



**DEPARTMENT OF
NATURAL RESOURCES**

Forest Practices Division
1111 Washington St SE
Olympia, WA 98504

360-902-1400
FPD@DNR.WA.GOV
WWW.DNR.WA.GOV

MEMORANDUM

DATE: May 5, 2021
TO: Forest Practices Board
FROM: Mark Hicks, Adaptive Management Program Administrator
SUBJECT: SAO Response Plan

The State Auditor's Office (SAO) completed a Performance Audit of the Forest Practices Adaptive Management Program (AMP) in January 2021 that provided 13 recommendations for improving program performance. In a February 10, 2021 letter to the SAO (attached), the Forest Practices Board (Board) directed staff to provide suggestions by the May 2021 meeting for relative priorities among the 11 recommendations that were referred in the report to the Board. Staff were additionally to assess whether additional resources would be needed to make and sustain the identified changes. This document provides our response and a request for the Board's advice and consent to move forward with the recommended approach.

Consistent with the Board's letter to SAO, recommendations are separated into three groups based on which entity would need to do the critical developmental work. Much of what was recommended by SAO represents new work that cannot be accomplished swiftly within the limits of existing "system capacity" and established Board priorities.

Table 1 provides staff's assessment of relative priorities among the SAO recommendations assigned to each of the three categories. Those listed first have a higher assigned priority than those that follow. Ranking was done while simultaneously considering the perceived level of urgency, the potential benefit to be gained, the degree of complexity, and the availability of existing resources that could be assigned. Due to this, some work with relatively low relative significance that can be accomplished relatively quickly with existing resources (for example, a simple, non-controversial wording change to Board Manual guidance) has been ranked higher than more substantial work that requires considerable input by staff and others (such as constructing and maintaining a public-facing information dashboard).

SAO recommendations 1 (review decision-making model) and 2 (participation of caucus principals) have been directed toward caucus principals (Table 1), and those efforts will benefit from the existing, on-going engagement with the Center for Conservation Peacebuilding (CPeace). The outcomes will directly and indirectly affect the nature and the timing of work on other SAO recommendations.

Actions initially assigned to the AMPA, to AMP Committees, and to DNR Board/AMP staff have been considered in the context of known and anticipated Board-related priorities (including choices of how to allocate available master project schedule funding) and known and anticipated resource availability (that is, TFW participants and Board/AMP staff).

- Aspects of several SAO recommendations assigned to Board/AMP staff that require simple Board Manual updates can be accomplished with existing resources for approval at the February 2022 meeting. These are as described for SAO recommendations 3 (dispute resolution), 6 (peer review of science program), 7 (on-boarding/training), and 9 (procedures for performance audits) (Table 1 and Appendix).
- Other Board and AMP staff work with existing resources can be advanced as workload opportunities present themselves opportunistically, but should not be expected to be fully completed without additional resources. These include SAO recommendations 8 (develop on-boarding/training for new members) and 10 (project tracking system) (Table 1 and Appendix).
- Full consideration and action on five SAO recommendations assigned to Board/AMP staff (7, 8, 9, 10 and 11) are shown in Table 1 as “long term” mainly because they cannot be accomplished at current funding or capacity levels. However, timelines could be accelerated if additional resources were made available. Funding estimates provided in Table 1 are preliminary assessments of what would be needed to fully accomplish the work as envisioned. Each estimate would be revisited and updated when a formal funding request is developed.

Table 1. Summary of Timeframe and Budget Needed to Implement Specific SAO Recommendations.

Key: Short term = by 12/2021; Mid-Term = by 12/2022; Long-Term = 2023-24 or beyond

I. Recommendations to be considered and acted upon by caucus principals that may be aided by third-party neutral assistance focusing on conflict transformation (SAO Recommendations 1, 2)

Category	Focus Area	Action Item	SAO Rec. #	Status	Timing	Cost to Accelerate
Caucus principals	Decision making process	1) Review decision making model 2) Require participation by caucus principals	1, 2	In progress	Short term	\$600,000 (one-time) for facilitated principals meetings, including facilitated same-side discussions and one additional principal level workshop on conflict transformation.

