

OREGON DEPARTMENT OF FORESTRY

Implementation Management Plan Review

November 2022



Certified
Public
Accountants

OREGON DEPARTMENT OF FORESTRY
Implementation Management Plan Review

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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 third review cycle of ODF's progress towards recommendation implementation and covers the period of July 1, 2022 through October 31, 2022. We issued the first report in April 2022 and covered the period of April 2021 (the release of the report) through April 2022. The second report was released in June 2022 and covered the period of May 1, 2022 through June 30, 2022. Each report has focused review on a subset of recommendations and/or board member requests 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	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • 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. • There is a cost/benefit advantage to implement improvement opportunities.
Low	<ul style="list-style-type: none"> • 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. During November 2022, we added substantially completed as a status option. Recommendation implementation is classified as follows:
 - a. **Implemented** – the corrective actions and/or advisements proposed in the recommendation have been met.
 - b. **Substantially Completed** – the corrective actions and/or advisements proposed in the recommendation are largely completed except for an item pending completion.
 - c. **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.
 - d. **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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PREVIOUS RECOMMENDATION STATUS

As of the June 2022 review, eight recommendations have been deemed implemented with the risk ratings lowered.

				Risk Rating as of June 2022		
	Rec	Category	Theme	High	Medium	Low
Implemented	1	Policies & Procedures	Cost Share Agreements			X
	2	Policies & Procedures	Cost Share Settlements			X
	3	Policies & Procedures	Cost Share Collections			X
	12	Budget	Annual Rate Assessment			X
	16	Oversight	Board of Forestry Oversight			X
	23	Budgeting	Budgeting Requirements			X
	24	Budgeting	Budgeting Reconciliation			X
	27	Information Technology	OregonBuys			X

Source: MGO Oregon Department of Forestry Implementation Management Plan Review, June2022

In summary, for Recommendations 1, 2, and 3, ODF developed policies and procedures for cost share agreements, cost share settlements, and cost share collections. Additional recommendations related to the formulation and finalization of policies and procedures include Recommendation 16 where 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, and Recommendation 12 where ODF defined the process for Actual Cost Computations (ACC) rates. Recommendations 23 and 24 focused on the budgeting process, specifically relating to refining budgeting methodology and reconciliations processes. Lastly, Recommendation 27 focused on transitioning vendors to the use of OregonBuys as the primary system for end-to-end eProcurement processing.

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

- 1 additional recommendation was fully implemented and the risk rating lowered.
- 6 recommendations are now substantially completed with medium and low risk ratings.
- 6 recommendations are now in progress with 4 recommendations remaining with a medium risk rating and two information technology recommendations remaining high. The high status remains because implementation commenced but ODF is initiating efforts to address the resource needs for completion.
- 7 recommendations have not yet been reviewed as significant progress has not been made or implementation has not been initiated as of this review.

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The recommendations reviewed this cycle pertain to control activities, information and communication, and monitoring. 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 the establishment of policies and procedures that address actions such as authorizations and approvals, verifications, reconciliations, and business performance reviews.

COSO also 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.

Additionally, COSO defines monitoring activities as ongoing evaluations, separate evaluations, or some combination of both used to determine whether the internal control environment is present and functioning as intended. Ongoing monitoring is integrated into business practices to provide timely information, comparisons against industry criteria set by regulations and best practices, corrective actions and action plans to address any deficiencies.

The recommendations under review this cycle center on:

- Change management as it relates to communicating changes to policies and procedures to staff after identification of areas of improvement resulting from field audits and lesson learned exercises.
- Developing policies and procedures for cash flow projections and accounts payable, invoicing, FEMA claims reporting, and invoicing, and financial oversight reporting activities.
- Establishing an electronic central repository for storing data and developing supplementary policies and policies related to records management, retention, and requests.

The summarized status of all recommendations as of November 2022 is presented in the table on the following page.

