, 15 U.S.C.S. § 14 et seq.

2.007 RELATIONSHIP OF THE PARTIES

The relationship between the State and the Contractor is that of client and independent Contractor. No agent, employee, or servant of the Contractor or any of its subcontractors shall be or shall be deemed to be an employee, agent, or servant of the State for any reason. The Contractor will be solely and entirely responsible for its acts and the acts of its agents, employees, servants and subcontractors during the performance of this Contract.

2.008 HEADINGS

Captions and headings used in the Contract are for information and organization purposes. Captions and headings, including inaccurate references, do not, in any way, define or limit the requirements or terms and conditions of this Contract.

2.009 MERGER

This document constitutes the complete, final, and exclusive agreement between the parties. All other prior writings and negotiations are ineffective.

**2.010 SEVERABILITY**

Each provision of the Contract shall be deemed to be severable from all other provisions of the Contract and, if one or more of the provisions of the Contract shall be declared invalid, the remaining provisions of the Contract shall remain in full force and effect.

2.011 SURVIVORSHIP

Any provisions of the Contract that impose continuing obligations on the parties including, but not limited to the Contractor's indemnity and other obligations shall survive the expiration or cancellation of the Contract for any reason.

2.012 NO WAIVER OF DEFAULT

The failure of a party to insist upon strict adherence to any term of the Contract shall not be considered a waiver or deprive the party of the right thereafter to insist upon strict adherence to that term or any other term of the Contract.

2.013 PURCHASE ORDERS

Orders for delivery of commodities and/or services may be issued directly by the State Departments through the issuance of a Purchase Order Form referencing this Contract (Blanket Purchase Order) agreement and the terms and conditions contained herein. Contractor is asked to reference the Purchase Order Number on all invoices for payment.

2.1 Vendor/Contractor Obligations**2.101 ACCOUNTING RECORDS**

The Contractor and all subcontractors shall maintain all pertinent financial and accounting records and evidence pertaining to the Contract in accordance with generally accepted principles of accounting and other procedures specified by the State of Michigan. Financial and accounting records shall be made available, upon request, to the State of Michigan, its designees, or the Michigan Auditor General at any time during the Contract period and any extension thereof, and for three years from expiration date and final payment on the Contract or extension thereof.

2.102 NOTIFICATION OF OWNERSHIP

The Contractor shall make the following notifications in writing:

1. When the Contractor becomes aware that a change in its ownership or officers has occurred, or is certain to occur, that could result in changes in the valuation of its capitalized assets in the accounting records, the Contractor shall notify Acquisition Services within 30 days.
2. The Contractor shall also notify the Acquisition Services within 30 days whenever changes to asset valuations or any other cost changes have occurred or are certain to occur as a result of a change in ownership or officers.

The Contractor shall:

1. Maintain current, accurate, and complete inventory records of assets and their costs;
2. Provide Acquisition Services or designated representative ready access to the records upon request;
3. Ensure that all individual and grouped assets, their capitalized values, accumulated depreciation or amortization, and remaining useful lives are identified accurately before and after each of the Contractor's ownership or officer changes; and
4. Retain and continue to maintain depreciation and amortization schedules based on the asset records maintained before each Contractor ownership or officer change.



2.103 SOFTWARE COMPLIANCE

The vendor warrants that all software for which the vendor either sells or licenses to the State of Michigan and used by the State prior to, during or after the calendar year 2000, includes or shall include, at no added cost to the State, design and performance so the State shall not experience software abnormality and/or the generation of incorrect results from the software, due to date oriented processing, in the operation of the business of the State of Michigan.

The software design, to insure year 2000 compatibility, shall include, but is not limited to: data structures (databases, data files, etc.) that provide 4-digit date century; stored data that contain date century recognition, including, but not limited to, data stored in databases and hardware device internal system dates; calculations and program logic (e.g., sort algorithms, calendar generation, event recognition, and all processing actions that use or produce date values) that accommodates same century and multi-century formulas and date values; interfaces that supply data to and receive data from other systems or organizations that prevent non-compliant dates and data from entering any State system; user interfaces (i.e., screens, reports, etc.) that accurately show 4 digit years; and assurance that the year 2000 shall be correctly treated as a leap year within all calculation and calendar logic.

2.104 IT STANDARDS

1. **EXISTING TECHNOLOGY STANDARDS.** The Contractor will adhere to all existing standards as described within the comprehensive listing of the State's existing technology standards at <http://michigan.gov/dit>.
2. **PM METHODOLOGY STANDARDS.** The State has adopted a standard documented Project Management Methodology (PMM) for use on all Information Technology (IT) based projects. This policy is referenced in the document titled "Project Management Methodology" – DMB Administrative Guide Procedure 1380.02 issued June 2000. Vendors may obtain a copy of this procedure, as well as the State of Michigan Project Management Methodology, from the Department of Information Technology's website at <http://www.michigan.gov/projectmanagement>.

The contractor shall use the State's PPM to manage State of Michigan Information Technology (IT) based projects. The Requesting agency will provide the applicable documentation and internal agency processes for the methodology. If the vendor requires training on the methodology, those costs shall be the responsibility of the vendor, unless otherwise stated.

3. **ADHERENCE TO PORTAL TECHNOLOGY TOOLS.** The State of Michigan, Department of Information Technology, has adopted the following tools as its Portal Technology development efforts:
 - Vignette Content Management and personalization Tool
 - Inktomi Search Engine
 - E-Pay Payment Processing Module
 - Websphere Commerce Suite for e-Store applications

Vendors must use the Portal Technology Tools to implement web content management and deployment efforts for agencies. Tools used for web-based application development must work in conjunction with Vignette and Inktomi. The interaction with Vignette and Inktomi must be coordinated with the Department of Information Technology, Enterprise Application Services Office, e-Michigan Web Development team.

Under special circumstances vendors that are compelled to use alternate tools must submit an exception request to the Department of Information Technology, Enterprise Application Services Office, e-Michigan Web Development team, for evaluation and approval of each alternate tool prior to proposal evaluation by the State.



2.105 PERFORMANCE AND RELIABILITY EVALUATION (PARE)

When the State requires that a performance and reliability evaluation (PARE) is to be performed, the standard of performance for the PARE will be closely monitored during the acceptance period.

In the event that the PARE is for components only, all references to systems (processors) should be changed to components.

The Performance and Reliability Evaluation will consist of two phases.

PHASE I

The first phase shall be comprised of a specification compliance review of the equipment listed on the ordering documents. Such equipment shall be checked for total compliance with all required specifications of the RFQ. In the event that the State determines that any component or feature of the delivered equipment or software does not comply with the mandatory specifications of the RFQ, the State shall so notify the Contractor, allowing 14 calendar days for rectification by the Contractor. Should the Contractor be unable to rectify the deficiency, the State reserves the right to cancel the ordering document. Should the equipment and software pass the specification conformance review, the equipment shall enter Phase II of the PARE.

PHASE II

a. Determination of System Readiness

- 1) Prior to the PARE, a committee of three persons will be formed to evaluate the system's performance on a daily basis. The committee will consist of one Contractor representative and two State personnel.
- 2) The PARE will begin on the installation dates when the Contractor certifies that the equipment is ready for use by the State.

b. During the PARE:

All rerun times resulting from equipment failure and preventive maintenance shall be excluded from the performance hours.

- 1) All reconfiguration and reload time shall be excluded from the performance hours.
- 2) If files are destroyed as a result of a problem with Contractor equipment and must be rebuilt, the time required to rebuild the files will be considered "down-time" for the system.
- 3) If the Contractor requests access to failed equipment and the State refuses, then such maintenance will be deferred to a mutually agreeable time and the intervening time will not count against the PARE.
- 4) A functional benchmark demonstration will be run for the PARE Committee to confirm that the installed system is capable of performing the same functions that Contractor(s)re demonstrated. This run must be completed to the satisfaction of the PARE Committee.

STANDARD OF PERFORMANCE

- a. The performance period (a period of thirty consecutive calendar days) shall commence on the installation date, at which time the operational control becomes the responsibility of the State. It is not required that one thirty day period expire in order for another performance period to begin.



- b. If each component operates at an average level of effectiveness of 95 percent or more for a period of 30 consecutive days from the commencement date of the performance period, it shall be deemed to have met the State's standard of performance period. The State shall notify the Contractor in writing of the successful completion of the performance period. The average effectiveness level is a percentage figure determined by dividing the total operational use time by the total operational use time plus associated down-time. In addition, the equipment shall operate in substantial conformance with the Contractor's published specifications applicable to such equipment on the date of this Agreement. Equipment added by amendment to this contract shall operate in conformance with the Contractor's published specifications applicable to such equipment at the time of such amendment.
- c. During the successful performance period, all rerun time resulting from equipment failure and preventive maintenance time shall be excluded from the performance period hours. All reconfigurations and reload time shall be excluded from the performance hours. Equipment failure down-time shall be measured by those intervals during the performance period between the time that the Contractor is notified of equipment failure and the time that the equipment is returned to the State in operating condition.
- d. During the successful performance period, a minimum of 80 hours of operational use time on each component will be required as a basis for computation of the average effectiveness level. However, in computing the effectiveness level, the actual number of operational use hours shall be used when in excess of the minimum stated above.
- e. No more than one hour will accrue to the performance hours during any one wall-clock hour.
- f. Equipment shall not be accepted by the State and no charges will be paid by the State until the standard of performance is met.
- g. When a system involves on-line machines, which are remote to the basic installation, the required effectiveness level shall apply separately to each component in the system.
- h. Promptly upon successful completion of the performance period, the State shall notify the Contractor in writing of acceptance of the equipment and authorize the monthly payments to begin on the first day of the successful performance period.
- i. If successful completion of the performance period is not attained within 90 days of the installation date, the State shall have the option of terminating the Contract, or continuing the performance tests. The State's option to terminate the contract shall remain in effect until such time as a successful completion of the performance period is attained. The Contractor shall be liable for all outbound preparation and shipping costs for contracted items returned under this clause.
- j. The PARE will be complete when the equipment has met the required effectiveness level for the prescribed time period.

2.106 PREVAILING WAGE

The rates of wages and fringe benefits to be paid each class of individuals employed by the Contractor, its subcontractors, their subcontractors, and all persons involved with the performance of this contract in privity of contract with the Contractor shall not be less than the wage rates and fringe benefits established by the Michigan Department of Consumer and Industry Service, Bureau of Safety and Regulation, Wage/Hour Division schedule of occupational classification and wage rates and fringe benefits for the local where the work is to be performed. The term Contractor shall include all general contractors, prime contractors, project managers, trade contractors, and all of their contractors or subcontractors and persons in privity of contract with them.



The Contractor, its subcontractors, their subcontractors, and all persons involved with the performance of this contract in privity of contract with the Contractor shall keep posted on the work site, in a conspicuous place, a copy of all wage rates and fringe benefits as prescribed in the contract. You must also post, in a conspicuous place, the address and telephone number of the Michigan Department of Consumer and Industry Services, the office responsible for enforcement of the wage rates and fringe benefits. You shall keep an accurate record showing the name and occupation of the actual wage and benefits paid to each individual employed in connection with this contract. This record shall be available to the State upon request for reasonable inspection.

If any trade is omitted from the list of wage rates and fringe benefits to be paid to each class of individuals by the Contractor, it is understood that the trades omitted shall also be paid not less than the wage rate and fringe benefits prevailing in the local where the work is to be performed.

2.107 PAYROLL AND BASIC RECORDS

Payrolls and basic records relating to the performance of this contract shall be maintained by the Contractor during the course of the work and preserved for a period of 3 years thereafter for all laborers and mechanics working at the site of the work. Such records shall contain the name, address, and social security number of each such worker, his or her correct classification, hourly rates of wages paid (including rates of contributions or costs anticipated for bona fide fringe benefits or cash equivalents thereof of the types described in section 1(b)(2)(B) of the Davis-Bacon Act), daily and weekly number of hours worked, deductions made, and actual wages paid. Contractors employing apprentices or trainees under approved programs shall maintain written evidence of the registration of apprenticeship programs and certification of trainee programs, the registration of the apprentices and trainees, and the ratios and wage rates prescribed in the applicable programs.

The Contractor shall submit a copy of all payrolls to the Contract Administrator upon request. The payrolls submitted shall set out accurately and completely all of the information required to be maintained as indicated above.

The Prime Contractor is responsible for the submission of copies of payrolls by all subcontractors upon request from the Contract Administrator

The Contractor or subcontractor shall permit the Contract Administrator or representatives of the Contract Administrator or the State of Michigan to interview employees during working hours on the job.

If the Contractor or subcontractor fails to submit required records or to make them available, the Contract Administrator may, after written notice to the Contractor, take such action as may be necessary to cause the suspension of any further payment. Furthermore, failure to submit the required records upon request or to make such records available may be grounds for debarment.

2.108 COMPETITION IN SUB-CONTRACTING

The Contractor shall select subcontractors (including suppliers) on a competitive basis to the maximum practical extent consistent with the objectives and requirements of the contract.

2.109 CALL CENTER DISCLOSURE

Vendor and/or all subcontractors involved in the performance of this contract providing call or contact center services to the State of Michigan must disclose the location of its call or contact center services to inbound callers. Failure to disclose this information shall be a material breach of this agreement.

**2.201 TIME IS OF THE ESSENCE**

Contractor/Vendor is on notice that time is of the essence in the performance of this contract. Late performance will be considered a material breach of this contract, giving the State a right to invoke all remedies available to it under this contract.

2.202 CONTRACT PAYMENT SCHEDULE

The specific payment schedule for any Contract(s) entered into, as the State and the Contractor(s) will mutually agree upon the result of this RFP. The schedule should show payment amount and should reflect actual work done by the payment dates, less any penalty cost charges accrued by those dates. As a general policy statements shall be forwarded to the designated representative by the 15th day of the following month.

Payment Schedule

The FSC Scoping, FSC Audit, SFI Assessment, and SFI Audit are fixed price deliverables. As such, payment will be made upon completion of the item and FMFM acceptance of the required deliverables.

2.203 POSSIBLE PROGRESS PAYMENTS

The State may make progress payments to the Contractor when requested as work progresses, but not more frequently than monthly, in amounts approved by the Contract Administrator, after negotiation. Contractor must show verification of measurable progress at the time of requesting progress payments.

2.204 RESERVED**2.205 ELECTRONIC PAYMENT AVAILABILITY**

Electronic transfer of funds is available to State contractors. Vendors are encouraged to register with the State of Michigan Office of Financial Management so the State can make payments related to this Contract electronically at www.cpexpress.state.mi.us.

2.206 RESERVED**2.3 Contract Rights and Obligations****2.301 INCURRING COSTS**

The State of Michigan is not liable for any cost incurred by the Contractor prior to signing of the Contract. The State fiscal year is October 1st through September 30th. The Contractor(s) should realize that payments in any given fiscal year are contingent upon enactment of legislative appropriations. Total liability of the State is limited to terms and conditions of the Contract.

2.302 CONTRACTOR RESPONSIBILITIES

The Contractor will be required to assume responsibility for all contractual activities, whether or not that Contractor performs them. Further, the State will consider the Contractor to be the sole point of contact with regard to contractual matters, including payment of any and all charges resulting from the anticipated Contract. If any part of the work is to be subcontracted, the Contract must include a list of subcontractors, including firm name and address, contact person and a complete description of work to be subcontracted. The State reserves the right to approve subcontractors and to require the Contractor to replace subcontractors found to be unacceptable. The Contractor is totally responsible for adherence by the subcontractor to all provisions of the Contract. Any change in subcontractors must be approved by the State, in writing, prior to such change.



2.303 ASSIGNMENT AND DELEGATION

The Contractor shall not have the right to assign this Contract, to assign its rights under this contract, or delegate any of its duties or obligations under the Contract to any other party (whether by operation of law or otherwise), without the prior written consent of the State. Any purported assignment in violation of this Section shall be null and void. Further, the Contractor may not assign the right to receive money due under the Contract without the prior written consent of the Director of Acquisition Services.

The Contractor shall not delegate any duties or obligations under the Contract to a subcontractor other than a subcontractor named and approved in the bid unless the Director of Acquisition Services has given written consent to the delegation.

Bidder must obtain the approval of the Director of Acquisition Services before using a place of performance that is different from the address that bidder provided in the bid.

2.304 TAXES

Sales Tax: For purchases made directly by the State of Michigan, the State is exempt from State and Local Sales Tax. Prices shall not include such taxes. Exemption Certificates for State Sales Tax will be furnished upon request.

Federal Excise Tax: The State of Michigan may be exempt for Federal Excise Tax, or such taxes may be reimbursable, if articles purchased under this Contract are used for the State's exclusive use. Certificates exclusive use for the purposes of substantiating a tax-free, or tax-reimbursable sale will be sent to the Contractor upon request. If a sale is tax exempt or tax reimbursable under the Internal Revenue Code, prices shall not include the Federal Excise Tax.

The State's Tax Exempt Certification is available for vendor viewing upon request to the Contract Administrator.

2.305 INDEMNIFICATION

General Indemnification

To the fullest extent permitted by law, the Contractor shall indemnify, defend and hold harmless the State, its departments, divisions, agencies, sections, commissions, officers, employees and agents, from and against all losses, liabilities, penalties, fines, damages and claims (including taxes), and all related costs and expenses (including reasonable attorneys' fees and disbursements and costs of investigation, litigation, settlement, judgments, interest and penalties), arising from or in connection with any of the following:

1. Any claim, demand, action, citation or legal proceeding against the State, its employees and agents arising out of or resulting from (1) the product provided or (2) performance of the work, duties, responsibilities, actions or omissions of the Contractor or any of its subcontractors under this Contract.
2. Any claim, demand, action, citation or legal proceeding against the State, its employees and agents arising out of or resulting from a breach by the Contractor of any representation or warranty made by the Contractor in the Contract;
3. Any claim, demand, action, citation or legal proceeding against the State, its employees and agents arising out of or related to occurrences that the Contractor is required to insure against as provided for in this Contract;
4. Any claim, demand, action, citation or legal proceeding against the State, its employees and agents arising out of or resulting from the death or bodily injury of any person, or the damage, loss or destruction of any real or tangible personal property, in connection with the performance of services by the Contractor, by any of its subcontractors, by anyone directly or indirectly employed by any of them, or by anyone for whose acts any of them may be liable; provided, , that this indemnification obligation shall not apply to the extent, if any, that such death, bodily injury or property damage is caused solely by the negligence or reckless or intentional wrongful conduct of the State;



5. Any claim, demand, action, citation or legal proceeding against the State, its employees and agents which results from an act or omission of the Contractor or any of its subcontractors in its or their capacity as an employer of a person.

Patent/Copyright Infringement Indemnification

To the fullest extent permitted by law, the Contractor shall indemnify, defend and hold harmless the State, its employees and agents from and against all losses, liabilities, damages (including taxes), and all related costs and expenses (including reasonable attorneys' fees and disbursements and costs of investigation, litigation, settlement, judgments, interest and penalties) incurred in connection with any action or proceeding threatened or brought against the State to the extent that such action or proceeding is based on a claim that any piece of equipment, software, commodity or service supplied by the Contractor or its subcontractors, or the operation of such equipment, software, commodity or service, or the use or reproduction of any documentation provided with such equipment, software, commodity or service infringes any United States or foreign patent, copyright, trade secret or other proprietary right of any person or entity, which right is enforceable under the laws of the United States. In addition, should the equipment, software, commodity, or service, or the operation thereof, become or in the Contractor's opinion be likely to become the subject of a claim of infringement, the Contractor shall at the Contractor's sole expense (i) procure for the State the right to continue using the equipment, software, commodity or service or, if such option is not reasonably available to the Contractor, (ii) replace or modify the same with equipment, software, commodity or service of equivalent function and performance so that it becomes non-infringing, or, if such option is not reasonably available to Contractor, (iii) accept its return by the State with appropriate credits to the State against the Contractor's charges and reimburse the State for any losses or costs incurred as a consequence of the State ceasing its use and returning it.

Code Indemnification

To the extent permitted by law, the Contractor shall indemnify, defend and hold harmless the State from any claim, loss, or expense arising from Contractor's breach of the No Surreptitious Code Warranty.

Indemnification Obligation Not Limited

In any and all claims against the State of Michigan, or any of its agents or employees, by any employee of the Contractor or any of its subcontractors, the indemnification obligation under the Contract shall not be limited in any way by the amount or type of damages, compensation or benefits payable by or for the Contractor or any of its subcontractors under worker's disability compensation acts, disability benefits acts, or other employee benefits acts. This indemnification clause is intended to be comprehensive. Any overlap in sub clauses, or the fact that greater specificity is provided as to some categories of risk, is not intended to limit the scope of indemnification under any other sub clause.

Continuation of Indemnification Obligation

The duty to indemnify will continue in full force and affect notwithstanding the expiration or early termination of the Contract with respect to any claims based on facts or conditions, which occurred prior to termination.

Indemnification Procedures

The procedures set forth below shall apply to all indemnity obligations under this Contract.

- (a) After receipt by the State of notice of the action or proceeding involving a claim in respect of which it will seek indemnification, the State shall promptly notify Contractor of such claim in writing and take or assist Contractor in taking, as the case may be, any reasonable action to avoid the imposition of a default judgment against Contractor. No failure to so notify Contractor shall relieve Contractor of its indemnification obligations except to the extent that Contractor can demonstrate damages attributable to such failure. Within ten (10) days following receipt of



written notice from the State relating to any claim, Contractor shall notify the State in writing whether Contractor agrees to assume control of the defense and settlement of that claim (a "Notice of Election"). After notifying Contractor of a claim and prior to the State receiving Contractor's Notice of Election, the State shall be entitled to defend against the claim, at Contractor's expense, and Contractor will be responsible for any reasonable costs incurred by the State in defending against the claim during such period.

