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**FSC Certification Report for the
2004 Annual Audit of the:**

**Wisconsin State Forests
Managed by the
Wisconsin Department of Natural Resources**

**Audit Conducted by
SCS Forest Conservation Program
Under the Auspices of the Forest Stewardship Council**

**Certificate Number: SCS-FM/CoC-00070N
Awarded: May 3, 2004**

**Date of Field Audit: October 11-14, 2004
Date of Report: December 7, 2004**

Certificate Awarded by:

**Scientific Certification Systems
2000 Powell St. Suite 1350
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Contact: Dave Wager**

**2004 ANNUAL CERTIFICATION AUDIT OF THE
WISCONSIN STATE FORESTS
MANAGED BY THE
DEPARTMENT OF NATURAL RESOURCES**

1.0 GENERAL INFORMATION

1.1 FSC DATA

Name and contact information for the certified operation:

- Applicant entity: Wisconsin DNR, Division of Forestry
- Contact person: Robert J. Mather, Director, Bureau of Forestry
- Address: 101 S. Webster St., P.O. Box 7921, Madison, WI 53707-7921
- Telephone: (608) 266-1727
- Fax: (608) 266-8576
- E-mail: Robert.Mather@dnr.state.wi.us
- Certified products: Hardwood and softwood stumpage
- Number of Acres/hectares seeking to be certified: approximately 490,000 acres (198,000 hectares)
- Nearest Town: Madison, Wisconsin
- Tenure: Public, state owned
- Forest Composition: A mosaic of conifer and hardwood cover types, classified by species dominance; e.g., White Pine, Spruce-Fir, Northern Hardwoods, Central Hardwood, Oak, Red Maple, Aspen, Pine Plantations
- Managed as: Natural Forest

1.2 General Background

This report describes the results of the first surveillance audit of Wisconsin Department of Natural Resource's (DNR) management of the Wisconsin State Forests, initially certified May 3, 2004. This audit was conducted according to FSC protocols and pursuant to the terms of the original forest management certificate awarded by Scientific Certification Systems (SCS-FM-00070N). All certificates issued by SCS under the aegis of the Forest Stewardship Council (FSC) require surveillance audits at frequencies no greater than yearly to ascertain ongoing compliance with the requirements and standards of certification. Additionally, SCS reserves the right for short-notice audits. No such short-notice audits have been conducted since issuance of this certificate.

1.3 Forest and Management System

As was the case at the time of the initial certification evaluation, the Wisconsin State Forests are managed under silvicultural regimes that are compatible with the FSC definition of natural forest management.

There have been no significant changes to the land base comprising the state forest lands that the Wisconsin DNR is managing. Furthermore, there have been no major changes to the management system employed on the certified forest area. See the 2004 Certification Evaluation Report Public Summary www.scscertified.com for a more detailed description of the Wisconsin DNR operations.

1.4 Environmental and Socioeconomic Context

Since the initial certification evaluation, there have been no significant changes in the environmental and socioeconomic context in which DNR's management of the Wisconsin State Forests takes place. Of note, Wisconsin DNR's engagement in FSC certification takes place within a regional market-driven context in which several upper Midwest state forestry agencies are at various stages of undergoing "dual certification" under both FSC and the Sustainable Forestry Initiative (SFI). Of equal note, Wisconsin DNR has been on the forefront of this broad regional trend.

See the 2004 Certification Evaluation Report Public Summary at www.scscertified.com for a more detailed description of the environmental and socioeconomic context.

1.5 Products and Services Produced

Since the full evaluation roughly one year prior to this surveillance audit, there have been no changes in the products and services produced on the Wisconsin State Forests. As a state agency, the DNR has a clear mandate to manage the State Forests for a full suite of products (both consumable and non-consumable) and services, for the long-term benefit of the citizens of Wisconsin.

1.6 Chain of Custody Certification—Stump to Forest Gate

As discussed later in this report, the 2004 annual audit included a review of the chain-of-custody control procedures for that portion of the supply chain that DNR has responsibility over. Because DNR sells standing trees (stumpage) rather than roadside logs or delivered logs, its CoC responsibilities are limited. It is the timber sale purchasers that, under the FSC system, have responsibility for assuring the integrity of the certified supply chain from the point of severance from the stump, onward.

In brief, there have been no significant changes in the Wisconsin DNR CoC procedures since the full evaluation that was conducted in late-2003.

2.0 THE CERTIFICATION EVALUATION PROCESS

2.1 Assessment Dates

The field and office audit was completed on October 11-14, 2004.