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MGO Recommendation Implementation Status as of November 2022

Rec	Category	Theme	Risk Rating as of November 2022		
			High	Medium	Low
IMPLEMENTED					
18	Oversight	Change Management		↓	X
SUBSTANTIALLY COMPLETED					
4	Policies & Procedures	Cash Flow Projections		-X	
9	Policies & Procedures	Accounts Payable		↓	X
13	Oversight	Oversight Reports		-X	
14	Training	Training		↓	X
19	Policies & Procedures	Invoicing		↓	X
26	Policies & Procedures	FEMA Claim Status Reporting			-X
IN PROGRESS					
6	Information Technology	Policy & Procedure Storage	X		
7	Information Technology	Cost Estimates		-X	
10	Information Technology	Electronic Records	X		
15	Oversight	ODF Standardized Policy & Procedure		-X	
17	Oversight	District Finance/Accounting Oversight		-X	
20	Finance/Accounting Resources	Finance/Accounting Resources		-X	
NOT REVIEWED YET					
5	Policies & Procedures	Accounts Receivable Collections	X		
8	Information Technology	BRIO Report Access	X		
11	Information Technology	Information Technology Systems	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 November 2022.

For those recommendations considered in this review cycle:

↓ in the box means the risk rating as of November 2022 has been lowered.

↑ in the box means the risk rating as of November 2022 has been increased.

– in the box means the risk rating as of November 2022 has not changed since last defined.

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AREAS TO HIGHLIGHT

Organizational Maturity

Organizational maturity dictates how well organizations can manage current operations and respond to evolving needs. The Capability Maturity Model Integration (CMMI) framework has five levels of maturity.¹ In summary, Level 1 organizations have few to no processes and procedures. Level 2 and 3 organizations have repeatable and documented processes. Level 4 and 5 organizations have repeatable and documented processes that are consistently tested, refined, and adapted, have defined and monitored metrics, and are flexible enough to accommodate new technologies, innovations, or emergencies. The Capability Maturity Model Integration (CMMI) Framework on the next page provides a more detailed overview.

Within the scope of ODF's Implementation Management Plan (IMP), ODF is making progress in improving their accounts receivable (AR) and accounts payable (AP) practices. Notably, with past and continuous persistence in implementing the IMP, ODF is moving away from an initial level of maturity where processes are typically ad hoc, undocumented, and unreliable (Level 1). They have entered mid-level maturity where processes and procedures are being standardized and documented, as well as training and guidance being developed to ensure that activities are repeatable and understood by staff (Levels 2 and 3).

ODF is aware that the next step in their organizational maturity would include automation of key processes and procedures. Additionally, more advanced levels of organizational maturity (Levels 4 and 5) focus on developing and monitoring key performance indicators and developing organizational agility to rapidly respond and adapt to changes. While ODF recognizes their organizational growth since the April 2021 MGO Report, ODF is still striving for higher levels of organizational maturity.

¹ The Capability Maturity Model Integration (CMMI) framework was first developed at Carnegie Mellon University and has evolved into a process development model used for software, product, and service development. It is administered through the CMMI Institute under the direction of ISACA.

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Capability Maturity Model Integration (CMMI) Framework

Level	Level Name	Description
1	Initial	<ul style="list-style-type: none"> • Processes typically ad hoc • Reliance on specific individuals to keep things afloat • Processes new and often undocumented • Unable to reliably repeat processes
2	Managed and Repeatable	<ul style="list-style-type: none"> • Processes repeatable and produce consistent results • Processes planned, performed, measured, controlled • Focus on management of requirements, processes, etc. • Stakeholders established; have ownership of specific tasks
3	Defined	<ul style="list-style-type: none"> • Processes well characterized and understood • Described in standard, procedures, tools, methods • Processed well-defined and documented; standardized • Processes continually improved
4	Quantitatively Managed and Capable	<ul style="list-style-type: none"> • Processes can be managed and defined using metrics • Processes repeatedly tested, refined, adapted • Key stakeholders/process users competent in processes • Processes easily adapt to suit other projects
5	Optimizing and Efficient	<ul style="list-style-type: none"> • Processes continually monitored and improved • Processes flexible to accommodate new technologies and innovations • Constant focus on process performance

Source: Adapted from the Capability Maturity Model Integration (CMMI) framework.

Cash Flow Projections

In response to the Board’s request in the July 2022 Board of Forestry meeting, during this cycle of review, we focused on ODF’s methodologies related to cash flow projections and associated recommendations.

ODF continues to elevate its organizational maturity by moving its financial monitoring activities from ad hoc (Level 1) to deliberate and active monitoring that is integrated into daily workflow (Level 2 and Level 3). Based on our reviews to date, ODF has made recognizable strides in developing mechanisms to generate and communicate information to monitor cash flow. These efforts include daily cash balance reports, monthly transactions data, and ongoing meetings between key finance staff, management, and oversight bodies, etc.