II. Recommendations involving changes to AMP processes to be evaluated mainly through the appropriate AMP committees and brought to the Board with recommendations for action (SAO Recommendations 5, 6).

Category	Focus Area	Action Item	SAO Rec. #	Status	Timing	Cost to Accelerate
AMP committees	Decision making process	Adopt decision criteria for determining actions	6	Planned	Long term	Existing resources, with facilitation if needed
AMP committees	Decision Making Process	Net gains model for project planning	5	Planned	Long term	Existing resources, with facilitation if needed

III. Recommendations that are administrative in nature to be evaluated primarily by Board and AMP staff and brought to the Board for decisions and action (SAO Recommendations 3, 4, 7, 8, 9, 10, 11).

Category	Focus Area	Action Item	SAO Rec. #	Status	Timing	Cost to Accelerate
Board staff and AMP staff	Decision making process	Update dispute resolution language in Board Manual	3	Planned	Mid term	Accomplish with existing resources
Board staff and AMP staff	Decision making process	Dispute resolution triggers set by Board	4	Planned	Mid term	Accomplish with existing resources
		Funding for at least one mediation per year is being added to MPS for Board Review	4	Ongoing	Short term	\$44,000 per year in MPS for dispute resolution
Board staff and AMP staff	Transparency/accountability	1) Tracking system for life cycle of project 2) Public facing dashboard	10, 11	Planned	Long term	\$425,000 (one-time to design and build)/ \$178,000/biennium to maintain
		Staff are exploring options to act on the project tracking element as existing resources allow (not dashboard)	10	Ongoing	Mid term	Opportunistically with existing resources
Board staff and AMP staff	Transparency/accountability	Complete biennial fiscal and performance audits of the AMP every two years	9	Planned	Long term	\$156,000 for conducting audits (biennial, on-going cost)
		Update Board Manual to add detail to support getting audits done on-time and regularly, including considering using internal vs external resources to conduct.	9	Ongoing	Short term	Accomplish with existing resources
Board staff and AMP staff	Transparency/accountability	Peer review science program every 5 yrs.	7	Planned	Long term	\$281,000 (once every five-years)
Board staff and AMP staff	Decision making process	Onboarding and training for new members	8	Planned	Long term	\$213,000 (one-time to design and implement a comprehensive on-boarding and training program)/ \$51,000/biennium (on-going to deliver)
		Staff will use existing resources to gradually build training materials and to provide on-boarding as resources allow.	8	On-going	Mid term	Opportunistically using existing resources

Staff is seeking the Board's acceptance of this recommended suite of actions. Specifically, we ask the Board for:

- General acceptance of the relative priorities and timelines among the various SAO recommendations;
- Direction to the AMPA and chairs of Policy and CMER to conduct the work and strive to meet the timelines described in the Appendix for SAO Recommendations #4, #5 and #6;
- Asking DNR to submit a decision package to OFM in advance of the 2022 legislative session seeking funding to accelerate work described in this document, including accomplishment of (1) the next fiscal and performance audits (see SAO Recommendation #9), and (2) the five-year review of the science program (see SAO Recommendation #7); and
- Directing the AMPA to provide status reports to the Board at six month intervals.

Appendix: Supporting Detail for Recommendations

This appendix provides context and detail for each the proposed pathways for addressing the recommendations for improving the performance of the Adaptive Management Program provided in the 2021 [SAO report](#).

Consistent with Table 1, the issues are separated into the following three categories based on their different needs for legislative assistance:

- I. Recommendations to be considered and acted upon by caucus principals that may be aided by third-party neutral assistance focusing on conflict transformation (SAO Recommendations 1, 2)
- II. Recommendations involving changes to AMP processes to be evaluated mainly through the appropriate AMP committees and brought to the Board with recommendations for action (SAO Recommendations 5, 6)
- III. Recommendations that are administrative in nature to be evaluated primarily by Board and AMP staff and brought to the Board for decisions and action (SAO Recommendations 3, 4, 7, 8, 9, 10, 11)

