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**Scientific Certification Systems – Forest Conservation Program**

**Forest Stewardship Council  
Group Chain of Custody Certification Report**

for:

**Indiana Department of Natural Resources, Division of  
Forestry<sup>1</sup>**

**SCS-COC-002041  
SCS-CW-002041**

**Type of Audit: Annual Surveillance**  
(Evaluation, Surveillance, Expansion, Re-Evaluation)  
**Year of Audit: 2010**

**Date Report Finalized: June 15, 2010**  
**Date of Certificate Issuance: January 13, 2009**

<b>Chain of Custody Admin.:</b>	<b>Carl Hauser</b>
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<sup>1</sup> Name that should appear on the certificate and in the FSC database.

Doe Name: SCS Group Report V1.2	Date Created: March 16, 2009	Last Modified: October 7, 2009	Page   1	Approved by: AM
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### SUPPLEMENTALS (check all that apply)

- |                                     |   |
|-------------------------------------|---|
| <input checked="" type="checkbox"/> | Site Supplements  |
| <input checked="" type="checkbox"/> | Controlled Wood Certification (40-005)                    |
| <input type="checkbox"/>            | Verification of Reclaimed Material Certification (40-007) |

### SUPPORTING DOCUMENTS (submitted separately)

- |                                     |  |
|-------------------------------------|--|
| <input checked="" type="checkbox"/> | Group Entity Procedures  |
| <input checked="" type="checkbox"/> | List of group members  |
| <input checked="" type="checkbox"/> | Product group lists of members * (This is the same for all Group members and included in At. 2.) |

## SECTION 1 – Group Information

<b>PART 1A: Certificate Specifications</b>	
<b>Number of members included in certificate:</b> Complete Site Supplemental for each member, and attach a complete list of all members in Appendix.	Forty-two, see At. 3. (At the time of this audit, there were 41 members, one of which has been dropped; and three not on this list have been added; SCS has been notified.)
<b>Description of the type of businesses included within the scope of the evaluation</b> (FSC-STD-20-011, 9.1)	<p><i>*Click all that apply</i></p> <p><b>Trading Only:</b></p> <p><input type="checkbox"/> <b>Brokering:</b> Trades in product <u>without</u> physical possession</p> <p><input type="checkbox"/> <b>Wholesale:</b> Distributes product <u>with</u> physical possession</p> <p><input type="checkbox"/> <b>Retail:</b> Sells to end-user with physical possession</p> <p><b>Manufacturing:</b></p> <p><input checked="" type="checkbox"/> <b>Primary:</b> Company uses round wood (logs) as inputs or pulp or paper milling</p> <p><input type="checkbox"/> <b>Secondary:</b> Company does not use round wood as inputs nor does pulp or paper milling</p> <p><input type="checkbox"/> <b>Printing:</b> Secondary manufacturing of Printed Material</p>
<b>Summary of FSC Products sold under scope of Group Certificate:</b>	Ref. At. 2, Group member procedures with Product Group template: Appendix B-2, Product Group Chart. All Group Members employ the same product group chart.  <i>Attach list of product group list for each member</i>
<b>Required:</b>	<b>Standards Used in Assessment</b> Check all that apply
<b>Additional:</b> Attach supplemental reports.	<p><input checked="" type="checkbox"/> <b>FSC-POL-40-002 v1</b>      <b>Group Policy</b> (Group Entity only)</p> <p><input checked="" type="checkbox"/> <b>FSC-STD-40-004 v2</b>      <b>Chain of Custody Standard</b> (each participating member plus Group Entity if applicable) <i>N/A to Group Entity</i></p> <p><input checked="" type="checkbox"/> <b>FSC-STD-40-005 v2-1</b>      <b>Controlled Wood</b></p> <p><input type="checkbox"/> <b>FSC-STD-40-007 v1</b>      <b>Sourcing of Reclaimed Material</b></p>
<b>Group AAF Class:</b> Total cumulative annual sales of all products containing wood fiber of all group members in US Dollars.	<p><input type="checkbox"/> <b>I:</b>      &lt;\$200,000</p> <p><input type="checkbox"/> <b>II:</b>     \$200,000 to \$1,000,000</p> <p><input type="checkbox"/> <b>III:</b>    \$1,000,000 to \$5,000,000</p> <p><input checked="" type="checkbox"/> <b>IV:</b>    \$5,000,000 to \$25,000,000</p> <p><input type="checkbox"/> <b>V:</b>      \$25,000,000 to \$100,000,000</p> <p><input type="checkbox"/> <b>VI:</b>     &gt;\$100,000,000</p>
<b>Scope of Certificate:</b>  As it should appear on the certificate.	The Indiana Division of Natural Resources, Division of Forestry to serve as the Group Entity for loggers, haulers, and primary processors of FSC timber.