- (b) If Contractor delivers a Notice of Election relating to any claim: (i) the State shall be entitled to participate in the defense of such claim and to employ counsel at its own expense to assist in the handling of such claim and to monitor and advise the State about the status and progress of the Defense; (ii) Contractor shall, at the request of the State, demonstrate to the reasonable satisfaction of the State, Contractor's financial ability to carry out its defense and indemnity obligations under this Contract; (iii) Contractor shall periodically advise the State about the status and progress of the defense and shall obtain the prior written approval of the State before entering into any settlement of such claim or ceasing to defend against such claim and (iv) to the extent that any principles of Michigan governmental or public law may be involved or challenged, the State shall have the right, at its own expense, to control the defense of that portion of such claim involving the principles of Michigan governmental or public law. Notwithstanding the foregoing, the State may retain control of the defense and settlement of a claim by written notice to Contractor given within ten (10) days after the State's receipt of Contractor's information requested by the State pursuant to clause (ii) of this paragraph if the State determines that Contractor has failed to demonstrate to the reasonable satisfaction of the State Contractor's financial ability to carry out its defense and indemnity obligations under this Section. Any litigation activity on behalf of the State of Michigan, or any of its subdivisions pursuant to this Section, must be coordinated with the Department of Attorney General. In the event the insurer's attorney represents the State pursuant to this Section, the insurer's attorney may be required to be designated as a Special Assistant Attorney General by the Attorney General of the State of Michigan.
- (c) If Contractor does not deliver a Notice of Election relating to any claim of which it is notified by the State as provided above, the State shall have the right to defend the claim in such manner as it may deem appropriate, at the cost and expense of Contractor. If it is determined that the claim was one against which Contractor was required to indemnify the State, upon request of the State, Contractor shall promptly reimburse the State for all such reasonable costs and expenses.

2.306 LIMITATION OF LIABILITY

Except as set forth herein, neither the Contractor nor the State shall be liable to the other party for indirect or consequential damages, even if such party has been advised of the possibility of such damages. Such limitation as to indirect or consequential damages shall not apply to claims for infringement of United States patent, copyright, trademarks or trade secrets; to claims for personal injury or damage to property caused by the gross negligence or willful misconduct of the Contractor; to claims covered by other specific provisions of this Contract calling for liquidated damages; to Contractor's indemnification obligations (2.305); or to court costs or attorney's fees awarded by a court in addition to damages after litigation based on this Contract.

2.307 CONTRACT DISTRIBUTION

Acquisition Services shall retain the sole right of Contract distribution to all State agencies and local units of government unless other arrangements are authorized by Acquisition Services.

2.308 FORM, FUNCTION, AND UTILITY

If the Contract is for use of more than one State agency and if the good or service provided under this Contract do not meet the form, function, and utility required by a State agency, that agency may, subject to State purchasing policies, procure the good or service from another source.



2.309 ASSIGNMENT OF ANTITRUST CAUSE OF ACTION

For and in consideration of the opportunity to submit a quotation and other good and valuable consideration, the bidder hereby assigns, sells and transfers to the State of Michigan all rights, title and interest in and to all causes of action it may have under the antitrust laws of the United States or this State for price fixing, which causes of action have accrued prior to the date of payment and which relate solely to the particular goods, commodities, or services purchased or procured by this State pursuant to this transaction.

2.310 RESERVED

2.311 TRANSITION ASSISTANCE

If this Contract is not renegotiated at the end of this term, or is canceled prior to its expiration, for any reason, the Contractor must provide for up to 30 days after the expiration or cancellation of this Contract, all reasonable transition assistance requested by the State, to allow for the expired or canceled portion of the Services to continue without interruption or adverse effect, and to facilitate the orderly transfer of such services to the State or its designees. Such transition assistance will be deemed by the parties to be governed by the terms and conditions of this Contract, (notwithstanding this expiration or cancellation) except for those Contract terms or conditions that do not reasonably apply to such transition assistance. The State shall pay the Contractor for any resources utilized in performing such transition assistance at the most current rates provided by the Contract for Contract performance.

2.312 WORK PRODUCT

Work Products shall be considered works made by the Contractor for hire by the State and shall belong exclusively to the State and its designees, unless specifically provided otherwise by mutual agreement of the Contractor and the State. If by operation of law any of the Work Product, including all related intellectual property rights, is not owned in its entirety by the State automatically upon creation thereof, the Contractor agrees to assign, and hereby assigns to the State and its designees the ownership of such Work Product, including all related intellectual property rights. The Contractor agrees to provide, at no additional charge, any assistance and to execute any action reasonably required for the State to perfect its intellectual property rights with respect to the aforementioned Work Product.

Notwithstanding any provision of this Contract to the contrary, any preexisting work or materials including, but not limited to, any routines, libraries, tools, methodologies, processes or technologies (collectively, the "Development Tools") created, adapted or used by the Contractor in its business generally, including any and all associated intellectual property rights, shall be and remain the sole property of the Contractor, and the State shall have no interest in or claim to such preexisting work, materials or Development Tools, except as necessary to exercise its rights in the Work Product. Such rights belonging to the State shall include, but not be limited to, the right to use, execute, reproduce, display, perform and distribute copies of and prepare derivative works based upon the Work Product, and the right to authorize others to do any of the foregoing, irrespective of the existence therein of preexisting work, materials and Development Tools, except as specifically limited herein.

The Contractor and its subcontractors shall be free to use and employ their general skills, knowledge and expertise, and to use, disclose, and employ any generalized ideas, concepts, knowledge, methods, techniques or skills gained or learned during the course of performing the services under this Contract, so long as the Contractor or its subcontractors acquire and apply such information without disclosure of any confidential or proprietary information of the State, and without any unauthorized use or disclosure of any Work Product resulting from this Contract.

2.313 PROPRIETARY RIGHTS

A. Software Ownership

Ownership of Work Product by State.

All Deliverables shall be owned by the State and shall be considered works made for hire by the Contractor for the State. The State shall own all United States and international copyrights, trademarks, patents or other proprietary rights in the Deliverables.



Vesting of Rights. With the sole exception of any preexisting licensed works identified in Appendix [X], the Contractor shall assign, and upon creation of each Deliverable automatically assigns, to the State, ownership of all United States and international copyrights, trademarks, patents, or other proprietary rights in each and every Deliverable, whether or not registered by the Contractor, insofar as any such Deliverable, by operation of law, may not be considered work made for hire by the Contractor for the State. From time to time upon State's request, the Contractor and/or its personnel shall confirm such assignment by execution and delivery of the assignments, confirmations of assignment, or other written instruments as the State may request. The State shall have the right to obtain and hold in its own name all copyright, trademark, and patent registrations and other evidence of rights that may be available for Deliverables.

2.314 CONTRACTOR WEBSITE INCORPORATION

State expressly states that it will not be bound by any content on the Contractor's website, even if the Contractor's documentation specifically referenced that content and attempts to incorporate it into any other communication, unless the State has actual knowledge of such content and has expressly agreed to be bound by it in a writing that has been manually signed by an authorized representation of the State.

2.4 Contract Review and Evaluation

2.401 CONTRACT COMPLIANCE INSPECTOR

Upon receipt at Acquisition Services of the properly executed Contract Agreement(s), the person(s) named below will be allowed to oversee the Contract performance on a day-to-day basis during the term of the Contract. However, overseeing the Contract implies **no authority to negotiate, change, modify, clarify, amend, or otherwise alter the terms, conditions, and specifications of such Contract(s). That authority is retained by Acquisition Services.** The Contract Compliance Inspector for this project is:

Ronald Murray, Contract Compliance Inspector
Department of Natural Resources
Forest, Mineral, & Fire Management Division
530 W. Allegan Street
PO Box 30452, Lansing, MI 48909-7952
murrayr@michigan.gov
517.335.3353

and

Larry Pedersen, Program Contact
Department of Natural Resources
Forest, Mineral, & Fire Management Division
530 W. Allegan Street
PO Box 30452, Lansing, MI 48909-7952
pedersel@michigan.gov
517.335.3330

2.402 PERFORMANCE REVIEWS

Acquisition Services in conjunction with MDNR may review with the Contractor their performance under the Contract. Performance reviews shall be conducted quarterly, semi-annually or annually depending on Contractor's past performance with the State. Performance reviews shall include, but not limited to, quality of products/services being delivered and provided, timeliness of delivery, percentage of completion of orders, the amount of back orders, status of such orders, accuracy of billings, customer service, completion and submission of required paperwork, the number of substitutions and the reasons for substitutions, and other requirements of the Contract.

Upon a finding of poor performance, which has been documented by Acquisition Services, the Contractor shall be given an opportunity to respond and take corrective action. If corrective action is not taken in a reasonable amount of time as determined by Acquisition Services, the Contract may be canceled for default. Delivery by the Contractor of unsafe and/or adulterated or off-condition products to any State agency is considered a material breach of Contract subject to the cancellation provisions contained herein.



2.403 AUDIT OF CONTRACT COMPLIANCE/ RECORDS AND INSPECTIONS

The Contractor agrees that the State may, upon 24-hour notice, perform an audit at Contractor's location(s) to determine if the Contractor is complying with the requirements of the Contract. The Contractor agrees to cooperate with the State during the audit and produce all records and documentation that verifies compliance with the Contract requirements.

2.5 Quality and Warranties

2.501 PROHIBITED PRODUCTS

The State will not accept salvage, distressed, outdated or discontinued merchandise. Shipping of such merchandise to any State agency, as a result of an order placed against the Contract, shall be considered default by the Contractor of the terms and conditions of the Contract and may result in cancellation of the Contract by the State. The brand and product number offered for all items shall remain consistent for the term of the Contract, unless Acquisition Services has approved a change.

2.502 RESERVED

2.503 RESERVED

2.504 GENERAL WARRANTIES (goods)

Warranty of Merchantability – Goods provided by vendor under this agreement shall be merchantable. All goods provided under this contract shall be of good quality within the description given by the State, shall be fit for their ordinary purpose, shall be adequately contained and packaged within the description given by the State, shall conform to the agreed upon specifications, and shall conform to the affirmations of fact made by the vendor or on the container or label.

Warranty of fitness for a particular purpose – When vendor has reason to know or knows any particular purpose for which the goods are required, and the State is relying on the vendor's skill or judgment to select or furnish suitable goods, there is a warranty that the goods are fit for such purpose.

Warranty of title – Vendor shall, in providing goods to the State, convey good title in those goods, whose transfer is right and lawful. All goods provided by vendor shall be delivered free from any security interest, lien, or encumbrance of which the State, at the time of contracting, has no knowledge. Goods provided by vendor, under this agreement, shall be delivered free of any rightful claim of any third person by of infringement or the like.

2.505 CONTRACTOR WARRANTIES

The Contract will contain customary representations and warranties by the Contractor, including, without limitation, the following:

1. The Contractor will perform all services in accordance with high professional standards in the industry;
2. The Contractor will use adequate numbers of qualified individuals with suitable training, education, experience and skill to perform the services;
3. The Contractor will use its best efforts to use efficiently any resources or services necessary to provide the services that are separately chargeable to the State;
4. The Contractor will use its best efforts to perform the services in the most cost effective manner consistent with the required level of quality and performance;
5. The Contractor will perform the services in a manner that does not infringe the proprietary rights of any third party;
6. The Contractor will perform the services in a manner that complies with all applicable laws and regulations;



7. The Contractor has duly authorized the execution, delivery and performance of the Contract;
8. The Contractor is capable in all respects of fulfilling and shall fulfill all of its obligations under this contract.
9. The contract appendices, attachments, and exhibits identify all equipment and software services necessary for the deliverable(s) to perform and operate in compliance with the contract's requirements.
10. The Contractor is the lawful owner or licensee of any Deliverable licensed or sold to the state by Contractor or developed by Contractor under this contract, and Contractor has all of the rights necessary to convey to the state the ownership rights or license use, as applicable, of any and all Deliverables.
11. If, under this Contract, Contractor procures any equipment, software or other Deliverable for the State (including equipment, software and other Deliverables manufactured, re-marketed or otherwise sold by Contractor under Contractor's name), then in addition to Contractor's other responsibilities with respect to such items as set forth in this Contract, Contractor shall assign or otherwise transfer to the State or its designees, or afford the State the benefits of, any manufacturer's warranty for the Deliverable.
12. The contract signatory has the power and authority, including any necessary corporate authorizations, necessary to enter this contract, on behalf of Contractor.
13. The Contractor is qualified and registered to transact business in all locations where required.
14. Neither the Contractor nor any Affiliates, nor any employee of either, has, shall have, or shall acquire, any contractual, financial, business, or other interest, direct or indirect, that would conflict in any manner or degree with Contractor's performance of its duties and responsibilities to the State under this Contract or otherwise create an appearance of impropriety with respect to the award or performance of this Agreement. Contractor shall notify the State within two (2) days of any such interest that may be incompatible with the interests of the State.
15. All financial statements, reports, and other information furnished by Contractor to the State as part of its response to the ITB or otherwise in connection with the award of this Contract fairly and accurately represent the business, properties, financial condition, and results of operations of Contractor as of the respective dates, or for the respective periods, covered by such financial statements, reports, other information. Since the respective dates or periods covered by such financial statements, reports, or other information, there have been no material adverse changes in the business, properties, financial condition, or results of operations of Contractor. All written information furnished to the State by or behalf of Contractor in connection with this Contract, including its bid, is true, accurate, and complete, and contains no untrue statement of material fact or omits any material fact necessary to make such information not misleading.

2.506 STAFF

The State reserves the right to approve the Contractor's assignment of Key Personnel Listed in appendix C to this project and to recommend reassignment of personnel deemed unsatisfactory by the State.

The Contractor shall not remove or reassign, without the State's prior written approval any of the Key Personnel until such time as the Key Personnel have completed all of their planned and assigned responsibilities in connection with performance of the Contractor's obligations under this Contract. The Contractor agrees that the continuity of Key Personnel is critical and agrees to the continuity of Key Personnel. Removal of Key Personnel without the written consent of the State may be considered by the State to be a material breach of this Contract. The prohibition against removal or reassignment shall not apply where Key Personnel must be replaced for reasons beyond the reasonable control of the Contractor including but not limited to illness, disability, resignation or termination of the Key Personnel's employment.



2.507 SOFTWARE WARRANTIES

(a) Performance Warranty

The Contractor represents and warrants that Deliverables, after Final Acceptance, will perform and operate in compliance with the requirements and other standards of performance contained in this Contract (including all descriptions, specifications and drawings made a part of the Contract) for a period of ninety (90) days. In the event of a breach of this warranty, Contractor will promptly correct the affected Deliverable(s) at no charge to the State.

(b) No Surreptitious Code Warranty

The Contractor represents and warrants that no copy of licensed Software provided to the State contains or will contain in any Self-Help Code or any Unauthorized Code as defined below. This warranty is referred to in this Contract as the "No Surreptitious Code Warranty."

As used in this Contract, "Self-Help Code" means any back door, time bomb, drop dead device, or other software routine designed to disable a computer program automatically with the passage of time or under the positive control of a person other than the licensee of the software. Self-Help Code does not include Software routines in a computer program, if any, designed to permit an owner of the computer program (or other person acting by authority of the owner) to obtain access to a licensee's computer system(s) (e.g. remote access via modem) for purposes of maintenance or technical support.

As used in this Contract, "Unauthorized Code" means any virus, Trojan horse, spyware, worm or other Software routines or components designed to permit unauthorized access to disable, erase, or otherwise harm software, equipment, or data; or to perform any other such actions. The term Unauthorized Code does not include Self-Help Code.

In addition, Contractor will use up-to-date commercial virus detection software to detect and remove any viruses from any software prior to delivering it to the State.

(c) Calendar Warranty

The Contractor represents and warrants that all software for which the Contractor either sells or licenses to the State of Michigan and used by the State prior to, during or after the calendar year 2000, includes or shall include, at no added cost to the State, design and performance so the State shall not experience software abnormality and/or the generation of incorrect results from the software, due to date oriented processing, in the operation of the business of the State of Michigan.

The software design, to insure calendar year rollover compatibility, shall include, but is not limited to: data structures (databases, data files, etc.) that provide 4-digit date century; stored data that contain date century recognition, including, but not limited to, data stored in databases and hardware device internal system dates; calculations and program logic (e.g., sort algorithms, calendar generation, event recognition, and all processing actions that use or produce date values) that accommodates same century and multi-century formulas and date values; interfaces that supply data to and receive data from other systems or organizations that prevent non-compliant dates and data from entering any State system; user interfaces (i.e., screens, reports, etc.) that accurately show 4 digit years; and assurance that the year 2000 shall be correctly treated as a leap year within all calculation and calendar logic.

(d) Third-party Software Warranty

The Contractor represents and warrants that it will disclose the use or incorporation of any third-party software into the Deliverables. At the time of Delivery, the Contractor shall provide in writing the name and use of any Third-party Software, including information regarding the Contractor's authorization to include and utilize such software. The notice shall include a copy of any ownership agreement or license that authorizes the Contractor to use the Third-party Software.

**2.508 RESERVED****2.509 RESERVED****2.6 BREACH OF CONTRACT****2.601 BREACH DEFINED**

Failure to comply with articles, sections, or subsections of this agreement, or making any false statement in this agreement will be considered a material breach of this agreement giving the state authority to invoke any and all remedies available to it under this agreement.

In addition to any remedies available in law and by the terms of this contract, if the Contractor breaches Sections 2.508, 2.509, or 2.510, such a breach may be considered as a default in the performance of a material obligation of this contract.

2.602 NOTICE AND THE RIGHT TO CURE

In the event of a curable breach by the Contractor, the State shall provide the Contractor written notice of the breach and a time period to cure said breach described in the notice. This section requiring notice and an opportunity to cure shall not be applicable in the event of successive or repeated breaches of the same nature or if the State determines in its sole discretion that the breach poses a serious and imminent threat to the health or safety of any person or the imminent loss, damage or destruction of any real or tangible personal property.

2.603 EXCUSABLE FAILURE

1. Neither party shall be liable for any default or delay in the performance of its obligations under the Contract if and to the extent such default or delay is caused, directly or indirectly, by: fire, flood, earthquake, elements of nature or acts of God; riots, civil disorders, rebellions or revolutions in any country; the failure of the other party to perform its material responsibilities under the Contract (either itself or through another contractor); injunctions (provided the injunction was not issued as a result of any fault or negligence of the party seeking to have its default or delay excused); or any other cause beyond the reasonable control of such party; provided the non-performing party and its subcontractors are without fault in causing such default or delay, and such default or delay could not have been prevented by reasonable precautions and cannot reasonably be circumvented by the non-performing party through the use of alternate sources, workaround plans or other means, including disaster recovery plans. In such event, the non-performing party will be excused from any further performance or observance of the obligation(s) so affected for as long as such circumstances prevail and such party continues to use its best efforts to recommence performance or observance whenever and to whatever extent possible without delay provided such party promptly notifies the other party in writing of the inception of the excusable failure occurrence, and also of its abatement or cessation.
2. If any of the above enumerated circumstances substantially prevent, hinder, or delay performance of the services necessary for the performance of the State's functions for more than 14 consecutive days, and the State determines that performance is not likely to be resumed within a period of time that is satisfactory to the State in its reasonable discretion, then at the State's option: (a) the State may procure the affected services from an alternate source, and the State shall not be liable for payments for the unperformed services under the Contract for so long as the delay in performance shall continue; (b) the State may cancel any portions of the Contract so affected and the charges payable hereunder shall be equitably adjusted to reflect those services canceled; or (c) the Contract will be canceled without liability of the State to the Contractor as of the date specified by the State in a written notice of cancellation to the Contractor. The Contractor will not have the right to any additional payments from the State as a result of any excusable failure occurrence or to payments for services not rendered as a result of the excusable failure condition. Defaults or delays in performance by the Contractor which are caused by acts or omissions of its subcontractors will not relieve the Contractor of its obligations under the Contract except to the extent that a subcontractor is itself subject to any excusable failure condition described above and the Contractor cannot reasonably circumvent the effect of the subcontractor's default or delay in performance through the use of alternate sources, workaround plans or other means.



2.7 Remedies

2.701 CANCELLATION

The State may cancel this Contract without further liability or penalty to the State, its departments, divisions, agencies, offices, commissions, officers, agents, and employees for any of the following reasons:

1. Material Breach by the Contractor. In the event that the Contractor breaches any of its material duties or obligations under the Contract, which are either not capable of or subject to being cured, or are not cured within the time period specified in the written notice of breach provided by the State, or pose a serious and imminent threat to the health and safety of any person, or the imminent loss, damage or destruction of any real or tangible personal property, the State may, having provided written notice of cancellation to the Contractor, cancel this Contract in whole or in part, for cause, as of the date specified in the notice of cancellation.

In the event that this Contract is cancelled for cause, in addition to any legal remedies otherwise available to the State by law or equity, the Contractor shall be responsible for all costs incurred by the State in canceling the Contract, including but not limited to, State administrative costs, attorneys fees and court costs, and any additional costs the State may incur to procure the services required by this Contract from other sources. All excess re-procurement costs and damages shall not be considered by the parties to be consequential, indirect or incidental, and shall not be excluded by any other terms otherwise included in the Contract.

In the event the State chooses to partially cancel this Contract for cause charges payable under this Contract will be equitably adjusted to reflect those services that are cancelled.

In the event this Contract is cancelled for cause pursuant to this section, and it is therefore determined, for any reason, that the Contractor was not in breach of contract pursuant to the provisions of this section, that cancellation for cause shall be deemed to have been a cancellation for convenience, effective as of the same date, and the rights and obligations of the parties shall be limited to that otherwise provided in the Contract for a cancellation for convenience.