I. Recommendations to be considered and acted upon by caucus principals that may be aided by third-party neutral assistance focusing on conflict transformation (SAO Recommendations 1, 2)

- 1. Adopt an alternative to the consensus decision-making model currently in rule (WAC 222-12-045) and Board manual. Consider using alternative models such as those used in the Chesapeake Bay Program and the Yakima Basin Integrated Plan. Changing this rule would require a vote at the Forest Practices Board.¹**

Background:

- SAO recommendation 1.
- Consensus voting provides voting members an ability to stop any decision from moving forward for any reason. A non-consensus vote can only be overridden by the successful use of the dispute resolution process by another party.
- The consensus voting model used at CMER and TFW Policy is in WAC 222-12-045, the Board Manual, the CMER Protocols and Standards Manual, and it was a foundational element of the 1999 Forests and Fish Report.

¹ Each topic included in this Appendix begins with an actual SAO Recommendation copied verbatim from the Report. For clarity, these are shown in **boldface**.

Recommendations:

- Consideration of recommendation to change the voting rules should be tasked to a facilitated discussion of the caucus principals.
- This task should be added to the TFW reinvigoration work to be facilitated by the Center for Conservation Peace Building.
- Consider where different decision rules make more or less sense. For example, consider eliminating the caucus-stakeholder based system in CMER, along with consensus voting, and replace it with an unaligned professional team of researchers (working with strategic assistance from qualified contractors). This would move work through the science program far more effectively and thus meet the SAO objective, but there would still be a consensus-based policy decision making filter to guide the prioritizing and objectives of studies.

Timeline:

- During the 21-23 biennium, hold a series of facilitated meetings with the caucus principals to discuss the options, pros, cons, and sideboards related to changing the voting rules in the AMP committees. Include a discussion of structural changes that may negate the need for caucus stakeholders to hold veto power over every decision.

Budget:

- The AMP will need approximately \$600,000 over the 21-23 biennium to hire Center for Conservation Peace Building to conduct facilitated principals meetings, along with facilitated same-side meetings and potentially one more conflict transformation workshop for principals/board members.

2. Require participation from high-level principals in each individual caucus on the Policy committee and on the board instead of designees who have no decision-making authority.

Background:

- SAO recommendation 2.
- This recommendation requires amendments to RCW 76.09.030, and RCW 222-12-045(2)(b)(ii) which describe members and the ability to designate representatives.
- Once the RCWs are amended, WAC 222 and Board Manual will need to be amended to reflect the changes.

Recommendations:

- Support of principal leadership and recommended legislation by the Board should be pursued as a foundation for making these changes.
- This task should be added to the TFW reinvigoration work to be facilitated by the Center for Conservation Peace Building.
- If successful in changing the RCWs, Board staff should be tasked with making recommended edits to WAC 222, the Board Manual, as well as to the CMER Protocols and Standards Manual.

- If ability to delegate representation is retained, more explicit decision-authority for participants who sit at the Board and Policy tables would need to be negotiated by principal leadership.

Timeline:

- During the 21-23 biennium, hold a series of facilitated meetings with the caucus principals to discuss this recommendation.

Budget:

- No additional funding would be required for this recommendations if added to the Center for Conservation Peace Building's task above to reconsider consensus voting.

II. Recommendations involving changes to AMP processes to be evaluated mainly through the appropriate AMP committees and brought to the Board with recommendations for action (SAO Recommendations 5, 6)

1. Adopt decision criteria for determining actions that will occur depending on project results before those results have been found, such as the ones promoted in *Adaptive Management: The U.S. Department of the Interior Technical Guide*.

Background:

- SAO recommendation 6.
- Even after embarking on studies designed and implemented in consensus by all caucuses, there is commonly disagreement over whether the results of those studies are relevant and strong enough to warrant changing rules or guidance. SAO is suggesting it is better to go through these debates before doing costly long-term research studies.
- Decision criteria could take different forms. The decision to wait until both of the Type Np Hard Rock and Soft Rock studies are done before making policy recommendation is one form of decision criteria. Establishing performance criteria such as the 95% accuracy of the water typing model is another form of decision criteria.
- Decision criteria must be done carefully and in good faith. TFW Policy may need technical support and facilitation to establish effective advance action-agreements.