## PART 1B: Overview of Group and Members

**Description of the Group including how the chain of custody is controlled and the division of responsibilities between the Group Entity and Group members:**

FSC-STD-20-011, 9.3

The Group Entity is State of Indiana, Department of Natural Resources, Division of Forestry (DOF). Within Indiana, there are 180,000 acres of FSC certified Indiana State Forests (state owned). Additionally, there are approximately 500,000 acres of privately owned "Classified" forests which are now (March 2010) FSC FM/CoC certified, by SCS.

The DOF has determined that to supply the market for the FSC certified timber from these forests, a network of FSC CoC loggers/haulers and small sawmills must be established as FSC CoC certified. These companies harvest and perform the primary processing on most of the timber coming from the FSC certified forestlands. Since the bulk of all these entities employ fifteen or fewer employees, the State requested SCS to develop a proposal to establish a Group Certificate for these smaller firms, with the Indiana DOF serving as the Group Entity. SCS did prepare a proposal, which had been accepted in the form of a two-year State of Indiana contract with SCS to certify this group of small loggers/haulers and wood processors.

The loggers, haulers, veneer mills, or sawmills must bid on DOF timber sales. It is designated in Indiana DoF state contracts that all timber in the sale is FSC certified. The Indiana State DoF contract includes the state FSC FM/CoC code and FSC claim. Timber is harvested according to the terms of the contract. Loggers and haulers deliver the FSC logs to receiving sawmills, concentration yards, veneer mills, and other customers. When delivering to FSC CoC customers, all shipping and invoice documentation must be compliant with this standard and the firm's FSC CoC procedures-as prepared and audited by the Group Entity.

The small sawmills receive all FSC logs according to the established Group Member procedures. All logs are clearly identified (tagged) and/or segregated from all other non-certified logs. Volume, processing, and conversion documentation for all FSC production is recorded as specified in the Group Member procedures. Logs are sawn into lumber or sliced into veneer. All shipments and sales are documented with compliant transportation and invoicing documentation.

Since the initial evaluation in 2008, the Group Entity has applied for and received FSC certification from SCS for FSC Controlled Wood. Several of the Group members

	<p>have included FSC Controlled Wood within the scope of their FSC certification. The Indiana DoF has conducted two annual audits of all group members since the initial certification. Also, with the addition of the FSC FM/CoC certification of Indiana "Classified" forestlands, the Group members will also be harvesting and/or processing FSC timber from other than the Indiana State owned forests. Within the FM/CoC procedures for sale of FSC timber from this new FSC FM/CoC certification, the IN DoF has established sales and shipping templates to conform to FSC FM/CoC standards. (These FM/CoC procedures, though not the subject of the audit, have also been prepared by the IN DoF, the Group Entity. And as such, the IN DoF has established compliant procedures for this additional State of Indiana FM/CoC certification that will meet requirement of this Group certification.)</p> <p>Some Group members use outsourced contractors for the specific purpose of harvesting timber, kiln-drying lumber, surfacing lumber, or veneer slicing. This is covered by Outsourcing Agreements, as specified in the Group Member procedures. Group Members are not on-product labeling.</p>
<p><b>Group entity has an up-to-date list of all the members covered by the certificate with at least the following information, per member (40-002, 2.5.1 and 20-011 9.2):</b></p> <ol style="list-style-type: none"> <li>Name and contact details,</li> <li>Date of entry into group,</li> <li>Date of and reason for leaving the group (where applicable),</li> <li>Assigned sub-code/identifier,</li> <li>Scope of CoC certification (activity, products, system and product claims),</li> <li>Annual turnover and AAF class,</li> <li>Number of employees</li> </ol>	<p><input checked="" type="checkbox"/> Yes    <input type="checkbox"/> No</p> <p><b>Findings: Ref. At. 4, Group members list at the time of this audit.</b></p> <p><i>(List of members attached)</i></p>
<p><b>Every group member must comply with the FSC requirements of CoC certification as specified in the FSC CoC standards (40-002, 2.3.1, 2.5.1 iv.)</b></p>	<p><b>List of members audited by SCS in this audit cycle (or indicate this on the list of members):</b></p> <p>Wertz Timber &amp; Veneer, LLC  Kennedy Veneer  Tri-State Timber, LLC  Davison, H.Q.S., Inc.  Sugar Ridge Timber, Inc.  Werner Specialty Hardwoods, Inc.  Williams Bros. Logging  Behan Bros. Cattle  Davis Morgan Logging  Patterson Specialty Hardwoods  Louisville Veneer, Co.  Kinser Timber Products, Inc.  Jasper Veneer Millis, Inc.</p> <p><b>Reports for each group member audited submitted with report.</b></p>

**If Group Entity is a membership organization, are there other members of the organization that are not included on the certificate?**

If yes, indicate whether company understands and acknowledges that certificate may not be used for material handled by uncertified members.  
(See also 40-002, 1.3.3)

No (all members included)     Yes     N/A

**Remarks:** There is no other initial membership requirement for each Group member other than commitment to joining the Group and being located in the State of Indiana.