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As such, ODF can begin to shift its focus on making refinements to its cash flow projection methodology. Notably, based on our observations, we have identified opportunities for ODF to improve and simplify source data (inputs) and improve the allocation of funds between months in its cash flow projections. To address these observations, ODF and MGO are scheduled to meet in January 2023 to review and revise ODF's cash flow projection methodology. See **Recommendation 4** and **Recommendation 13** for additional details.

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**IMPLEMENTED
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During our last review, we left the recommendation open to monitor the transition from the use of the discontinued financial system BRIO to the current financial system OBIEE due to the use of BRIO for generating expenditure data used in the audit. With the activation of OBIEE and financial data extracts, districts do have access to the required data.

We defined reasonableness based on a combined measure of obtaining accurate and complete data, the use of management review, and the use of audits to make informed decisions about ODF's financial activities. Based on the above – the use of a financial system, OBIEE, the series of communications channels for discussing lessons learned and disseminating observations to districts, and the audits conducted, meet the spirit of the recommendation to create mechanisms for ensuring that financial data is reliable, reviewed, reasonable, and properly communicated.

**SUBSTANTIALLY COMPLETED
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CASH FLOW PROJECTIONS

Recommendation Number: 4

Implementation Status: Substantially Completed

Risk Rating: Report: High **April 2022 Review: Medium**
June 2022 Review: Remains Medium
November 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 substantially completed, and the risk rating remains 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. Leaving these issues unmitigated could result in inaccurate or incomplete current and future cash flow projections.

ODF has made notable strides in implementing this recommendation. ODF developed a Statewide Outstanding Assets and Liabilities Tracker and CO-OP Tracker and accompanying guidance. The purpose of the tracker is to create a collaborative tracking mechanism for outstanding accounts receivable and liabilities for cash flow planning and financial reporting. The tracker is designed to capture items that are not yet invoiced under GAAP guidance allowing ODF to estimate and monitor upcoming/potential costs. ODF is also developing a cash flow runway and accompanying guidance to track budget, actuals, and variance. Other sources of cash flow data and information generated by ODF include daily cash balances which track balance by fund, appropriations, and deposits, and monthly transactions data that provides revenue and expense line item detail. Lastly, ODF has developed training materials on key activities such as cost shares, payments and audits, and other items related to finance and accounting.

In terms of organizational maturity, ODF is creating mechanisms to move financial monitoring from ad hoc activities (Level 1) to deliberate and active monitoring that is integrated into daily workflow (Level 2

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monthly updates of outstanding assets (accounts receivable) and liabilities (accounts payable). The items tracked are liabilities and receivables that have not been entered into SAGE AR or OregonBuys but that are accounted for cash flow analyses purposes.

The last item for completion related to this recommendation is to finalize draft policies and procedures related to expense accruals.

OVERSIGHT REPORTS

Recommendation Number: 13
Implementation Status: Substantially Completed
Risk Rating: Report: Medium April 2022 Review: Medium
June 2022 Review: Remains Medium
November 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 substantially completed, 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.

The June 2022 review highlighted ODF’s efforts to formalize mechanisms related to fire protection finance oversight. This includes the use of monthly financial conditions reports that summarize cash balances, accounts payable and receivable, etc. and that are submitted to oversight bodies, including the Board of Forestry and the Legislative Fiscal Office. It also includes the Financial Oversight of the Board of Forestry policy document, effective April 12, 2022, and the development of the Statewide Outstanding Assets and Liabilities Tracker and CO-OP Tracker that provides monthly updates of outstanding accounts receivable and liabilities for the purposes of cash flow planning and financial reporting.

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The reports summarized in the June 2022 report were still in use during this review. Other standardized reports developed by ODF for oversight purposes include monthly transactions data that provides revenue and expense line item detail and the use of the cash flow runway for projections. Lastly, ODF has scheduled monthly meetings to discuss cash flow attended by the Legislative Fiscal Office, State Forester, and Chief Financial Officer.

During this cycle, we have identified opportunities for ODF to improve and simplify source data (inputs) and improve the allocation of funds between months in its cash flow runway. As such, this recommendation will remain open to address these observations. ODF and MGO are scheduled to meet in January 2023 to dissect and reconstruct ODF's cash flow methodology.

