

Michigan DNR Forest Certification Internal Audit Report

FMU: Shingleton

Internal Audit Dates: June 29 – July 1, 2010

Draft Internal Audit Report Date: July 1, 2010

Final Report Date: August 11, 2010

Lead Auditor: Mike Donovan

Internal Auditors: Don Mankee, Kevin LaBumbard, David Price

Comments:

The internal audit of the Shingleton FMU was held June 29 – July 1 2010. The scope of the audit was State Forest Land (SFL) within the Shingleton FMU. The audit criteria were the April 6, 2010 version of the Work Instructions (WIs) and all supporting DNR policy, procedures, rules, management guides, guidance documents, plans, and handbooks that were relevant to the management of SFL including Management Review decisions. On Tuesday, June 29, a detailed list of audit sites was selected. Two audit routes were established based on a search of records and interviews with staff. Wednesday morning a brief opening meeting was held with the audit participants at the Shingleton Field Office. The audit team split into two groups. One group visited areas in the southern part of the Unit, principally managed by the staff located at the Wyman Nursery Field Office. The other group visited areas in the northern portion of the Unit; areas principally managed by the staff at the Shingleton Field Office. Thursday morning was spent reviewing the audit findings, conducting follow-up interviews, or further reviewing documents as needed. A closing meeting was held on Thursday at 1:00 pm. The audit team gathered evidence to determine work instruction conformance through interviews, document review, and field observations.

The internal audit team appreciated the cooperation, involvement, and openness of the Shingleton Unit staff. The audit team was impressed with the thorough documentation of work activities, high quality resource management, and an overall environment of innovation on the Shingleton Unit. It is obvious the entire Staff of the Shingleton FMU take tremendous pride in their work.

Definitions:

Major Non-conformances: One or more of the Michigan Department of Natural Resource (MDNR) Sustainable Forest Certification Work Instruction requirements has not been addressed or has not been implemented to the extent that a systematic failure of the MDNR to meet a Sustainable Forest Certification (Sustainable Forestry Initiative or Forest Stewardship Council) principle, objective, performance measure or indicator occurs. (Adapted from the Sustainable Forestry Initiative Standard 2005-2009 Edition definitions.)

Minor Non-conformances: An isolated lapse in MDNR Sustainable Forest Certification Work Instruction implementation which does not indicate a systematic failure to consistently meet a Sustainable Forest Certification (SFI or FSC) principle, objective, performance measure or indicator. (Adapted from the Sustainable Forestry Initiative Standard 2005-2009 Edition definitions.)

Opportunities for improvement: Opportunities for improvement are findings that do not indicate a current deficiency, but serve to alert the FMU to areas that could be strengthened or which could merit future attention.

The DNR's internal audit review process (WI 1.2) requires a record, evaluation, and report of non-conformances with forest certification standards and related WI at all levels of the Department. As part of that process, we documented the Unit's conformity with policy, procedures, management review decisions, and WIs. Our audit resulted in no major non-conformance, 4 minor non-conformances, and 3 opportunities for improvement. Non-conformances are documented on the Non-conformance Report forms (NCR Form 4502) below. Opportunities for Improvement include:

- WI 7.1 Sale contract specs (2.1.12) and OI comments state the presence of reserve trees (e.g. red oak and hemlock) while onsite inspection failed to locate any. The concern is that non-DNRE employees may interpret their lack presence as a failure to follow contract specs. Recommend modifying the specs to note that these species should be reserved if found.
- There is an opportunity for greater knowledge about DNRE landscape-level planning initiatives (Michigan State Forest Management Plan, the EUP Regional State Forest Management Planning (RSFMP) process, and the Biodiversity Conservation Planning Process (BCPP). The relationship between the BCPP and the EUP RSFMP should be better understood, and the intended structure, content and use of the EUP RSFMP should be better understood. Recommend that addition training on landscape-level planning be provided to FMU staff.
- There is an opportunity for improvement at the Lansing and at the field level in the distribution of new policies and procedures to DNR Staff. Specifically the Biomass Harvesting Guidelines and BCPP related guidance.