## Section 2: Conformance to Group Certification Requirements

<b>Part 2A: Terms, concepts and applicability</b>	
<p>1.3.1 The group entity is the entity that applies for group certification, and holds any group certificate that is issued. The group entity is responsible to the certification body for ensuring that the requirements of all relevant FSC guidelines are met by the businesses covered by the certificate. The group entity may be an individual person, a cooperative body, an association, or other similar legal entity.</p>	<p><b>Describe the division of responsibilities between the group entity and the group members:</b></p> <p>Ref. At. 1, IN DNR DoF Group Entity Procedures. The IN DoF has overall responsibility for implementing and managing the Group. Refer to the pages of DoF Group Entity Responsibilities, page 3,4, and 5 of At. 1, Part II, 2.1 through 2.3. The IN DoF is responsible to SCS, ref. At. 1, II, 2.1. The IN DoF is the IN State division in charge of all aspects of forest management within the state of Indiana.</p>
<p>1.3.2 The group entity is responsible for:</p> <ul style="list-style-type: none"> <li>i. Communication with the certification body and with group members;</li> <li>ii. Implementing the administrative and management requirements of the group certification;</li> <li>iii. Implementing monitoring responsibilities at the group level; and</li> <li>iv. Submitting requests for authorization for logo use to the certification body.</li> </ul>	<p><b>Is there evidence of authorization for logo use being requested by the group entity on behalf of group members?</b></p> <p><input checked="" type="checkbox"/> Yes    <input type="checkbox"/> No</p> <p><b>Findings:</b> Email approvals are on file in the Group Entity office. The IN DoF has responsibility for all overall administration of the Group; for (i, ii, iii) refer to At. 1, part II, 2.1 Group Entity Authority; for (iv) refer to At. 1, 1.1 Eligibility-last line item.</p>
<p>1.3.5 All members of a group shall have a formal written agreement with the group entity and be subject to continuous monitoring by the group entity. Any violation that occurs at the member level will be the legal responsibility of the group entity.</p>	<p><b>Does the Group Entity have records of the formal written agreement they have with each Group Member?</b></p> <p><input checked="" type="checkbox"/> Yes    <input type="checkbox"/> No</p> <p><b>Findings:</b> The Group Entity has on file in the IN DoF office the written agreements with all the group members. The template for this agreement is found as Appendix A., of At. 1. All Group members audited by SCS also had current copies of this agreement on file.</p>

1.4 Small enterprises eligible for evaluation under these guidelines	
<p>1.4.3 To be eligible for assessment using these guidelines, group members shall conform to the following eligibility criteria:</p> <ul style="list-style-type: none"> <li>i. Have no more than 15 employees (including full time, part time, and seasonal staff), <b>OR</b></li> <li>ii. Have no more than 25 employees and an annual turnover of US\$1,000,000. Turnover here is defined as total annual revenue from goods and services.</li> <li>iii. All group members shall be located in the same single country as the group entity.</li> </ul>	<p><b>Do <u>all</u> group members meet the eligibility requirements?</b></p> <p><input checked="" type="checkbox"/> Yes    <input type="checkbox"/> No</p> <p><b>Findings:</b> All group members have fifteen or fewer at the time that all supplemental audits were conducted. Ref. At. 1, Part I, Introduction, 1.2, Membership. All Group members must not have more than fifteen employees. All group members must be located within the state of Indiana.</p>

Part 2B: Group Requirements and Responsibilities	
<b>2.1 Group entity requirements</b>	
<b>Group entity authority</b>	
<p>2.1.2. The group entity shall be contractually responsible to the certification body for ensuring that the requirements of all relevant FSC guidelines are fully implemented by all members of the group.</p>	<p><b>Is the Group Entity carrying out its responsibilities (2.1.2 – 2.1.6)?</b></p> <p><b>Findings:</b> 2.1.2. The In DoF has complied with all responsibilities, except as noted in 3B CARs, as listed during the course of the first audit year and has signed a valid contract with SCS. It has ensured that Group Members have implemented FSC requirements.</p> <p>2.1.3 Ref. At. 1, 1.1 Eligibility. It has the authority to issue corrective action requests and enforce CARs issued by the Group Entity of SCS.</p> <p>2.1.4 Ref. At. 1, 2.1 Group Authority. It has the authority to remove Group members.</p> <p>2.1.5 Ref At. 1, 2.1 The Group Entity collects all fees due for FSC certification from the Group members. (The Group Entity pays all fees to SCS; group members pay the Group Entity the AAF only.)</p> <p>2.1.6 Ref. At. 1, 2.2.4, Initial Inspection, and 2.2.5 Annual Monitoring; the Group Entity conducts an initial inspection of all new members and an annual audit of all group members with any FSC sales. <b>See 3B CARs relating to Controlled Wood.</b></p>
<p>2.1.3. The group entity shall be responsible for ensuring that any conditions on which certification is dependent and any corrective action requests issued by the certification body thereafter are fully implemented.</p>	
<p>2.1.4. The group entity shall have the authority to remove members from the scope of the group certificate if the requirements of group membership, or any corrective action requests issued by the certification body or the group entity are not complied with.</p>	
<p>2.1.5. The group entity should be responsible for collecting any fees due to FSC certification from the members.</p>	
<p>2.1.6. The group entity shall be responsible for the annual monitoring of each and every member. Monitoring procedures must be in line with the FSC CoC Certification Requirements and the guidelines in Sections 3 and 4 of FSC-POL-40-002.</p>	
<b>Group entity system and documentation requirements</b>	