Recommendations:

- The AMPA should work with the TFW Policy and CMER committee co-chairs and their respective committees to develop recommendations to for the Board. This process will need to consider the range of environmental parameters examined, their relationship to established performance targets, the spatial and temporal validation needed for the results, as well as the level of effect considered actionable.

Timeline:

- The AMPA will bring the Board an options paper describing the different ways that decision criteria could be made a part of the AMP process by November 2022.

Budget:

- Internal resources should be used to develop the options paper. Consideration should be given to obtaining outside technical and facilitation assistance only if the process reaches an impasse.

2. Implement a “net gains” approach to each proposal, project, and decision that benefits more than one caucus by considering packages of projects instead of individual projects.

Background:

- SAO recommendation 5.
- The option currently exists for TFW Policy participants to consider packages of projects, as well as to ensure individual projects test a range of prescription variants in order to ensure potential benefits exist for multiple caucuses.
- The RCW and WAC directives to test the current rules and correct them if found to not meet their intended objectives places some limitation on this SAO recommendation.

Recommendations:

- TFW Policy committee should be tasked to examine how the goals of this recommendation can be implemented in the AMP, and whether recommendations to the Board might in some circumstances involve “bundling” the results of multiple research projects to accomplish the spirit of this recommendation.
- The TFW Policy committee should identify what changes, if any, may be needed to RCW, WAC, and Board Manual to support a “net gains” process.

Timeline:

- TFW Policy should provide the Board with recommendations for transitioning to a net gains approach by May 2022.

Budget:

- Internal resources should be used to develop the options paper. Consideration should be given to obtaining outside technical and facilitation assistance only if the process reaches an impasse.

III. Recommendations that are administrative in nature to be evaluated primarily by Board and AMP staff and brought to the Board for decisions and action (SAO Recommendations 3, 4, 7, 8, 9, 10, 11)

1. Update language in the board manual to reflect WAC which says dispute resolution is required when consensus cannot be achieved within the Science or Policy committees.

Background:

- SAO recommendation 3.
- Board Manual 22 Section 5.4 says the process “can be” initiated rather than echoing WAC 222-12-045(2)(c) and (2)(h) language that uses the directives “it will be” and “it will have”.

Recommendations:

- Change the Board Manual language from “can be” to “will be” on page M22-19 Section 5.4 item number 2.
- All of the other uses of “can” and “may” in this section of the Board Manual appear to correctly reflect steps in the process where choices also exist in WAC.
- DNR Staff to develop a mark-up draft showing the edits in preparation for updating the Board Manual.

Timeline:

- Target approval of the Board by their February 2022 meeting.

Budget:

- Existing Board staff resources.

2. The board should set a trigger for dispute resolution. It should work with the Adaptive Management Program Administrator and the chairs of the committees to determine the appropriate amount of time.

Background:

- SAO recommendation 4.
- This task is currently directed to the Board by WAC 222-045(2)(h)(i): “Specific substantive and benchmark (schedule) triggers will be established by the board for each monitoring and research project for invoking dispute resolution”.
- The dispute resolution process is time and process intensive, and is designed to address stakeholder disagreement. Project and process delays are commonly not due to an impasse between stakeholders.

Recommendations:

- The AMPA along with the Policy and CMER Committee chairs should be tasked by the Board to collaborate and provide recommendations for implementing this recommendation. Resolution should include schedule or process-based triggers that would be used for evaluating the causes for missing the triggers, and include dispute resolution for delays based on stakeholder disagreements.
- The AMPA will work with TFW Policy to include a recommended line item in the Master Project Schedule budget, and to develop long term recommendations for ensuring resources are available to pay for mediation or technical arbitration.
- The AMPA will work with DNR contracting staff to evaluate the use of convenience contracts to establish a list of interested and pre-approved mediators and streamline the timeframe for beginning mediation.
- The AMP will work with DNR contracting staff to evaluate contracting options for forming a science arbitration panel to resolve technical disputes in the CMER committee.
- Recognizing delays in CMER are commonly due to a lack of stakeholder expertise, the AMPA will work with DNR contracting staff to evaluate the use of convenience contracts to establish a list of interested and pre-approved statistical consultants to assist when sample design and analysis issues are the cause of conflict or delays.