2010 INTERNAL AUDIT NON CONFORMANCE REPORT

Unit Name Shingleton		Site location Shingleton Office		Non Conformance Report Number (Unit Code - yyyy - #) 41-2010-01	
Lead Auditor Mike Donovan		Team Member(s) Kevin LaBumbard, Don Mankee, David Price			
Date (mm/dd/yyyy) 07/01/2010		Work Instruction or Standard and Clause Number 1.3 Regional State Forest Management Plan Development			
<input type="checkbox"/> Major <input checked="" type="checkbox"/> Minor		Other Documents (if applicable)		Responsible Manager(s) (Person identified by the internal audit team who implements the corrective action): EUP Ecoteam Chair	
Requirement of Audited Standard/ Work Instruction: Work Instruction 1.3 specifies that the EUP Regional State Forest Management Plan is to be completed by February 2011.					
Observed Nonconformity: Through discussions with the wildlife planner and FMD planner, it is apparent through analysis of biodiversity planning timelines and regional forest plan timelines that the EUP RSFMP will not be completed by February 2011.					
Root Cause Analysis (Describe the cause of the problem): Prepared by and date: Jon Spieles, July 7, 2010 The EUP Regional State Forest Management Plan is behind principally due to delays with the Biodiversity Conservation Planning Process (BCPP). When Work Instruction 1.3 specified the completion of the Regional State Forest Management Plan, the timeline for completing the BCPP was January 2010. The latest timeline outlined on the BSA Staff and Public Review Action Plan approved by SWC does not forecast the incorporation of BSA's and community DFC's into EUP Regional State Forest Management Plans until January 2011. The altered timelines and the reasons for those alterations make the root causes for the nonconformity well outside of the control of the EUP Ecoteam.					
Corrective Action – (To be completed by the Unit and relevant Divisions): Prepared by and date: Jon Spieles, July 7, 2010 A new timeline considering the integration of approved BSAs and community DFC's into RSFMPs is necessary by the SWC. New milestones, tasks and timelines must consider the fact that we are now 12 months behind the initial timeline.					
Proposed Completion Date (mm/dd/yyyy): 02 / 01 / 2012					
Responsible Manager (RM): EUP Ecoteam Chair					
RM Signature <i>Jon Spieles</i>		Date July 19, 2010			
Jeff Stampfly		7/22/10		Dennis Nezich (Acting) 8-11-10	
_____ FMD Unit Manager		_____ Signature Date		_____ FMD Dist Supervisor Signature	
CORRECTIVE ACTION PLAN ACCEPTED					
Forest Cert Specialist: Dennis Nezich					
Date 8-11-2010					
Actual Completion Date (mm/dd/yyyy):					
Responsible Manager:					
Date:					
Verified by:			Closed by:		
_____ Responsible Mgr Supervisor		_____ Signature		_____ FMD FC Specialist	
_____ Date		_____ Signature		_____ Date	
Follow Up Comments					



**2010 INTERNAL AUDIT
NON CONFORMANCE REPORT**

Unit Name Shingleton		Site location Shingleton Office		Non Conformance Report Number (Unit Code - yyyy - #) 41-2010-02	
Lead Auditor Mike Donovan		Team Member(s) Kevin LaBumbard, Don Mankee, David Price			
Date (mm/dd/yyyy) 07/01/2010		Work Instruction or Standard and Clause Number 1.4 Biodiversity Management on State Forest Lands			
<input type="checkbox"/> Major <input checked="" type="checkbox"/> Minor		Other Documents (if applicable)		Responsible Manager(s) (Person identified by the internal audit team who implements the corrective action): EUP FMD District Manager	
Requirement of Audited Standard/ Work Instruction: Management guidance and monitoring direction is to be provided for Ecological Reference Areas.					
Observed Nonconformity: Management and Monitoring plans for two ERAs (Garden Blade Complex, and Thompson) were presented by the FMD Monitoring Specialist for approval at compartment review for the 2010 Year of Entry. The ERA plans were not accepted and approved at the compartment review. No follow-up action was taken by the EUP District Manager to resolve the disagreement over the plan content.					
Root Cause Analysis (Describe the cause of the problem): Prepared by and date: Dennis Nezich, Acting FMD Dist Supervisor 8-9-10 There was concurrence by all managing divisions during the 201 YOE compartment review to reject the ERA management plans as written by the FMD Monitoring Specialist. In discussing the issue with the Shingleton Unit Manager, it was his assumption the staff specialist who prepared the plan would revise it and resubmit it for consideration at a future compartment review. This did not happen and the plan remained unapproved at the time of the audit.					
Corrective Action – (To be completed by the Unit and relevant Divisions): Prepared by and date: Dennis Nezich 8-9-10 Unit level and District level Wildlife Division and Forest Management Division staff will review and revise the plan for presentation at the 2012 compartment review.					
Proposed Completion Date (mm/dd/yyyy): July 1, 2011 Responsible Manager (RM): Dennis Nezich (Acting DFM)					
RM Signature		Date		8-11-10	
Jeff Stampfly		8/10/10		Dennis Nezich (Acting) 8-11-10	
_____ FMD Unit Manager		_____ Signature		_____ FMD Dist Supervisor	
_____ Date		_____ Date		_____ Signature	
CORRECTIVE ACTION PLAN ACCEPTED Forest Cert Specialist: Dennis Nezich Date 8-11-2010					
Actual Completion Date (mm/dd/yyyy): Responsible Manager: Date:					
Verified by:			Closed by:		
_____ Responsible Mgr Supervisor		_____ Signature		_____ FMD FC Specialist	
_____ Date		_____ Date		_____ Signature	
_____ Date		_____ Date			
Follow Up Comments					



