



**DEPARTMENT OF
NATURAL RESOURCES**

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March 1, 2021

SUBJECT: Volume 2 Performance Management Report

Dear Legislators and other interested parties,

The Department of Natural Resources (DNR) thanks Stellar Associates, LLC (Stellar) for completing their review of the agency's budget and accounting processes, including the overall related organizational structure and authority with a specific focus on the Wildfire Program. This review was the second of two phases in response to the budget proviso contained in ESSB 6168, sec 308 (29) relating to the Wildfire Program's budget and activities, DNR's organizational authority and operations, and DNR budgeting and accounting processes agency-wide. Stellar worked quickly and thoughtfully to gather data, conduct interviews, and complete their report.

Even before the proviso process, Commissioner Franz had recognized the need for a "look under the hood" and has been taking actions to support the organizational health of the department by launching several keystone initiatives to assess and improve operational effectiveness, efficiency, and culture. These assessments and improvements are being done in numerous areas to provide more rigor and discipline around the administrative structure, processes, roles and responsibilities, and improving accountability and success measures.

DNR's Organizational Health Work

We are pleased to find that many of the recommendations in Stellar's report validate challenges we had identified, the approaches we have been taking, and solutions we will continue to implement at DNR. We also appreciate that Stellar has additional ideas for consideration. Below, we highlight a few significant actions the agency is taking, consistent with Stellar's report, to improve operational effectiveness. We have also included, subsequent to this letter, DNR's Action Plan for Conclusions and Recommendations. This Action Plan outlines the steps the agency has already taken, or currently underway, that are in alignment with, or in response to, recommendations in Stellar's report.

As part of early organizational health work, Commissioner Franz established a new Forest Health & Resiliency Division, a program previously housed in the Wildfire Division, in 2019. The Forest Health & Resiliency Division was created due to the increasing need for enhanced focus, support, and clarity of outcomes for both programs. In 2020, she also re-established a separate CFO role to ensure a single point of accountability for budget and financial responsibilities and activities. In addition, positions were repurposed to form the new Office of Workplace Culture & Development to elevate and support organizational health priorities and serve as a center of excellence for equity, diversity and inclusion, Lean continuous improvement,

change management, employee engagement, leadership development, and training for the agency.

Additionally, a number of substantive efforts are already underway. Since last year, the agency has been working to develop and implement an Operational Performance Scorecard which will increase alignment throughout the agency and long term accountability for agency priorities. The scorecard will be launched in March. Senior leaders will meet regularly to review status of deliverables and success measures. Another significant effort is our Method of Delivery (MOD). MOD involves an in-depth review of the administrative and core service functions in the agency to optimize service delivery and includes review of scope, structure, roles and responsibilities, policies and processes, and service levels. The Stellar report will be used to inform both efforts.

The department affirms our commitment to addressing the root causes and opportunities for improvement highlighted in the Stellar report and is taking an enterprise systems-based approach to this work with our available resources.

The Legislature's Role in Organizational Health

We are committed to doing everything we can within our current authorities and resources to deliver results for the people of Washington. As the report points out, we must invest in the operational and administrative backbone of the agency to deliver effective results. Moreover, we will need additional support and resources from the Legislature for us to fully deliver on these recommendations, especially in the realm of fire-specific administrative costs.

Stellar's review finds there is a need to "Address the ability to use fire suppression dollars for both fire-specific direct and agency indirect administrative costs with the Legislature and OFM" (pg.50). Over the years, the prohibition to charge fire-specific administrative costs to suppression has had a significant impact on our organization's ability to adequately resource non-fire administrative costs and has placed an undue burden on our other accounts that support our other statutory missions.

Conclusion 5 of the Stellar report finds that "Compared to similar state agencies, DNR has several organizational and role gaps in agency operational support" (pg.34), and we agree. We are lacking in some of our most critical administrative functions because fire-specific administrative costs had to be absorbed. This legislative prohibition has had a significant impact on operational effectiveness, organizational culture, the quality of service delivery, and support for the backbone of our organization.

Having the Legislature remove this prohibition would help DNR build out much-needed staff capacity, expertise, and skills to deliver on these recommendations and our mission. In addition, this will address the disproportionate impact to other agency programs that have had to contribute more of their resources as a consequence of this legislatively-imposed restriction. Governor Inslee's proposed 2021-23 budget does not include the problematic language that precludes the use of suppression funding for administrative uses. We strongly support his proposal and hope the Legislature will follow suit and not include this language in their budget bills.

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In addition to highlighting the issue of charging administrative costs to suppression, the Stellar report validated what we had assumed: our administrative infrastructure is under-resourced. To help support DNR in addressing the immediate resource constraints that have been confirmed by the Stellar report, we also ask the Legislature to provide the necessary resources for DNR to take immediate action and bring the operational infrastructure to at least a level that is comparable to other agencies that are similar in complexity and size. By providing the needed resources, the Legislature will help ease the burden on our current staff that, as Stellar noted, are over-committed given current staffing levels. Having this necessary administrative infrastructure will also lead to greater transparency and allow DNR to dedicate resources needed to respond to questions and information requests from the Legislature and Office of Financial Management.

Next Steps

In the near term, we look forward to working with the Legislature to address the policy and budgetary barriers to fire-specific direct and agency indirect administrative costs. We also look forward to sharing the findings of this report, the work already in progress, and the implementation timeline for key initiatives from Method of Delivery and Operational Performance Scorecard to policy, business, and program improvements.

DNR continuously assesses the most effective and efficient means of preparing for, preventing, and suppressing wildfires and is using input from both volumes of the proviso report to inform our work. In our analysis, the zero-based budget (ZBB) identified areas that needed focus and areas that would benefit from additional resources (Volume 1 Addendum enclosed). In that context, the ZBB provided valuable information that will inform DNR where investments can be made to enhance current efforts. DNR will continue to review the ZBB as well as the recommendations from the Stellar report to determine whether further statutory changes and/or budget requests will be needed.

We thank the Legislature for providing the resources to conduct a ZBB and external performance review and are grateful to Stellar for their diligent work in reviewing and recommending opportunities to improve our operations. Please don't hesitate to contact me with any questions you may have.

Sincerely,



Katy Taylor
Chief Operating Officer

Wildfire Proviso Volume 2

Action Plan for Conclusions and Recommendations

GREEN:
On track / No Assistance
Needed

CATEGORY	FOCUS AREA	ACTION ITEM	STATUS	TIMING	ASSOCIATED CONCLUSIONS AND RECOMMENDATIONS
Administrative Services	Policies and processes	Adopt policy on policies	In-progress	Short Term	2.1, 2.2, 2.3
Budget and Finance	Budget management	Define agency-wide budget development process and create biennial budget calendar	In-progress	Short Term	3.2
Budget and Finance	Budget management	Finalize policy to formalize budget authority	In-progress	Short Term	3.2
Budget and Finance	Budget management	Conduct monthly budget reviews with leadership at multiple levels to increase visibility	In-progress	Short Term	10.1
Budget and Finance	Budget management	Complete Chart of Accounts for 2021-23 updates and definitions and revise subprogram structure, as needed	Planned	Short Term	6.1, 8.2
Budget and Finance	Financial health	Assess allocation of indirect, overhead and direct costs; review and update chart of accounts	Planned	Short Term	6.1
Budget and Finance	Systems/Tools	Increase use of collaboration tools to standardize budget and financial processes	In-progress	Mid Term	10.1
Budget and Finance	Financial leadership and accountability	Re-establish a separate Chief Financial Officer role reporting directly to Chief Operating Officer	Complete		3.1, 4.1
Budget and Finance	Budget management	Implement change request process	Complete		10.1
Organizational Health	Employee engagement	Share Operational Performance Scorecard to ensure employees know priorities, status and how their work contributes	In-progress	Short Term	2.1
Organizational Health	Systems/Tools	Leverage IT Strategic Plan and governance structure to prioritize and support agency technology needs	In-progress	Ongoing	8.1
Organizational Health	Leadership involvement	Increase leadership meetings at all levels and increase information sharing with all employees by implementing weekly newsletter, DNR Weekly	Complete		2.1
Organizational Health	Internal communications, business readiness and change management	Create Office of Workplace Culture and Development	Complete		3.3, 4.1, 5.1, 8.1, 11.1
Strategic planning and performance	Strategic alignment; prioritization, performance measurement	Conduct next agency-wide annual strategic planning session with senior leaders in Q2	In-progress	Ongoing	12.1
Strategic planning and performance	Decision Making	Implement RACI chart (defined roles and responsibilities) for projects and priority initiatives and core functions	Planned	Ongoing	3.3, 4.1, 5.1, 10.1
Strategic planning and performance	Program and Initiative prioritization	Conduct prioritization sessions to ensure alignment	Complete		2.1
WF/FHRD Optimization	Capacity and span of control	Perform organizational structure review and fill vacant positions	In-progress	Short Term	2.1, 11.1
WF/FHRD Optimization	Program optimization	Form cross-functional team to plan and review deliverables and to enhance culture	In-progress	Short Term	2.1, 11.1
WF/FHRD Optimization	Program optimization	Conduct annual strategic planning meetings for Wildfire and Forest Health & Resiliency divisions	In-progress	Short Term	2.1
WF/FHRD Optimization	Program optimization	Separate Wildfire and Forest Health & Resiliency divisions	Complete		2.1

Wildfire Proviso Volume 2

Action Plan for Conclusions and Recommendations

YELLOW:
Assistance Would
Accelerate

CATEGORY	FOCUS AREA	ACTION ITEM	STATUS	TIMING	ASSOCIATED CONCLUSIONS AND RECOMMENDATIONS
Administrative Services	Policies and processes	Create policy repository	In-progress	Mid Term	2.2
Administrative Services	Policies and processes	Review policies and update, as needed, and communicate to employees	In-progress	Mid Term	2.2, 2.3, 9.1, 10.1
Administrative Services	Policies and processes	Develop policies based on Method of Delivery outcomes	Planned	Mid Term	2.3
Budget and Finance	Policies and processes	Update current financial policies and processes; revisit as part of Method of Delivery process	In-progress	Mid Term	2.3, 3.2, 4.1
Budget and Finance	Budget management	Clarify roles and responsibilities and decision making authority; revisit as part of Method of Delivery process	In-progress	Mid Term	3.2, 4.1
Organizational Health	Service delivery optimization, Staffing capacity, Roles and responsibilities	Review organization structure and workload to assess staffing, policies and procedures through Method of Delivery	In-progress	Mid Term	2.3, 3.3, 4.1, 5.1, 10.1
Organizational Health	Service delivery optimization, Staffing capacity, Roles and responsibilities	Review position descriptions and update to include decision making responsibilities, where appropriate	In-progress	Mid Term	3.2, 3.3, 4.1
Organizational Health	Staffing capacity and expertise	Review staffing capacity and expertise through Method of Delivery and assess need for specific roles within structure for each administrative area and shift resources and/or fill gaps in divisions and/or regions	In-progress	Mid Term	3.3, 7.2, 10.1, 11.1
Organizational Health	Internal communications, business readiness and change management	Increase focus on employee engagement, training, internal communications, process improvement, organizational change management and diversity, equity and inclusion	In-progress	Ongoing	2.3, 3.3, 4.1, 8.1, 10.1, 11.1
Strategic planning and performance	Strategic alignment; prioritization, performance measurement	Implement and sustain Operational Performance Scorecard (scorecard includes: priority status, metrics, key milestones, action plans, RACI chart, crosswalk to strategic plan goals, etc.) with single point of accountability to increase agency transparency	In-progress	Short Term	2.1, 5.1, 11.1, 12.1
WF/FHRD Optimization	Program optimization	Increase project management expertise	In-progress	Mid Term	11.1
WF/FHRD Optimization	Policy review	Identify policy gaps and update policies, as needed; communicate to impacted employees	Planned	Mid Term	2.3

Wildfire Proviso Volume 2 Action Plan for Conclusions and Recommendations

RED:
Legislative
Assistance Needed

CATEGORY	FOCUS AREA	ACTION ITEM	STATUS	TIMING	ASSOCIATED CONCLUSIONS AND RECOMMENDATIONS
Budget and Finance	Financial health	Address prohibition of fire suppression dollars for fire specific and agency indirect administrative costs	In-progress	Short Term	7.1
Organizational Health	Staffing capacity and expertise	Increase capacity in focused areas with known resource gaps, including: project management, financial analysis, regional financial coordination, internal communications, change management, and document development	Planned	Mid Term	5.1, 10.1, 11.1

BLUE:
Statewide Enterprise Initiative
with OFM timeline

CATEGORY	FOCUS AREA	ACTION ITEM	STATUS	TIMING	ASSOCIATED CONCLUSIONS AND RECOMMENDATIONS
Budget and Finance	Systems/Tools	Complete One Washington implementation per schedule	In-progress	Long Term	8.2

TIMELINE

Short term - by 12/2021

Mid-Term - by 12/2022

Long Term - 2023-2024

Ongoing - ongoing process without defined completion date

Note: Many short and mid-term items will be ongoing once project work is completed



**DNR Performance
Review Proviso Volume 2**

**Washington State
Department of Natural Resources**

**Performance Review
Proviso Volume 2 Report**

March 2021





March 1, 2021

Katy Taylor, Chief Operating Officer
Department of Natural Resources
1111 Washington Street SE
MS 47003
Olympia, WA 98504-7003

**Department of Natural Resources Performance Review Proviso Volume 2 Report
November 2020 through February 2021**

Dear Ms. Taylor,

The Washington State Department of Natural Resources contracted with Stellar Associates, LLC in November 2020 to conduct a review of the agency's budget and accounting processes, including the overall related organizational structure and authority with a specific focus on the Wildfire Program. This report represents the results of our work since November 2020. It is based upon a review of agency documentation, processes, and practices; research into similar agencies in Washington; and staff and stakeholder interviews and work sessions.

Our assessment also incorporates our performance review methodology, professional public sector experience, and judgment. It is intended to provide valuable independent insight into how well agency and Wildfire Program budget and accounting processes, practices, and activities are performing as well as identifying opportunities where improvements could be made. The report offers 12 conclusions and 17 recommendations intended to improve the department's success in these areas. These conclusions and recommendations are not in priority order. However, based on the agency response to this report, it may make sense for the department to implement some of these recommendations sooner than others so results can be shown to generate momentum. Other recommendations may require additional resources and proviso changes that will require involvement from the authorizing environment and may take longer to implement.

It has been an honor and a pleasure to work with agency staff and stakeholders in preparing this report. Please contact us at 360.515.9200 or via email if you have any questions or comments.

Sincerely,

A handwritten signature in blue ink that reads "Melanie Roberts". The signature is fluid and cursive, with the first name "Melanie" being larger and more prominent than the last name "Roberts".

Melanie Roberts, Principal
Stellar Associates, LLC
melanier@stellar-associates.com

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Performance Review Proviso Volume 2 Report March 2021

Legislature- Requested Review

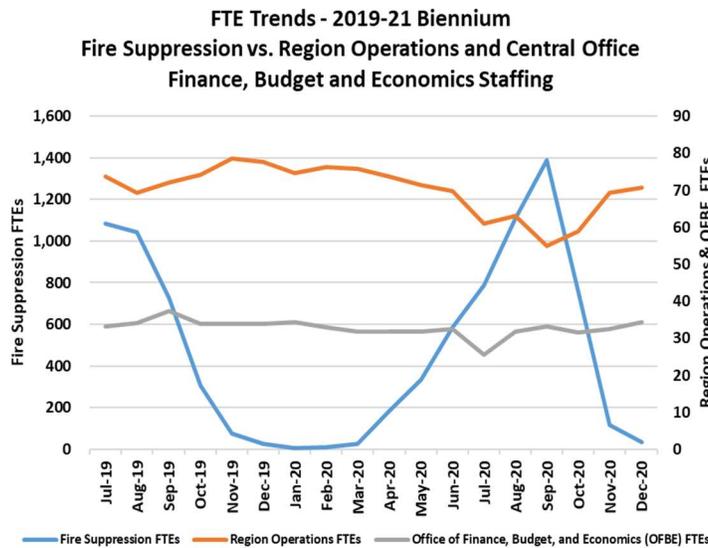
In the 2020 state supplemental budget, the Legislature directed DNR to provide an analysis of its budget and accounting processes. DNR divided the work into two volumes. DNR delivered a report on Volume I, including zero-based budgeting and background information on its agency and Wildfire programs and strategic plans, on December 1, 2020. For Volume 2, Stellar Associates examined DNR’s organizational structure and authority; budgeting and accounting processes; and the Wildfire Program’s budget and activities.

Organizational structure and policies impact agency financial management oversight and coordination.

Several factors impacted DNR’s financial management oversight and coordination:

- Differing interpretations of the state administrative code’s “line-functional” authority, including the ability to issue or enforce agency-wide financial policy and procedures.
- Until Fall 2020, lack of a chief financial officer role with authority for setting agencywide budget and accounting policy.
- Decentralized budget development process and fiscal activities in divisions and regions.
- Unclear and diffused roles and responsibilities, especially around financial activities.

Budget proviso restricts DNR from charging administrative costs to fire suppression, requiring its other programs to carry a larger share of those costs.



Budget proviso language restricts DNR from using emergency fire suppression funding for administrative costs. Additionally, administrative staff and budget are allocated based on the number of employees that are supported **outside of fire season**; employees assumed in the fire suppression budget **are also excluded**. Thus, the full cost of fire suppression is not reflected, administrative capacity is limited, and remaining programs carry a larger share of administrative costs.

Lack of capacity and resources hinder data analysis and reporting.

DNR’s ability to provide timely, accurate and consistent information is also hindered by:

- A siloed division-level approach to decision-making and funding for regions.
- Outdated technology systems which limit data analysis and reporting.
- Insufficient levels of project analytical and management expertise and capacity.
- Lack of alignment and use of performance measures in the Wildfire Program.

RECOMMENDATIONS IN BRIEF

The report provides 17 recommendations to improve the agency’s success. Key recommendations include:

- Strengthening the financial management function through policy and organizational changes.
- Increasing capacity and specific expertise to better manage agency operations.
- Addressing the ability to use fire suppression dollars for direct and indirect administrative costs.
- Aligning budget activities and performance measures with the newly reorganized Wildfire Division.

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INTRODUCTION

Scope of Review and Objectives

In the 2020 state supplemental budget (ESSB 6168, Section 308(29)), the Legislature directed the Department of Natural Resources to evaluate and provide an analysis of its budget and accounting processes, including the overall related organizational structure and authority with a specific focus on the Wildfire Program's activities. DNR divided the work of the proviso into two volumes. DNR delivered a report on Volume I, including zero-based budgeting and background information on its agency and Wildfire programs and strategic plans, on December 1, 2020. The scope of work for Volume 2 performed by Stellar Associates consisted of the following:

- A performance review of the Wildfire program's budget and activities.
- An analysis of DNR's current organizational authority and structure.
- An analysis of the budgeting and accounting processes for potential efficiencies under alternative organizational structures.

To ensure the intent of the proviso is met, Stellar Associates focused on the following performance review objectives in the assessment of the Wildfire Program's and agency's organizational authority and operations, and budget and accounting processes, practices, and activities:

- How well does DNR's – and, in particular, the Wildfire Program's accounting and business processes and organizational structure:
 - meet best or promising practices and standards? If underperforming in any areas, why?
 - ensure consistent business processes and accurately track costs?
- What improvements could be made to ensure timely, accurate, and consistent data, information, and communication, both internally and externally?

Note: Unless otherwise noted throughout the report, references to "agency" or "agencywide" refer to the reviewed budget and accounting areas. While some observations or recommendations may be applicable to other areas within DNR, the scope was limited to agencywide budget and accounting, specifically as it pertains to the Wildfire Program.

Out of Scope

The analysis of organizational authority and operations focused on budgeting and accounting processes and did not include other areas such as agencywide information technology processes that have recently been evaluated. Likewise, we did not duplicate efforts of JLARC studies conducted on Wildland Fire suppression funding and costs (2018) and on Wildland Fire prevention and

preparation activities and expenditures (2020) or the Zero-Based Budget and Performance Review of the Wildfire Program in the Volume 1 Proviso Report prepared by DNR (2020). However, we did consider the results of these and other studies in formulating this review's conclusions and recommendations, including a strategic organizational analysis of the Wildfire Division conducted between October 2017 and June 2018. Additionally, the timeframe precluded a workload analysis as part of this assessment.

Volume 2 Review Timeline and Approach

Stellar Associates conducted Volume 2 of the DNR Performance Review over a three-month period in Fiscal Year 2021.



We completed the following activities during this volume:

- Researched and analyzed best/promising practices and standards for structure and processes.
- Interviewed selected agency leadership, staff, and key stakeholders.
- Evaluated relevant operations, processes, and controls.
- Performed a gap analysis between current practices and review criteria.
- Prepared recommendations and options for process and organizational improvements.

Stellar Associates reviewed many sources of evidence in this review, including:

- prior audits, studies, and evaluations.
- agency strategic plans and financial reports.
- organizational structure and promising practices in similar programs in other Washington state agencies and in other states' wildland fire programs.
- organizational charts and job descriptions.
- available workload data and performance measures.
- agency/division written policies, procedures, direction, and guidance.
- informal guidance provided on the budget and accounting processes and practices.
- interviews, conversations, and work sessions with subject matter experts.

This report is based on the review of information available by Dec. 2020 and actions taken prior to the beginning of the review. There may be actions taken

by DNR or information available since then that DNR has included in their status and action plan (*see Agency Response and Appendix D*).

Constraints During the Review

Due to the safeguards implemented in response to the COVID-19 pandemic and the limited time available for this review, we were unable to perform on-site observations, detailed workload reviews, or conduct in-person interviews. We modified our typical approach to interviews by using telephone and web conferencing and conducting a review of relevant documents available on the agency's SharePoint site and shared with us by individual staff.

How Our Report Is Organized

We have divided the report into four main sections: 1) Introduction, 2) Agency Structure and Culture, 3) Assessment of Agency Budget and Accounting, and 4) Wildfire Program Performance Review. The introduction contains basic agency background information that is focused on the areas within our review. It also contains relevant context.

Sections 2-4 are organized according to our methodology. Each section begins with the standards and promising practices we used as criteria with which to gauge the performance of the reviewed areas, followed by related information specific to DNR. After the criteria ("what should be") and context are the conclusions ("what is") for that section. At the end of the section are the recommendations, or those actions that would close the gap between "what is" and "what should be." Since many conclusions are interconnected, the criteria and overall related context are presented together at the beginning of the section as opposed to repeated with each conclusion.

Agency Background and Context for this Review

The Department of Natural Resources was created in 1957 by the Washington State Legislature, merging several agencies responsible for state and privately-owned forest and forest services. The Division of Forestry, the Department of Conservation and Development, and the Land Department were consolidated to become the Department of Natural Resources, as it is known today. DNR assumed responsibility for forest fire prevention and suppression on public and private lands in Washington in 1958.

Each year, state trust forest, commercial, agricultural, and aquatic lands generate approximately \$270 million for education, county services, and restoration projects. Under the Commissioner of Public Lands' leadership, DNR manages over 3 million acres of land for seven specific trusts to generate revenue and conserve forests, water, and habitat. DNR's state trust lands help support public schools, universities, state buildings, and correctional facilities. The K-12 Common School Trust is the largest of the seven trusts and includes 1.8 million acres of forestland and agricultural lands and benefits K-12 schools by providing funding for construction projects.

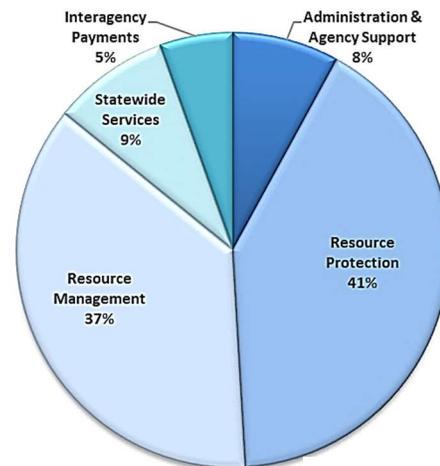
In addition to managing Washington's trust lands, DNR is also responsible for:

- Managing aquatic lands.

- Developing and implementing regulations for large and small forest landowners.
- Protecting forest and public resources.
- Fighting, preventing, and preparing for wildfires.
- Conserving Washington’s natural areas.
- Providing recreation on six million acres of land.
- Conducting geological surveys.

DNR protects and manages nearly six million acres of public lands in Washington state, including forest, agriculture, recreation, commercial, coastal waters, and aquatic reserves.

DNR’s 2019-21 operating biennial budget is \$585 million allocated across five programs. The focus of this review is the Wildfire Program, which is a subprogram within the Resource Protection Program along with Forest Health and Resiliency, Forest Practices, and Geology/Earth Resources.



Source: Fiscal.wa.gov
DNR Allotments 10-5-2020

State law (chapter 76.04 RCW) gives DNR the responsibility for forest fire suppression on all state and private forest lands. According to the Volume 1 Proviso Report, there are nearly 14 million acres of protected land across the state. In addition, DNR has the authority to enter into agreements to protect non-forested public lands managed by it and other state agencies.

DNR Current Organizational Structure

Hilary Franz, the current Commissioner of Public Lands, was first elected in 2016 and took office in 2017. In addition to managing the department, the commissioner oversees the Board of Natural Resources and the Forest Practices Board.

- The Board of Natural Resources is responsible for adopting policies, approving commodity sales, and state land transactions for the lands that DNR manages, but does not oversee other aspects of the department, such as the Wildfire Program.
- The Forest Practices Board is responsible for administering rules for activities impacting Washington forests.

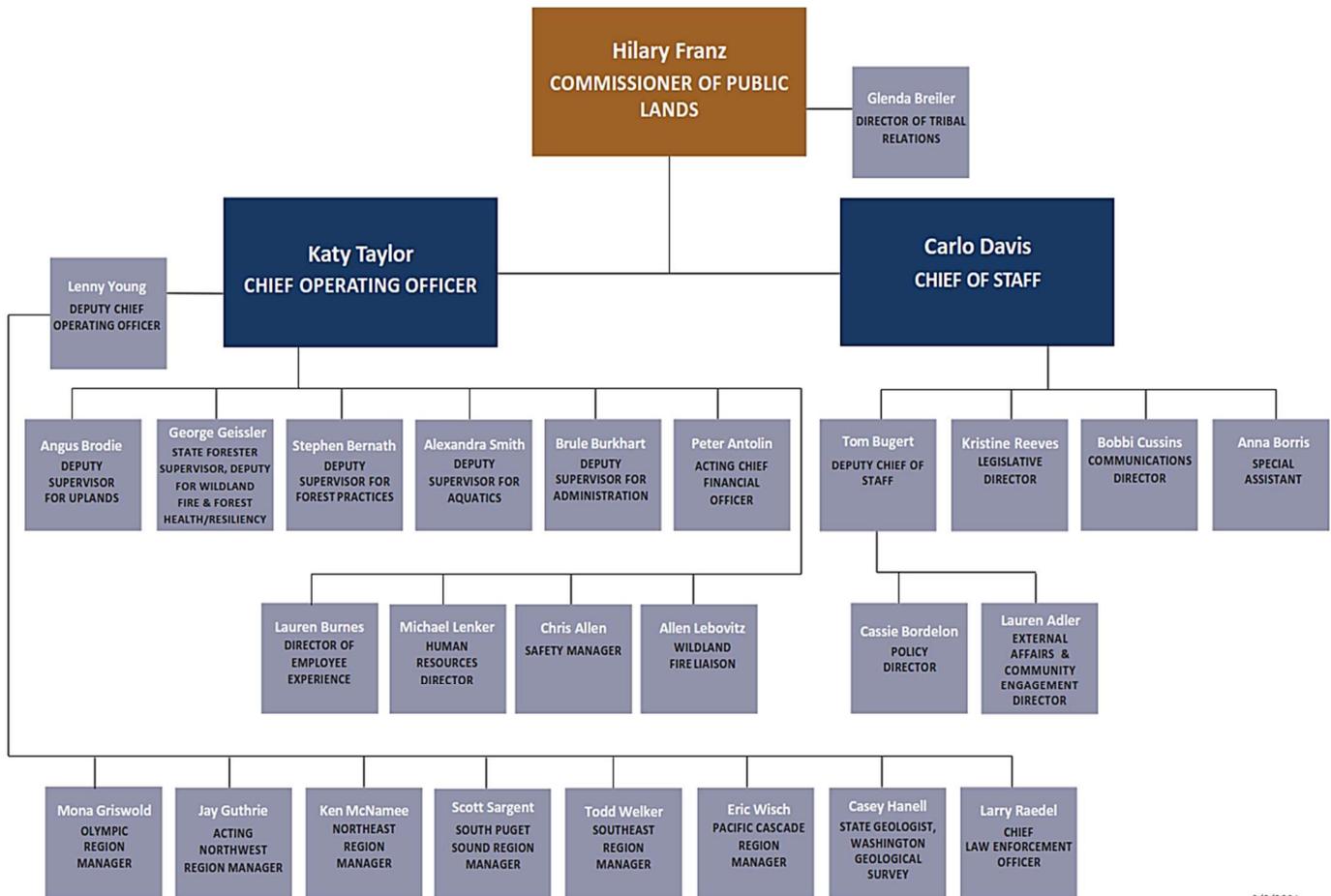
In June 2020, the commissioner appointed a new department supervisor, also known as the chief operating officer, who is charged with the direct supervision of the agency's activities. In addition to the COO, a chief of staff and director of

tribal relations also report to the commissioner. The chief of staff oversees legislative, policy, communications, and external affairs.

The COO has two teams of executives or managers who report to her:

- Program Team – consists of the deputy COO who oversees the Washington Geological Survey, Law Enforcement, Safety, the six regions where local DNR operations occur, and four deputy supervisors (Uplands, Wildland Fire and Forest Health and Resiliency, Forest Practices, and Aquatics) where statewide program policy and direction is set.
- Support Team – consists of the chief financial officer, deputy supervisor for Administration, directors for Human Resources and Workplace Culture and Development (formerly “Employee Experience”), safety manager, and the wildland fire liaison to the Washington Fire Advisory Committee.

DNR Organizational Structure – February 2021



2/8/2021

DNR operates with a line-functional staff organizational structure which was established over 40 years ago as the agency's management system (WAC 332-10-040). Divisions have been delegated the responsibility for their respective

program and its effective and efficient delivery throughout the state. The divisions develop operational programs and procedures within their respective specialties of resource management. These programs and procedures are carried out through the regional offices. The regions are charged with implementing the programs throughout the state in accordance with these policies and standards. (See Appendix A.)

According to data reported to OFM, DNR had 2,019 total employees in fiscal year 2020. This number includes 527 non-permanent firefighters in the Wildfire Program. During peak fire wildfire season, DNR deploys over 1,300 permanent and seasonal firefighters.