2. Cancellation For Convenience By the State. The State may cancel this Contract for its convenience, in whole or part, if the State determines that such a cancellation is in the State's best interest. Reasons for such cancellation shall be left to the sole discretion of the State and may include, but not limited to (a) the State no longer needs the services or products specified in the Contract, (b) relocation of office, program changes, changes in laws, rules, or regulations make implementation of the Contract services no longer practical or feasible, and (c) unacceptable prices for additional services requested by the State. The State may cancel the Contract for its convenience, in whole or in part, by giving the Contractor written notice 30 days prior to the date of cancellation. If the State chooses to cancel this Contract in part, the charges payable under this Contract shall be equitably adjusted to reflect those services that are cancelled.
3. Non-Appropriation. In the event that funds to enable the State to effect continued payment under this Contract are not appropriated or otherwise made available. The Contractor acknowledges that, if this Contract extends for several fiscal years, continuation of this Contract is subject to appropriation or availability of funds for this project. If funds are not appropriated or otherwise made available, the State shall have the right to cancel this Contract at the end of the last period for which funds have been appropriated or otherwise made available by giving written notice of cancellation to the Contractor. The State shall give the Contractor written notice of such non-appropriation or unavailability within 30 days after it receives notice of such non-appropriation or unavailability.
4. Criminal Conviction. In the event the Contractor, an officer of the Contractor, or an owner of a 25% or greater share of the Contractor, is convicted of a criminal offense incident to the application for or performance of a State, public or private Contract or subcontract; or convicted of a criminal offense including but not limited to any of the following: embezzlement, theft, forgery, bribery, falsification or destruction of records, receiving stolen property, attempting to influence a public employee to breach the ethical conduct standards for State of Michigan employees; convicted under State or federal antitrust statutes; or convicted of any other criminal offense which in the sole discretion of the State, reflects upon the Contractor's business integrity.



5. Approvals Rescinded. The State may terminate this Contract without further liability or penalty in the event any final administrative or judicial decision or adjudication disapproves a previously approved request for purchase of personal services pursuant to Constitution 1963, Article 11, section 5, and Civil Service Rule 7. Termination may be in whole or in part and may be immediate as of the date of the written notice to Contractor or may be effective as of the date stated in such written notice.

2.702 RIGHTS UPON CANCELLATION

A. Rights and Obligations Upon Termination

- (1) If this Contract is terminated by the State for any reason, Contractor shall (a) stop all work as specified in the notice of termination, (b) take any action that may be necessary, or that the State may direct, for preservation and protection of Deliverables or other property derived or resulting from this Contract that may be in Contractor's possession, (c) return all materials and property provided directly or indirectly to Contractor by any entity, agent or employee of the State, (d) in the event that the Contractor maintains title in equipment and software that is intended to be transferred to the State at the termination of the Contract, Contractor will transfer title in, and deliver to, the State, unless otherwise directed, all Deliverables and other Developed Materials intended to be transferred to the State at the termination of the Contract and which are resulting from the Contract (which shall be provided to the State on an "As-Is" basis except to the extent the amounts paid by the State in respect of such items included compensation to Contractor for the provision of warranty services in respect of such materials), and (e) take any action to mitigate and limit any potential damages, or requests for Contractor adjustment or termination settlement costs, to the maximum practical extent, including terminating or limiting as otherwise applicable those subcontracts and outstanding orders for material and supplies resulting from the terminated Contract.
- (2) In the event the State terminates this Contract prior to its expiration for its own convenience, the State shall pay Contractor for all charges due for Services provided prior to the date of termination and, if applicable, as a separate item of payment pursuant to this Contract, for partially completed Deliverables, on a percentage of completion basis. All completed or partially completed Deliverables prepared by Contractor pursuant to this Contract shall, at the option of the State, become the State's property, and Contractor shall be entitled to receive equitable fair compensation for such Deliverables. Regardless of the basis for the termination, the State shall not be obligated to pay, or otherwise compensate, Contractor for any lost expected future profits, costs or expenses incurred with respect to Services not actually performed for the State.
- (3.) If any such termination by the State is for cause, the State shall have the right to set-off against any amounts due Contractor the amount of any damages for which Contractor is liable to the State under this Contract or pursuant to law or equity.
- (4.) Upon a good faith termination, the State shall have the right to assume, at its option, any and all subcontracts and agreements for services and materials provided under this Contract, and may further pursue completion of the Services under this Contract by replacement contract or otherwise as the State may in its sole judgment deem expedient.

B. Termination Assistance

If the Contract (or any Statement of Work issued under it) is terminated for any reason before completion, Contractor agrees to provide for up to two-hundred seventy (270) calendar days after the termination all reasonable termination assistance requested by the State to facilitate the orderly transfer of such Services to the State or its designees in a manner designed to minimize interruption and adverse effect. Such termination assistance will be deemed by the parties to be governed by the terms and conditions of the Contract (notwithstanding its termination) other than any terms or conditions that do not reasonably apply to such termination assistance. The State shall compensate Contractor for such termination assistance at the same rates and charges set forth in the Contract on a time and materials basis in accordance with the Labor Rates indicated within Contractors pricing



section. If the Contract is terminated by Contractor under **Section 20**, then Contractor may condition its provision of termination assistance under this Section on reasonable assurances of payment by the State for such assistance, and any other amounts owed under the Contract.

C. Reservation of Rights

Any termination of the Contract or any Statement of Work issued under it by a party shall be with full reservation of, and without prejudice to, any rights or remedies otherwise available to such party with respect to any claims arising prior to or as a result of such termination.

D. End of Contract Transition

In the event the Contract is terminated, for convenience or cause, or upon expiration, the Contractor agrees to comply with direction provided by the State to assist in the orderly transition of equipment, services, software, leases, etc. to the State or a third party designated by the State. In the event of termination or the expiration of the Contract, the Contractor agrees to make all reasonable efforts to effect an orderly transition of services within a reasonable period of time that in no event will exceed 270 calendar days. These efforts shall include, but are not limited to, the following:

- (1) Personnel - The Contractor shall work with the State, or a specified third party, to develop a transition plan setting forth the specific tasks and schedule to be accomplished by the parties, to effect an orderly transition. The Contractor shall allow as many personnel as practicable to remain on the job to help the State, or a specified third party, maintain the continuity and consistency of the services required by the Contract. In addition, during or following the transition period, in the event the State requires the Services of the Contractor's subcontractors, as necessary to meet its needs, Contractor agrees to reasonably, and with good-faith, work with the State to use the Services of Contractor's subcontractors.
- (2) Knowledgeable Personnel. Contractor will make available to the State or a Third Party Provider knowledgeable personnel familiar with the operational processes and procedures used to deliver products and services to the State. The Contractor personnel will work with the State or third party to help develop a mutually agreeable transition plan, work to transition the process of ordering, shipping and invoicing equipment and services to the State.
- (3) Information - The Contractor agrees to provide reasonable detailed specifications for all Services needed by the State, or specified third party, to properly provide the services required under the Contract. The Contractor will also provide any licenses required to perform the Services under the Contract.
- (4) Software. - The Contractor shall reasonably assist the State in the acquisition of any Contractor software required to perform the Services under the Contract. This shall include any documentation being used by the Contractor to perform the Services under the Contract. If the State transfers any software licenses to the Contractor, those licenses shall, upon expiration of the Contract, transfer back to the State at their current revision level.
- (5) Payment - If the transition results from a termination for any reason, reimbursement shall be governed by the termination provisions of the Contract. If the transition results from expiration, the Contractor will be reimbursed for all reasonable transition costs (i.e. costs incurred within the agreed period after Contract expiration that result from transition operations). The hourly rates or fixed price to be charged will be agreed upon prior to the work commencing.
- (6) Single Point of Contact. Contractor will maintain a Single Point of Contact (SPOC) for the State after termination of the Contract until all product and service obligations have expired.

E. Transition out of this Contract

- (1) In the event that this Contract is terminated, dissolved, voided, rescinded, nullified, or otherwise rendered unenforceable, the Contractor agrees to perform the following obligations, and any others upon which the State and the Contractor agree:



- (i) Cooperating with any contractors, vendors, or other entities with whom the State contracts to meet its telecommunication needs, for at least two hundred and seventy (270) days after the termination of this Contract;
 - (ii) Reserved.
 - (iii) Providing the State with all asset management data generated from the inception of this Contract through the date on which this Contract is terminated, in a comma-delimited format unless otherwise required by the Program Office;
 - (iv) Reconciling all accounts between the State and the Contractor;
 - (v) Allowing the State to request the winding up of any pending or ongoing projects at the price to which the State and the Contractor agreed at the inception of the project;
 - (vi) Freezing all non-critical software changes;
 - (vii) Notifying all of the Contractor's subcontractors of procedures to be followed during the transition out phase;
 - (viii) Assisting with the communications network turnover, if applicable;
 - (ix) Assisting in the execution of a parallel operation until the effective date of termination of this Contract
 - (x) Answering any questions regarding post-migration services;
 - (xi) Delivering to the State any remaining owed reports and documentation still in the Contractor's possession.
- (2) In the event that this Contract is terminated, dissolved, voided, rescinded, nullified, or otherwise rendered unenforceable, the State agrees to perform the following obligations, and any others upon which the State and the Contractor agree:
- (i) Reconciling all accounts between the State and the Contractor;
 - (ii) Completing any pending post-project reviews.

2.703 RESERVED

2.704 STOP WORK

1. The State may, at any time, by written stop work order to the Contractor, require that the Contractor stop all, or any part, of the work called for by this Contract for a period of up to 90 days after the stop work order is delivered to the Contractor, and for any further period to which the parties may agree. The stop work order shall be specifically identified as such and shall indicate that it is issued under this section. Upon receipt of the stop work order, the Contractor shall immediately comply with its terms and take all reasonable steps to minimize the incurrence of costs allocable to the work covered by the stop work order during the period of work stoppage. Within the period of the stop work order, the State shall either:
 - a) Cancel the stop work order; or
 - b) Cancel the work covered by the stop work order as provided in the cancellation section of this Contract.
2. If a stop work order issued under this section is canceled or the period of the stop work order or any extension thereof expires, the Contractor shall resume work. The State shall make an equitable adjustment in the delivery schedule, the contract price, or both, and the Contract shall be modified, in writing, accordingly, if:
 - a) The stop work order results in an increase in the time required for, or in the Contractor's costs properly allocable to the performance of any part of this Contract; and
 - b) The Contractor asserts its right to an equitable adjustment within 30 days after the end of the period of work stoppage; provided, that if the State decides the facts justify the action, the State may receive and act upon a proposal submitted at any time before final payment under this Contract.
3. If the stop work order is not canceled and the work covered by the stop work order is canceled for reasons other than material breach, the State shall allow reasonable costs resulting from the stop work order in arriving at the cancellation settlement.



4. If a stop work order is not canceled and the work covered by the stop work order is canceled for material breach, the State shall not allow, by equitable adjustment or otherwise, reasonable costs resulting from the stop work order.

An appropriate equitable adjustment may be made in any related contract of the Contractor that provides for adjustment and is affected by any stop work order under this section. The State shall not be liable to the Contractor for loss of profits because of a stop work order issued under this section.

2.705 SUSPENSION OF WORK

The Contract Administrator may order the Contractor, in writing, to suspend, delay, or interrupt all or any part of the work of this contract for the period of time that the Contract Administrator determines appropriate for the convenience of the Government.

If the performance of all or any part of the work is, for an unreasonable period of time, suspended, delayed, or interrupted (1) by an act of the Contract Administrator in the administration of this contract, or (2) by the Contract Administrator's failure to act within the time specified in this contract (or within a reasonable time if not specified), an adjustment shall be made for any increase in the cost of performance of this contract (excluding profit) necessarily caused by the unreasonable suspension, delay, or interruption, and the contract modified in writing accordingly. However, no adjustment shall be made under this clause for any suspension, delay, or interruption to the extent that performance would have been so suspended, delayed, or interrupted by any other cause, including the fault or negligence of the Contractor, or for which an equitable adjustment is provided for or excluded under any other term or condition of this contract.

A claim under this clause shall not be allowed:

- (1) For any costs incurred more than 20 days before the Contractor shall have notified the Contract Administrator in writing of the act or failure to act involved (but this requirement shall not apply as to a claim resulting from a suspension order); and
- (2) Unless the claim, in an amount stated, is asserted in writing as soon as practicable after the termination of the suspension, delay, or interruption, but not later than the date of final payment under the contract.

2.8 Changes, Modifications, and Amendments

2.801 APPROVALS

The Contract may not be modified, amended, extended, or augmented except by a writing executed by the parties hereto, and any breach or default by a party shall not be waived or released other than in writing signed by the other party.

2.802 TIME EXTENTIONS

Time extensions for contract changes will depend upon the extent, if any, by which the changes cause delay in the completion of the various elements of performance as described in the statement of work. The change order granting the time extension may provide that the contract completion date will be extended only for those specific elements related to the changed work and that the remaining contract completion dates for all other portions of the work will not be altered. The change order also may provide an equitable readjustment of liquidated damages under the new completion schedule.

2.803 MODIFICATION

Acquisition Services reserves the right to modify this contract at any time during the contract term. Such modification may include changing the locations to be serviced, additional locations to be serviced, method or manner of performance of the work, number of days service is to be performed, addition or deletion of tasks to be performed, addition or deletion of items, and/or any other modifications deemed necessary. Any changes in pricing proposed by the Contractor resulting from the proposed changes are subject to acceptance by the State. Changes may be increases or decreases. IN THE EVENT PRICES ARE NOT ACCEPTABLE TO THE STATE, THE CONTRACT SHALL BE SUBJECT TO COMPETITIVE BIDDING BASED UPON THE NEW SPECIFICATION.



The State reserves the right to add an item(s) that is not described on the item listing and is available from the Contract vendor. The item(s) may be included on the Contract, only if prior written approval has been granted by Acquisition Services.

2.804 AUDIT AND RECORDS UPON MODIFICATION

DEFINITION: records includes books, documents, accounting procedures and practices, and other data, regardless of whether such items are in written form, electronic form, or in any other form

Contractor shall be required to submit cost or pricing data with the pricing of any modification of this contract to the Contract Administrator in Acquisition Services. Data may include accounting records, payroll records, employee time sheets, and other information the state deems necessary to perform a fair evaluation of the modification proposal. Contract Administrator or authorized representative of the state shall have the right to examine and audit all of the contractor's records, including computations and projections, related to:

1. The proposal for modification;
2. The discussions conducted on the proposal, including those related to negotiation;
3. Pricing of the modification; or
4. Performance of the modification.

Contractor shall make available at its office at all reasonable times the materials described in the paragraphs above.

If this contract is completely or partially terminated, the records relating to the work terminated shall be made available for 3 years after any resulting final termination settlement.

2.805 CHANGES

- (a) The Contract Administrator may, at any time, without notice to the sureties, if any, by written order designated or indicated to be a change order, make changes in the work within the general scope of the contract, including changes:
 - (1) In the specifications (including drawings and designs);
 - (2) In the method or manner of performance of the work;
 - (3) In the Government-furnished facilities, equipment, materials, services, or site; or
 - (4) Directing acceleration in the performance of the work.
- (a) Any other written or oral order (which, as used in this paragraph (b), includes direction, instruction, interpretation, or determination) from the Contract Administrator that causes a change shall be treated as a change order under this clause; Provided, that the Contractor gives the Contract Administrator written notice stating:
 - (1) The date, circumstances, and source of the order; and
 - (2) That the Contractor regards the order as a change order.
- (b) Except as provided in this clause, no order, statement, or conduct of the Contract Administrator shall be treated as a change under this clause or entitle the Contractor to an equitable adjustment.



Appendix A

NSF-ISR SFIS CERTIFICATION PROCESS



NSF-ISR SFIS Certification Process

(Standard Operating Procedure AA-971-0003 Released May 24, 2004)

Purpose/Subject

This Standard Operating Procedure (SOP) describes the Sustainable Forestry Initiative® Standard Certification Audit Process used by NSF-ISR to prepare for and conduct SFIS Audits. It is intended for the information of prospective clients and audit team members, and provides a summary of additional details and supporting procedures.

The audit methodology described in this SOP is consistent with the requirements outlined in the SFI® Verification/Certification Principles and Procedures (SFI-V/CPP) guideline document revised in 2002. The NSF-ISR audit process is also consistent with the ISO series of standards for environmental auditing (ANSI-ISO 19011) that NSF-ISR uses for conducting registration audits under the ISO 14001 EMS Standard.

SFIS Certification Audit Process

1. As specified in the SFI® Verification/Certification Principles and Procedures (SFI-V/CPP), the NSF-ISR SFIS Certification Audit shall establish whether the Program Participant's SFI program is in conformance with the SFIS Objectives and Performance Measures, as well as any additional self-imposed requirements.
2. Firm dates will be confirmed for the SFIS Certification Audit.
 - 2.509 The lead auditor shall confirm certification audit dates in writing to the Program Participant during the On-site Readiness Review with copies to the audit team members.
 - 2.510 If the dates are not acceptable to the client, alternative dates shall be determined. The Facility Record Sheet (FRS) shall be updated to reflect the revised schedule. Any changes to the schedule should be emailed to schedule@nsf-isr.org.
 - 2.511 Any adjustments in the composition of the audit team will be made to reflect appropriate areas of technical expertise needed on the audit team and to accommodate scheduling issues.
 - 2.512 The lead auditor will coordinate the travel arrangements of the audit team members, but each member will be responsible for making their own travel arrangements.
3. The lead auditor shall work with the Program Participant to provide all necessary and documents to the audit team members prior to the scheduled audit dates.
 - 3.509 Documents providing background information about the Program Participant's operations or SFI Program should be provided directly by the Program Participant to all team



members. Optional: if time allows, the lead auditor can provide the copies to team members.

- 3.510 Information that will be provided by the Lead Auditor to the audit team members (who should print copies as needed and bring them to the audit) includes:
- 3.510.1 the On-site Readiness Review Report;
 - 3.510.2 the final Audit Plan; and
 - 3.510.3 a copy of the SFIS Certification Audit Matrix (started by the Lead Auditor during the readiness review) that will be used to document conformance to the SFIS.
- 3.511 Audit team members shall download the following documents from the NSF-ISR Extra-net and bring them to the audit (optional –these may be provided by Lead Auditor to team members lacking access to the NSF-ISR Extra-net):
- 3.511.1 blank copies of Corrective Action Request (CARs) forms; and
 - 3.511.2 NSF-ISR - Agreement to not Disclose and to not Consult, completed and signed.

4. Notification to the Sustainable Forestry Board

Any Program Participant seeking independent certification or recertification in accordance with the SFI Standard, if it plans to publicly state its intentions, shall notify the Sustainable Forestry Board (SFB) prior to undertaking the audit.

5. Prior to the SFIS Certification Audit, the audit team shall hold a planning meeting to discuss the efficient implementation of the audit plan. The planning meeting will generally be held the night before the opening meeting and shall cover:

- 5.509 A review of assignments for each team member will be conducted by the Lead Auditor. The audit team shall address all SFIS Performance Measures and Core Indicators, as well as any additional self-imposed requirements;
 - 5.510 the use of the SFIS Certification Audit Matrix to document conformance to the SFIS;
 - 5.511 NSF-ISR audit procedures; and
 - 5.512 NSF policy not to consult or disclose.
- 5.512.1 all team members shall provide completed Agreement to not Disclose and to not Consult forms.

6. The SFIS Certification Audit will begin with a brief opening meeting. Items to cover at this meeting include:

- 6.509 introductions of meeting participants and circulation of a meeting sign-in sheet;
- 6.510 objectives of Certification Audit listed in Section # 1 above



- 6.511 confirmation of the scope of the audit and indicators of conformance to be used;
- 6.512 a review of the FRS with the company representatives:
 - 6.512.1 verify each section of the FRS
 - 6.512.2 sign it, and
 - 6.512.3 have it signed by the Program Participant's representative;
- 6.513 an overview of the NSF-ISR SFIS Certification Audit Process including:
 - 6.513.1 auditors will be recording objective evidence of conformance as the basis for SFIS certification;
 - 6.513.2 evidence and information collected by the audit team will remain confidential and discussed only with the Program Participant or NSF-ISR;
 - 6.513.3 discussion of terms related to findings (major non-conformance, minor non-conformance, opportunities for improvement, practices that exceed the basic requirements of the SFIS, and full conformance) as listed in Section 10 below;
 - 6.513.4 the central importance of assessing conformance at the Performance Measure level;
 - 6.513.5 the CAR process including the NSF policy of immediately notifying Program Participant when a non-conformance has been identified;
 - 6.513.6 the CB review process; and
 - 6.513.7 time frames for completion of certification process (Section 14 below).
- 6.514 A review of the audit plan and field audit arrangements including:
 - 6.514.1 the field site and interviewee selection process and criteria and confirmation with the Program Participant that final selection of field sites and interviewees have been made;
 - 6.514.2 the daily schedules, which shall be reviewed and modified as appropriate, based on local weather conditions, current road access, and other logistics as needed to efficiently utilize the time allocated for the SFIS Certification Audit;
 - 6.514.3 a confirmation the schedule for daily debriefings where preliminary findings can be discussed;
 - 6.514.4 the date, time, and place for the closing meeting;
 - 6.514.5 a confirmation of escort/guide and conference room arrangements;
 - 6.514.6 a confirmation of the official communication links (i.e., official communication shall be between the lead auditor and the management representative.) Concerns by members of the audit team shall be expressed to the lead auditor and concerns by the Program Participant's staff shall be expressed to the management representative;



- 6.514.7 a confirmation of the Program Participant's working hours/lunch arrangements;
 - 6.514.8 any safety and emergency preparedness procedures;
 - 6.514.9 a review any other outstanding issues contained in the audit plan; and
 - 6.515 the lead auditor shall adjourn the meeting.
7. Following the opening meeting the Program Participant's management representative, or designated staff, shall present a brief overview of the company's operations and management to the audit team.
- 7.509 Option: This presentation can be skipped if there is only one member of the team, as the Lead Auditor will have already been seen the material during the ORR.
8. The audit team shall follow the audit plan to evaluate and verify, through objective evidence (inspection of documents, interviews, field visits, etc.) that the Program Participant's SFI Program conforms to the SFI Standard.
- 8.509 Audit team members shall complete the SFI Certification Audit Matrix for each appropriate SFIS requirement, based on assignments developed by the Lead Auditor:
- 8.509.1 For each Core Indicator, and for additional indicators as appropriate, at least one team member shall review the evidence and determine whether the indicator is being effectively addressed, not addressed, or marginally addressed.
 - 8.509.2 Conformance is determined at the Performance Measure and Objective. A Program Participant can have effective ratings for all Core Indicators but still not be in conformance with the Performance Measure. Likewise, it is possible to be rated "not effective" in one or more Core Indicators but still achieve conformance to the Performance Measure.
 - 8.509.3 With the guidance of the lead auditor, the audit team will rate each Performance Measure as being in full conformance, exceeds the basic requirements of the SFIS, major nonconformance or minor non-conformance.
 - 8.509.4 All non-conformances are written against a Performance Measure, citing one or more Core Indicators as examples, if appropriate.
 - 8.509.5 Performance Measures can also have one or more "opportunities for improvement" associated with them. Auditors indicate on the audit matrix forms individual indicators where OFIs exist, and provide details on the Notes pages.
 - 8.509.6 "Practices that exceed expectations" will be documented on the auditor's notes page of the Audit Matrix.
 - 8.509.7 Findings shall be discussed with the Program Participant's representative prior to leaving the area where the finding is identified, if possible.



