Special Reports

IT Project Prioritization Matrix

No new IT projects.

## Annual Performance Progress Report/Key Performance Measures

Forestry, Department of

Annual Performance Progress Report

Reporting Year 2022

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KPM #	Approved Key Performance Measures (KPMs)
1	CUSTOMER SERVICE TO COUNTY 'GOVERNMENTS AND FOREST LANDOWNERS - Percent of Oregon's forested counties and forest protective associations rating that ODF programs collectively provide "good" or "excellent" customer service: overall, timeliness, accuracy, helpfulness, expertise, availability of information.
2	BOARD OF FORESTRY PERFORMANCE – Percent of total best practices met by the Board of Forestry.
3	FOREST PRACTICES ACT COMPLIANCE - Percent of forest operations that are in compliance with the Forest Practices Act
4	URBAN AND COMMUNITY FOREST MANAGEMENT - Percent of Oregon cities actively managing their urban and community forest resources.
5	STATE FORESTS TOTAL REVENUE - Percent increase in total revenue produced by State Forests
6	AIR QUALITY PROTECTION - Total number of smoke intrusions into designated areas per total number of units burned.
7	PERCENTAGE OF PRIVATE FORESTLAND MANAGED AT OR ABOVE FOREST PRACTICES ACT STANDARDS. - Percentage of industrial private forestlands managed under an approved certification system, stewardship agreement, or other approved management plan including wildlife habitat conservation and management plans
8	FOREST STREAM WATER QUALITY - Percent of monitored stream sites associated predominately with forestland with significantly increasing trends in water quality.
9	VOLUNTARY PUBLIC AND PRIVATE INVESTMENTS MADE TO CREATE HEALTHY FORESTS – Cumulative public and private forest landowner investments made in voluntary projects for the Oregon Plan for Salmon and Watersheds or for the Oregon Conservation Strategy.
10	STATE FORESTS NORTH COAST HABITAT - Complex forest structure as a percent of the State Forests landscape.
11	FIRE SUPPRESSION EFFECTIVENESS - Percent of wildland forest fires under ODF jurisdiction controlled at 10 acres or less.
12	PREVENTION OF HUMAN-CAUSED WILDLAND FOREST FIRES - Number of Oregon residents per human-caused wildland forest fires. (population expressed in thousands of residents) This metric measures the ability to maintain or reduce the number of human-caused wildfires as the population of Oregon increases. An upward trend indicates a positive result.
13	DAMAGE TO OREGON FORESTS FROM INSECTS, DISEASES, AND OTHER AGENTS - Percent of forest lands without significant damage mortality as assessed by aerial surveys.
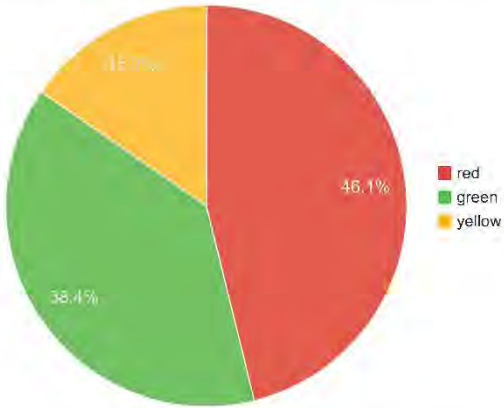
Performance Summary	Green	Yellow	Red
	= Target to -5%	= Target -5% to -15%	= Target > -15%
Summary Stats:	38.46%	15.38%	46.15%

KPM #1	CUSTOMER SERVICE TO COUNTY 'GOVERNMENTS AND FOREST LANDOWNERS - Percent of Oregon's forested counties and forest protective associations rating that ODF programs collectively provide "good" or "excellent" customer service: overall, timeliness, accuracy, helpfulness, expertise, availability of information.
	Data Collection Period: Jan 01 - Dec 31
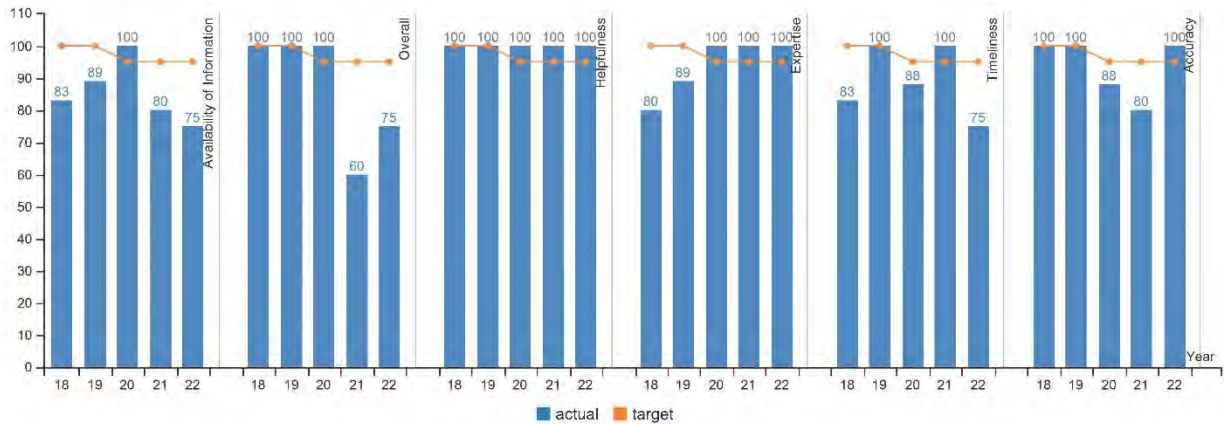
■ actual ■ target

Report Year	2018	2019	2020	2021	2022
Availability of Information					
Actual	83%	89%	100%	80%	75%
Target	100%	100%	95%	95%	95%
Overall					
Actual	100%	100%	100%	60%	75%
Target	100%	100%	95%	95%	95%
Helpfulness					
Actual	100%	100%	100%	100%	100%
Target	100%	100%	95%	95%	95%
Expertise					
Actual	80%	89%	100%	100%	100%
Target	100%	100%	95%	95%	95%
Timeliness					
Actual	83%	100%	88%	100%	75%
Target	100%	100%	95%	95%	95%
Accuracy					
Actual	100%	100%	88%	80%	100%
Target	100%	100%	95%	95%	95%

How Are We Doing

The Department of Forestry strives to exceed expectations in service to Oregon's forested counties and forest protective associations. Results from this year's survey indicate that while Department employees have demonstrated local success in building strong relationships within our communities and providing service to Oregonians, the complex sociopolitical environment surrounding State Forest land management continues to challenge our ability to meet expectations in service to all.

Factors Affecting Results

Our department's mission is to serve the people of Oregon by protecting, managing, and promoting stewardship of Oregon's forests to enhance environmental, economic, and community sustainability. One of our core values is excellent, efficient, and effective service.

Sentiments shared this year indicated that our employees are proactively engaged in their service to Oregonians with several participating on local forest or land use committees and providing invaluable expertise in county land management documents; staff are responsive and helpful when requests for right-of-way, timber harvest, prescribed fire, or wildfire needs are initiated; and the service has been provided by competent staff, professionally attune to local conditions and dynamics within their communities.

The positive results of this performance measure directly correlate to the investments made between Department staff and county commissioners, county officials, forest protective associations and forest landowners to build effective working relationships across all jurisdictions and forestry programs.

Notably, in a few rated categories, we did not achieve the recommended target of the performance measure, a direct reflection of concerns expressed in management of State Forest lands and related political pressures, court rulings, and legislation; disagreement with employees on the direction of policy work on county revenue producing lands; frustrations in the standardized level of input and participation in Habitat Conservation Plan development as Forest Trust Land counties; and concerns that the department is not financially sustainable in its current structure based on low returns from timber sales and perception that the agency is more focused on environmental and recreational policy instead of sustained yield management.

State Forests were intended to be managed for economic, environmental, and social values, providing a sustainable harvest while balancing conservation, scenic, recreational, and other factors included in the Greatest Permanent Value, serving Oregonians and Forest Trust Land counties over the long-term. Maintaining balance across these sociopolitical factors is complex and the tensions embedded within this landscape are reflected in our ratings of customer service in this year's performance measure.

KPM #2	BOARD OF FORESTRY PERFORMANCE - Percent of total best practices met by the Board of Forestry.
	Data Collection Period: Jan 01 - Dec 31

* Upward Trend = positive result
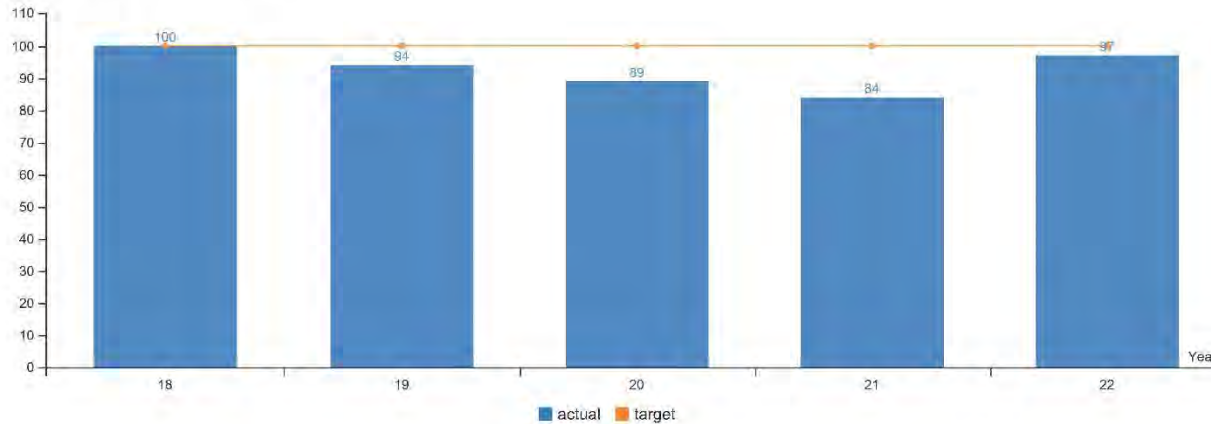
Report Year	2018	2019	2020	2021	2022
Oregon Board of Forestry Governance					
Actual	100%	94%	89%	84%	97%
Target	100%	100%	100%	100%	100%

How Are We Doing

The Board of Forestry concluded the annual board governance performance evaluation with common agreement in meeting 97 percent of the standard best-practices criteria. Disagreement found in just one best practices criterion limited the Board from reaching their 100 percent target.

Factors Affecting Results

Five of the seven board members serving in the 2021 calendar period completed the evaluation. Results of the evaluation suggest that current board members see the board functioning in a highly effective manner across the majority of best practices in governance with only one criterion affecting the Board's ability to meet their performance measure target of 100% for 2022. The Board found common agreement in reaching 97% of their best-practices, a significant upward trend from the prior year's evaluation of 84%.

The upward trend can be attributed to: improvements occurring with the recent hiring process for the State Forester; the Board's engagement in policy-making activities and resulting communications; increased oversight and reporting of the department's financial accounting; time spent in the field learning the technical aspects of Forestry's mission; and the significant input received by members of the public.

Areas for further improvement include: completion of the Board's *Forestry Program for Oregon*; strategically planning agendas to focus on priority issues with greater consideration to the urgency of key matters and limited time of the volunteer board; increasing collaboration with other agencies around shared goals including monitoring and climate-smart forestry; building stronger alignment in budgeting and investment strategies; defining a sustainable funding solution for State Forests; expanding public input to assess values held by all Oregonians; continuing to meet across the state, connecting with the public in the field; and revisiting the current committee structure used to delegate work amongst the Board.

Overall, the Board had positive reflections on their effectiveness as a board with recognition to the significant volume of complex issues requiring their attention.

KPM #3   FOREST PRACTICES ACT COMPLIANCE - Percent of forest operations that are in compliance with the Forest Practices Act
          Data Collection Period: Jan 01 - Dec 31

Upward Trend = positive result
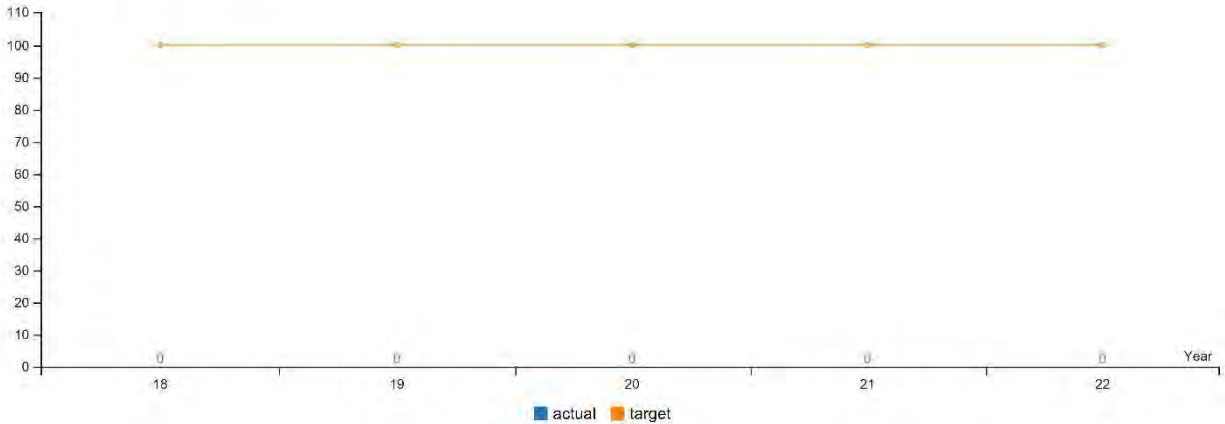
Report Year	2018	2019	2020	2021	2022
Percent of Operations in Compliance with Oregon's Forest Practices Act					
Actual					
Target	100%	100%	100%	100%	100%

How Are We Doing

The Oregon Forest Practices Act (FPA) outlines standards of practice for forest operations on non-federal and non-tribal lands in Oregon. The FPA is administered by the Oregon Department of Forestry's (ODF) Forest Resources Division. Program delivery is performed by Stewardship Foresters who operate from District Offices. Within the Forest Resources Division, the Monitoring Unit is tasked with collecting information on the efficacy and implementation of the FPA rules at statewide scale.

A statewide study of Forest Practices Act compliance was conducted from 2013 –2018. Results of the study were provided in Key Performance Measures reporting. In 2019, concerns for some of the statistical processes employed in the study were raised.

