

## **2008 Project Abstract**

For the Period Ending June 30, 2010

**PROJECT TITLE:** Completing Third-Party Certification of DNR Forest Lands

**PROJECT MANAGER:** Rebecca Barnard (*originally Andrew Arends*)

**AFFILIATION:** Forest Certification Coordinator, MN DNR – Division of Forestry

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**WEBSITE:** [www.dnr.state.mn.us/forestry/certification/index.html](http://www.dnr.state.mn.us/forestry/certification/index.html)

**FUNDING SOURCE:** Environment and Natural Resources Trust Fund

**LEGAL CITATION:** ML 2005, First Special Session, Chp. 1, Art. 2, Sec. 11, Subd. 09(a) and ML 2007, Chapter 30, Sec. 2, Subd. 16. Carryforward (b) The availability of the appropriation for the following project is extended to June 30, 2009: (1) Laws 2005, First Special Session chapter 1, article 2, section 11, subdivision 9, paragraph (a), completing third-party certification of DNR forest lands; ML 2009, Chp.143, Sect. 2, Subd. 16 Carryforward The availability of the appropriation for the following project is extended to June 30, 2010: Laws 2005, First Special Session chapter 1, article 2, section 11, subdivision 9, paragraph (a), completing third-party certification of DNR forest lands; as extended by Laws 2007, chapter 30, section 2, subdivision 16.

**APPROPRIATION AMOUNT: \$250,000**

### **Overall Project Outcome and Results**

Forest Certification is a voluntary, independent, third-party verified process that evaluates and recognizes sustainable, responsible forest management and procurement practices. In response to increasing market demand for sustainable forestry and forest products, Minnesota DNR determined its forests needed certification in order to meet this demand and provide other benefits such as improved forest management practices, improved water resource protection, expanded forest products markets, and enhanced fish, wildlife, and native plant communities. DNR pursued forest certification through two internationally recognized Forest Certification systems: the Forest Stewardship Council (FSC) and the Sustainable Forestry Initiative (SFI).

To become certified, certificate holders must undergo an initial assessment, followed by mandatory annual surveillance audits that are checked against FSC and SFI standards to ensure ongoing compliance and maintain certification. Via a competitive bidding process, Minnesota hired Scientific Certification Systems (SCS) to conduct the FSC and SFI audits. Over the course of its assessments and audits, SCS consistently determined that the DNR is practicing sustainable, responsible forestry and generally, is in conformance with the FSC and SFI standards, totaling over 160 specific criteria for management.

As a result, MN DNR was successful in achieving the project goal of obtaining dual (FSC and SFI) forest management certificates for all DNR Forestry and most Wildlife administered lands in December of 2005. Through annual audits, MN DNR has successfully maintained dual certification and currently manages 4.9 million acres of certified lands. To date, this remains the largest single FSC certificate in the U.S., and until 2007 was the seventh largest FSC certificate in the world.

Minnesota DNR believes that Forest Certification has helped ensure strong markets for state-owned timber while also maintaining the economic vitality of many of Minnesota's forest dependent rural communities. Forest Certification has reportedly provided a strategic marketing advantage for Minnesota's certified forest products. Additionally, Forest Certification has led to improved forest management practices; a sustainable supply of forest products and services from healthy, diverse and productive ecosystems; an added focus on the identification and protection of rare species/communities; and increased interdisciplinary coordination and communication.

## **Project Results Use and Dissemination**

Minnesota DNR's Forest Certification project has attracted great attention from internal and external stakeholders. To comply with Forest Certification requirements, Minnesota DNR's FSC and SFI Certificates, in addition to the audit reports, are available on the DNR's Forest Certification website @ [www.dnr.state.mn.us/forestry/certification/index.html](http://www.dnr.state.mn.us/forestry/certification/index.html).

Due to the complexity and general lack of awareness of Forest Certification among the general public, numerous "Fact Sheets," briefing documents, newsletter articles, and general informational publications have also been produced and distributed to internal staff and/or external stakeholders. In some cases, these are also available on DNR's website.