Source: Workforce Performance Measures Dashboard, Office of Financial Management

DNR Strategic Plan

The current agency Strategic Plan for 2018-2021 includes the following vision, mission, core values, strategic priorities, and goals.

Vision

Our actions ensure a future where Washington's lands, waters, and communities thrive.

Mission

Manage, sustain, and protect the health and productivity of Washington's lands and waters to meet the needs of present and future generations.

Core Values

- Safety and Well-Being – Our top priority is the safety of the public and our employees.
- Public Service – We value and respect the public we serve, and we value and respect the people of the Department of Natural Resources who step up to serve.
- Innovation and Creative Problem-Solving – We solve our state's most pressing challenges through innovative thinking, dedication, and bold and creative vision.
- Leadership and Teamwork – We are committed to building leaders at all levels and building teams for success.

Strategic Priorities

- Make DNR a great place to work and serve Washington's lands and communities.
- Build strong and healthy communities.
- Enhance Forest Health and Resiliency and Wildfire Management.
- Strengthen the health and resilience of our lands and waters.
- Increase public engagement and commitment to our public lands.

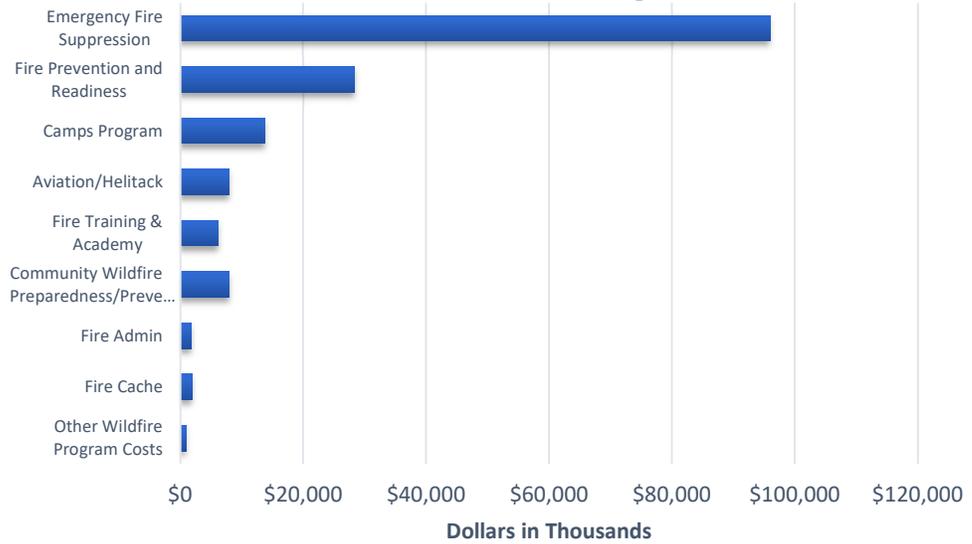
Wildfire Program

The Wildfire Program is divided into three service categories according to the governing statute on Forest Protection:

- a. Wildland Fire Response
 - Fire suppression
 - Fire causal investigations
- b. Wildland Fire Prevention
 - Enforcing regulations
 - Issuing and enforcing burning restrictions
 - Implementing and enforcing permits
 - Ensuring required fire mitigation practices are employed
 - Regulating recreational activities
- c. Wildland Fire Resiliency
 - Landowner support and guidance to improve resiliency of property
 - Education
 - Technical assistance
 - Cost-share programs for land management activities

Spending for these activities is primarily in the Wildfire and Forest Health and Resiliency Divisions and in the regions within the Resource Protection Program (020). The estimated total budget for this biennium for the Wildfire Program is approximately \$165 million. Emergency fire suppression accounts for nearly 60% of those estimated costs. As is standard practice, DNR has submitted a supplemental budget request for the additional funds they are estimating for the suppression costs above their current allotment.

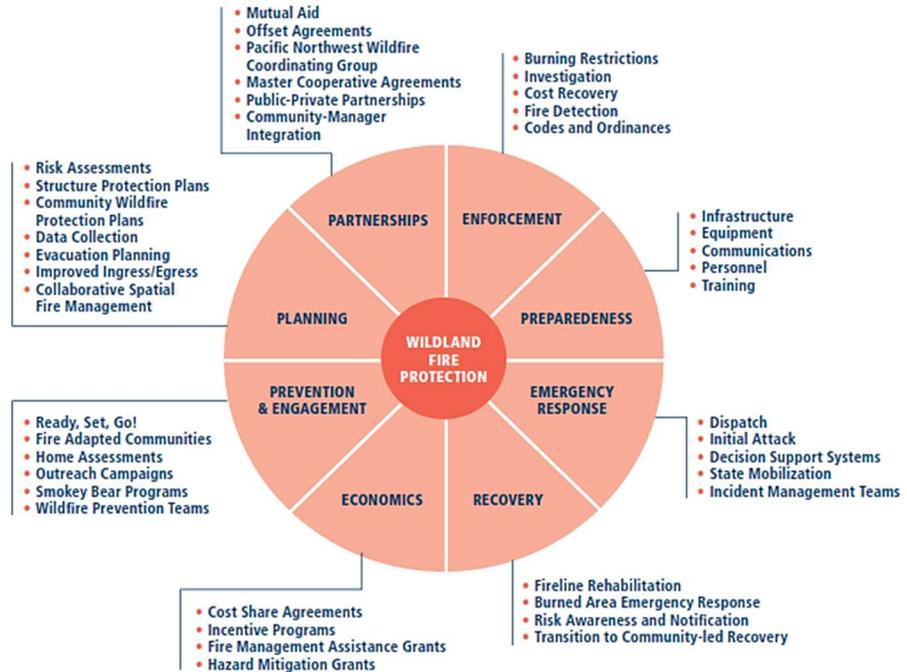
2019-21 Biennium Operating Budget Estimates Wildfire Program



Source: Wildfire Program Zero-Based Budget and Performance Review Volume 1 Report, December 2020

Complexity of Wildfire Program

As described in the Wildland Fire Advisory Committee Report on Substitute House Bill 2561, existing wildland fire protection in Washington is complex and involves numerous state, federal, and local agencies and jurisdictions.



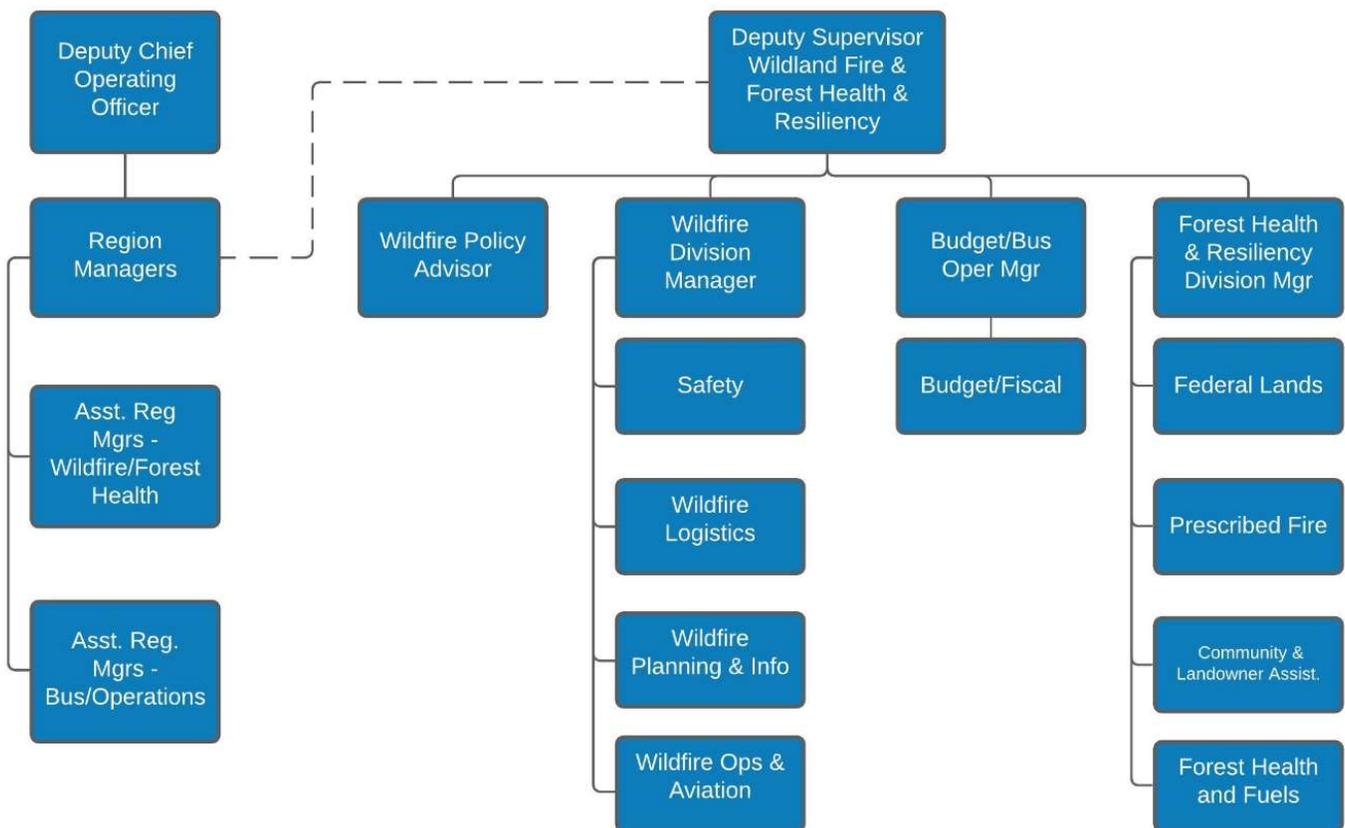
Source: WFAC Committee Report on SHB 2561. See terminology definitions in Volume 1 Proviso report for any changes.

DNR is considered the lead agency for wildland fire suppression due to its role as outlined in the state's emergency plan and federal wildland fire master agreement. However, fire protection is provided throughout Washington state

by nearly 500 different agencies, most of which are local fire districts. The interagency nature of any individual response is complex because jurisdictional boundaries and responsibilities, mutual aid and response, contracts, cost share agreements, and cost recoveries are often intermixed. The agency or jurisdiction with responsibility for protection depends on land ownership, type of landscape vegetation and level of improvement, and jurisdiction boundaries. This complexity is reflective of wildland fire suppression throughout the nation and both increases the workload in the Wildfire Program and impacts the processes used for budget, accounting, and other administrative functions.

**Wildfire Program
Current
Organizational
Structure**

The administrative, program, and policy functions for the Wildfire Program are primarily centralized in headquarters in Olympia while most of the daily operational activities are performed in the six regions across the state. The state forester/deputy supervisor for Wildland Fire and Forest Health and Resiliency provides policy direction to both the divisions and the regions for those respective programs. The regions report to the deputy chief operating officer.



**Actions Already
Taken by DNR Prior
to Review**

Prior to the beginning of Stellar Associate’s review, DNR executive leadership recognized the need to add capacity in critical related areas as well as assess how they could deliver services more efficiently across the agency. These

actions align with and support this report's recommendations. Following are some of the related actions taken in 2020:

- Hired a new chief operating officer with extensive performance and operations experience in state government and the private sector.
- Designated an interim chief financial officer position separate from the deputy supervisor for administration to provide additional financial management capacity and expertise.
- Added deputy COO role to improve coordination and communication.
- Began a "Methods of Delivery" initiative to evaluate how to deliver services more efficiently and effectively across the agency.
- Created an Office of Workplace Culture and Development to address all aspects of organizational health, including increased focus on internal communication, diversity, equity and inclusion, performance management, leadership development, and process improvement.
- Continued the planning necessary for the business transformation required for the One Washington replacement of the statewide core financial system.
- Increased the level of internal communication with staff, including biweekly meetings with deputy supervisors and direct reports of the COO and deputy COO, monthly meetings with staff from the assistant division managers and assistant region managers level and above, weekly and monthly meetings with region managers, and weekly email communication to all employees.
- Developed new IT governance structure and charter for implementing strategic action plan.
- Hired an experienced project manager to oversee the proviso activities and ensure legislative and OFM needs were met.

Additionally, beginning in 2019, the agency embarked on an overhaul of outdated agency policies and procedures, including a new agencywide process that allows for greater participation in the process and feedback by impacted employees. *See Agency Response and Appendix D for the current agency status, actions, and intentions for each of the conclusions and recommendations offered in this report.*

AGENCY STRUCTURE AND CULTURE

Standards and Promising Practices

Organizational structure is crucial for any entity to provide guidance and clarity to employees, as well as to customers, who ultimately are the lifeblood of the organization. An organizational structure defines how activities, task allocation, coordination, supervision, and other details of the organization are focused toward achieving the goals that support success. Organizational structure will impact organizational actions and provide the foundation on which standard operating procedures and routines will rest. It also determines which individuals participate in the decision-making processes of the entity, shaping the current and future state of the organization. Organizational structure is the lens, or perspective, through which individuals both inside and outside the organization interact with and view the operation of the entity.

Organizational Structure

Government agencies successfully employ a variety of organizational structures to achieve their mission. The way that work is organized depends on a multitude of factors, such as authorizing legislation, agency purpose and goals, the level of resources available, and type of programs or services provided. Agencies may centralize authority and decision-making with program or division leaders; decentralize responsibility and daily decisions to offices, regions, or field staff; or use a hybrid model.

Whichever organizing construct is used, it must be clearly linked to the mission and vision of the agency. The structure of an organization will determine how it operates and performs. It must also allow for clear roles and responsibilities, whether for a division, office, region, workgroup, or individual. This clarity is part of the agency's foundation and should be embedded into agency policy and culture, preventing the erosion of vital functions with organizational or staff changes or attrition.

For DNR, a successful organizational structure must accommodate the following:

- The current vision and mission are focused on ensuring a future where Washington's lands, waters, and communities thrive by managing, sustaining, and protecting the health and productivity of Washington's public lands.
- DNR has a wide range of responsibilities and is also the state's largest wildfire fighting force. This role takes precedence during "fire season" since DNR uses a "militia model" where fire-trained employees across the agency – not only those in firefighter positions – as well as seasonal employees and volunteers are deployed to assist in fire suppression activities.

- Washington state agencies have a history and reputation of accountability and transparency. Agencies establish measurable goals to achieve desirable results for customers and develop clear strategies and timelines for achieving these goals. Agencies must also establish expected results for each major activity in their budget.

Geographic Structure

Geographic structures are generally suited to large entities that have a need for specific local facility or labor needs. In some instances, smaller organizations do benefit from a geographic structure. For instance, an organization would benefit from having a geographic structure if two or more functions benefit from a specific geographic location or if their client base is concentrated geographically. Geographic structures are not usually a structure that an organization intentionally chooses over another specific structure, but one that develops out of necessity and business need.

While customer and location support are advantages to a geographic organizational structure, there are some inherent disadvantages. To be successful with this structure, very strong leadership is required at both the central and geographic locations, and requires that all staff clearly understand:

- The agency's shared mission and goals.
- Their roles and responsibilities, how they relate to the mission, and how they interrelate to and coordinate with other positions.
- How the organization's strategic and tactical decisions align to the vision of the organization.

Additionally, the agency must have a superb communications infrastructure in place that minimizes confusion and supports the clearly delineated roles and responsibilities up, down, and across the agency. These elements must be present for a geographic-based organizational structure to achieve its vision, mission, and goals.

Policies and Procedures

In addition to organizational structure, well-formulated policies and procedures provide the foundation for effective and efficient business processes. Good policies support the agency's strategic vision, clearly communicate to employees their roles and responsibilities, increase accountability, and provide managers with tools to measure how well the organization is meeting its business goals.

Policies describe a management decision and say *what* should be done. They are derived from the organization's strategic vision and, when followed, they should actively support the organization's goals. Agency policies contain decisions that apply to more than one division. Administrative functions (e.g., finance, human resources, information technology) typically require agency policies because they include expectations for all staff agencywide. Agency

policies may be developed by subject matter experts – such as a financial policy by the CFO, but they are approved and signed by the agency executive and carry the weight of their authority.

Effective policies also include a section that lists the position title and the major responsibilities of individuals involved with the policy. For example:

Agency Director

- Approves the initial development of a new agency policy and/or procedure.
- Approves final agency policies and procedures.
- Authorizes distribution of approved policies and procedures to agency staff.

Agency policies are appropriate when the decisions are long-term or permanent; they relieve management of making similar decisions case-by-case; they provide useful direction in more than 90% of similar situations; and they fully convey what management has decided on an issue.

Agency Management Culture

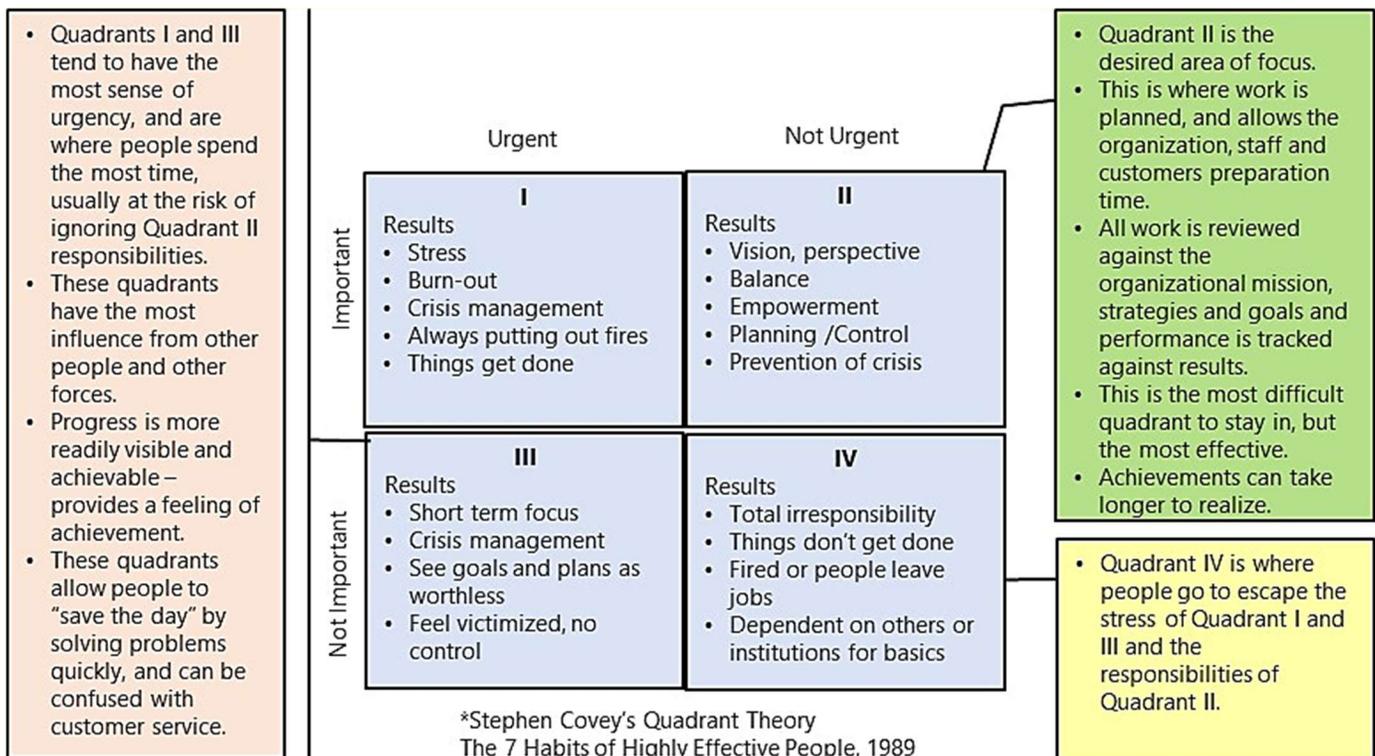
An agency's culture is interwoven with its organizational structure and governance. The culture informs management style and priorities. Similarly, how the agency is organized also has an impact on its culture. Many agencies, regardless of their mission, continually operate in "crisis mode." According to business leader Stephen Covey, many people and organizations spend much of their time reacting to whatever is most urgent, regardless of its importance. This continual reactive stance has multiple drawbacks:

- focus on work that may not align with organizational goals;
- lack of capacity to complete work without delaying or stopping other critical work;
- organizational hardship created by continually changing direction without adequate planning or communication; and
- lack of a consistent base to compare performance progress.

	Urgent	Not Urgent
Important	<p>I</p> <p>Activities</p> <ul style="list-style-type: none"> • Crises • Pressing problems • Deadline-driven projects, meetings, preparations 	<p>II</p> <p>Activities</p> <ul style="list-style-type: none"> • Prevention, capability improvement • Relationship building • Recognizing new opportunities • Planning
Not Important	<p>III</p> <p>Activities</p> <ul style="list-style-type: none"> • Interruptions, some phone calls • Some mail, some reports • Some meetings • Many popular activities 	<p>IV</p> <p>Activities</p> <ul style="list-style-type: none"> • Trivia, busywork • Some phone calls • Some meetings • Irrelevant mail

*Stephen Covey's Time Management Quadrant Theory, The 7 Habits of Highly Effective People, 1989

“Managing by Priorities”, on the other hand, is a structured process that provides a consistent method to prioritize planned and unplanned work using criteria that compares the investment effort (time and resources) against the outcomes (impact to staff and organization, and benefits to customers). Decisions are made with an understanding of how they will impact other critical work. Changes in work, resources or priorities are purposeful and mitigation strategies are identified to appropriately manage the impact. This approach provides the ability to incorporate unplanned work into a structured environment.



DNR Governance Structure

DNR is run by a separately elected commissioner. By statute, the commissioner’s position is synonymous with the department administrator and has “responsibility for performance of all the powers, duties, and functions of the department except those specifically assigned to the board.”

State statute also provides for a department supervisor. The duties of the supervisor include 1) direct supervision of the department’s activities as delegated by the administrator (commissioner); 2) organizing the department, with approval of the administrator, in a way the supervisor deems appropriate to conduct operations; and 3) formally delegating any assigned power, duties, or functions to one or more deputies or assistants.

Commissioners have wide latitude in deciding how to organize the department, and DNR’s structure can change depending on the focus, strengths, and

priorities of the commissioner. Historically, it has been common for DNR to undergo a lot of organizational change in executive-level positions when a new commissioner is elected.

The commissioner's responsibilities include making major agency strategic, legal, and administrative decisions and those that set the agency's overall direction and focus on vision and mission of the agency. The commissioner also acts as the main point of communication with tribal governments and federal, state, and local government leaders. The commissioner is also the public face of the agency, meeting with the agency's external partners, stakeholders, beneficiaries, customers and public. Daily operations, including divisions and programs, are the responsibility of the chief operating officer, while strategic policy, legislative and government affairs, and related communication are overseen by the chief of staff.

DNR is organized geographically and has six regions around the state.

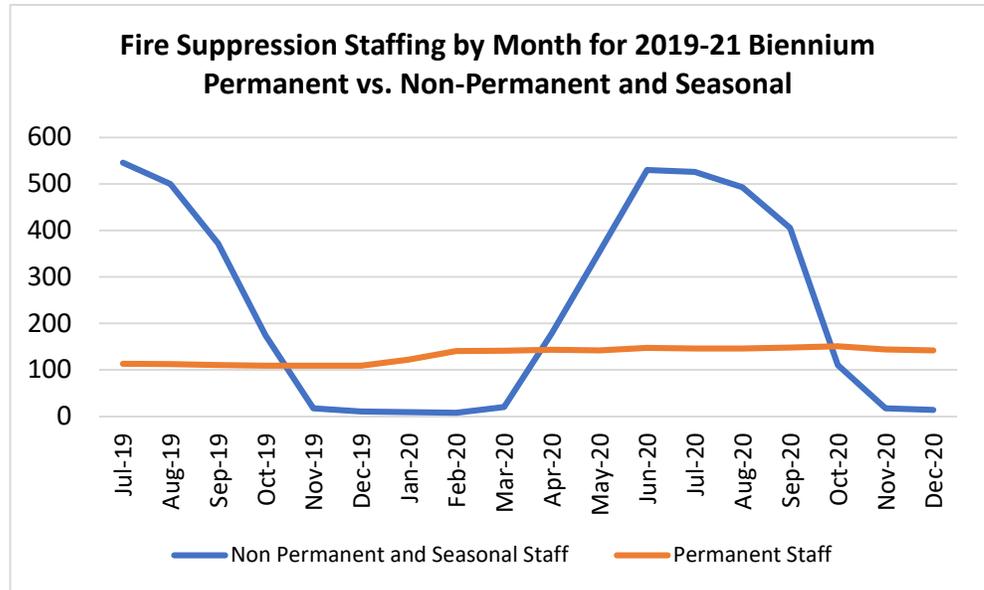
DNR provides varied services throughout Washington state. The state is geographically large and presents some logistical challenges. Mountain ranges, large bodies of water, and the overall size create barriers to easy travel and access to headquarters support. To manage and carry out its diverse programs and services, DNR has six regions. Each region is overseen by a region manager who reports directly to the deputy chief operating officer. Region managers have three or four assistant region managers who implement DNR programs and services for State Uplands (one or two ARMs); Forest Practices, Wildfire, and Forest Health and Resiliency (one ARM); and Business and Operations (one ARM referred to as the "BOA"). Not all programs, like Aquatics and Geology, have staff who report through the regional management structure, but may have staff located in some regions.



Source: DNR Strategic Plan 2018-2021

DNR employs a “militia model” and the Incident Command System when responding to wildfires.

DNR uses a “militia model” approach to fighting wildfires. This approach, which is used by other states such as Oregon, are used in lieu of a larger, permanent “state fire department” which would cost much more to maintain. The militia model combines permanent DNR staff with on-call, trained firefighters. DNR employs many people who began their public service careers as firefighters. During wildfire season, in addition to seasonal positions brought on specifically to fight fires, trained employees throughout the agency may be deployed to assist with firefighting.



Source: AFRS; HRMS data provided by DNR Offices of Finance, Budget and Economics and Human Resources

The militia model gives DNR flexibility to scale its response to address the frequency, type, and level of fire emergency. In preparation for fire season each year, DNR increases its firefighting capacity with seasonal staff and employees from other program areas such as State Uplands and Forest Practices.

DNR is also part of a larger coordinated system comprised of numerous organizations including federal and state agencies, local jurisdictions, and private entities that share resources to respond to fires. DNR may supplement firefighting resources from other agencies, and DNR staff may assist other agencies and other areas outside Washington state depending on need.

DNR uses the Incident Command System which allows multiple government agencies, nongovernmental organizations, and the private sector to collaborate effectively to respond to wildfire. The comprehensive ICS approach addresses facilities, equipment, personnel, procedures, and communications with on-site incident management activities. ICS establishes common terminology, a modular organization, integrated communications, a unified command structure, consolidated incident action plans, manageable span of control, pre-designated incident facilities, and comprehensive resource management.

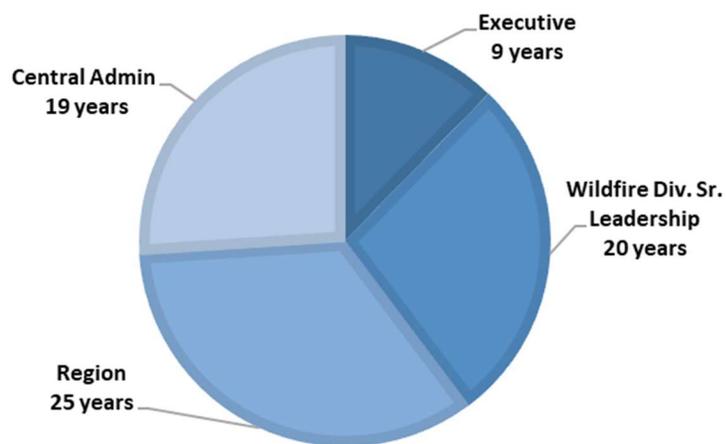
Conclusion #1: DNR staff are passionate, have expertise about their mission, and take pride in doing meaningful work.

As part of our review, we conducted both individual and group interviews and work sessions with 45 DNR staff at the agency executive level, senior leadership and program/fiscal staff in the Wildfire Division, senior leadership across the six regions, and central staff in budget, accounting, and administrative services. Half of the interviewees were directly involved in the Wildfire Program, while the other half included executive and central administration employees.

Twenty-three staff we interviewed are directly involved in the wildfire-fighting effort, either through division policy or through management and participation at the region level. These staff spoke repeatedly about their dedication to DNR’s firefighting mission. Many leaders in the Wildfire Program began their state careers fighting wildfires as seasonal firefighters and have held multiple positions within DNR. When asked how long they have been with DNR, they answered both with their years in permanent status and their number of active fire seasons.

The majority of interviewees responded that the employees’ belief in the importance of the agency’s mission is the agency’s biggest strength, and that their firefighting operation works very well – both “boots on the ground” and the administrative functions that directly support them. We received this feedback both from Wildfire Program staff and from executive-level agency leaders. Some employees interviewed had even left the agency to work elsewhere in state government and returned because they felt a stronger sense of purpose and connection to the agency’s mission.

Average Number of Years Worked at DNR



*NOTE: Chart denotes years worked at agency, not necessarily in current position.
Source: Staff interviews. 38 staff represented: 8 Exec, 3 Wildfire Div., 20 Region, 7 Central Administration.*

No Recommendations

There are no recommendations related to Conclusion #1.

Conclusion #2: The reactive, crisis nature of firefighting work permeates the culture of the Wildfire Program.

In business literature, a “fire-fighting mentality” is equated with reacting to urgent activities that demand immediate action. In DNR’s case, the mission of the Wildfire Program is literally equal to being in firefighting mode. The firefighting mentality is crucial and expected during the fire season where the focus and priority is on suppressing wildfires and mitigating their effects. DNR needs to be able to organize to address emergent and emergency wildfire incidents. Since its creation, wildfire suppression has always been a core part of DNR’s mission along with wildfire preparedness and prevention. Prevention and preparedness have been elevated in priority under the current commissioner given the escalating need for these actions to address the increasing threat of wildland fires.

However, this firefighting mentality can become problematic when it extends beyond fighting fires into other agency business. During fire season, employees must be flexible and at the ready to address the unpredictable and unknown. However, staying in reactive mode – or in Quadrants I and III in Covey’s model – prevents other important activities such as leadership and career development, relationship-building, performance improvement, and other necessary agency work to meet the broader agency mission and goals. Other casualties of staying in reactive mode outside of the fire season are transparent and repeatable processes.

Focus on the urgent continues outside of fire season.

Additionally, employees we interviewed talked about the lack of time given to complete or follow through on assignments – even for work that should be routine and have set timelines like budget development. Interviewees said that when the Wildfire Program or department supervisor does attempt proactive management, like regular meetings for “Quadrant II” activities, leaders or participants are often pulled out to address urgent issues.