<p>2.1.7. The group entity's responsibilities with respect to managing the chain of custody certification program for the group, shall be clearly defined and documented, including procedures for new members to join the certified group after a certificate has been awarded.</p>	<p><b>Does the Group Entity have implemented procedures for managing the CoC program for the group including the requirements of 2.1.7 - 2.1.8 and 2.1.11-2.1.13?</b></p>
<p>2.1.8. The group entity must have a system in place for providing information and/or training to group members.</p>	<p><i>(attach or submit procedures with report)</i></p>
<p>2.1.11. The group entity must have a system for ensuring that all market claims and logo use by members are approved by the certification body.</p>	<p><input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p>
<p>2.1.12. The group entity must keep all CoC documents related to member businesses and have a centralized record keeping system related to inflows and outflows of material in member facilities. They must also be prepared to submit reports summarizing member activities.</p>	<p><b>Findings:</b> 2.1.7 Compliant procedures for the managing by the Group Entity are provided in At. 1, IN DNR DoF Group Entity FSC Procedures. Procedures for new members are clearly defined in 1.1, Eligibility of these procedures.</p> <p>2.1.8 The IN DoF is required to provide initial and annual FSC training, Ref. At. 1, 2.1 DoF Responsibilities. Training is provided individually, at IN DoF training seminars, and through newsletters published by the IN DoF. The IN DoF also maintains a website.</p> <p>2.1.11 During the internal audit process, the IN DoF does verify the FSC Claim used by group members. It also ensures that the Group members apply for SCS approval through the Group Entity for all FSC logo and trademark use, ref. At. 1, 1.1 Eligibility.</p> <p>2.1.13 Ref. At. 2, Group Member Procedures provided by the Group Entity.</p>
<p>2.1.13. The group entity must have its own written guidelines that outline CoC procedures for member businesses.</p>	
<p>2.1.9. The group entity must carry out an initial inspection to verify that the potential group members comply with certification requirements, including business installation and documentation systems, before they can be admitted.</p>	<p><b>Have initial and annual inspections been conducted of all members?</b></p> <p><input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p>
<p>2.1.10. The group entity must have clear procedures for annual monitoring of each group member which is designed to ensure that CoC requirements are upheld. Additionally it must have a method for providing information on the results of its monitoring to the certification body.</p>	<p><b>Findings:</b> 2.1.9 IN DoF has carried out initial audits/inspections of all Group</p>

<p>2.1.14. The group entity shall have clear documented procedures for new members to join the certified group after the certificate has been awarded. The group entity must carry out an initial inspection of the business installations and their documented systems before they are eligible to enter into the certified group, and hence be permitted to use the FSC trademark.</p>	<p>members and has those records on file in the IN DoF offices. It also has provided those records to this auditor on a CD.</p> <p>2.1.10 Ref. At. 1, 2.2.5 Annual Monitoring. The IN DoF has conducted annual audits as required by this policy and by their procedures. The IN DoF has a dedicated staff individual to ensure that Group members are informed of requirements and corrective action requests. It has not included written audits for Controlled Wood; <b>see Part 3B CARs.</b></p> <p>2.1.14 Ref. At. 1, Introduction 1.1 Eligibility and 1.2, Membership. Also ref. At. 1, 2.2.4 Initial Inspection. The IN DoF has thorough written procedures for new members joining this Group including an initial inspection of the applicable site(s) and business systems.</p>
<p>2.1.15. If a group member joins or leaves the group certification scheme, the group entity shall inform the certification body in writing within one month.</p>	<p><b>Does the Group Entity have implemented procedures for informing SCS of new and terminated Group members?</b></p> <p><input checked="" type="checkbox"/> Yes  <input type="checkbox"/> No</p> <p><b>Findings:</b> Ref. At. 1, 2.1 DoF Responsibilities, 2.1. The DoF is tasked with notifying SCS within one month of any additions or deletions to the Group membership. During the course of the first year of certification, the IN DoF has notified SCS of all additions and deletions to the Group within one month.</p>

**2.4 Informed consent of group members**

2.4.1 A 'consent form' or its equivalent must be signed by each group member or the member's representative who voluntarily wishes to join the certification scheme. The consent form:

- i. acknowledges and agrees to the requirements and responsibilities of group membership;
- ii. agrees to membership of the scheme for the full period of validity of the group certificate;
- iii. acknowledges their compliance with the chain of custody guidelines; and
- iv. authorizes the group entity to apply for certification on the member's behalf.