**2010 INTERNAL AUDIT
NON CONFORMANCE REPORT**

Unit Name Shingleton		Site location Hickey Creek hardwoods 17-08, sale site	Non Conformance Report Number (Unit Code - yyyy - #) 41-2010-03
Lead Auditor Mike Donovan	Team Member(s) Kevin LaBumbard, Don Mankee, David Price		
Date (mm/dd/yyyy) 07/01/2010	Work Instruction or Standard and Clause Number 5.1 Coordinated Natural Resource Management		
<input type="checkbox"/> Major <input checked="" type="checkbox"/> Minor	Other Documents (if applicable)	Responsible Manager(s) (Person identified by the internal audit team who implements the corrective action): FMD Research Coordinator	
Requirement of Audited Standard/ Work Instruction: The annual research summary will include: a list of in-house, collaborative and contracted research.....			
Observed Nonconformity: The North Central Forest Experiment Station of the USFS has long-term (since 1980) growth and yield modeling plots (specifically compartment 195, Hickey Creek Hardwoods 17-08, sale site) on Shingleton Unit state forest land. The Unit is aware of these plots and have communicated with the Experiment Station. This research activity is not recorded in the Annual Research Summary			
Root Cause Analysis (Describe the cause of the problem): Prepared by and date: Ronald Murray, FMD Research Coordinator 07/07/10 The research uncovered during the audit in the Shingleton FMU is an example of a situation that could exist throughout the state forest system. This is an ongoing research project that was never documented because that was not required when the research was initiated, and this is the first time that the unit has worked in the area since certification audits were initiated. When discovered the unit did not report the research since they had no requirement to do so according to the work instructions. They assumed that since the work pre-dated the forest certification process, it was not necessary to report it. The work instruction does not clearly require that ongoing historic research must be researched and reported to the Research Coordinator for inclusion in the annual Research Report. Therefore, the unit didn't report this research to the Coordinator until after the 2009 Research Report had been compiled and distributed.			
Corrective Action – (To be completed by the Unit and relevant Divisions): Prepared by and date: Ronald Murray, FMD Research Coordinator 07/07/10 This particular instance has been reported now, and will be included in the future reports. If the Department wants to include all of these in future reports, it would be beneficial to make it mandatory to file either a use permit (for intrusive activities), or a research record (for non-intrusive activities) for all research that a unit, or other Departmental program becomes aware of during the course of their management activities on state forest lands. This should be explicitly stated in the work instructions. A copy of the record or permit should be sent to the Research Coordinator in Lansing for inclusion in the annual Research Report. Accommodation for FIA plots should be made in such instructions. FIA plot locations are typically hidden, and the FIA project wants to keep their location anonymous for security purposes. The decision as to whether to institute this notification requirement, or not, rests with the FMD Management Team.			
Proposed Completion Date (mm/dd/yyyy): 09/30/10 Responsible Manager (RM): Ronald Murray, FMD Research Coordinator			
RM Signature		Date	
Jeff Stampfly		7/13/10	
_____		_____	
FMD Unit Manager		FMD Dist Supervisor	
Signature		Signature	
CORRECTIVE ACTION PLAN ACCEPTED Forest Cert Specialist: Dennis Nezich Date 8-11-2010			
Actual Completion Date (mm/dd/yyyy): Responsible Manager: Date:			

Verified by:			Closed by:		
_____	_____	_____	_____	_____	_____
Responsible Mgr Supervisor	Signature	Date	FMD FC Specialist	Signature	Date
Follow Up Comments					