In 2020, the Monitoring Unit contracted with Mt. Hood Environmental to review statistical elements of the 2013-2018 Forest Practices Act Compliance Study and make recommendations for improvement. In 2021, the Monitoring Unit and Mt. Hood Environmental completed the review of processes and provided a report to the Board of Forestry in which individual elements of previous work were considered and discussed. Mt. Hood Environmental identified several aspects of the study design and analysis that limited the scope of inference and introduced potential bias into the compliance estimates.

MHE proposed process changes related to study design, data collection methods, and analysis, that specifically focused on improving efficiency, meeting performance criteria for agency goals, and addressing the current limitations. These are:

1. *Explicitly define all sampling elements.*
2. *Narrow research questions to address agency goals.*

3. *Quantify the population.*
4. *Account for nonresponse bias.*
5. *Reduce potential for systematic error with standardized training and QA/QC protocols.*
6. *Include large harvests (greater than 500 acres) with a sub-sampling protocol.*
7. *Apply within-unit stratification for roads and streams to mitigate autocorrelation and increase sampling efficiency.*
8. *Determine sample size using power analysis or a similar approach.*

ODF will implement all eight of these recommendations in future compliance monitoring efforts.

Factors Affecting Results

Recently, the Governor's mediated discussions on forest policy and practices were memorialized in the Private Forest Accord Report of 2022. The Private Forest Accord was the foundation of legislation (Senate Bill 1502 – 2022) and set in motion substantial changes in Department of Forestry standards, organizational structure and relationships with other agencies and stakeholders. This work will be in process for several years to come. The goal of the Accord is a Habitat Conservation Plan for aquatic species in Oregon.

The report from Mt. Hood Environmental (MHE) was noted in Private Forest Accord Report which was referenced in Senate Bill 1501 of 2022. That legislation directed the Department of Forestry to make substantial changes in standards of practice for forest operations on non-Federal forestlands and provided regulatory assurance for landowners.

KPM #4   URBAN AND COMMUNITY FOREST MANAGEMENT - Percent of Oregon cities actively managing their urban and community forest resources.

Data Collection Period: Jan 01 - Dec 31
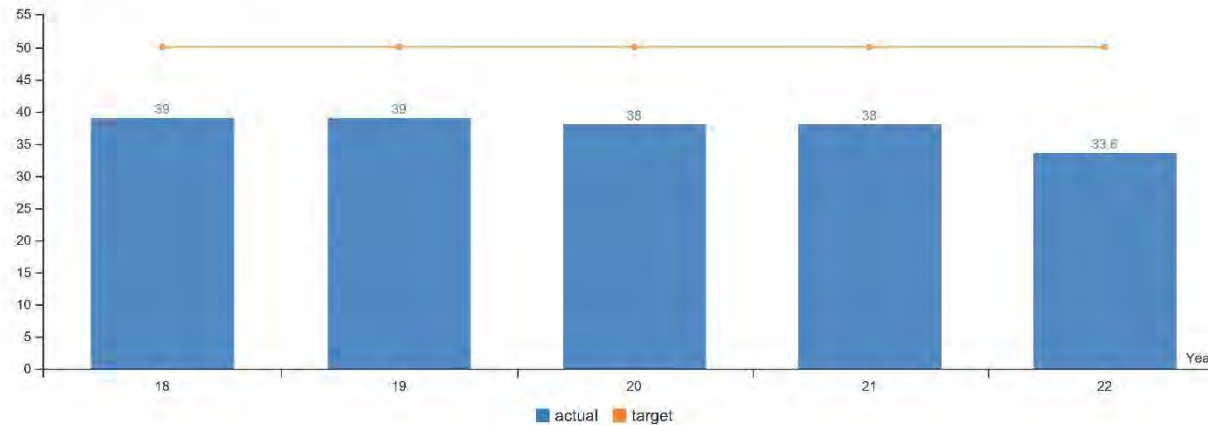
Upward Trend = positive result

Report Year	2018	2019	2020	2021	2022
Percent of Oregon cities actively managing their urban and community forest resources					
Actual	39%	39%	38%	38%	33.60%
Target	50%	50%	50%	50%	50%

How Are We Doing

The ODF Urban and Community Forestry Assistance Program has spent the last few years "ground truthing" the urban forestry (UF) components we track for Federal reporting purposes. Our goal is to update the information we have on 20 percent of Oregon cities each year over five years. The components we track are whether cities have (1) trained UF staff, such as an International Society of Arboriculture-certified arborist on staff; (2) a tree ordinance; (3) a tree board or advisory committee; and (4) an inventory-based urban forest management plan. KPM #4 tracks how many Oregon cities have at least two of these four attributes. Over time, we expect to find changes in cities abilities to meet these components. Based on our most recent federally reported data, we see the percentage of cities with two UF components -- indicating that they are actively managing their urban forests -- has dropped slightly to 33.6 percent from 37.7 percent in 2021 (from 91 to 81 cities). These percentages and city counts can be misleading as indicators of program effectiveness, however. The population of these 81 cities comprise 84.7 % of the total population residing in Oregon's incorporated cities (2010 Census data). This means that close to 85% of Oregon's city residents live in cities that are intentionally managing their city trees.

In 2022, the UCF Assistance Program again celebrated 69 Tree City USAs (for their urban forestry efforts in 2021). However, this number reflects the return of a former Tree City USA, Reedsport, and the loss of another, Hood River. The colleges and universities recognized as a "Tree Campus Higher Education," a program like Tree City USA sponsored by the Arbor Day Foundation, gained a new campus, Central Oregon Community College, which was the first new campus in the program in several years. In 2021, Oregon Community Trees and the UCF program staff decided to hold the Oregon Annual Urban and Community Forestry Conference virtually due to pandemic restrictions. The conference was well attended by approximately 120 people. The conference theme was "Water-wise Community Forests – Strategies for our Future." The UCF program granted OCT $5000 to offset the costs of the virtual conference coordinator, Social Enterprises. Despite our inability to travel and provide onsite technical assistance for most of 2021, we assisted 90 of Oregon's incorporated cities, several receiving more than one assist. With our limited staff, we made over 300 assists statewide – not only to cities, but also to schools and universities, nonprofit organizations, other government sectors, and the general public.

Factors Affecting Results

The Department receives no state funds for its UCF Assistance Program and thus relies solely on federal funds to achieve our mission and this KPM. Based on the availability and uses of federal sources, the Department has a very limited staff to serve the entire state (1.75 FTE). A statewide survey conducted in 2014 clearly shows that if cities receive assistance from the Department of Forestry, they were more likely to have components of an actively managed urban forest program.

For the second year in a row, due to the worldwide pandemic restrictions, travel and onsite visits were severely limited for UCF program staff. However, this year, as all became more familiar with videoconferencing, UCF staff was able to establish good communication with cities in need of assistance. In addition, the Green Legacy Hiroshima Peace Tree project turned out to be a particularly meaningful way for UCF staff to connect with cities and communities.

A couple years ago, UCF staff noticed that many cities have new, young municipal employees who are not familiar with urban forestry management concepts or the mission of the program. Also, throughout Oregon very few urban forestry professionals are people of color, or representative of underserved groups. These areas need more focused attention than UCF program staff is currently able to provide, especially when travel is limited. In 2020, Oregon Community Trees established a Diversity, Equity, and Inclusion (DEI) committee that is reviewing the organization's by-laws and providing guidance in organizational outreach to marginalized groups. UCF staff has focused more on its DEI outreach as well.

The UCF Assistance Program continues to promote TreePlotter™ INVENTORY (TPI) software, approximately 11 cities are beginning to use the software, with a few more promising to share their existing tree inventory data. (The goal is to engage at least 25 cities in using the inventory over the 5-year grant life). The UCF Program will be renegotiating its contract for the TPI software in August 2022. In Oregon, urban and community forestry professionals continue to expand their interest in using urban-grown lumber, grapple with fire-preparedness in cities and suburbs, improve the use of trees in storm-water mitigation, and increase the awareness of the role trees play in urban resident health. The UCF Assistance program is a recognized hub that provides, guides, and manages information on these UCF trends in Oregon.

KPM #5	STATE FORESTS TOTAL REVENUE - Percent increase in total revenue produced by State Forests
	Data Collection Period: Jul 01 - Jun 30

* Upward Trend = positive result
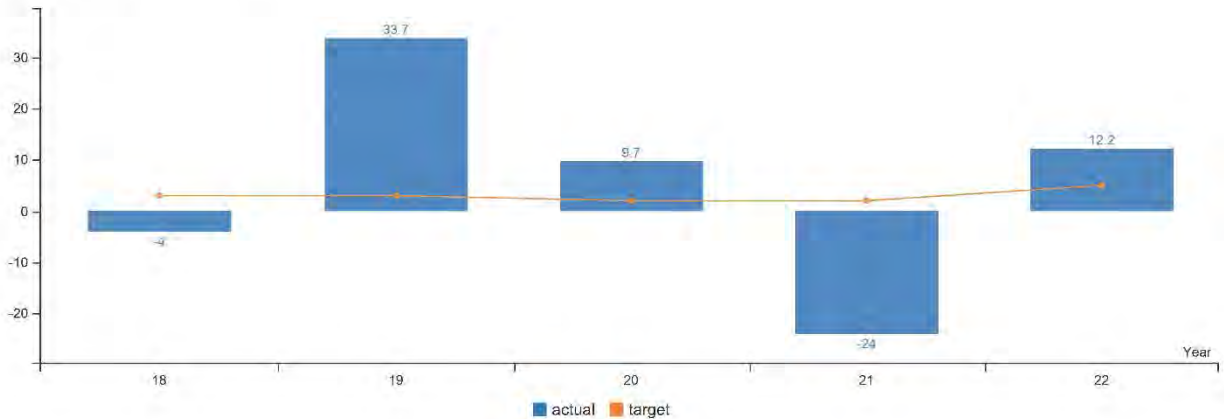
Report Year	2018	2019	2020	2021	2022
Percent increase in revenue produced by State Forests compared to the previous year					
Actual	-4%	33.70%	9.70%	-24%	12.20%
Target	3%	3%	2%	2%	5%

How Are We Doing

The FY 2021 data show a 12.2 percent increase in total revenues from the previous year, up to $121,546,724. The amount of revenue distributed to counties increased 3.3 percent from the previous year, $69,204,678 to $71,454,915. This KPM focuses on the percent change in total revenue produced from the sale of timber from State Forests. The Oregon Department of Forestry is committed to sustainable management of these lands. Harvest levels that contribute to the revenue flow for this measure are set annually by the Division at the direction of the State Forester.

The KPM targets establish an objective for management activities to predictably generate revenue for the State. The Division is implementing business improvements to increase revenue while continuing to provide a balanced range of social and environmental values.

### Factors Affecting Results

The major factor affecting FY 2021 increase in timber sale revenue was harvest volumes (264.3 MMbf) were 9.1% higher than FY 2020. FY2021 timber sale revenue was 19.4 percent above the 10-year average of $101,732,429.

KPM #6	AIR QUALITY PROTECTION - Total number of smoke intrusions into designated areas per total number of units burned.
	Data Collection Period: Jan 01 - Dec 31

* Upward Trend = negative result
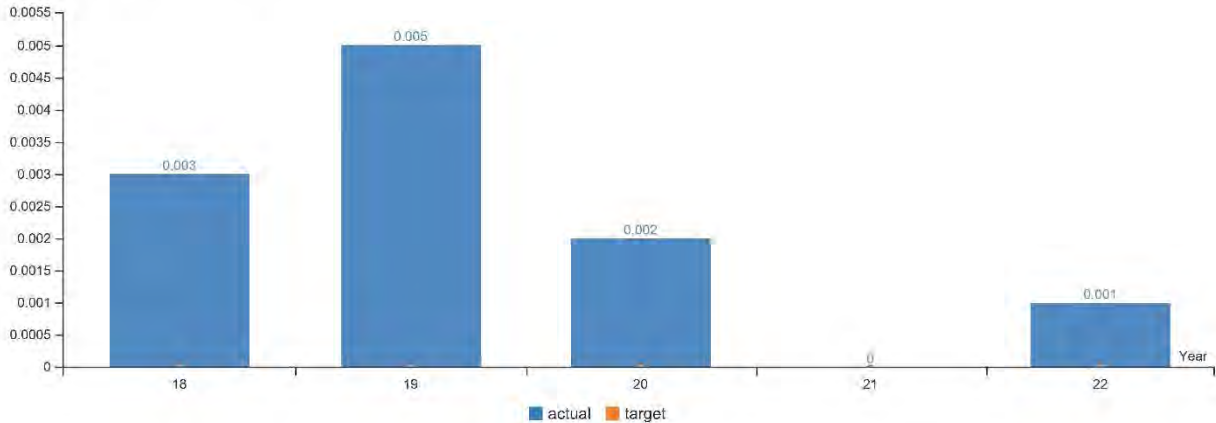
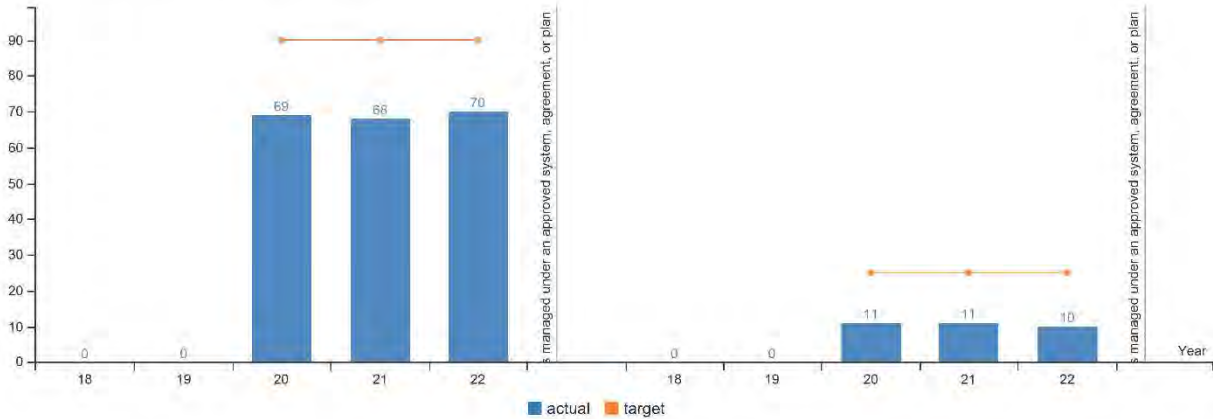| Report Year	2018	2019	2020	2021	2022
Total number of smoke intrusions into designated areas per total number of units burned					
Actual	0.003	0.005	0.002	0	0.001
Target	0	0	0	0	0

How Are We Doing

The Smoke Management Program is doing a good job of protecting Oregon's air quality while, at the same time, allowing forest landowners to dispose of unwanted accumulations of forest fuel. 2 intrusions occurred from 2476 units burned. The intrusion definition changed in 2019 to allow for some smoke to enter Smoke Sensitive Receptor Areas at a level that remained below 75 percent of the National Ambient Air Quality Standards. This change will allow for the increase in prescribed burning to eventually reduce the size and damage created by catastrophic wildfire.