TRAINING

Recommendation Number: 14

Implementation Status: Substantially Completed

Risk Rating: Report: Medium November 2022 Review: Low

Recommendation

Develop robust onboarding and training program for all finance and accounting personnel or those tasked with finance and accounting responsibilities.

Key Items to Deem Recommendation Implemented

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

Implementation Status Analysis

The implementation of this recommendation is substantially completed, and the risk rating reduced to low. The core issue identified in the report was that there were no standard processes or procedures for the onboarding of finance or accounting personnel as related to financial systems and processes. The lack of training could lead to the use of inefficient or incorrect processes by finance and accounting personnel and could result in errors in financial reporting and inefficiencies.

Based on our review, ODF has developed an Onboarding Checklist for employees that includes administrative items such the completion of I-9 and direct deposit forms, workplace safety and harassment and discrimination guidance, and itemizes required safety, public records, and information security trainings. The checklist also includes hiring manager tasks and provides a list of additional trainings such as the overview of Oregon State government.

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We did observe the onboarding checklists did not include trainings specific to finance related activities. To that end, the recommendation will remain open until the checklist is updated. ODF is aware and noted that the checklist is a newly developed and foundational document that currently lists trainings required by all employees, but that will be enhanced to include trainings specific to classifications and job duties, including finance related training requirements.

INVOICING

Recommendation Number: 19

Implementation Status: Substantially Completed

Risk Rating: Report: Medium November 2022 Review: Low

Recommendation

ODF Administrative Branch should establish policies and procedures related to invoice generation, including limiting the ability to generate invoices to the ODF Administrative Branch.

Key Items to Deem Recommendation Implemented

1. Formalized, written, policies and procedures for invoice generation; and
2. Limiting the ability to generate invoices to ODF Administrative Branch

Implementation Status Analysis

The implementation of this recommendation is substantially completed, and the risk rating reduced to low. In the April 2021 MGO Report, the main issues identified were: 1) the process for generating certain invoices within the Districts was manual and limited; and 2) there was no supporting documentation provided to the ODF Administrative Branch prior to receiving an invoice number. As a result, there was a risk that a manual process and lacking documentation could result in inaccurate or incomplete accounts receivable balances.

Based on our review, ODF has implemented the accounts receivable system – SAGE 300 AR System (SAGE). Notable changes to ODF procedures since SAGE adoption includes minimizing manual entries. For example:

- Districts and Salem users will enter invoice information in system, which is a change from sending paper invoices to Finance for data entry.
- Timber sale invoices will no longer be manually entered and will be exported from WALT (the timber sale accounting and appraisal system) and imported into SAGE.

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- Campground fees and miscellaneous forest product permits will no longer be manually entered into SFMA (the State Financial Management Application) and will be exported from WALT and imported into SAGE.

Additionally, ODF has developed the procedural guidance that provides step-by-step details on navigating and inputting data into the system. However, we did observe that the guidance needs to explicitly delineate ODF's policies for generating invoices, including internal controls such as invoice review and approval guidance. Once the remaining item is completed, the recommendation would be considered implemented.

FEMA CLAIM STATUS REPORTING

Recommendation Number: 26

Implementation Status: Substantially Completed

Risk Rating: Report: Low June 2022 Review: Low
November 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 substantially completed 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 (FMAG) 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.

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The June 2022 review noted that ODF instituted FEMA Weekly Status Reports (Status Reports) for tracking FEMA claims. Additionally, ODF drafted desk procedures that supplement the Status Report and provide guidance on how to track and estimate FEMA claims.

The recommendation remained opened to monitor the continued use of the status report and the finalization of the policies and procedures related to FEMA status tracking. Based on this review, ODF continues the use of the Status Reports. Moreover, ODF has instituted biweekly meetings between the recently hired Financial Services Manager and FEMA and Oregon Department of Emergency Management (ODEM) staff to discuss the status of 2020 PA grant applications. Additionally, the Financial Services Manager is monitoring FEMA coordination to submit claims to FEMA timely.

This recommendation remains open to monitor the finalization of the draft policies and procedures. ODF intends to review the draft guidance, under the direction of the Financial Services Manager, to ensure that the guidance reflects existing practices. Once this remaining item is completed, the recommendation would be considered implemented.