2.2 Assessment Personnel

For this surveillance audit, the team was comprised of the following personnel:

Dr. Robert J. Hrubes, Team Leader: Dr. Hrubes is a California registered professional forester (#2228) and forest economist with 28 years of professional experience in both public and public forest management issues. He is presently Senior Vice-President of Scientific Certification Systems. In addition to serving as team leader for the Wisconsin state forestlands evaluation, Dr. Hrubes worked in collaboration with other SCS personnel to develop the programmatic protocol that guides all SCS Forest Conservation Program evaluations. Dr. Hrubes has previously led numerous SCS Forest Conservation Program evaluations of North American public forest, industrial forest ownerships and non-industrial forests, as well as operations in Scandinavia, Chile, Japan, Malaysia, Australia and New Zealand. As the Wisconsin State Forests evaluation team leader, Dr. Hrubes is the principal author of this report, in collaboration with co-authors, Gary Zimmer and Mike Ferrucci. Dr. Hrubes holds graduate degrees in forest economics, economics and resource systems management from the University of California-Berkeley and the University of Michigan. His professional forestry degree (B.S.F. with double major in Outdoor Recreation) was awarded from Iowa State University. He was employed for 14 years, in a variety of positions ranging from research forester to operations research analyst to planning team leader, by the USDA Forest Service. Upon leaving federal service, he entered private consulting from 1988 to 2000. He has been Senior V.P. at SCS since February, 2000.

Mr. Michael Ferrucci: Michael Ferrucci is a founding partner and President of Interforest, LLC, and a partner in Ferrucci & Walicki, LLC, a land management company that has served private landowners in southern New England for 16 years. Its clients include private citizens, land trusts, municipalities, corporations, private water companies, and non-profit organizations. He has a B.Sc. degree in forestry from the University of Maine and a Master of Forestry degree from the Yale School of Forestry and Environmental Studies. Mr. Ferrucci's primary expertise is in management of watershed forests to provide timber, drinking water, and the protection of other values; in forest inventory and timber appraisal; hardwood forest silviculture and marketing; and the ecology and silviculture of natural forests of the eastern United States. He also lectures on private sector forestry, leadership, and forest resource management at the Yale School of Forestry and Environmental Studies.

For this project, Mr. Ferrucci functioned as an employee of NSF.

2.3 Assessment Process

Pursuant to SCS/FSC protocols, the annual audit process was comprised of the following components:

- Pre-audit communications, particularly with respect to DNR's action plan for addressing the Corrective Action Requests attached to the award of certification

- Preparation of a labor budget and work order to conduct the audit; authorization by DNR
- Review of written materials made available to the audit team prior to and during the field audit
- Completion of a 3+ day field audit in which 3 State Forest units (Brule River, Flambeau River, Governor Knowles) selected for site visits
- An exit interview with the DNR Forest Leadership Team (FLT) on the last day of the field audit, in Eau Claire, WI
- Preparation of this audit report.

Offices and Sites Visited During the Audit:

For this surveillance audit, the team elected to engage in the following activities:

- Opening discussions in Spooner, with three senior DNR personnel from the headquarter office (Mather, Pingrey, Prichard)
- Field visit and staff interviews at Brule River State Forest
- Field visit and staff interviews at Flambeau River State Forest
- Field visit and staff interviews at Governor Knowles State Forest
- Exit interview with the Forest Leadership Team.

The opening discussion on October 11th covered the following topics:

- General overview
- DNR's plans and actions for responding to the CARs
- Staff changes, particularly with regarding positions assigned certification responsibilities.

On Tuesday, October 12th, the audit team traveled from Spooner to the headquarters office of Brule River State Forest, near Brule, WI. This is the first time that this State Forest has been selected for a certification audit. The day began with an office discussion involving 5 staff members from Brule River as well as the three central office personnel that accompanied the auditors throughout the week. The group discussion covered the following issues:

- General overview of the Unit by the Forest Superintendent
- Annual public meetings (last one being on August 14, 2004) and stakeholder interactions, more broadly
- Master planning process—experiences of the Unit that most recently completed a new Master Plan
- Recreation management, facilities, challenges
- Wildlife and fisheries issues and projects: intra-Departmental cooperation and review
- Timber management activities; RECON status
- Staffing

The remainder of the day was devoted to field inspections and on-site discussions at 13 different sites around the State Forest. Collectively, the field stops covered the following topics:

- Campground management
- River recreation (canoe landings)
- Aspen management (e.g., targeted extent of this cover type, overstory removal ops.)
- Timber salvage operations (hail damage, oak die back)
- Chemical use
- Planted red pine stand management
- Role of river corridors in HCVF management
- Archeological and historic sites
- State Natural Areas
- Riparian corridor set back policies and practices
- Recreational trails

On Wednesday, October 13th, the audit team traveled from Spooner to the headquarters office of Flambeau River State Forest, located within the boundaries of the State Forest, east of Winter, WI. The Brule River Forest was visited during the 2003 audit prior to award of certification. The day began with a group discussion in the headquarters office, involving 5 State Forest staff. Topics covered included:

- General overview of the Unit by the Forest Superintendent
- Road access planning and management
- Staffing
- Recreation use management/ATV issues
- Process for determining locations of timber harvests
- RECON backlog

The remainder of the day was devoted to field inspections and on-site discussions at 6 different sites around the State Forest. Collectively, the field stops covered the following topics:

- Intermediate stand treatments (e.g., pole thins)
- Chain-of-custody
- Market demand for certified wood/bid premiums
- Northern hardwood management; management for mid-tolerant hardwoods to avoid shifts to maple
- Response to emerald ash borer
- Aspen management
- Recreation use management
- Retention of den trees and snags; structural retention in regeneration harvest units

- Reconstruction/realignment of the Payne’s Farm Road segment that arose as an issue during the 2003 audit