- 8.510 The audit team members shall document findings of major or minor non-conformance in writing using the Corrective Action Request (CAR) form. The lead auditor shall request that the Program Participant make an appropriate number of photocopies of each CAR.
- 8.510.1 In the event the auditor documents a potential nonconformance (e.g., one or more of the SFIS Objectives or Performance Measures have not been addressed or implemented), the auditor shall promptly communicate this finding to the lead auditor only. The lead auditor shall review the finding to determine whether it is in fact a nonconformance. If it is a nonconformance, the lead auditor shall promptly inform the management representative.
- 8.510.2 Auditors shall not advise or consult with the Program Participant about how to solve any major or minor nonconformance.
- 8.511 The audit team will summarize its findings to the Program Participant at the end of each day. Where possible, each auditor should discuss his/her own findings with the Program Participant in the presence of the Lead Auditor.
- 8.512 The audit team shall verify that all CAR's identified during the ORR have been adequately addressed.
- 8.513 The lead auditor shall, on a daily basis, review with the other audit team members the status of the audit (completion of items on the matrices and the time schedule) to ensure the audit is progressing in an orderly and timely fashion. During the discussions, the time schedule and auditor assignments may be modified as appropriate to ensure that all of the requirements of the SFI Standard are addressed.
- 9. Corrective Action Plans will be developed by the Program Participant for all non-conformances.**
- 9.509 Corrective Action Plans will be submitted to the Lead Auditor for review and approval. They will be evaluated for the following components:
- 9.509.1 Has the immediate problem been corrected?
- 9.509.2 Has a check been made to determine if similar non-conformances exist elsewhere within the EMS?
- 9.509.3 What steps have been taken to prevent reoccurrence of the non-conformance?
- 9.510 If the Program Participant chooses to take corrective action or submit a corrective action plan to address a non-conformance during the audit process (this includes any audit phase such as the on-site readiness review, certification audit, surveillance audit, etc.) the lead auditor has the authority to make a decision as to whether the corrective action is acceptable or unacceptable.
- 9.511 If all of the corrective action plans for minor non-conformances are approved, the lead auditor can make a recommendation for immediate certification.



10. The following definitions will apply regarding findings:

- 1.1.1 Full Conformance – achievement of the spirit and intent of the SFI Standard Objectives and Performance Measures.
- 1.1.2 Major non-conformance – any or all of the following:
 - 1.1.2.1 one or more of the SFIS Objectives or Performance Measures have not been addressed or implemented
 - 1.1.2.2 several minor non-conformances exist that, taken together, lead a auditor to conclude that one or more of the SFIS Objectives or Performance Measures have not been adequately addressed or implemented.
- 1.1.3 Minor non-conformance – an isolated audit finding which does not preclude the Program Participant from meeting the SFIS Objectives or Performance Measures.
- 1.1.4 Opportunity for Improvement - findings that, in the judgment of the lead auditor, represent areas for potential improvement in the Program Participant’s SFI program. Corrective action plans are not required for Opportunities for Improvement.
- 1.1.5 Practices that Exceed the Basic SFIS Requirements – forest or procurement practices that go beyond the basic requirements of the SFI Standard Objectives and Performance Measures.

11. Based upon the findings, the lead auditor will make a certification recommendation at the closing meeting. NSF-ISR’s Audit Manager will use this recommendation to decide whether to grant SFIS Certification to the Program Participant. Three possible recommendations exist.

1.2 Recommendation for Immediate Certification:

This recommendation will be made if no non-conformances have been identified and reported to the Program Participant, or if corrective action plans for all minor non-conformances have been approved by the lead auditor. All major non-conformances must be closed before certification can be granted.

Recommendation for Pending Certification: Pending SFIS Certification may be recommended where there are outstanding minor non-conformances, but corrective action plans have not been developed by the Program Participant and approved by the lead auditor during the SFIS Certification Audit.



- 1.2.1.1 The Program Participant will generally be allowed 30 days within which to develop corrective action plans for these outstanding minor non-conformances to address the deficiency identified in the Corrective Action Request. These corrective action plans should be sent to the lead auditor and will be immediately reviewed to determine if the proposed corrective action is appropriate.
- 1.2.1.2 If the required corrective action plans are deemed acceptable by the lead auditor, the corrective action plan(s) will be approved and a recommendation for immediate certification shall be sent to the Audit Manager and forwarded to the assigned Certification Board Member for approval. (Continuing progress in addressing the corrective action and closing the minor non-conformance will be addressed during the periodic surveillance audit process, as well as the re-certification audit.)
- 1.2.2 Pending SFIS Certification may also be recommended where there are one or two outstanding major non-conformances. In this case, the Program Participant will generally be allowed 30 days within which to develop a corrective action plan to address deficiencies identified in the Corrective Action Request(s).
 - 1.2.2.1 The corrective action plan should be sent to the lead auditor and will be immediately reviewed to determine if the proposed corrective action is appropriate. The Program Participant will then implement the plan and notify the Lead Auditor that it has been implemented.
 - 1.2.2.2 If required, the Lead Auditor will make arrangements to travel on site to assess the completed corrective action. The lead auditor is generally required to revisit the Program Participant after the planned implementation date to verify the implementation of the approved corrective action plan and the closure of the major non-conformance. Exceptions will be granted by the SFI Program Manager or Audit Manager in cases where the non-conformance involves documents or procedures that do not require on-site review.
 - 1.2.2.3 If the company's completed action is deemed implemented, verified, and accepted by the lead auditor, the CAR (Major non-conformance) will be closed and a recommendation for immediate certification shall be sent to the Audit Manager and forwarded to the assigned Certification Board Member for approval. The assigned Certification Board Member shall review the corrective action plan and recommendation by the lead auditor to grant SFIS Certification. The Audit Manager shall notify the Program Participant of NSF-ISR's decision in writing.
- 1.2.3 The final SFI Report is generally provided to the Program Participant while the certification is still pending. The written notification of approval of corrective action(s) provided to the Program Participant can be amended to the final SFI Report, along with a letter documenting the recommendation for immediate certification. These shall be sent to the Audit Manager and forwarded to the assigned Certification Board Member for approval.
 - 1.2.3.1 Option: With approval by the Program Participant, the SFI Report can be delayed until after the corrective action plans are approved (minor non-conformances) or after the plans



are approved, implemented, and then reviewed by the Lead Auditor (major nonconformances). The standard report processing protocol would then apply.

1.3 Recommendation to Deny Certification:
This recommendation will be made when, in the judgment of the lead auditor, there are three or more major non-conformances with SFIS Objectives and Performance Measures.

12. In the event that there is an internal dispute between the lead auditor and the Program Participant over any issues involved in the certification audit, the first step is for the management representative to call the Audit Manager to resolve the dispute. If the dispute continues, the dispute resolution processes of NSF-ISR will be followed. (See Dispute Resolution Process in AE-989-0002)

13. The audit team and the Program Participant's SFI Team will conduct a closing meeting at the conclusion of the SFIS Certification Audit. The following issues shall be discussed:

- 13.509 the closing meeting attendance form shall be circulated;
- 13.510 the lead auditor shall restate the audit scope;
- 13.511 the findings recorded on the SFIS Certification Audit Matrix and Corrective Action Request (CAR) forms will be presented;
- 13.512 overall certification findings and recommendations shall be presented;
- 13.513 any corrective action plans to resolve non-conformances will be discussed and procedures finalized;
- 13.514 the Program Participant's management representative will sign all relevant CAR forms;
- 13.515 the lead auditor will leave a copy of the CARs with the Program Participant; and
- 13.516 the process for reviewing and issuing the final and summary reports will be reviewed;
- 13.517 the process for issuing the certificate of conformance will be reviewed;
- 13.518 all other details of the audit plan including surveillance audits will be addressed; and
- 13.519 the closing meeting will be adjourned.

14. Final Report Review and Approval Process, including timeline:

- 14.509 The lead auditor is responsible for preparing the Draft Final Report and forwarding it to the Program Participant for a review of factual accuracy. This Draft Final Report should be provided within two weeks of the closing meeting, unless otherwise specified in the audit plan or during the closing meeting. This draft will normally be provided by email and will include the text of the report and the attachments containing the audit matrix and the public summary (all other attachments are provided in the final report).



- 14.510 The Program Participant should submit any comments to the lead auditor within two weeks of the date the report is provided, normally by email. The Final Report will be provided to the Program Participant within five weeks of receiving comments.
- 14.511 After receiving comments, the lead auditor shall make any necessary changes and shall Priority Mail the final report to the assigned Certification Board Member within one week. This Final Report should include all attachments.
- 14.512 The Certification Board Member is responsible for reviewing the Final Report and providing it to NSF within two weeks of receiving it. NSF-ISR shall issue a Final Report within two weeks of receiving approval by the Certification Board Member.
- 14.513 If there are outstanding corrective action plans the timeline shall be extended.
- 14.514 From the time of the closing meeting to the receipt of the final report should require no more than nine weeks. The Certification Board Member is responsible for notifying the Program Participant if the nine week timeframe will not be met and establishing a new, mutually acceptable date.
- 15.** The minimum contents of the Final Report (an example template for a final report is provided in the NSF-ISR SOP SFI Final Report, AA-971-0002). shall include:
- 15.509 the certification audit scope and objectives;
- 15.510 indicators against which the verification was performed;
- 15.511 the certification process, including time period and plan of the verification;
- 15.512 the audit team members;
- 15.513 full conformance, major non-conformance, minor non-conformance, opportunities for improvement, and practices that exceed the basic requirements of the SFI Standard;
- 15.514 audit recommendations; and
- 15.515 Appendix Sections as follows;
- 15.515.1 Audit Plan
- 15.515.2 SFI Certification Audit Matrix
- 15.515.3 NSF-ISR Corrective Action Request (CAR) form(s), including corrective action plans developed by the Program Participant (which may be contained on additional pages).
Note: This section should include documentation of all CARS, even those that were closed prior to the Certification Audit
- 15.515.4 Agreement(s) to Not Disclose and to Not Consult (Confidentiality Statement)
- 15.515.5 Opening and Closing Meeting Attendance Form



15.515.6 SFI Audit Summary for Public Disclosure

- 16.** The auditor shall send the following packet in the order below to the SFI Audit Manager:

Pkg-1: A: Invoice Request to Client (prepared by auditor) - (Form AC-989-0002)
 B: FRS (Reviewed/updated, signed, in original order and stapled)
 C: Quote (corrected, if applicable; if adjusted, must be signed by client)
 D: Financial Review Checklist for Auditor Vouchers (form AC-989-0007)
 E: Auditors Invoice(s) and Expense Forms
 (original receipts taped to 8.5 by 11-inch paper and with amounts circled)

Pkg-2: A: Certification Board Review: SFI Registration Report (2 pages, Form AC-971-0009)
 B. Final Certification Report

Note: The reviewed FRS no longer must be included as an appendix to the audit report.

17. Audit Summary for Public Disclosure

If the Program Participant intends to make any public statement about the results of the SFIS Certification Audit, the lead auditor will work with the Program Participant to prepare an audit summary for public disclosure that will be part of the final report. The audit summary shall include the audit scope and process, the names of the auditors, and a summary of the findings and recommendation.

Comment: These steps have been changed to match the approach described in the ORR and Desk Audit SOPs

- 18.** The contents of the summary report will be agreed to by NFS-ISR and the Program Participant to ensure that it captures the relevant findings and recommendation of the Final Report. The Program Participant is responsible for providing a copy of the summary report to both the AF&PA and the Sustainable Forestry Board at least 2 weeks prior to any public statement or claim about its certification or recertification. An example of a summary report is contained in the SOP “AA-971-0002 SFI FINAL REPORT”

19. Certificate of SFIS Conformance

Upon successful completion of the SFIS Certification Process, NSF-ISR shall issue a formal certificate of conformance with the SFI Standard to the Program Participant. The goal is to issue the certificate within nine weeks of the completion of the certification audit (within five weeks from the time the Program Participant provides comments). The declaration of conformance shall include the Program Participant’s name, standard certified to, the date of certification, NSF-ISR’s logo and signature(s) of responsible authorities.

20. Document Distribution and Retention

SFIS Audit final and summary reports and certificates are the sole property of the Program Participant and confidentiality shall be safeguarded. The Program Participant will determine the distribution of the final report and summary.



All working documents, draft and final and summary reports in the possession of the audit team members shall be destroyed at the end of the SFIS Certification Audit process, unless agreed to in writing by NSF-ISR and the Program Participant. NSF-ISR and the lead auditor shall retain one copy of all documents related to the SFIS Certification in a permanent file for purposes of conducting surveillance audits and re-audits, and for other legitimate purposes.

21. Use of the SFI Label

The SFI Label has been approved for use by SFI Program Participants that have successfully achieved third party certification. SFI Program Participants wanting to use the SFI Label will need to apply to the AF&PA “Office of Label Use” for authorization.

Certain SFI Program Participants may need an independent audit of their sources of wood supply in order to use the SFI Labels. NSF-ISR is available to conduct such audits as needed and appropriate.

Reference Documents

SFI Final Report (AA-971-0002)

SFIS On-Site Readiness Review Process, Report, and Audit Plan (AC-971-0002)

NSF-ISR Dispute Resolution Process (AE-989-0002)



**Appendix B:
SCS Forest Conservation Program Operations Manual**



OPERATIONS MANUAL

Version June 2004

2003 Scientific Certification Systems
2000 Powell St., Suite 1350
Emeryville, CA 94608-1804
510-452-8000
www.scscertified.com

FOREST CONSERVATION PROGRAM OPERATIONS MANUAL VERSION 6-9-04

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NSF-ISR Joint SFI and FSC Proposal



Forward

This operations manual provides an overview of Scientific Certification Systems (SCS) and an in-depth examination of our Forest Conservation Program (FCP). The extensive expertise and experience of SCS is detailed, as is the process, criteria, and associated constituents for certification. Our Forest Conservation Program Operations Manual:

- Takes potential clients, auditors, stakeholders, and others through the Forest Management and Chain-of-Custody certification process
- Trains technical participants in the FCP process (i.e., SCS staff and consultants)
- Provides programmatic documentation designed to assure long-term continuity and consistency
- Acts as a program review document for purposes of accreditation
- Provides protocols and criteria for the evaluation of both natural forests and plantation forests, as defined by the FSC

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INTRODUCTION

Scientific Certification Systems

Scientific Certification Systems (SCS) is a leading provider of environmental certification services. Since 1984, SCS has used analytically based tools and techniques to recognize companies whose management practices, products and services meet the highest environmental standards, giving them an edge in the marketplace. Our comprehensive forestry and paper products programs are widely recognized for their thoroughness and objectivity. We are a founding member of the Forest Stewardship Council (FSC, <http://www.fscoax.org/>) and one of three original accredited certification bodies.

Certification gives consumers, retail and business customers, and government and institutional purchasing agents the information they need to make the best-informed choices. In addition to our FSC-endorsed forest management and chain-of-custody programs, SCS operates certification programs in recycled/recovered/reclaimed product content, food safety, EPP (environmentally preferable products), marine stewardship, and life cycle assessment.

Forest Conservation Program

The Forest Conservation Program (FCP) is an independent, third party forest management certification program that operates under the sponsorship of the Forest Stewardship Council (FSC). The FCP is accredited by the Forest FSC to conduct Forest Management and Chain-of-Custody certifications worldwide as such the program is operated in full compliance with FSC guidelines for certification bodies.

Forest Management

FCP Forest Management clients are evaluated for compliance to the relevant FSC International approved Regional Standard or if there is no approved standard, to a regionalized version of the SCS Generic Interim Standard (Section 9.0). In some regions a second standard the SCS Evaluation Criteria for Natural Forest Management (Section 10.0) is used in combination with Generic Interim Standard.

Chain-of-Custody Certification

In addition to forest management certification, FCP also offers Chain-of-Custody certification. Chain-of-Custody is a certification process in which clients earn the right to label wood products as originating from a certified "well-managed" forest by demonstrating its ability to track certified product from non-certified product. For more information pertaining to Chain of Custody consult Chapter 6 and Section 1 of this document.



Group Certification

Group Certification is the FSC's generic term for any approach to forest management and chain-of-custody certification in which two or more forest management units (FMU) or processors are evaluated jointly. Rather than awarding certificates directly to the FMU owner/manager, certification is awarded to a central agent that assumes responsibility for assuring group compliance with the requirements of certification.

Guidelines and criteria for Group Certification are in Section 11. Forest Management Group certification, also known as Resource Manager Certification, exists for land owners who share a common management philosophy and oversight that in turn allows SCS to audit at a lower sample intensity and thus conduct services at a lower cost.

To date, SCS, under the FCP, has certified over 16 million acres of forests in Central, South and North America, Europe, Asia, and New Zealand; we have also issued more than 400 FSC-endorsed chain-of-custody certificates. Our experience and market activity is truly international and our institutional resources and capacity reflect this global outlook.

Technical Input and Ongoing Review

Technical input on the adequacy of the FCP is obtained through written comments of peer reviewers and stakeholder comments on project-specific draft evaluation criteria. On an ongoing, project-level basis, SCS also consults with key stakeholders to solicit input about the FCP process and the standards we employ.