*NOTE: If provision of such written documentation and consent is considered inappropriate for any reason, then the reason must be documented, together with an explanation of another means by which the group members have been fully informed as to their obligations as group members, and their consent has been obtained. These means should include meetings and explanations given to individual members*

**Does the Group Entity's template Consent Form include these provisions?**

- Yes
- No

Ref. At. 1, Appendix A. The Group Membership Application Form was previously accepted without specific agreement to i, and iv. However, it does contain sufficient wording to assure acceptance of Group and FSC requirements by individual Group members. Group members are given the option of leaving the Group on 30 days notice to the Group Entity. **See Part 3B Observations.**

**Does the Group Entity have signed consent forms from each member?**

- Yes
- No

**Findings:** Signed consent forms from all group members were on file at the IN DoF offices and are also on file at all audits conducted of supplemental sites- Group members.

2.4.2 The group entity must provide each group member with documentation, or access to documentation, specifying the relevant terms and conditions of group membership. The documentation shall include:

- i. a copy of the Chain of Custody certification standard to which the group is committed;
- ii. explanation of the certification process;
- iii. explanation of the certification body's, and FSC's, rights to access the group members' documentation and installations for the purposes of evaluation and monitoring;
- iv. explanation of the certification body's and FSC's requirements with respect to public information;
- v. explanation of any obligations with respect to group membership, such as:
  - a) maintenance of information for monitoring purposes;
  - b) use of systems for tracking and tracing of forest products;
  - c) requirement to conform with conditions or corrective actions issued by the certification body;

**Has the Group Entity provided all required documents to Group Members?**

- Yes
- No

**Findings:** All Group members audited as supplemental annual audits did have in their possession the FSC-CoC- 40-004 V2 Standard, Group Member Procedures, and Group Entity Procedures. Group members also including Controlled Wood did have in their possession FSC-CoC-40-005 V2-1. All references: i, ii, iii, iv, v (a-g), and vi; are addressed in the Group Member and Group Entity Procedures.

<p>d) any special requirements related to marketing or sales of products covered by the certificate;</p> <p>e) use of the FSC trademarks and product claims</p> <p>f) proper use of CoC certificate number and sub code; <i>and</i></p> <p>g) other obligations of group membership.</p> <p>vi. explanation of any costs associated with group membership.</p> <p><i>NOTE: In some groups, it may be sufficient to provide individual members with a summary of these items, provided that full documentation is readily available on request at the group offices.</i></p>	
<p><b>2.5 Group records</b></p>	
<p>2.5.1 The group entity shall be responsible for maintaining the following records up to date at all times:</p> <p>i. List of names and addresses of group members, together with date of entry into group CoC certification scheme and sub code assigned;</p> <p>ii. Evidence of consent of all group members, preferably in the form of a signed 'consent form' (see paragraph 2.4, above);</p> <p>iii. Relevant documentation and records regarding the scope of Chain of Custody certification for each group member.</p> <p>iv. Records demonstrating the implementation of any internal control or monitoring systems (see paragraphs 2.1.2 - 2.1.5, above). Such records shall include records of internal inspections, non-compliance identified in such inspections, actions taken to correct any such non-compliance;</p> <p>v. Relevant documentation regarding production and sales;</p> <p>vi. The date of leaving of any group members, and an explanation of the reason why the member left the group; and</p> <p>vii. Relevant documentation showing that they meet the definition of a "small enterprise"</p>	<p><b>Does the Group Entity have all required records and are they up-to-date?</b></p> <p><input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p> <p><b>Findings:</b> The IN DoF lists all Group members on an Excel spreadsheet. It lists all information required in 2.5.1, i; dates of audits and training, date admitted to the Group, CARs, quantities of FSC wood purchased and sold. The IN DoF has paper files for each Group member contain the signed consent form and other hard copy records of audits, sales and purchases, CARs, and other relevant information. Records reviewed by this auditor have been kept up to date. The IN DoF does require that all members establish with the DoF that they do not exceed the fifteen-employee limit. The number of employees for each group member is included in the annual audit conducted the Group Entity.</p>
<p>2.5.2 Documentation shall be archived for at least 5 years.</p>	<p><b>Does the Group Entity maintain records for at least 5 years?</b></p> <p><input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p>