Timeline:

- The AMPA will initiate this process by including a line item in the Master Project Schedule (MPS) budget to set aside contingency funds specifically for conducting at least one mediated dispute every year. This will need to be approved by TFW Policy and the Board at their May 2021 meeting as part of the annual planning process.
- Contracts for mediation and statistical services should be targeted to be in place by February 2022.

Budget:

- \$44,000 in funding should be reserved in the MPS each biennium in order to help pay for these mediation and arbitration services, with the amount increasing as needs dictate.

3. Implement a tracking system that follows each stage of a project and continuously shows how that work and the results of that work align with the goals of the program.

Background:

- SAO recommendation 10.
- Specialty experience is needed to set up a system that will project real time information to a public dashboard and to support periodic updates to that system.

Recommendations:

- Develop and maintain financial and project management processes that would then be displayed on the internet (dashboard) to create more transparency. This includes

hiring a dedicated fiscal analyst to track costs real time and update the system once developed, and the use of a specialized IT contractor to create tracking tool and dashboard (see Rec. #11 below) and link the tracking forms and materials (on-going IT support will be needed after the dashboard is set up, but may be provided by forest practices' IT team).

- Existing staff resources will be used in the interim to continue to refine the current system of project tracking with the primary purpose to assist in accurately managing the AMP MPS budget.

Timeline:

- Timeline depending on resources.

Budget:

- \$425,000 of one time funding to build the product (including dashboard included in Rec. #11 below), followed by \$178,000 in biennial on-going costs to cover related recommendations 10 and 11.

4. Create a public-facing dashboard that provides real-time information. Items that should be considered for inclusion in the dashboard include:

- A list of all rules the program is expected to address
- A list of current and past projects with their budgets and schedules, including reasons for any delays
- A list of future projects with timelines and dependencies, such as deadlines imposed by other agencies

Background:

- SAO recommendation 11.
- Specialty IT experience is needed to design, create and maintain a system that will track and project real time information to a public dashboard.

Recommendations:

- Develop and maintain financial and project management processes that would then be displayed on the internet (dashboard) to create more transparency. This includes hiring a dedicated fiscal analyst to track costs real time and update the dashboard once developed, and the use of a contractor to create dashboard and link the tracking forms and materials.

Timeline:

- Timeline depending on resources. Unlikely to be initiated without additional resources to design, construct and maintain the new IT system.

Budget:

- Included above for Rec. #10

- 5. Develop procedures to ensure required biennial performance audits are conducted on the program by DNR or an appropriate state agency or contractor. These audits can be conducted by a contracted private entity, another state agency, or an internal auditor with performance audit expertise.**

Background:

- SAO recommendation 9.
- This requirement is already in the Board Manual as Part 6.1 on page M22-23.

Recommendations:

- Ensure the financial audit as well as the performance audit are completed as required every two years.
- Board and AMP staff will develop recommendations for the Board on how to get the audits done on-time and regularly. This will consider the pros and cons of using internal vs external resources to conduct these reviews.
- If external resources are to be used, DNR staff will draft an RFQQ for future audits
- Recommend seeking supplemental funding to conduct these audits.

Timeline:

- Options and DNR staff recommendations will be provided to the Board for decision at their November 2022 meeting.

Budget:

- \$156,200/biennium estimated to conduct fiscal and performance audits each two years.

- 6. Ensure a peer review of the entire science program is conducted every five years. Opportunities for public comment on those five years should also be given, as stated in WAC. Update the manual to reflect this requirement.**

Background:

- SAO recommendation 7.
- The Board Manual currently directs only that biennial fiscal and performance audits be performed.

Recommendations:

- DNR staff will develop recommendations for the Board on how to ensure 5-year science reviews.
- The appropriate source of funding for these audits will be recommended.
- DNR staff will develop mark-up draft language requiring the 5 year review for Part 6.1 on page M22-23 of the Board Manual.