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 2.509 The lead auditor shall confirm certification audit dates in writing to the Program Participant during the On-site Readiness Review with copies to the audit team members. 35
 2.510 If the dates are not acceptable to the client, alternative dates shall be determined. The Facility Record Sheet (FRS) shall be updated to reflect the revised schedule. Any changes to the schedule should be emailed to schedule@nsf-isr.org. 35
 2.511 Any adjustments in the composition of the audit team will be made to reflect appropriate areas of technical expertise needed on the audit team and to accommodate scheduling issues. 35
 2.512 The lead auditor will coordinate the travel arrangements of the audit team members, but each member will be responsible for making their own travel arrangements. 35
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 3.510.3 a copy of the SFIS Certification Audit Matrix (started by the Lead Auditor during the readiness review) that will be used to document conformance to the SFIS..... 36



3.511 Audit team members shall download the following documents from the NSF-ISR Extra-net and bring them to the audit (optional –these may be provided by Lead Auditor to team members lacking access to the NSF-ISR Extra-net): 36

3.511.1 blank copies of Corrective Action Request (CARs) forms; and..... 36

3.511.2 NSF-ISR - Agreement to not Disclose and to not Consult, completed and signed. 36

4. Notification to the Sustainable Forestry Board 36

Any Program Participant seeking independent certification or recertification in accordance with the SFI Standard, if it plans to publicly state its intentions, shall notify the Sustainable Forestry Board (SFB) prior to undertaking the audit. 36

5. Prior to the SFIS Certification Audit, the audit team shall hold a planning meeting to discuss the efficient implementation of the audit plan. The planning meeting will generally be held the night before the opening meeting and shall cover: 36

5.509 A review of assignments for each team member will be conducted by the Lead Auditor. The audit team shall address all SFIS Performance Measures and Core Indicators, as well as any additional self-imposed requirements;..... 36

5.510 the use of the SFIS Certification Audit Matrix to document conformance to the SFIS; 36

5.511 NSF-ISR audit procedures; and 36

5.512 NSF policy not to consult or disclose. 36

5.512.1 all team members shall provide completed Agreement to not Disclose and to not Consult forms. 36

6. The SFIS Certification Audit will begin with a brief opening meeting.

Items to cover at this meeting include:..... 36

6.509 introductions of meeting participants and circulation of a meeting sign-in sheet; 36

6.510 objectives of Certification Audit listed in Section # 1 above..... 36

6.511 confirmation of the scope of the audit and indicators of conformance to be used; 37

6.512 a review of the FRS with the company representatives: 37

6.512.1 verify each section of the FRS 37

6.512.2 sign it, and..... 37

6.512.3 have it signed by the Program Participant’s representative; 37

6.513 an overview of the NSF-ISR SFIS Certification Audit Process including: 37

6.513.1 auditors will be recording objective evidence of conformance as the basis for SFIS certification;..... 37

6.513.2 evidence and information collected by the audit team will remain confidential and discussed only with the Program Participant or NSF-ISR; 37

6.513.3 discussion of terms related to findings (major non-conformance, minor non-conformance, opportunities for improvement, practices that exceed the basic requirements of the SFIS, and full conformance) as listed in Section 10 below; 37

6.513.4 the central importance of assessing conformance at the Performance Measure level; 37

6.513.5 the CAR process including the NSF policy of immediately notifying Program Participant when a non-conformance has been identified; 37

6.513.6 the CB review process; and 37

6.513.7 time frames for completion of certification process (Section 14 below).. 37

6.514 A review of the audit plan and field audit arrangements including: 37

6.514.1 the field site and interviewee selection process and criteria and confirmation with the Program Participant that final selection of field sites and interviewees have been made; 37

6.514.2 the daily schedules, which shall be reviewed and modified as appropriate, based on local weather conditions, current road access, and other logistics as needed to efficiently utilize the time allocated for the SFIS Certification Audit; 37

6.514.3 a confirmation the schedule for daily debriefings where preliminary findings can be discussed; 37



6.514.4 the date, time, and place for the closing meeting; 37

6.514.5 a confirmation of escort/guide and conference room arrangements; 37

6.514.6 a confirmation of the official communication links (i.e., official communication shall be between the lead auditor and the management representative.) Concerns by members of the audit team shall be expressed to the lead auditor and concerns by the Program Participant’s staff shall be expressed to the management representative; .. 37

6.514.7 a confirmation of the Program Participant’s working hours/lunch arrangements; 38

6.514.8 any safety and emergency preparedness procedures; 38

6.514.9 a review any other outstanding issues contained in the audit plan; and. 38

6.515 the lead auditor shall adjourn the meeting. 38

7. Following the opening meeting the Program Participant’s management representative, or designated staff, shall present a brief overview of the company’s operations and management to the audit team..... 38

7.509 Option: This presentation can be skipped if there is only one member of the team, as the Lead Auditor will have already been seen the material during the ORR. 38

8. The audit team shall follow the audit plan to evaluate and verify, through objective evidence (inspection of documents, interviews, field visits, etc.) that the Program Participant’s SFI Program conforms to the SFI Standard. 38

8.509 Audit team members shall complete the SFI Certification Audit Matrix for each appropriate SFIS requirement, based on assignments developed by the Lead Auditor:38

8.509.1 For each Core Indicator, and for additional indicators as appropriate, at least one team member shall review the evidence and determine whether the indicator is being effectively addressed, not addressed, or marginally addressed..... 38

8.509.2 Conformance is determined at the Performance Measure and Objective. A Program Participant can have effective ratings for all Core Indicators but still not be in conformance with the Performance Measure. Likewise, it is possible to be rated “not effective” in one or more Core Indicators but still achieve conformance to the Performance Measure. 38

8.509.3 With the guidance of the lead auditor, the audit team will rate each Performance Measure as being in full conformance, exceeds the basic requirements of the SFIS, major nonconformance or minor non-conformance..... 38

8.509.4 All non-conformances are written against a Performance Measure, citing one or more Core Indicators as examples, if appropriate. 38

8.509.5 Performance Measures can also have one or more “opportunities for improvement” associated with them. Auditors indicate on the audit matrix forms individual indicators where OFIs exist, and provide details on the Notes pages. 38

8.509.6 “Practices that exceed expectations” will be documented on the auditor’s notes page of the Audit Matrix..... 38

8.509.7 Findings shall be discussed with the Program Participant’s representative prior to leaving the area where the finding is identified, if possible. 38

8.510 The audit team members shall document findings of major or minor non-conformance in writing using the Corrective Action Request (CAR) form. The lead auditor shall request that the Program Participant make an appropriate number of photocopies of each CAR. 39

8.510.1 In the event the auditor documents a potential nonconformance (e.g., one or more of the SFIS Objectives or Performance Measures have not been addressed or implemented), the auditor shall promptly communicate this finding to the lead auditor only. The lead auditor shall review the finding to determine whether it is in fact a nonconformance. If it is a nonconformance, the lead auditor shall promptly inform the management representative. 39

8.510.2 Auditors shall not advise or consult with the Program Participant about how to solve any major or minor nonconformance. 39

8.511 The audit team will summarize its findings to the Program Participant at the end of each day. Where possible, each auditor should discuss his/her own findings with the Program Participant in the presence of the Lead Auditor..... 39



8.512 The audit team shall verify that all CAR’s identified during the ORR have been adequately addressed..... 39

8.513 The lead auditor shall, on a daily basis, review with the other audit team members the status of the audit (completion of items on the matrices and the time schedule) to ensure the audit is progressing in an orderly and timely fashion. During the discussions, the time schedule and auditor assignments may be modified as appropriate to ensure that all of the requirements of the SFI Standard are addressed..... 39

9. Corrective Action Plans will be developed by the Program Participant for all non-conformances..... 39

9.509 Corrective Action Plans will be submitted to the Lead Auditor for review and approval. They will be evaluated for the following components: 39

9.509.1 Has the immediate problem been corrected?..... 39

9.509.2 Has a check been made to determine if similar non-conformances exist elsewhere within the EMS?..... 39

9.509.3 What steps have been taken to prevent reoccurrence of the non-conformance? 39

9.510 If the Program Participant chooses to take corrective action or submit a corrective action plan to address a non-conformance during the audit process (this includes any audit phase such as the on-site readiness review, certification audit, surveillance audit, etc.) the lead auditor has the authority to make a decision as to whether the corrective action is acceptable or unacceptable..... 39

9.511 If all of the corrective action plans for minor non-conformances are approved, the lead auditor can make a recommendation for immediate certification. 39

10. The following definitions will apply regarding findings: 40

11. Based upon the findings, the lead auditor will make a certification recommendation at the closing meeting. NSF-ISR’s Audit Manager will use this recommendation to decide whether to grant SFIS Certification to the Program Participant. Three possible recommendations exist..... 40

12. In the event that there is an internal dispute between the lead auditor and the Program Participant over any issues involved in the certification audit, the first step is for the management representative to call the Audit Manager to resolve the dispute . If the dispute continues, the dispute resolution processes of NSF-ISR will be followed. (See Dispute Resolution Process in AE-989-0002)..... 42

13. The audit team and the Program Participant’s SFI Team will conduct a closing meeting at the conclusion of the SFIS Certification Audit. The following issues shall be discussed: 42

13.509 the closing meeting attendance form shall be circulated;..... 42

13.510 the lead auditor shall restate the audit scope; 42

13.511 the findings recorded on the SFIS Certification Audit Matrix and Corrective Action Request (CAR) forms will be presented; 42

13.512 overall certification findings and recommendations shall be presented; 42

13.513 any corrective action plans to resolve non-conformances will be discussed and procedures finalized; 42

13.514 the Program Participant’s management representative will sign all relevant CAR forms; 42

13.515 the lead auditor will leave a copy of the CARs with the Program Participant; and 42

13.516 the process for reviewing and issuing the final and summary reports will be reviewed; 42

13.517 the process for issuing the certificate of conformance will be reviewed; 42

13.518 all other details of the audit plan including surveillance audits will be addressed; and 42

13.519 the closing meeting will be adjourned. 42

14. Final Report Review and Approval Process, including timeline: 42

14.509 The lead auditor is responsible for preparing the Draft Final Report and forwarding it to the Program Participant for a review of factual accuracy. This Draft Final



Report should be provided within two weeks of the closing meeting, unless otherwise specified in the audit plan or during the closing meeting. This draft will normally be provided by email and will include the text of the report and the attachments containing the audit matrix and the public summary (all other attachments are provided in the final report).42

14.510 The Program Participant should submit any comments to the lead auditor within two weeks of the date the report is provided, normally by email. The Final Report will be provided to the Program Participant within five weeks of receiving comments. 43

14.511 After receiving comments, the lead auditor shall make any necessary changes and shall Priority Mail the final report to the assigned Certification Board Member within one week. This Final Report should include all attachments. 43

14.512 The Certification Board Member is responsible for reviewing the Final Report and providing it to NSF within two weeks of receiving it. NSF-ISR shall issue a Final Report within two weeks of receiving approval by the Certification Board Member. 43

14.513 If there are outstanding corrective action plans the timeline shall be extended. 43

14.514 From the time of the closing meeting to the receipt of the final report should require no more than nine weeks The Certification Board Member is responsible for notifying the Program Participant if the nine week timeframe will not be met and establishing a new, mutually acceptable date. 43

15. The minimum contents of the Final Report (an example template for a final report is provided in the NSF-ISR SOP SFI Final Report, AA-971-0002).shall include:... 43

15.509 the certification audit scope and objectives;..... 43

15.510 indicators against which the verification was performed;..... 43

15.511 the certification process, including time period and plan of the verification; 43

15.512 the audit team members;..... 43

15.513 full conformance, major non-conformance, minor non-conformance, opportunities for improvement, and practices that exceed the basic requirements of the SFI Standard; 43

15.514 audit recommendations; and 43

15.515 Appendix Sections as follows; 43

15.515.1 Audit Plan 43

15.515.2 SFI Certification Audit Matrix..... 43

15.515.3 NSF-ISR Corrective Action Request (CAR) form(s), including corrective action plans developed by the Program Participant (which may be contained on additional pages). Note: This section should include documentation of all CARS, even those that were closed prior to the Certification Audit..... 43

15.515.4 Agreement(s) to Not Disclose and to Not Consult (Confidentiality Statement) 43

15.515.5 Opening and Closing Meeting Attendance Form 43

15.515.6 SFI Audit Summary for Public Disclosure 44

16. The auditor shall send the following packet in the order below to the SFI Audit Manager: 44

17. Audit Summary for Public Disclosure..... 44

If the Program Participant intends to make any public statement about the results of the SFIS Certification Audit, the lead auditor will work with the Program Participant to prepare an audit summary for public disclosure that will be part of the final report. The audit summary shall include the audit scope and process, the names of the auditors, and a summary of the findings and recommendation. 44

18. The contents of the summary report will be agreed to by NFS-ISR and the Program Participant to ensure that it captures the relevant findings and recommendation of the Final Report. The Program Participant is responsible for providing a copy of the summary report to both the AF&PA and the Sustainable Forestry Board at least 2 weeks prior to any public statement or claim about its certification or recertification. An example of a summary report is contained in the SOP "AA-971-0002 SFI FINAL REPORT" 44

19. Certificate of SFIS Conformance 44



Upon successful completion of the SFIS Certification Process, NSF-ISR shall issue a formal certificate of conformance with the SFI Standard to the Program Participant. The goal is to issue the certificate within nine weeks of the completion of the certification audit (within five weeks from the time the Program Participant provides comments). The declaration of conformance shall include the Program Participant’s name, standard certified to, the date of certification, NSF-ISR’s logo and signature(s) of responsible authorities..... 44

20. Document Distribution and Retention..... 44

SFIS Audit final and summary reports and certificates are the sole property of the Program Participant and confidentiality shall be safeguarded. The Program Participant will determine the distribution of the final report and summary. 44

All working documents, draft and final and summary reports in the possession of the audit team members shall be destroyed at the end of the SFIS Certification Audit process, unless agreed to in writing by NSF-ISR and the Program Participant. NSF-ISR and the lead auditor shall retain one copy of all documents related to the SFIS Certification in a permanent file for purposes of conducting surveillance audits and re-audits, and for other legitimate purposes.45

21. Use of the SFI Label..... 45

The SFI Label has been approved for use by SFI Program Participants that have successfully achieved third party certification. SFI Program Participants wanting to use the SFI Label will need to apply to the AF&PA “Office of Label Use” for authorization..... 45

Certain SFI Program Participants may need an independent audit of their sources of wood supply in order to use the SFI Labels. NSF-ISR is available to conduct such audits as needed and appropriate. 45

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1.0 Program Overview

1.1. FCP Overview and General Protocol

The Forest Conservation Program defines (qualitatively and quantitatively) the issues of well-managed forestry by providing uniform guidelines for assessing forest stewardship operations around the world. Additionally, the FCP clarifies well-managed forestry to the public by providing an independently verified basis for potential marketplace claims.

The program involves an in-depth evaluation of aspects of forest resource stewardship (e.g., timber, forest ecosystem, socio-economic considerations). Fundamental to this process is the evaluation of management practices against objective and regionally appropriate standards of exemplary forestry.

The FCP approach contrasts sharply with management verification programs that simply provide third-party assurances that a company's stated management policies are being implemented. The Forest Conservation Program is designed to be consistent with recognized international standards of forestry certification and responsible forest management.

The FCP is built on the premise that an evaluation of forest products for market place claims must focus on the management of the land from which those products originate. The evaluation process includes the following components:

- Analysis of information supplied by the landowner that can be verified through document review and field sampling (e.g., timber inventory data, long-term timber management plans, wildlife surveys, business management plans and employee records).
- Collection of additional field data through sample-based field reviews conducted by an interdisciplinary Evaluation Team comprised of SCS staff and outside consultants.
- Stakeholder consultation on draft evaluation criteria to be employed on upcoming projects as well as stakeholder input regarding the subject operations.
- Consultation with pertinent forest management experts and officials with knowledge of the operation under evaluation.

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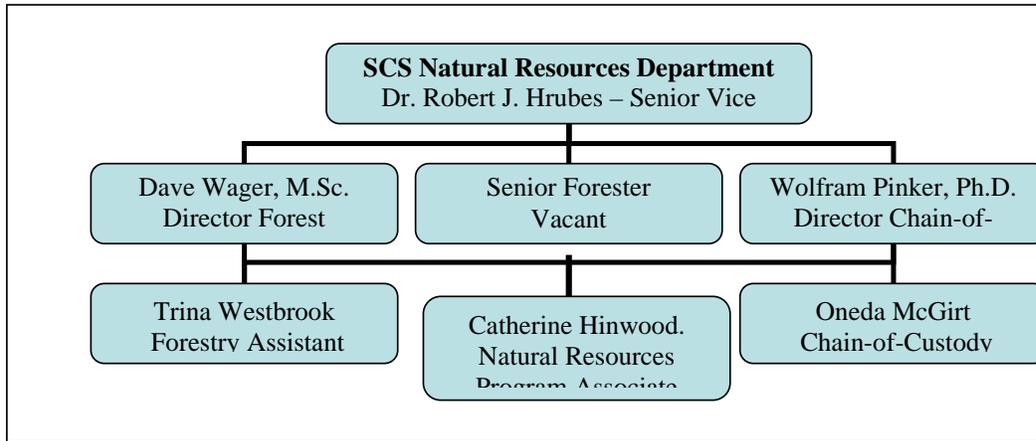


- A structured evaluation framework based upon sound decision science principles and judgments rendered by individuals who are independent, experienced auditors, and professionals in their field.
- Ongoing, periodic monitoring to assure continued adherence to long-term management plans and management practices in place at the time of the initial evaluation, and to assure adequate tracking of the chain of custody of products from certified operations.
- Chain-of-Custody Certification for all participants wishing to make product claims, including land management operations and companies involved in the manufacture and distribution of certified product bearing the FSC and/or SCS logos.

1.2. Overview of the Organizational Structure

The SCS Forest Conservation Program operates from our company’s headquarters in Emeryville, California, USA, where we have a core staff of natural resource and certification professionals. Additionally, SCS maintains an extensive network of regional collaborator organizations, representatives, and contract specialists throughout the world.

1.2.1 SCS Natural Resources Department





1.2.2. Regional Forestry Representatives

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Continued next page



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2.0 Initial Steps and Preliminary Evaluation

2.1. Initial contact

The initial round of communications with a prospective client provides information about SCS, the Forest Conservation Program, and FSC-endorsed certification. In addition to providing the client with a detailed introduction to FCP, it also clarifies the potential client's goals with respect to forestry certification and the compatibility of those goals with the requirements of the FCP.

FCP projects typically begin with a phone call or meeting to ensure that all parties understand the objectives of the program. Following these discussions, an application is sent to the client to be completed and returned in order to develop a budget and quote for the Preliminary evaluation project.

2.2. Work Order Contract

Once the application is reviewed, SCS will send a Work Order Contract to the client for the cost of a Preliminary and/or Full Evaluation. The Work Order Contract provides the SCS fees for the scope of work outlined in the application. Generally, there are no variations in the costs from this Work Order, if the tasks remain within the parameters expressed in the contract. If additional services are required or there are any extraordinary circumstances (e.g. a series of pre-conditions to be met before SCS is able to issue a certification report), then these services will be quoted separately on a time and materials basis.

2.2.1. SCS Fee Structure and Policy

The evaluation is normally contracted as a fixed fee for a specified scope of work, based upon:

- Professional fees of the evaluation team and expenses necessary to conduct the evaluation and to prepare a peer reviewed written report
- Project administration and oversight including standard development, FSC quality control, review of the evaluation, issuance of certificate and disseminating the results to the public (if certification is awarded)
- FSC Annual Fees (including relevant FSC-mandated Annual Accreditation Fee and logo use fees)

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- Marketing and communications support, including logo approvals, by SCS communications associates

Upon determining fees, the location and scale and complexity of an applicant are taken into consideration. Fees are not contingent on the outcome of certification decisions.

2.3. Role of Auditors/Partners

At this stage of the process the role of SCS auditors/partners is variable ranging from no involvement to serving as the principal contact with the applicant. The level of involvement of the auditor/partner depends, in part, on the location (and related factors like language) of the applicant and the auditor/partners experience level with SCS' FCP. In all cases the contract for the FSC evaluation is directly between SCS and the certification applicant, and the final certification decision resides with the SCS Certification Committee.

2.4. Role of Program Directors

The program directors are primarily responsible for engaging in initial communication with the client, determining the scope of work, preparing proposals, developing project budgets, selecting evaluation team members, and overseeing the audit process through the completion of the final report.

2.5. Preliminary Evaluation

Preliminary evaluations help familiarize the landowner's forestry staff with the SCS evaluation process and assist the client in deciding if certification is right for them. In addition, should the client decide to undergo an official full evaluation for certification, the preliminary audit can help gauge the probability of a successful certification, the cost of the ensuing evaluation, and the expected time frame necessary for completing a full evaluation. Preliminary evaluations usually entail 1-5 days of fieldwork, depending upon the size and complexity of the forest management operation.

2.5.1. Categorization of Client

One key determination made during the preliminary evaluation is whether the forest is to be evaluated as a group certification, Section 11.0, or a plantation or a natural forest, based on FSC definitions of natural forests and plantations. When a subject operation is most appropriately categorized as plantation forest management, it is critical to determine if natural forests were cleared to establish



plantations after 1994. Such plantation operations are most likely not certifiable, due to non-compliance with FSC Criterion 10.9¹.

2.5.2. Data Gathering

Data gathering in the preliminary phase facilitates future evaluation activities by providing SCS with an overview of the company's activities and by providing the client's resource managers with a more precise idea of the type of information SCS would request in a full evaluation. Preliminary review information includes:

- 1) Pertinent client documents, including ownership objectives and forest management plans.
- 2) Field reconnaissance of the management unit(s), including interactions with forestry staff, visits to recent timber harvesting sites, on-site discussions with supervisory foresters, and an over flight, if possible.
- 3) Group and individual interviews involving the entire staff.
- 4) Follow-up interviews with key stakeholders, e.g., contractors, user groups, community members, local environmental NGO's.

2.5.3 Stakeholder Consultation

Preliminary evaluations are often conducted without public notification, depending upon the client's wishes. However, in projects involving large-scale operations or High Conservation Value Forests (HCVF, see Principle 9 in Section 2) the preliminary evaluation must also include a consultative phase in which stakeholders are identified and consulted-- this consultative phase can take place after an initial confidential phase. The project can be terminated at the conclusion of the initial confidential phase at the client's discretion, but if a full certification evaluation is to proceed on large-scale or HCVF operations, the consultative phase of the preliminary evaluation must first be completed.

2.6. Preliminary Report

A written report submitted to the client upon completion of the preliminary evaluation summarizes SCS' initial appraisal of the situation and, if requested, an estimate of the costs associated with implementing a full evaluation. This can supplement the full certification process by indicating the possibility of achieving a "passing" score. The preliminary evaluation does function as a "gap analysis" whereby the client is better able to identify deficiencies relative to the thresholds of certification.

¹ Clearing of natural forests for purposes of establishing plantations prior to 1994 do not conflict with FSC Criterion 10.9.



3.0 Full Evaluation

3.1. SCS Standard Certification Agreement

Once it is determined that a client will undergo a full evaluation, the client must first sign and return the SCS Forest Management Standard Certification Agreement. This agreement, based on the understanding of the client's goals and the FCP protocols, establishes the geographic and subject matter scope of the desired assessment, and specifies the rights and responsibilities of each party. The FCP evaluation may serve as the basis for marketplace claims only when the project scope is defined as a full evaluation for FSC certification, and market claims can only be made upon award of certification. In other words, market claims are not permitted after a preliminary evaluation or if certification is not awarded.

3.2. The Evaluation Team

Upon execution of the SCS Forest Management Standard Certification Agreement, SCS dispatches an Evaluation Team comprised of SCS staff and or contract/consultant field-level personnel with expertise in relevant disciplines (e.g., forestry, biology-ecology, economics and forest sociology). While SCS Senior Vice-President and or Program Director make the final decision on the composition of the Team, the selection process can include input from the client.

