2018 Theme Audit: WI 1.2-Management Review Process for Continual Improvement in the Management of Forest Resources.

Background:

Since 2005, Michigan DNR has participated in the systematic evaluation and continual improvement of its forest management system for state forest lands in accordance with Forest Stewardship Council (FSC) and Sustainable Forestry Initiative (SFI) Forest Management Standards[1]. Systematic annual evaluations and continual improvement are conducted through both external, independent third-party audits and an internal Management Review System. The Management Review System includes 3 components: 1) External and Internal Audits; 2) Field Management Review; and 3) Implementation of Improvements. Forest Certification Work Instructions are maintained to guide the planning, operations, and review of management on state forest lands and meet the requirements of FSC and SFI Forest Management Standards. A Forest Certification Coordinator and Forest Certification Planner have responsibility for coordinating internal and external audits, facilitating the Field Management Review, and coordinating Forest Certification Work Instruction changes. A Forest Certification Team (FCT) composed of field staff and supervisors from multiple DNR Divisions working on State Forests coordinate ongoing management review implementation and recommend actions necessary to improve sustainable forest management.

External Audits are conducted annually on a sample of at least 3 Forest Management Units (FMUs) by 3rd party Certification Bodies to evaluate conformance to the SFI and FSC Forest Management Standards. Every 5th year, MNDR is re-certified while the intervening years are surveillance audits only. Internal Audits are conducted to evaluate conformance to Forest Certification Work Instructions on a sample of three or more FMUs by trained DNR audit teams and/or on a state-wide theme. Audits may also include evaluation of field implementation of State and District level programs as well.

Field Management Review is conducted by the Management Review Team (MRT), a 16-member team of DNR supervisors and specialists; and evaluates external and internal audit results for state forest operations, evaluates effectiveness of Work Instructions, evaluates non-conformances, determines recommended changes and improvements necessary to continually improve conformance and provides input for an annual Management Review Report.

Implementation of Improvements may occur immediately to remedy significant non-conformances or are conducted through review and development by the FCT and MRT with final approval by the DNR Resource Bureau.

[1] Objective 15 of SFI 2015-2019 Forest Management Standard requires the establishment of a "management review system to examine findings and progress" in implementing the standards, "to make appropriate improvements in programs", and to inform employees of changes. Specifically, it requires an annual review of progress by management and determination of changes and improvements necessary to continually improve conformance to the standards. Principle 8 of FSC-US Forest Management Standard requires monitoring to assess the condition of the forest, yield of forest products, chain of custody, management activities, and their social and environmental impact.

Evolution of the Management Review Systems:

MDNR's process for evaluation and continual improvement of its forest management system has changed little since 2005. Early on, this process worked well for developing broad and complex policy, procedure and/or guidance to address audit findings and/or conformance deficiencies related to specific forest management certification standards. More recently, findings have focused on minor improvements to the core business processes of Forest Resources Division, i.e. Work Instructions 3.1, 7.2 and 1.4. In addition, findings often represent process failures where existing policies, procedures and/or guidelines are not appropriately implemented.

The February 2018 Management Review meeting included a discussion about whether there was still need for both an FCT and MRT given the reduction in external audit non-conformances over the last few years and the redundancy of membership between the two teams. This led to the identification of a topic for the 2018 Theme Audit: an assessment of Work Instruction 1.2 and the effectiveness of our management review system aimed at continuous improvement. It was decided that we should take a hard look at all aspects of our management review system and evaluate the need for changes and/or simplifications. Two specific areas within WI 1.2 in need of further evaluation through the Theme Audit include: 1) governance/team membership and 2) internal audits.

Governance/Team Memberships

The FCT currently consists of 14 members and includes an executive team that is a subset of the larger team. Nine FCT members also serve on the 16-member MRT resulting in a high degree of duplicative effort. Furthermore, recent solutions to findings have rarely required the broad departmental involvement of the FCT.

Internal Audits

In recent years, internal audits have repeatably identified non-conformances and opportunities for improvement related to our core business processes in Work Instructions 1.4-Conservation of Biological Diversity, 2.2-Application of Chemicals, 3.1-Forest Management Operations, and 7.1-Timber Sale Administration. To a lesser extent, internal audits have identified issues with Work Instruction 2.1-Forest Regeneration, 3.2-Best Management Practices and 8.1-Training. Given that most of the issues appear to be with the documentation required by the work instructions (with the exceptions of 3.2 and 8.1) and that the work on the ground appears to be meeting our most basic level of implementation, our current internal audit process may need to transition to foster continued improvement of our forest management system.