Communication is often informal, inconsistent, or incomplete.

A lack of communication and decision-making also are results of a reactive management style. In our interviews within the Wildfire Program, many employees voiced concern about how communication occurs. They stated that the frequency and depth of information is inconsistent, and that information does not always reach everyone who is involved with or responsible for implementation. Often, staff engage in informal networks to get information or ensure everyone is “in the loop.” Employees also cited a lack of communication around agency decisions or direction, as well as a barrage of uncoordinated and inconsistent communication in the form of emails and memos. We reviewed many examples of “management by memo” that employees must track via email instead of through a formal policy or procedure process.

Staff often do not understand why decisions are made.

Staff communications also often leave out the “why” behind a decision or change. During interviews and work sessions, staff shared that there is often a lack of information about why decisions or changes are being made. When a

suggested change or need for decision is raised, it is often unclear what happens next or if anything happens at all. Other times a decision is made but it is different from the requested/suggested action and it is unclear what influenced the change. Employees feel that their feedback is ignored or not passed on to those making the decisions.

Levels of authority and responsibility are not commonly understood.

In our interviews, Wildfire Program staff explained that the Wildfire Division is tasked with setting policy and procedures, or the “why and what.” The region managers’ responsibilities are to implement the program within those parameters, but they have latitude regarding the “how.” Basically, the division is strategic or tactical, and the regions are operational. Although this separation seems to be agreed upon in theory by those involved, both division and region leadership feel that it does not work well in reality. As such, a lot of tension exists between region, Wildfire Division, and agency fiscal and budget staff about roles and responsibilities, particularly around who has what authority.

When asked for documentation that outlines these responsibilities, Wildfire Program staff mentioned the commissioner’s formal delegation of authority and referred to a memo written by the department supervisor in 2017 to explain the line-functional staff organizational structure (see Appendix A). This memo seems to be open to differing interpretations about authority and who makes decisions, depending on which section or sentence is referenced and who is asked.

For example, the memo states that “the Deputy Supervisor for Administration sets the standards and expectations for financial accountability” and that region and division managers also follow the policies and procedures established by HR. However, it also states that “Division staff have no authority to give ‘orders’ or direction to Region staff” and “Region staff takes ‘direction’ only from their superiors in the Region.” It also states that “Division staff below the Division Manager level in the ‘Service Divisions’ (*read: Administration*) do not have line authority to direct the work of other employees of other Divisions.”

This memo appears to have contributed to the confusion about the levels of authority and responsibility in the areas we reviewed. For example, region staff stated that they were unable to achieve resolution on certain financial issues because central budget and accounting staff in the Office of Finance, Budget, and Economics told them they did not have that authority. We confirmed this perception in our interviews. When we asked about the responsibilities of central financial services staff to interpret policy or answer certain fiscal questions, they responded that they did not have the authority to “tell the regions what to do.”

This perception and hesitancy to direct or advise also affects agency policy making. The reluctance to overstep “delegated authority” has resulted in many agency management decisions that are not formalized as policy but issued as “guidance.” In a robust policy system, guidelines supplement and fall under the overarching policy; they do not exist on their own. However, the culture at DNR has led to the proliferation of “guidance,” even to the extent that formal policy documents refer to their content as “guidance” instead of “policy.”

One consequence of staff’s understanding of delegated authority has been a devaluing of the subject matter expertise for the financial management and reporting function. The functional authority for state financial management requirements should be reflected clearly not only in the delegated authority order, but also in the agency’s policies, procedures, and position descriptions. Robust policies and procedures provide clear direction and “guardrails” for staff for issues that come up repeatedly. Instead of being an imposition or infringement on staff authority, strong policies provide an organization with a solid foundation that helps to reduce or minimize the reactive mentality.

Recommendations

- 2.1 Strengthen the Wildfire Program culture by shifting the focus to planned work, as much as possible, directly aligned with agency goals and repeatable processes by:
 - a. Continuing to engage agency leadership in the review of the agency mission, vision, values, and goals and in building relationships across the enterprise.
 - b. Communicating regularly with agency staff regarding the progress being made on agency goals and priorities. Encourage appropriate participation in the planning, monitoring, and implementation processes.
 - c. Minimize disruptions whenever possible (Quadrant I and III activities) and conduct agency work through established channels like regularly scheduled staff and team meetings.
- 2.2 Finalize and implement an agency policy on policies. The policy should include:
 - a. Definitions of policy, procedure, guidelines, and standards.
 - b. Description of the process for developing and maintaining policies, procedures, guidelines, and standards.
 - c. Identification of the authority for the policy and expected roles and responsibilities for staff.
 - d. Establishment of a central repository for current and past policies.

- 2.3 Develop a plan to create new agency policies where there are gaps and to review existing agency policies to identify those that can be reissued, those that need revision, and those that need to be rescinded. Include the review of existing direction, orders, and guidance in all forms (memos, emails, etc.) and determine which need to be placed in agency policy. (See related recommendations under Conclusions #4 and #9.)
- a. Formalize commissioner's August 2020 delegation order into agency policy. Include other known delegation orders and related documents such as the 2017 memo under a "history" section in the new policy and ensure they are shown as superseded by the new policy.
 - b. Analyze the functions of the agency with policy gaps that will need new policies developed or where parts of procedures need to be elevated to agency policy.
 - c. Evaluate current financial and budget policies, procedures, and standard practice memorandums to determine what makes sense to elevate to agency policy. (See Conclusion #9.)
 - d. Communicate the new policies to agency staff at all levels. Provide opportunities for the staff to ask clarifying questions and become better acquainted with the use of agency policies and procedures as a regular part of daily business.

**Conclusion #3:
Elimination of the
Budget Director
position and
decentralizing the
budget function led
to inconsistent
processes and
confusion across the
agency.**

Until 2015, DNR followed a highly structured, agencywide budgeting process. It was led centrally by the agency budget director who reported to the commissioner. During our interviews, agency staff said they received consistent and timely information under this approach. Staff felt that communication about expectations, process, and tools/templates was clear, and the process was well-understood and inclusive. Additionally, the budget director validated the importance of administration functions and was seen as an advocate for staff with administrative responsibilities and oversight.

After the long-serving budget director retired during the previous administration, DNR hired a chief financial officer. This position took on the budget director role along with overseeing finance and economics. The current commissioner then restructured the organization, creating a deputy supervisor for administration position. This position became responsible for communications systems (radio), information technology, contracts and procurement, risk (including records and internal controls), facilities, equipment services (fleet), and human resources in addition to the budgeting, finance, and economics functions. (Human resources now reports directly to the COO.)

While including the budget and/or financial function within an overarching administrative services reporting structure is not unusual in state agencies, this structural change at DNR corresponded with a greater level of responsibility by individual programs for their own budget process and a subsequent loss of positional authority and leadership for the agencywide budget function.

The shift from a strong agencywide budget approach resulted in different budget processes for the regions, depending on the division or program. Additionally, key staff turnover and loss of institutional knowledge contributed to an erosion of capacity for budget activities, especially in the Wildfire Program. Without the clear direction and coordination of a centralized budget approach, division and program staff developed and managed their own processes. Region administrative staff, in particular, felt the strain of differing – or even conflicting – processes since they are deeply involved in the budgeting process for multiple agency programs.

A new chief operating officer was hired in July 2020 and soon after moved the budget, accounting, and economics functions under an interim chief financial officer who reports directly to the COO. The interim appointment ends in March 2021 and DNR is recruiting for a permanent CFO.

Most state agencies reviewed use a centralized budget approach.

We reviewed the management structures and budget approaches for five similar Washington state agencies. Three agencies have missions related to natural resources: Department of Fish and Wildlife, State Parks and Recreation Commission, and Department of Ecology. Two other state agencies are similar in size and have regions as part of their organizational makeup: the

Department of Natural Resources Performance Review Volume 2

Department of Children, Youth and Families and the Department of Labor and Industries.

COMPARISON OF STATE AGENCY BUDGET APPROACHES AND STRUCTURE DNR and Sample Washington State Agencies			
Agency	Centralized	Decentralized	Brief Description
Department of Natural Resources		X	The Deputy Supervisor for Administration was responsible for the 2021-23 budget development process. The Deputy Supervisor for Administration, COO, Chief of Staff, and the strategic policy advisor and policy, legislative affairs, and communication directors under the Chief of Staff set the administrative policy and legislation direction for the budget process. The central budget staff developed the templates, tools, and general timelines. Divisions/programs determined and managed their own budget development processes. Many division and program staff throughout the agency, including in regions, were heavily involved in the budget development process(es).
Department of Fish and Wildlife	X		Agency budget process is overseen by the Budget Officer who reports to the Director of Budget and Government Affairs. Budget Office is separate from the Technology and Financial Management Division. Some budget staff are co-located in programs, but all report to central Budget Managers who report to the Budget Officer.
State Parks and Recreation Commission	X		Agency budget process is overseen by the Operating Budget Manager and Capital Budget Manager who report to the Assistant Director of the Administrative Services Division. (Division also includes Financial Services, Risk/Lean/Records, Internal Audit, and Technology Services.)
Department of Ecology		Hybrid	Agency budget process is overseen by the Budget Policy Manager who reports to the CFO, head of Financial Services Division. The CFO also has an Operations Budget Manager who oversees allotments and overall budget management. Program budget managers are co-located in programs. Central budget staff are more technical and report to Operations Budget Manager.
Department of Children, Youth and Family	X		Agency budget process is overseen by a Budget Director who reports to the CFO. The Budget Director is assisted by a Budget Manager. Note: DCYF decided to centralize all financial activities when the new agency was created.
Department of Labor and Industries	X		Agency budget process is overseen by the Budget Director. The Budget Director is assisted by Budget Manager. Note: L&I had a decentralized process but decided to centralize to increase accountability.
<i>Sources: Financial leaders at agencies listed and analysis of related organizational charts.</i>			

Budget and strategic policy are aligned, with the budget process typically driven by a CFO.

Most state agencies reviewed follow a centralized budget approach, where the budget function is either directed (via direct reports) or coordinated (via functional reporting lines) by a central budget office. The budget function is most commonly housed with accounting and other financial functions under a CFO or financial services director. At Fish and Wildlife, the budget function is combined with strategic policy and government affairs. Other agencies maintain a strong connection between budget and policy through regular communication and/or dedicated budget positions like Ecology's budget policy manager.

Centralizing the budget function improved agencywide decision-making and freed up capacity for program delivery.

Several of the agencies reviewed have changed to or made a deliberate decision to use a centralized budget approach. Leaders at these agencies said a centralized budget approach gave them not only an agencywide view of available dollars but also quick access to data to inform agency decisions. Bringing the budget function under the purview of a central budget office also aligned staff capacity and financial expertise. Budget analysts at these agencies have the requisite expertise to assist other program staff with their budget needs. Having dedicated agency budget staff creates capacity for program staff to focus on their primary responsibility to deliver programs and services.

A successful central budget approach depends on clear authority lines and excellent communication between budget staff and other divisions, programs, and regions.

According to the CFOs at the agencies we reviewed, the success of a central budget approach depends on clear authority lines and respectful, two-way communication between central budget staff, executive leadership, and agency staff responsible for program delivery. Agency senior leadership needs to have oversight of the total agency budget, insight into the overall budget picture at any given point in time, and the ability to direct or re-direct dollars as needed. Likewise, agency managers need to know what their available budget is, be able to manage the budget within their program, and have sufficient resources to carry out the objectives outlined in the strategic plan and meet their planned deliverables.

Some agencies ensure proper alignment and communication by having budget staff report directly to the CFO or their designee. In other agencies, budget staff are co-located with and supervised by other program managers, but they functionally report to the CFO or their designee. This latter option could work well with DNR's current arrangement, with budget staff still located in the programs **and** functionally reporting to the CFO. Ideally, any positions that are primarily in a budget and spending plan oversight role within the programs, divisions, or regions would have a functional connection to the CFO. In a similar model used at Ecology, the budget managers in each program meet weekly with the central budget office team and the CFO to stay connected and discuss issues and upcoming processes.

Recommendations

- 3.1 Strengthen the budget management function within the agency by clarifying and communicating that the chief financial officer is in charge of the agency's budget and finance policies, procedures, and processes and ensuring necessary financial management capacity for the agency.
 - a. This position should report directly to the chief operating officer.
- 3.2 Formalize budget authority in agency policy, with agencywide authority for overall budget and the budget process residing with the COO and delegated to the CFO. Ensure the agency budget development process is supported by senior leadership and driven, owned, and coordinated by the CFO at an agencywide level. (See Recommendation #2.3)
 - a. Formalize roles and responsibilities related to the budget process in agency policy, including but not limited to expectations around communication; timeliness; and budget development, monitoring, and reporting.
 - b. Establish a collaborative process between the commissioner, chief operating officer, chief of staff, CFO, deputy COO, and deputy supervisors in determining budget priorities, with the CFO overseeing the entire budget development process.
- 3.3 Using the recommended RACI matrix in Appendix B of this report, review accountability, roles, and responsibilities of agency staff with budget duties to determine which division, program, and region positions have duties such as budget development and variance reporting that necessitate a functional or direct reporting relationship with the CFO.
 - a. Ensure that roles and responsibilities formalized in policy are incorporated into updated agencywide position descriptions.
 - b. Employ necessary change management principles, including appropriate communication and training, when developing and implementing new budget policy, roles, responsibilities, and position descriptions.

**Conclusion #4:
Organizational
structure, policies,
and insufficient
resources impact
agency financial
management
oversight and
coordination.**

Until around 2015-2016, DNR had a deputy supervisor for Resource Protection and Administration. This position had responsibility for the Financial Management Division, Human Resources Division, Information Technology Division, and the Resources Protection Division. During subsequent restructuring, the Resources Protection Division (containing Wildfire and Forest Health and Resiliency) was split off and placed under a deputy supervisor, giving it equal status with other natural resources programs such as State Uplands.

Human resources was also moved to report directly to the chief operating officer. Other divisions, including Finance, Budget and Economics, Information Technology, Business Operations, and Risk and Legal Affairs came under the responsibility of the deputy supervisor for Administration.

Although financial functions were combined under a general administration program area, the structure and corresponding resources, policies, and processes do not appear consistent with a robust financial management function.

Some central financial managers report a perceived lack of authority to make decisions or give direction for agencywide financial activity.

Some central financial managers in the budget and accounting offices, as well as employees they support in the Wildfire Program, report a perceived lack of authority to make certain decisions or give direction that is within the positional and functional authority for their positions in other state agencies. For example, central financial managers expressed that they did not have the “delegated authority” to give financial direction to divisions and regions – even though it is within their area of expertise. Likewise, region and division staff gave examples of asking for interpretation or guidance and being told by central financial managers that they did not have the authority to direct their actions.

As mentioned in Conclusions #2 and #3, reasons for this hesitancy could be related to turnover in key executive leadership positions and, until recently, lack of a dedicated CFO role whose direction and authority is fully backed by executive leadership and agency policy, and who is focused specifically on the agency’s financial function. DNR also lacks updated, agencywide policies that support the authority of the CFO and central budget and accounting managers to coordinate, implement, and ensure certain agency actions within their functional areas of responsibility and expertise.

Regions have fiscal staff who report directly to the Region Manager.

Another contributing factor to the lack of financial management coordination is the current siloed nature of fiscal staff in the regions. DNR currently has on-site, or embedded, fiscal staff who perform tasks related to the “fire financials” or fire suppression-related fiscal work that originates from the regions. For example, activities such as onboarding seasonal employees, providing them fire finance training, and conducting reconciliations for the “fire finance box” used

at Type 1-3 fires with Incident management teams, are performed on-site at the specific regions. However, these staff – as well as the assistant region managers who oversee them – are not adequately integrated within the agency’s broader financial function. Many aspects of fire financials, and the varied processes and systems used to capture them, are separate from other agency financial activities. Although DNR benefits from having experienced fiscal staff who are familiar with fire financials in the regions, the current lack of coordination, communication, and common systems does not allow for ease of information flow or visibility into the regional work. It also hampers the agency’s desire and the region staff’s ability to ensure consistent processes across the regions. (See related Conclusions #6 and #7.)

All state agencies we reviewed have a strong, coordinated financial management function.

We also reviewed the financial management governance structure of five similar Washington state agencies. Like the budget function, the financial management function at these agencies is either directed (via direct reports) or coordinated (via functional reporting lines) by a central financial office. Financial services are directed at a high level (deputy, CFO, or assistant director) and report to either the agency director or deputy. This position has the responsibility and authority to set agency financial policy and procedures.

COMPARISON OF STATE AGENCY FINANCIAL GOVERNANCE STRUCTURE DNR and Sample Washington State Agencies

Agency	Financial Function Governed By	Reports to	Fiscal Staff Reporting Structure*	Brief Description
Department of Natural Resources	Interim Chief Financial Officer (new Fall 2020)* CFO role previously part of the Deputy Supervisor for Administration role	Chief Operating Officer	Region fiscal staff report to Assistant Region Manager for Bus/Ops	Includes Budget, Financial Services, and Economics. Separate Administration program oversees contracts/purchasing, IT, and other areas.
Department of Fish and Wildlife	Technology and Financial Management Director	Deputy	Functionally report to Tech and Financial Management Director	Includes Financial Services and IT. Business Services Programs includes other administrative programs and regions. Budget is under a separate Director of Budget and Government Affairs who reports to the Agency Director.

COMPARISON OF STATE AGENCY FINANCIAL GOVERNANCE STRUCTURE DNR and Sample Washington State Agencies				
Agency	Financial Function Governed By	Reports to	Fiscal Staff Reporting Structure*	Brief Description
State Parks and Recreation Commission	Chief Financial Officer; Assistant Director Admin Services	Agency Director	Centralized; report to CFO	Includes Budget, Financial Services, contracts/purchasing, and IT.
Department of Ecology	Chief Financial Officer/ Financial Services Director	Agency Director	Financial Services reports to CFO	Includes Budget, Financial Services and Contracts/Purchasing. Administrative Services and IT are separate. All Administrative Directors report to the Agency Director. Environmental program managers report to the Deputy Director.
Department of Children, Youth and Families	Chief Financial Officer	Chief of Staff	Functionally report to Agency Comptroller	Includes Budget, Financial Services and contracts/purchasing. Administrative Services and IT are separate.
Department of Labor and Industries	Deputy Director for Strategy and Finance	Agency Director and Deputy Director	Centralized; report to Chief Accounting Officer	Includes Budget, Financial Services and other areas as direct reports. Administrative Services (including contracts and procurement) and IT are separate sections, but also report to the Deputy Director for Strategy and Finance.

*Fiscal staff refers to accounting-related responsibilities and does not include dedicated budget staff.
Sources: Feedback from leaders at agencies listed and analysis of related organizational charts.

Fiscal staff are either centralized or functionally report to the agency finance division.

Fiscal (accounting) staff for all reviewed agencies are either centralized or report functionally to the CFO or an equivalent position. Those fiscal staff who have functional reporting lines are co-located in programs and/or regions. Central and region financial activities are coordinated and integrated. Their close connections with program staff “in the field” allow for first-hand knowledge of possible fiscal issues and immediate support to field staff. They are also in regular, frequent communication with central accounting staff, which facilitates two-way support and faster access to information and data about the agency’s overall financial status.

Contracts and purchasing are commonly housed with the financial function.

State Parks, Ecology, and DCYF include contracts and purchasing under Financial Services. L&I houses contracts and purchasing under Administrative Services, but this division also reports to the agency’s deputy director for Strategy and Finance. In contrast, contracts and purchasing at DNR is now separated from finance, since the last organizational change placed budget, accounting, and economics under the CFO.

The IT function is typically elevated in the agency’s organizational structure.

Another commonality we observed is that the importance of the IT function is reflected by its elevation in other agency’s organizational structures. At Fish and Wildlife and State Parks, IT is housed together with the financial function. At L&I, IT is a separate division but reports to the deputy director for Strategy and Finance. At DCYF and Ecology, IT is separate and the chief information officer reports directly to the agency director. Both relationships reflect the importance of having coordinated IT systems and strategy agencywide. (IT at DNR is currently located under Administration and reports to the deputy supervisor for Administration. IT systems were outside the scope of this review, although Conclusion #8 discusses data.)

A RACI matrix would help define levels of authority, decision-making, and roles and responsibilities throughout DNR.

DNR would benefit from the adoption of a RACI matrix that assigns which roles are *Responsible* for each type of action, which staff are *Accountable*, and, where appropriate, who needs to be *Consulted* or *Informed* about a certain type of action. (The Roles and Responsibilities matrix also includes an “S” for “Support” role.) RACI matrices are a valuable tool for focusing on decision-making by assigning authority and responsibility for major functions in an organization. The RACI could then be used to determine optimal organizational structures and update relevant agency and division policies, procedures, and position descriptions.

To reduce confusion and aid DNR in updating agency documentation, we have developed three matrices: one for authority, one for decisions, and one for roles and responsibilities. Below is a snapshot of the recommended RACI matrix for specific authority levels throughout the agency from the commissioner to the assistant region managers. (The other two matrices are referenced in later sections of this report. All three matrices are in Appendix B.)

Department of Natural Resources Performance Review Volume 2

Authority	Recommended DNR Authority Matrix																	
	Commissioner	Chief Operating Officer (Department Supervisor)	Chief of Staff	Deputy Chief Operating Officer (Programs, Geology, Law Enforcement)	Chief Financial Officer and/or Deputy for Administration	Deputy for Uplands	Deputy for Wildlife and Forest Health	Deputy for Forest Practices	Deputy for Aquatics	Human Resources Director	Workplace Culture and Development Director	Chief of Staff Directors	Other Directors (Food Relations, Geology, Safety, Law Enforcement)	Administration Managers	Division Managers	Assistant Division Managers (ADMs)	Region Managers	Assistant Regional Managers (ARMs)
	Elected Official & Executives			Deputy Department Supervisors					Directors			Admin	Division Management		Regional Management			
1. Authority to approve any contract or action that by statute must be approved solely by the Commissioner	A	R (varies based on contract or action)							I	I	I	I	I	I	I	I	I	I
2. Purchase, sell, or exchange any real property subject to approval by the Board of Natural Resources	A	R (varies based on property)							I	I	I	I	R	R	I	R	I	
3. Approve all final budget allotments, and make adjustments to budget allotments greater than \$1,000,000	A/R	R	R	R	R	R	R	R	I	I	I	I	R	R	R	R	R	
4. Make adjustments to budget allotments greater \$350,000-\$999,999	I	A	R	R	R	R	R	R	I	I	I	I	R	R	R	R	R	
5. Make adjustments to budget allotments less than \$350,000	I	I	I	A/R (varies based on function)					I	I	I	I	R	R	R	R	R	
6. Act on any matter, contract, committee or activity within their functional area unless specifically reserved to the Commissioner or COO	I	C	A/R (varies based on function)											I	C	I	C	I
7. Changes to organizational structure, approval of any reductions in force, WMS hiring, any new positions, or reallocations or elimination of existing positions	I	C	A/R (varies based on function)											I	C	I	C	I
8. Approve any long-term commitments which obligates the department, encumbers any of its resource, affects deliverables or has broad policy implications	I	C	A/R (varies based on function)											I	C	I	C	I
9. Delegated authority to spend their allotted budget and to act on behalf of the department for any matter, contract, committee, or activity within their functional area unless reserved in 1-8 above.	I	I	I	I	R	I	I	I	I	I	I	I	R	A	R	C	C	
10. Authority to hire, appoint, discipline and terminate employees (other than WMS) within division.	I	I	I	I	I	I	I	I	R	I	I	I	I	A	R	I	I	
11. Provide programmatic direction to assure their programs are properly implemented in the field	I	I	C	C	C	C	C	I	I	I	I	I	I	A	R	C	C	
12. Delegated authority to spend their allotted budget and to act on behalf of the department for any matter, contract, committee, or activity within their regional boundary unless reserved in 1-8 above.	I	I	I	I	R	I	I	I	I	I	I	I	R	C	C	A	R	
13. Implementation of department programs in region following the programmatic direction provided to them by the Deputy Supervisors and Division Managers	I	I	C	C	C	C	C	I	I	I	I	I	I	C	C	A	R	
14. Authority to hire, appoint, discipline and terminate employees (other than WMS) within region.	I	I	I	I	I	I	I	I	R	I	I	I	I	I	I	A	R	
15. Emergency Fire Suppression - authority to enter into contracts regardless of amount, within normal purchasing authorities and authorize expenditures regardless of amount.	I	I	I	R	I	C	I	I	I	I	I	I	R	R	Within Division Manager only	I	A	R

A strong financial management function allows DNR to successfully implement agency goals and priorities.

In addition to the RACIs, we have developed options for organizational structure changes that would align with the recommended RACI. While there is no "perfect" organizational structure, several changes could be made to strengthen DNR's financial management function, and thereby, its overall ability to implement its strategic goals. A strong administrative backbone allows an organization to more easily direct and manage its core resources of people, money, and technology. DNR needs the ability to pivot more easily to execute policy and direction changes depending on the commissioner's priorities. A strong financial management function is the first step in creating an environment that allows DNR not only to set goals and priorities but also successfully implement them.

All optional organizational charts recommend the following:

- A chief financial officer that has agencywide authority and responsibility for budget development and oversight of budget, accounting, economics,



contracts, procurement, and One Washington business transformation activities across the agency.

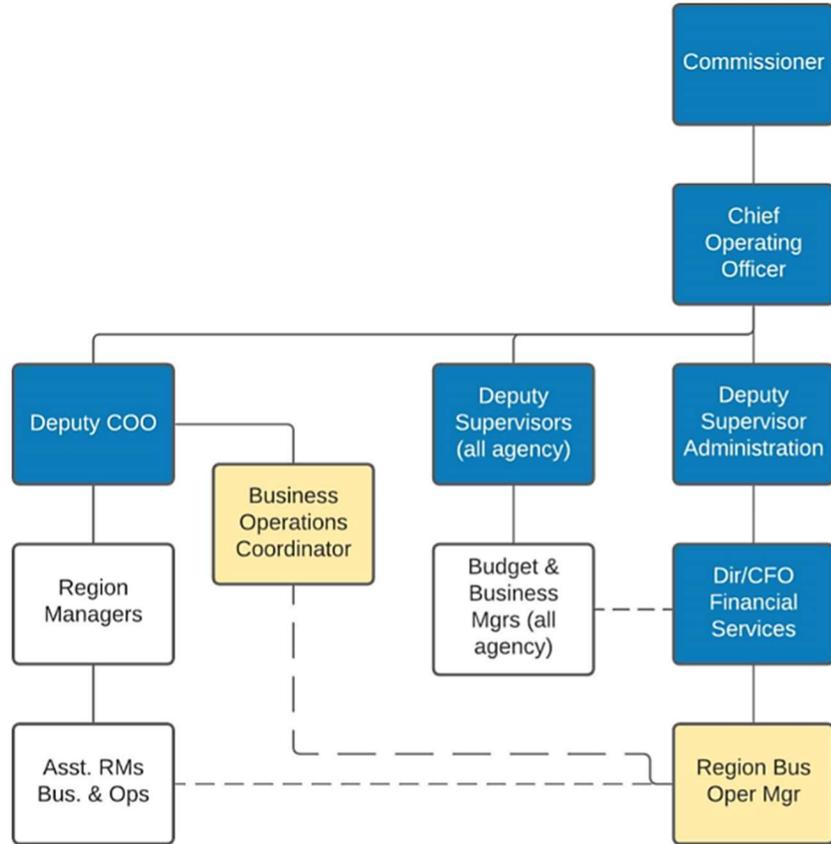
- Budget and business operations managers agencywide report functionally to the CFO, including the budget and business manager for the Wildfire and Forest Health and Resiliency Divisions and BOAs in the regions. While the supervisor does not change for these positions, they would receive functional direction from and report on budget and fiscal-related activities to the CFO.
- The deputy COO has a new supporting business operations coordinator, or equivalent, position to assist with communicating, analyzing, and coordinating the financial, deliverable, and performance management-related work across the regions. In addition, a new region business operations manager position under the CFO is added to coordinate fiscal and budget processes with the BOAs and the business operations coordinator. This position would represent the regions within the CFO's management team.

Although not shown on the organizational charts, we also recommend securing additional project management and change management resources (see Conclusion #11), possibly in the Office of Workplace Culture & Development.

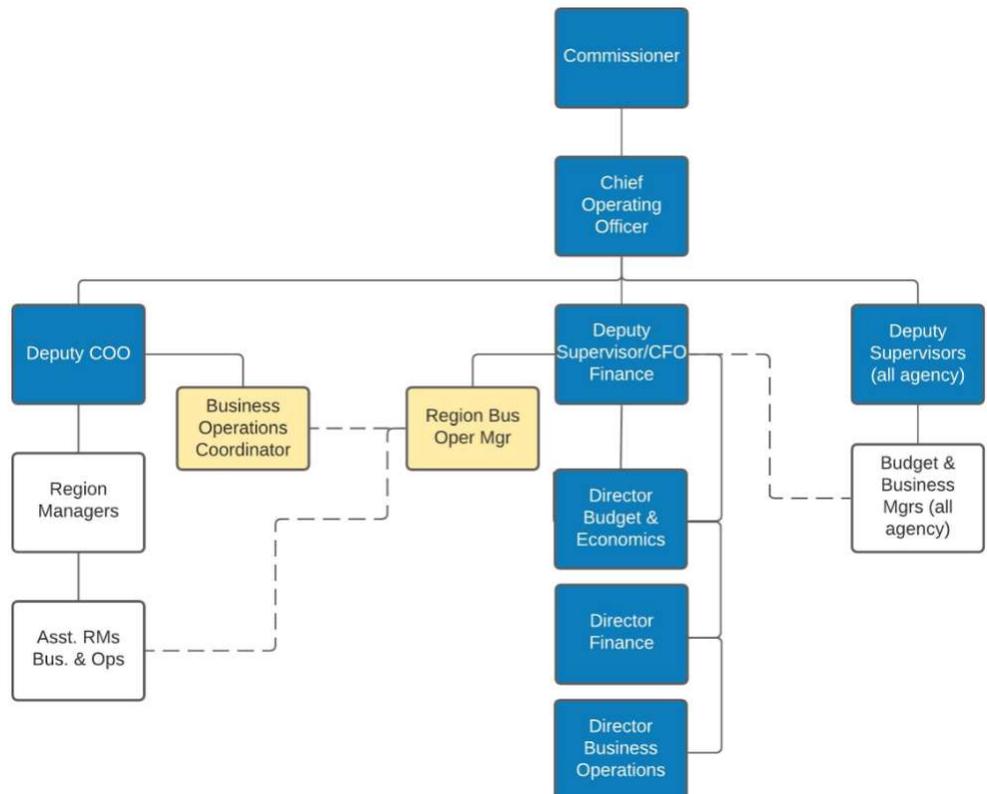
The options differ in how other resources are arranged around the CFO.