Since initially pursuing dual certification in 2005, Minnesota DNR's Forest Certification Coordinator and other members of the Forest Certification Implementation Team (FCIT) have attended and presented a great number of conferences, stakeholder meetings, workshops, field tours, training sessions, etc. Over the course of the last five years, it is likely that several thousands, if not more, people have been reached via the methods described above.

More recently, Minnesota DNR has been closely engaged in the FSC and SFI Standard revision process. Minnesota DNR, along with other partners, has submitted extensive comments on the SFI and FSC Standard revisions and has also participated in several conference calls, face-to-face meetings, and in a field test of the newly proposed FSC National Standard. Through these efforts, Minnesota DNR has reached many more people and stakeholder groups, either directly or indirectly.

### **Supplementary Materials (available on DNR's website or upon request):**

- FSC and SFI Forest Management Certificates for 2005-2010 (*website*)
- FSC and SFI Assessment and Annual Audit Reports (*website*)
- Map of Certified Forestlands in Minnesota (*website*)
- DNR's Internal Audit Team Reports (*upon request*)
- Minnesota DNR CAR Response (*upon request*)
- Issue "Fact Sheets" (*upon request*)
- Presentations (*upon request*)
- General Publications, Newsletter Articles, etc. (*various sources – upon request*)

## **Trust Fund 2005 Work Program Final Report**

**Date of Report:** August 16, 2010

**Final Report**

**Date of Work program Approval:** June 14, 2005

**Project Completion Date:** June 30, 2010

### **I. PROJECT TITLE:** Completing Third-Party Certification of DNR Forest Lands

**Project Manager:** Rebecca Barnard (*originally Andrew Arends*)

**Affiliation:** Forest Certification Coordinator, MN DNR – Division of Forestry

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#### **Location:**

Minnesota Department of Natural Resources (DNR) Division of Forestry and Division of Fish and Wildlife-administered forest lands (i.e., 4.9 million acres), excluding those in the Prairie Parkland region (SW MN). See map on page 5. An additional 430,000 acres were added to this project due to a recalculation of the number of acres the DNR manages in areas of multiple land-use categories and layered administration. The DNR's FSC and SFI certificates reflects these additional acres.

**Total Biennial LCMR**

**Project Budget:**

**LCMR Appropriation:**

**Minus Amount Spent:**

**Equal Balance:**

**\$250,000** (original)

**\$250,000**

**\$0**

#### **Legal Citation:**

ML 2005, First Special Session, Chp. 1, Art. 2, Sec. 11, Subd. 09(a) and ML 2007, Chapter 30, Sec. 2, Subd. 16. Carryforward (b) The availability of the appropriation for the following project is extended to June 30, 2009: (1) Laws 2005, First Special Session chapter 1, article 2, section 11, subdivision 9, paragraph (a), completing third-party certification of DNR forest lands; ML 2009, Chp.143, Sect. 2, Subd. 16 Carryforward The availability of the appropriation for the following project is extended to June 30, 2010: Laws 2005, First Special Session chapter 1, article 2, section 11, subdivision 9, paragraph (a), completing third-party certification of DNR forest lands; as extended by Laws 2007, chapter 30, section 2, subdivision 16.

#### **Appropriation Language:**

Completing Third-Party Certification of DNR Forest Lands

\$125,000 the first year and \$125,000 the second year are from the trust fund to the commissioner of natural resources for third party assessment and certification of 4,470,000 acres of DNR administered lands under forest sustainability standards established by two internationally recognized forest certification systems, the Forest Stewardship Council system and the Sustainable Forestry Initiative system.