On Thursday morning, October 14th, the audit team traveled to the headquarters office of Governor Knowles State Forest, near Grantsburg, WI. This was the first time that this State Forest had been selected for a field audit. The day began with a group discussion in the headquarters office, involving 6 State Forest staff. Topics covered included:

- General overview of the Unit by the Forest Superintendent
- Staffing and effects of cutbacks
- Recreation resources, demands, challenges
- National Scenic Riverway
- Timber management program
 - Annual harvesting levels
 - TSI/release projects; chemical use trials
 - Planting
- Management of ATV and snowmobile activity
- Master plan—relevance to daily activities
- Status of RECON backlog
- Stakeholder concerns and mechanisms
- Forest monitoring

After concluding the abbreviated group discussion, the remainder of the morning was devoted to field inspections and on-site discussions at 3 different sites in the southern portion of the State Forest. Collectively, the field stops covered the following topics:

- Oak/jack pine management; clearcutting
- Northern pin oak management; clearcutting
- Manual versus chemical release
- Salvage harvesting operations (from wind storm)
- Field conversancy with the Handbook

On Thursday, mid-day, the audit team traveled from the last field stop on Governor Knowles to Eau Claire in order to conduct the exit interview with the DNR Forest Leadership Team (FLT). This exist interview took approximately 2 hours to complete, during which the audit team shared the preliminary results of this surveillance audit, as is detailed later in this report.

DNR Employees Interviewed During the Surveillance Audit:

Bob Mather
Paul Pingrey
Teague Prichard
Steve Peterson
Dave Schultz

Jim Halverson
Heidi Brunkow
Larry Glodoski
Chuck Nordgren
Judy Freeman

Dan Thill
Robert Hartshorn
Paul Kooiker
Ed Forrester
Mike Wallis

Kevin Feind
George Kessler
Kurt Janko

Jim Varro

DNR Leadership Team Members and Others Present at the Exit Interview:

Paul DeLong	Darrell Zastrow	Bob Mather
Trent Marty	Wendy McCown	Rick Wojciak
Arvid Haugen	Ron Jones	Rich La Valley
Margie Sprecher	Teague Prichard	Paul Pingrey

2.4 Guidelines/Standards Employed

This annual audit was conducted using two sets of standards or considerations:

- The FSC Principles & Criteria, as augmented by FSC Lake States Regional Standard;

Since this is a surveillance audit, and per FSC protocols, the audit team did not attempt to evaluate DNR's management of the Wisconsin State Forests against the full scope of the certification standard. Over the course of five successive surveillance audits, it is required that the full scope of the standard is considered.

- The Corrective Action Requests (CARs) that were stipulated at the time of award of certification in May 2004.

3.0 RESULTS, CONCLUSIONS, CARS AND RECOMMENDATIONS

3.1 GENERAL DISCUSSION OF FINDINGS

The predominant focus of this surveillance audit was two-fold:

- To review DNR's plans and actions for addressing the CARs stipulated as part of the award of certification. In that this surveillance audit took place only five months after the formal award of certification, the specified dates for closing out all but one of the CARs have not yet arrived. Thus, our focus was on the general approach and pace of DNR's response, mid-course.
- To visit two of the State Forest units not sampled during the initial audit in 2003 (Brule River and Governor Knowles) and to re-visit one Forest that was sampled in 2003 (Flambeau River).

Based upon the information gathered through field reconnaissance, personnel interviews and stakeholder consultation, as well as the review of supporting materials, it is the SCS audit team's conclusion that Wisconsin State Forest System's continued certification under the FSC is warranted. The policies, practices, approaches and perspectives on resource management that were in place during the initial certification audit were readily

discernable in this surveillance audit. Notably, the overall level of conformance to the certification standards was found to be solid on the two State Forest Units audited for the first time and commensurate with what had been previously observed in other State Forest Units. We also wish to take special note and express commendation to the staff of Flambeau River State Forest for their highly responsive actions taken to address the road management problems that had been observed on the Payne's Farm Road during the 2003 audit.

While there have been some changes since the 2003 audit, such as in key personnel tasked with certification roles, the Department's commitment to its FSC certification of the State Forests remains evident. But, as is detailed below, there remain gaps with respect to particular components of the certification standard that require continued and, likely, elevated effort by the DNR to close.

Master Planning:

We wish to provide some focused feedback, from the FSC perspective, regarding DNR's ongoing initiative to develop current Master Plans for each of its State Forest Units. With the exception of the recently completed Brule River State Forest Master Plan, all other State Forest master plans are anywhere from 13 to 24 years old, as indicated in the following table.

State Forest	Year that Master Plan was Approved
Black River	1983
Brule River	2003
Coulee Experimental	1988
Flambeau River	1980
Governor Knowles	1988
Kettle Moraine N & S	1991
Northern Highland/American Legion	1982
Peshtigo River	--
Point Beach	1981

By any measure, all but Brule River are operating under management plans that are of vintages that raise serious questions as to their remaining relevancy. No one affiliated with units other than Brule River has characterized the master plans as being of notable value in the management of their units. As each year passes without a new plan or substantive amendments, the current master plans only become more irrelevant.