Note: These recommendations are made independent of incumbents.

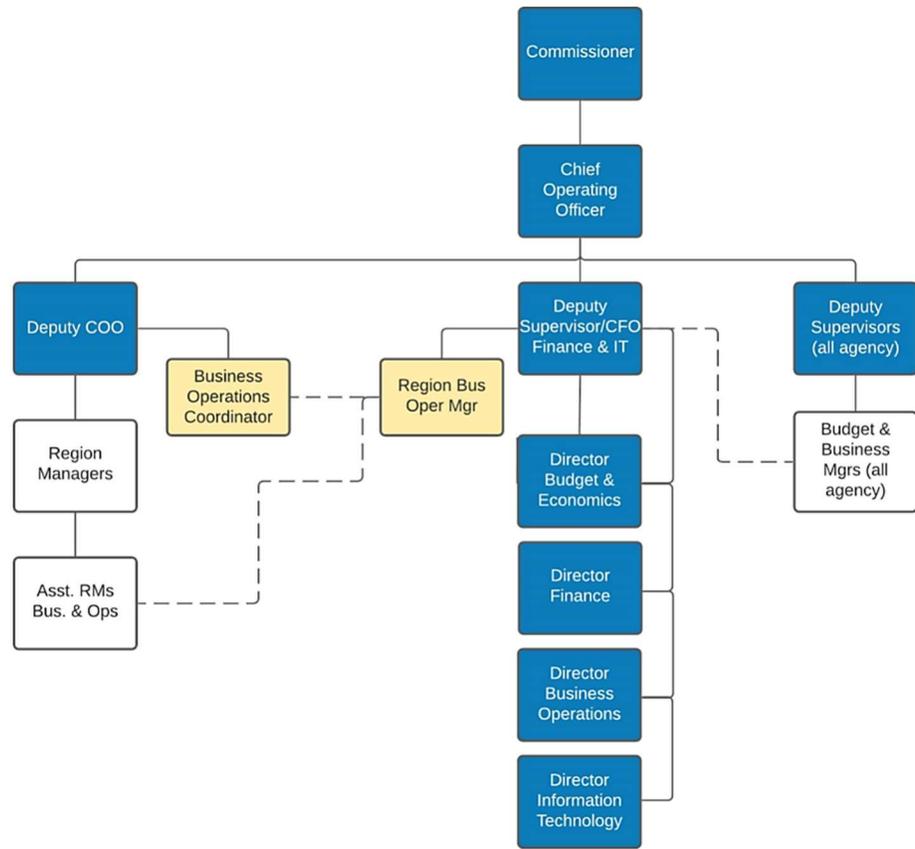
Option 1: CFO is under a deputy supervisor of Administration along with other divisions such as IT.



Option 2: CFO is at a deputy supervisor level.



Option 3: CFO is at a deputy supervisor level and also has responsibility for Information Technology.



Recommendation

4.1 Strengthen the financial management function within the agency by using the recommended RACI matrix in Appendix B to discuss, determine, and appropriately formalize roles and responsibilities agencywide.

- a. Update the organizational structure to position the agency for success and infuse management expertise with well-defined roles and responsibilities and proven skills and abilities.
- b. Add and/or clarify authority in existing and new agency policies. (See related recommendations in Conclusion #2.)
- c. Update position descriptions with roles and responsibilities to clearly identify decision-making authority for the executive level, divisions, and regions.
- d. Implement appropriate training and communication plans to ensure staff understand and are ready to follow any new organizational structure, authority, and relevant policies.
- e. Implement an organizational change management model for proactively addressing any change required by the agency.

**Conclusion #5:
Compared to similar
state agencies, DNR
has several
organizational and
role gaps in agency
operational support.**

To be efficient and effective, agencies need appropriate technical and management expertise and skills, plus sufficient resources. According to the analysis of agency data, staff interviews, and work sessions, DNR needs both additional staff capacity and specific expertise to accomplish agency operational support effectively and efficiently.

DNR has several organizational and role gaps that need to be addressed to bring the agency in line with similar state agencies. Increasing staffing levels is always a difficult decision. Before starting conversations with OFM and the Legislature about any potential increase, DNR should first review existing vacancies as well as staffing in the regions and divisions to determine the highest agencywide priority for their use. Some of these gaps may be addressed through realignment of current duties and positions. Others may need additional funding authority or a change in the ability to charge administrative costs to fire suppression funding (see Conclusions #6 and #7).

***DNR has fewer central
budget leadership and
senior-level analytical
positions than similar
state agencies.***

DNR has fewer central budget leadership positions when compared to other similar state agencies. (See related Conclusion #3 and Assessment of Agency Budget and Accounting section.) Other state agencies we reviewed use either a centralized or highly coordinated budget approach. Like DNR, some of these agencies have budget positions embedded in the programs. However, unlike DNR, all agencies reviewed have a greater number of leadership and senior-level analytical positions in their central financial office in addition to technical budget analyst staff.

For example, according to the job classifications for Management Analyst 5 positions (noted below), these positions provide expert-level analyses regarding highly complex, multidimensional issues impacting agencywide programs and policies. Typical work includes overseeing the production of reports addressing highly complex and unprecedented issues; leading multi-disciplinary project development teams using process improvement strategies; implementing agency business operational plans; facilitating interaction between diverse groups on behalf of executive management; testifying at legislative hearings; and presenting research findings and recommendations to elected officials and outside organizations.

Comparison of Centralized Budget Leadership at State Agencies

Agency	Budget Leadership and Expert-Level Positions
Department of Natural Resources	Budget and Economics Manager. No Management Analyst positions.
Department of Fish and Wildlife	Budget Officer and two Management Analyst 4 positions.
State Parks and Recreation Commission	Operating Budget Manager and Capital Budget Manager.
Department of Ecology	Operations Budget Manager and Budget Policy Manager. Two Management Analyst 5 positions.
Department of Children, Youth and Families	Budget Manager and Budget Director.
Department of Labor and Industries	Budget Manager and Budget Director. Two Management Analyst 5 positions.

Sources: Feedback from leaders at agencies listed and analysis of related organizational charts.

This chart shows the leadership positions in the central budget offices at similar agencies. In addition, it shows those agencies that have supplemental technical capacity with Management Analyst 4 or 5 positions. State Parks has two budget managers: one for operating budget and one for capital budget. Ecology has an operations budget manager (implementation) and a budget policy manager (strategic budget development). DCYF and L&I have both a budget manager and a budget director. Fish and Wildlife, Ecology, and L&I also have two high-level management analyst positions within their central budget office which provide additional analytical capacity.

DNR does not have analytical capacity and support at the agency level that could assist with providing communication, coordination, and consistency across the regions.

The six region managers at DNR report to the deputy COO. The deputy COO provides a single point of contact for the regions that deliver multiple, but not all, agency programs. The deputy COO also represents them in executive-level discussions and decision-making and assists in communication and information flow to and from the regions. The deputy COO also supervises the chief law enforcement officer and the director of the Washington Geological Survey and is backup to the COO for providing direction to the safety manager. Aside from an executive assistant who is shared with the COO, the deputy COO does not have any managerial, analytical, or technical staff support. This lack of capacity contributes to uneven communication both between and to and from the regions.

Following the department’s line-functional staff organizational structure memo (Appendix A), the coordination of individual program delivery among regions is the responsibility of DNR’s division managers. The deputy COO, whose position has been in place since June 2020, assists with implementation and problem-solving as needed. Coordination of certain similar activities or processes between regions is left up to each of the six regions individually. For example, to fill a gap at the agencywide level, ARMs for Business and Operations have formed their own group that meets regularly to discuss administrative issues and processes that impact all regions.

COMPARISON OF STATE AGENCY REGION GOVERNANCE AND REPORTING RELATIONSHIPS DNR and Sample Washington State Agencies with Regions			
Agency	Region Reports To	Operational Support to Region Governance	Regional Governance Structure
Dept of Natural Resources	Deputy Chief Operating Officer	No	Six Region Managers report to the Deputy Chief Operating Officer. The Chief Law Enforcement Officer and Division Manager for Geology also report to the Deputy COO, and the Deputy COO often is backup to the COO for direction to the agency Safety Manager. The Deputy COO shares an Executive Assistant with the COO and does not have other operational support positions.
Dept of Fish and Wildlife	Agency Director	N/A	Six Regional Directors report directly to the Agency Director. Regional program staff report to their region’s program manager, who reports to the deputy assistant director of the program.
State Parks and Recreation Commission	Assistant Director of Operations	Yes	Six Region Managers report to the Agency Assistant Director of Operations. The Agency AD has a team of direct reports supporting the regions including Operations Manager, Operations Support Manager, Statewide Maintenance Manager, Visitor Protection & Law Enforcement Chief, Winter Recreation Program Manager, and an Administrative Assistant 5.
Dept of Ecology	Agency Director	N/A	Four Regional Directors report to the Agency Director. Regional managers are responsible for office support, such as maintenance and IT, for region program staff.
Dept of Children, Youth and Families	Assistant Secretary for Child Welfare Field Operations	Yes	Six Regional Administrators for Child Welfare Field Operations report to the Assistant Secretary who reports to the Agency Deputy. The Assistant Secretary also has a Deputy.
Dept of Labor and Industries	Assistant Director for Field Services and Public Safety	Yes	Six Regional Administrators report to the Assistant Director for Field Services and Public Safety Division (e.g., elevator and electrical inspections). The AD has a Deputy, Chief Administrative Officer, and an Administrative Assistant 5. Four program managers report to the Deputy as well as 4 Management Analysts and at least 3 other support staff.

Sources: Feedback from leaders at agencies listed and analysis of related organizational charts.

Similar state agencies manage their regions in two different ways. Ecology and Fish and Wildlife have regional directors who report to the agency director. They focus primarily on outreach as opposed to regional program management. Regional staff responsible for program or service delivery in these agencies report up programmatically to their related division or program. At DCYF, regional administrators are responsible for child welfare field operations and report to the assistant secretary who is assisted by a deputy. At State Parks and L&I, regional leadership reports to an assistant director who has an extensive support team of managers, technical, and support positions.

Additional capacity for the deputy COO could be leveraged or used to provide a coordinated or agencywide view of region activity in key areas. For example, regions create their own fire fiscal guides. This redundancy could be eliminated by having that work coordinated by a management analyst under the deputy COO. This position would have a close working relationship with both the divisions and the regions, incorporate their input, and address regional differences in shared endeavors.

Other administrative capacity is lacking to support overall DNR program delivery.

In the course of our review, we discovered other vital positions that either were not filled, or that their funding had been reallocated to other areas of the agency, including the internal auditor position (separate from internal control officer) as well as internal communication staff. Additionally, DNR has minimal in-house expertise or capacity for project management, including the management and tracking of progress on multiple large, cross-agency, or division projects and plans (See related Conclusion #11.)

In our interviews, we learned that DNR has prided itself in the past on “operating lean” and not using funding for administrative positions that were considered extraneous, or not essential to program delivery. Such a perception could devalue the administrative “backbone” that supports all agency program functions and may be hampering DNR’s ability to deliver on expectations, particularly around accurate and timely tracking, monitoring, and reporting of activities.

Recommendation

5.1 Expand expert-level analytical capacity and discipline within the agency by:

- a. Considering options for adding capacity for region and financial management analysis and support at the agencywide level.
- b. Continuing to build and maintain internal capacity for managing large or cross-agency projects, either through temporary/project staff, developmental reassignments, external vendors, or new project management positions.

- c. Designating a single point of accountability for successful project completion. (See RACI in Appendix B for recommended roles and responsibilities.)
- d. Determining specific process for how and where agency projects will be tracked, and progress communicated. (See RACI in Appendix B.)

ASSESSMENT OF AGENCY BUDGET AND ACCOUNTING

Standards and Promising Practices

OFM sets the minimum standards for agency accounting and budget activities.

The Office of Financial Management is required by the Budget and Accounting Act (chapter 43.88 RCW) to establish a Generally Accepted Accounting Principles-based accounting system and procedures, as necessary, to provide for accountability of the state's assets and compliance to its laws and regulations. To fulfill that role, OFM maintains the State Administrative and Accounting Manual which serves two purposes: 1) to provide control and accountability over financial and administrative affairs of Washington state government, and 2) to assist agencies in gathering and maintaining information needed for the preparation of financial statements. The policies and procedures in this manual are the minimum requirements for budget and accounting functions that state agencies must meet. An agency may adopt additional policies and procedures in greater detail, or use additional or alternative supporting documentation, as long as the agency meets the required minimum standards.

The SAAM lays out the minimum requirements for the following:

- travel
- internal controls
- internal audit
- payroll
- capital asset
- inventories
- e-commerce of state funds/benefits
- federal compliance
- audit tracking
- moving expenses
- financial services agreements
- other administrative regulations
- uniform chart of accounts
- accounting and budget policies and procedures
- state reporting
- federal assistance reporting

In addition, OFM issues instructions to state agencies regarding the minimum requirements for the budget development process, the allotment process, fiscal year closing activities, the fiscal note process, and the activity inventory and related performance measures.

DNR's Office of Finance, Budget, and Economics uses these requirements as they develop processes, practices, guidance, and tools that are used in both the central accounting and budget offices and in the business operation offices

OMB establishes principles and standards for the use of federal funds and cost allocation.

within the divisions and the regions. The existing agency travel, employee time reporting, contracts, and procurement policies and other financial procedures and standard practice memorandums reference the requirements from SAAM.

The United States Office of Management and Budget has also established requirements for agencies that incur costs using federal funds. DNR expends approximately \$36 million in federal funds each biennium and is required to adhere to those federal requirements along with the provisions of the cost principles described in the OMB Uniform Guidance for determining the allowability of costs.

The SAAM outlines the following responsibilities to state agencies that administer or expend federal awards.

- Comply with the applicable Uniform Guidance related to charging or allocating agency indirect costs.
- Unless prohibited by federal or state laws or regulations or formal funding limitations, include the fixed cost allocation from the approved Statewide Cost Allocation Plan (SWCAP) in their agency indirect cost/cost allocation pool.

Under the principles in the Uniform Guidance, if an agency's expenditures benefit one program, then that one program would be charged directly for those costs. But if another program and/or funding source is added, then the agency must determine which costs are direct, which costs are shared as indirect or overhead, and how it plans to allocate those costs to each of those programs and/or funding sources for the expenses that occur. For DNR, this review of indirect or overhead costs is done at the beginning of the biennium. In addition, DNR submits a federal indirect cost plan to the United States Forest Service. The current approved rate for fiscal year 2021 is 22.4% of salaries, benefits, and some travel, goods, and services.

Agency Budget Processes

As discussed in Conclusion #3, the agency budget process was managed centrally for many years by the agency budget director. According to multiple interviews, after her retirement and subsequent reorganization, the centralized budget process gradually shifted to individual programs having more responsibility for their own budget processes. While a central budget office remains, their role is to provide guidance, tools, and templates to the division business and operation managers who then work with the region managers and the BOAs in the six regions. The result is that region managers who are responsible for implementing multiple programs in each region receive separate direction and guidance on the budget processes from each program.

Central Budget Office	Programs/Divisions	Regions
Budget and Economics Manager	Budget Operations Managers in the following programs:	6 – Assistant Region Managers for Business & Operations (one in each region)*
Budget Manager (WMS 2)	<ul style="list-style-type: none"> • Forest Practices • Uplands 	
2 – Lead Budget Analysts (WMS 1)	<ul style="list-style-type: none"> • Wildfire and Forest Health and Resiliency • Aquatics 	6 – Fiscal Analyst 4 (one in each region; two are vacant)*
1 – Budget Analyst 4	Budget Analyst 4:	
1 – Budget Analyst 3 (vacant and on hold)	<ul style="list-style-type: none"> • Wildfire and Forest Health and Resiliency 	Two or three Assistant Region Managers*
1 – Operations Research Specialist	Budget Analyst 3:	<i>*Portions of their duties are focused on budget-related activities</i>
1 – Economic Analyst (vacant and on hold)	<ul style="list-style-type: none"> • Aquatics • Uplands • Wildfire and Forest Health and Resiliency 	
	Various Assistant Division Managers for each program*	
	<i>*Portions of their duties are focused on budget-related activities</i>	

Decentralized budgeting works well for some programs but not for Wildfire.

While this practice seems to work well for some of the programs, most staff we interviewed reported that has not been the case for the Wildfire Program. Region and central office staff report that other DNR programs have a budget process that is more consistent, collaborative, and easily understood. Recent turnover experienced in two of the Wildfire assistant division manager positions and the expansion of the division’s business and operations manager role may have contributed to this perception as those staff come up to speed on their roles and responsibilities. But there is also the complexity of the Wildfire Program. Fire business happens outside the normal lines of state government (e.g., 24 hours/7 days a week during fire season, takes place in remote areas, involves many outside vendors, different organizations/agencies, and many cost-sharing agreements).

The needs of each region also differ. The differences between the east and west sides of the state have resulted in programs that are tailored to regional needs. For example, during fire season, while an eastside region may be focused on fire suppression efforts, a westside region may be more focused on mobilization and working with fire districts and other states assisting with the response, as well as responding to the increasing number of fires in their own region. These differences should be recognized when budget and administrative support guidance is designed to provide consistency and

predictability even during periods of ever-changing needs for fire response. The approach that one region takes to estimating their costs for a certain activity may differ significantly from another region. These differences should be documented as assumptions in the region spending plan, allotment, and budget development processes.

The militia model affects how programs budget for staffing costs.

Another complexity with the Wildfire Program is that region staff are frequently charged across many different funding sources and programs. Additionally, staff from other divisions charge their time and expenses to the emergency fire suppression funding during fire season with the use of the militia model. This results in expenditures for staffing costs increasing in emergency fire suppression but decreasing in other program areas that the staff person originates from which makes budgeting staff time-consuming and problematic.

For example, a program may have employees that work one to three months on fire assignments. This results in having a 12-month FTE in the home program only available 75-90% of the actual year to work on home program deliverables, and the home program carrying 100% of the employee's benefits and leave. Some programs will plan for this in their spending plans and bring on additional staff to compensate for the expected loss of some staff during fire season to ensure deliverables are met.

Agency Accounting Processes

DNR's central finance office processes most of the fiscal transactions for the programs, divisions, and executive management that are based in Olympia. The fiscal staff who report to the business and operations managers in the regions process the transactions for the field including payroll, accounts payable, accounts receivable, travel, and all fire-related business. This arrangement is similar to agencies such as the Departments of Children, Youth and Families and Social and Health Services that have a larger presence in each of their regions plus unique transactions that must be coordinated and processed locally. Conversely, agencies such as Ecology and State Parks have centralized processing of all their fiscal transactions.

DNR's central finance office has five units: Payroll, Accounts Receivable, Accounts Payable, Asset/Equipment Management, and Financial Reporting with a Fiscal Analyst 5 managing each unit. The regions have responsibilities in these same areas but are focused on the transactions for their specific region and the requirements associated with the fire financials. They serve as the gatekeeper to ensure issues with payroll, vendor payments, travel, receivables, procurement, and equipment are resolved and processed correctly in the state's financial system. The region fiscal staff are also responsible to ensure fire expenditures are properly recorded and billed to the appropriate parties so the agency can recover a portion of the fire-related costs whenever possible.

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Some of the divisions in headquarters also have fiscal staff but they are focused on specific processes as shown below.

Central Finance Office	Programs/Divisions	Regions
Finance Manager 5 – Fiscal Analyst 5 – oversee Accounts Payable, Accounts Receivable, Payroll, Agency Financial Reporting and Grants, Asset and Equipment Management (one is vacant and on hold) 2 – Fiscal Analyst 4 2 – Fiscal Analyst 3 2 – Fiscal Analyst 2 4 – Fiscal Analyst 1 (one is vacant and on hold) 3 – Fiscal Technician <ul style="list-style-type: none"> • 2 – Fiscal Tech Leads • 1 – Fiscal Tech 2 	Fiscal Analyst 4 <ul style="list-style-type: none"> • Wildfire – suppression projections, fire payables, fire data, out of state invoicing, federal claims Fiscal Analyst 3 <ul style="list-style-type: none"> • Uplands - State Lands Contracts Fiscal Analyst 2 <ul style="list-style-type: none"> • Uplands - State Lands Agriculture Commodities • Uplands - Transactions Fiscal Analyst 1 <ul style="list-style-type: none"> • Wildfire Accounts Payables 2 - Fiscal Technician 3 <ul style="list-style-type: none"> • Wildfire and Forest Health and Resiliency – one for each division Various Executive Assistants, Administrative Assistants, and Office Assistants across all programs* <i>*Portions of their duties are focused on accounting-related activities</i>	6 – BOAs (one in each region)* 6 – Fiscal Analyst 4 (one in each region)* (two are vacant) 3 - Fiscal Analyst 2 in three regions (one is vacant and on hold) (one reports to Wildfire ARM in NE region) 8 – Fiscal Analyst 1 (in all 6 regions) 14 – Fiscal Technician (in all 6 regions) <ul style="list-style-type: none"> • 10 – Fiscal Tech Lead • 2 – Fiscal Tech 3 (one reports to Wildfire ARM in NE) • 2 – Fiscal Tech 2 (one is vacant) Various administrative/office support positions across all regions* <i>*Portions of their duties are focused on accounting-related activities</i>

In addition to processing payroll, travel and credit cards, region fiscal staff are responsible for other financial work specific to fire suppression.

In addition to their year-round fiscal duties, the region BOAs and fiscal staff also have fire-specific financial responsibilities. These fire-related responsibilities include:

- Providing fire finance training for staff responding to wildfires. Staff include militia, fire program, seasonal firefighters, and Type 3 finance and logistics section staff. (See Appendix C for Levels and Types of Incident Command Management.)
- Performing “fire finance box” reconciliation for large fires (Type 1, 2, and 3) with incident management teams assigned in and paid by the region. Reconciliation consists of comparing bills paid to resource orders to ensure everyone who responded to the fire is paid.
- Acting as Incident Business Advisor (typically the BOA has this responsibility). Provide oversight of finance functions for incident management teams, consultation on cost-share development, and preparation for negotiations with other agencies.

- Performing cost-share reconciliations. Audit fire database for accuracy and completeness and then reach agreement with other agencies on monies owed.
- Reimbursing fire districts. Audit time, travel, and equipment for each fire district that has a Region Forest Land Response agreement for wildfire responses. Payment processing often continues into December and even into the next year as fire districts continue to submit weekly invoices for reimbursement.

Fiscal staff who process "fire financials" on-site at a wildfire must be certified that they have appropriate training and qualifications.

In some cases, region fiscal staff travel to wildfire locations to process financial paperwork on site. These staff hold an Incident Qualification Card, or "Red Card," that certifies they have undergone the appropriate training and meet certain qualifications to do a required job when arriving on an incident.

Note: The Incident Command System is comprised of five functional areas: Command, Operations, Planning, Logistics, and Finance/Administration. Finance/Administration is usually only deployed for large-scale wildfires to ensure fiscal statutory requirements are met and may include the Finance/Administration Section Chief and Time, Procurement, Compensation/Claims, and Cost Units.

Conclusion #6: Not all administrative costs are appropriately categorized as overhead, indirect, and direct costs.

The current cost allocation structure used by DNR assumes five cost pools of “fund splits” of administrative costs.

- 1) Centralized Agency Administration Cost Pool: Allocated based on FTEs in each of the direct programs and the funds appropriated for those direct staff costs.
- 2) Region Operations Cost Pool: Allocated based on FTEs in each of the direct programs and the funds appropriated for those direct staff costs.
- 3) Interagency Payments Cost Pool: Allocated based on FTEs in each of the direct programs and the funds appropriated for those direct staff costs without federal and local funds.
- 4) Attorney General Cost Pool: Allocated based on direct program customer usage fund split.
- 5) Natural Resource Building Cost Pool: Allocated based on square footage usage of programs in the building.

The first two cost pools for centralized agency administration and region operations include administrative costs associated with seasonal employees for fire suppression activities. Those costs are assumed as part of the administrative cost pool that are allocated to the other direct programs across the agency, except emergency fire suppression. The result is that emergency fire suppression does not cover the costs of any of its own administrative costs when in fact these costs are directly associated with the increased workload related to seasonal firefighters.

To accurately allocate its costs, DNR should review the categorization of the budget and expenditures for direct costs, indirect costs, and overhead costs for each cost pool and keep in mind the following cost allocation principles:

- Whenever practical, it is most fiscally accurate to directly associate costs with the specific programs they support.
 - For example, the increased workload associated with seasonal firefighters includes activities directly related to emergency fire suppression that are above and beyond what is funded as a baseline administrative service. This additional work includes processing and auditing transactions for payroll, credit card invoices, travel vouchers, cost-sharing agreements, and reimbursement invoices for fire districts. The costs associated with seasonal firefighting should be tracked separately and direct charged to the emergency fire suppression funds.
- Organizations usually have overhead or indirect shared costs that provide support to more than one distinct program.

- It is often very expensive or administratively complicated to directly expense shared costs to the multiple programs the cost supports. Instead, cost allocation is used to estimate each program's portion of the shared cost.
- For administrative costs associated with non-seasonal fire-related costs, the allocation of these costs is appropriate.

OMB Uniform Guidance may be helpful in designating the direct costs, indirect costs, and overhead costs of the agency.

These definitions from the OMB Uniform Guidance may be helpful to designate shared agency costs into the appropriate cost allocation categories:

- Direct costs: Those costs that can be reasonably and economically assigned and can be directly attributable to a program, workload, or funding source.
- Indirect costs: Those costs that cannot be reasonably and economically assigned to a defined program or funding source. Indirect costs are typically incurred to provide internally-shared services (e.g., agency administrative support, computer leases, building leases).
- Overhead costs: Those costs that are incurred for the benefit of the entire organization. Overhead costs include those fixed and uncontrollable expenses that provide value to the entire organization and do not rise and fall with workload. For example, DNR will always have a commissioner, supervisor, deputy supervisors, and managers for finance, human resources, and information technology, no matter what the size of the agency workload is.

Recommendation

- 6.1 Examine the appropriate allocation of direct, overhead, and indirect costs to determine which overhead and indirect costs should be cost allocated versus directly charged to a single program.
- a. Review and update the agency chart of accounts for the 2021-23 biennium to capture the costs between overhead, indirect, and direct administrative costs.
 - b. Ensure all administrative overhead and indirect costs are appropriately allocated across all funding sources.
 - c. Charge any direct costs to the appropriate program and funding source, including fire suppression. See Recommendation #7.1.

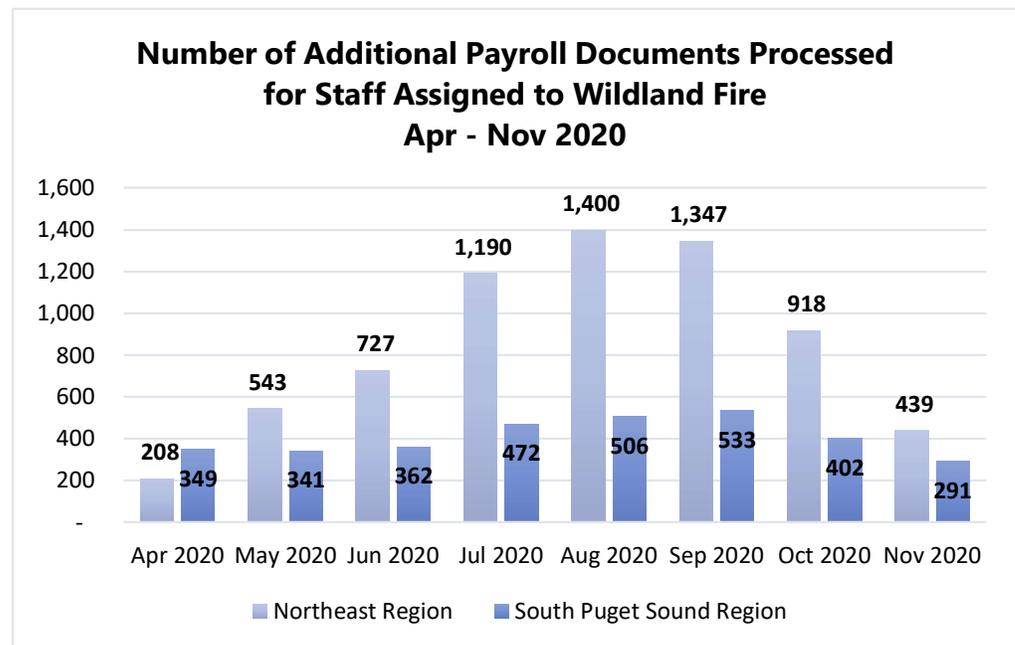
Conclusion #7: Budget proviso restricts DNR’s ability to charge administrative costs to fire suppression, requiring DNR’s other programs to carry a larger share of those costs.

During wildland fire season, fiscal and human resources staff agencywide experience a surge in their regular workload. This workload increases even more as fire seasons become longer and fires more extreme. In addition to an increase in regular fiscal duties, such as processing payroll, credit cards, and travel reimbursements, fiscal staff also have fire-specific financial responsibilities.

The chart below shows the number of payroll documents processed in just two regions between April and November 2020. Together, these regions processed over 10,000 payroll documents for permanent and seasonal staff called out to wildland fire incidents, totaling over \$21 million in additional payroll.

In addition to “normal” payroll processing, fiscal staff must do manual calculations for certain employees due to the rules regarding paying overtime for exempt employees as well as benefits and leave for final payroll for employees at the end of fire season.

Existing fiscal staff in two sample regions processed thousands of additional payroll documents for staff working on wildfires.