Timeline:

- Language directing the 5 year reviews should target approval of the Board at their February 2022.

Budget:

- \$281,000 every five years to conduct the mandated science program review.

7. Create an on-boarding or training process so new members will have the necessary understanding of roles and responsibilities as well as ground rules.

Background:

- SAO recommendation 8.
- Onboarding training is currently provided only to new Board members.
- The SAO recommendation would formalize and significantly expand the current practice of providing training by increasing the scope of topics and providing it to all new participants in the Adaptive Management Program.

Recommendations:

- Add a directive in the Board Manual for DNR to provide, and for participants to take, on-boarding orientation and topic-specific training. At the bottom of PART 2 where it discusses program participants, add a statement such as: All voting members of the Board, TFW Policy, and CMER are to take part in orientation training before formally participating in the AMP, and supplemental topic-specific training soon thereafter.
- A contractor should be hired to work with staff to develop professional quality educational materials that can be used for both in-person training, and for online self-study.
- In lieu of supplementary funding to hire a contractor to create a professional quality training program, AMP staff will gradually build training modules beginning with basic orientation training for CMER and Policy participants. These will take the form of PowerPoint presentations that can be posted on the DNR website.

Timeline:

- Board Manual language directing the need for training should target approval of the Board at their February 2022 meeting.

Budget:

- \$213,000 of one time funding, and \$51,000 in biennial on-going costs to create and implement on-boarding training for participants in the Adaptive Management Program.

February 10, 2021

The Honorable Pat McCarthy, State Auditor
Office of the State Auditor
Insurance Building
P.O. Box 40021
Olympia, WA 98504-0021

Honorable Auditor McCarthy:

Thank you for the opportunity to review and respond to the State Auditor's Office (SAO) performance audit report, "Adaptive Management Program: Improving Decision-Making and Accountability." Having requested the SAO to perform this work, the Forest Practices Board (Board) appreciates the thoughtful approach and significant effort that went into SAO's audit of the Board's Adaptive Management Program (AMP). We are particularly grateful for the recommendations described in the report and view them as an opportunity to bring about improvements.

The Board is committed to carefully considering each of the eleven recommendations directed to us in the report. Subject to changes as more detailed evaluations are conducted, we view the set of recommendations as fitting into three categories:

- Recommendations to be considered and acted upon by caucus principals that may be aided by third-party neutral assistance focusing on conflict transformation. Recommendations in this category include alternatives to the consensus-based decision-making model (recommendation 1), participation of principals (recommendation 2), and decision criteria for determining actions (recommendation 6).
- Recommendations involving changes to AMP processes to be evaluated mainly through the appropriate AMP committees and brought to the Board with recommendations for action. These include setting a trigger for dispute resolution (recommendation 4), "net gains" approach (recommendation 5), and decision criteria for determining actions (recommendation 6).
- Recommendations that are administrative in nature to be evaluated primarily by Board and AMP staff and brought to the Board for decisions and action. These are the remaining six recommendations that are not listed above for caucus principal or AMP committees.

Board staff is in the process of understanding the report and its recommendations. At the Board's May 2021 meeting, staff will provide suggestions for relative priorities among the recommendations and timelines for evaluating and acting on them.

Forest Practices Board

February 10, 2021

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The Board will ensure that appropriate assessments are made to determine whether additional resources are needed to do what is necessary to make and sustain changes to address the challenges identified in this report, and we will provide oversight to establish priorities for action in the context of established work plans for the Board, the two AMP committees, and Board and AMP staff.

In addition, the Board will be available to report on implementation progress to legislative natural resources committees upon request.

In closing, the Board again thanks you and your team for the thorough work on this performance audit and report.

Sincerely,

A handwritten signature in black ink, appearing to read "Stephen Bernath", followed by a horizontal line extending to the right.

Stephen Bernath, Chairman

cc: Bob Guenther
Brent Davies
Carmen Smith
David Herrera
Jeff Davis
Rich Doenges
Kelly McLain
Benjamin Serr
Tom Nelson
Vickie Raines