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POLICY AND PROCEDURES STORAGE

Recommendation Number: 6

Implementation Status: In Progress

Risk Rating: Report: High **November 2022 Review: High**

Recommendation

Maintain, review, approve, upload all finance/accounting policies and procedures, desktop manuals and flowcharts in centralized location accessible by all Field Protection Districts.

Key Items to Deem Recommendation Implemented

1. Demonstration of policies and procedures, desktop manuals, and flowcharts uploaded to a centralized location. There should also be demonstration of policies and procedures uploaded in the central repository, duplicates removed, unrestricted access removed, and the assignment of designated administrator.

Implementation Status Analysis

The implementation of this recommendation is in progress with the risk rating remaining high. The core issues identified in the April 2022 Report were: 1) finance/accounting policies, procedures, desktop manuals, and flowcharts were not stored within a centralized location and/or not easily located; and 2) various versions of policies procedures, desktop manuals and flowcharts were outdated, duplicative, or had unrestricted editing access. These issues could result in inefficient or incorrect processes performed by staff resulting in inefficiencies and/or errors in finance reporting.

Based on our review, ODF has outlined its next steps for centralizing and managing its records. In the 2023-25 Budget Narrative, ODF requests 1 FTE to have a dedicated resource for records management, retention, and requests. In the narrative, ODF notes that records-related work is not part of the core duties of the positions completing the work and time allotted for records-related work by those positions is minimal.

ODF also notes that over the last two years, audits and external reports – the MGO April 2021 Report – were completed that informed ODF of the need to improve the quality and consistency of records functions. These same audits and reports also identified the need for additional personnel and funding to implement improvements. The improvements include records retention and destruction policies, investigating records management system options, developing filing systems and naming conventions, training, and converting hard copy financial documentation into an easily searchable electronic document management system.

Although ODF’s information technology operations is not ready for wholesale implementation, ODF has identified the pre-work required to prepare for the stated IT initiatives. This work includes inventorying

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existing records, ensuring the proper retention periods for those records, and identifying potential storage or access challenges. We will monitor these efforts.

COST ESTIMATES

Recommendation Number: 7

Implementation Status: In Progress

Risk Rating: Report: High **April 2022 Review: Medium**
June 2022 Review: Remains Medium
November 2022 Review: Remains Medium
No Updates in November 2022

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 policies and procedures 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.

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 than setting up e-iSuite (which needs internet availability in the field, etc.) while providing a tool for tracking cost estimates.

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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.

ELECTRONIC RECORDS

Recommendation Number: 10

Implementation Status: In Progress

Risk Rating: Report: High November 2022 Review: Remains High

Recommendation

All hard copies of significant supporting documentation should be scanned, uploaded, and maintained in an information technology system. Additionally, the documents should be easily searchable.

Key Items to Deem Recommendation Implemented

1. Formalized, demonstration of significant supporting documentation uploaded into an IT system solution that the documentation is easily searchable.

Implementation Status Analysis

The implementation of this recommendation is in progress and the risk rating remains high. The core issues identified in the report were that: 1) a significant amount of information required for EFCC audits and FEMA claims are only in hard copy; and 2) fire boxes (document bins) are retained in hard copy format and in a centralized location within each district for storage. Maintaining documentation in hard copy form, in centralized locations, could result in a loss of data in the event of a natural disaster. Additionally, the use of hard copy documentation creates inefficiencies due to the physical movement of documents and the inability to search documents electronically.

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Based on our review, ODF has outlined its next steps for creating a central repository for maintaining significant supporting documentation. Notably, in the 2023-25 Budget Narrative, ODF requests 1 FTE to have a dedicated resource for records management, retention, and requests. Although ODF's information technology operations is not ready for wholesale implementation, ODF has identified the pre-work required to prepare for the stated IT initiatives. This work includes inventorying existing records, ensuring the proper retention periods for those records, and identifying potential storage or access challenges. We will monitor these efforts.

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
November 2022 Review: Remains Medium
No Updates in November 2022

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

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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
November 2022 Review: Remains Medium
No Updates in November 2022

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

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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 Financial Services within the Administrative Branch and filled three new Area Accountant positions providing oversight to the field and reporting directly to 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
November 2022 Review: Remains Medium
No Updates in November 2022

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

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Unit under the direction of Financial Services within the Administrative Branch and filled three new Area Accountant positions providing oversight to the field and reporting directly to 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 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.