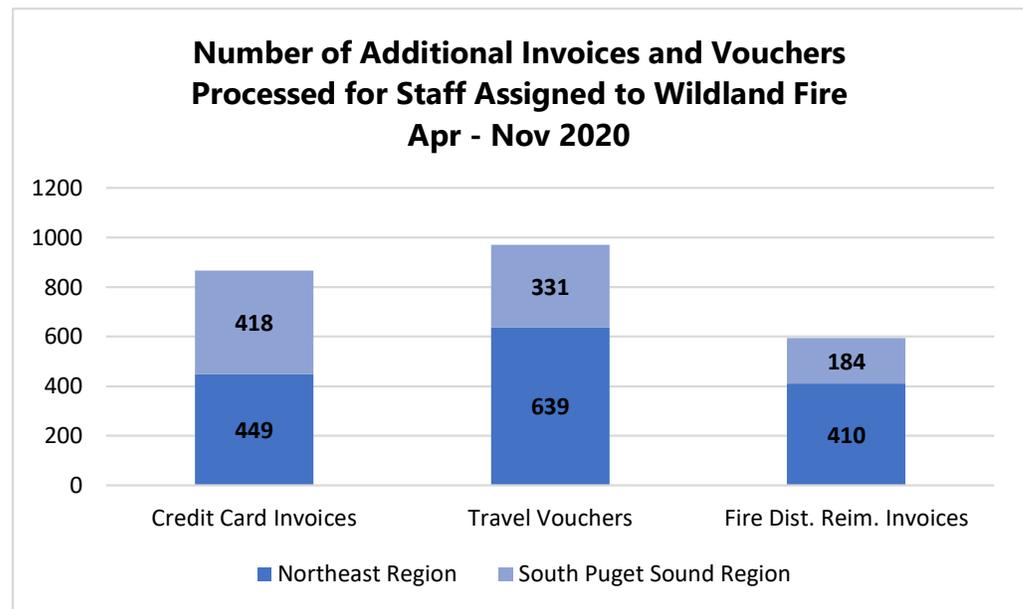
Sources: Data received from the Northeast and South Puget Sound BOAs

All central and region fiscal staff are impacted during fire season, but the type of workload varies. For example, some regions process a greater number of firefighters (both those regions where the fires are occurring and those who send staff to fight fires in other regions). These regions have a higher volume of payroll, credit card invoices, and travel reimbursements which are prepared and reviewed in the region and then processed by the central finance office. Other regions may not process as many employees but may have a higher number of cost-sharing agreements with local fire districts or the federal

government. Some regions, like Northeast and South Puget Sound, experience an uptick in all areas.

Likewise, fiscal staff in two sample regions processed over 2,400 fire-related invoices and vouchers.

The chart below shows workload measures for fire suppression-related credit card invoices, travel vouchers, and reimbursement invoices for fire districts. Between April and November 2020, existing fiscal staff in two sample regions processed over \$4 million in **additional** costs for 860 credit card invoices, 970 travel vouchers, and nearly 600 fire district reimbursement invoices. These documents are on top of the document processing for other, ongoing DNR programs and staff not in firefighting status.



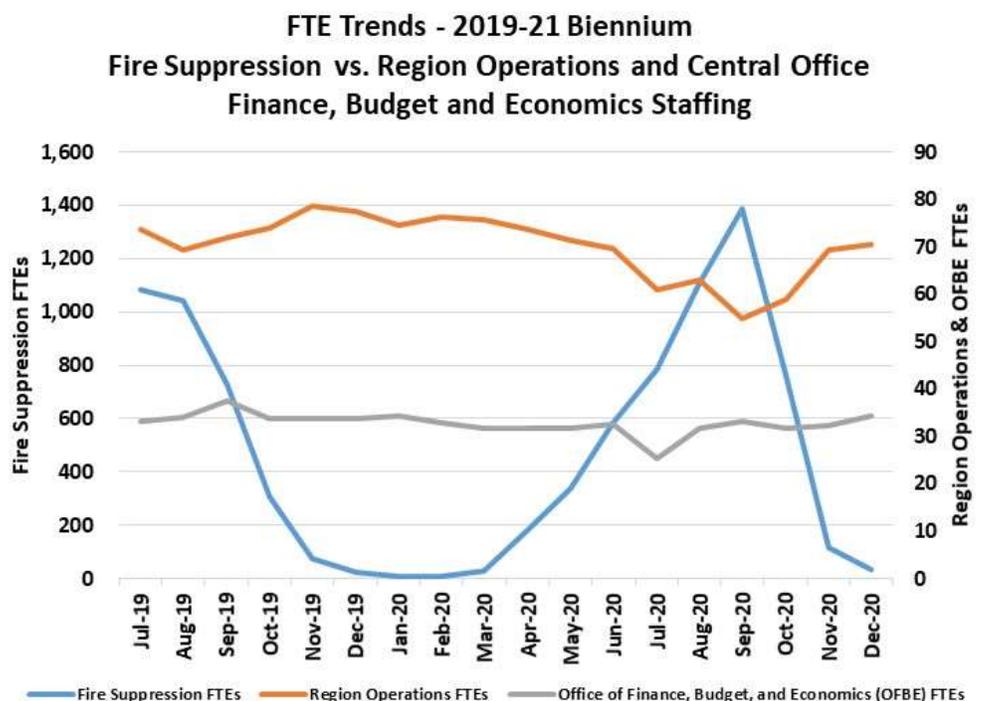
Sources: Data received from the Northeast and South Puget Sound BOAs

Legislative budget proviso restricting the allocation of administrative costs to fire suppression results in a larger share of costs to the remaining programs, including the state trust lands.

In 2004, the Legislature imposed a restriction on the use of administrative costs for wildfire suppression by including the following language in the budget proviso that contained the wildfire suppression funding: "The appropriations provided in this subsection may not be used to fund the department's indirect and administrative expenses." This proviso language has been included in DNR's budget since that time.

DNR funds agency administrative costs using a cost allocation "split" between the divisions and regions based on their number of employees. The region and central office administrative staff and budget are allocated based on the number of employees that are supported **outside of fire season**. In addition, any employees assumed in the fire suppression budget are **excluded** from this calculation. The exclusion of employees working on fire suppression in determining how administrative costs are allocated results in a larger burden of administrative costs to the remaining programs within DNR, including the state trust lands.

Moreover, fire suppression costs are primarily funded by supplemental appropriations and do not include related administrative direct costs due to the limitations in the budget proviso. As the number of employees increase seasonally for wildfires, the region and central financial offices are not fully funded for the increased workload associated with fire seasons. Therefore, employees work longer hours and postpone their other work until after fire season ends and reimbursement invoices are issued. This activity usually takes months after the fire season ends due to delays in receiving reimbursement cost requests from the various jurisdictions involved. As a result, staff must deal with a backlog of their normal work in the off season, which recently has been getting shorter every year.



Source: AFRS data received from DNR Office of Finance, Budget and Economics

Starting with the 2004 supplemental budget, the final state budget bill approved by the Legislature has contained a proviso that prevents DNR from using any fire suppression dollars to fund indirect and administrative costs. According to the original 2004 proviso language, the legislative finding was based on a concern that fire suppression funding would be a direct subsidy to the costs to administer and manage various trust lands within DNR. What has occurred instead is that other funds within DNR, including the state trust land funds, are carrying a heavier share of administrative costs since fire suppression costs are excluded from the allocation.

According to our interviews with OFM and legislative staff, the perceived lack of transparency and clarity around DNR's administrative costs from the authorizing environment may have contributed to the continued inclusion of this proviso in each budget bill since 2004. However, the lack of funding for fire suppression-related administrative costs is impacting DNR's capacity to process payroll, payments, and cost recoveries directly related to emergency fire suppression. It also negatively impacts DNR's administrative staffing levels, which is a contributing factor to their ability to provide timely information to address the Legislature's data needs.

A review of the current biennium budget bill (ESSB 6168) revealed only one other state agency with a restriction on the use of its funds for administrative indirect costs and another agency with limits on the indirect percentage allowed for some of its provided funds.

DNR should continue to work with OFM and legislative staff to address the administrative costs directly related to fire suppression and how this proviso is affecting the appropriate allocation of administrative overhead, indirect, and direct costs. It is doubtful that the proviso language is meant to avoid following the OMB Uniform Guidelines or steer DNR toward funding wildfire suppression administrative functions from management accounts that DNR is required to manage.

Recommendations

- 7.1 Address the ability to use fire suppression dollars for both fire-specific direct and agency indirect administrative costs with the Legislature and OFM.
 - a. Discuss what is included in both the fire-specific direct and agency indirect administrative costs and why charging those costs to fire suppression are necessary. See Recommendation #6.1.
 - b. Develop criteria on the use of a separate program index for charging costs to track region fire-specific administrative expenditures that are directly related to emergency fire suppression activities.
 - c. Periodically audit the administrative costs that are direct charged to fire suppression and other activities across the program to ensure compliance with the criteria established in accordance with the OMB Uniform Guidelines and consistency with the purpose and constraints of its accounts.
- 7.2 Consider augmenting accounting and fiscal staff in the regions during the busier wildfire season. State Parks employs seasonal and on-call positions that supplement their revenue and payroll functions.

Although the processing of certain fire financials is specialized, temporary fiscal staff could fill in for more routine financial processing, freeing up time for other staff to handle fire financials like the fire finance box.

Conclusion #8: DNR does not currently have the ability to easily access the data needed to make informed decisions and respond to internal and external inquiries.

The Wildfire Program has several initiatives underway or recently completed to improve their processes and access to consistent data to make more informed decision-making and ensure cross-agency coordination. Some of these efforts include:

- Fire Intelligence Committee: The scope of the DNR Fire Intelligence Committee is to address issues surrounding fire reporting and data collection. The goals for the committee are:
 - Update Fire Reporting Standards and fire reporting procedures for use in the new fire reporting system (INFORM).
 - Determine what should be included to satisfy the state's reporting requirements in INFORM.
 - Explore the use of Emergency Incident Response System (EIRS) to continue to meet the needs of fire investigation and cost tracking and determine how EIRS would still be part of the state's fire intelligence tool kit.
 - Eliminate duplicative input of fire data into multiple sources of data collection.
 - Serve as the state's group of technical advisors for fire intelligence and fire reporting issues.
- Fire Business Transformation Project: The scope of this project was to propose development and implementation standards for fire business practices, including setting internal policies and procedures, and developing an organizational structure governing fire business practices across DNR, which complies with all state and federal statutes and agreements. The committee met until June 2020 and discussed several items to improve consistency in reporting.
- Monthly Fire Suppression Reporting Manual issued in September 2020: The intent of the manual is to provide guidance on the projected fire suppression cost to date including actual costs to date, and any costs that DNR has obligated to fire suppression but are currently not reflected in the actual expenditures. The monthly Fire Suppression Report is populated by the Wildfire Division and the region staff in Excel using information from the state accounting system.
- Fire Pay Guidance 2020: Summary of agency policy, procedures, and contact information for pay-related issues for wildfire suppression and emergency duties.
- Incident Business Operating Guidelines 2020: Guidelines developed by the BOAs in the regions, in partnership with the Wildfire budget and business operations team, to support Incident management team

operations and to provide consistency in incident business management operations throughout the incident.

- Fiscal Fire Guide 2020: Guidelines developed by the BOAs in each region for all employees involved in fire suppression efforts on the processes for purchase cards, meal logs, travel, time reporting, leave requests, work orders for vehicle maintenance, and equipment reporting.

Old technology is limiting DNR's ability to track fire-related costs efficiently.

In addition to these initiatives, DNR requested \$484,800 in funding to modify and enhance an existing agency system for DNR's fire occurrence data. This funding was not included in the Governor's budget for the 2021-23 biennium, but the agency continues to pursue the funding through the legislative process.

Recent JLARC studies have pointed out the current issues with DNR's fire occurrence and costs datasets. The current system, EIRS, is only useful for displaying block or estimated costs. In addition, the current DNR systems lack functionality for tracking actual costs. EIRS and the agency's time and reporting system are both systems that are built using old technology and are hard coded in a way that limits the agency's ability to assign project codes. This makes reporting the full costs of a fire difficult. For example, staff must manually compile various project codes in an Excel spreadsheet to prepare the monthly fire suppression report.

In response to the JLARC 18-02 report and in efforts to modernize the Wildfire Program's total portfolio of systems and software, DNR initiated a Wildfire Discovery Project with Rudeen & Associates, LLC. This project uncovered over 80 federal, agency, and commercial systems that DNR was using throughout the agency, many of which were outdated or duplicative of other systems. Of the major findings, the report recommended EIRS be completely replaced within two years. The consultants found that the data within EIRS was of high value, but its applicability was outdated and did not integrate with other systems. They recommended that a new central fire analysis system be developed and shared with all regions and include a full history of agency wildfire data, have Geographic Information System (GIS) functionality, and make full use of existing federal systems.

It will be important as the agency moves forward in business transformation planning for the One Washington program that these financial management and reporting needs are addressed in the replacement of the core financials and in the replacement or modifications to the agency's legacy systems.

The tracking of emergency fire

The current agency chart of accounts is centrally controlled and maintained by the Financial Services Office with the exception of the Wildfire Program. The

suppression costs increases in volume and complexity as the number of wildfire incidents increase.

Wildfire Program receives a block of project codes that are assigned by the Wildfire Division to each region. Project codes are then assigned for each wildfire incident. As the volume of wildfire incidents increases each year, so do the number of project codes. The more project codes there are, the more likely there will be errors in coding the expenditures. The budget and operations staff in the regions work with the division to ensure costs are accurately captured in the state's financial system and in the monthly suppression report that is shared externally with OFM and the Legislature.

Based on information received from two regions (one east and one west), the monthly fire suppression report can take 20 to 45 hours a month to complete by region staff dependent on the number of fires. These hours do not include the time by staff in the Wildfire Program to review and analyze the data and compile it before distribution. In addition, encumbrance updates are required for all Type 1, 2, and 3 fire incidents. These two regions reported that these updates can take an additional 16 to 40 hours per month (also dependent on the number of fire incidents). DNR may have opportunities to improve the reporting process with changes in the agency chart of accounts and in the new functionality that may be available in the One Washington replacement of the state's core financial system.

Given these reporting requirements and recent organizational and terminology changes between the Wildfire and Forest Health and Resiliency Divisions, it will be important for the CFO to initiate a review of the chart of accounts for the 2021-23 biennium to ensure consistency and accuracy in financial reporting. Likewise, changes in the program structure may be necessary to improve transparency in reporting of the Wildfire Program versus the Forest Health and Resiliency, Forest Practices, and Geological Survey programs, as these are still grouped together in the Resource Protection Program (020). (These changes must be approved by the Legislative Evaluation and Accountability Program.) In addition, the OFM Activity Inventory may need to be amended to reflect the changes in Wildfire terminology and subprogram/activity structure.

DNR's IT Strategic Plan Services report has similarities to the themes in this review.

Several of the DNR systems have reached the end of their useful life. This includes financial and administrative systems used for cost allocation and time reporting. In 2020 DNR hired an outside consultant to develop an agencywide IT strategic plan, including implementation steps. The report contained several observations and recommendations that have some overlap with this performance review, including an informal IT governance structure, lack of formal agencywide IT planning, and lack of integration and functionality. DNR began implementing these recommendations in 2020. An IT Steering Committee has been established and the governance structure is in process.

Recommendations

- 8.1 Leverage the new IT governance structure to prioritize the requirements, tools, technology, and/or resource changes in support of DNR Wildfire Division and region staff, the authorizing environment reporting needs, and the One Washington program implementation.
 - a. Leverage training and organizational change management to improve the use of technology and support quality and consistency, allowing leaders and stakeholders to analyze issues, identify trends, and develop data-driven options for decision-making more easily.
- 8.2 Review the agency chart of accounts for the 2021-23 biennium with participation from staff from central budget and accounting, the divisions, and the regions to ensure consistent transparency and accountability in the tracking of costs in response to frequently asked questions, both internally and externally.
 - a. Create a data and terminology dictionary in plain language to define and communicate the expected data for each of the cost tracking mechanisms in the agency chart of accounts so end users know the appropriate data for entry.
 - b. Based on the revised chart of accounts and performance measures, revise the program structure with LEAP and the activity inventory with OFM. (See Conclusion #12.)

**Conclusion #9:
Some accounting and budget policies necessary to direct agency practices are out of date and/or missing and do not include roles and responsibilities for each policy.**

As discussed in the Agency Structure and Culture section, well-formulated policies and procedures provide the foundation for effective and efficient business processes. According to SAAM 20.20.70, in order for employees, at all levels, to perform their duties as expected, written policies and procedures should be clearly documented, minimizing the risks related to the proper management and maintenance of records and control of operations. DNR is currently revising its agency policies and procedures and has developed some guidelines for use by agency staff in developing revised or new policies, procedures, standards, and guidelines.

Best practices used by several agencies include the use of an agency policy on creating policies that clearly describes the approach, structure, delegation of authority, roles, and responsibilities for developing, reviewing, repealing, and sunsetting agency policies, procedures, guidelines, and standards. DNR would benefit from the adoption of such a policy – instead of “guidance” – that clearly defines what an agency policy, procedure, guideline, and standard is, the differences between each, and assigns which roles within the organization have authority to develop each type. (See related Conclusion #2.)

DNR lacks agencywide policies that support the authority of central budget and accounting managers to coordinate, implement, and ensure certain agency actions within their functional areas of responsibility and expertise.

Sample from other state agencies indicates that DNR should strengthen their financial policies.

Agency	Sample of Existing Financial Policies
Department of Natural Resources	Travel, time reporting, contracts, interagency agreements, and memorandums of understanding.
State Parks and Recreation	Travel, revenue, procurement, grants, and contracts.
Department of Ecology	Travel, time reporting, contracts, purchasing goods and services, procurement, leasing equipment, grants, loans, cooperative agreements, monitoring and auditing subrecipients, receivables, collections, delegating authority, signature authority, indirect costs, management of specific accounts, inventory, federal funds, cash receipting.
Department of Labor and Industries	Travel, time reporting/leave, contracts, purchasing goods and services, purchase card, procurement, grants, receivables, collections, delegating authority, signature authority, indirect costs, management of specific accounts, capital asset management, wireless devices, federal funds, cash handling.

DNR currently has a mix of agency policies, procedures, guidelines (“guidance”), and standard operating memorandums dating back several years that are being used as the foundation for operating the agency. The only

financial policies currently in place are for travel, time reporting, contracts, interagency agreements, and memorandums of understanding. Other procedures or standard practice memorandums are in place for cash receipting, accounts receivable, federal grants, expenditure accruals, and leave and time reporting. Several of the procedures or standard practice memorandums have policy statements embedded in them.

It will be important for the agency to consider the following definitions as they move forward on revising their policies, procedures, and guidelines or developing new ones.

- **Policies** are formalized statements of management decisions that convey what is expected of an employee by the organization.
- **Procedures** list the steps involved between two or more people to carry out a policy.
- **Guidelines** are general, non-mandatory recommendations that may assist employees in following a policy.

In addition to reviewing the existing financial policies, procedures, and standard operating memorandums, DNR should evaluate the need for agency policies in the following topic areas:

- Budget authority, roles, and responsibilities including the expectations for expenditure variance monitoring and reconciliations.
- Fund management expectations.
- Cash receipting, including the necessary internal controls.
- Accounts receivable, including collections and aging.
- Internal control responsibilities for every employee.
- Grant awards and tracking and monitoring of federal funds.

Recommendation

In addition to the recommendations for Conclusion #2:

- 9.1 Evaluate current financial and budget policies, procedures, and standard practice memorandums to determine what makes sense to elevate to agency policy. Include this information in the plan noted in Recommendation #2.3.

**Conclusion #10:
Inconsistent budget
and accounting
processes and
unclear roles and
responsibilities have
contributed to
confusion,
inefficiencies, and
inaccurate and/or
incomplete data.**

Managers in the central budget and financial offices believe they lack the authority in policy to make decisions about agency accounting and budget processes. (See related Conclusion #2.) Currently, the agency does not have a single point of accountability for budgeting and accounting documented in writing. For example, the current process for the spending plan and allotment process is:

- The budget process starts in the central budget office with the issuance of guidelines via email that includes control numbers, expected timelines, and any required templates.
- The central office budget staff works with each division to answer questions or provide them with assistance.
- The division develops their own spending plan guidelines, timelines, control numbers, and any required templates and sends to the appropriate staff within the division and the regions.
- The division then works with the individual regions to answer questions and provide assistance.
- Once the spending plans are completed by the regions, they submit the appropriate subprograms to each division.
- The divisions summarize the information to the program level for review by the deputy supervisors and submit to the central budget office for review and entering the allotments.

Lack of an agencywide budget approach complicates the work of region staff who must respond to different budget development directions from multiple divisions. In some cases, even the timelines are different between divisions, and the issuance of direction to the regions can be delayed, which limits the time the regions have to respond.

DNR currently does not consistently use an agencywide view of funding across the regions or across administrative responsibilities. Instead of making decisions at an agencywide, senior leadership level, decisions regarding the appropriate funding for each region is made at the siloed division level. Moreover, this siloed approach does not holistically address the administrative functions and level of funding that may be needed to ensure that adequate foundational administrative support is in place across the agency.

This process also diffuses accountability because the budget development authority is spread among many individuals based on different assumptions across the entire agency. This diffused accountability makes it difficult to resolve issues. In addition, data is not always collected in a consistent manner. Once information is passed through the various divisions and regions, it takes

time to resolve errors and inconsistencies and to get accurate information that can be used internally and externally.

There are inconsistent processes in place for management review of the Wildfire Program's variance reports.

Financial reporting and variance monitoring is done centrally, by the divisions, and by the regions. Some of the reporting is done using a consistent format, but other reports are more ad hoc or are developed to meet one specific division's or region's needs. Current reports do not include projected expenditures through the end of the biennium, which limits the ability of the agency to adequately plan for upcoming expenditures and unexpected needs.

Some divisions and programs meet regularly to review variances and discuss issues and status of their results and deliverables. For the Wildfire Program, however, this type of monitoring has been inconsistent. Other pressing issues usually take priority over recurring management meetings. The recurring meetings between the division and the regions to discuss performance and variance reporting often become a lower priority.

Also, DNR does not have an established agencywide discussion of financial and performance results. This limits the ability of the agency to adequately plan, resolve issues, and make investments in areas that are an agency priority. At a minimum, the commissioner, chief operating officer, chief of staff, and CFO should be able to easily ascertain the overall financial picture of the agency and whether corrective action is needed.

The accounting processes and authority are also spread across the agency.

With the accounting processes and authority within the agency divided between the regions, some divisions, and central office, it becomes more difficult for the CFO to ensure the agency is following the necessary state financial requirements as well as agency policies, procedures, and internal controls. When issues arise, it is not clear who has the authority for resolving them. For example, the regions may contact the central financial management office for assistance on travel or credit cards, but the central office staff does not believe they have the authority to provide that guidance, so they do not give definitive answers. This has led to the individual regions developing procedures on their own which leads to inconsistencies agencywide.

Giving the CFO functional supervision over agencywide financial activities would improve consistency and communication.

The CFO currently has limited insight into the division and regional budgeting and accounting practices. While the six region managers report to the deputy chief operating officer, the six BOAs report to each region manager and not to the CFO. Although the direct supervision of administrative activities is not required within an agency, it would benefit DNR to give the CFO **functional** supervision over the administrative tasks that impact DNR's budget. It would also benefit the region BOAs as they would have representation at the CFO management team-level for input into administrative policies, procedures, and

processes. Consistency, accountability, and information flow to and from the regions would improve as a result.

Establishing a Region Business Operations Manager position could improve consistency and communication.

Some agencies with regional fiscal staff have them report directly to the CFO instead of through the regional management structure. For DNR, it may make more sense to establish a region business operations manager within the CFO office who becomes the primary contact between the regions and central budget and accounting. Establishing this position would help address the lack of capacity for overall region budget and fiscal management and improve the coordination and communication between central office, the divisions, and the regions. This position could work with the six BOAs to develop overall processes and procedures and be the liaison with the divisions and the deputy COO on the development of the program’s unique budget and financial processes.

COMPARISON OF DNR AND SAMPLE WASHINGTON STATE AGENCIES WITH FINANCIAL AND/OR BUSINESS OPERATIONS MANAGERS IN THE REGIONS		
Agency	Region Business Office Manager Reports To	Region Governance Structure
Department of Natural Resources	Region Manager	Six BOAs report to the six Region Managers. There are no region staff on the CFO management team.
Department of Children, Youth & Families	Financial and Business Operations Manager who reports to Comptroller	Three regional operations managers report to Financial Business Operations Manager within the Financial & Business Services Division. They provide information to the regional administrator, solve issues at the local level, and process accounting transactions. Although they are not involved much in the budget process, they are on the Comptroller management team.
Department of Social and Health Services	Regional Business Chief who reports to Financial Services Division Director	Three regional budget chiefs report to the Financial Services Director within the Assistant Secretary/CFO for Facilities, Finance, and Analytics Administration. They provide information to the regional administrator, solve issues at the local level, and process accounting transactions. They are not involved in the budget process. The regions are represented on the Financial Services management team.

Sources: Analysis of selected agency organizational charts.

The CFO must have the agencywide view of all fiscal and budget-related activities and is ultimately accountable to the commissioner and the chief operating officer to ensure proper policies and internal controls are in place and the roles, responsibilities, and expectations are clear to staff. At a minimum, region and division budget and fiscal staff should be participants in agencywide discussions regarding administrative policies, processes, and procedures. For agencies such as Ecology, this means the budget managers, who are embedded within each program, meet with the CFO and the central budget office every week.

Defining clear authority and roles and responsibilities will benefit the agency processes.

As discussed earlier in this report, DNR would benefit from the adoption of a RACI matrix that assigns which positions are *Responsible* for each type of action, which positions are *Accountable*, and, where appropriate, who needs to be *Consulted or Informed*. Below is a snapshot of the recommended RACI matrix for roles and responsibilities throughout the agency from the commissioner to the assistant region managers for some of the budget functions and tasks. (The complete RACI for roles and responsibilities along with the other two matrices are included in Appendix B.)

RECOMMENDATIONS FOR BUDGET/FINANCIAL-RELATED ROLES AND RESPONSIBILITIES

FUNCTION / Task	Commissioner	COO	Chief of staff	Deputy COO	CFO	Deputy for Admin	Workplace Culture & Dev	Human Resources	Information Technology	Chief of staff/Direct Reports	Admin Managers	Admin Supervisors and Staff	Deputy Supervisors	Division Managers	Division Budget ADM	Program ADMs	Region Mgrs	BOAs	Program ADMs	All Other Staff
	A = Accountable, R = Responsible, S = Support, C = Consulted, I = Informed A = Accountable - Person who is ultimately responsible for the correct and thorough completion of the task. Only 1 person (in some cases by functional area). R = Responsible - Those who are responsible for the task, ensuring that it is done. S = Support - Those who assist in completing the task. C = Consulted - Those who provide input to the task. Opinions are sought, two way communication. Subject matter experts are often involved. I = Informed - Those who are kept up to date on progress. One way communication. People affected by the outcome.																			
BUDGET MANAGEMENT																				
Develop and maintain agency budget and allotment spending plan policies, processes, procedures, schedule/timelines, tools, and templates	C	C	C	C	A/R	C	C	C	C	C	R	S	C	I	C	I	C	C	I	I
Develop and maintain any unique budget/allotments/pending plan guidelines (does not supersede agency-wide processes, procedures, tools, and templates)		I		C	C						C		A	C	R	I	C	C	I	I
Prepare and negotiate carry forward level and develop standard maintenance level decision packages		I		I	A/R	I					R	R	I		C		I	C		
Prepare budget request decision packages	C	R	R	R	A/R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R / C / I
Approval of final budget submission to Governor's Office and the Legislature	A/R		C	C	R	I	I	I	I	I	I	I	I	I	I	I	I	I	I	I
Provide budget-related information to Governor's Office, Legislature, Board of Natural Resources, and other external stakeholders	R	R	R	R	A/R	R	S	S	S	S	R	S	R	R	S	S	S	S	S	S / I
Provide fiscal notes on agency request bills and proposed legislation	I	R	R	R	A/R	S	S	S	S	S	R	S	R	R	S	S	S	S	S	S / I
Analysis of budget proposals from Governor, House, and Senate	C	C	C	C	A/R	I	I	I	I	I	R	C	C	C	C	I	I	I	I	I

Recommendation

10.1 Discuss and clarify processes, roles, and responsibilities to eliminate confusion, inefficiencies, and inaccurate and/or incomplete data for agency budget and accounting functions using the RACI matrix in Appendix B. (See Recommendations #3.3, #4.1, and #5.1).

- a. Consider adding a position, similar to a central region business operations manager reporting to the CFO, whose primary focus is to work with the BOAs in the regions, the division budget/fiscal staff, and central office budget and accounting managers to standardize processes, procedures, templates, and forms including the chart of accounts.
- b. Review expected roles and responsibilities and current capacity within the budget and accounting offices to determine if there is adequate staffing for the centralized functions.
- c. Standardize budget and financial processes and use a collaboration tool (similar to SharePoint) when teams are collaborating on initiatives and developing operational documents.
- d. Standardize training materials and create training to ensure staff understand what is expected of them for consistent use of accounting and budgeting processes.
- e. Improve communications to all relevant agency staff on budget and accounting policies, procedures, and guidelines and their roles and responsibilities.

WILDFIRE PROGRAM PERFORMANCE REVIEW

Standards and Promising Practices

Building a high-performance culture with a demand for excellence and data-driven decisions is a continual process. Regularly managing performance supports a high-performing culture by creating data-driven decisions and management. The best performance measures start conversations about organizational priorities, the allocation of resources, ways to improve performance, and offer an honest assessment of effectiveness.

OFM Strategic Planning

OFM provides state agencies with strategic plan guidelines and considerations when developing or reviewing strategic plans. Assessing internal capacity and financial health is one component. Agencies should examine internal agency factors that can impact their ability to accomplish strategic plans. This assessment should include:

- What are the key workforce issues that impact agency performance?
- What are the key workforce issues that need to be addressed in order to achieve goals?
- Is there a need to adjust the service delivery model?
- Will the strategies require an increase in staff?
- Will the strategies require other resources as part of implementation?
- What technology investments will be necessary to achieve goals?
- Are there other revenue or fund issues to consider?

Strategic plans are critical across all levels of the organization and are used to align activities when performed correctly. In addition to being a prioritization and planning tool, strategic plans serve as communication tools for stakeholders within and external to the agency, highlighting the mission, vision values, and priorities. At a minimum, strategic plans should include:

- Results, outcomes, and goals the agency must achieve to carry out its mission.
- Measurable objectives the agency has established to move toward the goals.
- Description of how the agency measures progress.
- Strategies used to achieve the goals and objectives.
- Performance measures and targets to determine if strategies are successful.

Once the strategies are identified, best practice indicates that action plans provide the steps to implement the strategies and can support management in tracking progress and effectiveness through performance measures. To be effective, strategic plans need to be implemented through resourced, supported operational and action plans.

OFM Budget Division Activity Guide

Per the OFM 2016 Activity Guide, an activity is a simple description of something an agency produces or accomplishes to make a difference or to achieve its goals and objectives.

As part of the budget development process, OFM maintains an inventory of every agency's activities, including a description, the expected results, the performance, and cost. Activities are important for Washington state lawmakers and citizens to show a return on their investments and to ensure accountability by identifying the expected results and how the funded activities make a difference for the state of Washington.

Elements of a good activity clearly communicate what an agency does or produces; how it makes a difference; and what the expected results are.