**2007 Appropriation Language:**

(1) Laws 2005, First Special Session chapter 1, article 2, section 11, subdivision, paragraph (a), completing third-party certification of DNR forest lands;

**2009 Appropriation Language:**

(1) Laws 2005, First Special Session chapter 1, article 2, section 11, subdivision 9, paragraph (a), completing third-party certification of DNR forest lands; as extended by Laws 2007, chapter 30, section 2, subdivision 16

**II. & III. FINAL PROJECT SUMMARY*****Project Background / Context:***

Forest Certification is a voluntary, independent, third-party verified process that evaluates and recognizes sustainable, responsible forest management and procurement practices. In response to global competition and markets that were increasingly demanding assurances that wood products came from sustainably managed forests, Minnesota-based major forest product companies and consumers sent the State a clear message: Minnesota DNR must certify its forests to help maintain the competitiveness of the state's forest industry by providing forest product companies with a stable supply of certified fiber.

Given this, Minnesota DNR viewed Forest Certification as a tool to help ensure strong markets for state-owned timber, thereby maintaining DNR's ability to effectively and sustainably manage its forests, while also maintaining the economic vitality of many forest dependent rural communities. Minnesota DNR also anticipated that successful completion of a third party audit and certification of DNR forest lands would improve DNR's forest management practices and efficiency, protect Minnesota's water resources, expand markets for forest products, document professional forest management by DNR personnel, and enhance wildlife, fish, and native plant communities.

***Major Project Objectives:***

In response to the increased demand for certified products and the messages received by various stakeholders, Minnesota DNR pursued dual certification through two major internationally recognized Forest Certification systems: the Forest Stewardship Council (FSC) and the Sustainable Forestry Initiative (SFI). Additionally, Minnesota DNR sought to develop an internal auditing team for the purposes of continual self improvement and evaluation.

***General Project Methods:***

To become certified, certificate holders must undergo an initial assessment, followed by mandatory annual surveillance audits. These audits, conducted by accredited auditing firms, are an essential element in maintaining a Forest Certification program in that they add credibility and accountability to the certification process. During the audits, auditors review a wide breadth of forest management activities and internal policies and procedures. Often, both external and internal stakeholders are interviewed. These observations are then measured against the FSC and SFI Standards. Once the audit findings are finalized, the certificate holder is provided with a written copy of the audit report. Corrective action requests (CAR's) are assigned for identified compliance gaps or inconsistencies in policy or implementation. The organization seeking Forest Certification or striving to maintain their

certificate must respond to, and correct, each compliance gap within the time-frame allowed, generally 3 months to 1 year.

Via a competitive bidding process, Minnesota hired Scientific Certification Systems (SCS) to conduct the FSC and SFI audits. An initial scoping assessment was conducted in July of 2005, followed shortly by the actual assessment audit in October of 2005. In total, over 120 timber sales, development projects, segments of road and trail systems, wildlife habitat projects, and other forest management activities were inspected during the assessment audit. These sites were randomly selected across the state by SCS. In addition to looking at forest activities, SCS interviewed DNR staff, met with DNR stakeholders, and reviewed volumes of planning documents. During the subsequent annual audits, SCS reviewed Minnesota DNR's response to standing CARs, inspected a smaller subset of on-the-ground forest management activities in several geographic locations across the state, and spoke with key stakeholders. Although Minnesota DNR has been assigned numerous CARs since first becoming certified in 2005, SCS consistently determined that the DNR is practicing sustainable, responsible forestry and generally, is in conformance with the FSC and SFI standards, totaling over 160 specific criteria for management.

#### ***Primary Project Results:***

MN DNR was successful in achieving the project goal of obtaining dual (FSC and SFI) forest management certificates for all DNR Forestry and most Wildlife administered lands in December of 2005. Through annual audits, MN DNR has successfully maintained dual certification and currently manages 4.9 million acres of certified lands. To date, this remains the largest single FSC certificate in the U.S., and until 2007 was the seventh largest FSC certificate in the world.

For Minnesota DNR, the assessment and annual surveillance audits have served as an important continuous process improvement and positive learning tool for the Department and staff. In addition to the external audits, Minnesota DNR was successful in establishing an Internal Audit Team (IAT), developing an auditing process, and recruiting and training twenty five internal DNR staff to serve as internal auditors. These internal audits provide a mechanism for self-evaluation and improvement.