As the Department clearly knows, there is a need to develop new master plans at the earliest possible time. But due both the funding/staffing shortages as well as structural/intra-departmental hurdles, the pace of master planning has been far from adequate. Of the 9 State Forest Units with non-current master plans, only one (Northern Highland/American Legion) is scheduled to have a new master plan completed within the next 2 years. Because of staff/budget constraints, the apparent game plan at present is to

replace the master plans largely sequentially rather than concurrently. If so, some plans such as Flambeau River could well be more than 30 years old before being redone.

At the risk of sounding hyperbolic, the current program-wide status of master planning is essentially dysfunctional. We suggest that rather drastic steps are needed if master planning is to be resuscitated. Given that it is not terribly likely that the fiscal environment will improve such that appreciably more resources can be devoted to master planning, it is in the structural aspects of how the Department manages and undertakes master planning where more drastic changes can and should be made.

From our perspective, a fundamental hindrance to realizing a more efficacious and timely master planning process for the State Forests is the fact that the current process is generically designed for all state “properties” from buildings to wildlife refuges to state parks to state forests, all under the authority of the Division of Lands, Bureau of Facilities and Lands. In short, the Division of Forestry does not “drive the bus” for master planning on the State Forests. Were the Division of Forestry to have more control over master planning, and with that control an ability to customize the process for the State Forest context, we consider it likely that the value, relevancy and currency of the master planning process could be substantively advanced. We encourage senior managers in the Department to expeditiously consider this sort of structural change to the master planning process.

In the absence of such structural change, one available course of action is to extensively utilize the plan amendment procedures that are already in place in Chapter NR 44 of the Wisconsin Administrative Code. As discussed later in this report, three of the nine Corrective Action Requests that were attached to the award of certification focus on the current problems in master planning. By one means or another, DNR must find and aggressively pursue workable strategies for re-instilling full functionality in the master planning process.

Effects of Deferred Investments:

Wisconsin DNR, like most if not all state forestry agencies, is faced with an ongoing fiscal challenge that manifests itself in continuing budget shortfalls and staff shortages, as vacancies go unfilled or are very slow to be filled. In this situation, which will hopefully be alleviated as the U.S. economy continues to recover from the most recent recession, the task of senior managers is to prioritize limited resources across a suite of department needs that far exceed the available resources. We understand that unavoidably there are relative “winners and losers” in this context and that we, as third-party certifiers, are not in the position where it is appropriate to dictate how the limited budgets.

Nonetheless, we feel compelled to make note of the particularly visible effects of continuing deferrals of investments in the Department’s rolling stock (vehicles). During the course of this surveillance audit and the two audits that took place in 2003, we have ridden in a large number of Division of Forestry field vehicles and vehicles from the Central Office motor pool. Compared to even other state agencies but even more so,

compared to private sector forestry operations, the DNR's vehicles are generally quite old and wearing out. The photo below shows a field vehicle whose body panels are extensively rusted out. This same vehicle has spent time in the repair shop over the past several months for non-cosmetic mechanical problems.



There are several negative effects of a fleet of aging, high-maintenance vehicles, including a less than fully professional image being projected to the general public and to other forest sector entities. But perhaps the most significant negative effect is reduced employee productivity due to interrupted field access when vehicles break down and require repair. Some of the field units, such as Flambeau River State Forest, are not conveniently located near a repair facility which means that vehicle breakdowns result in significant lost work time, as employees are spending time getting their vehicles serviced and repaired. When all of these factors are considered, we believe that it would be fiscally justified to ramp up the pace of replacing worn out vehicles.

Chain of Custody:

The auditors briefly engaged DNR field personnel in a discussion of chain-of-custody control of logs from the point of severance of the trees from the stumps, onward. These discussions were held at each of the three State Forest units that were visited during this audit. In summary, and with respect to the portion of the supply chain under the control of the DNR, the audit team concludes that there is continued conformance to the FSC certification requirements.

However, it is apparent that without additional educational outreach/effort, there is a fairly high likelihood that the certified logs leaving the State Forests will lose their FSC-certified status due to a disruption in the certified supply chain. Specifically what we mean is that the certified status of State Forest logs is maintained *only* when each handler/owner of the logs, from the point of severance from the stump onward, is the holder a FSC-endorsed chain-of-custody certificate or expressly covered under the FSC CoC certificate of another entity, through an “outsourcing” agreement. And more specifically, it is presently the case that very few if any of the independent logging

companies that buy State Forest timber sales and then resell the wood to processing facilities hold FSC CoC certificates or even know that they need to hold a certificate if the wood is to still be certified when it reaches the processing facilities.

Despite the potential risk of a disruption in the FSC certified supply chain due State Forest wood being owned or controlled by parties not holding or being duly covered by a valid FSC chain-of-custody certificate, Wisconsin DNR's CoC obligations are limited to:

- Adding WI DNR's certification registration number (SCS-FM/COC-00070N) to the timber sale contract and/or sale prospectus
- Effectively notifying all purchasers of State Forest timber sales that maintaining the FSC-certified status of the procured products requires each and every owner of the product, from severance at the stump onward, to hold valid FSC-endorsed chain-of-custody certificates
- Upon request from SCS, making available the following timber sale information: purchaser's name and contact information, species and volume sold, date of sale
- Notifying SCS and/or the FSC of any instances when a purchaser of State Forest timber (not holding a valid FSC-endorsed chain-of-custody certificate) uses the FSC logo
- Maintaining timber sale records for at least 5 years.