Team Leaders are designated by SCS and must have previously served on a FCP evaluation. The Team Leader bears final responsibility for assuring full execution of the evaluation protocol during the field portion of the audit. The appropriate selection of the field team is a central element in the FCP and is based on the following criteria:

- Independent from the operation being audited
- Balanced expertise in the relevant disciplines (i.e., forestry, wildlife biology, sociology and economics)
- Field experience
- Regional expertise
- Regional credibility

Please see SOP# for specific auditor requirements and qualifications. In addition to meeting these criteria, the SCS Program Director must confirm that the audit

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Add specific SOP# once we have that organized

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team, as a whole, is qualified to cover the Principles and Criteria to an extent consistent with the scale, intensity, and complexity of the operation. Additionally, the audit team needs to include the necessary expertise to assess potential significant issues (e.g., indigenous peoples' rights) that have been identified either through a scoping assessment, general knowledge of the region, and or review of the applicant's documentation. To ensure a qualified team is deployed the selection process will follow these general guidelines:

- If justified by the size and intensity of the operation, audit teams will include 3-4 specialists from each of the core disciplines of FSC certification: Forestry, Ecology, and Sociology/Economics.
- Though in some instances factors may arise (e.g., one team member is a forest ecologist with expertise in both forestry and ecology; or social issues are straightforward enough to be handled by a non-social scientist team member) where a two person team is justified even with a large scale and intensive operation.
- If the size and intensity of the operation can only justify a 1-2 person team, selection of expertise must be based on a prioritization of what disciplines are most needed and whether or not potential auditor(s) can cover multiple disciplines.
- If the Program Director determines there to be significant gaps in expertise, and an additional team member is not an option, SCS will first pursue retaining the necessary expertise for a limited portion of the audit (e.g., retaining a contractor for as little as 1/4 day), or, if necessary postpone the certification decision until the needed expertise is available.

Ultimately, it is the responsibility of the entire Evaluation Team to compile and analyze all pertinent, available information on the property's resource conditions and management plans in order to arrive at informed, criterion-specific scoring for each of the FSC Principles.

3.3. Stakeholder Consultation

The Evaluation Team is collectively responsible for soliciting input from interested stakeholders who may desire to offer input on one or both of the following subjects:

- The draft evaluation criteria that the SCS evaluation team intends to employ in the upcoming project; and
- The subject forest management operation.

The final responsibility; however, for assuring adequate stakeholder consultation is jointly shared by the Team Leader and the Program Director.



3.3.1. Consultation Methods and Report

The methods by which stakeholder input is solicited are left to the Evaluation Team. Methods may include one-on-one interviews, solicitations for written comments, or public fora. To maintain consistency with FSC accreditation standards, the Team Leader and/or Program Director must initiate dialogue--early in the process--with any duly recognized regional/national entity of the Forest Stewardship Council. In the absence of a regional FSC entity, the International Secretariat should be notified (by the Program Director) of the initiation of a first-time full evaluation within a new region for purposes of obtaining guidance on who the appropriate stakeholders may be.

The final report shall include a section that describes the consultation process that was implemented, summarizes the input received, and describes the manner in which the team accommodated or responded to that input.

3.3.2. SCS Generic Interim Standard (evaluation criteria)

In regions without an FSC approved *regional standard*, the SCS *generic interim standard* is commonly the starting point for all Forest Management evaluations (see Section 2). The SCS *generic interim standard* conveys the FSC Principles and Criteria (P&C) word-for-word and adds performance indicators to each criteria to facilitate the Team's assessment.

The SCS *generic interim standard* is modified by SCS to reflect the regional circumstance. First the evaluation team leader and the SCS program director are responsible for modifying the *generic interim standard* to produce a project-specific *draft interim standard* that reflects project and regional circumstances. This modification includes incorporation of any FSC draft Regional Guidelines(s). Since these are yet endorsed by FSC International, SCS must exercise discretion in deciding how much to incorporate into the SCS *draft interim standard*. It is not appropriate to ignore draft Regional Guidelines or to treat draft Guidelines as if they are endorsed. The team leader should incorporate those components that are deemed to be either appropriate additional guidance or that are likely to ultimately be endorsed. Guidelines from the national initiative must be incorporated. In instances where the Regional Guidelines are very close to finalization, e.g., consensus reached at the Regional Working Group level and awaiting final approval from FSC International, SCS may decide to simply use the Regional Guidelines as the SCS *draft interim standard*. A final version of the *interim standard* is produced based upon comments received.

Additionally, comments on the SCS draft interim standard are solicited from stakeholders at least 30 days prior to the start of the evaluation (section 3.3.3). Comments, which SCS deems appropriate, are then incorporated into the SCS interim standard before the standard is finalized and a certification decision is made.



3.3.3. Interim Standard (30-day Notification)

In all projects, pertinent stakeholders must be duly informed of the fact that the interim standard is under development. This notice must also include a brief description of the process by which the interim standard is being developed. This section of the Operations Manual, or a functional equivalent, provides sufficient description of the process. The notice to stakeholders must take place at least 30 days prior to the commencement of the field evaluation. Depending on the evaluation, it is either the SCS Program Director or one of the team members' responsibilities to compile a list of pertinent stakeholders, utilizing appropriate sources including, but not limited to, contacts with regional FSC contact persons or working groups and the subject forest management operation. In some regions of the world, email-based interactions with stakeholders may be appropriate. In other regions, other means of reaching stakeholders may be required. The final version of the *interim standard* must be made available to interested stakeholders at least one month prior to rendering a certification decision.

In evaluations where there are possible High Conservation Value Forests (HCVFs) and where there is not an FSC approved Regional Standard, we must consult with pertinent stakeholders during the process of developing the *interim standard*. This consultation and subsequent finalization of the interim standard must be completed prior to commencement of the field audit. Per FSC policy direction, there must be "meaningful accommodation" of stakeholder concerns in producing the final versions of the evaluation criteria. Additionally, the SCS process of assigning relative weights to criteria within an element or principle helps regionalize the criteria.

3.4. Auditor Preparation for the Field Investigation

In addition to stakeholder consultation and standards development, which are described in the sections above, respectively, two tasks that need to occur prior to commencement of the field evaluation are reviewing pertinent information and audit planning.

3.4.1. Information Request and Review

Acquiring forest management information (e.g., management plan, timber harvest plan) prior to the field evaluation gives the evaluation team advanced overview of the subject operation, thus allowing a more efficient and effective field investigation. The more in depth the understanding of the subject forest management operation's strengths and weaknesses, the more likely the audit will focus on the salient aspects of the FMU relative to the certification decision. An information request checklist is provided to the client at least one month prior to the start of the field evaluation.

3.4.2. Audit planning

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Audit logistical planning (e.g., travel arrangement, starting time, hotels) is generally the responsibility of the Team Leader unless otherwise instructed from SCS. Once there is a signed Sub-contractual Agreement, the Team Leader should work directly with the staff of the forest management operation being evaluated. One to two weeks before the start of an evaluation, the Team Leader and client should finalize the start time and general itinerary for the evaluation.

3.5. The Field Investigation

The Team Leader first determines the scope of the evaluation, usually a fixed and delineated forest land base with focus on recent active timber management, including appurtenant activities such as road construction and allied resource protection. Certification process is not limited to wood product-oriented market claims-- if the forest manager wish to make market claims on non-timber products, the contract should duly note the special emphasis and the evaluation will be framed accordingly.

Prior to beginning field surveys of past and current forest management practices on the subject property, the Evaluation Team develops field evaluation protocols including note taking forms and a tentative field stop itinerary. An important component of the field review is the on-site interviews with the landowner's forestry personnel that focus on key issues such as underlying management objectives and the bases for selected management prescriptions.

Information is collected about resource conditions and management plans for the areas being evaluated. Both quantitative and observable information are sought. Additionally, information is gathered with respect to socio-economic issues, regional conditions, and the role of the subject forestland in the regional setting.

Information is gathered from multiple sources, including:

- Plans and data submitted by the landowner and/or forest manager
- Empirical data and observations gathered by the field team
- Published data on habitat occurrence and wildlife population statistics, as found either in on-line data-bases (e.g. Natural Heritage Database) or in the published scientific literature
- Local, state or federal forestry agencies that monitor forest practices or are familiar with the subject property
- Interviews with members of the local community and other stakeholders
- Socio-economic (e.g., employment, personal income) data compiled by county, state and federal agencies.

The methods for and extent of field observations (i.e., direct field observations and measurements) by the Team are in part a function of the budget-driven duration of the evaluation. A stratified sample-based approach allows the team to gain the best available information within a reasonable time and cost. The most logical first stratification is by management unit. Subsequent strata may include forest type,



forest management objectives, silvicultural prescriptions, history of ownership, intensity of management.

The locations of field visits should be recorded on an ownership map and notes taken at each field location.

3.5.1. Field Notes and Synthesis

Data collection: When the team is in the field, each team member will either utilize an observation and note-taking form that is formatted in the FSC P&C and/or keep a copy of the standard for reference while in the field. SCS strongly encourages team members to get together each evening to discuss the salient strengths and weaknesses.

3.5.2. Scoring Methods

In the past SCS used a scoring approach, "dual format", where scores were assigned to the SCS Evaluation Criteria for Natural (or Plantation) Forest Management and then cross-referenced to score the FSC Criteria. This dual format approach must not be used under any circumstance, that is ALL Forest Conservation Program evaluations must be conducted using the "FSC-Only Format"- see 3.5.2.1.

3.5.2.1 FSC-Only Format

When conducting evaluations SCS employs the single, FSC-only format. The sole focus of the evaluation is directly on the 10 principles and 56 criteria that comprise the FSC P&C.

3.5.3. Weighting Criteria

The Team weights the relative importance of each criterion before commencing with data analysis. In the FSC P&C format, the criteria are weighted within each of the 10 principles.

3.5.3.1. Rationale for Weighting

The scope, reach, and importance of all the FSC P&C Criteria are clearly not equal; that is within a single principle, the criteria aren't equal in scope and importance. Considering the relative importance of each criterion within the 10 sets of criteria (one set per principle) strengthens the SCS process. Weighting also ensures that our interim standard reflects regional circumstances; the weights for plantation forestry in NZ would not be applicable to natural forest management in the Amazon. The final advantage to weighting criteria is that it gives less experienced team members an opportunity to gain meaningful familiarity with the relevant criteria.



3.5.3.2. Weighting Method

The end objective of Pairwise² weighting is to allocate the overall "scoring space" across each of the criteria within a principle or program element. For instance, the six criteria of FSC Principle 1 may be weighted in importance such that respecting national and local laws (c. 1.1) accounts for 30% of the total possible score that an operation could receive while the other five criteria account for 25%, 15%, 20%, and 10%, respectively.

To facilitate the process, weights are calculated using a Weighting Table (available as an excel file from SCS Program Director) that is pre-programmed with the Pairwise weighting formulas. Table 3.1 displays an example of this spreadsheet for Principle 2. To calculate weights determine if the row criteria is clearly, slightly, or equally important as the column criteria and enter a 3,2,1, respectively; or if the row criterion is somewhat less or slightly less important and enter a .333 or .5, respectively. The table automatically inserts the reciprocal in the bottom half of the matrix or shaded portion, and the final weights for each criteria are calculated in the bottom right of the matrix. A worksheet for each principle is included in the Weighting Table - simply scroll through at the bottom of the table. Copies of the Weighting Tables for the FSC principles and can be obtained from the Program Director.

Table 3.1. (Pairwise Weighting)

Weighting Matrix and Algorithm
Tenure and Use Rights and Responsibilities

FSC Principle #2	2.1	2.2	2.3	Calculated Weight	
2.1	1				
2.2	#DIV/0!	1			
2.3	#DIV/0!	#DIV/0!	1		
Column Sum:	#DIV/0!	#DIV/0!	1		
Relative weights within column criterion:				Calc. Avg.	Final
2.1	#DIV/0!	#DIV/0!	-	#DIV/0!	
2.2	#DIV/0!	#DIV/0!	-	#DIV/0!	
2.3	#DIV/0!	#DIV/0!	1.000	#DIV/0!	0.00
				#DIV/0!	

² SCS' proprietary method for weighting the criteria is called PAIRWISE, which involves a systematic comparison of each of the criteria against the corresponding criteria within a program element. Using a standardized rating scale, PAIRWISE converts the matrices of raw scores of paired comparisons into cardinal ranks of criterion importance.



For each pairwise comparison in the non-shaded portion of the matrix, rate the relative importance of the ROW criterion relative to the COLUMN criterion, using the following:

- 3 = the row criterion is *clearly* more important
- 2 = the row criterion is *slightly* more important
- 1 = the row criterion is *equal* in importance to column criterion;

OR:

- 0.333 = the row criterion is *somewhat less* important than the column criterion;
- .5 = the row criterion is *slightly less* important than the column criterion;
- 1 = the row criterion is *equal* in importance to column criterion;

The shaded portions are simply the calculated inverse of the reciprocal comparison.

3.5.4. Assign Numerical Performance Scores

Once the criteria are importance-weighted and all available information is analyzed, the actual "performance" ranking of the subject management unit is conducted by the Team. On a normalized (i.e., 100-point) scale, the Team assesses the extent to which management of the pertinent land tracts meets the underlying objectives and goals associated with each evaluation criterion. Some criteria lend themselves to one or more simple numerical measures, such as width of stream zones, while other criteria require judgment-based assessments.

The final result is a normalized weighted average score for each program element and/or FSC principle that represents the Team's judgment on the extent to which management practices and plans of a given management unit fully attain the goal of each program element and/or FSC principle. In other words, "performance" is scored against full attainment of sustainable forest management as defined on a scale of 0-100 in each of the three program elements and/or ten FSC principles within the context of individual forest practices for the surrounding region.

The scores assigned for each of the criteria should reflect the consensus judgment of the Evaluation Team. In arriving at consensus scores, the Team Leader facilitates the review of data gathered and impressions formed, focusing on both notable attributes and identified deficiencies.

Scores are based upon observed conditions rather than on intentions, plans, and assurances and should not reflect anticipated compliance with any stipulated conditions. When conditions are met, scores can then be modified (e.g., as part of a scheduled re-evaluation).

3.5.5. Scoring Guidelines

3.5.5.1. FSC Standard (FSC P&C)

Performance scoring of 56 criteria is a time intensive exercise and needs to adhere to the following guidelines to facilitate the process and maintain consistency:

- 1) In team deliberation, first assess if the subject operation is in compliance with a given criterion. The decision should be based on the

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observed performance against the indicators found within that criterion. A criterion score of 80 points or higher is assigned if performance is considered to be in compliance.

- 2) Next, quickly, deliberate on how much the observed performance is above or below the threshold (as defined by the indicators) using the following:
- "Marginally" above or below, the score will be within 5 points of 80.
 - "Clearly" above or below, the score will be within the next 5-point bands.
 - "Superlative" relative to the indicators, the score will be in the 90's.
 - Conversely, if the performance is judged to be "highly deficient" relative to the indicators, the score will be in the 60's.

3.5.6. Certification-Scoring Decisions

If the importance-weighted aggregate scores for each of the ten FSC principles exceed 80 points, the operation/ownership qualifies for certification as "Well-Managed".

If a weighted average score for any principle is less than 80, certification cannot be awarded. As such, one or more of the Conditions that had been stipulated for criterion-level non-conformance within a deficient principle will then need to be re-categorized as Major-Failure and pre-condition(s) are stipulated.

3.5.7. Pre-Conditions, Conditions and Recommendations

Pre-condition(s) to certification are stipulated when the weighted average for any element or principle is less than 80 and the operation does not receive "well-managed" certification until the Team determines the pre-condition(s) is satisfied. Upon closing pre-conditions it is common to issue new conditions that requires additional follow-up on the same deficiency.

Evaluations often result in an operation becoming certified (i.e., each of the ten FSC principles aggregate scores exceed 80) while one or more of the criteria receive scores below the certification threshold. In this event, the evaluation team must specify criterion-specific conditions to be attached to the certification. These conditions take the form of identified actions to be taken by the operation-and the time frame for completion-in order to bring the operation's performance with respect to deficient criteria up to a score of 80. Compliance with the certification conditions will be monitored and evaluated during annual inspections. In the event that the operation fails to comply with the conditions within the specified time period, the certification is subject to revocation.

The Evaluation Team is encouraged to arrive at conditions in open dialogue with forest managers of the operation receiving certification. The Evaluation Team will



incorporate conditions into a Conditions Agreement, which by the Team will detail each condition and the respective timescale for implementation and the client must sign to attest conformity. Any subsequent changes to the Conditions Agreement must be authorized by SCS.

The Evaluation Team may also develop non-mandatory recommendations for the forest managers on general and specific means to improve the quality of management. The Team may also incorporate recommendations into the final report that address issues for which the subject operation is judged to be at or above the certification threshold but that there nonetheless exists identifiable opportunities for improvement.

3.6. Evaluation Report

3.6.1. Initial Evaluation Report

Once performance evaluation activities are completed, the Team writes a technical report formatted according to the FSC Guidelines for Certification Reports, contact SCS for a template to use in writing the evaluation report.

The final written report conveys evaluation results to the landowner, peer reviewers and to the FSC: it serves as the record in support of the Team's recommendation. The report must clearly set forth the factual and analytical basis for the expert judgments formed and recommendations, conditions and conclusions reached.

Unlike most scientific documents, most of the FCP final report is not intended for public distribution. The report is considered the client's proprietary information and only the FSC is required to receive a copy. However, Section A - Public Summary, of the final report is made available on the SCS website (<http://www.scs-certified.com/publicsummary.shtml>) —it is written and intended for public distribution and, as such, serves as the principle means for conveying the results of an evaluation. In the event that evaluation does not lead to certification, section A will remain confidential and SCS will inform inquirers that the operation needs to meet pre-conditions before certification can be awarded. Release of information pertaining to the reasons for non-certification is controlled by the client.

The Team Leader may informally notify the landowner about the outcome of an evaluation, but formal notification occurs when the final report is sent to the Landowner, accompanied by the express certification decision of SCS.

3.6.2. Client Review of Evaluation Report

This report is submitted to the client for review and feedback before it is sent on to the peer review committee. The purpose of this review is to ensure that the client has no fundamental disagreement with the accuracy of the collected data or observations and assumptions made by the Evaluation Team. SCS believes that



providing this opportunity to the client prior to peer review helps to eliminate subsequent disagreements on data quality.

3.6.3. Solicit and Respond to Peer Review Comments

Prior to final submittal to the client, the report is submitted for peer review by pertinent experts in forestry, biology, and socio-economic sciences. Peer review is critical in adding a second layer of professional expertise to the overall process. Peer reviewers are selected on a project-by-project basis, considering the following criteria:

- Balanced expertise in the relevant disciplines (i.e., forestry, wildlife, biology and economics)
- Widely-recognized regional expertise
- Independence

The responsibility of the peer reviewers is to review and comment on both the general FCP methodology as well as the results of a specific evaluation; a project can have from 1 to 3 peer reviewers, depending on the size and complexity of the subject operation.

Peer review comments are appended to the final evaluation report and the Team must address these comments. Responses to peer review comments should be made directly below each peer review comment.

Re-certification evaluations will only be peer reviewed under unique circumstances. The Program Director will determine if peer review is necessary. Circumstances that may require peer review on a recertification include (but are not limited to):

- A controversial evaluation
- Significant changes in scope of the certificate- since the time of the last renewal certification
- Certification evaluations where the skill mix of the audit team could be improved by adding a review from another discipline.



4.0 Certification Decision & Ongoing Requirements

The Evaluation Team makes recommendations on the certification of a subject operation but the actual certification decision rests first with the SCS Senior Vice-President and Program Director and then finally with the SCS Certification Committee.

Chain-of-Custody certification decisions are separately described in SCS' procedure description "DecisionMakingEntityCOCCert 014".

4.1 Certification decision-making committee

The responsibility of the SCS certification decision-making committee is to make sure the evaluation team follows all protocols before rendering a certification decision. In order to guarantee the autonomy of the SCS decision-making body, members cannot be selected from the Evaluation Team and must consist of individuals with no financial or other commercial interest in the outcome of the certification decision. Generally, the certification decision-making body is comprised of two staff members except in smaller evaluations, when one may suffice. Decision-making committee members must be conversant in FSC certification protocols and possess technical knowledge of forest management.

4.2. Filing the Certification Decision with the FSC

Upon awarding a certification, a notification letter must be sent to FSC International that includes: client contact information, certificate number, date certified, and various statistics about the forest operation.

4.3. Duration of Certification

Certification is valid for the time period expressly stipulated by SCS- usually five years, in keeping with FSC policy, but under some circumstances it may be appropriate to specify a shorter time period. The certification period is contingent on annual compliance, determined by an annual audit. A change in ownership usually mandates a program audit to determine if full re-evaluation of the subject property is warranted.

4.4. Ongoing Compliance Monitoring

4.4.1. Annual Audit

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Certified forestland owners are required to have an annual on-site visit by SCS in order to maintain their certified status. Usually, one member from the original Evaluation Team will conduct the annual audits. Annual on-site visits are an important follow-up to an evaluation because:

- They enable SCS to monitor a company's continued compliance with stated goals and any outstanding conditions.
- They establish an on-going framework by which SCS may track any specific issues or concerns raised in the initial evaluation by the Evaluation Team and/or the peer review committee.

4.4.1.1. Evaluation Team

The Team will review the original certification report and any prior annual audit reports as well as received written and/or oral direction from the Program Director and, as appropriate, the Evaluation Team Leader. In addition, auditors will focus on compliance with stipulated conditions and any issues raised in prior audits, the auditor will, on a random basis, select areas to inspect within the ownership of current or recent management activity for consistency with the standards of certification. The findings of the audit will be presented to SCS in a written report, a template of an annual audit report will be provided to the team leader. Upon conclusion of the evaluation process, the Program Director will transmit the audit report to the landowner along with any requests, conditions, or recommendations that may arise from the auditor's findings.

4.4.1.2. Annual Audit Report

Auditors must include the following information in all annual audit reports:

- 3) Background information on the audit (assessors, dates)
- 4) The audits itinerary (e.g., sites visited, items inspected, information on why sites were chosen, etc.)
- 5) Observations made to assess whether the operation continues to comply with all FSC certification requirements
- 6) Assessment of compliance to outstanding conditions and consideration to outstanding recommendations
- 7) Description of any new issues or developments occurring over the previous year.