Factors Affecting Results

In addition to restoration burning, weather variations and economic market conditions can also influence the outcome, by substantially increasing or decreasing the number of units available for burning. In 2021 heightened wildfire risk, due to persistent drought conditions, had a direct effect in reduction of the number of units burned, relative to the long-term average. The two smoke intrusions that were recorded in 2021 were both a result of burning done in the "West Bend Project" area, which has proven to be an extremely difficult region to burn within without overnight smoldering producing smoke impacts to sections of the Bend, OR SSRA.

KPM #7	PERCENTAGE OF PRIVATE FORESTLAND MANAGED AT OR ABOVE FOREST PRACTICES ACT STANDARDS. - Percentage of industrial private forestlands managed under an approved certification system, stewardship agreement, or other approved management plan including wildlife habitat conservation and management plans
	Data Collection Period: Jul 01 - Jun 30

Report Year	2018	2019	2020	2021	2022
a. Percentage of total industrial private forestlands managed under an approved system, agreement, or plan					
Actual			69%	68%	70%
Target			90%	90%	90%
b. Percentage of non-industrial private forestlands managed under an approved system, agreement, or plan					
Actual			11%	11%	10%
Target			25%	25%	25%

How Are We Doing

Key Performance Measure #7 was modified during the 2019 Legislative Session to report as a percentage of forestland compared to previously reporting on acreage. With previously set legislative targets reporting by acres, prior year acreage data has been omitted from this report table. Results for the 2019 reporting year are reflected in the following narrative. The legislatively approved target for this measure in 2021 is 90 percent of industrial private forestlands and 25 percent of non-industrial private forestlands managed under an approved system, agreement, or plan.

a. Three certification systems operate in Oregon. The American Tree Farm System (ATFS) provides certification endorsed by the Program for the Endorsement of Forest Certification schemes (PEFC). The PEFC is an international, independent, non-profit, non-governmental organization, founded in 1999, which promotes sustainably managed forests through independent third-party certification. Forest Stewardship Council (FSC) U.S. provides certification verified by Accreditation Services International, an independent accreditation body offering international, third-party accreditation for voluntary certification schemes. The Sustainable Forestry Initiative (SFI) provides certification endorsed by the PEFC.

The Department of Forestry (ODF) approves and monitors management plans, under the USDA-Forest Service's State and Private Forestry Program and enters into Stewardship Agreements (ORS 541.423) with forestland owners, who agree to manage beyond FPA standards.

ODF requested information on acres of industrial private forestland certified or approved under each system, and 68 percent (4.4 of the 6.5 million acres) of industrial private forestlands are managed under an approved certification system or stewardship agreement, as summarized below:

- Sustainable Forestry Initiative, Inc.   3,889,098 acres
- American Tree Farm System   495,368 acres
- Forest Stewardship Council U.S.   144,735 acres
- ODF Stewardship Agreements   29,395 acres
- **Total**   **4,558,596 acres**

b. ODF requested information on acres of non-industrial private forestland certified or approved under each system and 11 percent (0.4 of the 3.7 million acres) of non-industrial private forestlands are managed under an approved certification system, stewardship agreement, or forest management plan, as summarized below:

- ODF; USDA-FS Forest Stewardship Plan   113,992 acres
- ODF Stewardship Agreements   3,131 acres
- American Tree Farm System[1]   223,738 acres
- Forest Stewardship Council U.S.   27,569 acres
- **Total**   **368,430 acres**

[1] The Forest Stewardship Plan reported acres are similar to last year's reporting however, the multi-year trend, as well as the outlook, is for an overall reduction in the number of plans developed each year due to the steadily declining amount of funds that are awarded to the state from the USDA-FS through the FSP program.

Factors Affecting Results

a. Along with forestry-related agencies and organizations, the marketplace encourages forest certification. Forestland owners wanting to sell timber increasingly find that milling facilities are requiring their log supply come from certified forests. This market access requirement is motivating landowners to obtain certification from recognized third-party systems. Industrial forestland owners generally have the capacity to develop procedures to maintain certification.

Domestically and internationally, voluntary forest certification systems are used as a mechanism to recognize forest products originating from lands meeting specific management and harvesting requirements. Certification involves observation of management and harvesting requirements and is validated through third-party review. Costs are incurred by landowners to certify lands. In turn, certified forest products are able to access certain markets, which are otherwise closed and/or differentiated from uncertified competing goods. Regardless of certification status, all of Oregon's private and state forestlands are subject to the requirements of the Oregon Forest Practices Act and comprehensive land use plans and as such, are held to standards that in many respects are similar to those of certification systems.

In 2018, Oregon achieved certification with the American Society for Testing and Materials (ASTM) standard on forest certification systems D7612-10 for wood grown and harvested under the Oregon Forest Practices Act and compliance of subject wood to the 2012 and 2015 International Code Council (ICC) International Green Construction Code (IgCC). The recognition from ASTM will provide opportunities for private and state forestlands to access additional markets for their forest products.

In 2019, the KPM was modified to reflect the percentage of industrial and non-industrial acres whose land is under an approved certification or management system. The percentage is based upon the total acres of forestland in either the industrial or non-industrial classification. This revised reporting measure may improve understanding of the overall importance of this measure.

b. Along with forestry-related agencies and organizations, the marketplace encourages forest certification. Forestland owners wanting to sell timber increasingly find that milling facilities are requiring their log supply come from certified forests. This market access requirement is motivating landowners to develop management plans, since forest certification systems require forest management planning.

Non-industrial forestland owners often need assistance in developing inventory data and management documentation needed for certification. The cost of certification may represent a barrier for smaller ownerships. Approximately 133 thousand owners hold forestland between 1 and 9 acres in size, accounting for 328,000 acres of forests. Another 27 thousand owners have forestland holdings between 10 and 99 acres in size, accounting for 887,000 acres of family forests. The large number of owners with smallholdings creates a significant challenge to achieving certification on all non-industrial forestlands.

To increase certification on non-industrial forestlands, ODF needs to provide additional technical and financial assistance to landowners for development of management plans and procedures. ODF does not receive any state support for this effort and relies solely on federal funding to conduct this work. ODF works with multiple organizations to promote the development of forest management plans and the mutual recognition of approved plans.

In 2019, the KPM was modified to reflect the percentage of industrial and non-industrial acres whose land is under an approved certification or management system. The percentage is based upon the total acres of forestland in either the industrial or non-industrial classification. This revised reporting measure may improve understanding of the overall importance of this measure. NOTE: Collection dates varied for KPM 7 as follows:

- SFI and America Tree Farm data collected - June 30, 2022
- FSC data collected - June 2022
- ODF: USDA-FS Forest Stewardship Plan data collected - June 2022

KPM #8 FOREST STREAM WATER QUALITY - Percent of monitored stream sites associated predominately with forestland with significantly increasing trends in water quality.

Data Collection Period: Oct 01 - Sep 30
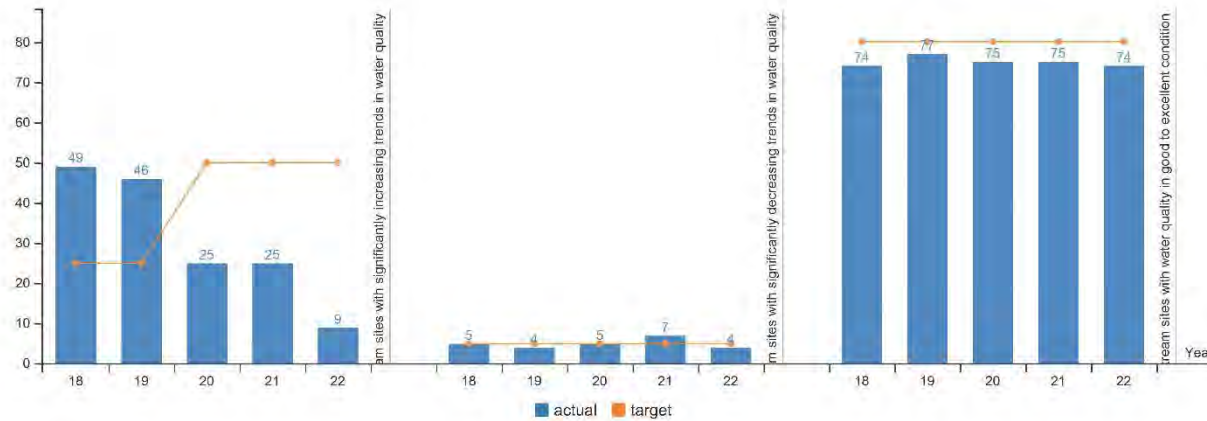
Report Year	2018	2019	2020	2021	2022
a. Percent of monitored forested stream sites with significantly increasing trends in water quality					
Actual	49%	46%	25%	25%	9%
Target	25%	25%	50%	50%	50%
b. Percent of monitored forested stream sites with significantly decreasing trends in water quality					
Actual	5%	4%	5%	7%	4%
Target	5%	5%	5%	5%	5%
c. Percent of monitored forested stream sites with water quality in good to excellent condition					
Actual	74%	77%	75%	75%	74%
Target	80%	80%	80%	80%	80%

How Are We Doing

a. In 2021, 9 percent of monitored forest stream sites showed increasing trends in water quality. While the percent of forested streams with increasing trends in water quality has remained higher than all other land uses (8% of all land uses show increasing trends in water quality) the target for monitored forest streams was not attained this year. However, most forested stream sites continue to remain in good or excellent condition (74%). No increasing or decreasing trend was observed on about 88 percent of monitored forest stream sites.

The performance is based on the Oregon Water Quality Index (OWQI). The OWQI describes general stream water quality status and trends. The OWQI also shows the general effectiveness of water quality management activities. No industry standards exist. However, 2021 data for agricultural lands in Oregon indicate 5 percent of monitored agricultural stream sites with increasing trends in water quality. Statewide data for 2021 for all land uses, including agricultural and forest lands indicate 8 percent of monitored stream sites with increasing trends in water quality.

b. In 2021, two monitored sample points (4 percent) showed significantly decreasing trends in water quality. Compared to last year, when four monitored sampled points (7 percent) indicated significantly decreasing trends in water quality, this represents a slight increase in overall water quality trends. This year the target was met, which is an improvement compared to 2020 when it was not. It is important to note that about half of the ambient sites statewide, and a large majority (74%) of forest monitoring sites continue to have "good" or "excellent" water quality and that has remained consistent over the last eleven years. No increasing or decreasing trend was observed on nearly 88 percent of monitored forest stream sites.

The performance is based on the Oregon Water Quality Index (OWQI). The OWQI describes general stream water quality status and trends. The OWQI also shows the general effectiveness of water quality management activities. No industry standards exist. However, 2021 data for mixed land use in Oregon indicate two monitored stream sites showing a decreasing trend in water quality. Statewide, data for 2021 for all land uses, including agricultural and forest lands indicate 18 monitored stream sites (11 percent) with decreasing trends in water quality, which is a slight decrease to overall stream water quality in Oregon.

c. In 2021, 74 percent of monitored forest stream sites showed "good" to "excellent" water quality, which is just slightly below the target of 80 percent. With the exception of the past 5 years, monitored sites on forestland met or exceeded the target (which increased in 2018) every year since 2009 when this measure was established. About half of the ambient sites statewide continue to have "good" to "excellent" water quality and that has remained consistent over the last ten years.

The performance is based on the Oregon Water Quality Index (OWQI). The OWQI describes general stream water quality status and trends. The OWQI also shows the general effectiveness of water quality management activities. No industry standards exist. However, 2021 data for agricultural lands in Oregon indicate about 31 percent of monitored agricultural stream sites with water quality in good to excellent condition. Statewide data for 2021 for all land uses, including agricultural and forest lands indicate about 49 percent of monitored stream sites with water quality in good to excellent condition. These comparisons demonstrate that maintaining forestlands in forest use is an effective and efficient way to maintain water quality.

**Factors Affecting Results**

Additionally, statewide targets were revised in 2019. Where sites show significant improvement that is not affected by point source discharges, such improvements may be attributed to the following: reduced levels of non-point source activity, increased education about water quality impacts, and watershed restoration efforts. Underlying all these factors are stream flow conditions as Oregon transitions between drought and wet years, changes in stream flows may indirectly affect observed water quality. A variety of activities occurring on forestlands, including forest management (timber harvesting and road construction/use), fire suppression, recreation, and livestock grazing may impact soil and water resources. Disturbances that trigger large erosion events can produce important changes in aquatic conditions. These episodic changes are critical in maintaining aquatic habitat over time, even though they may temporarily decrease water quality.

Disclaimer: The OWQI used in this KPM is one of many tools to understand Oregon water quality conditions statewide. The ambient network is not a randomly selected, statistically valid sample of water quality conditions statewide. Sampling sites were selected to reflect the integrated effects of land use and point source discharges upstream of them. The data is representative of just the sampling site and does not represent the water quality conditions of other locations in the same basin or of the whole river (DEQ, 2019).