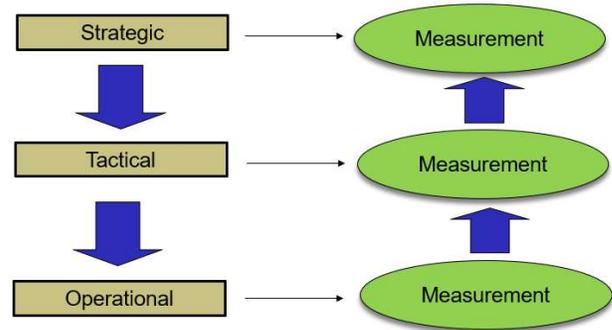
Performance Measures

According to OFM's Performance Measure Guide, good performance measures are:

- **Relevant** – Matter to the intended audiences and clearly relate to the activity being measured.
- **Understandable** – Clear, concise, and easy for a non-specialist to comprehend.
- **Timely** – Information available frequently enough to provide decision-making value.
- **Comparable** – Enough data to identify if performance is getting better, worse, or staying about the same.
- **Reliable** – Data that is verifiable, free from bias, and an accurate representation of what it is intended to be.
- **Cost-Effective** – Justify the time and effort to collect, record, display, and analyze data.

The most effective measures are ones that align to the level of responsibility. Use of the "cascade" or "waterfall" method creates a logical, uniform, quantifiable process of focusing on the most relevant measures to analyze performance at the right level.

For example, cascading measures may be set at the agency *Strategic* level. Then the next set of measures related to achieving the Strategic measures are set for the “middle management”, or *Tactical* level. Finally, measures that help achieve the *Tactical* measures are set at the *Operational* level for individuals and their supervisors.



Every time you measure, it creates an opportunity for improvement

Measure Level	Responsibility	Characteristics
Strategic	Senior Management	<ul style="list-style-type: none"> • 6 – 12 months. • 1 to 2 measures or opportunities for improvement. • Answers the long-term “outcome” question. • Used by organizational leadership to assess if mission, goals, and objectives are being achieved.
Tactical	Program/Division Manager Region Manager	<ul style="list-style-type: none"> • 1 – 2 months. • 6 to 12 measures or opportunities for improvement. • Answers the mid- to short-term “output/outcome” question. • Used by managers/supervisors to assess how well service delivery meets the program, site, or team performance targets and develop action plans as necessary to get back on track.
Operational	Supervisor Staff	<ul style="list-style-type: none"> • Daily - weekly – monthly. • 12 + measures or opportunities for improvement. • Answers the short-term “input/output” or process question. • Used by front-line staff and supervisors to monitor and manage their performance against their targets or deliverables.

Sources: Various performance measures training and research including the OFM Performance Measure Guide, “We Don’t Make Widgets” by Ken Miller (2006), and “How to Create and Deploy Effective Metrics” by Wayne Eckerson (2009).

Project Management

The Project Management Institute is the certifying association for professional project and program managers. Its *Guide to the Project Management Body of*

Knowledge contains “generally-recognized good practices” and guidelines for managing individual projects. It describes the project management life cycle and its related processes. The five basic process groups are: **Initiating, Planning, Executing, Monitoring and Controlling,** and **Closing** projects.

Good project management requires understanding these five groups as well as the project management processes contained within their ten related knowledge areas, such as scope, schedule, cost, quality, resources, and communication. Washington’s Office of the Chief Information Officer published *A Project Manager’s Guidebook* in December 2020 as a resource for both business and technology project managers that covers the basics of project management from initiation to closing.

Change Management

According to OFM’s Change Management Playbook, change management is the art and science of managing the *people side of change*. The handbook was designed for use by any Washington state agency and in conjunction with involved leadership and strong project management. Change management is used when change affects a significant number of people, and when it changes the daily work of people in some way. Additionally, OFM addresses the importance of creating new organizational practices that support the agency’s core values, and provides nine critical steps to implementing organizational change:

1. *Executive Commitment* is shared through communication.
2. *Organizational performance management* represent values in vision, mission, and strategies.
3. *Policies and procedures* reflect the values in the standards and practices.
4. *Roles and responsibilities* are assigned and communicated clearly.
5. *Management accountability* provides expectations and follow-through.
6. *Employee performance management* includes values that are held and seen within the levels of the organization and reinforced.
7. *Training* across the agency includes the organizational values.
8. *Resource allocation* to ensure staff budget and time for implementation is valued.
9. *Employee confidence feedback* is a regular occurrence to ensure alignment.

DNR Wildfire Program

The Wildfire Program has responsibilities for implementing strategies found in at least two major plans: the Wildland Fire Protection 10-Year Strategic Plan and the 20-Year Forest Health Strategic Plan which are outlined in the agencywide DNR Strategic Plan 2018-2021.

The Wildfire Program is accountable for multiple strategic plan goals, strategies, and action items.

Having multiple strategic plans has resulted in a proliferation of program goals, strategies, and action items for the Wildfire Program. Combined, there are ten program goals, 28 strategies, and many high-level action items for the Wildfire Division and the regions to manage. Many of the strategies require collaboration with multiple external partners, federal agencies, and requests for new or changes to existing legislation. Any one of these actions could be a resource-intensive project, requiring detailed planning, engagement at many levels, and multiple expert-level resources.

The Wildfire Program also receives recommendations from the Wildland Fire Advisory Committee (WFAC).

In addition to the strategic planning activities, performance measures, and deliverables, DNR continues to receive feedback and recommendations from the Wildland Fire Advisory Committee. During the 2015 legislative session, with the passage of Engrossed Substitute House Bill 2093, DNR was required to establish a **Wildland Fire Advisory Committee** and to appoint a local Wildland Fire Liaison. The liaison position and the committee were established to advise the commissioner on matters relating to wildland firefighting in Washington state.

Since 2015, the WFAC has provided over 60 formal recommendations. It is unclear how DNR is tracking the recommendations from WFAC and how they are reporting on progress made to address each recommendation.

Activities, Performance Measures, and Deliverables

DNR uses four Wildfire Program activities for OFM's Agency Activity Inventory:

- Fire Preparedness – Fire Readiness (A011)
- Fire Prevention (A012)
- Resource Protection – Correctional Camps (A007)
- Fire Suppression (A013)

Four strategic performance measures are tracked at the agencywide level.

OFM Activity	Related Performance Measure
Fire Preparedness – Fire Readiness	Keep 95% of total wildfires contained at or below 10 acres on DNR protected land.
Fire Prevention	Number of communities with Community Wildfire Protection Plans and/or recognized under Firewise USA, or Fire Adapted Communities receiving technical assistance or financial assistance from DNR.
Resource Protection – Correctional Camps	Number of 10-person hand crews trained, certified, and available for fire response.

OFM Activity	Related Performance Measure
Fire Suppression	Contain 95% of fires contained on DNR-protected lands within the first 24 hours.

Agency strategic plans also contain numerous performance measures (called metrics) for work related to the Wildfire Program. In addition, the Wildfire Program also tracks their own deliverables at both the region and division level, and these are reported on a quarterly basis. This deliverable process is used to identify resource and equipment needs to help inform decision packages and spending plan increases.

Conclusion #11: The Wildfire Program lacks the capacity and project management expertise to independently implement and operationalize strategies and recommendations from previous reviews, studies, and legislation.

The Wildfire Program is responsible for leading or contributing to a minimum of 28 agency and program strategies identified in the strategic plans. This number does not include any “sub” strategies or pending legislative or federal changes that may impact the Wildfire Program, nor does it take into account the many recommendations the program has received over the past several years from the WFAC and other external reviews as shown below.

Study/Review	Findings	Recommendations
2005 Fire Suppression Study (Joint Legislative Audit and Review Committee)	4	8
2013 Wildfire Suppression Cost Study (WA State Institute for Public Policy)	4	6
2015 Wildland Fire Advisory Committee Report (Engrossed Substitute House Bill 2093)	n/a	6
Wildland Fire Advisory Committee subsequent committee meetings following initial report (ESHB 2093)	15	57
2018 Wildfire Suppression Funding and Costs (JLARC)	3	3
2018 Wildland Fire Advisory Committee Study (Substitute House Bill 2561)	n/a	8
2018 Strategic Organizational Analysis (Agency-requested)	14	24
2020 Electric Utilities Wildland Fire Prevention Task Force – Final Report (2019 Substitute Senate Bill 5305)	n/a	20
Total Recommendations		132

In total, the studies and committees identified above offered 132 recommendations, primarily aimed at the Wildfire Program. Many of the recommendations are sweeping changes, and in order to implement successfully, would require individually managed projects. Projects take additional time, expertise, and resources away from daily operations and are rarely accounted for within the planned budget.

The tracking and reporting on various strategies and recommendations has been inconsistent.

Some recommendations have been acted upon and closed, and others are being addressed currently and are in various stages of planning and implementation. For example, the Fire Intelligence Committee was assigned to address two of the recommendations in the 2018 JLARC report and the Fire Business Transformation Committee assigned to the third recommendation. The initial planning document for the recommendations contained the plan and a timeline for action as well as a link to some of the strategies in the 10-Year Wildland Fire Strategic Plan. The division is in the process of determining how to operationalize the actions noted in the initial planning document.

It is difficult to determine how the work in these committees is fed into a larger, overall discussion of strategic plans and action planning and whether recommendations from other reports or strategic planning objectives are being handled. Also, it is not clear how the agency has managed other recommendations or which recommendations have been acted upon.

Although the Wildfire Program has leadership to oversee the priorities of the division, the program needs to ensure there is an identified point person who has the capacity to track and follow up on all the action items and report up to the agency level. All projects and activities within the Wildfire Program that directly support a strategy or report recommendation should be tracked and reported to someone within the program who is tracking the overall progress of the various action plans at the tactical level. This tracking should then be part of a larger reporting or scorecard that is fed to an agencywide strategic level to provide regular updates on progress and performance.

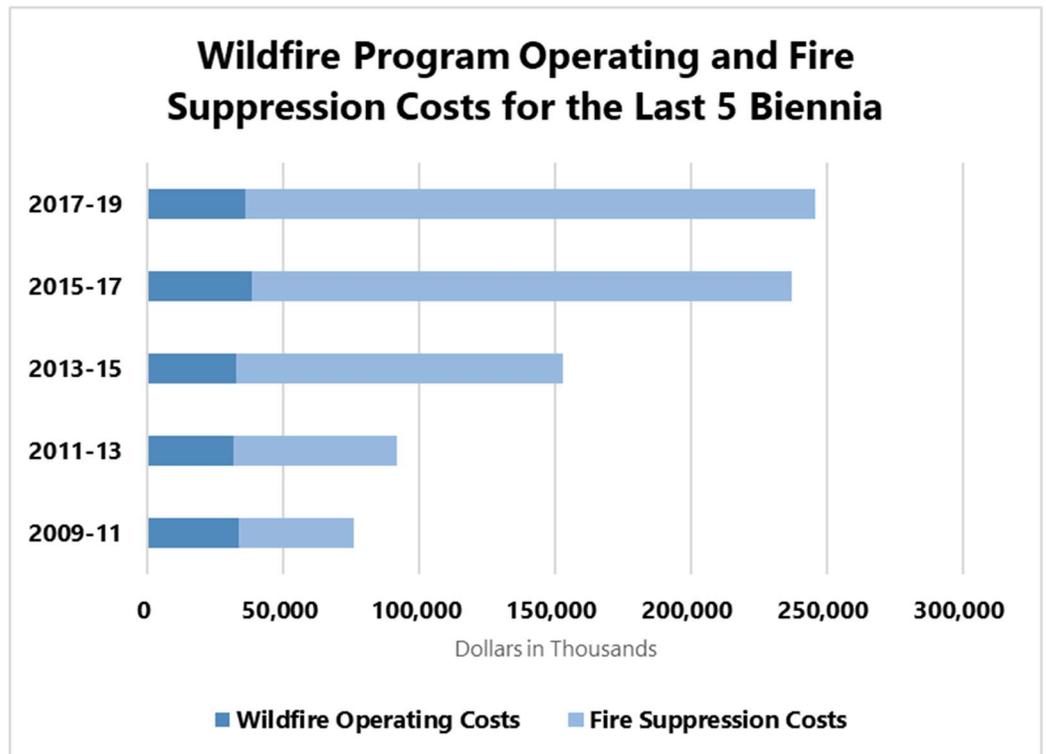
The Wildfire Division has experienced significant organizational change.

Previously, Wildfire and Forest Health and Resiliency were managed together under the Resource Protection Division. This division was led by a deputy supervisor who had responsibility for both Resource Protection and Administration. Within the last several years, DNR changed the organizational structure, elevating the Resource Protection Division under its own deputy supervisor who also serves as the state forester. In 2017, the Forest Health and Resiliency program was split out and elevated to meet legislative direction under Senate Bill 5546. In 2018, DNR conducted a national search for a new state forester/deputy supervisor for Wildland Fire and Forest Health and Resiliency and filled the position in May of that year.

Both divisions are housed together under the state forester/deputy supervisor and share some administrative staff. On the administrative side, additional work is needed to complete the reorganization. For example, certain financial information is still labeled with the former name of "Resource Protection," and some financial data for both divisions are still commingled including the

financial program structure that is in place for reporting externally with OFM and the Legislature.

We heard from staff that it has been challenging to manage the organizational changes and additional workload associated with increasing fire suppression costs and commensurate resources. Fire suppression costs have risen from \$42 million in the 2009-11 biennium to over \$209 million in the 2017-19 biennium. (See chart below.) While it is critical to have sufficient firefighting resources, DNR also needs sufficient time, administrative support, and change management assistance to adjust.



Source: AFRS data received from DNR Office of Finance, Budget and Economics

Staff turnover also may have played a role in the program's ability to manage and operationalize strategic changes. Nearly everyone in leadership positions in the Wildfire Program is relatively new to their roles, but not necessarily new to the agency. Staff reported that when turnover occurs, there is not only a loss of institutional knowledge, but oftentimes confusion about priorities and who has responsibility for continuing the implementation work from reviews, studies, and legislation. (See chart below.)

Turnover Rates in the Wildfire Program (excluding seasonal employees) 2015 – 2020			
Year	Employee Count	Annual Turnover	Turnover Rate
2015	69.0	9	13.0%
2016	77.0	11	14.3%
2017	77.5	7	9.0%
2018	79.5	3	3.8%
2019	81.5	6	7.4%
2020*	96.0	8	8.3%

**2020 data is as of 12/11/2020.
Source: Agency turnover data provided by DNR Human Resources.*

The Wildfire Program does not have readily accessible expertise for project and change management.

The Wildfire Program does not have dedicated project management, organizational change management, or management analysis capacity to actively manage all of the strategies and recommendations from prior reviews, studies, and the many initiatives identified in the strategic plans.

The Wildfire Program also does not have the ability to access agency-level project management services, like an enterprise project management office, for the oversight of agencywide projects or special initiatives. Responsibility for implementing report recommendations seems to be person-dependent instead of being assigned to a position, office, or project team accountable for planning, reporting on, and implementing each recommendation. Likewise, they do not have the necessary change management expertise or resources to assist with their significant levels of change. While DNR does have an Office of Workplace Culture and Development that has responsibility for supporting these areas, it is relatively new and already operating at full capacity.

Recommendation

- 11.1 Enable the Wildfire Program to implement, track, monitor, and report on the progress of initiatives by creating and operationalizing a governance structure with subject matter experts to prioritize projects and initiatives, track regular status updates, discuss issues, assign resources, and make decisions.
 - a. Ensure regular reviews of the high-priority projects and initiatives at the agency, program, and region level to ensure accountability at the appropriate level.

- b. Ensure there is adequate capacity and project management expertise to effectively plan and execute agency or program high-priority projects and initiatives.
- c. Leverage the business transformation, organizational change management, and process improvement efforts in the Office of Workplace Culture and Development in the implementation of the recommendations of prior reviews, this review, and other agency priorities.
- d. Develop a tactical roadmap or action plan with single points of accountability and authority identified as a companion to the agency Strategic Plan, the 20-year Forest Health Plan, the 10-year Wildfire Strategic Plan, this performance review, and the various Wildfire Program reviews that have occurred in the last few years.

**Conclusion #12:
Current activities and performance measures do not tell the complete story of the work occurring within the Wildfire Program.**

Currently, DNR and the Wildfire Program report four performance measures quarterly to OFM. In addition, internal data tracking occurs with the reporting of deliverable status for the regions and the division within the Wildfire Program. However, staff reported there is not a routine discussion or analysis of the data collected beyond the senior leadership level.

The agency is lacking alignment on performance measures from the three levels of the organization: strategic, tactical, and operational. Ideally, the measures at the operational level would feed the next level up at the tactical level, and then up to the strategic level to provide a clear picture of performance across the enterprise. The purpose of this alignment is to provide performance data from each level of the organization that is relevant to their activities.

The Wildfire Program does not currently track measures at the strategic, tactical, and operational levels.

Alignment between the three levels, as shown in the chart below, allows the program, division, or region to see how their performance influences the level up or down from where they sit within the organizational structure. It also allows the organization to drill down into the tactical or operational levels when performance at the strategic level may be above or below expectations and determine the reasons why. The same is true when performance at the tactical level may be above or below expectations and the division wants additional information on what is happening at the operational level that is contributing to those results.

	Efficiency				Effectiveness					
Performance Measure Category	Cost		Timeliness		Quality & Accuracy of Services		Work Life Quality		Customer Satisfaction	
Strategic (Leadership Level)	Outcome Measure		Outcome Measure		Outcome Measure		Outcome Measure		Outcome Measure	
Tactical (Manager Level)	Outcome/Output Measure		Outcome/Output Measure		Outcome/Output Measure		Outcome/Output Measure		Outcome/Output Measure	
Operational (Supervisor Level)	Output Measure	Output Measure	Output Measure	Output Measure	Output Measure	Output Measure	Output Measure	Output Measure	Output Measure	Output Measure
	Output Measure	Output Measure	Output Measure	Output Measure	Output Measure	Output Measure	Output Measure	Output Measure	Output Measure	Output Measure

The Wildfire Program also requires each of their assistant division managers and assistant region managers to identify deliverables to support their individual budgets and track status. Instead of operational measures that roll up to tactical and strategic measures, the deliverables are a mix of tasks or activities that are not always measurable, and do not easily align with the

Deliverables could be the basis for establishing performance measures at the tactical and operational levels.

measures that are identified in the OFM activity inventory or in other wildfire-related plans.

However, DNR could create a performance management system by leveraging their current deliverables as a linkage to the current agency performance measure on the OFM activity inventory. Using the measure for fire preparedness and readiness as an example, the program could develop integrated measures by answering the following questions:

Strategic Measure: Contain 95% of forest fires on DNR-protected land at less than 10 acres.

- What activities occur in the Wildfire Program that provide a direct link to this measure?
- Which deliverables can be measured at the division (tactical level) or the regions (operational level) to inform their performance?
- What processes will contribute to the success of this measure?
- What performance measures make sense to track and report at the operational level, tactical level, and strategic level?

The program should do this evaluation for each of their strategic performance measures and determine if they link to the agency goals, strategies, and the expected results. This effort could then feed into the agency scorecard that is currently in development. A scorecard should also be developed at the tactical and operational levels of the Wildfire Program so performance can be tracked, monitored, and used to improve results. Staff will also be able to see how their work contributes to the overall success of the agency, program, division, and region.

Measures that are focused on agency and program priorities and aligned throughout the organization can provide a clear picture of what is working and what needs to be improved when reported and monitored regularly.

The Wildfire Program needs to align activities and performance measures with its new

Since the creation of the Forest Health and Resiliency division in 2019, DNR is still working to create a clear delineation between the two divisions. Early in January 2021, DNR adopted a policy on the Wildfire Program terminology. Efforts to provide clarity are necessary after a restructure, and this was a positive step toward consistency and clarity. DNR should continue to implement the policy and ensure the terminology is used consistently in

organizational structure.

various levels of the organization, including in communication, business or action plans, and strategic plans, as well as the chart of accounts, performance measures, and agency activities that are reporting regularly to OFM.

Recommendation

- 12.1 Establish or revise, monitor, and report on activities and related performance measures at the strategic, tactical, and operational levels to increase performance and accountability.
- a. Create or expand scorecards to report on performance measures that are meaningful and accessible for staff at the strategic, tactical, and operational levels of the organization.
 - b. Ensure the performance measures reflect the priorities of the agency in the OFM activity inventory and agency scorecard.

APPENDIX A: Line-Functional Staff Organization Memo

**Department of Natural Resources
Organizational Structure
Line-Functional Staff Organization**

**Eric Schroff, Department Supervisor
June 26, 2017**

As time has passed, many changes in personnel have occurred and DNR has not always been explicit in communicating the organizational structure, and the roles and responsibilities of executive management, Divisions and Regions. It appears that it is, once again, time for a discussion to ensure a common understanding of those organizational relationships so operations run smoothly and our delegation order is implemented effectively. The purpose of this memo is to explain the structure and functional relationships within our organization; how it differs from other organizational structures; and, how it operates.

The Department of Natural Resources operates with a line-functional staff organizational structure. This has been the official operating structure for a long time, and is documented in WAC 332-10-040(2) (b).

Some definitions are in order. In most large, complex organizations, Senior Managers perform one of two functions: line or staff. “Line” Managers are those who have been delegated direct authority in the organization. They set production levels, determine policy, allocate resources, etc. “Staff” Managers and their units are advisory: they provide the command structure with the information, intelligence, analysis and technical expertise necessary to make decisions, determine policies, allocate resources, etc.

An excellent example of a reasonably pure line/staff organization, familiar to many in DNR, is our Incident Command Structure (ICS). There are “Command” and “General” Staff officers and units. The “Command” structure represents the line function; the “General” Staff structure represents the service and support functions for the lines.

If we were so organized in all of our programs, it would be a very short line: Commissioner, Supervisor, Deputy Supervisors, and Region Managers (our organization gets a little fuzzy below the Region Manager level). In a “pure” Line Staff configuration, DNR Division Managers would only provide advice and support to Executive Management.

The Department recognizes that in practice, many large, complex organizations like DNR do not actually operate with a pure line/staff model. The number of issues facing the department, the technical expertise necessary for good decision-making, and the need for timely analysis and decision-making led the Department to develop and adopt a different operating style. It is called the “**line-functional staff organization**”. Note the hyphen. It is all-important. In DNR, nominal staff officers (in our case, Division Managers) function as line officers under specific circumstances. They also continue their classic role as staff officers to executives, in terms of providing the full suite of staff assistance to Executive Management.

In our organization, Divisions have been delegated the responsibility for their program and its effective and efficient delivery throughout the state. Divisions allocate resources to the Regions and are expected to set policy, ensure policies are followed, establish production levels and standards and ensure they are met, and so on. Division Managers have the responsibility to conduct audits to ensure Regions are correctly implementing their program. Division Managers, however, have neither the authority nor the responsibility to tell Region Management how to go about getting the job done. They can set standards that field employees must meet to implement their programs in the Regions, when they feel that is essential, but generally have no control over hiring, promoting, or disciplining individuals at the field level. The exception is that Division manager input should be used to inform evaluations of the performance of Region Managers. Bottom line: Division Managers **ARE** Line Managers in their program areas. Thus the description: “**Line-Functional Staff**”.

It is easiest to understand this organizational structure as it relates to the “production” programs: those programs that have “operations” elements, such as Product Sales and Leasing, Forest Practices, Wildfire, etc. Typically, it is understood to be a relationship between Division and Region Managers. However, a similar relationship exists between “Service” Division Managers in their area of delegated authority and the rest of the Division and Region Managers: The Deputy Supervisor for Administration sets the standards and expectations for financial accountability. Region and Division Managers must also follow the policies and procedures established by the Human Resources Division, and so on. On a similar note, both the DNR Safety team and the Natural Resources Police have authority within their respective purviews to direct staff in Regions and Divisions. In each case, the authority supporting action flows directly from the office of the Commissioner.

To function optimally, our organization requires constant, open communication between Region and Division Managers. Ideally, policy, procedures, deliverables and timelines are developed through discussion and, at times, negotiation between Division and Region Managers. Peer-level contact, collaboration and problem-solving between the staff groups of both the Regions and Divisions are also necessary components of effective program delivery.

Below the level of Division and Region Managers, the relationship is purely staff. Division staff have no authority to give “orders” or direction to Region staff. They certainly have the right to inform Region staff of what the policies and expectations of the Divisions are. Indeed, they are the program specialists and Region folks should give their advice serious consideration. However, Division staff are not line officers. Region staff takes “direction” only from their superiors in the Region. Similarly, Division staff below the Division Manager level in the “Service Divisions” do not have line authority to direct the work of other employees of other Divisions. When disputes below the Manager level occur, the individuals involved should first try to work it out. Failing that, final resolution comes at the Region Manager to Division Manager (or Division Manager to Region Manager) level.

This organizational model works for us. It works very well when it is understood and followed by all. It works particularly well when the Divisions work closely with the Regions in the allocation of resources, development of policies and standard practices, and when field resources are encouraged to develop, field test, and participate in adaptive modification of policies and practices.

APPENDIX B: Recommended Roles and Responsibilities

We divided our RACI recommendations into the following categories: 1) Decision-Making, 2) Authority, and 3) Roles and Responsibilities. Each position is listed along the top of the matrix along with program areas. This analysis was based on a RACI matrix using the following definitions:

<i>A = Accountable</i>	<i>Person who is ultimately responsible for the correct and thorough completion of the task. Only 1 person.</i>
<i>R = Responsible</i>	<i>Those who are responsible for the task, ensuring that it is done.</i>
<i>S = Support</i>	<i>Those who assist in completing the task (only used on the Role and Responsibility RASCI matrix).</i>
<i>C = Consulted</i>	<i>Those who provide input to the task. Opinions are sought, two-way communication.</i>
<i>I = Informed</i>	<i>Those who are kept up to date on progress. One-way communication.</i>

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<table border="1"> <tr> <td>R (Responsible)</td> <td>A (Accountable)</td> </tr> <tr> <td>C (Consulted)</td> <td>I (Informed)</td> </tr> </table>	R (Responsible)	A (Accountable)	C (Consulted)	I (Informed)	Recommended DNR Leadership Decision Matrix															
	R (Responsible)	A (Accountable)																		
C (Consulted)	I (Informed)																			
	Commissioner	Chief Operating Officer (Department Supervisor)	Chief of Staff	Deputy Chief Operating Officer (Regions, Geology, Law Enforcement)	Chief Financial Officer and/or Deputy for Administration	Deputy for Uplands	Deputy for Wildfire and Forest Health	Deputy for Forest Practices	Deputy for Aquatics	Human Resources Director	Workplace Culture and Development Director	Chief of Staff Directors	Other Directors (Tribal Relations, Geology, Safety, Law Enforcement)	Administration Managers	Division Managers	Assistant Division Managers (ADMs)	Region Managers	Assistant Regional Managers (ARMs)		
Decisions	Elected Official/Executives				Deputy Supervisors				Directors				Admin	Division Management		Regional Management				
1. Changes the agency's strategic plan, direction, executive management and region organization structure	A/R	R	R	R	R	R	R	R	R	C	C	C	C	C	C	C	C	C		
2. Changes cross-agency administrative policies, processes, templates, training, etc.	C	A	R	R	R	C	C	C	C	R	R	R	R	R	C	C	C	C		
3. Changes to division, program, or regional policies	C	A	R	R	R	R	R	R	R	R	R	R	R	C	R	C	R	C		
4. Regional operations; has a minor impact; does not change a current division or program activity; affects one region only																	A	R		
5. Regional operations; has a moderate impact; changes a current division or program activity; affects more than one region	I	I	I	A	I	C	C	C	I	I	I	I	I	C	C	C	R	R		
6. Division or program operations; has a minor impact; changes a current division or program activity; affects a single region or has no impact to regions						I	I	I							A	R	C	C		
7. Division or program operations; has a moderate impact; changes a current division or program activity; affects multiple regions	I	C	C	C	A/R (varies based on program)				I	I	I	I	C	R	C	R	C			
8. Division, program, or regional operations; has a significant impact; changes a current division or program activity; affects a single or multiple regions	C	C	C	C	A/R (varies based on program)				I	I	I	I	C	R	C	R	C			
9. CFO/Administration; does not change a current division, program, or regional activity; only one option		C	C	I	A/R	I	I	I	I	A/R (varies based on topic)			R	I	I	I	I			
10. CFO/Administration; has a minor impact; changes a current division, program, or regional activity		A	R	C	R	I	I	I	I	R	R	R	R	R	C	C	C	C		
11. CFO/Administration; has a moderate impact; changes a current division, program, or regional activity; affects a single or multiple stakeholders	I	A	R	C	R	C	C	C	C	R	R	R	R	R	C	C	C	C		
12. CFO/Administration; has a significant impact; changes a current division, program, or regional activity; affects a single or multiple stakeholders	C	A	R	C	R	C	C	C	C	R	R	R	R	R	C	C	C	C		
13. Fund Manager; manage and coordinate division, program, or regional activity within the assigned fund in order to end the biennium in a positive position	C	A/R - shared with fund manager	I	C	R	C	C	C	C	C	C	C	C	C	C	C	C	C		
14. Incident Command Management; fire suppression efforts and incident response; region managers act as liaison between Department and Incident Commanders	I	I	I	I	I	I	C	I	I	I	I	I	I	I	R - Wildfire Division Manager	I	A/R	R		



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	R (Responsible)	A (Accountable)																
C (Consulted)	I (Informed)																	
Authority	Commissioner	Chief Operating Officer (Department Supervisor)	Chief of Staff	Deputy Chief Operating Officer (Regions, Geology, Law Enforcement)	Chief Financial Officer and/or Deputy for Administration	Deputy for Uplands	Deputy for Wildfire and Forest Health	Deputy for Forest Practices	Deputy for Aquatics	Human Resources Director	Workplace Culture and Development Director	Chief of Staff Directors	Other Directors (Tribal Relations, Geology, Safety, Law Enforcement)	Administration Managers	Division Managers	Assistant Division Managers (ADMs)	Region Managers	Assistant Regional Managers (ARMs)
	Elected Official & Executives				Deputy Department Supervisors				Directors				Admin	Division Management		Regional Management		
1. Authority to approve any contract or action that by statute must be approved solely by the Commissioner	A	R (varies based on contract or action)								I	I	I	I	I	I	I	I	I
2. Purchase, sell, or exchange any real property subject to approval by the Board of Natural Resources	A	R (varies based on property)								I	I	I	I	R	R	I	R	I
3. Approve all final budget allotments, and make adjustments to budget allotments greater than \$1,000,000	A/R	R	R	R	R	R	R	R	R	I	I	I	I	R	R	R	R	R
4. Make adjustments to budget allotments greater \$350,000-\$999,999	I	A	R	R	R	R	R	R	R	I	I	I	I	R	R	R	R	R
5. Make adjustments to budget allotments less than \$350,000	I	I	I	A/R (varies based on function)				I	I	I	I	I	R	R	R	R	R	
6. Act on any matter, contract, committee or activity within their functional area unless specifically reserved to the Commissioner or COO	I	C	A/R (varies based on function)								I	C	I	C	I			
7. Changes to organizational structure, approval of any reductions in force, WMS hiring, any new positions, or reallocations or elimination of existing positions	I	C	A/R (varies based on function)								I	C	I	C	I			
8. Approve any long-term commitments which obligates the department, encumbers any of its resource, affects deliverables or has broad policy implications	I	C	A/R (varies based on function)								I	C	I	C	I			
9. Delegated authority to spend their allotted budget and to act on behalf of the department for any matter, contract, committee, or activity within their functional area unless reserved in 1-8 above.	I	I	I	I	R	I	I	I	I	I	I	I	I	R	A	R	C	C
10. Authority to hire, appoint, discipline and terminate employees (other than WMS) within division.		I	I	I	I	I	I	I	I	R	I	I	I	I	A	R	I	I
11. Provide programmatic direction to assure their programs are properly implemented in the field		I	I	C	C	C	C	C	I	I	I	I	I	I	A	R	C	C
12. Delegated authority to spend their allotted budget and to act on behalf of the department for any matter, contract, committee, or activity within their regional boundary unless reserved in 1-8 above.	I	I	I	I	R	I	I	I	I	I	I	I	I	R	C	C	A	R
13. Implementation of department programs in region following the programmatic direction provided to them by the Deputy Supervisors and Division Managers		I	I	C	C	C	C	C	I	I	I	I	I	I	C	C	A	R
14. Authority to hire, appoint, discipline and terminate employees (other than WMS) within region.		I	I	I	I	I	I	I	I	R	I	I	I	I	I	I	A	R
15. Emergency Fire Suppression - authority to enter into contracts regardless of amount, within normal purchasing authorities and authorize expenditures regardless of amount.		I	I	I	R	I	C	I	I	I	I	I	I	R	R - Wildfire Division Manager only	I	A	R