A template for annual audit reports is available from the SCS Program Director.

4.4.2. Short-Notice Inspections

In addition to annual audits, SCS reserves the right to short-notice inspections. Ongoing landowner and chain-of-custody compliance responsibilities and activities are summarized in a contractual agreement that is required for participation in the FCP.

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4.5 Status of Certification

4.5.1. Extend or Reduce

Clients may extend or reduce scope of certification through proper notification to SCS. SCS may determine to inspect at the time of a scheduled evaluation or with an additional inspection if needed for verification. Clients are responsible for the costs incurred for these services.

4.5.3. Withdrawal

At any time clients may withdrawal from FCP through proper notification; however, the client must cease all claims of the FSC or SCS logo and name, destroy or return all certificates, labeling and marketing material containing reference of FCP materials as per the SCS Certification Standards Agreement. In addition, all costs of services provided up to the time of withdrawal will not be refundable. Within 10 days of the withdrawal of the client's certificate, SCS will notify FSC.

4.6. Sanctions Policy

It is the responsibility of the SCS client to understand and comply with all of the applicable standards for certification. Once certified, a client's certification continues in effect until surrendered by the client or revoked by SCS. SCS may revoke the certification by suspending or decertifying the operation.

SCS has a series of graduated steps that can be taken when an operation is determined to be out of compliance with standards or where there are special circumstances that call for close scrutiny of an operation's compliance. SCS reserves the right to change an operation's status to any category whenever deemed appropriate.

4.6.1 Conditions

As stated in 3.5.7, if a weighted average score for any criteria is less than 80, conditions are stipulated.

4.6.2. Pre-conditions

As stated in 3.5.7, pre-condition(s) to certification are stipulated when the weighted average for any element or principle is less than 80 and the operation ownership does not receive "well-managed" certification until the Team determines the pre-condition(s) is satisfied. Upon closing pre-conditions it is common to issue new conditions that requires additional follow-up on the same deficiency.



4.6.3 When Conditions are not met

If an operation fails to comply with the conditions that are placed on the operation within the given timeline then SCS may

- Grant an extension under one or more of the following circumstances 1) a conclusion by SCS that the original time frame of the condition was too short; 2) unforeseen events occurring with the certified operation (e.g., financial downturn, large scale natural disturbance, major staff changes; 3) SCS conclusion that significant progress had been made on meeting the condition, but more work is still needed
- Place the operation under review or proceed with 4.6.4.

4.6.4. Suspension

If an operation under review does not comply with the conditions by the designated date, then SCS may suspend the status of the operation. At such time, the client must cease all claims of the FSC or SCS logo and name, destroy or return all certificates, labeling and marketing material containing reference of FCP materials as per the SCS Certification Standards Agreement. Within 5 days of the withdrawal of the client's certificate, SCS will notify FSC.

If there is any proven suspicion that the FSC trademark or its registered signs have been improperly or deceptively used, SCS is authorized to immediately suspend the FSC certification right to utilize the FSC-CoC certification, and therefore the right to use the FSC trademark/signs until the situation is clarified.

If the misuse or deceptive use of the FSC Trademark or its registered signs is proven, SCS is authorized to immediately withdraw the FSC-CoC certification, and therefore the right to use the FSC trademark/signs (see next section below).

In addition, SCS may suspend the status of certification/operation immediately in case of serious matters in order to protect FSC Trademarks, etc. until respective situation has been cleared up.

4.6.5. De-certification

If an operation in Suspended status does not comply with the conditions by the designated date then SCS may decertify the operation. At such time, the client must cease all claims of the FSC or SCS logo and name, destroy or return all certificates, labeling and marketing material containing reference of FCP materials as per the SCS Certification Standards Agreement. Within 10 days of the withdrawal of the client's certificate, SCS will notify FSC.

4.7. DISPUTE or Grievance (Appeals) RESOLUTION PROCEDURES

4.7.1. Description of an Appeal

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Because the SCS Forest Conservation Program operates under the accreditation of the FSC, the grievance procedure described herein constitutes the first stage of the FSC dispute resolution process. In that context, the SCS procedure is part of the “informal resolution” stage of the FSC protocols. The reader is encouraged to become familiar with the FSC dispute resolution protocols.

The SCS Forest Conservation Program Directors are responsible for assuring that these appeals procedures are known to program participants and third-parties with an active interest. In addition, the dispute resolution process is also made known to Stakeholders when provided a Stakeholder Notification Letter.

Disputes or grievances (“appeals” in the FSC nomenclature) concerning a SCS Forest Conservation Program certification decision may come from either program participants (e.g., forestland owner, mill owners, manufacturer or retailer, brokers) or from other third parties such as interested stakeholders.

4.7.1.1. Participant Appeals

Every program participant (i.e., an entity that has undergone or is undergoing a certification evaluation) has a right to appeal a SCS decision. The burden of establishing the invalidity of a certification decision rests with the filing participant. All requests and notices of appeal must be made in writing and be accompanied by supporting documentation. A written appeal must be submitted within 30 days of receipt of notification of certification status.

4.7.1.2. Third-party Appeals:

All third-party appeals must be made in writing and submitted within 30 days of the date of the public announcement of the relevant certification decision. The written appeal should describe the appellant’s prior involvement in the certification project at issue. The written appeal must also provide sufficient detail and supporting information to enable SCS to ascertain the merits of the appeal.

4.7.2. Appeals Process

- 8) Upon receiving a written appeal, SCS staff will assess the substance and significance of the issues raised and then attempt to resolve the dispute informally through dialogue (appeal hearing) and, where appropriate, modification of the certification decision. In the event that the FCP Program Director cannot resolve the matter informally with the support of the SCS Senior Vice-President, a formal investigation will be initiated.
- 9) SCS will then assign an unbiased inspector to further investigate the allegations. These investigations are confidential and are based principally on documented evidence, augmented at the discretion of the inspector with interviews of key participants such as evaluation team members, peer reviewers, the certificate holder, the appellant and the SCS Program Director. SCS may ask the inspector to conduct a field audit to further investigate pertinent issues, depending on cost considerations.

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- 10) The SCS inspector shall prepare a written report detailing the appeal investigation findings. The final decision regarding the appeal is the responsibility of the SCS Chief Executive Officer, or his designee, acting as the Appeals Officer. As with the inspector, the designee Appeals Officer must not have been involved in the certification decision at issue. The Appeals Officer may find that: 1) the facts and records are sufficient to render a decision, upholding, reversing or modifying the certification decision; 2) the facts and records are incomplete and that the appeal decision must be suspended until additional information is gathered; or 3) the matter requires a policy ruling by SCS and/or FSC. The finding must be made within 90 days from the date of receipt of the appeal letter. The written finding, incorporating the SCS inspector's report will be conveyed to the appellant, the certificate holder and the FSC Secretariat. The written finding will also summarize prior steps taken to reach conciliation.
- 11) Responsibility for the cost of the investigation depends upon the conclusions reached. A guiding principle is that stakeholders shall not be precluded from airing concerns due to cost constraints. Refusal of the certified entity in question to cooperate in an investigation may be deemed sufficient cause for the issuance of a corrective action request (CAR) or, possibly, revocation of the certificate.
- 12) In either participant or third party appeals, the appellant has the right to carry the grievance on to the FSC, pursuant to the FSC's dispute resolution protocols. The FSC will not entertain a grievance until the SCS dispute resolution procedure has been completed.

4.8. Complaints

The FCP may investigate any complaint or allegation submitted regarding clients' activities in relation to the applicable standards. The FCP investigates only those complaints that are submitted in writing and provide evidence that supports the allegation(s). Investigations will be conducted in a timely manner, confidentially, and based only on documented evidence. If a certified party or applicant refuses to cooperate in an investigation, the FCP may deem this sufficient cause for de-certification or denial of application.



5.0 Logo Usage

5.1. Forest Stewardship Council

5.1.1. On-Product Uses

The primary use of the FSC logo is to promote the actual product that has received certification. The FSC logo may be used on the products themselves and on their labeling and packaging. Such uses are termed “On-Product” claims and include product tags, labels, stencils, heat brands, retail packaging, protective packaging, plastic wrap, etc. On-product uses must include all pertinent information supporting the claim. For example, a wood product that contains 70% certified fiber must disclose this percentage information on the label.

Companies wishing to make “on-product” claims may use the FSC Logo only if they have a valid chain of custody certificate or joint forest management and chain-of-custody certificate.

On-product labeling is for the following products only; solid wood, collections of products, assembled wood products, chip and fiber, non-timber forest products.

Certification bodies must approve all on-product claims. The FSC Logo Guide, below in 5.2., provides information on what must be included in these types of claims.

5.1.2. Off-Product Uses

There is a much wider variety of permissible “Off-Product” uses including reproduction in brochures, leaflets, company prospectuses and reports, advertising promotions, Web pages, etc. In instances where groups of certified products are promoted together, the detailed breakdown figures are not required, although SCS recommends that they be used to the extent possible. In cases where several products are promoted together, the most conservative claim should be used. For example, a family of wood products that contain 70%, 80%, and 100% certified fibers could be promoted together as having at least 70% certified fiber. Companies wishing to make off-product claims may do so only if their products carry a valid chain-of-custody or forest management certificate.

The Certification body must approve the FSC Logo used in all off-product claims. Unauthorized use of the FSC Logo is prohibited and will be treated as an infringement of copyright.



5.2 Scientific Certification Systems (SCS)



I. Purpose

The purpose of this document is to provide guidance to participants in Scientific Certification Systems (SCS) certification programs to ensure the accurate use of the SCS company name, cross and globe logo, and certification emblems. These guidelines should be distributed to all individuals, including in-house employees and outside agencies, who may be responsible for incorporating information about SCS certification into advertising, marketing and other communications materials.

Final certification artwork is issued upon completion of certification and acknowledgement of receipt of these guidelines. **Please sign the bottom of this form** and return to SCS by fax at + 1 (510) 452-8001.

II. Prior Review

SCS requires that all uses of the SCS name, logo, or emblem, or references to certification work conducted by SCS, be reviewed by SCS *prior to publication* on products or packaging, or in advertising, press releases, brochures, point-of-purchase materials, sales sheets, and other collateral materials. (This requirement is consistent with SCS Standard Certification Agreement.) In addition, the company should make all reasonable efforts to obtain advance copy of articles to be published which mention SCS certification to ensure accurate representation of the certification.

To expedite this process, our policy is to request that all artwork utilizing the SCS name, logo, or certification emblem, or making direct reference to the certification work we have conducted, be submitted by mail or fax to our office for review prior to publication. Generally, SCS can respond within 48 hours. Faster review can often be arranged upon request. This review service is provided free of charge. Please contact Linda Brown (lbrown@scscertified.com) or Jeff Stephens (jstephens@scscertified.com), if you have any questions on this policy.

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I have read these guidelines, and will ensure that all persons responsible for use of the SCS name, logo, and certification emblems on behalf of this company are aware of these guidelines.

Name: _____

Company: _____ Date: _____

III. General Guidelines

The following guidelines are designed to provide participants with general parameters as you develop artwork for labels, advertising and merchandising materials.

1. Avoid Usage Which Suggests Overly Broad Certification

The SCS name, logo and certification emblems may not be used in any manner which suggests a broader certification than that which has actually been completed.

2. SCS Logo Accompanied by Certified Statement

The SCS logo *must* be accompanied by specific approved language about the environmental information which has been certified, whether that information relates to a single claim or to an Environmental Report Card. Use of the SCS logo as a stand-alone mark is prohibited except as specifically permitted in writing by SCS.

3. No Usage in Conjunction with Non-Certified Environmental Claims

The SCS logo, certification emblem, or name should not be used in any layout that could confuse readers by combining certified environmental information with non-certified environmental claims.

4. Format of Certification Emblems

At the completion of the certification, each participant is supplied with an approved SCS certification emblem. SCS recommends that the emblem be used in the format provided, but recognizes that modifications may occasionally be required. Modifications may be submitted for review, but should retain each of the information components contained in the original certification emblem.

5. Color Requirements/Restrictions

The SCS cross and globe logo and certification emblems are typically printed in one, two or three colors. Typically, the cross is printed in green (Pantone 344), while the globe is printed in aqua blue (Pantone 299U) or black. Participants are under no obligation to follow these color guidelines, but may wish to follow these guidelines for maximum uniformity in the marketplace. In order to avoid the possibility of confusion with, or infringement upon, the trademarks of the Red Cross or Blue Cross, the logo should not be printed in shades of either red or blue.

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[PLEASE NOTE: If you are restricted to printing in one of these two colors, the cross should be printed in relief so that it is not filled with red or blue. Contact Linda Brown or Jeff Stephens for details.]

6. Published Articles, News Releases

The company should work closely with SCS in the development of any press releases or articles that mention the certification. If possible and appropriate, when interviewed for articles to be published, the company representative should provide the reporter with the SCS contact name, Jeff Stephens, and phone number, (510) 452-8000, notify SCS, and in addition, request advance copy to ensure that references to the SCS certification are accurate.

7. Transferability of Certification

The SCS certification is not transferable for use by third parties without the specific written approval of SCS.

Your Cooperation is greatly appreciated.
The value of the SCS certification marks
depend on their proper usage.



6.0 Chain-of-Custody Process

6.1. General Certification Steps

The process for chain-of-custody certification normally involves the following operational steps:

1. The participant is asked to submit an Application Form, (attached to this document) which is a summary of their processing/sales operations outlining how their operational procedures will incorporate chain-of-custody consideration (i.e., based upon the general procedures outlines above).
2. SCS reviews the summary to ensure that all elements of the respective chain-of-custody standards (as outlined above) are covered. If the approach appears to be viable for the purposes of maintaining chain-of-custody, then SCS will recommend that the participant proceed with an on-site compliance audit.
3. The chain-of-custody contract is reviewed and signed by participant.
4. An audit is scheduled.
5. On-site compliance audits conducted by an SCS inspector to accomplish the following:
 - To ensure that the client's documentation is complied with by staff
 - To review activities and documentation to determine that the documentation of activities is sufficient
 - To review the effectiveness of the system in meeting chain-of-custody requirements
6. To ensure that the client's documentation is complied with by staff
7. To review activities and documentation to determine that the documentation of activities is sufficient
8. To review the effectiveness of the system in meeting chain-of-custody requirements
9. An audit report is submitted to the client for review.
10. A certificate is issued if the client's operations successfully meet chain-of-custody standards

6.2. On-Going Monitoring

6.2.1. Annual Audit

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SCS requires that chain-of-custody participants undergo annual on-site audits related to the manufacture and distribution of certified product.

6.2.3. Short-Notice Inspections

SCS reserves the right to conduct irregularly-timed short-notice inspections, and/or to request and examine documentation related to the product's chain-of-custody (i.e., bills of lading)

6.3. Logo Use

See Chapter 5.

6.4. Chain-of-Custody Evaluation report

As noted above, all evaluations of chain-of-custody systems are incorporated into a written report that is available to pertinent parties such as the client and the FSC.

Following is the format used in preparing a chain-of-custody report:³

³ As defined by the FSC "Manual for Evaluation and Accreditation of Certification Bodies" Darft 3.0. 10 August 1995.



7.0 OPERATIONAL GUIDES FOR TECHNICAL PROGRAM PARTICIPANTS

This section of the manual contains written guidelines for key technical participants in the FCP process, including Evaluation Team members, the Evaluation Team leader, peer reviewers, and compliance monitors. Additionally, a brief description is provided of the roles of each of the technical participants and how they interrelate during the process of conducting and completing a certification evaluation, and in monitoring certified operations over time.

11.1. Overview

SCS headquarters are located in Emeryville, California. Senior Vice-President Dr. Robert Hrubes is principally responsible for the FCP program. Under Dr. Hrubes, there six full-time staff members dedicated to the Forest Conservation Program (see organizational chart). FM Program Director, Dave Wager, and COC Program Director, Wolfram Pinker, oversee the day-to-day operations of their respective programs. SCS maintains business "partners" around the world in locations such as New England, Oregon, Japan, New Zealand, Sweden, and Brazil. These partners help market our program and staff many of the evaluation teams we put into the field. See the SCS Policy Manual for a detailed description of roles and responsibilities of SCS staff.

11.2 Evaluation Team Members

Central to the FCP process is the Team of qualified experts that conducts the field evaluation. Due to the complexities and subtleties of assessing forest management operations against emerging international standards, expert judgments form a central component of the overall process. To assure program credibility and effectiveness, it is critical that field evaluations lead to accurate interpretations of resource conditions and the status of management systems.

The fundamental requirements of Evaluation Team members are recognized technical and regional expertise in appropriate disciplines and commitment to objectivity. Responsibilities of Evaluation Team members are to:

- o Acquire a working understanding of the FCP evaluation protocol, including the relevant standard(s), prior to conducting an evaluation.
- o Establish weights of relative importance for each of the evaluation criteria.

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- Within the subject area of each Team member's expertise, gathering criterion-specific data and information concerning the ownership's resource conditions and management systems. Data and information to be collected from all available sources, such as first hand field observations, interpretation of aerial photography, interviews with public agency resource personnel, relevant pertinent experts, various stakeholders, and published data in government documents and professional journals. The most significant source of data will be the field visits conducted by the Team.
- Under the direction of the Team Leader, arriving at criterion-specific numerical "performance" scores that reflect judgments as to the degree of attainment of the underlying goals of well-managed forest operations.
- Each member should be willing to provide input and perspectives on the full range of issues, including those subjects outside the specific definition of his or her expertise. The robustness of the process is enhanced through interdisciplinary evaluation. Sufficient group meeting time must be scheduled in order to assure that full information exchange takes place and that group participants in the judgment phases of the process are operating on a comparable "playing field."
- Writing their respective sections of the final report. The report presents the bases for the conclusions reached.
- Responding to peer review comments pertaining to each member's subject area within the overall evaluation and report.

Chain-of-Custody Lead Auditor

Minimum qualifications for lead auditors for chain of custody evaluations / monitoring audits are:

1) Successful completion of a formal auditor training program carried out by or on behalf of SCS, and including training in:

- the history and objectives of FSC and SCS;
- the evaluation of suppliers against the FSC chain of custody standard and applicable group certification standards;
- correct use of the FSC and SCS trademarks both on- and off- product;
- report writing in compliance with FSC / SCS requirements and any additional requirements of SCS.

2) Participation as an auditor or observer on at least one previous chain of custody main evaluation for SCS or one of the FSC-accredited certification bodies.

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In exceptional cases where an auditor is highly qualified in the field of Chain-of-Custody or certification-related supply chain management, as a minimum requirement in-house or intensive on the phone and via electronic media training (such as video conferencing, etc.) will be sufficient.

FM Evaluation Team Leader

The SCS Program Director will designate one of the Evaluation Team members to be *Team Leader*. The Team leader must be a member of the Team who has been involved in a prior FCP evaluation and, as such, has acquired a strong working familiarity with the evaluation protocols.

Responsibilities of the Team Leader, in addition to those listed above, are to:

- Assure that the evaluation protocols are followed for reviewing scoring guidelines, weighting criteria, gathering field data, and scoring performance.
- Assure that stakeholder consultation has been adequately conducted and documented. Many evaluation teams include a socio-economist who oversees stakeholder consultation.
- Lead the scoring process, assuring that it is completed in the specified amount of time.
- Assuring that time frames are met for completing each phase of the evaluation, to the extent allowed by unforeseen exigencies.
- Serving as principal liaison to SCS FCP staff, landowner representatives, and in responding to technical inquiries from outside parties.
- Being the lead author of the final report, including compilation of each technical section, in some cases this is handled by the program director.

As the main point of contact with both the client's representatives and the SCS Program Director, the Team Leader plays a critical role in the effective and consistent execution of the evaluation. While every case will have its own peculiar circumstances and dynamics, the following comments may prove helpful, especially to first time Team Leaders:

1) The Team Leader must control the extent and nature of contact between the Team members and client representatives (e.g., staff foresters) during the field investigation. A balance must be struck between the two goals of assuring a truly independent evaluation and improving the time and cost efficiency of the field investigation by having the input and help of the landowner's field personnel. Generally, the Team Leader must arrange for sufficient opportunities for the Team to discuss matters without the presence of landowner representatives, this is generally conducted during the evenings of the field inspection and during the scoring/synthesis day(s). The nightly arrangements for meals and accommodations in the field are particularly important in order to allow for nightly

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candid Team discussions of the day's field observations, unfettered by the presence of landowner representatives.

2) The Team Leader must also manage the group dynamics of the Team, assuring that interdisciplinary interaction is maximized. The Team Leader serves as both a group participant and process facilitator for both the assignment of criterion weights and the arrival at performance scores. Prior to first serving in this capacity, the Team Leader will receive focused training on executing the weighting algorithm and the scoring protocol by SCS staff or its consultants.

3) Another responsibility of the Team Leader is to manage the peer review process, also frequently handled by the program director. In conjunction with the Program Director, the Team Leader is responsible for determining the appropriate means for responding to peer review comments. Ultimately, though, it is the Team Leader or Program Director's responsibility to assure that peer reviewers are satisfied that their comments have been adequately and appropriately handled.

Peer Reviewers

Peer Review of the final report is another key element of the FCP process designed to enhance the technical/factual veracity of the conclusions reached in an evaluation. By helping to ensure that decisions rendered in an evaluation are supported by defensible analysis of an adequate information base, the peer review process is another linchpin in the overall credibility of the FCP.