SCS remains committed to supporting the DNR, as best we can, in efforts to facilitate the process of assuring that purchasers of State Forest timber obtain (or be covered by) a valid chain-of-custody certificate.

3.2 GENERAL DISCUSSION OF STATUS OF CORRECTIVE ACTION REQUESTS

Table 1, below, lists the Corrective Action Requests (CARs) issued in conjunction with the award of certification in May 2004 (all of which were open at the commencement of this surveillance audit), the SCS audit team's assessment of DNR's response to the CARs, and the disposition of the CARs as a result of actions that have been taken, to date, by DNR.

As a result of this first surveillance audit, the audit team has closed one CAR (2003.1, and kept the remaining CARs open, to be examined at the next surveillance audit. None of the remaining open CARs had a due date on a before the date of the 2004 surveillance audit. Some of the remaining open CARs will be due at the time of the 2005 surveillance audit while others are not due until the 2006 surveillance audit.

General Comments:

WORKING GROUP: In terms of a logistical response to the nine CARs that became effective in May 2004, we take positive note of the fact that DNR has established a Forest

Certification Working Group comprised of approximately 8 employees representing all levels of the organization and both field and headquarters units. This Working Group is responsible for designing and proposing the corrective actions that will be undertaken and monitoring the pace of progress in completing these actions. While it is the Working Group that is tasked with development of response strategies and actions, it is the Forest Leadership Team (FLT) that makes the final decisions and approvals required before actions are actually undertaken. Thus, the pace and adequacy of response to the nine CARs fundamentally is dictated by the level of commitment exhibited by the FLT.

While the SCS auditors consider the establishment of the Forest Certification Working Group to be a very appropriate and helpful development, we note that at the time of the surveillance audit, only one meeting of the Working Group had been held (on September 1st) not yet been held and a second meeting had not yet been scheduled. We note that at the first meeting, the planned frequency of future meetings was discussed and that either bi-monthly or quarterly meetings were being considered. We encourage the Working Group to meet as frequently as possible as the audit team is not, at present, fully confident that adequate progress will be made within the stipulated time frames unless the pace of activity is accelerated.

GENERAL PACE OF PROGRESS IN ADDRESSING THE CARs: As is discussed in more detail and rather repetitively in Table 1, below, the progress in addressing the CARs as of the date of this surveillance audit (early October) was limited to establishment of a Working Group and the formulation of sets of recommended actions for each CAR. Generally, it is the audit team's assessment that these recommendations, if promptly and earnestly acted upon, will provide a good foundation for demonstrating adequate conformance to the CARs. But the key to a positive 2005 annual audit is that DNR indeed acts upon the Working Group's recommendations, to a degree and extent that demonstrates substantive progress. While we would not expect linear progress from month-to-month in clearing the CARs, it is our clear sense that the pace pursued during the first five months since award of certification will have to be substantially accelerated from October 2004 to June/July 2005, if there is to be a reasonable likelihood of closing the CARs within the stipulated time frame. We encourage the FLT to make the endorsement and implementation of these recommendations of the highest priority.

REVISED DUE DATE FOR CLOSING THE CARs: Most of the nine CARs stipulate a due date tied to the first annual audit after award of certification. Notably, this surveillance audit does not constitute that "first annual audit after award of certification." The reason is that, per FSC requirements, this surveillance audit is timed to be roughly one year after the last time the audit team was in the field, which as in October 2003 during the full certification evaluation. But, importantly, the actual award of certification was some 6 months later, in May 2004. It is this date, May 2004, to which the timing of the CARs is tied.

But to assure that the "first annual audit after award of certification" takes place as close as possible to the anniversary date, SCS concludes that the 2005 annual/surveillance audit should take place in June or July rather than September/October. This was conveyed

orally to DNR during the field component of this surveillance audit and, here, that decision is being formally conveyed to DNR.

In summary, DNR should be working to close the CARs under the time frame that it demonstrates to SCS the adequacy of its corrective actions at the time of the 2005 annual audit, in June or July, 2005.