In addition, internal audits have become increasingly challenging to accomplish, both in the time requirements of field staff for the current 3-day structure; and in the recruitment, training and retention of internal auditors. A review of the internal audit system was conducted in 2015 by means of a staff questionnaire, resulting in two minor changes being implemented in 2016: 1) the re-implementation of a single lead auditor for all internal audits (currently the Certification Planner); and 2) the addition of theme audits. Themes audit were conducted in 2016 (Work Instruction 7.1 – Timber Sale administration) and 2017 (Work Instruction 2.2 – Application of Chemicals on State Forest Land). There were no internal audits carried out in 2018 as it was decided to do the theme audit based on WI 1.2 and the continual improvement topic which was to include the internal audits.

Approach

The 2018 Theme Audit was conducted through personal interviews of selected staff who participate or have participated in the FCT and MRT and/or internal audits to better identify perceived issues and potential solutions. Interviews were divided across three separate groups: 1) Administrative – the team members, 2) Auditors, and 3) a sample of Field staff including Unit Managers and Foresters. Interview results were reviewed and will form the basis for discussions leading to improvements to the Management Review System that will be presented at the 2019 Management Review.

Interview Questions:

1. Admin Group
    a. What is your understanding of the role of the FCT and MRT?
        i. What is your specific role on the team(s)?
        ii. Do you believe that the team(s) is/are effective? If no, why? If yes, why?
        iii. In your view, do both teams serve distinct roles?
        iv. How often should teams meet? Are face-to-face meetings needed?
    b. Is the awareness/visibility of forest certification within your division sufficient? If not, how can we improve?
    c. Our system de-emphasizes the individual forest management standards in favor of Work Instructions.
        i. In your view, is this a good approach or is there a need for increased emphasis of standards? Why?
        ii. Should the relationship between the work instructions and individual certification standards be more transparent?
    d. Is the urgency and support for certification and internal auditing waning within the Division/Department? If so, why?
        i. Are internal audits too focused on the work instructions? Should the focus be broader if continual improvement of forest management is one of the goals?
    e. Do you think that the Management Review Report is effective as a management tool? If not, how can it be improved?
    f. Do you think that the audits and/or the management review process has contributed to the achievement of FRD's and the Department's missions? Explain your response.
    g. In your view, has our approach to forest certification improved our forest management system? If so, how? If not, why?
    h. Do you have other ideas about how the Management Review process, internal audit process and/or continual improvement of forest management can be better addressed or improved?

2. Auditors
    a. In your view, what is the role of the work instructions?
    b. Is conformance to the work instructions a sufficient measure for review and improvement of our forest management system?
    c. Is there a need for staff to understand the individual certification standards?

d. In your view, is the current internal audit format (duration, units per year, etc.) working? If yes, why? If no, why?
    i. If no, how would you recommend that it be modified?
e. In your view, have recent internal audit findings for non-conformances and opportunities for improvement been helpful, frivolous?
f. Do you have other ideas about how the Management Review process, internal audit process and/or continual improvement of forest management can be better addressed or improved?

3. Field Staff
    a. How often do you refer to the Work Instructions or Management Review Report?
    b. What is your understanding of the relationship between the work instructions and the certification standards?
    c. Are internal audits a good tool for assessing conformance with the work instructions or assessing our broader forest management system? If not, how might our process improved?
    d. In your view, has participation in audits been a good use of your time? If so, why? If not, why?
    e. In your view, is the current internal audit format (duration, units per year, etc.) working? If yes, why? If no, why?
        i. If no, how would you recommend that it be modified?
    f. Do you believe that forest certification assists or impedes our ability to reach your Division targets/goals – BMPs, habitat, timber, recreation, protection, etc.
        i. Has the management review system helped us to achieve any of these goals?
    g. Do you have other ideas about how the Management Review process, internal audit process and/or continual improvement of forest management can be better addressed or improved?

Results

Thirty-four staff were interviewed from 7 January to 11 February 2019 including 12 from the Internal Auditor Group, 14 from the Admin Group (Forest Certification Team or Management Review Team), and 10 from the Field Staff Group. Interviewees included:

Name	Category	Division	Location	Interviewers
Bob Tylka	Auditor	FRD	Marquette	Jones/Kintigh
Gary Roloff	Auditor	WLD	Lansing	Jones
Heidi Frei	Auditor	PRD	Lansing	Jones
Jennifer Kleitch	Auditor	WLD	Gaylord	Kintigh
Katie Armstrong	Auditor	FRD	Kalkaska/Traverse City	Kintigh
Kerry Fitzpatrick	Auditor	WLD	Lansing	Jones
Kristen Matson	Auditor	FRD	Shingleton	Kintigh
Pat Mohney	Auditor	FRD	Gladwin	Jones/Kintigh
Rick James-Hill	Auditor	FRD	Ishpeming	Jones/Kintigh
Scott Whitcomb	Auditor	FRD	PRC/Gaylord	Kintigh
Susan Thiel	Auditor	FRD	Grayling/Gaylord	Kintigh
Anna Sylvester	FCT/MRT	PRD	Roscommon	Kintigh
Bill Sterrett	FCT/MRT	FRD	Cadillac/Traverse City	Jones/Kintigh
Darren Kramer	FCT/MRT	FD	Escanaba	Kintigh
David Price	FCT/MRT	FRD	Lansing	Kintigh
Dennis Nezich	FCT/MRT	FRD	Marquette	Jones/Kintigh
Don Mankee	FCT/MRT	FRD	Baraga/Marquette	Jones/Kintigh
Jeff Stampfly	FCT/MRT	FRD	Shingleton	Jones/Kintigh
Kristie Sitar	FCT/MRT	WLD	Newberry	Kintigh
Mike Donovan	FCT/MRT	WLD	Lansing	Kintigh
Pat Ruppen	FCT/MRT	FRD	Traverse City	Kintigh
Rex Ainslie	FCT/MRT	WLD	NLP	Jones/Kintigh
Steve Milford	FCT/MRT	FRD	Gaylord	Jones/Kintigh
Terry Minzey	FCT/MRT	WLD	Ishpeming	Jones/Kintigh
Bob Burnum	Staff	FRD	Shingleton	Jones/Kintigh
Dave Lemmien	Staff	FRD	Traverse City	Kintigh
Jason Hartman	Staff	FRD	Roscommon/Gaylord	Kintigh
Jason Stephens	Staff	FRD	Gaylord	Kintigh
Keith Magnusson	Staff	FRD	Newberry	Kintigh
Sherry MacKinnon	Staff	WLD	Newberry	Kintigh
Tim Cwalinski	Staff	FD	Gaylord	Kintigh
Tim Webb	Staff	FRD	Traverse City	Kintigh
Tom Seablom	Staff	FRD	Ishpeming/Gwinn	Kintigh
Kelly Kinser	Staff	PRD	Otsego State Park	Kintigh

Summary of Responses

Governance, Team Structures and Membership

- Respondents overwhelming acknowledged that the roles of the FCT and MRT have become blurred and less distinct over time. Overall, there is confusion over the current role of each of the teams (FCT, FCT Executive Committee, and MRT) and very little awareness of FCT Executive Committee. Some respondents felt that the increasingly specific and nuanced nature of internal audit findings and few recent findings in external audits has likely led to lack of engagement and contributed to confusion over roles and responsibilities of teams and members, especially for non-FRD participants.
- Proposed solutions and identified issues by respondents included elimination of the FCT; restructuring of the MRT to include only FRD, WLD, and PRD with ad hoc members from FD and LD as needed; considering more field staff representation on MRT for operational checks and balances (as current membership includes primarily mid- and high-level managers); and a need for a process for the new team to assign workgroups to address, develop, or propose solutions to findings as needed (if FCT is eliminated). Ultimately, decisions on the structure and functions of the annual review and improvement process will determine the roles and responsibilities of a team or teams moving forward.
- Several respondents also mentioned that there is need for the team(s) to refocus on broad program improvements as we seem to be mired in fine details/minutia. A few respondents observed that we have moved from sweeping program developments requiring multi-divisional teams towards maintenance and continual improvement so our Management Review must adapt accordingly. However, it should be noted that an annual review of the certification program by management is required by the standards.

Internal Audits

- Several respondents expressed frustration with the narrow focus on process conformance of internal audits (and management review), i.e. evaluating conformance to the Work Instructions and other administrative processes. In addition, several respondents suggested that there is a general perception that internal audits have become increasingly subjective.
- Some respondents expressed concern over the potential for losing the ancillary benefits of internal auditing as we move towards a less frequent auditing schedule. Specific benefits discussed included work instruction and audit preparedness training for new staff and the opportunity for multi-divisional discussion and collaboration.
- Several respondents expressed concern that the format of internal audits can lead to manipulation of site selection by auditees and that there is a need to introduce more randomness in site selection. The implication being that too many big issues are being missed or glossed-over through manipulation.
- Most respondents felt that the addition of theme audits has been a positive and useful development.
- A number of respondents stated that we should consider expanding the scope of our audits and annual management review to include effectiveness monitoring, i.e. how well are we meeting our desired outcomes. In other words, move away from the "are you following the rulebook" questions and move towards more of a performance monitoring system. Respondents also stated that Theme Audits may be a good tool for effectiveness/outcome evaluation. Specific examples of effectiveness monitoring topics identified included Regional State Forest Management Plan implementation, collaboration/co-management, forest recreation merger with PRD, rail-trails, role of minerals management, silvicultural systems and cultivation and regeneration, and wildlife habitat objectives.
- Several respondents suggested that we need to develop ways to make more efficient use of non-FRD staff during audits, i.e. could divisions be audited separately?