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RECOMMENDATIONS FOR BUDGET/FINANCIAL-RELATED ROLES AND RESPONSIBILITIES

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FUNCTION / Task	Commissioner	COO	Chief of Staff	Deputy COO	CFO	Deputy for Admin	Workplace Culture & Dev	Human Resources	Information Technology	Chief of Staff Direct Reports	Admin Managers	Admin Supervisors and Staff	Deputy Supervisors	Division Managers	Division Budget ADM	Program ADMs	Region Mgrs*	BOAs	Program ARMs	All Other Staff	
BUDGET MANAGEMENT											Budget Manager	Budget staff									
Develop and maintain agency budget and allotment/spending plan policies, processes, procedures, schedule/timelines, tools, and templates	C	C	C	C	A/R	C	C	C	C	C	R	S	C	I	C	I	C	C	I	I	
Develop and maintain any unique budget/allotment/spending plan guidelines (does not supercede agency wide processes, procedures, tools, and templates)		I		C	C						C		A	C	R	I	C	C	I	I	
Prepare and negotiate carry forward level and develop standard maintenance level decision packages		I		I	A/R	I					R	R	I		C		I	C			
Prepare budget request decision packages	C	R	R	R	A/R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R / C / I
Approval of final budget submission to Governor's Office and the Legislature	A/R		C	C	R	I	I	I	I	I	I	I	I	I	I	I	I	I	I	I	
Provide budget-related information to Governor's Office, Legislature, Board of Natural Resources, and other external stakeholders	R	R	R	R	A/R	R	S	S	S	S	R	S	R	R	S	S	S	S	S	S	S / I
Provide fiscal notes on agency request bills and proposed legislation	I	R	R	R	A/R	S	S	S	S	S	R	S	R	R	S	S	S	S	S	S	S / I
Analysis of budget proposals from Governor, House, and Senate	C	C	C	C	A/R	I	I	I	I	I	R	C	C	C	C	I	I	I	I	I	

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	Commissioner	COO	Chief of Staff	Deputy COO	CFO	Deputy for Admin	Workplace Culture & Dev	Human Resources	Information Technology	Chief of Staff Direct Reports	Admin Managers	Admin Supervisors and Staff	Deputy Supervisors	Division Managers	Division Budget ADM	Program ADMs	Region Mgrs*	BOAs	Program ARMs	All Other Staff
Prepare biennial control numbers by fund	I	C	C	C	A/R	I	I	I	I	I	R	R	C	I	C	I	C	C	I	I
Prepare biennial control numbers by program/sub program including administrative functions	I	I	I	C	R/C	I	I	I	I	I	R	C	A	C	R	C/I	C	C	C/I	I
Deliverables and performance measures by program tied to agency strategic plan and priorities (strategic level)	A/R		R	R	R	C	C	C	C	C	R	R	R	R/C	I	I	C	I	I	I
Deliverables and performance measures (tactical level) by sub program including administrative functions	I	I	I	R	A/R - admin - varies by function				R	R	R	S	A/R - program/division		C	R	R	C	R	S/I
Create division, and region spending plans and performance measures (tactical and operational levels) including administrative functions	I	R	R	R	A/R - admin - varies by functional area				R	S	R	S	A/R - program/division		R	R	A/R - region	R	R	S/I
Program approval of deliverables, performance measures, and spending plans including administrative functions	I	R	R	R	A/R - admin - varies by functional area				I	I	I	I	A/R - program/division		I	I	R	I	I	I
Agency-wide approval of deliverables, measures, and spending plans to include in the agency scorecard	A/R		R	R	R	I	R	I	I	I	I	I	R	I	I	I	R	I	I	I
Prepare any necessary reduction scenarios	I	R	R	R	A/R - admin - varies by functional area				R	R	R	S	R	R	S	R	R	S	R	S/I
Monitor budget vs. expenditures to date variances and prepare corrective action if necessary	I	I	I	R	A/R - admin - varies by functional area				R	I	R	S	A/R - program/division		R	C	A/R - region	R	C	S/I

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Tracking progress of deliverables and performance measures (strategic, tactical, and operational levels) including administrative functions	I	I	I	R	A/R-admin - varies by functional area				R	I	R	S	A/R - program/division			C	R	A/R - region	C	R	S / I
Forecast and track revenue against estimates and prepare corrective action if necessary.	I	I	I	I	A/R	I	I	I	I	I	R	S	I	R	R	C	I	S	C	S / I	
Analyze financial condition of fund(s)	I	I	I	I	A/R	I	I	I	I	I	R	S	I	R	R	I	I	S	I	S / I	
Prepare agency-wide financial management analysis	I	I	I	I	A/R	I	I	I	I	I	R	S	I	I	S	I	I	S	I	S / I	
Produce agency budget reports by program	I	I	I	I	A/R	I	I	I	I	I	R	S	I	S	R	C	I	S	C	I	
Manage and monitor staff hours	I	I	I	I	A/R	I	I	I	I	I	R	S	I	S	R	C	S	R	C	S / I	
Develop cost allocation for administrative costs	I	I	I	I	A/R	S	S	S	S	S	R	S	I	I	S	I	I	S	I	I	
Prepare budget and expenditure projections	I	I	I	R	A/R	S	S	S	S	S	R	S	C	R	R	C	R	R	C	S / I	

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Make adjustments to budget allotments and spending plans	A \$350K and above		A < \$350K		A < \$350K	A < \$350K	S	S	S	S	R	S	A < \$350K	R	S	S	R	S	S	S / I		
FINANCIAL MANAGEMENT											Financial Manager	Financial staff										
Develop and maintain agency financial management policies, processes, procedures, schedule/timelines, tools, and templates	C	C	C	C	A/R	C	C	C	C	C	R	S	C	I	C	I	C	C	I	I		
Develop and maintain any unique financial management guidelines (does not supersede agency wide processes, procedures, tools, and templates)		I		C	C						C		A - program	A - division	R	S	A - region	R	S	I		
Approve contracts, interagency agreements, and grants (plus amendments) not included in the approved budget or spending plan or represent a significant change.	A \$350K and above		A < \$350K	A \$100K- \$349,999	A \$100K- \$349,999	A \$100K- \$349,999	A < \$100K	A < \$100K	S	S	R	S	A \$100K- \$349,999	A < \$100K	S	S	A < \$100K	S	S	S / I		
Prepare indirect rate proposals		I	I	I	A						R	S	I	I	I	I	I	I	I	I		
Maintain agency chart of accounts		I	I	I	A	S	S	S	S	S	R	R	S	S	R	S	S	R	S	I		
Prepare vendor payment vouchers, travel vouchers, printing requisitions, and contracts or procurement requests					S	S	S	S	S	S	S	S	S	S	R	S	S	R	S	A/R		
Approve vendor payment vouchers, travel vouchers, printing requisitions, and procurement requests	A/R - based on functional area									R	R	S	S	A/R - based on functional area			S	R	A/R - functional area	S	R	S

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Approve out-of-state travel	A/R - based on functional area								S	S	S	S	A/R - based on functional area		S	S	A/R - functional area	S	S	S
Process invoices for payment		S	S	S	A	S	S	S	S	S	R	R	S	S	R	S	S	R	S	S
Process travel		S	S	S	A	S	S	S	S	S	R	R	S	S	R	S	S	R	S	S
Prepare JV's					A						R	R		S	R	S	S	R	S	
Process accounts receivable					A						R	R	S	S	R	S	S	R	S	S/I
Process cash receipts					A						R	R	S	S	R	S	S	R	S	S/I
Process billings					A						R	R	S	S	R	S	S	R	S	S/I
Process accounts payable					A						R	R	S	S	R	S	S	R	S	S/I
Run agency wide financial reports	I	I	I	I	A	I	I	I	I	I	R	R	I	I	R	I	I	R	I	I
General ledger, Fiscal Year Close, Comprehensive Annual Report activities					A						R	R			S			S		
Fire Fiscal, Fire Pay, and Business Policy, Procedures, and Guidelines					A						C	C	R	R	R	S	R	R	S	I

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Onboarding and off boarding of seasonal firefighting and casual hires					I	C		C			C	C	I	I	I	I	A	R	R	I
Fire District Reimbursement for wildfire responses					A - policy						S	S			S	S	A/R - Based on Incident*	R	R	I
Fire Finance Box Reconciliations					A - policy						S	S			S	S	A/R - Based on Incident*	R	R	I
Fire finance on-site presence and training					A - policy										S	S	A/R - Based on Incident*	R	R	I
Incident Business Advisor					A - policy									S	R	S	A/R - Based on Incident*	R	R	I
Fire Cost Sharing Reconciliations					A - policy						S	S		S	R	S	A/R - Based on Incident*	R	R	I
Monthly Fire Suppression Report											S	S	A	R	R	R	R	R	R	I
* When responding to fires, the accountability resides with the Incident Commander																				
GRANTS MANAGEMENT											Finance & Contracts Procurement Managers	Finance & Contracts & Procurement								
Develop and maintain the agency grants management processes, procedures, schedule/timelines, tools, and templates	C	C	C	C	A/R	C	C	C	C	C	R	S	C	I	I	C	C	I	C	I

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Develop and maintain any unique grant management guidelines (does not supercede agency wide processes, procedures, tools, and templates)		I		C	C						C		A - program	A - division	I	R	A - region	I	S	I
Negotiate grant requirements					A - admin						S	S	A - program	A - division		R	A - region		R	S / I
Prepare grant application					A - admin						S	S	S	S		R	S		R	S / I
Review and approve grant application and conditions	A \$350K and above		A < \$350K	A \$100K- \$349,999	A \$100K- \$349,999	A \$100K- \$349,999	A < \$100K	A < \$100K	S	S	R	S	A \$100K- \$349,999	A < \$100K		S	A < \$100K		S	S / I
Monitor grant expenditures and results					A - admin						R	S	A - program	A - division	S	R	A - region	S	R	S / I
Prepare reports as required by grant					A - admin						R	S	A - program	A - division	S	R	A - region	S	R	S / I
PAYROLL AND TIME REPORTING											Financial Manager	Financial staff								
Administer payroll policies and practices for agency					A/R						R	C			C			C		
Develop and maintain payroll and timekeeping processes, procedures, schedule/timelines, tools, and templates	C	C	C	C	A/R	C	C	C	C	C	R	S	C	I	C	I	C	C	I	I

RECOMMENDATIONS FOR BUDGET/FINANCIAL-RELATED ROLES AND RESPONSIBILITIES

FUNCTION / Task	A = Accountable, R = Responsible, S = Support, C = Consulted, I = Informed A = Accountable - Person who is ultimately responsible for the correct and thorough completion of the task. Only 1 person (in some cases by functional area). R = Responsible - Those who are responsible for the task, ensuring that it is done. S = Support - Those who assist in completing the task. C = Consulted - Those who provide input to the task. Opinions are sought, two way communication. Subject matter experts are often involved. I = Informed - Those who are kept up to date on progress. One way communication. People affected by the outcome.																			
	Commissioner	COO	Chief of Staff	Deputy COO	CFO	Deputy for Admin	Workplace Culture & Dev	Human Resources	Information Technology	Chief of Staff Direct Reports	Admin Managers	Admin Supervisors and Staff	Deputy Supervisors	Division Managers	Division Budget ADM	Program ADMs	Region Mgrs*	BOAs	Program ARMs	All Other Staff
Develop and maintain any unique payroll and timekeeping guidelines (does not supersede agency wide processes, procedures, tools, and templates)		I		C	C						C	C	C	I	C	I	A - region	R	S	I
Prepare and/or review timekeeping and timesheet reporting	A/R - for each individual to submit timesheet and time off requests																			
Process payroll (timesheets, forms and reports)		S	S	S	A	S	S	S	S	S	R	R	S	S	S	S	S	R	S	S
PROJECT AND PERFORMANCE MANAGEMENT																				
Participate in strategic planning efforts	A/R			R	R	R	R	R	R	S	R	S	R	R	S	S	R	S	S	C
Manage and report on progress toward goals, strategies, objectives, and performance measures	C	A/R		R	R	R	R	R	R	S	R	S	R	R	R	R	R	R	R	I
Manage and report on progress on agency priority projects	C	A/R		R	R	R	R	R	R	S	R	S	R	R	R	R	R	R	R	I
LEGISLATIVE COORDINATION																				
Track and monitor state and federal legislative activities	I	I	A/R	R	R	R	S	S	S	R	S	S	R	R	S	S	S	S	S	S/I
Conduct research, analysis on legislative issues or bills	I	I	A/R	R	R	R	S	S	S	R	S	S	R	R	S	S	S	S	S	S/I

RECOMMENDATIONS FOR BUDGET/FINANCIAL-RELATED ROLES AND RESPONSIBILITIES

RECOMMENDED ROLES AND RESPONSIBILITIES (RASCI) MATRIX

A = Accountable, R = Responsible, S = Support, C = Consulted, I = Informed

A = Accountable - Person who is ultimately responsible for the correct and thorough completion of the task. Only 1 person (in some cases by functional area).

R = Responsible - Those who are responsible for the task, ensuring that it is done.

S = Support - Those who assist in completing the task.

C = Consulted - Those who provide input to the task. Opinions are sought, two way communication. Subject matter experts are often involved.

I = Informed - Those who are kept up to date on progress. One way communication. People affected by the outcome.

FUNCTION / Task	Commissioner	COO	Chief of Staff	Deputy COO	CFO	Deputy for Admin	Workplace Culture & Dev	Human Resources	Information Technology	Chief of Staff Direct Reports	Admin Managers	Admin Supervisors and Staff	Deputy Supervisors	Division Managers	Division Budget ADM	Program ADMs	Region Mgrs*	BOAs	Program ARMs	All Other Staff	
Coordinate with state and federal legislators and staff	R	R	A/R	R	R	R	S	S	S	R	S	S	R	R	S	S	S	S	S	S	S / I
Analyze new legislation and identify impacts on existing processes or systems	I	I	A/R	R	R	R	S	S	S	R	S	S	R	R	S	S	S	S	S	S	S / I
Prepare implementation plan for new legislation	I	I	A/R	R	R	R	S	S	S	R	S	S	R	R	S	S	S	S	S	S	S / I
Prepare legislative information packets	I	I	A/R	R	R	R	S	S	S	R	S	S	R	R	S	S	S	S	S	S	S / I
Conduct and report legislative contacts	R	R	A/R	R	R	R	S	S	S	R	S	S	R	R	S	S	S	S	S	S	S / I
Provide consultation and support about legislative process to agency staff	I	I	A/R	R	R	R	S	S	S	R	S	S	R	R	S	S	S	S	S	S	S / I
Attend, testify and observe at legislative hearings	R	R	A/R	R	R	R	S	S	S	R	S	S	R	R	S	S	S	S	S	S	S / I
Coordinate and submit quarterly lobbying report to PDC	R	R	A/R	R	R	R	S	S	S	R	S	S	R	R	S	S	S	S	S	S	S / I
Provide information to Governor's Office, Legislature, and other external stakeholders	R	R	A/R	R	R	R	S	S	S	R	S	S	R	R	S	S	S	S	S	S	S / I

APPENDIX C: Levels and Types of Incident Control System Management

Type 5: (very small wildland fire only)

- Initial attack
- Short duration, seldom lasting into the next burn period
- Few resources assigned (generally less than 6 people)
- Little complexity

Type 4

- Initial attack or first response to an incident
- Incident Commander is “hands on” leader and performs all functions of Operations, Logistics, Planning, and Finance
- Few resources are used (several individuals or a single strike team)
- Normally limited to one operational period
- Does not require a written Incident Action Plan (IAP)
- Examples: Search & Rescue (SAR), motor vehicle accidents, small fires

Type 3

- Extended initial attack on wildland fires
- IC walks the line between a manager and a 'doer'
- Resources may vary from several single resources to several task forces or strike teams
- Some Command/General Staff positions (i.e., Division Supervisor, Unit Leader), may be filled
- May extend into another operational period (12 hours), and require an IAP
- Examples: Larger SAR's, law enforcement incidents, special events, technical rescues, fires

Type 2

- IC spends all time being a manager
- Most Command and General staff positions are filled
- Large number of resources utilized
- Incident extends into multiple operational periods
- Base camp(s) established
- Significant logistical support is required
- Examples: Major fires, VIP visits, lengthy search and rescues, law enforcement incidents, multi-day special events

Type 1

- All functions are filled, plus leaders, branches etc.

- Multi-agency and national resources
- Large number of personnel and equipment are assigned to the incident
- It is a large, complex incident
- Examples: A major Incident—hurricanes, very large fires, natural disasters

Area Command

Area command is established when an incident is so large that it must be divided and managed as two or more separate incidents; or when multiple, separate incidents with Incident Management Teams (IMT) must be managed. The role of area command is to provide oversight direction to multiple incidents rather than providing direct action on any one incident as a Type 1 or Type 2 IMT would. Area command manages the efforts of various Incident Commanders to ensure that the overall objectives are being met, to set priorities among incidents and to allocate scarce resources between incidents.

Summary of Definitions

Incident Command System—The management system used to direct all operations at the incident scene. The Incident Commander (IC) is located at an Incident Command Post (ICP) at the incident scene.

Unified Command—An application of ICS used when there is more than one agency with incident jurisdiction. Agencies work together through their designated Incident Commanders at a single incident command post (ICP) to establish a common set of objectives and strategies, and a single Incident Action Plan.

Area Command (Unified Area Command)—Established as necessary to provide command authority and coordination for two or more incidents in close proximity. Area Command works directly with Incident Commanders. Area Command becomes Unified Area Command when incidents are multi-jurisdictional. Area Command may be established at an EOC facility or at a location other than an ICP.

Multiagency Coordination (MAC)—An activity or a formal system used to coordinate resources and support between agencies or jurisdictions. A MAC Group functions within the MACs, which interact with agencies or jurisdictions, not with incidents. MACs are useful for regional situations. A MAC can be established at a jurisdictional Emergency Operations Center (EOC) or at a separate facility.

Emergency Operations Center (EOC)—Also called Expanded Dispatch, Emergency Command and Control Centers, etc. EOCs are used in various ways at all levels of government and within private industry to provide coordination, direction, and control during emergencies. EOC facilities can be used to house Area Command and MAC activities as determined by agency or jurisdiction policy.

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Source: National Park Service, <https://www.nps.gov/articles/wildland-fire-incident-command-system-levels.htm>, retrieved 1/26/2021

APPENDIX D: Summary of Conclusions, Recommendations, and Agency Response

Conclusions and Recommendations	Response from DNR: Agency’s Status, Actions, and Intentions
AGENCY STRUCTURE AND CULTURE	
Conclusion #1: DNR staff are passionate, have expertise about their mission, and take pride in doing meaningful work.	
No Recommendations	<p>DNR has talented, hard-working, and committed employees who work tirelessly to do the important work of the agency and serve the public. DNR employees are the key to the agency’s success. To enhance the culture, improve the employee experience, and prepare for long-term success, the agency’s internal focus is on:</p> <ul style="list-style-type: none"> • Core Value – Leadership and Teamwork: DNR is committed to building leaders at all levels and building teams for success. Finalizing contract with consultant to support executive team building and leadership development. • Engaging leaders and subject matter experts at multiple levels in Methods of Delivery (MOD) initiative and Operational Performance Scorecard (OPS) reviews. • Increased leader engagement to include: Calls monthly with Assistant Division/Region Managers (ADMs/ARMs) and above; quarterly all-leader meetings; bi-weekly Operations Leadership call; in addition to weekly ELT, bi-weekly SLT; bi-weekly Region Managers (RM) meetings with Deputy Chief Operating Officer (DCOO); and monthly Region Manager (RM) meeting with engagement by division and agency leadership. <p>Strategic Priority: Make DNR a great place to work and serve Washington’s lands and communities.</p> <p>Last Fall, DNR established the Office of Workplace Culture and Development (OWCD) within Executive Management to focus on diversity, equity, and inclusion (DEI), workforce development, employee engagement, recognition, training, internal communications, process improvement, project management, and organizational change management. By elevating these functions and resources, some of which were previously within Human Resources or</p>

Conclusions and Recommendations	Response from DNR: Agency's Status, Actions, and Intentions
	dispersed in the organization, these focused resources are aligned to better support organizational health.
Conclusion #2: The reactive, crisis nature of firefighting work permeates the culture of the Wildfire Program.	
2.1 Strengthen the Wildfire Program culture by shifting the focus to planned work directly aligned with agency goals and repeatable processes by:	Wildfire (WF) Program leadership team recognizes this as a priority. The program leadership team, which includes the State Forester/Deputy Supervisor, WF and Forest Health & Resiliency Division (FHRD) Managers, and RMs, has established a cross-program team to discuss leadership communications, program culture, and clear understanding and effective prioritization of DNR's many initiatives and strategies. The goal is for greater teamwork and understanding of the work performed throughout the organization, and to provide more clear leader's intent and shift focus to more planned work and repeatable processes, resulting in improved alignment with organizational priorities.
a. Continuing to engage agency leadership in the review of the agency mission, vision, values, and goals and in building relationships across the enterprise.	The Operational Performance Scorecard (OPS) process and review development is underway. Priority meetings were conducted last Fall with the Commissioner of Public Lands (CPL), Deputy Supervisors, and other executives and senior leaders. The scorecard incorporates many elements, including: priority status, metrics, key milestones, action plans, RACI (defined roles and responsibilities), crosswalk to strategic plan goals, etc. Leaders (RMs, Division Managers and above) will meet on a regular cadence to review for shared understanding, increased awareness, prioritization, and alignment.
b. Communicating regularly with agency staff regarding the progress being made on agency goals and priorities. Encourage appropriate participation in the planning, monitoring, and implementation processes.	<p>The Department recognized this need and began developing the OPS process last Fall, starting with the policy prioritization meetings. Currently, the scorecard is in final development (See 2.1.a.). As a part of the OPS process, WF and FHRD staff (like staff in other programs throughout DNR) were a part of the development of original briefing papers for each of the priorities considered to ensure a clear understanding of each priority at all levels of the organization. Outreach and communications to staff continues and is expected to be part of quarterly division meetings.</p> <p>Annual strategic planning sessions will include multi-levels of engagement for its development and a communications strategy to share with all staff to help them see how their work aligns</p>

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Conclusions and Recommendations	Response from DNR: Agency's Status, Actions, and Intentions
	with agency priorities. OPS will be posted with priorities and summary on intranet for employees. The Deputy Supervisor for WF&FHRD and Division Managers will ensure communication plans are in place for their respective priorities by June 30, 2021.
c. Minimize disruptions whenever possible (Quadrant I and III activities) and conduct agency work through established channels like regularly scheduled staff and team meetings.	Leadership capacity and organizational span of control in WF and FHRD is an area of focus. A small group of senior leaders have been assessing the WF/FH organizational structure to define an optimal model and ensure adequate capacity and flexibility to delegate duties and ensure prioritization of engagement with team, peers, and partners. Plan is to have updated structure in place by June 30, 2021.
2.2 Finalize and implement an agency policy on creating policy. The policy on policy should include:	The Agency's policy process has undergone a deep review. The updated Managing the Department Manual Policy (our version of the "Policy on Policies") and related guidelines was approved in February and will be released mid-March.
a. Definitions of policy, procedure, guidelines, and standards.	The Policy Document includes definitions of types such as policy, procedure, tasks, and guidelines.
b. Description of the process for developing and maintaining policies, procedures, guidelines, and standards.	Expectations regarding policy development, schedule for review, and ongoing maintenance are included in policy and other related guidelines.
c. Identification of the authority for the policy and expected roles and responsibilities for staff.	Authority for the policy and expected roles and responsibilities are outlined in the Managing the Department Manual Policy. Each policy will have a single point of contact who is responsible for review and update, as needed, per the schedule defined in the policy. While working through the policy updates, the Deputy Supervisor for Administration is accountable for reporting on the progress of Action Plans developed, status, and identifying any roadblocks delaying implementation in the OPS review. Once updated, Deputy Supervisor for Admin is responsible for ensuring that all policy reviews are current per schedule and will report status on quarterly basis.

Conclusions and Recommendations	Response from DNR: Agency's Status, Actions, and Intentions
<p>d. Establishment of a central repository for current and past policies.</p>	<p>At the agency level, the Policy Administrator is responsible for the central repository for current and past policies with a directory for retrieval. This work is underway. This sole resource also provides support to the agency for policy development, process, and approvals.</p>
<p>2.3 Develop a plan to create new agency policies where there are gaps and to review existing agency policies to identify those that can be reissued, those that need revision, and those that need to be rescinded. Include the review of existing direction, orders, and guidance in all forms (memos, emails, etc.) and determine which need to be placed in agency policy. (See related recommendations under Conclusion #4 and #9.)</p>	<p>As part of the next steps following execution and publication of the Managing the Department Manual Policy, numbering of, the processing of and cataloging of Commissioner Orders and other delegation orders is in the process of being created. A workgroup is being established to discuss types of delegations, locations of the file record, and who is responsible for each part of the process.</p> <p>Additionally, many of the current policies, procedures, guidelines and standards will be reviewed and modified as needed as part of the MOD process. As MOD cycles are completed, impacted policy documents will be created, updated and/or eliminated, as needed, based on the outcome of the process and direction. Those not covered by MOD will be identified and reviewed.</p> <p>The plan is to bring on temporary staff to help with updating documents. Once completed, the Policy Administrator will ensure they are maintained per established schedule.</p>
<p>a. Formalize Commissioner's August 2020 delegation order into agency policy. Include other known delegation orders and related documents such as the 2017 memo under a "history" section in the new policy and ensure they are shown as superseded by the new policy.</p>	<p>The current Delegation Order is formalized in the soon-to-be-released Managing the Department Manual Policy. The Delegation Order will be reviewed again following the MOD process and updated, as needed, and reflected in policy.</p> <p>The Department Manual document templates have been updated to include a history of the document and last revised update.</p>

Conclusions and Recommendations	Response from DNR: Agency's Status, Actions, and Intentions
<p>b. Analyze the functions of the agency with policy gaps that will need new policies developed or where parts of procedures need to be elevated to agency policy.</p>	<p>WF policies will be reviewed by the WF program to identify which need to be updated and/or developed. All admin processes and related policies, procedures, etc. will be prioritized and reviewed through the MOD process. Impacted policy documents will be created, updated and/or eliminated, as needed, based on the outcome of the process and direction.</p>
<p>c. Evaluate current financial and budget policies, procedures, and standard practice memorandums to determine what makes sense to elevate to agency policy. (See Conclusion #9.)</p>	<p>The CFO has responsibility for financial accountability and will be responsible for review and, as needed, development of financial and budget policies, procedures, and memos and will determine what needs to be elevated to agency policy. The CFO will be the identified Document Owner of all polices related to budget and financial accountability within the Department. Other policies that need to be amended in response to OneWA or other projects will be identified and updated by the Document Owner.</p> <p>All admin processes and related policies, procedures, etc. will be prioritized and reviewed through the MOD process and action plans developed as outlined in the policy.</p>

Conclusions and Recommendations	Response from DNR: Agency's Status, Actions, and Intentions
<p>d. Communicate the new policies to agency staff at all levels. Provide opportunities for the staff to ask clarifying questions and become better acquainted with the use of agency policies and procedures as a regular part of daily business.</p>	<p>In the last several months, the agency has increased the structure and frequency of leader meetings and manager meetings. There is also a weekly internal employee newsletter. The meetings, newsletter and intranet will be used to discuss and communicate status and policy changes. Additionally, leaders at all levels are encouraged to solicit input from their direct reports, seeking clarification and providing info in addition to the all-agency messaging and engagement.</p> <p>MOD is designed to be a very transparent and inclusive process. Business readiness, change management and communications are built into the process. To ensure appropriate engagement, MOD process teams will have representation and input from all impacted groups for their respective areas, including end users.</p> <p>In addition, as part of the implementation plan, once the Department Manual Policy and related guidelines are released, the Policy Administrator will be performing a series of work sessions to review the policy, guidelines, forms, tools and SharePoint intranet site available to all staff. The Policy Administrator will work with OWCD to develop a tutorial to be included in the new employee on-boarding process and required for all employees.</p>
<p>Conclusion #3: Elimination of the Budget Director position and decentralizing the budget function led to inconsistent processes and confusion across the agency.</p>	
<p>3.1 Strengthen the budget management function within the agency by clarifying and communicating that the chief financial officer is in charge of the agency's budget and finance policies, procedures, and processes and ensuring necessary financial management capacity for the agency.</p>	<p>The agency budget development process is supported by senior leadership and will be driven, owned, and coordinated by the CFO at an agency-wide level.</p>