TABLE 1: SUMMARY, CURRENT STATUS OF THE 2003 WISCONSIN DNR CORRECTIVE ACTION REQUESTS¹

CAR 2004.1: Implement Advice from DNR Attorneys re Standard Contract Language
Within 4 months of award of certification, DNR must complete a consultative process with departmental attorneys regarding the statutory authority to modify the standard timber sale contract language to include express terms stating that contractors must comply with all applicable worker safety and labor relations (e.g., collective bargaining) regulations. A memorandum must be conveyed to SCS summarizing the legal opinion and, if appropriate, the standard contract language must be modified within two months of the date of the memorandum submitted to SCS.
DNR Actions/Auditor Observations:
The audit team was informed that a revision to the standard timber sales contract was completed in June 2004. A copy of the revised contract was conveyed to the auditors and we were able to confirm the revision to Clause 31 to now read: “This contract shall be governed by the laws of the State of Wisconsin. The Purchaser shall at all times comply with all federal, state and local laws, ordinances and regulations in effect during the period of the contract.”
The auditors conclude that this revision to the standard timber sale contract constitutes adequate conformance to this CAR.
Status at the conclusion of this surveillance audit:
This CAR is being closed as a result of this surveillance audit.
CAR 2004.2: Institute Tactical-Level Mechanisms for Stakeholder Input
Over the course of the first year after award of certification, DNR must undertake an assessment of new or expanded mechanisms for soliciting stakeholder input with regard to decisions not addressed in the Master Plans or for providing mid-iteration input on Master Plan-level decisions on state forest units with Master Plans older than 5 years.
DNR Actions/Auditor Observations:
The Working Group has recommended that each State Forest include a procedure in their master planning process similar to what has been instituted on Brule River. The Working Group has also recommended that the Department prepare plan amendments addressing stakeholder consultation for those properties (units) that are not currently working on new master plans. The Working Group has also identified two potential hurdles that will need to be overcome: 1) central office web support to update and maintain stakeholder consultation information for each Forest, 2) providing guidance to property managers on how to prepare master plan amendments and getting them approved.
Auditor Assessment: We believe that the two-tiered general approach (for units presently developing new master plans, to emulate the approach employed on Brule River and, b) for units not presently developing

¹ The primary sources of information as to the status of DNR’s ongoing response to the 9 CARs were: a) the document entitled *State Forest Certification Execution* that was conveyed to the audit team on October 11th and, b) oral discussions with key DNR personnel such as Bob Mather, Paul Pingrey and Teague Prichard.

new master plans, to incorporate tactical stakeholder consultation procedures via plan amendments) to be a reasonable response to the CAR. We note that the interim procedures via plan amendments will be necessary for the majority of the state forest units, as only a few are presently at an advanced point in the master planning process. Most importantly: unless the pace of progress in addressing this CAR is accelerated above the rate pursued from May to October, the audit team is doubtful that DNR will be able to meet the stipulated time frame for this CAR.

Status at the conclusion of this surveillance audit:

This CAR is not yet due and, as such, is being kept open with the expectation that it can be closed out as part of the 2005 surveillance audit. DNR will need to accelerate the pace at which it strives to close this CAR.

CAR 2004.3: Take Actions to Accelerate the Rate of Reduction of the RECON Backlog

By the time of the first annual audit after award of certification, DNR must develop and make substantial progress in implementing an *action plan* for accelerating the rate by which the RECON backlog is reduced. Thirty-days prior to the first annual audit, DNR shall submit to SCS a brief status report on progress made in eliminating the RECON backlog.

DNR Actions/Auditor Observations:

The Working Group has formulated 4 recommendations for responding to this CAR:

- The central office will need to compile a summary report for each State Forest pertaining to the status of recon activities (the WG notes that apparently no such status report covering the recon issue has developed in the past)
- The Department needs to prioritize which backlog issues will receive attention and resources, within staffing and contracting constraints
- The Department will need to seek funding to establish a CFI program on the State Forests
- DNR will need to address collective bargaining issues related to contracting for services performed by Department employees, services that will need to be completed if the backlog is to be eliminated

Auditor Assessment: We see these recommended actions to be reasonable as a foundation for addressing and closing this CAR. But as of the time of this audit, these are no more than recommendations. Of overriding importance, then, is that these recommendations need to be endorsed and acted upon by the FLT at the earliest possible time if DNR is to be able to demonstrate adequate response to this CAR at the time of the 2005 annual audit, in June or July. At the pace taken from May to October, we are not confident that DNR will be able to close this CAR in the stipulated time frame.

Status at the conclusion of this surveillance audit:

This CAR is not yet due and, as such, is being kept open with the expectation that it can be closed out as part of the 2005 surveillance audit. DNR will need to accelerate the pace at which it strives to close this CAR.

CAR 2004.4: Explore Opportunities for Greater Attention to Road Maintenance

Over the first year after award of certification, DNR must undertake a focused inquiry into opportunities for enhancing the overall level of maintenance on the state forest road network. As part of this inquiry and follow-up actions, DNR must develop written and preferably quantitative guidelines for defining the limits of acceptable rutting on roads and trails. A brief report on progress made must be conveyed to SCS prior to the first annual audit.

DNR Actions/Auditor Observations:

As of the date of the surveillance audit, the Working Group had formulated four recommendations for addressing this CAR:

- Develop a GIS layer for roads and related attributes
- Develop, *as amendments to the master plans*, road access plans for each State Forest; develop a plan to complete these road access plans by June 30, 2007

- That the Office of Science Services prepare an FLT issue brief establishing a plan and schedule for revising the BMPs, for instance to more effectively defining the limits of acceptable rutting and soil compaction
- Seek sufficient funding in the budget process to maintain the road network on the State Forests.

Auditor Assessment: We believe that the four recommend actions, *if implemented*, will provide a sufficient basis upon which this CAR can be closed at the time of the 2005 annual audit. While not as aggressive as might be considered optimal, we consider the proposed time frame for completing the road access plans (middle of 2007) to be workable. We assume that the time frame for completing the revision to the BMPs to be no longer than the time frame for completing the road access plans. Conceptually, however, it would seem to make more sense if the BMPs were revised prior to rather than concurrent with completion of the road access plans.