#### ***Overall Project Significance:***

Minnesota DNR believes that Forest Certification has helped ensure strong markets for state-owned timber, thereby preserving DNR's ability to effectively manage Minnesota's forests, while also maintaining the economic vitality of many of Minnesota's forest dependent rural communities. In tough economic times, Forest Certification has also reportedly provided a strategic marketing advantage, thereby helping to improve the market competitiveness of Minnesota's certified forest products.

For the DNR itself, Forest Certification has led to improved forest management practices; a sustainable supply of forest products and services from healthy, diverse and productive ecosystems; an added focus on the identification and protection of rare species/communities; and increased interdisciplinary coordination and communication. Maintaining Forest Certification also adds credibility to DNR's forest management practices and demonstrates DNR's dedication to sustainable and responsible natural resource management. The result is greater stakeholder support and recognition for forest management.

#### **IV. OUTLINE OF PROJECT RESULTS:**

##### **Result 1:** Assessment and dual certification of DNR forest lands

###### **Description:**

Completed an assessment of 4.9 million acres of DNR-administered forest lands by independent FSC and SFI certified auditors. The assessments included examination of Minnesota DNR forest management policies and practices through field and office inspections. Data compiled during the assessments determined if the DNR's forest management met the demanding criteria set forth by FSC and SFI, and whether a recommendation for certification could be made. An annual fee was paid to SFI for calendar year 2005 to remain a program participant and gain certification. Would DNR forest management have failed to meet FSC and SFI criteria, the DNR would have needed to re-examine its forest management and make improvements prior to being re-inspected. Minnesota DNR donated staff time to assist the audit teams. Estimated cost of assessment based upon competitive RFP completed by DNR in the spring of 2005.

###### **Summary Budget Information for Result 1:**

<b>LCCMR Budget:</b>	<b>\$104,762.00</b>
<b>Balance:</b>	<b>\$0</b>

**Completion Date:** January 31, 2006

###### **Final Report Summary:**

Successfully completed certification assessment. Dual (SFI and FSC) certification was awarded to the DNR on December 31, 2005. Each certificate indicates that the DNR practices sustainable forest management on 4.9 million acres of state administered forest lands.

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##### **Result 2:** Annual FSC and SFI certification audits of DNR forest lands

###### **Description:**

Completed FSC and SFI required annual audits on 4.9 million acres of DNR administered forest lands. The annual audits ensure progress is being made and standards are being met during the life of the FSC and SFI certificates. Additionally, to retain FSC and SFI certification, annual fees must be paid directly to FSC and SFI. Estimated annual audit costs based upon results of competitive RFP completed by DNR in the spring of 2005. The first of four annual audits was successfully completed in fall of 2006 and the last in fall of 2009.

###### **Summary Budget Information for Result 2:**

<b>LCMR Budget:</b>	<b>\$127,244.72</b>
<b>Balance:</b>	<b>\$0</b>

**Completion Date:** Annually. Last annual audit completed by December 2009.

**Final Report Summary:** The DNR successfully underwent four annual audits during each year between 2006-2009. The final audit reports from each annual audit confirm that the DNR has continued to practice sustainable forestry.

To conduct the assessment and annual audits, the DNR hired Scientific Certification Systems (SCS) via a competitive bidding process. SCS audited the DNR by evaluating forest management activities during the field portion of the audits and reviewing the DNR's responses and efforts taken to address previously assigned corrective action requests (CARs) during the office portion of the audits. CARs are issued to identify areas of the DNR's resource management that could be improved to meet Departmental goals/policies or to come into conformance with the FSC or SFI certification standards. CARs ensure continual improvement and in the DNR's case, efforts taken to address CARs have led to improvements in the DNR's forest management practices, interdisciplinary approach, monitoring systems, and documentation processes.