KPM #9	VOLUNTARY PUBLIC AND PRIVATE INVESTMENTS MADE TO CREATE HEALTHY FORESTS - Cumulative public and private forest landowner investments made in voluntary projects for the Oregon Plan for Salmon and Watersheds or for the Oregon Conservation Strategy.
	Data Collection Period: Jan 01 - Dec 31

Upward Trend = positive result
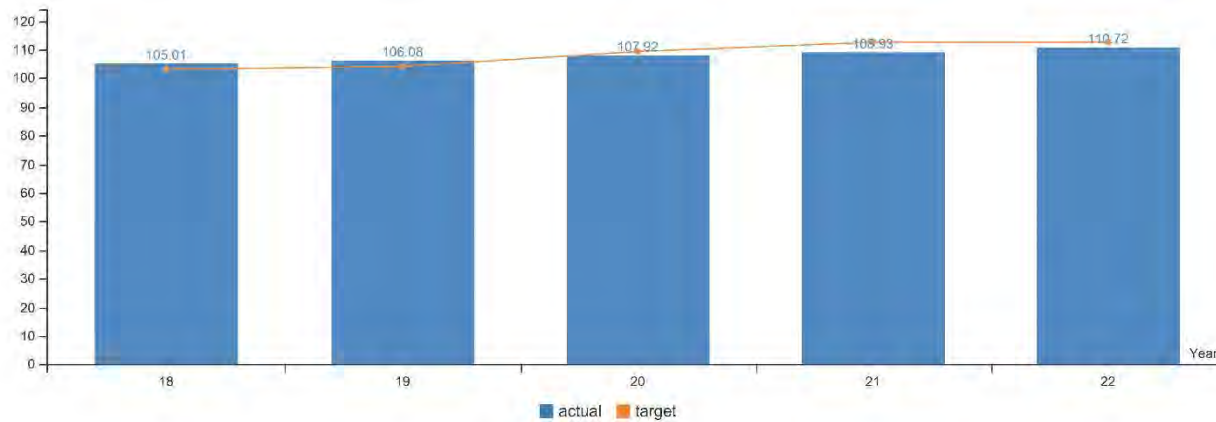
Report Year	2018	2019	2020	2021	2022
Private forestland owner investment in Oregon Plan habitat restoration projects - $ in millions					
Actual	$105.01	$106.08	$107.92	$108.93	$110.72
Target	$103.03	$104.06	$109.25	$112.50	$112.50

How Are We Doing

Private forestland owners have made significant investments in improving water quality and fish habitat. Reported cumulative investments for 2020 was $110.7 million compared to a target of $112.5 million. The 2021 accomplishment level represents the third year out of seven, that cumulative private investments in Oregon Plan for Salmon and Watersheds (Oregon Plan) did not meet the target. In 2021, private forestland owners invested $1.79 million which continues to show the high level of contribution private forestland owners provide to improve water quality and fish habitat through voluntary restoration measures. 2021 also represents an increase in contribution from 2020. The Department had expected the rate of expenditures to decline over time as more projects were completed and opportunities for restoration decreased. The great recession caused a steep drop in investment, corresponding with the decline in timber harvest. However, during 2013-2021 period, restoration activities are increasing based on the average annual contributions and are approximately $1.9 million average investment per year. At this time, data is not available for investments under the Conservation Strategy.

Private forestland owners are the major contributor to the Oregon Plan accomplishments, providing over 80 percent of reported private land accomplishments. Oregon is unique among western states in its focus on voluntary measures, which work in concert with regulatory approaches to achieve additional habitat protection and restoration.

Voluntary restoration activities by landowners, combined with continued regulatory compliance, provide a foundation for the success of the Oregon Plan in protecting and restoring water quality and fish habitat on forestland. The Oregon Conservation Strategy provides an analogous voluntary framework for restoration of all habitat types. The Conservation Strategy emphasizes proactively conserving declining species and habitats to reduce the possibility of future federal or state listings. The strategy presents issues and opportunities and recommends voluntary actions that will improve the efficiency and effectiveness of conservation in Oregon. The Department revised its stewardship agreement program to improve efficacy of encouraging forestland owners to self- regulate to meet

and exceed applicable regulatory requirements and achieve conservation, restoration and improvement of fish and wildlife habitat and water quality. The Department continues to implement a programmatic Safe Harbor Agreement for Northern Spotted Owls to provide regulatory certainty and encourage voluntary enhancement of owl habitat for landowners who choose to participate. In 2019, the stewardship agreement tool had increased interest and resulted in nearly 32,000 acres enrolled because of a new agreement with one large landowner in Northwest Oregon who focused on aquatic and terrestrial conservation strategies for listed threatened and endangered species.

Factors Affecting Results

The Oregon Plan has been successful because of the strong forestland owner community who work with watershed councils and the Department to achieve restoration and protection goals for natural resources. There continues to be broad support for voluntary measures coupled with regulatory mandates. ODF Stewardship Foresters provide education and technical assistance to landowners in support of restoration activities. The previous economic downturn in the late 2000's significantly affected the housing market and corresponding demand for wood products. Economic conditions have improved since 2012 resulting in steady investments and contributions to watershed restoration efforts. Moving forward, the Department will be working to implement a revised regulatory and landowner assistance program that is associated with recently approved legislation. This legislation will provide additional resources to help implement programs including the Oregon Plan. The Oregon Plan funding supports coordination with watershed councils and other groups that encourage restoration.

The Department is aware that reporting and implementation of voluntary restoration projects is not occurring at a high enough percentage to capture a comprehensive view or encourage additional investments by private forestland owners.

KPM #10	STATE FORESTS NORTH COAST HABITAT - Complex forest structure as a percent of the State Forests landscape.
	Data Collection Period: Jul 01 - Jun 30

* Upward Trend = positive result
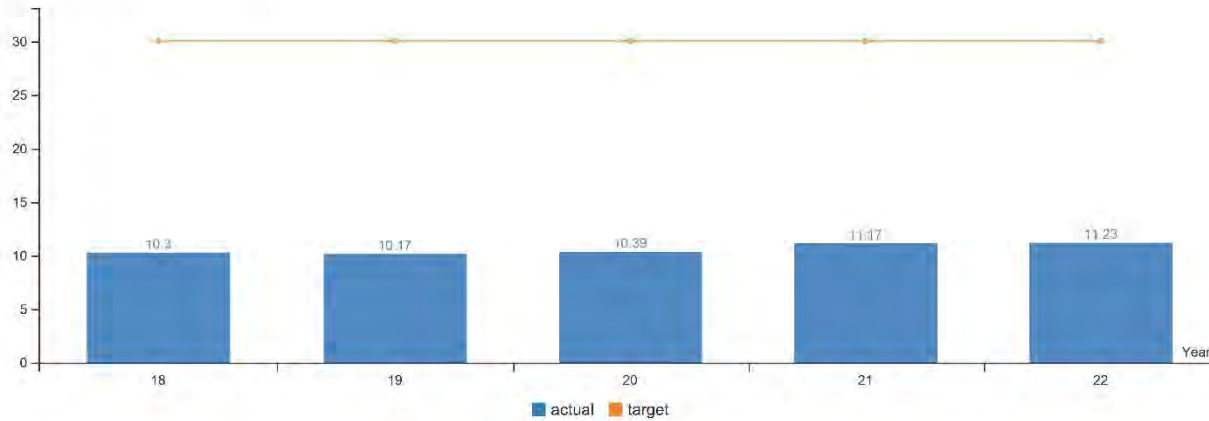
Report Year	2018	2019	2020	2021	2022
Complex structure as a percent of the State Forests landscape					
Actual	10.30%	10.17%	10.39%	11.17%	11.23%
Target	30%	30%	30%	30%	30%

How Are We Doing

The amount of complex structure on State Forests demonstrates a steady or slightly increasing trend since 2018. The decrease from 2017 to 2018 was largely a result of a change in how the amount of complex structure is estimated. When considered by District, the fiscal year 2021 data show that 16.74% of Astoria district, 10.96% of Forest Grove district, and 8.35% of Tillamook district are in complex forest structure.

Factors Affecting Results

Complex forest structure develops very slowly, and it is anticipated to take decades to achieve the range of 30 to 50% complex structure now described in the forest management plans. ODF's Stand Level Inventory (SLI) system is not designed to report on year-to-year difference but rather reflect our updated understanding of the landscape.

The year-to-year changes in complex structure are the result of updates to SLI data as well as active management designed to enhance the development of complex forest structure over time. Following an external expert review, ODF adopted a new growth model in 2018 to improve consistency of inventory estimates. The new growth model provides improved estimates of stand growth and development; however, further refinements are needed to accurately estimate complex forest structure. As a result the estimates may change as the refinements are implemented and new information becomes available.

KPM #11	FIRE SUPPRESSION EFFECTIVENESS - Percent of wildland forest fires under ODF jurisdiction controlled at 10 acres or less.
	Data Collection Period: Jan 01 - Dec 31

Upward Trend = positive result
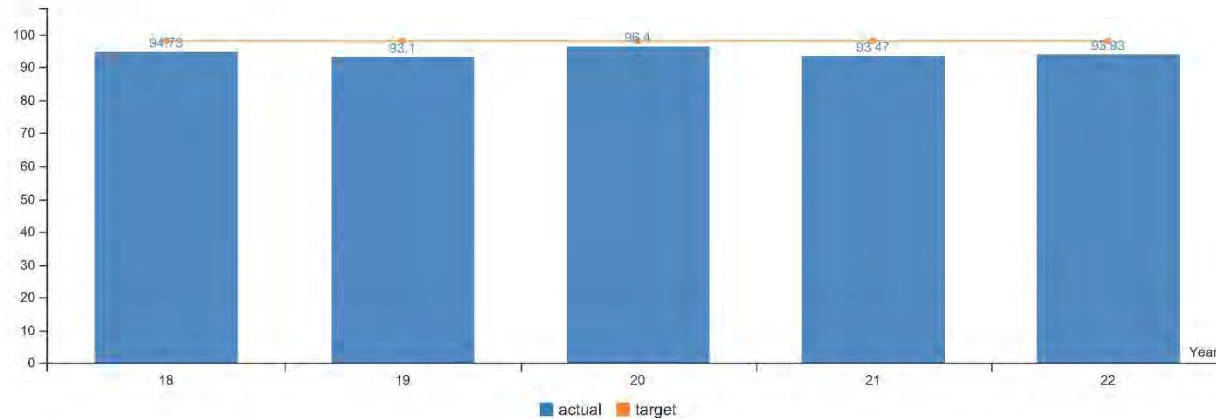
Report Year	2018	2019	2020	2021	2022
Percent of wildland forest fires controlled at 10 acres or less					
Actual	94.73%	93.10%	96.40%	93.47%	93.93%
Target	98%	98%	98%	98%	98%

How Are We Doing

The Department was not able to meet the target of suppressing 98 percent of all wildfires at ten acres or less in size for the 2021 fire season. We were 4.1% under target at 93.9%.

Factors Affecting Results

Influencing factors: A pattern of unusually dry weather in the months leading up to fire season 2021 prolonged persistent drought conditions throughout the region. The geographic extent and severity of the drought conditions worsened as temperatures consistently remained well above average in June, July, and August. The most notable example of this trend was the extraordinarily strong heatwave in June 2021. The impact of these drought conditions was most severe in Central and South-Central Oregon, portions of which experienced extreme or extraordinary drought conditions throughout the duration of fire season. These weather factors resulted in the highest number of days at Preparedness Levels 4 and 5 (76 days total) ever recorded in the Northwest in a single season. At the same time, active fire seasons in the Rocky Mountain, Southwest, Great Basin, Northern Rockies and both California Geographic Areas compounded weather-related challenges by impacting resource availability. The arrival of moisture on the western side of the Cascades produced notable lightning activity on dry fuels. The NWCC recorded 7,444 strikes across the region in the month of June alone, a 48% increase relative to the 20-year average (2000-2020). Despite suppression challenges presented by June lightning, ODF suppressed 92% of fires in June 2021 at less than 10 acres. The notable exception is the Cutoff fire, which required mobilization of an ODF Incident Management Team and reached a final size of 1,288 acres. Increasingly austere conditions and continued lightning events resulted in multiple IMT deployments in July and August. Most of those deployments, including Bootleg (413,717 acres), Grandview (6,032 acres), Elbow Creek (22,960 acres), and Fox Complex (9,740 acres) were to Central and Eastern Oregon, where drought conditions were the most severe statewide. In Western Oregon, a significant lightning event in early August produced multiple complexes spanning the length of the Cascade crest. That event required IMT mobilization to the Skyline Ridge Complex (5,760 acres). Despite consistently challenging conditions created by both the fire environment and resource drawdown, early detection and initial attack success kept 94% of ODF fires at less than 10 acres.

KPM #12 | PREVENTION OF HUMAN-CAUSED WILDLAND FOREST FIRES - Number of Oregon residents per human-caused wildland forest fires. (population expressed in thousands of residents) This metric measures the ability to maintain or reduce the number of human-caused wildfires as the population of Oregon increases. An upward trend indicates a positive result.

Data Collection Period: Jan 01 - Dec 31

Upward Trend = positive result
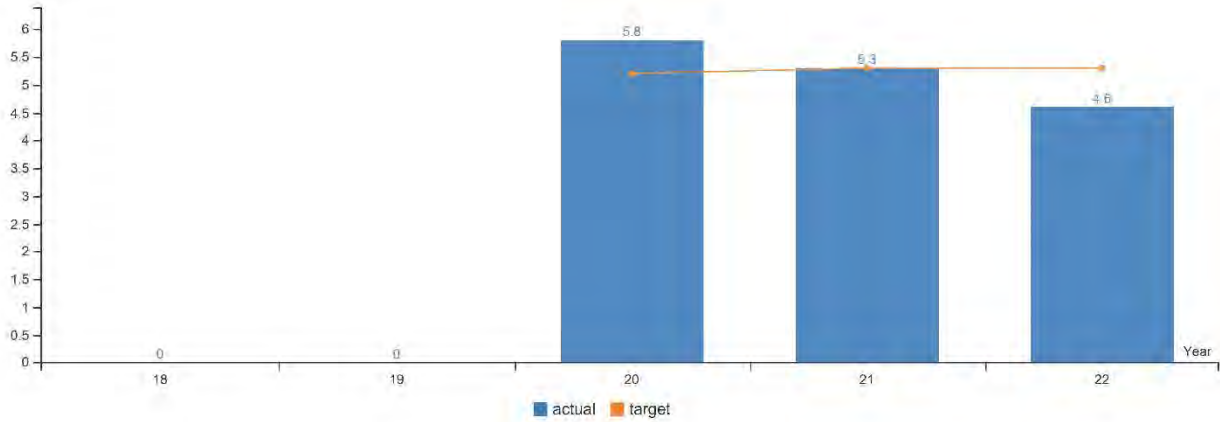
Report Year	2018	2019	2020	2021	2022
Number of Oregon residents per human-caused wildland fire					
Actual			5.800	5.300	4.600
Target			5.200	5.300	5.300

How Are We Doing

Key Performance Measure #12 was modified during the 2019 Legislative Session to report as a number of Oregon residents per human-caused wildland forest fire compared to previously reporting the number of human-caused wildland forest fires per 100,000 Oregon residents. With previously set legislative targets reporting on the number of fires, prior year data has been omitted from the report table. Results for the 2021 reporting year are reflected in the following narrative. The legislatively approved target for this measure in 2021 is 5.2 thousand Oregon residents per human-caused wildland forest fire (population expressed in thousands of residents).

The fire prevention program continues to examine new and effective approaches to prevent human-caused wildland fires. There were 924 human-caused wildland fires in 2021. With Oregon's population increasing 1/2 percent to 4,266,620 the resulting fire prevention rate of 4.6 thousand Oregon residents per human-caused wildland forest fire exceeded the target. The 10-year average of human-caused wildland fires is 730 fires annually.