## SECTION 3: Evaluation Process and Conclusions

### PART 3A: Audit Details

<p><b>Auditor name(s) and qualification(s)</b></p>	<p>Franklin S. Judd, Lead Auditor Scientific Certification Systems BS Forestry/Wood Technology &amp; MS Forest Resources/Forest Products Marketing, Penn State University; Commissioned US Army Officer, Military Intelligence. Six years experience in FSC Chain of Custody market development, auditing, and product management; over thirty years of management in forest products manufacturing, procurement, marketing, and process development.</p>
<p><b>Description of the evaluation</b> Including pre-evaluation, and whether Desk or Member Audit</p>	<p>This auditor met with Carl Hauser in the Indiana Division of Forestry offices in State of Indiana administrative building in downtown Indianapolis. We reviewed all current procedures, with special emphasis on those concerning FSC Controlled Wood and the Group Entity procedures.</p> <p>I then randomly selected files for the individual Group Members. Each file contained the signed Group member agreement and a copy of the annual audit, as well as other notes and supporting information: invoices, shipping documents, etc. Also checked were the approvals by SCS of the use of the FSC logo or trademark.</p> <p>Concluding the audit, I additionally met with Jack Seifert, the Indiana State Forester. I informed Carl and Jack that, in general, their procedures and records seemed in order. However, until I concluded the supplemental Group member audits, I indicated that I could not determine the extent of the CARs, if any, that would be issued. I expressed that I did have a concern of the implementation of FSC Controlled Wood, as determined by the general District of Origin, instead of the specific Forest Management Unit for FSC Controlled Wood. This, I stated, could likely be a Corrective Action Request. That concluded the primary audit of the Indiana DoF Group in Indianapolis.</p> <p>The following three and one half days I traveled with Carl Hauser while conducting supplemental audits of Group members. At the conclusion of these audits, I noted to Carl that training and training records at each Group member were not adequately established. Also, I indicated that after reviewing all the information available, it appeared likely that the Forest Management Unit of origin was not sufficiently well documented through either Group procedures or actual Group member tracking practices. Also noted as a potential CAR was the inconsistency among some Group members of the proper use of the FSC CoC code and FSC claim on documentation.</p> <p>I later noted to Carl that specific audits for FSC Controlled Wood by the Group Entity had not been documented, even though the applicable Group members were starting to implement, or had already had implemented, the assessment and sale of Controlled Wood. I indicated this would also be treated as a CAR. That concluded the audit of the IIN DoF Group Entity.</p>

<b>Date and Duration of Audit</b>	March 8, 2010, Four hours. Also, traveling with the IN DoF Group Entity CoC Administrator, Carl Hauser for an additional three and one half days, April 8-11, 2010, while conducting supplemental audits of Group members. An additional meeting with both Carl Hauser and Jack Seifert was held on April 28 <sup>th</sup> for one and one-half hours.
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<b>PART 3B: Conclusions</b>	
<p><b>2.2. The group entity shall have sufficient legal and management authority and technical support to implement the requirements and responsibilities specified in 2.1.1-2.1.15 and to support the size of group proposed for certification.</b></p>	<p><b>Does Group Entity have the capacity to manage the current size of the group? (explain)</b></p> <p>Yes, as a Division of the Department of Natural Resources of the State of Indiana, the Division of Forestry has ample resources of fully qualified individuals to manage the current and anticipated expansion of this Group.</p> <p><b>Auditor's suggested maximum annual increase of number of Group Members:</b></p> <p>Fifteen new members a year.</p>
<p><b>Evaluation of any corrective actions from previous audit:</b> Discuss each thoroughly and annex evidence where appropriate</p>	<p><input type="checkbox"/> N/A, evaluation audit</p> <p><b>CAR 2008.1</b> The Indiana DOF State timber sale Bid Proposal, At. 5, and Timber Sale Contract, At. 6, do not contain sufficient reference of FSC indicators for FSC CoC integrity.</p> <p><u>Corrective Action:</u> Include within the body of these documents, or as referenced attachments, a statement qualifying the timber as FSC Certified and the FSC Claim. (The FSC Code Number is included as part of the basic document header, but should also be located with the FSC Claim for clarity.)</p> <p><u>Deadline:</u> Present to the SCS Compliance Office NLT than 30 days from the date of this evaluation, compliant copies of the Bid Proposal and Timber contracts.</p> <p><u>Ref. STD-COC-40-004 V2 6.1.1.</u></p> <p><b>Closed:</b> The Indiana State contract for timber sales now includes their FSC CoC code and the FSC Pure claim.</p>
<p><b>Corrective Action Requests:</b> Specify if CAR is for Group Entity or which member.</p>	<p><b>Minor CAR 2010.1.</b> Training records of staff at individual Group member's sites are not maintained by those Group members where needed (when there is more than one employee). Records of training done by the IN DoF for Group members are available at the IN DoF offices.</p> <p><u>Corrective Action:</u> Implement training and required record keeping by IN DoF Group members.</p>

Deadline: For review at the next annual audit.  
Ref. STD 40-004 V2, 1, 1.3 Training, 1.3.2.