In order to maintain its dual certification, certificate holders are required to respond to each CAR, take steps to correct the non-conformance, and successfully close the CAR by the following annual audit or in some cases, sooner. Although the DNR was assigned multiple corrective action requests (CARs) as a result of each annual audit, overall, the DNR was found to be in conformance with the standards and was therefore permitted to retain its SFI and FSC certification each of the five years since 2005.

After being engaged and learning more about Forest Certification and the FSC and SFI Standards, Minnesota DNR decided to remove about 13,000 acres of agricultural leases and cooperative farming agreements from its FSC certificate. These acres are currently not forested and are not intended to function as forests in the future. Most of the acres serve as wildlife food plots and cropland. Removing these acres from the DNR's FSC Certificate enabled farmers who rent/lease these lands to consider a broader range of management options that would otherwise be prohibited according to the FSC Standard and policies. This change was seen as a positive change by the DNR and outside stakeholders.

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**Result 3:** Training and implementation of internal auditing of the DNR's forest management.

**Description:** One of the hallmarks of a professional self-improving third-party audit process is to conduct an internal audit(s). The FSC and SFI programs encourage participants to conduct annual internal audits. Internal auditing proficiency was instituted through the training of select DNR staff by a qualified auditing consultant. The consultant provided the DNR specialized auditing training regarding the two forest certification programs, auditing techniques, responding to audit findings, and other auditing activities.

**Summary Budget Information  
for Result 3:**

<b>LCMR Budget :</b>	<b>\$17,993.28</b>
<b>Balance</b>	<b>\$0</b>

**Completion Date:** June 30, 2007

**Final Report Summary:** In response to a CAR, the DNR initiated an Internal Audit Team (IAT) for the purposes of self-evaluation and assessment. Internal audits aid an organization by identifying policies or procedures that require alteration to meet a set of standards or to increase their effectiveness. The internal audit findings also generally improve communication and understanding of resource management decisions and policies. For

Minnesota DNR, these benefits have been realized. In addition, DNR's IAT has helped continue to familiarize DNR staff to forest certification and keep forest certification as a portion of DNR staff's daily workload. For the DNR, this internal auditing component has complimented the annual third-party surveillance audits by helping the DNR identify and self-correct issues that need improvement and evaluate the Department's ability to implement its own policies and procedures, prior to DNR's external audits.

Between spring of 2006 and summer of 2007, the DNR developed an RFP and selected Gartner Lee Limited, an environmental consulting firm, to conduct specialized auditor training and provide the DNR with auditing materials and forms. A total of twenty-five DNR employees were identified to serve as internal auditors and received specific auditor training on proper audit techniques, audit ethics, interviewing skills, and how to audit to the FSC and SFI certification standards. DNR then wrote internal auditing procedures for use during the internal audits.

Since starting its internal auditing program in 2007, the DNR has conducted three years of internal audits. Each year, three or four DNR Forestry and one Wildlife Areas have been internally audited. The findings are reported to senior managers and the Department's third-party auditors. Corrective steps have been taken where necessary.

Although the initial project mentioned selecting a lead auditor who would receive additional training from Gartner Lee Limited, due to workload and staffing issues, the DNR decided this position was not necessary. Rather, the Forest Certification Coordinator was identified and has filled this role.

As Minnesota DNR has gained more experience in conducting internal audits and reporting the findings, several steps have been taken to strengthen DNR's Internal Audit Team (IAT) and process. IAT members worked closely with the Forest Certification Coordinator and Forest Certification Implementation Team (FCIT) members to revise and update the IAT charter, the internal auditing process, the reporting forms and procedure, as well as the format and organization of findings in the final audit reports. Beginning with the 2009 internal audits, two types of final audit reports will be produced: 1) Comprehensive Report containing detailed findings attributed to specific audit locations, and 2) Executive Summary containing summary information and key highlights on a statewide basis. The Comprehensive Report will be provided to Area and Regional Managers/Supervisors and is intended to improve and/or recognize positive performance at an Area-specific level. The Executive Summary will be provided to Senior Managers, outside stakeholders, and other interested parties. Moving forward, these changes will increase the efficiency and effectiveness of the internal auditing process and make the findings more readily available and useful for field managers and staff.