But, as with the other CARs, much needs to be done between now and the 2005 annual audit (in June or July) in order for this CAR to be closed out on time. The first “critical path” action is for the FLT to endorse the Working Group’s recommendations and to provide the direction to the appropriate staffs necessary for getting the work completed or substantially undertaken if not fully completed.

The pace of progress in addressing this CAR will need to be accelerated between now and June 2005 if this CAR is to be closed by the stipulated due date.

Status at the conclusion of this surveillance audit:

This CAR is not yet due and, as such, is being kept open with the expectation that it can be closed out as part of the 2005 surveillance audit.

Note: Even though this CAR uses the term “over the first year after award of certification,” the operative due date for closing this CAR is the 2005 annual audit, which will take place in June or July.

CAR 2004.5: Institute Interim Measures for Maintaining Currency of Operational Components of the Master Plans

By the time of the first annual audit after award of certification, DNR must make substantial progress in developing and implementing protocols for updating key operational components of the Master Plans for state forest units that will not be undergoing a full re-planning within the next 5 years.

DNR Actions/Auditor Observations:

As of the date of this surveillance audit (early October), the Working Group had formulated the following recommendations for addressing this CAR:

- Develop procedural guidance to field units on how to amend master plans
- Find ways to jump-start the master planning process by hiring and/or contracting sufficient personnel for assessments and master plan writing
- Streamline the master planning procedures
- Establish a realistic schedule for updating the master plans
- Prepare an issue brief for FLT to assure this matter is not overlooked.

Auditor Assessment: We believe that these recommendations, if fully and promptly implemented, could form an adequate foundation for closing out the CAR within the stipulated time frame. That is, we believe that a process of developing master plan amendments can serve as a reasonable mechanism for establishing the currency of master plans that will not be undergoing full revision for the foreseeable future. Notably, the CAR requires “substantial progress” in addressing the problem of out-of-date master plans, rather than actually completing the new plans.

As with the other CARs, these or equivalent recommendations need to be endorsed and acted upon by the FLT at the earliest possible time if there is to a reasonable likelihood that DNR can demonstrate “substantial progress” by June, 2005.

Status at the conclusion of this surveillance audit:

This CAR is not yet due and, as such, is being kept open with the expectation that it can be closed out as part

of the 2005 surveillance audit. DNR will need to accelerate the pace at which it strives to close this CAR.

CAR 2004.6: Take Steps to Assure that Employees of Logging Companies Receive Adequate Training

Over the first year after award of certification, DNR must develop—in collaboration with its logging contractors and other relevant organizations—mechanisms or programs aimed at improving the overall level of BMP and safety training received by woods workers (i.e., employees of logging contractors).

DNR Actions/Auditor Observations:

As of the date of the surveillance audit (early October), the Working Group had formulated the following recommended actions:

- Establish a new policy in which there is a preference (or perhaps a requirement) that all timber sale bidders have undergone FISTA training
- Require or encourage that FISTA training be extended to all workers on harvest sites, not just one on-site operator
- Create a statewide database for timber sale contractor performance warnings and penalties to make sure that forest unit managers are aware of contractor problems that may have occurred on another unit
- Encourage and perhaps provide funding so that the subject matter scope of FISTA training is expanded to include “more silvics, road building/design and other critical needs.”
- Post information about the pilot study (?) to require certain prerequisites to qualify to bid on timber sales
- Develop rewards or other incentives for loggers to complete training programs
- Establish a voluntary professional logger registry

Auditor Assessment: It is our sense that any and all of this laundry list of recommended actions will contribute to a demonstration of conformance to this CAR. At the time of the 2005 annual audit, we are hopeful that DNR will have been successful in implementing many if not all of these recommendations. The notion of mandating FISTA training for all woods workers rather than just the owner/contractor, in conjunction with expanding the subject matter scope of FISTA training, strikes us as the single most effective means for achieving a higher level of awareness of BMP and safety considerations on the part of all woods workers. Clearly, DNR will have to be energetic in pursuing these or other courses of action between now and next June/July.

Status at the conclusion of this surveillance audit:

This CAR is not yet due and, as such, is being kept open with the expectation that it can be closed out as part of the 2005 surveillance audit. DNR will need to accelerate the pace at which it strives to close this CAR.

Note: Even though this CAR uses the term “over the first year after award of certification,” the operative due date for closing this CAR is the 2005 annual audit, which will take place in June or July.

CAR 2004.7: Begin to Assess Performance Against DNR’s “Criteria & Indicators of Sustainable Forest Management”

By the time of the first annual audit after award of certification, DNR must make substantial progress in designing and implementing protocols for annually assessing management of the State Forests against its own Criteria and Indicators of Sustainable Forest Management.” DNR must take all actions within its control aimed at having the protocols fully operational by the time of the second annual audit, with a fully functional assessment report issued by the time of the third annual audit after award of certification.