Factors Affecting Results

Steady increase in Oregon's population and the use of forestland for recreation as well as increasing rural residential home sites are key components for these results. Heavily populated areas of the state, where weather and fuel conditions are aided by public activities, such as debris burning, equipment use, and forest recreation, drive the data.

KPM #13 DAMAGE TO OREGON FORESTS FROM INSECTS, DISEASES, AND OTHER AGENTS - Percent of forest lands without significant damage mortality as assessed by aerial surveys.

Data Collection Period: May 01 - Oct 31

Upward Trend = positive result
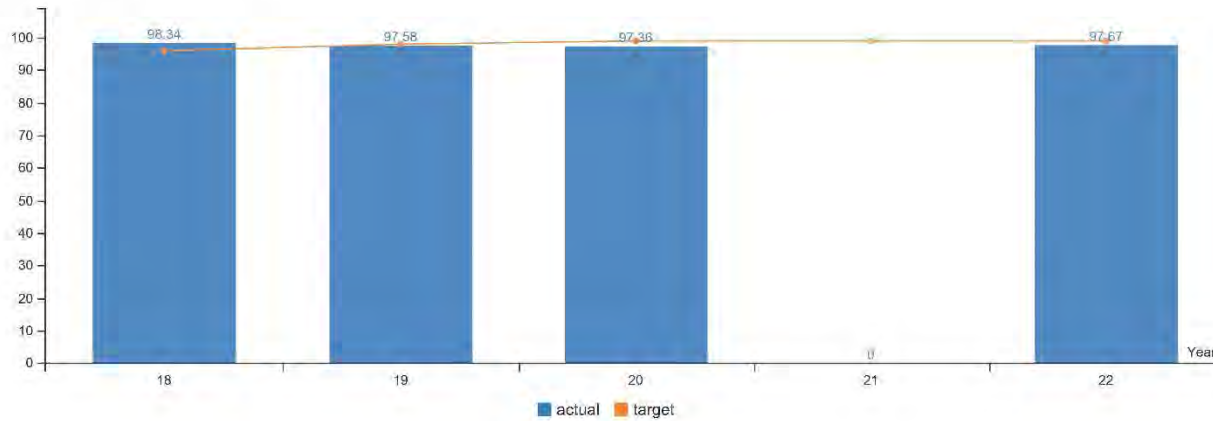
Report Year	2018	2019	2020	2021	2022
Percent of Oregon forestlands without significant damage from insects, diseases and other agents					
Actual	98.34%	97.58%	97.36%		97.67%
Target	96%	98%	99%	99%	99%

How Are We Doing

The percent of Oregon forestlands without significant damage from insects, diseases and other agents has held steady the last few years but is below recent KPM targets, which have increased over the years. The ongoing statewide drought continues to reduce the resilience of our forests to additional stressors, and we will likely see the percent of Oregon forestlands without significant damage hold steady or decrease over time as our forestlands continue to be stressed by drought.

In 2021, our aerial survey was reduced to approximately 80% of our normal coverage area due to interruptions from wildfire, and aircraft and staffing shortages. We conducted ground checks in known problem areas and areas damaged by disturbance events such as recent storms, wildfire and chronic drought. From aerial and ground surveys it was clear that the trend from the last decade continues, and most tree mortality detected has been due to a combination of climate change impacts and secondary attack by bark beetles. The "heat dome" anomaly also resulted in a sudden pulse of damaged trees across the state. Over 144,000 acres of heat scorch from this event was observed in 2021 although many more acres of heat damage were not captured in time due to the timing of flights. Storm and wildfire damage, drought stress exacerbated by overstocking, unsuitable site selection for drought-intolerant species, and unchecked root disease are other major primary stressors that are often paired with secondary attack by bark beetles. Some pest agents are on the rise such as the non-native, sap-sucking insect balsam woolly adelgid which attacks true firs and remains an ongoing and untreated problem primarily on higher elevation U.S. Forest Service ownerships. Management is often not feasible in these remote areas and the number of fir trees continues to diminish. The Department completed a project to map Western redcedar dieback from the ground and correlations determined that reduced early spring precipitation is having a strong impact on the ability for this species to survive across its range. We assisted collaborating researchers in obtaining funding and site access to relate dendrochronology to climate variables to determine if there are other influential climate factors. Cooperative statewide trapping surveys and monitoring for invasive spongy moth (previously gypsy moth) was conducted where this insect was detected in 2020. No moths were found in 2021 and the area will be surveyed again in 2022 to affirm that it has not established in this area. Emerald ash borer remains undetected in the state with no reports, to date, of this invasive insect.

Efforts to quarantine and slow the spread of Sudden Oak Death, an exotic disease affecting tanoak, have been ongoing along the southwestern coast of Oregon. A new clonal lineage of Sudden Oak Death (NA2) was detected outside Port Orford in the spring of 2021. Since then, this infestation has been the SOD program's top priority. We surveyed over 400 acres with ground transects and aerial surveys, resulting in over 200 samples and 154 positive detections of the NA2 variant. Previously found only in nurseries, this is the first time that variant has been found in wildlands. A tentative 600 ft treatment buffer has been placed around the confirmed positive trees totaling 581 acres in the buffer zone. Treatment has been completed on 141 acres with 130 acres currently undergoing treatments.

Factors Affecting Results

Over the last decade, an average of over 1 million acres of forest lands have been designated as having been significantly affected by insects, diseases, and other damaging agents during aerial surveys. Thousands more acres are unhealthy and under-producing due to being overstocked, planted with off-site species, exposed to environmental stresses such as drought, and stagnating from the suppression of natural fire cycles. These acres are becoming increasingly susceptible to damage by environmental stressors, insects and diseases. While the statewide aerial survey data provides valuable information about key forest damaging agents, aerial surveys are just an estimate and are not able to evaluate the impact of many forest diseases, nor indicate the current or future risk of forests to damage by environmental stressors, insects and diseases. In Oregon, thousands of acres of forests need active management to reduce the risk of insect outbreaks and catastrophic wildfires to produce resilient and sustainable forests. A century of fire suppression and inconsistent forest management has resulted in thousands of acres of Oregon's forests becoming overstocked and unhealthy. In addition, changing climatic conditions that contribute to drought directly cause damage or increase susceptibility to insects and disease. Thinning stands to reduce competition, promote tree health and vigor, and increase age and species diversity, have been shown to reduce the risk associated with many damaging insects and diseases. Federal bark beetle mitigation grants, administered by the Department's stewardship foresters, provide cost share funds to landowners to implement activities to improve forest health and increase stand resistance to bark beetles. Federal National Fire Plan funds also provide cost-share to landowners to improve forest health and prevent damage within the wildland-urban interface. However, as limited funds are available each year, the total acres of private forest lands treated annually is relatively limited and is unlikely to affect overall statewide trends. Additionally, statewide targets were revised in 2020.

Audit Response Report

Shemia Fagan Secretary of State
Cheryl Myers Deputy Secretary of State; Tribal Liaison
Kip Memmott Audits Director

February 2, 2022

Cal Mukumoto, State Forester
Oregon Department of Forestry
2600 State Street
Salem, Oregon 97310

Dear Director Mukumoto:

We have completed audit work of selected financial accounts at your department for the year ended June 30, 2021. This audit work was not a comprehensive financial audit of the department, but was performed as part of our annual audit of the State of Oregon's financial statements. We audited accounts that we determined to be material to the State of Oregon's financial statements.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements of the State of Oregon as of and for the year ended June 30, 2021, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, we considered the department's internal control over financial reporting as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements of the State of Oregon, but not for the purpose of expressing an opinion on the effectiveness of the department's internal control. Accordingly, we do not express an opinion on the effectiveness of the department's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit the attention of those charged with governance.

Our consideration of internal control was for the limited purpose described above and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal

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control that we consider to be material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

Significant Deficiency

Strengthen controls to ensure appropriate receivable balances

The Oregon Department of Forestry records various accounts receivables, resulting from timber sales, burn fees, and fighting fires. These receivables represent amounts owed to the department. In accordance with state policy, department management is responsible for ensuring the proper accounting of receivables. Department processes include many manual entries that do not receive adequate review. We selected 45 receivables for testing and identified the following errors:

- Four items contained a negative balance at year end, totaling $53,032. These receivables were overpaid and should be reclassified as payables, as they represent amounts to be refunded or applied to a future invoice.

- Three items were not recorded correctly, resulting in overstating receivables by $1,111,349. In all instances, receivables balances should have been reduced, but were not. One receivable was partially paid but not applied to the invoice; a shipping fee was waived and the receivable balance was not adjusted; and an adjustment was not recorded as intended.

- One item with a balance of $232 was recorded twice.

- One item could not be fully supported. The receivable is over 20 years old, with an outstanding balance of $328. When the department adds interest to this receivable, no support is maintained. Additionally, based on review, it appears the department may have duplicated a portion of this receivable balance while allocating the receivable between long-term and short-term. As a result, we could not gain assurance this receivable is reporting the appropriate balance.

We also reviewed two monthly interest receivable entries that were recorded correctly, but found the original receivable invoice was overstated as the department did not apply the bonds to the balance. Additionally, we identified a significant number of receivables that are past due. Most of these receivables are not accruing interest and have not been referred to the Department of Revenue for collection as required by state policy. State agencies are required to make all reasonable efforts to collect receivables due. The department could not provide a policy in place during the period under audit regarding the billing and collection of accounts receivable.

We recommend department management implement controls to ensure compliance with state policy over the billing and collection of accounts receivable. We also recommend management strengthen internal controls to ensure receivables are appropriately recorded, reviewed, supported and reported at year end.

Strengthen accrual methodologies and review procedures over expenditures

State accounting polices require management to develop control activities to ensure that transactions entered in the state's accounting system are properly calculated, classified and recorded in the accounts. To ensure expenditure balances are complete, department management generally uses methodologies to estimate the expenditures to accrue at year-end.

During our review, we identified multiple duplicated expenditure accrual transactions; methodologies for these accruals were incomplete and the duplicated transactions were not identified during management review. These errors resulted in an overstatement of expenditures and accounts payable totaling $10.3 million.

We recommend management ensure year-end accrual methodologies reflect a complete understanding of relationships between overlapping procedures, including detailed parameters to mitigate duplication. Additionally, we recommend management ensure transaction review is adequate and includes examination of overall account balances subsequent to completion of individual transactions.

The above significant deficiencies, along with your response for each finding, will be included in our Statewide Single Audit Report for the fiscal year ended June 30, 2021. Please prepare a response to each finding and include the following information as part of your corrective action plan:

1. Your agreement or disagreement with the finding. If you do not agree with the audit finding or believe corrective action is not required, include in your response an explanation and specific reasons for your position.
2. The corrective action planned.
3. The anticipated completion date.
4. The name(s) of the contact person(s) responsible for corrective action.

Please provide a response to Michelle Searfus by February 10, 2022 and provide Rob Hamilton, Statewide Accounting and Reporting Services (SARS) Manager, a copy of your Corrective Action Plan.

The purpose of this letter is solely to describe the scope of our testing of internal control and the result of that testing, and not to provide an opinion on the effectiveness of the department's internal control. This communication is an integral part of an audit performed in accordance with Government Auditing Standards in considering the department's internal control. Accordingly, this letter is not suitable for any other purpose.

We appreciate your staff's assistance and cooperation during this audit. Should you have any questions, please contact Michelle Searfus, Audit Manager, or Katie Hull, Senior Auditor, at (503) 986-2255.

Sincerely,

Office of the Secretary of State, Audits Division

cc: Bill Herber, Deputy Director of Administration
James Short, Assistant Deputy Director of Administration
Mark Hubbard, Finance Manager
Katy Coba, Director, Department of Administrative Services
Robert Hamilton, SARS Manager, Department of Administrative Services

OREGON DEPARTMENT OF FORESTRY

Implementation Management Plan Review

June 2022

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Certified
Public
Accountants

OREGON DEPARTMENT OF FORESTRY
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OVERVIEW

Macias, Gini & O'Connell LLP (MGO) was engaged by the Oregon Department of Administrative Services (DAS) to provide an independent third-party assessment of the Oregon Department of Forestry's (ODF) Accounts Receivable (AR) and Accounts Payable (AP) practices. MGO performed the work in accordance with the Statements on Standards for Consulting Services issued by the American Institute of Certified Public Accountants. The objective of the engagement was to review, reconcile, evaluate, and make recommendations on ODF's:

- AR and AP functions as a whole.

- AR and AP policies and procedures.

- Policy and procedures involving the Federal requirements for submission of claims and reimbursement, focusing on the Federal Emergency Management Agency (FEMA) Fire Management Assistance Grant (FMAG) Program.

- AR and AP statutory and policy structure.

The final report was published on April 22, 2021 and contained 28 recommendations in the thematic areas of budgeting, financial resources, information technology, oversight, and policies and procedures. The report also categorized recommendations into the three risk categories of high, medium, and low. In October 2021, MGO was engaged by ODF to assess the status of the Implementation Management Plan (IMP).

SCOPE AND OBJECTIVES

The scope of our review includes the assessment of the implementation activities related to the 28 recommendations in the April 2021 MGO Report. The objectives of the review are to:

1. Assess the status of the IMP and ODF's efforts to implement the MGO recommendations.

2. Monitor ODF progress by providing written status reports and making recommendations for keeping implementation on time and in alignment with objectives.

3. Provide background, observations, and context of MGO recommendations.

This is the second review cycle of ODF's progress towards recommendation implementation and covers the period of May 1, 2022 through June 30, 2022. The first report was issued in April 2022 and covered the period of April 2021 (the release of the report) through April 2022. Each report has focused review on a subset of recommendations as compared to all recommendations in their entirety.

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METHODOLOGY FOR IMPLEMENTATION MANAGEMENT PLAN REVIEW

To assess and monitor the status of the IMP, we:

1. Reviewed the MGO April 2021 Report to identify the documentation necessary to deem recommendations implemented.

2. Completed a recommendation prioritization matrix, organized by category (e.g., policies and procedures, information technology, etc.), theme (e.g., cost share agreements, cost estimates, etc.), risk rating (low, medium, and high), and due date to identify the items of primary focus for this round of review. We also inquired with ODF as to recommendations that have been implemented or that demonstrated significant progress towards completion. Risk ratings were based on the definitions below.