- Several respondents suggest that we are long overdue for internal audit and internal auditor training.
- It was also suggested that it may be time to reduce audit team size to 1 or 2 and refocus on auditor training to minimize focus on administrative minutia.

Additional topics

- *Improving communication, feedback opportunities, and process.*
  - Several respondents expressed concerns related to poor communication including lack of formal feedback opportunities in our annual Management Review outside of auditing, the cumbersome format of the Management Review Report, and challenges of disseminating results and changes from the annual review out to staff.
  - Several respondents suggested that there may be instances from a field perspective where the WIs are an overreach on what standards require or where WI are overly burdensome leading to regular non-conformances. Alternatively, there may be instances where local staff have developed efficiencies and best management practices related to the WIs, yet there is no formal mechanism outside of audits to incorporate program improvements.
  - It was suggested that we seek additional opportunities to engage with staff on potential work instruction changes; for instance, maintaining a regular agenda spot at the Statewide Managers Meeting or more broadly soliciting input through email as has been done previously.
  - It may be helpful to organize the Management Review Report by program areas which could help with better portraying operational relevance. In additions, the annual summary of significant WI changes could be expanded to include simplified identification of significant changes by program as done previously.
  - It was also suggested that several of our more cumbersome processes like pesticide application or intrusive activities could benefit from a formal process review like LEAN.

- *Work Instructions and FM Standards*
  - There was unanimous support to continue the use of Work Instructions as a tool to provide guidance on management interpretation of individual standards and most saw little added value in exposing staff to the individual standards.
  - Some respondents noted however, that it may be helpful to have a stand-alone document which describes the relationship between the WIs and individual standards which may help to explain the "why" behind some of the approaches taken in the Work Instructions. Though a Standards-WI crosswalk was developed at the start of certification, it was not updated with Standard and WI updates.
  - There is a need for continued WI trainings for PRD, presented in a manner relevant to PRD staff.

- *Continual Improvement*
  - One respondent stated that there is not any evidence that we are doing continual improvement and that there is no real culture for improvement within the department. As stated above regarding lack of feedback loops, we are not doing a good job asking what's not working and how can we do better. It was stated that perhaps we need a director of continuous improvement, for which certification would just be a part.

- *Status of Forest Certification within Department*
  - Most respondents felt that forest certification has improved our Forest Management System by requiring decision and direction on challenging topics, improving tracking, accountability,

transparency, and the transfer of knowledge to successive staff. Several respondents mentioned though that these benefits have come at a high cost and that we don't do very good job as a department expressing the overall value of certification.
- Most felt that the visibility of forest certification has waned in the Department though several suggested that this is likely a reflection of it becoming fully operationalized and staff effort simply balancing to the appropriate level of need.
- Forest Certification is still primarily viewed as an FRD program.

- *Forest Sustainability*
  - Concepts of forest sustainability are generally poorly understood by staff. Most respondents only discussed sustainability within context of one or 2 forest values, primarily timber. In addition, it was stated that it is time to move to a common vision of what forest sustainability is and systematically evaluate if we are managing for sustainability. Relatedly, it was suggested that perhaps it is time for reporting of performance monitoring data to become part of Management Review, eg. Regen data across types, types of silviculture across the landscape, management activity within ERAs, acres within Buffers/hard site conditions, etc.

Recommendations

Governance

- Eliminate the Forest Certification Executive and Forest Certification Teams
- Restructure the Management Review Team to be more effective
- Recognizing that the management review process is required by certification standards, revise the functions and structure of the annual review (see below)

Internal Audits

- Tweak the internal audit format and process to address staff concerns
- Seek approval from the Resource Bureau with respect to expanding the management review and internal audits to begin to look at and reporting on the outcomes of forest management activities
- Seek approval from the Resource Bureau to develop proposals for examining specific management outcomes and potential effectiveness monitoring topics
- Seek approval from the Resource Bureau to develop a conceptual approach to defining and implementing forest sustainability