**MAJOR CW CAR 2010.2.** As determined during supplemental audits of Group Members, the origin of wood assessed as Controlled Wood is not consistently tracked to the Forest Management Unit of origin.  
Corrective Action: Implement procedures to ensure that wood assessed by Group members as FSC Controlled Wood does meet traceability requirements to the Forest Management Unit.

Deadline: Within 90 days from the date of this audit report (September 16, 2010), provide compliant documentation to SCS.

Ref. STD 40-005-V2-1, 8 Controlled Wood inputs from non-FSC certified suppliers, 8.1 b).

**MAJOR CAR 2010.3:** Audits (and/or records of those audits) for verifying the authenticity of FSC Controlled Wood, as required in At. 1, Group Entity Procedures, have not been preformed.

Corrective Action: Conduct and establish compliant records of internal Group member audits performed by the Group Entity for determination of the FMU of origin of FSC Controlled Wood. For Group members that have implemented the purchase, assessment, and/or sale of FSC Controlled Wood.

Deadline: Within 90 days from the date of this audit report (September 16, 2010), provide compliant documentation to SCS.

Ref. STD 40-005-V2-1, 8 FSC Controlled Wood inputs from non-FSC certified suppliers, 8.1 c).

**MAJOR CAR 2010.4** There is inconsistency in the use of the correct FSC CoC code and FSC claim among Group members. Not all members document the scale ticket consistently and/or include the FSC claim on transportation or delivery documents.

Corrective Action: Implement a system to ensure the use of the FSC Claim and the FSC CoC code on all relevant documentation to specifically include scale tickets issued by the purchasing customer on delivery by the Group member or its hauler. (This is frequently the only document identifying the sale and subsequent purchase of the FSC logs and/or FSC lumber!)

Deadline: Within 90 days from the date of this audit report (September 16, 2010), provide compliant documentation to SCS.

Ref. FSC STD-40-004 V2, 6 Sales and delivery, 6.1, 6.1.1 and 6.1.2.



**Minor CW CAR 2010.5:** Lists of all suppliers of wood assessed as FSC Controlled were not available at audits of all Group members that are including FSC Controlled Wood in their FSC chain of custody.

Corrective Action: Obtain complete listing of all wood suppliers form all Group members that are including FSC Controlled Wood in their FSC CoC.

Deadline: For review at the next annual audit.

Re. FSC STD-40-005 V2-1, 5.2.

**Minor CAR 2010.6** Signed outsourcing agreements had not been executed at all sites with relevant contractors at the time of this audit.

Corrective Action: Obtain signed agreements with these contractors.

Deadline: For review at the next annual audit by the Group Entity and at the individual sites.

Ref. FSC STD 40-004 V2, 12 Outsourcing, 12.1 Pre-conditions for outsourcing 12.1.1 c).

**Minor CAR 2010.7** Complete contact details of outsourced contractors for all sites were not available at the time of this site audit.

Corrective Action: Provide contact details of all outsourced contractors.

Deadline: For review at the next annual audit by the Group Entity and at the individual sites.

Ref. FSC STD 40-004 V2, 12 Outsourcing, 12.3 Records, 12.3.1.

**Major CW CAR 2010.8** – [REDACTED] website referred to FSC Controlled Wood.

Corrective Action: Remove all references to FSC Controlled Wood from the FSC website.

Deadline: September 15, 2010.

Ref. FSC STD 40-005, Annex 4, 1.1.

**Status: CLOSED.** The IN DNR DoF has directed [REDACTED] on May 3, 2010, to remove FSC Controlled Wood from their website. Report reviewer confirmed that the infraction has been removed.

**Minor CAR 2010.9** – [REDACTED] The Product Chart does not include the Mixed Credit claim or the correct Control System used.

Corrective Action: Correct the Product Chart.

Deadline: For review at the next annual audit.

Ref. FSC STD 40-04 V2 2 Scope of the FSC chain of custody system, 2.1 Product groups.