High	• Design of controls is ineffective in addressing key risks or no process exists to manage the risk. • Controls/policies/procedures documentation is incomplete, unclear or outdated, not monitored and/or does not exist. • Controls are not in operation or have not yet been implemented. • There is non-compliance with laws/regulations/policies/procedures and there are opportunities to develop new controls to provide a more appropriate level of assurance. • Immediate need for corrective and/or improvement actions to be undertaken.
Medium	• Design of controls only partially addresses key risks and does not provide adequate assurance that all objectives will be achieved. • Controls/policies/procedures are documented, up-to-date, and monitored, but there are some gaps in the documentation relied upon to provide evidence that the key controls are operating effectively. • Controls are not operating consistently and/or effectively or have not been fully implemented. Identified general compliance with laws regulations/policies/procedures with a few minor exceptions. • There are some opportunities to improve existing controls, strengthen compensating controls and/or awareness of the controls.
Low	• There is a cost/benefit advantage to implement improvement opportunities. • Design of controls is adequate in addressing key risks, providing a reasonable level of assurance that objectives are being achieved. • Controls/policies/procedures are documented, up-to-date, and monitored. • Controls are fully implemented and operating effectively and efficiently. • Identified high level of compliance with laws/regulations/policies/procedures. • Some improvement opportunities have been identified but not yet actioned.

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3. Requested documentation for recommendations under review and created a ShareFile to serve as a central repository for document facilitation. For this period of review, items for review pertained to foundational documentation (e.g., policies and procedures), high-risk items, and items that had overlap with multiple recommendations.

4. Evaluated and submitted documentation against criteria identified for deeming the recommendations implemented and via conversations with ODF staff.

5. Summarized the recommendation status and rationale in this report. Recommendation implementation is classified as follows:

   a. *Implemented* – the corrective actions and/or advisements proposed in the recommendation have been met.

   b. *In Progress* – clear demonstration of efforts to implement the recommendation have been initiated or may have been initiated and placed on hold due to resource needs.

   c. *Not Under Review* – the recommendations were not included during the review cycle due to reasons such as corrective actions and/or advisements have not been initiated, other recommendations were prioritized, etc.

This process is flexible to account for items that are high-risk, items that may become higher priority over time, and the timeliness of implementation pending available resources.

DISCLAIMER

The results of the assessment reported do not constitute an examination made in accordance with attestation standards, the objective of which would be to express an opinion or conclusion, respectively we do not express such an opinion or conclusion. Furthermore, this includes any opinion or representation related to the accuracy or completeness of the information provided by management. The sufficiency of the scope is solely the responsibility of the ODF. We make no representation regarding the sufficiency of the scope of services to identify all significant matters or reveal errors in the underlying information, instances of fraud, or illegal acts, if any. We have no obligation to update this report or to revise the information contained herein to reflect events and transactions occurring subsequent to the date of this report. This report is intended solely for the information and use of the Board of Forestry and ODF management and is not intended to be, and should not be, used by anyone other than the specified parties.

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RECOMMENDATION STATUS

During the last review cycle, five recommendations were deemed implemented with the risk ratings lowered.

			Risk Rating as of April 2022			
			High	**Medium**	**Low**	
	Implemented					
Rec	**Category**	**Theme**				
1	Policies & Procedures	Cost Share Agreements			X	
2	Policies & Procedures	Cost Share Settlements			X	
3	Policies and Procedures	Cost Share Collections			X	
16	Oversight	Board of Forestry Oversight			X	
27	Information Technology	OregonBuys			X	

Source: MGO Oregon Department of Forestry Implementation Management Plan Review, April 2022

In summary, for Recommendations 1, 2, and 3, ODF developed policies and procedures for cost share agreements, cost share settlements, and cost share collections. ODF and the Oregon Board of Forestry (BOF) coordinated to implement Recommendation 16 by codifying the BOF financial oversight policy entitled *Financial Oversight of the Board of Forestry*. Lastly, Recommendation 27 focused on transitioning vendors to the use of OregonBuys as the primary system for end-to-end eProcurement processing.

For this review cycle, we confirmed the following during our review:

- 3 more recommendations were fully implemented.

- 2 recommendations are now in progress with no changes in risk rating.

- 7 recommendations remain in progress from the April 2022 review with no changes in risk rating.

Additionally, the seven recommendations deemed as in progress during the April 2022 review were not reviewed during this cycle because not enough time had elapsed to see any substantial progress.

The five recommendations reviewed this cycle pertain to control activities and information and communication. As defined by the *Committee of Sponsoring Organizations of the Treadway Commission (COSO) Internal Control Integrated Framework*, control activities help ensure that management's directives for mitigating risks that may prevent the achievement of organizational goals are executed. Control activities include actions such authorizations and approvals, verifications, reconciliations.

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Additionally, COSO states that obtaining or generating relevant and quality information is essential for successfully executing organizational objectives. Communicating this information internally and externally provides transparency, clear messaging regarding organizational performance, and supplements decision-making.

The recommendations under review this cycle center around:

- annual rate assessment calculations.

- reducing duplication of and increasing communication during the field audit financial review process.

- budgeting methodologies and reconciliation.

- FEMA claims status reporting.

The summarized status of all recommendations not implemented as of April 2022 is presented in the table on the following page.

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OREGON DEPARTMENT OF FORESTRY
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MGO Recommendation Implementation Status as of June 2022

Status	Rec	Category	Theme	Risk Rating as of June 2022 — High	Medium	Low
			June 2022 Review			
Implemented	12	Budget	Annual Rate Assessment	↓		X
	23	Budgeting	Budgeting Requirements	↑		X
	24	Budgeting	Budgeting Reconciliation		↑	X
In Progress	18	Oversight	Change Management		↑	X
	26	Policies & Procedures	FEMA Claim Status Reporting		-X	-X
			April 2022 Review			
In Progress	20	Finance/Accounting Resources	Finance/Accounting Oversight		X	
	17	Oversight	District Finance/Accounting Oversight		X	
	15	Oversight	ODF Standardized P&P		X	
	13	Oversight	Oversight Reports		X	
	9	Policies & Procedures	AP		X	
	7	Information Technology	Cost Estimates		X	
	4	Policies & Procedures	Cash Flow Projections		X	
			Not Yet Reviewed			
Not Under Review	5	Policies & Procedures	Accounts Receivable Collections	X		
	6	Information Technology	Policies and Procedures Storage	X		
	8	Information Technology	BRIO Report Access	X		
	10	Information Technology	Electronic Records	X		
	11	Information Technology	Information Technology Systems	X		
	14	Training	Training		X	
	19	Policies & Procedures	Invoicing		X	
	21	Finance/Accounting Resources	Finance/Accounting Skillsets		X	
	22	Information Technology	ODF Online Financial Reporting System		X	
	25	Policies & Procedures	Operating Associations Advances			X
	28	Budgeting	Encumbrances			X

X is the current rating of the recommendation as of June 2022.
For those recommendations considered in this review cycle:
↓ in the box means the risk rating as of June 2022 has been lowered.
→ ↓ in the box means the risk rating as of June 2022 has been increased.
↑ in the box means the risk rating as of June 2022 has been increased.
− in the box means the risk rating as of June 2022 has not changed since last defined.

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AREAS TO HIGHLIGHT

In this review cycle, three of the five recommendations under review have been deemed implemented. Recommendations 12, 23, and 24 focused on formalizing policies and procedures for calculating the annual rate assessment, also known as Actual Cost Computations (ACC), and creating consistency in budgeting methodologies and reconciliation between the ODF Administrative Branch and the Field Protection Districts (FPDs)/District Offices.[1] Detailed observations for these recommendations are in the **Implemented** section of this report.

ODF has also made substantial progress in enhancing and reducing duplication in its field audit procedures (Recommendation 18). It has also improved the communication of FEMA claim status reporting between the ODF Administrative and Operations Branch and Protection Division Leadership (Recommendation 26). More detailed observations are provided in the summaries for these recommendations in the **In Progress Reviewed June 2022** section of this report.

AREAS FOR CONTINUED MONITORING

ODF is currently in transition to enhance the mechanisms for storing, consolidating, analyzing, and disseminating financial data. For example, ODF is converting from using BRIO Report Access as the query system for generating ad hoc financial reports for budget development and review to the Oracle Business Intelligence Suite Enterprise Edition (OBIEE) platform. As such, ODF is working to enhance its financial data systems and controls through the development and eventual implementation of a financial web management portal. The portal will further reduce the need for manual data entry, be a central repository for source data, and have centralized oversight for tracking, reviewing, reconciling, and overseeing the financial reporting process. The portal development and implementation process are anticipated through the end of 2023.

Given these developments, although aspects of a recommendation may be tied to the development of the web portal, the recommendation may still be deemed implemented because taken collectively, ODF's corrective actions meet the intent of that recommendation and interim steps mitigate control concerns. These reports will continue to monitor the status and progress of the web portal and will continue to adjust the risk ratings accordingly for all recommendations associated with the system.

Lastly, we encourage input from the Board and ODF regarding which recommendations to prioritize. We will factor the feedback into our next cycle of review.

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[1] The term District Offices is a term that is inclusive of district, state, and unit headquarters, as well as the protection districts and units within the Oregon Department of Forestry.

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IMPLEMENTED

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ANNUAL RATE ASSESSMENT

Recommendation Number:	**12**	
Implementation Status:	**Implemented**	
Risk Rating:	**Report: High**	**June 2022 Review: Low**

Recommendation

Formal policies and procedures should be implemented to define the process for setting the ACC (Actual Cost Computations) rates. The ACC rate determination should be as systematic as possible and manual data entry or potential for manipulation should be limited.

Key Items to Deem Recommendation Implemented

1. Formalized, written, P&Ps for setting ACC Rates, including methodology for calculation and ODF review prior to approval.

2. Demonstration of limited manual data entry and controls for data manipulation.

Implementation Status Analysis

This recommendation is implemented with the risk rating reduced to low. The core issues identified in April 2021 report were that: 1) Annual Cost Computations (ACC) rates were calculated manually in excel and with editable cells, complex calculations, and data inputs requiring multiple sources of documentation for input; and 2) ACC rates were completed by the District Forester and not reconciled to excel calculations and that rates were approved by the Fire Protection District's (FPD) Board prior to ODF review. The use of unprotected documents and overly complex calculations could result in inaccuracies whether due to error or fraud and/or the overallocation of mismanagement of funds.

Based on discussions and a review of documentation, ODF has reduced the use of unprotected documents for calculating ACC rates. Notably, ODF has locked cells in excel spreadsheets to prevent deletions or changes to formulas and other template formatting to improve version control. In its Integrated Fiscal Budget Instructions ODF references these changes as a result of its response to MGO recommendations.

ODF is working to further improve the ACC rate controls with the anticipated development and implementation of a web management portal that will further reduce manual data entry, be a central repository for source data, and remain under the oversight of appropriate staff and management to track, review, and oversee the process and financial reports produced. Monitoring for the progress of the portal development is associated with other recommendations (e.g., recommendations 23 and 24).

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Additionally, ODF has established formal policies and procedures for calculating the rates and requiring ODF management review prior to board approval. Specifically, ODF has: 1) revised its fiscal budget instructions; 2) revised the ACC rate template as previously described; 3) reviewed statutes and is considering changes to relevant sections; and 4) formalized the procedures for ODF review prior to rate approval. For example, the FY 2023 Fire Protection Division Integrated Budget Instructions Memo instructs all districts to send their budgets to ODF Administrative Branch for review two weeks prior to their association meetings.

BUDGETING REQUIREMENTS

Recommendation Number:	**23**	
Implementation Status:	**Implemented**	
Risk Rating:	**Report: Medium**	**June 2022 Review: Low**

Recommendation

The overall objectives of the agency and the District Offices should be consistent allowing for consistency in budgeting methodologies.

Key Items to Deem Recommendation Implemented

1. Demonstration that the ODF Administrative Branch and District Office's budget processes and methodologies are consistent.

Implementation Status Analysis

This recommendation is implemented with the risk rating reduced to low. The core issue identified in April 2021 report was that the ODF Administrative Branch biennial budget process and methodology were inconsistent with the District Office's annual (fiscal year) budget process. Gaps between the biennial and annual budget processes could lead to misallocation and/or mismanagement of funds.

As presented in statute, the budget processes serve two different purposes. Through the biennial process, the legislature determines the amount of funding needed by the agency to manage its obligations. Field Protection Districts/District Offices complete annual budgets to provide an adequate level of fire protection within its districts. This concept in statute also articulates the responsibility of landowners to provide adequate protection (levied through rates) and the Board of Forestry to approve annual budgets (to ensure the adequate level of protection is met).

Based on discussions and a review of documentation, including ODF's internal analysis of its budgeting process, ODF has refined its budgeting methodology and processes to provide consistency and alignment between the biennium and annual budgets. Notably, ODF's FY 2023 Integrated Fiscal Budget Instructions

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and the FY 2023 Protection Division Budgeting Instructions advise District Offices to: 1) provide adequate levels of protection; 2) develop budgets in conjunction with the implementation of the 21-23 Biennial Budget; and 3) send all budgets to ODF Administrative Branch for review two weeks prior to Association meetings to ensure the budgets are aligned statewide.

Additionally, budget instructions provide direction on expense coding to create consistency for items such as separating expenses and revenues separately within fund types, and ensuring readiness and suppression codes are coded correctly, etc.

Lastly, ODF is working to further improve budgeting controls through budget data automation and strengthening tracking and storage systems. For example, ODF is working to develop and implement a web portal for budget development and in time creating a central repository for documents through the creation of a document management system to replace the current use of SharePoint. Monitoring for the progress of the portal development is associated with other recommendations (e.g., recommendations 12 and 24).

BUDGETING RECONCILIATION

Recommendation Number: 24

Implementation Status: Implemented

Risk Rating: **Report: Medium** **June 2022 Review: Low**

Recommendation

The ODF Administrative Branch should perform a reconciliation between the ODF agency wide biennial budget and the Field Protection Districts/District Offices annual budgets. Discrepancies should be noted and addressed, including communication to the Board of Forestry.

Key Items to Deem Recommendation Implemented

1. Demonstration of reconciliation between ODF agencywide biennial budget and Field Protection Districts/District Offices annual budgets.

Implementation Status Analysis

This recommendation is implemented with the risk rating reduced to low. The core issue identified in the April 2021 report was that the ODF agencywide budget to actual process did not include reconciliation at the Field Protection District (FPD)/District Office level. Inconsistencies between the budgets could lead to potential revenue and cash shortfalls.

Within ODF's budgeting process, generally, the same financial data is used for tracking, budgeting, and reconciling. As such, a system connecting these processes will create automation, centralized tracking of data, consistency of data entry, and centralized oversight of financial inputs and outputs.

ODF is looking to enhance its tracking, budgeting, and reconciliation, through development and implementation of a web portal. Monitoring for the progress of the portal development is associated with other recommendations (e.g., recommendations 12 and 23).