2010 INTERNAL AUDIT NON CONFORMANCE REPORT

Unit Name Shingleton	Site location RPP Fox River Road Sale #41-034-08-01	Non Conformance Report Number (Unit Code - yyyy - #) 41-2010-04
Lead Auditor Mike Donovan	Team Member(s) Kevin LaBumbard, Don Mankee, David Price	
Date (mm/dd/yyyy) 07/01/2010	Work Instruction or Standard and Clause Number 7.2 Legal Compliance and Administration of Contracts	
<input type="checkbox"/> Major <input checked="" type="checkbox"/> Minor	Other Documents (if applicable)	Responsible Manager(s) : (Person identified by the internal audit team who implements the corrective action): Shingleton FMU Unit Manager
Requirement of Audited Standard/ Work Instruction:		
MDNR will comply with all applicable Federal, State, and local laws and regulations.....our contracts are legal documents.		
Observed Nonconformity:		
<p>There are issues in regard to timber sale contracts specifications as they relate to biomass harvesting practices.</p> <p>The timber sale contract general rule and requirement 2.1 (Included Timber) states: "Included timber is listed in Description of Timber on page 1 of this contract. Cutting or removal of any forest products not specifically included or covered by this contract shall be a violation of part 21, subpart 15, 1994 PA 451. The description of timber in contract #41-034-08-01 includes pulpwood only, with spec 2.2 Utilization, providing a standard as "a 100" piece to a top diameter inside bark of ...4 inches for pulpwood"</p> <p>Further, sale specific condition and requirement 5.2.1.11 states "Processing sites shall not be left with a compacted layer of slash; tops from these sites shall be hauled back into the cut area and scattered. General Spec 5.2.1 includes " ...slash shall be uniformly scattered over the sale area and not left in piles or windrows unless otherwise instructed. Slash shall not accumulate at the landings".</p> <p>Several large slash piles remained on this sale when the contract expired on 12/31/2009. A six month contract extension was granted to the producer free of charge to allow time for "clean up". The contractor intended to utilize the accumulated slash as product. However, the contract does not consider slash a product, and is therefore under the terms of the contract, merely a by-product which must be properly scattered.</p> <p>When the contractor failed to remove the slash piles by 6/30/2010, the reason was claimed to be poor market conditions for bio-mass. However, under the terms of the contract, failure to dispose of slash cannot be excused by market conditions for a product not covered in the contract.</p>		
Root Cause Analysis (Describe the cause of the problem): Prepared by and date: Doug Heym and Jeff Stampfly, July 6, 2010		
<p>The root problem is that General Spec 5.2.1 does not permit variation from the standard to spread all slash. In addition, the local Management Unit included, but did not feel it could enforce, Standard Spec 5.2.1.11. This is because chipping of tops can't be denied unless specifically stated in the contract, which it wasn't. Gathering (stockpiling) of tops (slash) has become a standard for many management units because it is a required part of the chipping process, which could not be denied in this case.</p> <p>There is also some confusion from the auditors on what products can be removed from the logging site under the terms of the contract. Merchantable products are sold by cord or MBF and are listed in the Description of Timber on page 1 of the State Forest Timber Sale Contract and defined in General Spec 2.2 - Utilization, e.g."the DNR standards are based on utilization of a 100" piece...." General Spec 2.1 defines these products in the first sentence, e.g. "Included timber is listed in Description of Timber on page 1 of this contract". In the second sentence, when General Spec 2.1 refers to 'forest products', it is these merchantable products that are being addressed. Non-merchantable products can also be removed from the site unless the contract specifically prevents their removal. This is based on long standing common practice. Since the DNRE has always permitted the non-merchantable products to be removed, the permission to remove them is assumed within the contract. This follows the standards of contract law. This also further explains why the management unit felt it could not deny the stockpiling of non-merchantable products.</p> <p>Merchantable products are paid for and defined in the contract. Non-merchantable products are not directly paid for and their removal is permitted unless the contract states otherwise. What about slash? Though not defined in the contract, slash is non-merchantable products that are not removed from the site, i.e. those non-merchantable products left on site when the contract closes. General Spec 5.2.1 deals with what is permitted with non-merchantable products that are left on site.</p>		

Corrective Action – (To be completed by the Unit and relevant Divisions): Prepared by and date: Doug Heym, July 12, 2010

General Spec 2.2 should be updated so that wood from tops is specifically addressed. The following is the current language:

2.2 - Utilization (12/08)

Unless otherwise indicated in this contract, the DNR standards are based on utilization of a 100" piece to a top diameter inside bark of 8 inches for sawlogs in the northern Lower Peninsula, 10 inches for sawlogs in the Upper Peninsula and 4 inches for pulpwood. If not otherwise specified, the maximum stump height shall not exceed 24 inches for sawlogs or 12 inches for pulpwood. Higher stumps resulting from multiple stemmed trees may be left if authorized by the Unit Manager or his/her representative. The Purchaser shall not cut stumps lower than the DNR paint markings that indicate individual products to be cut.