Peer reviewer should focus on: 1) the clarity of the report in describing the evaluation that was conducted, the Criteria that were employed, and the data that were collected; 2) the adequacy of the report in clearly conveying the basis upon which the certification decision was reached; and 3) the appropriateness of the Evaluation Team's scoring recommendations in light of the information presented and the condition of the ownership's resource base, as described in the report and as known to the reviewers from other sources, including first-hand knowledge.

Peer reviewers are generally retained as consultants to SCS, unless they can provide pro bono participation. Peer reviewers must submit their written comments, which are ultimately provided to the client as appendices to the final report.



**Appendix C:
Contractor Background Information**

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Comprehensive Certification Assessments for Michigan Department of Natural Resources (MDNR) State Forests

JOINT FSC/SFI PROPOSAL

Introduction

This proposal is to conduct comprehensive certification assessments of Michigan's State Forests Program relative to the Principles and Criteria of the Forest Stewardship Council (FSC) and the Sustainable Forestry Initiative (SFI) certification programs. This **joint accreditation** proposal is for a joint FSC – SFI Audit using the same audit team and a coordinated auditing protocol described below.

Capabilities and Qualifications of Organization *(ITB section 4.301)*

NSF-ISR, in partnership with Scientific Certification Systems, brings a wealth of capabilities, qualifications, and experience to the SFIS and FSC certification processes. The background information on the two firms is provided in the following sections.

General Information:

NSF ISR, Ltd., 789 N. Dixboro Road, Ann Arbor, Michigan 48105
(888) 673-9000 toll free (734) 827-7782 fax

- NSF-ISR, Ltd., a subsidiary of NSF International, is incorporated in the State of Michigan
- NSF International has been in business since 1944
- NSF-ISR, Ltd. was formed in 1995
- NSF has a 36-year history with environmental management systems
- NSF International (a not-for-profit company) revenues exceed \$65 Million annually and NSF-ISR, Ltd. revenues for 2003 were \$12.5 Million.
- NSF-ISR, Ltd. will serve as the prime contractor and will service this contract from its main office in Ann Arbor, MI.

Scientific Certification Systems (SCS), 2000 Powell Street, 1350, Emeryville, CA 94608

- SCS (a private corporation)- incorporated in the State of California
- SCS has been in business since 1983
- SCS sales volumes between 1998 and 2003 have ranged from \$4-5 million per year.
- SCS will service this contract from its main office in Emeryville, CA.

Both NSF and SCS carry liability insurance that meets the State of Michigan requirements- as detailed in the ITB. If NSF and SCS are awarded this contract proof of liability insurance will be presented.

Accreditations and Qualifications of the Firms:

NSF-ISR, Ltd. in collaboration with its close partner SCS, are fully qualified and able to handle a contract of this size and scope. NSF-ISR is recognized by the American Forest & Paper

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Association (AF&PA) to conduct SFIS certifications. It has undergone three peer reviews and has received favorable reports, with recommendations that NSF-ISR continue to be approved to conduct SFIS audits. NSF-ISR is accredited to conduct ISO 14001 EMS audits by the Registrar Accreditation Board (ANSI/RAB). The date of RAB's accreditation is February 1, 1998. SCS is duly accredited by the Forest Stewardship Council to conduct Forest Management and Chain-of-Custody evaluations throughout the world. SCS has successfully maintained its FSC accreditation since 1996 and plans to continue its accreditation indefinitely.

Detailed Qualifications for this Assignment:

As detailed in our enclosed Technical Evaluation Forms, NSF-ISR and SCS have successfully completed projects of similar scope and size. The most notable of these projects is the certification assessments of Wisconsin Department of Natural Resources that covered three forest State programs (State Forests, County Forests, Managed Forest Law Program) spanning over 4 million acres.

NSF International Strategic Registrations (NSF-ISR) is a leader in Sustainable Forestry Initiative (SFI) certification and a pioneer in the provision of joint SFI - FSC certification audits. Our extensive team of regional forestry auditors (including forest managers and wildlife biologists) have an understanding of the practical application of the SFI standard and the practice of forestry. Our comprehensive SFI Verification Program is based on detailed and transparent written protocols. This approach to forestry & environmental certification provides our clients unique credibility with the public, academia, regulators, and NGOs.

NSF International has over fifty-five (55) years of history and experience in environmental and quality management standard auditing. NSF-ISR is one of the world leaders in the auditing field and conduct audits to a number of international and domestic standards. These include: the Sustainable Forestry Initiative® Standard, ISO 14001, ISO 9000, QS-9000, TS 16949, and AS 9100. Our SFI program is built on the foundation of our extensive ISO 14001 Registration business, and our SFI lead auditors are trained in EMS auditing. We work with many clients who have an interest in both SFI Certification and ISO 14001 Registration.

To date, NSF-ISR has provided SFI auditing services to twenty one client firms on dozens of sites throughout most forested regions of the US. NSF-ISR has been particularly active in the certification of state and other public lands, with certifications for the Maine Bureau of Parks and Lands (535,000 acres of state forests), the Wisconsin State Forest System (500,000 acres) and the Chesapeake State Forest Project in Maryland (30,000 acres). NSF-ISR has also provided land management certifications on nearly 1 million acres of private forestland and have certified the procurement systems for over twenty forest products facilities (mills and secondary manufacturers). The key aspects of the NSF-SFI Certification Protocol are provided in Appendix A.

Scientific Certification Systems, (SCS), a private for-profit business based in Emeryville, California, is a leading provider of environmental certification services around the world. In addition to its FSC-endorsed forest management and chain-of-custody programs, SCS operates certification programs in recycled/recovered/reclaimed product content, food safety, EPP (environmentally preferable products), marine stewardship, and life cycle assessment. Its service to the forest and paper products sector is well established and widely recognized for its competence and objectivity. SCS has been in business since 1983.

The SCS forest management certification service, operating as the Forest Conservation Program, has been in business for over ten years. The Forest Conservation Program was designed and is operated in accordance with international standards promulgated by the Forest Stewardship Council (FSC), the

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globally recognized arbiter of exemplary forest management. Indicative of SCS' longstanding pattern of excellence, the Forest Conservation Program was one of the first certification services to receive accreditation by the FSC. A copy of the SCS FSC accreditation certificate is available upon request.

To date, SCS has certified more than 17 million acres of natural forests and plantations in Central, South and North America, Europe, Asia and New Zealand. As well, SCS has issued roughly 500 FSC-endorsed chain-of-custody certificates. Our experience and market activity is truly global but we also specialize in working with public forest management agencies in the U.S. Of most relevance to Michigan, SCS was awarded competitive bid contracts to complete certification evaluations of the following public sector forestry agencies: Wisconsin State Forests (500,000 acres), Wisconsin Managed Forest Law Program (1.6 million acres, preliminary evaluation, only), Wisconsin County Forests (2.3 million acres), Pennsylvania Bureau of Forestry (2.2 million acres), State of Maryland DNR/Vision Forestry (30,000 acres), State of Washington Department of Natural Resources (1.3 million acres), State of Maine Bureau of Parks and Lands (485,000 acres), State of Massachusetts (500,000 acres), City of Astoria-Oregon (3,700 acres). Additionally we were the successful bidder and, pending funding, will be awarded contracts to conduct preliminary and full assessments on state forestlands in Oregon and California. This track record demonstrates the competency and competitiveness of our state forest certification proposals and the ability to complete the agreed upon scope of work, on time and on budget. The most important and relevant features of the Forest Conservation Program are described in the SCS *Forest Conservation Program Operations Manual* (Appendix B of this proposal).

Prior Experience (*ITB section 4.302*)

NSF-ISR and SCS have successfully partnered on six dual or joint certification projects

- State of Maine, Bureau of Parks and Lands- full certification assessment (2001) and ongoing surveillance and re-certification (through 2004)
- Inter-Tribal Timber Council – preliminary evaluations of 30 U.S. Tribes (2001)
- Yale University- full certification assessment (2002) with recertification ongoing (2004)
- Maryland Department of Natural Resources- full certification assessment (2003)
- Wisconsin DNR County Forest Program- preliminary evaluation (2003/2004)
- Wisconsin DNR State Forests- full certification assessment (2003/2004)

The proposed lead auditors from the respective firms have participated in previous dual FSC-SFI audits.

In 2000, SCS and Interforest (now exclusively affiliated with NSF-ISR) designed and implemented a pioneering simultaneous dual certification of 500,000 acres of state lands for the Maine Bureau of Parks and Lands. In that engagement the two teams shared several auditors, worked together to select many common audit sites, and maintained an overlapping team approach. In 2001 the same firms conducted a joint audit for Yale University on 8,000 acres of forestland. That audit utilized a unified team (all auditors shared across both systems), utilized all of the same audit sites, and followed a unified audit schedule. In 2003 NSF-ISR and SCS partnered in a Joint SFI-FSC Audit on 29,000 acres of somewhat intensively managed state lands for the Maryland Department of Natural Resources. Our joint audit protocol (complete overlap of team and sites) was again employed successfully.

The TEF's (Appendix C) provide detailed descriptions of NSF-ISR and SCS' relevant prior experience. A complete list of NSF-ISR and SCS clients is included in Appendix (D)



KEY Personnel/Staffing *(ITB section 4.302)*

Note: Also refer to Appendix D of the RFP: DETAILED RESUMES FOR PERSONNEL

NSF-ISR's SFI Program is led by Ms. S. Petie Davis, Business Unit Manager, Environment, Health and Safety (EH&S) Programs and by Mike Ferrucci, SFI Program Manager. Ms. Davis reports to Mr. Christian Lupo who serves as NSF-ISR, Ltd. General Manager who, in turn, reports to the President and CEO of NSF International, Mr. Kevan Lawlor. Technical Manager, Terry Wilson and his assistant provide additional technical support to Ms. Davis' team as does our team of auditors. NSF-ISR office staff is managed by Yolanda White, who heads up a team of Registration Specialists to help support our customer and auditor needs. Sales management responsibility for the MDNR territory is the responsibility of Edwina (Win) Wedeking who is responsible for the North Central Region including Michigan outside of greater Detroit. In addition to the resources available directly through NSF-ISR, our parent company NSF International provides additional support through shared personnel and systems for human resources, accounting, legal, information technology, marketing and other administrative and management functions.

NSF-ISR currently employs over twenty trained and qualified SFI auditors and over seventy EMS 14001 auditors. For this project, Mike Ferrucci (see resume below) will serve as the team leader/project manager for the SFI component of the preliminary and full evaluation. Petie Davis will serve as CB reviewer (quality control).

The SCS Forest Conservation Program operates with a core staff of natural resource and certification professionals. SCS Senior Vice-President, Dr. Robert J. Hrubes, (see resume below) will serve as the team leader/project manager for the FSC component of the preliminary and full evaluation. SCS Director of Forest Management Certification, Dave Wager, and his staff assistants, Trina Westbrook and Brendan Grady, will also play important support and oversight roles.

The preliminary evaluation team will also include Ms. Jodi J. Kaiser (see resume below), a Michigan-based forester with training in wildlife habitat management. The full evaluation team will include the same 3-person preliminary evaluation team as well as Dr. David Capen, a wildlife biologist and forest ecologist. A copy of the C.V. for each of these two team members appears below. The participation of these two additional individual is contingent upon the State of Michigan's concurrence that there are no conflict of interests or other reasons to exclude them. Alternate team members can be provided, as necessary.

NSF-ISR Lead Auditor Mike Ferrucci

Mike Ferrucci is the SFI Program Manager for NSF – International Strategic Registrations and is responsible for all aspects of the firm's SFI Certification programs. Mike has led Sustainable Forest Initiative (SFI) certification and precertification reviews throughout the United States. He has also led joint SFI and Forest Stewardship Council (FSC) certifications in Wisconsin, Maryland, Maine and Connecticut and scoping or precertification gap-analysis project throughout the United States. He is qualified as a RAB EMS Lead Auditor (ISO 14001 Environmental Management Systems), as a SFI Lead Auditor, as a FSC Team Leader, and as a Tree Farm Group Certification Lead Auditor.

Mike has conducted or participated in assessments of forest management operations throughout the United States, with field experience in Maine, New Hampshire, New York, Massachusetts, Connecticut, New

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Jersey, Maryland, West Virginia, Tennessee, Minnesota, Michigan, Wisconsin, Arizona, California, Oregon, and Washington. Mike is a 26-year member of the Society of American Foresters. He is also active in the Association of Consulting Foresters and the Connecticut, Massachusetts, and Rhode Island SIC for the Sustainable Forestry Initiative.

Mike has 26 years of forest management experience. His expertise is in sustainable forest management planning; in certification and verification of forests as sustainably managed; in the application of easements for large-scale working forests, and in the ecology, silviculture, and management of mixed species forests, with an emphasis on regeneration and management of native hardwood species.

Mike is a founding partner and President of Interforest, LLC where he is responsible for the assembly and management of integrated teams of scientists and professional managers to solve complex forestry problems. Mike is also a Lecturer at the Yale School of Forestry and Environmental Studies, where he teaches courses and workshops in forest management, operations, professional forest ethics, private forestry, and financial analysis to graduate students.

SCS Lead Auditor Robert Hrubes

Robert Hrubes is Senior Vice-President of Scientific Certification Systems. In that capacity, Dr. Hrubes is responsible for all natural resource and recycled content certification activities of the company. While providing senior leadership of these programs, Dr. Hrubes remains an active certification practitioner. He continues to lead certification evaluation teams throughout the world as well as represent both SCS and FSC and numerous public fora. He is internationally recognized as a leading authority and practitioner of third-party forest management certification.

Prior to assuming his present duties at SCS in 2000, Dr. Hrubes owned and managed, for 6 years, a forestry and natural resource economics consultancy based in northern California. During those years, he served on the founding Board of Directors of the Forest Stewardship Council. Additionally, he served as the founding Chair, Board of Directors of the Forest Stewards Guild, a U.S.-based professional society of progressively minded practicing foresters. Previous to the creation of his own consultancy, Dr. Hrubes was for 6 years a managing principal of LSA Associates, Inc., a California-based environmental consulting firm. And prior to that, Dr. Hrubes was employed by 14 years by the USDA Forest Service in a variety of positions from field forester to research economist, operations research analyst and acting Group Leader for Land Management Planning.

Dr. Hrubes holds the following degrees:

Ph.D., Forest Economics, UC-Berkeley

M.A., Economics, UC-Berkeley

M.S., Resource Systems Management, Univ. of Michigan, Ann Arbor

B.S., Forest Management, Iowa State University, Ames

Dr. David Capen, Team Member, Wildlife Biology and Ecology

Dr. David Capen is Research Professor, School of Natural Resources, University of Vermont. He is an expert in Wildlife Habitat Analysis, Avian Ecology, Landscape Ecology, Biodiversity Analysis, GIS and Remote Sensing, Multivariate Statistics, and Conservation Planning and Reserve Design.

He holds the following degrees:

University of Tennessee, B.S.F., 1969 (Forestry)



University of Maine, M.S., 1972 (Wildlife Management)
Utah State University, Ph.D., 1977 (Wildlife Science)

Dr. Capen has participated in a variety of forest certification projects, including SFI and FSC projects on state lands. His certification projects include the following:

SFI Forest Certification, Audit Team, State of Maine, for NSF-ISR
FSC Forest Certification, Audit Team, State of Massachusetts, for SCS
SFI Forest Certification, Audit Team, Harden Furniture, for NSF-ISR
SFI Forest Certification, Audit Team, Finch-Pryne Co., NY, for The Plum Line
SFI Forest Certification, Audit Team, Seven Islands Land Co., Maine, for The Plum Line
FSC Forest Certification, Peer reviewer, Maine Bureau of Public Lands, for Scientific Certification Systems (SCS)
FSC Forest Certification, Peer reviewer, Yale-Meyers Forest, Conn., for SCS

Jodi J. Kaiser

Ms. Jodi Kaiser brings the strengths of a diversified background having education and experience in both forestry and wildlife management in the state of Michigan. As executive Director of Michigan Forest Resource Alliance, Jodi demonstrated her familiarity with requirements of the State of Michigan and helped promote public awareness through education and public forums. Ms. Kaiser's was able to articulate her knowledge of the Michigan United Conservation Clubs through her role as Forestry Policy Specialist.

Ms. Kaiser holds the following Degrees:

Michigan Technological University (Houghton, MI) 1990-1994

- Bachelor of Science in Forestry 5/94- Cum Laude
- Master of Science in Forestry 5/94 (Wildlife Management emphasis)

Ms. Kaiser's experience summary follows:

Kaiser Forest Resource Management St. Ignace, MI , Forestry & Wildlife Consultant

- Timber marking, cruising and marketing of forest products.
- Stewardship Plan writer and Timber Tax depletion reports

Michigan Forest Resource Alliance Crystal Falls, MI Executive Director

- Initiated a strategic planning process for non-profit forestry education organization-led to merge of organization with another organization.
- Bid out contract for deliverance of Michigan Forests Forever Curriculum and training workshops.
- Hosted MFRA booth at the ten day Outdoorama Show, featuring forestry commercials, videos, educators kits, forestry and wildlife pamphlets.

Michigan United Conservation Clubs Lansing, MI Forest Policy Specialist/Northern Field Rep.

- Advocate for conservation perspective on forest management issues relating to Federal, State, Industrial and Private lands.

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- Testified before legislative committees, Forest Service hearings, and public forums regarding the multiple use and professional management of forest resources. Commented on many forest service, DNR and industry initiatives and projects.
- Worked with the Michigan Forest Resource Alliance on several educational and special projects.
- Worked towards coordination and cooperation among organizations and agencies.

Rothig Forest Products, Inc. Luther, MI Procurement Forester

- Procure federal, state and private stumpage for two CTL crews, a grade log crew and whole-tree chipping crew
- Work with private landowners and special education projects such as a Red Pine Demonstration Forest with the Irons Area Tourist Association.



APPENDIX D COST PROPOSAL

All prices/rates quoted in bidder's response to this CONTRACT will be firm for the duration of contract(s). No price changes will be permitted.

Joint FSC/SFI Scoping/Assessment

Fixed Price/Lump Sum- Professional Fees: \$26,250; Travel Costs: \$4700
Total Lump Sum: **\$30,950**

Of the total professional fees, approximately 60% are on-site related costs and 40% off-site.

The total cost for the joint scoping/assessment can be apportioned between the two certification programs as follows:

FSC: \$14,125 for professional fees and \$2,529 for travel costs
SFI: \$12,125 for professional fees and \$2,171 for travel costs

Joint FSC/SFI Full Certification Audit

Fixed Price/Lump Sum- Professional Fees: \$81,050; Travel Costs: \$9,300
Total Lump Sum: **\$90,350**

Of the total professional fees, approximately 65% are on-site related costs and 35% off-site.

The total cost for the joint full certification audit can be apportioned between the two certification programs as follows:

FSC: \$48,300 for professional fees and \$5,542 for travel costs
SFI: \$32,750 for professional fees and \$3,758 for travel costs

In addition to the above pricing the following optional pricing has been added to the contract for the State's exclusive use:

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RE: Clarification of NSF Fees and Support

We are delighted to have been recommended for this important project, and seek to work with you to clarify and finalize our proposal.

In our letter of August 23, 2004 we provided the cost proposal for the ongoing maintenance services and fees for the first five years after certification. The additional information provided below is intended to clarify the details regarding the ongoing services.

We have extended a reduced audit day rate of \$1,100 (versus our normal day rate of \$1200/day) to the State of Michigan. We agree to retain this day rate throughout the five years after certification. We use our past experience in developing the travel costs. With this revised response, we have factored in an inflationary rate for the travel expenses (years 2 through 5) shown in the table. During years 3 and 5, recertifications to SFI and FSC respectively will be due. There is an extra fee for the planning and preparation required for those services (as shown in the table).

The breakdown of costs for the five year period for joint surveillance and recertification services for combined FSC and SFI registrations is shown below:

	Audit Days at \$1100/day	Planning & Preparation	Travel Expense (Including Inflationary Increase)	Total Fees for Service and Travel
1 year after certification	11 days	0	\$ 2,800	\$ 14,900
2 years after certification	11 days	0	\$ 2,940	\$ 15,040
3 years after certification (Includes SFI Recertification)	34 days	\$1000	\$ 6,160	\$ 44,560
4 years after certification	11 days	0	\$ 3,220	\$ 15,320
5 years after certification (Includes FSC Recertification)	44 days	\$750	\$ 6,050	\$ 55,200
TOTAL	111 audit days totaling \$122,100	\$1,750	\$ 21,170	\$ 145,020

This renegotiated total represents a reduction of \$27,600 from the original not to exceed price of \$172,620 that we provided to you on August 23. With this iteration, we are retaining the \$1,100 per day audit rate and the inflationary increase is applied only to the travel expenses. The resulting travel expenses are the maximum to be billed to the State of Michigan.

We do request the flexibility to work with the State of Michigan in the unlikely event that changes to the standard(s) or to the accreditation rules necessitate an addition (or reduction) to the number of days required to

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properly support your organization's assessment services during this time period. The above fees, totaling \$145,020 including travel expenses, are to be considered our renegotiated not to exceed fixed price for the five years of service following registration.

RE: Clarification of The Audit Team

With respect to staffing for ongoing auditing, NSF and SCS attempt to use the most highly qualified available auditor, selecting a qualified local auditor if one is available. Joint certification has not been common in the past, and few auditors are experienced in both SFI and FSC audits. Our proposal describes our team's qualifications, and includes a local auditor and other members with considerable experience in similar timber types and with both SFI and FSC.

For your future re-certification audits (years 3 and 5) we would use the same audit team as for the initial audit provided they remain available, and unless people with the requisite qualifications become available locally. For surveillance audits the team leaders (Hrubes and Ferrucci) are the most likely team, as they will by then have the best knowledge of your systems and any possible CARS or non-conformances. Whenever possible we also attempt to reduce travel costs by combining audits with other work in the region.