In the interim, ODF has instituted controls to minimize errors and manipulation in its current budgeting systems, such as not allowing the modification of beginning and ending balances, changing of equations and fields, etc. Additionally, budget advisements sent to the District Offices simplify the coding of expenses, which improves financial data entry consistency, tracking, and reconciliation.

Additionally, ODF's FY 2023 Integrated Fiscal Budget Instructions and the FY 2023 Protection Division Budgeting Instructions advise District Offices to develop budgets in conjunction with the implementation of the 21-23 Biennial Budget and send all budgets to ODF Administrative Branch for review two weeks prior to Association meetings to make sure the budgets are aligned statewide.

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CHANGE MANAGEMENT

Recommendation Number:	**18**
Implementation Status:	**In Progress**
Risk Rating:	**Report: Medium** **June 2022 Review: Medium**

Recommendation

Financial data by incident should be reviewed by appropriate personnel, including the ODF Operations and Administrative Branch and key finance and accounting personnel within the Field Protection Districts/District Offices, on an ongoing and timely basis. Changes in finance and accounting processes and procedures should be properly documented through updates in policy or procedure documents and communicated timely.

Key Items to Deem Recommendation Implemented

1. Demonstration that financial data by incident is reviewed by appropriate personnel, including the establishment of ongoing and timely reporting.

2. Demonstration that changes in policies and procedures are updated and communicated timely.

Implementation Status Analysis

This recommendation is in progress with the risk rating remaining medium. The core issues identified in the April 2021 report were that: 1) Emergency Fire Cost Committee (EFCC) and Field Protection District (FPD) audits were duplicative; and 2) changes resulting from reviews and audits were not communicated to FPDs/District Offices consistently or timely. Additionally, an observation was included that reviews did not extend beyond surface-level financial data to include considerations of reasonableness.

Lack of timely and comprehensive review of incident financial data and timely communication of changes to policies and procedures resulting from these reviews could lead to inefficiencies and inaccuracies or incompleteness in financial data. Moreover, it could also result in a lack of financial accountability within the FPDs.

Based on discussions and a review of documentation, ODF has consolidated the EFCC and FPD audits. While each audit serves specific purposes and is bound to specific criteria and/or statutes for eligibility, the process for compiling data shared between both processes reduces duplication. Moreover, key personnel involved in both processes has been defined and consists of the District Forester and District

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Business Manager, EFCC staff including the Administrator, Lead Auditor, and Finance Coordinator, and ODF staff including the Finance Manager and Protection Accountant.

ODF has also improved the timeliness and consistency of disseminating changes, updates, and reminders resulting from reviews and audits. ODF communicates these observations to all ODF staff annually via its Lessons Learned from Large Fire Audits report. For example, the 2020 fire season audits were completed in May 2021 and lessons learned were disseminated to all ODF staff in June 2021. Lessons learned for the 2021 fire season are in process of being compiled.

As it relates to reasonableness, ODF noted that a more extensive financial review to assess reasonableness would be difficult because there are varying factors that can determine why two seemingly similar fires can have vastly different expenditures. Given the complexity and agility necessary for assessing fire expenditures, reasonableness for the purposes of evaluating recommendation implementation will be based on a combined measure of the financial assumptions of accuracy and completeness, as well as management review and results of audits. Notably:

- **Accuracy** – upon improvements to systems for reporting and entering data, financial data may be less susceptible to unauthorized changes and designed with clear instructions and controls for data entry. The web portal is intended to ease data filtering and compilation, be a central repository for source data used in ODF financial reports and reduce the risk of data manipulation.

- **Completeness** – with the web portal centralizing source data (all information in system is compiled from reliable sources such as GIS, County data, etc.) and ODF creating standards and guidance for audit reviews, the information taken wholistically provides a comprehensive data set for analysis and thorough consideration of multiple factors that provide support for expenditures.

- **Management Review and Audits** – management review includes a review of reasonableness, based on conducting audits with financial data that is accurate and complete and based on knowledge of existing fire season trends, professional judgment, and reviews of lessons learned and previous audits.

This recommendation will remain open to monitor the transition from the use of the discontinued BRIO query tool to the current use of Oracle Business Intelligence Suite Enterprise Edition (OBIEE), and to monitor the progress of the eventual development and implementation of the financial web management portal.

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FEMA CLAIM STATUS REPORTING

Recommendation Number:	26	
Implementation Status:	In Progress	
Risk Rating:	Report: Low	June 2022 Review: Low

Recommendation

The ODF Operations and Administrative Branches should establish policies and procedures related to the communication of the status of FEMA incidents and include the status on processing and submission of FEMA claims by incident.

Key Items to Deem Recommendation Implemented

1. Formalized, written, policies and procedures for communicating the status of FEMA incidents, including the status of processing and submission of FEMA claims by incident.

Implementation Status Analysis

This recommendation is in progress with the risk rating remaining low. The core issues identified in the April 2021 report were that: 1) the ODF Administrative Branch did not consistently receive reports regarding the status of FEMA incident claims; and 2) written policies and procedures related to ongoing reporting of the Fire Management Assistance Grants submissions did not exist. Inconsistent communication regarding the status of the claims could lead to duplicative efforts in aggregating data for cash flow projections and/or led to the inability to properly project cash flows due to delays in the recording of FEMA accounts receivables balances.

Based on discussions and a review of documentation, ODF has instituted FEMA Weekly Status Reports (Status Reports) for tracking FEMA claims. Notably, the report records key information including the claim priority number, calendar year when the fire occurred, FEMA declared disaster number, fire name, estimated reimbursement amount, claim submittal data, and whether there is a cost share.

Additionally, ODF has drafted desk procedures that supplement the Status Report and provide guidance on how to track and estimate FEMA claims. Highlights include directives for the ODF Operations Branch (FEMA Team) to: 1) update and email the Status Report weekly to the

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Protection Finance Manager and FEMA Incident Business staff; and 2) subsequently send the report to leadership – including the State Forester.

This recommendation will remain in progress to monitor the continued use of the Status Report and its effectiveness in tracking and communicating the status of FEMA claims and improving ODF's ability to properly project cash flows. Additionally, the recommendation will remain open as ODF continues to update and eventually finalize the desk manual procedures for the Status Report. Lastly, continual monitoring regarding larger systematic FEMA issues is needed to determine any impacts on the Public Assistance and Federal Management Assistance Grants processes and whether additional internal procedural changes are needed.

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CASH FLOW PROJECTIONS

Recommendation Number:	**4**	
Implementation Status:	**In Progress**	
Risk Rating:	**Report: High**	**April 2022 Review: Medium**
		June 2022 Review: Remains Medium

Recommendation

ODF Administrative Branch should develop and implement controls/policies/procedures as related to accounts payable, accounts receivable, and cash flow projections. Procedures related to accounts payable and receivables should include recording details at a transactional level, when possible.

Key Items to Deem Recommendation Implemented

1. Demonstration of policies and procedures and controls for accounts payable (AP), accounts receivable (AR), and cash flow projections should include recording details at transactional level for AR and AR when possible.

Implementation Status Analysis

This recommendation is in progress and the risk rating has been reduced to medium. The core issues identified in the report were that: 1) formalized policies and procedures related to cash flow projections did not exist; and 2) the ODF Administrative Branch lacked the ability to appropriately estimate or project future cash flow due to the lack of accurate accounts payable and accounts receivable data.

Based on discussions, email reviews, and a review of documentation, ODF developed a Statewide Outstanding Assets and Liabilities Tracker and CO-OP Tracker. The purpose of the tracker is to create a collaborative tracking mechanism for outstanding assets (accounts receivable) and liabilities (accounts payable) for cash flow planning and financial reporting. The tracker is designed to capture items that are not able to be officially invoiced under GAAP guidance allowing ODF to estimate and monitor upcoming/potential costs. With this interim tracking supplementary to other financial data, ODF has additional information at its disposal for cash flow projection analyses.

Moreover, the tracker is to: 1) be updated at least monthly; 2) include outstanding accounts receivable and accounts payable; 3) be included in bi-weekly collaborative meetings; and 4) reflect payments in OregonBuys and invoices in Sage.

The reliability of the estimates from this data is only as good as the timeliness of data input. While reviewing the tracker, we observed that at least two District Offices had not updated their AR/AP entries in over a month or more. While ODF does notify late District Offices, it is worth stating that management,

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the Board, and Legislature, should continue to voice their expectations about the importance of timely completion of the tracker to encourage continued adherence to process regarding their roles in ensuring all parties have access to reliable cash flow data.

Lastly, ODF has developed training videos, on topics such as cost shares, payments and audits, etc., that provide instruction on policies and procedures related to ODF finance and accounting. The policies and procedures are formalized in documents such as the Green Book and internal policy documents. Moreover, ODF has developed a Financial Outlook for Fiscal Years 2022 and 2023 which includes budgeted data, timber revenue projections, extra costs projections, and reconciliation and cash adjustments.

This recommendation will remain open to monitor the progress, consistency, and efficacy of cash flow projections, including data inputs, transactional level detail, policies and procedures, etc.

COST ESTIMATES

Recommendation Number:	**7**	
Implementation Status:	**In Progress**	
Risk Rating:	**Report: High**	**April 2022 Review: Medium**
		June 2022 Review: Remains Medium

Recommendation

The ODF Executive Team (with the ODF Operations and Administrative Branch) should limit cost estimate generators to e-ISuite and FIRES. The ODF Operations and Administrative Branches should define policies and procedures related to the use of the two systems and provide onboarding and ongoing training to ensure all personnel understand how to properly and efficiently use the systems.

Key Items to Deem Recommendation Implemented

1. Demonstration that systems for generating cost estimates has been reduced to e-ISuite and FIRES.

2. Demonstration of formalized P&P related to use of the systems.

3. Demonstration of onboarding and training schedules and/or completed activities.

Implementation Status Analysis

The implementation of this recommendation is in progress and the risk rating reduced to medium. The core issues identified in the report were that: 1) multiple systems are utilized for generating cost estimates; and 2) policies and procedures did not specifically define the criteria for determining which cost estimate systems would be utilized by incident.

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Based on discussions, a review of the Management Response in the April 2021 report, and a review of documentation, ODF sees value in having the flexibility of using all three cost share estimate solutions – e-iSuite, EFCC, and FIRES. For ODF, each system serves the needs of the project in which it is used. For example, federal agencies use e-iSuite and ODF uses e-iSuite for large fires. ODF uses FIRES for cost estimates on smaller district fires and input of other non-finance related incident data. ODF also uses an Excel spreadsheet in the field during the first few days of an incident, which is more expedient that setting up e-iSuite (which needs internet availability in the field, etc) while providing a tool for tracking cost estimates.

ODF has developed policies and procedures in the Chapter 80 Cost Share Field Procedures manual that describe how to process cost share estimates within the various solutions (e.g., templates for weekly cost summaries, weekly cost detail, spreadsheets with predefined rates, etc.). ODF has also developed training videos, on topics such as cost shares, payments and audits, etc., that provide instruction on policies and procedures related to ODF finance and accounting.

This recommendation will remain in progress this cycle as discussions continue regarding the use of all three systems and conducting due diligence to ensure that whether the final determination is the use of one system or the continued use of multiple systems, the chosen option will produce data that is not duplicated and will produce data that is consistent accurate (as best of possible for estimates), and complete.

Furthermore, whether using one system or multiple, policies and procedures and training content and materials should be continually updated to reflect current practices and systems.

ACCOUNTS PAYABLE

Recommendation Number: 9

Implementation Status: In Progress

Risk Rating: **Report: High** **April 2022 Review: Medium**
June 2022 Review: Remains Medium

Recommendation

ODF Administrative Branch should implement processes and procedures related to expense accruals and consider the use of purchase orders within OregonBuys.

Key Items to Deem Recommendation Implemented

1. Formalized, written, and clearly defined policies and procedures related to expense accruals

   a. Inclusive of Purchase Orders being utilized prior to receipt of vendor invoices.

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2. Demonstration of ODF's assessment and decision regarding the use of purchase orders within OregonBuys

Implementation Status Analysis

This recommendation is in progress and the risk rating reduced to medium. The core issues identified in the report were that: 1) purchase orders (POs) were not utilized for purchasing goods and services prior to the receipt of vendor invoices; and 2) vendor invoices took years for ODF to receive. Notably, POs were created within the OregonBuys system after vendor invoices were received for payment. A PO should be created prior to invoicing as it details items to be purchased, the quantity and price of those items, and is the source document for tracking expenditures prior to invoice payment. OregonBuys is a web-based solution providing end to end eProcurement processing.

Based on discussions, email reviews, and a review of documentation, ODF developed a Statewide Outstanding Assets and Liabilities Tracker and CO-OP Tracker that provides monthly updates of outstanding assets (accounts receivable) and liabilities (accounts payable) for the purposes of cash flow planning and financial reporting.

Moreover, ODF is entering a Phase II Implementation that will activate a purchase order module with OregonBuys. ODF has required all vendors to be registered in OregonBuys and for all purchases to be made through this system. For vendors that refuse to register in OregonBuys, ODF has developed an additional process where vendor information is entered into the Forestry Purchase Order Form and entered in the system by Accounts Payable. Effective December 31, 2021, ODF codified its Oregon Department of Forestry Policy Document for Delegation of Authority. This guidance describes authority limits by level, including authority for approval paths within the security of the OregonBuys system.

This recommendation will remain open to monitor the progress of the phase II OregonBuys Implementation and to monitor and/or recommend supplementary adjustments like updates to policies and procedures. The goal of implementation is to mitigate risks associated with creating purchase orders after invoicing including changes in agreed-upon pricing, inability to track orders, difficulty in expense monitoring, etc.

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Recommendation Number: 13

Implementation Status: In Progress

Risk Rating: Report: Medium   April 2022 Review: Medium
                                                        June 2022 Review: Remains Medium

Recommendation

ODF Administrative Branch should establish documented controls/policies/procedures related to oversight of fire protection finance, including the preparation and timely review of standardized reports.

Key Items to Deem Recommendation Implemented

1. Demonstration of policies and procedures and controls in the oversight of fire protection finance, including preparation and timely review of standardized reports

Implementation Status Analysis

This recommendation is in progress and the risk rating remains at medium. The core issues identified in the report were that: 1) reports for oversight of fire protection appear to be ad-hoc and manually manipulated; and 2) formalized policies and procedures related to preparation and review of fire protection finance did not appear to exist. The use of ad-hoc and manually manipulated reports could result in use of incomplete and inaccurate data for management decisions.