	<p><b>Minor CAR 2010.10</b> A list of verified FSC log suppliers was not available during the site audits.  <u>Corrective Action:</u> Provide a verified supplier list.  <u>Deadline:</u> For review at the next annual audit.  <u>Ref. FSC STD 40-004 V2, 3 Material Sourcing, 3.2 Supplier validation, 3.2.1.</u></p> <p><b>Minor CAR 2010.11:</b> The Group Member procedures do not address the use of the Credit System for lumber products or logs.  <u>Corrective Action:</u> The Group Entity is to expand the Group Member procedures (especially the spreadsheet example) to include lumber and logs.  <u>Deadline:</u> Provide clear procedures to all Group members using the Credit System with Controlled Wood. For review at the next annual audit.  <u>Ref. FSC STD 40-04 V2 9 Credit System, 9.3, 9.4, 9.5.</u></p>
<p><b>Observations:</b>  Note: Recommendations are reviewed in the next annual audit, and may be elevated to a CAR.</p>	<p><b>Recommendation 2010.1</b> Expand the Group member consent form to specifically include the requirements in Part 2.4.1.</p> <p><b>Recommendation 2010.2</b> Consolidate a summary of all Group members that are including FSC Controlled Wood in their FSC CoC; review with these members the requirements of the Controlled Wood standard; review the list of all suppliers for ability to provide the FMU (Forest Management Unit) of origin for all wood; and establish and reinforce procedures to exclude any non-controlled wood.</p> <p><b>Recommendation 2010.3:</b> The Group Entity, the Indiana DoF should review the Group Members procedure for the Credit System and Controlled Wood to ensure full compliance with both standards.</p> <p><b>Recommendation 2010.4:</b> Procedures have not been established for the operation of the yet to be constructed sawmill for FSC CoC. Prior to this facility starting FSC production, procedures should be revised and staff trained.</p>
<p><b>Surveillance schedule:</b>  Please note any members or requirements requiring attention at surveillance audits</p>	<p><i>A sample of the total number of active members (members that have purchased and/or sold FSC products since the previous audit) will be audited each year based on risk factors following SCS procedures.</i></p>

<b>PART 3C: Certification Decision</b>		
<b>Auditor's recommendation for initial or continued certification based on conformity with FSC-POL-40-002:</b>	The Group Entity, The Indiana State Department of Natural Resources, Division of Forestry, does comply with FSC-POL-40-002, FSC STD-40-004 V2, and FSC STD-40-005 V2-1 with the exception of the Corrective Action Requests listed in Part 3B Conclusions. It is the recommendation of this auditor that the IN DNR DoF continue to be awarded FSC certification as the Group Entity; and that its Group members continue to retain their FSC chain of custody certification as Group members.	
<b>To be completed by Certification Decision-Making Entity</b>	<b>SCS Certification Decision:</b>	Indiana DoF Group Entity has three open Major CARs, one closed Major CAR, and an additional Major Desk CAR. There are also eight Minor CARs, including one Desk CAR. Continued certification is approved for this group entity for FSC standards 40-004 v2-0 and 40-005 v2-1.
	<b>Maximum allowable annual increase in number of Group Members:</b> <small>Additional members could only be added following a new evaluation audit.</small>	Fifteen
	<b>SCS certification decision-making entity:</b>	Vanessa Hayward
	<b>Date of Certification Decision:</b>	June 16, 2010

### Acknowledgement and agreement

I, Franklin S. Judd, representing Scientific Certification Systems, have executed the above evaluation and believe it to be accurate.

*Franklin S. Judd*

Signature

*April 11, 2010*

date

I, Carl Hauser, of the Indiana State Department of Natural Resources, Division of Forestry, have read the preceding report and find it to be accurate. I also agree to fulfill the conditions for certification according to issued decision and to requirements as stated in Annex 1.

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Date

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## Annex 1

### **Additional general requirements**

The company has been advised and hereby agrees to notify Scientific Certification Systems of any of the following material changes to the certification:

- Fulfillment of Corrective Action Requests (CARs) / Conditions
- Change in company name
- Change in ownership and or management
- Change in contact name(s) and address(es)
- Change to the scope of certificate, as it appears on the certificate and FSC database
- Addition of new facility(ies) and/or termination of facility(ies) covered by the certificate
- Circumstances and/or resource conditions that could materially impact the continued validity of the certification
- Addition of new FSC Product Groups
- Material Changes to existing FSC Product Groups, such as commencement of new accounting systems or modification of product claims
- FSC and/or SCS logo use, per logo approval agreement
- Incident report of incorrect claim or deviation from FSC regulations
- FSC logo misuse by suppliers
- Date of production start of certified products if initial audit was conducted during absence of certified material
- New outsourcing agreements
- Agreements with vendors or other certificate holders for on-product labeling using company certificate number
- Material change to documented control system.
- Termination in whole or in part
- Any other circumstances where the product may no longer comply with the requirements of the certification system

#### Attachments:

1. Group Entity Procedures
2. Group Member Procedures with Controlled Wood
3. Group Member List
4. Controlled Wood checklist
5. Controlled Wood Risk Assessment, Eastern US
6. Controlled Wood Risk Assessment, Western US
7. IN DoF Complaints Procedures
8. IN DoF Policy

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