## **V. TOTAL LCMR PROJECT BUDGET:**

### **All Results:**

Other: \$250,000 for Professional/technical contracts and certification fees.

**TOTAL LCCMR PROJECT BUDGET: \$250,000**



## **VI. OTHER FUNDS & PARTNERS:**

### **A. Project Partners:**

- FSC and SFI assessment auditors (SCS) = \$104,762.
- Four years of annual audits by FSC and SFI auditors (SCS) = \$103,244.70.
- FSC and SFI annual fees = \$24,000.
- Internal auditor training contractor = \$17,993.28.

### **B. Other Funds being spent during the Project Period:**

About \$610,000 of state general fund dollars for in-kind donation of DNR staff time (11 FTEs), facilities, and supplies.

### **C. Required Match (if applicable):**

### **C. Past Spending:**

\$42,000 and 1.5 FTEs in support of certification of Aitkin County DNR forest lands.

### **D. Time:**

An initial assessment completed by December 31, 2005, first of four annual audits to occur in fall 2006, and annual audits to continue into calendar year 2010.

## **VII. DISSEMINATION:**

The DNR has developed internal and external communication plans to keep the DNR's employees and diverse stakeholders informed about the progress of this project. Results from the FSC and SFI assessments and subsequent annual audits are shared via the Forest Certification website, [www.dnr.state.mn.us/forestry/certification/index.html](http://www.dnr.state.mn.us/forestry/certification/index.html), news releases, presentations to stakeholder groups, and interviews with local news broadcasters.