The new language would be as follows:

2.2 - Utilization (07/10)

Unless otherwise indicated in this contract, the DNR standards are based on utilization of a 100" piece to a top diameter inside bark of 8 inches for sawlogs in the northern Lower Peninsula, 10 inches for sawlogs in the Upper Peninsula and 4 inches for pulpwood. **Wood from designated trees not meeting these standards may be utilized unless otherwise directed in this contract.** If not otherwise specified, the maximum stump height shall not exceed 24 inches for sawlogs or 12 inches for pulpwood. Higher stumps resulting from multiple stemmed trees may be left if authorized by the Unit Manager or his/her representative. The Purchaser shall not cut stumps lower than the DNR paint markings that indicate individual products to be cut.

General Spec 5.2.1 should be updated to permit variation from the standard. The following is the current language:

5.2.1 – Slash (12/08)

In accordance with Part 519, 1994 PA 451, all slash shall be removed from lands within 50 feet of the cleared portion of any public road or highway. Unless otherwise indicated in this contract, all other slash shall be left as it falls except that no tops shall be left hanging in standing trees. Where slash disposal is required, it shall be done as cutting progresses. Slash shall be uniformly scattered over the sale area and not left in piles or windrows unless otherwise instructed. Slash shall not accumulate at the landing.

The new language would be as follows:

5.2.1 – Slash (07/10)

In accordance with Part 519, 1994 PA 451, all slash shall be removed from lands within 50 feet of the cleared portion of any public road or highway. Unless otherwise indicated in this contract **or approved by the Unit Manager or his/her representative**, all other slash shall be left as it falls except that no tops shall be left hanging in standing trees. Where slash disposal is required, it shall be done as cutting progresses. Slash shall be uniformly scattered over the sale area and not left in piles. Slash shall not accumulate at the landing.

The Management Unit needs to insure specification 5.2.1.11 is enforced by the time the contract is expired. As the root cause analysis indicated, non-merchantable products may be gathered and removed and do not become slash until they are not removed. The new language allows the Management Unit to allow the accumulation of non-merchantable materials and also provides clarity to enforce spec 5.2.1.11 when the non-merchantable material becomes slash.

Proposed Completion Date (mm/dd/yyyy):08/01/2010

Responsible Manager (RM): Doug Heym, Jeff Stampfly

RM Signature

Date

Jeff Stampfly

7/14/10

Dennis Nezich
(Acting) 8-11-10

FMD Unit Manager

Signature

Date

FMD Dist Supervisor

Signature

CORRECTIVE ACTION PLAN ACCEPTED

Forest Cert Specialist: Dennis Nezich

Date 8-11-2010

Actual Completion Date (mm/dd/yyyy):

Responsible Manager:

Date:

Verified by:

Closed by:

Responsible Mgr Supervisor

Signature

Date

FMD FC Specialist

Signature

Date

Follow Up Comments

Report and Review Procedure following the Internal Audit:

1. Nonconformance Reports (NCRs) that describe observed nonconformity with forest certification work instructions will be prepared by lead and staff auditors during internal audits.
2. Lead Auditor will prepare a Draft Internal Audit Report (DIAR) consisting of Audit team Nonconformance Reports and a brief audit summary (cover memo). Complete at closing meeting.
3. Lead Auditor will send the DIAR to FMU Manager and send a copy to Forest Certification Specialist and District FMD Supervisor within 1 week.
4. The FMU Manager will respond to the NCRs and assemble the root cause analysis and corrective actions for all NCRs in consultation with staff, or, dispute findings with an explanation. FMU Manager will send to the FMD District Supervisor with copy to FC Specialist and Lead Auditor.
5. The FMD District Supervisor will review, support, and date the NCRs. The FMD District Supervisor will send the Internal Audit Report with approved NCRs to the Forest Certification Specialist within 4 weeks of the closing meeting. A copy of this report will also be sent to the Lead Auditor.
6. The Forest Certification Specialist will consult with Lead Auditor to confirm corrective actions satisfactorily address NCRs. The FC Specialist will review and sign the NCR corrective actions to acknowledge completion. Complete within 6 weeks of closing meeting date.
7. Forest Certification Specialist will forward Final Internal Audit Report to FCIT, FMD Management Team, FMD District Supervisors, all FMU Managers, and representatives from other Divisions, as identified by the FCIT Division representatives.
8. Corrective Actions will be cleared via notification by the responsible manager that corrective actions are complete and via verification by the responsible manager's supervisor.
9. The forest certification specialist shall track open NCRs to confirm that all are followed through to completion.