DNR Actions/Auditor Observations:

As of the date of the surveillance audit (early October), the Working Group had formulated the following recommended actions:

- Key central office staff should evaluate and compile related to the DNR’s criteria and indicators
- Develop a template that Regions and Units can use to measure performance against the C&I; provide

<p>guidance as to which C&I should be measured at the Region level and which should be measured at the Unit level</p> <ul style="list-style-type: none"> • Consider the use of employee performance evaluations as another means for measuring performance against the C&I; better document—at least for the benefit of the certification auditors—what performance evaluations entail. <p>Auditor Assessment: If endorsed by the FLT and supported with sufficient direction and supporting resources, it is our sense that these recommendation can lead to closure of this CAR at the time of the June 2005 annual audit. Notably, the measuring stick for adequate conformance is to “make substantial progress” rather than completing a process for measuring Departmental performance against its own C&I. It is expected that a fully operational system would not be in place until the time of the 2006 annual audit. But, clearly, the pace will need to be accelerated between now and June/July 2005 if DNR is to be successful in demonstrating “substantial progress.”</p>
<p>Status at the conclusion of this surveillance audit:</p> <p>This CAR is not yet due and, as such, is being kept open with the expectation that it can be closed out as part of the 2005 surveillance audit. DNR will need to accelerate the pace at which it strives to close this CAR.</p>

<p>CAR 2004.8: Demonstrate a Commitment to Implementing DNR’s Policies on Master Plan Monitoring</p> <p>By the time of the first annual audit after award of certification, DNR must make substantive progress in implementing its existing policies on Master Plan monitoring. Prior to the first annual audit, DNR must convey to SCS a briefing report on steps taken and progress made in making the Master Plan monitoring process fully operational.</p>
<p>DNR Actions/Auditor Observations:</p> <p>As of the date of the surveillance audit (early October), the Working Group had formulated the following recommended actions:</p> <ul style="list-style-type: none"> • Expand the current financial audit practices to include overall master planning; as necessary, develop a funding initiative to support this work • Establish a template for State Forest annual reports • Tie the annual reporting to annual State Forest meetings/open houses <p>Auditor Assessment: It is our sense that the recommended actions, if duly implemented, will provide an adequate foundation upon which DNR can demonstrate conformance to this CAR, thereby enabling SCS to close this CAR. We note, however, that each of the recommended actions requires potentially considerable investment in staff resources; as well, it would be helpful if a lead person is designated for each action that the FLT elects to pursue. We also note that due to budget and staff reductions, the Bureau of Finance within the Department will no longer be doing the annual financial audits. This begs the question: who will do the expanded financial audits, per the first of the Working Group’s recommendations?</p>
<p>Status at the conclusion of this surveillance audit:</p> <p>This CAR is not yet due and, as such, is being kept open with the expectation that it can be closed out as part of the 2005 surveillance audit. DNR will need to accelerate the pace at which it strives to close this CAR.</p>

<p>CAR 2004.9: Develop a Written Crosswalk between HCVF Requirements found in P.9 and DNR’s Approach to Identifying and Managing Areas of High Conservation Value</p> <p>To be completed by the time of the first annual audit after award of certification, DNR must develop a written cross-reference guide (i.e., a “crosswalk”) that provides an express description of how DNR conforms to each of the affirmative analytical and consultative requirements concerning forest areas of high conservation value, as set forth in Principle 9 of the FSC Lake States Regional Standard. The written cross-reference guide is to be posted on the DNR web-site upon its completion.</p>
<p>DNR Actions/Auditor Observations:</p> <p>As of the date of the surveillance audit (early October), the Working Group had formulated the following</p>

recommended action:

- Joe Kovach to work with Teague Prichard to develop a cross-reference guide

Auditor Assessment: We have no problem with the recommended action, as far as it goes. In that the scope of this CAR is narrower than all but one of the other CARs, we consider the limited extent of recommended actions formulated by the Working Group to be nonetheless sufficient. However, there is a need to assign responsibility for assuring that the completed cross-reference guide is posted on the DNR web site.

In that no substantive action had been undertaken on this CAR as of early October, it stands to reason that DNR must accelerate the pace of progress in addressing this CAR between now and June, 2005. As J. Kovach and T. Prichard begin to take on this task, we encourage either or both of them to get in touch with the SCS Lead Auditor if there are any questions as to the form and content of the requested cross-reference guide.

Status at the conclusion of this surveillance audit:

This CAR is not yet due and, as such, is being kept open with the expectation that it can be closed out as part of the 2005 surveillance audit. DNR will need to accelerate the pace at which it strives to close this CAR.

3.2 CERTIFICATION DECISION

In the judgment of the SCS auditors, DNR's management of the Wisconsin State Forests remains in general conformance with the standards of certification (the FSC Lake States Regional Standards) and what is broadly expected of forest operations endorsed by the FSC. While there remain 8 open CARs, this surveillance audit was conducted just 5 months after formal award of certification and, as such, it was not expected that these CARs would be closed as part of this audit. Most importantly, the SCS auditors are satisfied with the general direction that has been proposed (by the Forest Certification Working Group) for addressing the CARs but we are not fully comfortable with the pace by which DNR has thus far acted upon the direction recommended by the Working Group. But, the fact is that the CARs are not yet due and there remains roughly a half year in which DNR can accelerate the pace of progress.

Accordingly, it is the judgment of the SCS auditor that the certificate held by the Wisconsin Department of Natural Resources for the management of the Wisconsin State Forest System (SCS-FM/CoC-00070N) should be continued, subject to subsequent annual surveillance audits, with the next audit being the 2005 annual audit to be held in June or July.