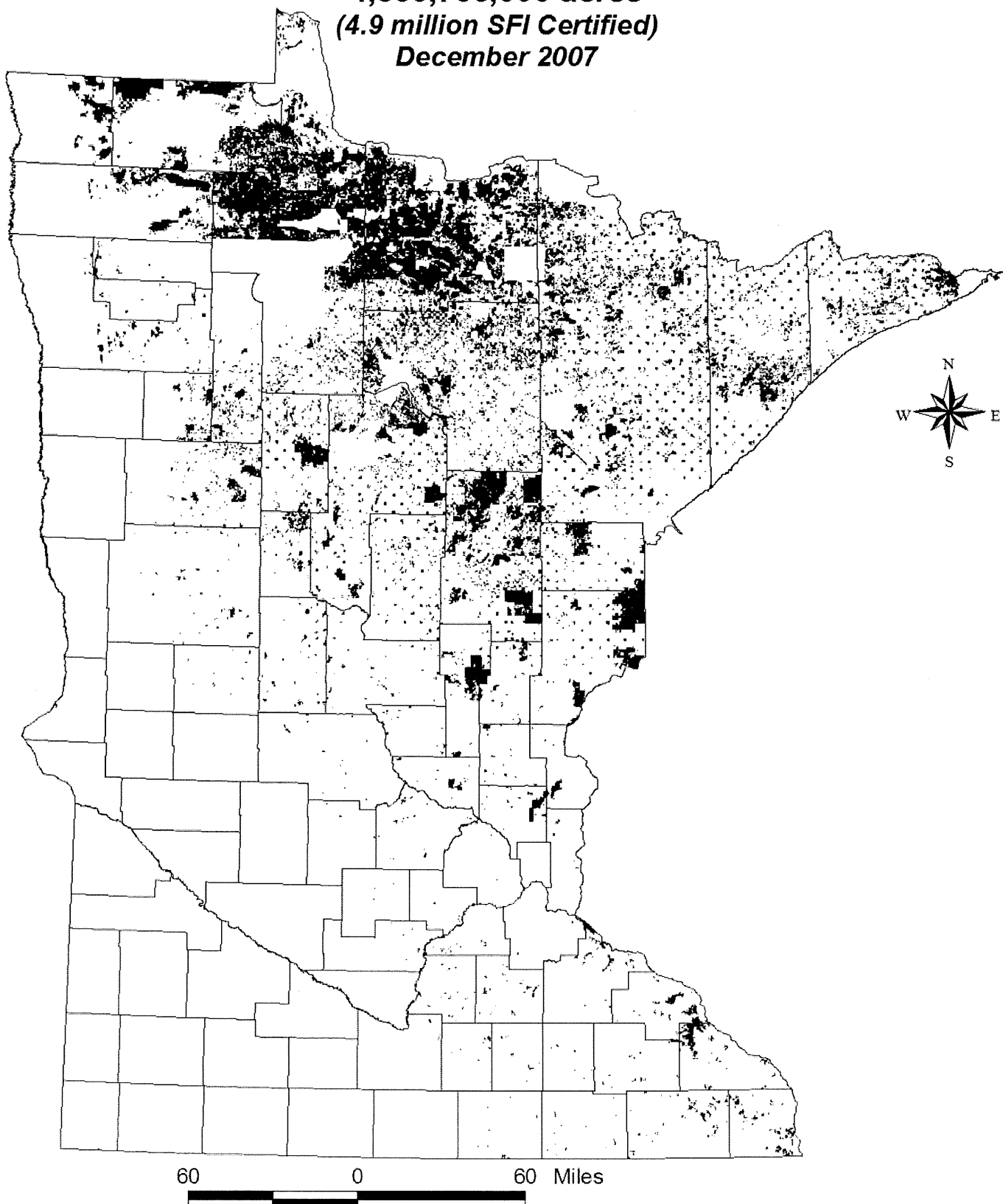
## **VIII. REPORTING REQUIREMENTS:**

Periodic work program progress reports were submitted in December 2005, June 2006, December 2006, June 2007, December 2007, June 2008, December 2008, and June 2009. A final work program report and associated products will be submitted by August 17, 2010.

## **IX. RESEARCH PROJECTS:**

N/A

**Minnesota Department of Natural Resources'**  
**Division of Forestry & Division of**  
**Fish & Wildlife Forest Lands**  
**that are dual Certified =**  
**4,839,735,000 acres**  
**(4.9 million SFI Certified)**  
**December 2007**



Final Attachment A: Budget Detail for 2005 Projects

Proposal Title: *Third-Party Certification of DNR Forest Lands # (H-03)*

Project Manager Name: *Rebecca Barnard* (originally Andrew Arends)

LCMR Requested Dollars: \$ 250,000

2005 LCMR Proposal Budget	Revised Result 1 Budget	Amount Spent	Ending Balance	Revised Result 2 Budget	Amount Spent	Ending Balance	Revised Result 3 Budget	
	<i>Assessment and dual certification of DNR forest lands.</i>			<i>Annual FSC and SFI certification audits of DNR forest lands.</i>			<i>Training and implementation of internal auditing of the DNR's forest management</i>	
<b>Contracts</b>								
<i>Forest Stewardship Council (FSC) and Sustainable Forestry Initiative (SFI) auditors to assess MN DNR's forest management - auditor selected via competitive RFP. Also includes the Sustainable Forestry Initiative (SFI) annual certificate fee.</i>	\$104,762.00	\$104,762.00	\$0.00					
<i>FSC and SFI accredited auditors will audit MN DNR's forest management over the next four years - auditor selected via competitive RFP. Also includes the FSC and SFI annual certificate fees for four years.</i>				\$127,244.72	\$127,244.72	\$0.00		
<i>Hire a consultant to provide specialized auditing training for DNR staff.</i>							\$17,993.28	
<b>COLUMN TOTAL</b>	<b>\$104,762.00</b>	<b>\$104,762.00</b>	<b>\$0</b>	<b>\$127,244.72</b>	<b>\$127,245</b>	<b>\$0</b>	<b>\$17,993.28</b>	