Based on inquiries, ODF represented that monthly financial conditions reports have been submitted to the Legislative Fiscal Office, Chief Financial Officer, Oregon State Treasury, Board of Forestry, and Governor's Office since Fall of 2020. MGO reviewed the reports from the most recent quarter (January, February, and March 2022) to confirm the completeness of these reports. The reports include summaries related to cash balances, Fire Protection Division's General Fund appropriation, debt carried, cost awaiting reimbursement from federal agencies, projections, and accounts payable and receivable.

Additionally, effective April 12, 2022, the Board codified the Oregon Department of Forestry Policy Document entitled Financial Oversight of the Board of Forestry. The policy includes responsibilities and standards pertaining to financial reporting, financial policies and procedures, financial planning, and financial management. Notably, the policy requires ODF to provide the Board with financial information, including:

- Quarterly agency actuals to budget and financial statements with performance indictors relevant to financial position, operations, and cash flows

- Comparative views of current financial performance compared to that of previous years

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It also requires ODF to ensure policies and procedures for financial transactions are documented, reviewed, and updated and ensure that financial policies and procedures are being followed.

Moreover, ODF has developed a Statewide Outstanding Assets and Liabilities Tracker and CO-OP Tracker that provides monthly updates of outstanding assets (accounts receivable) and liabilities (accounts payable) for the purposes of cash flow planning and financial reporting.

This recommendation will remain open to monitor the progress, consistency, and usefulness of the reports and to monitor and/or recommend supplementary adjustments like updates to policies and procedures.

ODF STANDARDIZED POLICIES AND PROCEDURES

Recommendation Number: 15

Implementation Status: In Progress

Risk Rating: **Report: Medium** | **April 2022 Review: Medium**
June 2022 Review: Remains Medium

Recommendation

ODF Operations and Administrative Branches should develop and implement standardized processes and procedures for the District Offices, and assist in the implementation and continued oversight of the processes and procedures to ensure consistency in application.

Key Items to Deem Recommendation Implemented

1. Formalized, written, policies and procedures for District Offices that will minimize independent operation.

2. Demonstration of continued oversight of policies and procedures.

Implementation Status Analysis

The implementation of this recommendation is in progress with the risk rating remaining at medium. The core issues identified in the report were that: 1) District Offices appeared to operate independently; and 2) District Offices lacked standardized processes and procedures.

To assist in addressing the District Offices operating independently, ODF has reconfigured its organizational structure moving the Protection Finance Unit under the direction of Finance Services within the Administrative Branch. ODF has developed and/or updated standardized policies and procedures for District Offices, including the Green Book with guidance on cost accounting and reporting and cost shares, incident payments and coding, etc. ODF has also developed training videos, on topics such as cost shares,

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payments and audits, etc., that provide instruction on policies and procedures related to ODF finance and accounting.

This recommendation will remain open to monitor whether the organizational change and other efforts are producing the intended result of creating more cohesion amongst the District Offices and ODF and to monitor and/or recommend supplementary adjustments like updates to policies and procedures.

DISTRICT FINANCE/ACCOUNTING OVERSIGHT

Recommendation Number:	**17**	
Implementation Status:	**In Progress**	
Risk Rating:	**Report: Medium**	**April 2022 Review: Medium** **June 2022 Review: Remains Medium**

Recommendation

The ODF Administrative Branch should establish policies and procedures related to oversight of finance/accounting functions within the District Offices. The policies and procedures should include, but not be limited to:

1. Definition of reporting lines from the District Offices to the ODF Administrative Branch.

2. Identification of reporting requirements and key financial metrics from the District Offices to the ODF Administrative Branch.

3. Ongoing monitoring of key financial metrics within the District Offices.

In addition, the ODF Executive Team, with the ODF Operations and Administrative Branches, should set a clear "tone at the top" with respect to financial accountability within the District Offices.

Key Items to Deem Recommendation Implemented

1. Formalized, written, P&Ps that create an organizational structure requiring District Offices to report to ODF, including:

   a. Definition of reporting lines from District Offices to ODF Administrative Branch

   b. Identification of reporting requirements and key financial metrics from District Offices to ODF

   c. Ongoing monitoring of key financial metrics within District Offices

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2. Demonstration of ODF Executive Team, with ODF Operations and Administrative, setting clear tone at top.

Implementation Status Analysis

The implementation of this recommendation is in progress and the risk rating remains at medium. The core issue identified in the report was District Offices operated with limited oversight as related to finance and accounting. The current organizational structure did not include District Offices reporting to the ODF Administrative Branch. Moreover, a clearer "tone at the top" with respect to financial accountability within the District Offices was also recommended.

Based on discussions, email reviews, and a review of documentation, ODF leadership has set a "tone at the top" by demonstrating its commitment to financial accountability within the District Offices. Furthermore, ODF has also reconfigured its organizational structure so that District Offices report to ODF. Notably, ODF has moved the Protection Finance Unit under the direction of Finance Services within the Administrative Branch. Additionally, ODF is in the process of developing clear and appropriate job descriptions (e.g., aligning job duties with commensurate experience and skillsets) as it engages in recruitment efforts for filling vacancies associated with finance and accounting personnel.

ODF has developed and/or updated standardized policies and procedures for District Offices, including the Green Book with guidance on cost accounting and reporting and cost shares, incident payments and coding, etc. It has also developed foundational policies and procedures for tracking, monitoring, and analyzing accounts receivable and accounts payable for financial reporting through documents such as its Cost Share Tracker and the Statewide Outstanding Assets and Liabilities tracker. To that end, ODF has also developed training videos, on topics such as cost shares, payments and audits, etc., that provide instruction on policies and procedures related to ODF finance and accounting.

To deem this recommendation implemented, ODF has expressed that it would first want to ensure that the following policies and procedures and updated:

- Disbursements Policy;
- Credit Card Policy;
- Procurement Policy; and
- Accounting for Revenues and Receivables.

Furthermore, to deem this recommendation implemented, ODF will need to demonstrate how it is monitoring key financial metrics within the District Offices through mechanisms such as the identification of key financial metrics and reporting requirements from the District Offices to the ODF Administrative Branch.

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FINANCE/ACCOUNTING RESOURCES

Recommendation Number:	20
Implementation Status:	In Progress
Risk Rating:	Report: Medium
	April 2022 Review: Medium
	June 2022 Review: Remains Medium

Recommendation

Job descriptions of current ODF personnel should be reviewed and the following reassignments should be made:

1. Individuals with primarily finance and accounting responsibilities should be reassigned to the ODF Administrative Branch.

2. Finance and accounting related job duties of individuals within the ODF Operations Branch should be reassigned to personnel within the ODF Administrative Branch.

In addition, the ODF Operations and Administrative Branches should review and approve job requisitions with finance and accounting responsibilities to determine whether the roles and responsibilities are appropriate given the position identified.

Key Items to Deem Recommendation Implemented

1. Demonstration of an organizational restructure that ensures those with finance and accounting responsibilities are reporting to appropriate authorities to effectuate better communication and financial oversight.

Implementation Status Analysis

This recommendation is in progress and the risk rating remains at medium. The core issues identified in the report were that: 1) under the current organizational structure, personnel with finance or accounting responsibilities report to the ODF Operations Branch rather than the Administrative Branch; and 2) certain positions within the ODF Administrative Branch have finance and accounting related job duties but do not consistently communicate with appropriate personnel within ODF Administrative Branch regarding the execution of those duties.

Based on discussions and a review of documentation, it should be highlighted that ODF has made significant progress in its organizational restructuring. Notably, ODF has moved the Protection Finance Unit under the direction of Finance Services within the Administrative Branch. ODF is in the process of developing clear and appropriate job descriptions (e.g., aligning job duties with commensurate experience and skillsets) as it engages in recruitment efforts for filling vacancies associated with finance and

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accounting personnel. Additionally, effective December 31, 2021, ODF codified its Oregon Department of Forestry Policy Document for Delegation of Authority. This guidance delegates authority to enter legal obligations by position and sets authorization limits for items such as expenditure authority, cost share agreement settlement authority, etc.

This recommendation will remain open to monitor whether the organizational change is producing the intended result of facilitating ODF oversight of its finance and accounting personnel and job functions. Also, to monitor whether streamlining the finance and accounting staff is resulting in improved communications related to financial reporting, recording of accounts receivables and payables, and forecasting cash flows.

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Racial Impact Statement

Not required of ODF in 23-25.

Affirmative Action Report

Affirmative Action Report

The Department of Forestry continues to work toward the goals laid out in the 2021-23 Affirmative Action Plan. This report provides a summary of significant changes that have occurred over the last two years, an overview of activities that are making a major contribution towards our goals, and an overview of areas that will see additional emphasis in the 2023-2025 biennium. The multi-pronged approach highlighted below is guiding ODF towards its goal of further diversifying its work force.

Significant Changes

The professional job group is the largest permanent job group in the Department with approximately 30 percent of the permanent workforce in this category. This is a critical job group not only because of its size, but because it provides the technical know-how for ODF and it is a substantial source of qualified candidates for the middle and upper management (A01, A02) job groups.

There was a slight increase in the number of women, and a slight decrease in the number of people of color over the last couple of years in this job group:

- The percentage of women in this job group increased from 23 percent to 25.8 percent in the last biennium. The increase in percentage of women is significant when considering the overall increase for the total workforce from the previous biennium. While this job group still remains under parity, ODF will continue working towards achieving parity in this job group.
- The percentage of people of color increased slightly from 8 percent to 8.3 percent. ODF will continue working to increase this number in all classifications job group.
- The Department continues to increase recruitment outreach in an effort to increase both the number of women, people of color, and persons with disabilities in the organization.

Agency Program and Goals

The following activities play a major role in moving the Department toward its affirmative action goals as well as building a foundation for future efforts to diversify the workforce.

1. The Department's Diversity Initiative is aimed at: (a) creating an inclusive work environment, (b) encouraging each employee to reach their full potential and (c) establishing ODF as an "Employer of Choice." Accomplishment of the diversity efforts in conjunction with a strong recruiting and succession plan effort will provide the impetus for continued diversification of the Department's work force. High priority items implemented to date include:

- Recruited and hired a Diversity, Equity, and Inclusion Strategy Officer along with the TAPS (Talent Acquisition Partners) to focus on recruitment.
- Implemented the peer-to-peer support in the form of Responder Life.
- ALP has returned.
- Implementation of Covey's 7 Habits Plus training for all agency employees as the ODF corporate culture course. Although this was put on hold due to cost containment it is forecasted to resume for the next biennium.
- Managers discussing, supporting and completing Individual Learning Plans for all employees during the annual performance appraisal process.
- Update and maintenance of the Human Resources web site.
- Implementation of professional workplace training (e.g., preventing sexual harassment) for all Department employees. 100% agency completed DAS discrimination/harassment training in Workday in 2019
- Incorporate the Department's Working Guidelines into all ODF-specific training.
- Diversity awareness topics built into the agendas of Leadership Team meetings and the Agency Leadership Program.
- Development of ODF DEI team and implementation of the DEI Council.
- Encourage all employees to attend agency sponsored diversity forums (e.g., Diversity & Inclusion Conference).
- Active members of Partners in Diversity and outreach efforts
- Workday implementation

2. A longer-term approach for developing future interest in employment is of critical relevance in Forestry. Exposure to natural resources as a potential career needs to be addressed at the K-12 grades in Oregon. ODF has developed several options that will help increase exposure of urban students to natural resource issues and potentially to natural resource careers.

- ODF's education program in Northwest Oregon provides teachers with forestry educational material and strategies for the primary grades and middle school levels. The Education & Interpretation Coordinator has also worked with the Tillamook and Portland school districts to provide forestry education materials, curriculum, and field experiences to students.
- The Tillamook Forest Center (TFC) provides a suitable setting for field trips and exposure to natural resources for the general public. Forestry's TFC collaboration with the Oregon Forest Resources Institute (OFRI) has also made funds available to assist with transportation costs for forestry related fieldtrips for students in urban areas.
- Field offices throughout Oregon conduct fire prevention programs, support outdoor school activities, and natural resource curriculums for various grade levels. For example, the Department has dedicated time to classroom presentations, field trips, mentoring, informational interviews, career fairs and job shadows to students from elementary school through four universities. Of note, ODF has participated for the past two years in the Governor's Camp Out, serving minority populations by helping provide outdoor experiences.
- The Department's TAPs and Recruitment Specialists coordinate ODF efforts to provide students with informational interviews, job shadows, and student internships.

3. The Department's TAPS and recruiters, as well as other personnel, have developed and continue to make contact with a wide variety of organizations serving people of color and with the educational community. These efforts focus on how to integrate outreach and educational efforts with the ongoing efforts of these organizations. ODF's recruiters have attended diversity conferences and events when offered.

4. The Department of Forestry has a current Government-to-Government representative working with the tribal governments. Currently, we are working on establishing a stronger presence which will include a dedicated tribal liaison.

Additional Emphasis in 2023 - 25 Biennium:
Additional emphases during the 2023-2025 biennium will include:

1. Hire a tribal liaison to work directly with the nine federally recognized tribes in Oregon.
2. Implement high-priority Affirmative Action items identified by ODF's Leadership Team via meetings and agency-wide workshops. High-priority items will be documented on the Department's formal Affirmative Action Plan.
3. Develop and implement Cross Cultural/Diversity Training for all agency employees
4. Improve diversity information and resources on the ODFnet DEI webpage.
5. Additional training for supervising managers, including Equal Employment Opportunity laws, and leadership skills.
6. Continue to promote and strengthen Government-to-Government relations.
7. Continue to partner with K-12 institutions, colleges and universities, in addition to encouraging ODF district offices to participate as business partners with local school districts.
8. Continue to build relationships with organizations representing people of color and organizations representing women.
9. Continue emphasis on all employees developing Individual Learning Plans during the annual performance appraisal process.
10. Continue to emphasize the Department's Working Guidelines at all levels of the organization.
11. Continue to provide employees with policy updates and trainings annually on discrimination and harassment (including sexual harassment), preventing sexual harassment, maintaining a professional work place, etc.
12. Continue to communicate opportunities for a potential career in natural resources to our customers, the public, students and School-To-Work counselors.
13. Continue to target outreach to protected class individuals into the natural resources field through high schools, colleges, universities, publications, websites, associations, etc.
14. Continue to participate in diverse and multi-faceted job fairs.

Over the last biennium, ODF has been faced with many challenges that have limited our progress in some areas. Since 2019, the agency has experienced financial difficulties resulting in agency-wide cost containment implementation in October 2019 that eliminated non-critical expenditures across business areas. Additionally, the pandemic further limited the agency's progress.