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Conclusions and Recommendations	Response from DNR: Agency's Status, Actions, and Intentions
<p>a. This position should report directly to the chief operating officer.</p>	<p>The re-established dedicated CFO role reports to the COO. The agency led a recruitment effort that drew applications from several in and out-of-state candidates. The plan is to have the CFO on board by April 1, 2021.</p>
<p>3.2 Formalize budget authority in agency policy, with agencywide authority for overall budget and the budget process residing with the COO and delegated to the CFO. Ensure the agency budget development process is supported by senior leadership and driven, owned, and coordinated by the CFO at an agencywide level. (See Recommendation #2.3)</p>	<p>Changes to the Delegation Order have been proposed and are being reviewed by the COO to clarify the role of the CFO and the various areas that the CFO should have authority for. The central budget office has developed and is communicating a biennial budget calendar to note the milestones the agency will need to meet to coincide with the timelines that OFM sets for the budget.</p>
<p>a. Formalize roles and responsibilities related to the budget process in agency policy, including but not limited to expectations around communication; timeliness; and budget development, monitoring, and reporting.</p>	<p>In addition to the calendar, budget staff are developing a comprehensive budget policy document—including budget development, monitoring and compliance, budget changes, and more—to clarify timelines, expectations, and roles and responsibilities for senior leadership, the central budget office, and Division and Region staff.</p> <p>Budget staff are keenly aware of the need for clear and constant communication for the budget processes to succeed. Developing a communications strategy for this process will help provide context, minimize questions, and ease anxiety as we seek to implement changes to the existing process.</p>
<p>b. Establish a collaborative process between the commissioner, chief operating officer, chief of staff, CFO, deputy COO, and deputy supervisors in determining budget priorities, with the CFO overseeing</p>	<p>The central budget office staff are in the process of reviewing existing policies and processes and updating, as needed, to better inform staff on the budget process. The completion of this review has been identified as one of the central budget office's priorities for the OPS. There will also be increased collaboration with executives and the Deputies to ensure clarity on priorities and program resource needs are clearly understood and budget recommendations are well-informed decisions.</p>

Conclusions and Recommendations	Response from DNR: Agency's Status, Actions, and Intentions
<p>the entire budget development process.</p>	<p>A communications strategy for this process will be developed to help provide context, minimize questions, and ease anxiety as the agency implements changes to the existing process. As stated above, we are in the process of amending the current Delegation Order to clarify the role and authority of the CFO. The proposed language places the authority to direct the budget process with the CFO.</p>
<p>3.3 Using the recommended RACI matrix in Appendix B of this report, review accountability, roles, and responsibilities of agency staff with budget duties to determine which division, program, and region positions have duties such as budget development and variance reporting that necessitate a functional or direct reporting relationship with the CFO.</p>	<p>RACI development is part of the MOD outputs and will be developed for all overarching and cross-functional work, including budget responsibilities. RACI's will also be put in place for priority initiatives and programs and is built into the scorecard. OWCD will develop RACI training for all leaders to build muscle and to incorporate into agency standard practices.</p>
<p>a. Ensure that roles and responsibilities formalized in policy are incorporated into updated agencywide position descriptions.</p>	<p>We recognize that updated PDFs and regular performance reviews are integral for an effective and efficient organization and contribute to job satisfaction, productivity, morale and retention. Many areas are under-resourced given the agency's size and complexity. Most DNR managers and supervisors have a heavy "doer" component to their job that competes for their time in fulfilling some of their supervisory and administrative responsibilities. The Department recognizes that EMS and WMS position reviews began last Fall and is being led by the HR Director.</p> <p>Additionally, roles and responsibilities that are identified or change through MOD will be incorporated into position descriptions as part of that body of work. Human Resources has formed a team to oversee the position description review and provide support to leaders.</p>
<p>b. Employ necessary change management principles, including</p>	<p>This is part of the change management and business readiness work of the service delivery initiative (SDU). The SDU is an overarching internal business operations optimization process,</p>

Conclusions and Recommendations	Response from DNR: Agency's Status, Actions, and Intentions
<p>appropriate communication and training, when developing and implementing new budget policy, roles, responsibilities, and position descriptions.</p>	<p>which includes the following work streams: One Washington (OneWA), MOD, and Wildfire Proviso deliverables. The goal is optimization and change management across the multiple streams of work underneath the SDU. This three-pronged, systems-based approach will ensure employees are aware, supported, and ready to implement the changes required to effectively achieve agency objectives.</p>
<p>Conclusion #4: Organizational structure, policies, and insufficient resources impact agency financial management oversight and coordination.</p>	
<p>4.1 Strengthen the financial management function within the agency by using the recommended RACI matrix in Appendix B to discuss, determine, and appropriately formalize roles and responsibilities agencywide.</p>	<p>The RACI will be used for financial management functions to provide clarity. The CFO will be responsible to work collaboratively with agency leaders to formalize roles and responsibilities.</p>
<p>a. Update the organizational structure to position the agency for success and infuse management expertise with well-defined roles and responsibilities and proven skills and abilities.</p>	<p>The organizational structure will be reviewed. Appointing a dedicated Chief Financial Officer (CFO) position raised the visibility of the budget and finance work within DNR. The central budget and finance teams are working to implement best practices. The CFO, for example, instituted a new Change Request Process to track any changes to resources, such as changes to FTEs, reclassification of staff, requests for changes to current allotments, changes to fund sources, etc.</p>
<p>b. Add and/or clarify authority in existing and new agency policies. (See related recommendations in Conclusion #2.)</p>	<p>The central budget and finance teams are currently reviewing existing policies, processes, and guidelines to determine which to keep and what new policies, processes, and guidelines need to be revised, developed, or removed. This will also be reviewed again as part of MOD and the OneWA initiatives to capture any changes as a result of those efforts.</p>

Conclusions and Recommendations	Response from DNR: Agency's Status, Actions, and Intentions
c. Update position descriptions with roles and responsibilities to clearly identify decision-making authority for the executive level, divisions, and regions.	Confirming decision making responsibilities are included in position descriptions is part of the position description review underway.
d. Implement appropriate training and communication plans to ensure staff understand and are ready to follow any new organizational structure, authority, and relevant policies.	Training and communications planning will occur as part of pre-implementation of key business optimization initiatives, for example – prior to MOD recommendations being implemented, thorough and extensive change management and associated tools will need to be developed to ensure successful transition to an improved model for internal service delivery functions.
e. Implement an organizational change management model for proactively addressing any change required by the agency.	The OWCD operates as a central hub for internal agency communications, organizational change management, and employee training and development (amongst other duties). These three areas of expertise will aid in more consistent and improved information-sharing regarding key changes occurring within the agency and to build off of cascading communication occurring at the monthly and bi-weekly leadership meetings. These efforts will ensure supervisors are prepared to support their employees through change.
Conclusion #5: Compared to similar state agencies, DNR has several organizational and role gaps in agency operational support.	
5.1 Expand expert-level analytical capacity and discipline within the agency by:	DNR recognizes that the agency has a need for additional capacity. Suppression dollars not being allowed to be used for administrative costs has put a tremendous burden on the agency. DNR tends to run very thin which has created some challenges especially in core admin and service functions. Again, DNR is working to have this addressed to allow for adequate staffing levels needed to perform essential duties.
a. Considering options for adding capacity for region and financial	MOD will assess the structure, scope with roles and responsibilities, and staffing needs for regional and financial management analysis and support at the agency-wide level.

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Conclusions and Recommendations	Response from DNR: Agency's Status, Actions, and Intentions
<p>management analysis and support at the agencywide level.</p>	
<p>b. Continuing to build and maintain internal capacity for managing large or cross-agency projects, either through temporary/project staff, developmental reassignments, external vendors, or new project management positions.</p>	<p>Recognizing the need for project management expertise, a senior project manager was hired to assist with this proviso and to support the MOD process. Current assessments are underway to identify the best approach to meet the broader overarching, cross-functional agency project management needs. Ideally, DNR would like to see more dedicated project management support for the programmatic areas and a small team focused on agency-wide initiatives. OWCD will serve as a center of excellence to help ensure Lean process improvement methodologies, change management, and internal communication support are available and to assist with building that muscle within the agency.</p> <p>Currently, the agency has limited project managers who work in specific areas, such as IT.</p>
<p>c. Designating a single point of accountability for successful project completion. (See RACI in Appendix B for recommended roles and responsibilities.)</p>	<p>The OPS process establishes a single point of accountability for each identified project and initiative. A RACI will be in place for each priority initiative/project.</p>
<p>d. Determining specific process for how and where agency projects will be tracked, and progress communicated. (See RACI in Appendix B.)</p>	<p>The OPS process is the centralized approach to tracking and reporting on priority initiatives/projects of significance. A summary of the scorecard will be available for all employees to view and discussed at cross-functional leadership meetings. Detailed workplans will be maintained by each project for each project/initiative.</p>

Conclusions and Recommendations	Response from DNR: Agency's Status, Actions, and Intentions
ASSESSMENT OF AGENCY BUDGET AND ACCOUNTING	
Conclusion #6: Not all administrative costs are appropriately categorized as overhead, indirect, and direct costs.	
6.1 Examine the appropriate allocation of direct, overhead, and indirect costs to determine what overhead and indirect costs should be cost allocated versus direct charged to a single program.	DNR's central budget office staff will be assessing the allocation of indirect, overhead, and direct costs after the legislative session to ensure the proper allocation of costs to direct vs. indirect costs.
a. Review and update the agency chart of accounts for the 2021-23 biennium to capture the costs between overhead, indirect, and direct administrative costs.	The revision of DNR's chart of accounts is one of the activities to prepare DNR as part of the OneWA project and will be closely coordinated with OneWA.
b. Ensure all administrative overhead and indirect costs are appropriately allocated across all funding sources.	This is a high priority item for the CFO. Given current workload, this work is scheduled to be completed after the legislative session.
c. Charge any direct costs to the appropriate program and funding source, including fire suppression. See Recommendation #7.1.	DNR strives to meet this objective. The budget proviso precluding charging administrative costs to suppression funding limits our current biennial budget from meeting this objective. It will be an important consideration when we begin the assessment of DNR's indirect vs. direct cost analysis.

Conclusions and Recommendations	Response from DNR: Agency's Status, Actions, and Intentions
Conclusion #7: Budget proviso restricts DNR's ability to charge administrative costs to fire suppression, requiring DNR's other programs to carry a larger share of those costs.	
7.1 Address the ability to use fire suppression dollars for both direct fire-specific and agency indirect administrative costs with the Legislature and OFM.	The ability to use fire suppression dollars for administrative costs is critical. This will reduce the disproportionate contributions by other programs and affect the indirect costs which will allow the agency to have resources to perform some of the functions and tasks that are currently lacking due to capacity constraints.
a. Discuss what is included in both the fire-specific direct and agency indirect administrative costs and why charging those costs to fire suppression are necessary. See Recommendation #6.1.	The Governor's proposed 2021-23 biennial budget does not include the language that prohibits the use of suppression funds for administrative purposes. DNR will work with the legislative fiscal committees this session to request they match the Governor's budget language and not include the prohibition.
b. Develop criteria on the use of a separate program index for charging costs to track region fire-specific administrative expenditures that are directly related to emergency fire suppression activities.	<p>Although our preference is for the language prohibiting the use of suppression funds for administrative costs to not be included in the enacted 2021-23 biennial budget, we recognize the value of tracking suppression related administrative costs. We will develop the necessary codes to more clearly track administrative costs related to suppression whether the language is included or not.</p> <p>For the current biennium, a workgroup developed a strategy and reiterated that under current law, charging administrative costs to suppression funds is not allowable. In addition, the central budget office, finance and WF staff are working with the Regions and Divisions to determine the budgetary effects that this change will have on their programs in an effort to develop a mitigation plan to possibly address some of the budget impacts.</p>
c. Periodically audit the administrative costs that are direct charged to fire suppression and other activities across the program to ensure compliance with the	If the language that precludes the use of suppression funds for administrative purposes is included in the final enacted budget bill, we will plan to monitor and audit administrative costs charged to suppression funds and continue to work with Legislative members to make them aware of the challenges this language has on DNR's ability to perform its functions.

Conclusions and Recommendations	Response from DNR: Agency's Status, Actions, and Intentions
<p>criteria established in accordance with the OMB Uniform Guidelines and consistency with the purpose and constraints of its accounts.</p>	
<p>7.2 Consider augmenting accounting and fiscal staff in the regions during the busier wildfire season. State Parks employs seasonal and on-call positions that supplement their revenue and payroll functions. Although the processing of certain fire financials is specialized, temporary fiscal staff could fill in for more routine financial processing, freeing up time for other staff to handle fire financials like the fire finance box.</p>	<p>MOD will assess the structure, staffing, processes, accountability, and service levels for the processes reviewed, including accounting and fiscal staff. This assessment will help inform what staffing is needed and where and will consider augmenting accounting and fiscal staff in the regions during the busier wildfire season.</p>
<p>Conclusion #8: DNR does not currently have the ability to easily access the data needed to make informed decisions and respond to internal and external inquiries.</p>	
<p>8.1 Leverage the new IT governance structure to prioritize the requirements, tools, technology, and/or resource changes in support of DNR Wildfire Division and region staff, the authorizing environment reporting needs, and the One Washington program implementation.</p>	<p>With the adoption of the DNR IT Strategic Plan, an IT Steering Committee has been formed with an IT governance that is focused on performing and transforming Information Technology to meet present and future demands of agency business units, customers, partners and stakeholders. We will leverage the IT governance structure to further support the recommendations noted in 8.1.</p>

Conclusions and Recommendations	Response from DNR: Agency's Status, Actions, and Intentions
<p>a. Leverage training and organizational change management to improve the use of technology and support quality and consistency, allowing leaders and stakeholders to analyze issues, identify trends, and develop data-driven options for decision-making more easily.</p>	<p>The OWCD will support training and organizational change management needs as appropriate. A key area of change management focus will be in support of OneWA and the internal MOD process to transform, shift, and improve current agency business practices and will include any changes to the use of technology.</p>
<p>8.2 Review the agency chart of accounts for 2021-23 biennium with participation from staff from central budget and accounting, the divisions, and the regions to ensure consistent transparency and accountability in the tracking of costs in response to frequently asked questions, both internally and externally.</p>	<p>The realignment of the chart of accounts will achieve consistency statewide for core financial data, this is being revised as part of the OneWA project. The new chart of accounts will be structured to enhance transparency and to facilitate proper tracking of costs and the ability to answer questions from internal and external interests.</p> <p>As part of the business transformation initiative relating to OneWA, the "Procure to Pay" process has realigned how expenditures are coded and described when entered into the agency financial record, which is currently AFRS.</p>
<p>a. Create a data and terminology dictionary in plain language to define and communicate the expected data for each of the cost tracking mechanisms in the agency chart of accounts so end users know the appropriate data for entry.</p>	<p>We will ensure that information is conveyed in a user-friendly format and easy to understand.</p>

Conclusions and Recommendations	Response from DNR: Agency's Status, Actions, and Intentions
<p>b. Based on the revised chart of accounts and performance measures, revise the subprogram structure with LEAP and the activity inventory with OFM. (See Conclusion #12.)</p>	<p>The chart of accounts will be revised as part of the OneWA project and reflect the organizational structure. In addition, the MOD project will also inform what types of organizational changes are needed for effective and efficient delivery of services. Once we have the recommendations from those efforts, we will work collaboratively with DNR's divisions and Regions on the proper organizational structure, which will then inform the proper structure of the activity inventory.</p>
<p>Conclusion #9: Some accounting and budget policies necessary to direct agency practices are out of date and/or missing and do not include roles and responsibilities for each policy.</p>	
<p>9.1 Evaluate current financial and budget policies, procedures, and standard practice memorandums to determine what makes sense to elevate to agency policy. Include this information in the plan noted in Recommendation #2.3.</p>	<p>The central budget office and finance staff are in the process of reviewing existing processes and policies to determine what is needed, whether they are policies, processes, and communication strategies to better inform the rest of DNR on the budget process. This has been identified as one of the central budget office's items for the OPS. As the reviews occur, staff will recommend which items to elevate to the level of policy for the agency.</p> <p>Additionally, policies, procedures, guidelines and standards will be reviewed and modified as needed as part of the MOD process review. As MOD cycles are completed, impacted policy documents will be created, updated and/or eliminated, as needed, based on the outcome of the process and direction. Those not covered by MOD will be identified and reviewed.</p>
<p>Conclusion #10: Inconsistent budget and accounting processes and unclear roles and responsibilities have contributed to confusion, inefficiencies, and inaccurate and/or incomplete data.</p>	
<p>10.1 Discuss and clarify processes, roles, and responsibilities to eliminate confusion, inefficiencies, and inaccurate and/or incomplete data for agency budget and accounting functions using the RACI matrix in</p>	<p>This identified opportunity was part of the impetus for MOD: clarity around roles, responsibilities, relationships, dependencies, and interdependencies leading to increased efficiencies and effectiveness.</p> <p>The intended result of MOD is optimal delivery of core service and admin functions, including budget and accounting.</p>

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Conclusions and Recommendations	Response from DNR: Agency's Status, Actions, and Intentions
Appendix B. (See Recommendations 3.3, 4.1, and 5.1)	
<p>a. Consider adding a position, similar to a central Region Business Operations Manager reporting to the CFO, whose primary focus is to work with the BOAs in the regions, the division budget/fiscal staff, and central office budget and accounting managers to standardize processes, procedures, templates, and forms including the chart of accounts.</p>	<p>This position will be considered as the agency works through the MOD process and determines the structure and staffing needed to support the service delivery model.</p>
<p>b. Review expected roles and responsibilities and current capacity within the budget and accounting offices to determine if there is adequate staffing for the centralized functions.</p>	<p>The MOD project will help inform what services are needed and how to best deliver those services. In addition, information from Stellar's analysis will be used to determine the proper alignment of all of the DNR's budget and finance staff within the agency, including those in the Divisions and Regions. Once those efforts are completed, we will have a better understanding of all related activities and how to best allocate those resources to meet DNR's mission.</p>
<p>c. Standardize budget and financial processes and use a collaboration tool (similar to SharePoint) when teams are collaborating on initiatives and developing operational documents.</p>	<p>DNR's central budget office and finance teams have developed some processes and tools for use to support budget development. With the agency transitioning to Office 365, there will be an increased opportunity to use collaboration tools. Currently, the agency uses collaboration tools on a limited basis, for example, SharePoint has been used in tracking fiscal notes. MOD is addressing the forms and templates used for similar data being requested and provided by different programs in the regions to streamline processes.</p>

Conclusions and Recommendations	Response from DNR: Agency's Status, Actions, and Intentions
<p>d. Standardize training materials and create training to ensure staff understand what is expected of them for consistent use of accounting and budgeting processes.</p>	<p>DNR's central budget office and finance staff have produced several standardized training materials that are used, such as the training on fiscal notes. The central budget office and finance will work with OWCD to develop additional training, as needed.</p>
<p>e. Improve communications to all relevant agency staff on budget and accounting policies, procedures, and guidelines and their roles and responsibilities.</p>	<p>The budget and accounting roles and responsibilities will be communicated to relevant agency staff.</p> <p>Improving internal communications is an identified need and, while there have been some improvements in resourcing, more support is needed to fully optimize this function.</p> <p>The CFO will schedule monthly budget review meetings with each Division and Region managers to discuss their variance reports. There will also be periodic review meetings attended by senior leadership, including RMs and DMs. This type of meeting is designed for all senior managers to have awareness of DNR's budget and where there might be challenges and opportunities for budget savings that could be used to address budget challenges.</p> <p>For all staff, currently scheduled twice-weekly all-agency information updates allow for live Q&A from employees relative to key informational topics. These can be leveraged for information updates related to budget and accounting changes amongst other topics.</p>

Conclusions and Recommendations	Response from DNR: Agency's Status, Actions, and Intentions
WILDFIRE PROGRAM PERFORMANCE REVIEW	
Conclusion #11: The Wildfire Program lacks the capacity and project management expertise to independently implement and operationalize agency strategies and recommendations from previous reviews, studies, and legislation.	
<p>11.1 Enable the Wildfire Program to implement, track, monitor, and report on the progress of initiatives by creating and operationalizing an agencywide governance structure with subject matter experts to prioritize projects and initiatives, track regular status updates, discuss issues, assign resources, and make decisions.</p>	<p>The Wildfire and Forest Health and Resiliency Programs does not have dedicated project management or management analysis capacity to actively manage all of the strategies and recommendations from prior reviews, studies, and the many initiatives identified in the strategic plans.</p> <p>The Deputy Supervisor for Wildland Fire and Forest Health/Resiliency has a funded and presently vacant Strategic Advisor position currently in the recruiting process. This position is structured to provide needed bandwidth to allow the Deputy Supervisor to provide more strategic leadership. This role will be responsible for monitoring high-priority projects and initiatives and would oversee project management resources if funded.</p> <p>This, along with the WF/FHRD organizational structure review currently underway is on schedule to be in place by June 30, 2021. Additional structure and admin staffing needs at the agency level will be addressed through the MOD process.</p>
<p>a. Ensure regular reviews of the high priority projects and initiatives at the agency, program, and region level to ensure accountability at the appropriate level.</p>	<p>The strategic advisor will be responsible for review and status through Operational Performance Scorecard.</p>
<p>b. Ensure there is adequate capacity and project management expertise to effectively plan and execute</p>	<p>The WF program has the expertise to effectively plan and execute agency and its high priority projects and initiatives, but needs additional capacity based on the volume and complexity.</p>

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Conclusions and Recommendations	Response from DNR: Agency's Status, Actions, and Intentions
agency or program high priority projects and initiatives.	
c. Leverage the business transformation, organizational change management, and process improvement efforts in the Office of Workplace Culture and Development in the implementation of the recommendations of prior reviews, this review, and other agency priorities.	The OWCD is poised to support process improvement and organizational change management needs. Our core function is to become a center of excellence and provide standard tools and resources to support key projects and initiatives. Developing training, facilitating process improvement, and providing expert advice on Lean Six-Sigma is a near-term resourcing priority of OWCD.
d. Develop a tactical roadmap or action plan with single points of accountability and authority identified as a companion to the agency Strategic Plan, the 20-year Forest Health Plan, the 10-year Wildfire Strategic Plan, and the various Wildfire Program reviews that have occurred in the last few years.	<p>Each priority covered in OPS will include a work plan and RACI. The RACI will outline the single points of accountability and authority.</p> <p>In the first and second quarters of FY2022, the Deputy Supervisor, WF/FHRD leadership, and a regional cross-functional team will complete a full review/crosswalk of all priorities and initiatives covered in the OPS along with other deliverables/accountabilities outlined in the DNR strategic plan, the Forest Action Plan, 10-Year Wildfire Strategic Plan, 20-Year Eastern WA Forest Health Strategy, and recommendations identified by this and prior reviews to ensure effective communication to, and understanding by, WF/FHRD staff.</p>
<p>Conclusion #12: Current activities and performance measures do not tell the complete story of the work occurring within the Wildfire Program.</p>	
12.1 Establish or revise, monitor, and report on performance measures at the strategic, tactical, and operational	The OPS process and review will address performance results on defined priorities and their budget. Agency-wide financials is not currently included in OPS scope. Agency-wide financial reviews are being conducted with CFO and agency executives. Program reviews will

Conclusions and Recommendations	Response from DNR: Agency's Status, Actions, and Intentions
levels to increase performance and accountability.	be conducted separately at regularly scheduled meetings with senior operations leaders and agency executives.
a. Create or expand scorecards to report on performance measures that are meaningful and accessible for staff at the strategic, tactical, and operational levels of the organization.	This model will be considered for the scorecards.
b. Ensure the performance measures reflect the priorities of the agency in the OFM activity inventory and agency scorecard.	As part of the ongoing process to update the agency's performance measures and activity inventory, senior leadership (CPL, COO, Chief of Staff, Deputies, and Region Managers) will be engaged to review and update the agency's strategic plan, activity inventory, deliverables and scorecard. CPL and Senior leadership will assess the agency's internal and external environment to determine the highest priority activities that needs attention in the short, moderate, and long term. Areas of focus will be informed by the MOD process, the Stellar recommendations, and input from staff. The performance measures and activity inventory that is the result of this effort will provide a roadmap for the agency and will help CPL track the progress of her agenda over the course of the biennium.



DNR Addendum to Wildfire Proviso Volume 1 Report

Introduction

As part of the 2020 state supplemental budget, ESSB 6168, sec 308 (29), the Legislature directed the Washington State Department of Natural Resources (DNR) to prepare a report on DNR's Wildfire program and DNR's budget and accounting processes to be submitted to the Legislature on December 1, 2020. It was determined that the report would be submitted in two volumes because of the limited time we had to conduct a proper program assessment of the Wildfire program. The first volume of the report was submitted on December 1, 2020 and included the following:

- The zero-based budget;
- The statutory basis for each program;
- How each program fits within DNR's strategic plan;
- How each subprogram fits within the wildland fire strategic plan;
- Performance measures for the Wildfire program;
- Information on the program and subprogram costs and staffing data for the current biennium including administrative and other overhead costs;
- Beneficiaries and partners of the Wildfire program;
- Terminology used to describe wildland fire suppression, prevention, preparedness, forest health, pre-suppression, and any other term used to describe Wildfire program activities; and,
- Fire business transformation task force progress and findings.

This addendum to the Volume 1 report provides updates on the Wildfire Terminology, Wildland Fire Business Transformation Task Force, Zero Based Budget (ZBB) analysis and clarifications based on the feedback received on Funding Sources and Accomplishments by Activity.

Wildfire Terminology

Over time, DNR has developed and utilized various terminology related to wildfire that is inconsistent with use of those terms by others, for example the federal fire agencies. To address this, in January 2021, DNR established an internal policy (PO20-006) to provide consistent definition to the terms including emergency fire costs, fire year, preparedness, prevention and suppression. That policy has been approved and is in the process of being implemented.

Wildland Fire Business Transformation Task Force

The task force continues to make progress in resolving the issues identified through the course of their work. The following updates have occurred:

- **Casual Hire:** Resolution is to develop written procedures and provide direction to hiring authorities. The final Attorney General's Office/Office of Financial Management-Human Resources responses have been received. The Wildland Fire and Forest Health/Resiliency Program Business and Operations team

consolidated the information and sent an issue paper to the Deputy Supervisor of Wildland Fire and Forest Health/Resiliency on February 8, 2021 for review.

- **Fire Pay Practices (now called Summary of Fire Pay Guidance):** Resolution is to provide clear written policy and guidance for fire assignment pay practices and is subject to CBA negotiation timeframe. This issue paper has been resolved. Guidance was posted August 5, 2020 on internal Wildfire Division SharePoint Site and external [DNR Site](#) and [USFS Region 6 Incident Business](#) sites. This guidance document is considered final for the current biennium. Timing is unknown for CBA discussions due to other state priorities (e.g. COVID). Any further activity on this issue will be handled by HR Labor Relations in conjunction with Wildfire Incident Business Section.
- **Landowner Contingency Fund Fires:** Resolution is to update written guidance on the use of the LCF and provide training to fire managers. Draft procedure was developed and currently is in the Department's policy review and approval process. When the procedure is finalized, Assistant Attorney General review will be requested.
- **Monthly Fire Suppression Report (MFSR) Process:** Resolution is to have a clear process for data collection and processing to ensure a timely and accurate monthly fire suppression report. This issue paper has been resolved. Wildland Fire and Forest Health/Resiliency Program Business and Operations team published the MFSR Manual October 28, 2020 and implemented with the November 2020 report.
- **Organizational Structure and Processes of Fire Business and Fiscal Functions:** Resolution is to reduce the processing time and improve the accuracy of fire financial data. Organizational structure draft document was submitted to Department leadership. Because Wildfire Program cannot make an organizational decisions affecting the agency as a whole, this tasking to the Fire Business Transformation Task Force is complete. The issue paper developed will be utilized to inform the Department's Methods of Delivery project.
- **Use of Suppression Dollars and Definitions of Emergency and Incident Command System:** Resolution is to provide clear guidance and train fire managers on the use of emergency fire suppression funding. Draft document providing guidance was reviewed by division and region managers on January 28, 2021. Information will be provided to the Deputy Supervisor of Wildland Fire and Forest Health/Resiliency and CFO to be finalized and posted before April 1, 2021.

Zero-based budget (ZBB)

DNR takes the mission of wildfire suppression as a top priority for the agency. Although a gap of \$29 million has been identified, DNR devotes all available resources to suppressing wildfires when they occur. This results in most deliverables being minimally attained and at high risk. However, having additional resources that reduces or eliminates the gap will help DNR meet its performance target of "Contain 95% of fires at or less than 10 acre" more possible.

As noted in the first volume of the Wildfire Proviso report, preliminary findings of the ZBB indicate that the Wildfire program is currently not funded to meet all of the 2021-23 Deliverables given DNR's statutory obligations, Department Strategic Plan, and Wildland Fire Protection Strategic Plan. For the Proviso Report – Volume 2, DNR's programs were asked what Deliverables would be affected if the \$29 million gap identified in the ZBB was not addressed.

Specifically, some of the direct impacts to DNR's Wildfire Deliverables would be:

Greater utilization of fire district personnel and more completely fulfill the vision of "all-hands, all lands," outlined in the strategic plan.

- Currently unable to capitalize on opportunities to increase the cross-training and firefighter development necessary to allow this to occur.
- Only meeting requirements for fire district assistance in issuing annual interagency fire qualifications cards. Limitations exist in available resources to coordinate training needs assessments with interagency partners and to provide training and maintain Incident Qualification System (IQS) records with 90% of qualification cards provided by July 1.
- Presently unable to improve the development and maintenance of appropriate Interagency Agreements (IAA), Forest Land Response Agreements (FLRA), and casual hire agreements which could provide increased access to additional qualified fire response personnel.

Improved response and ability to meet DNR suppression performance measure through the increased availability and utilization of hand crews.

- Hand crews are in limited supply in Washington State during a busy fire year. To meet demand, DNR currently relies on voluntary militia resources to quickly field ad hoc 10 person crews. The number of militia personnel available is inconsistent and limits the size and number of crews.
- If DNR militia resources are unavailable, crews are ordered from other states or federal agencies which take a minimum of a full day to arrive. This results in delays in initial and extended attack which has contributed to fire starts getting larger than 10 acres.

Improved wildland fire suppression coverage in western Washington during periods of heightened fire activity in eastern Washington.

- Western Washington crews are dispatched to eastern fires due to the urgency of ongoing suppression needs leaving these areas at minimum staffing during the peak of fire season. Western regions routinely meet minimum staffing by having engines left in the region working overtime.
- During a busy fire season increased overtime to meet minimum staffing levels can lead to cumulative fatigue and can contribute to poorer safety performance, lowering the regions' probability of success in meeting the safety deliverable.

Improved law enforcement and fire investigations resulting in potential for greater cost recovery.

- DNR utilizes militia personnel as wildfire investigation personnel to meet our statutory requirement to investigate the cause of all wildland fires.

Improve and increase the use of contract wildland fire vendors to provide greater suppression capacity.

- DNR currently meets the minimum statutory requirements for vendor relationships and utilization due to limitations in available personnel.

Improved command and supervision of wildland fire personnel while providing opportunity for career development and advancement.

- Current span of control for many regional fire staff makes supervision challenging potentially putting at risk safety and fire suppression effectiveness.
- Most deliverables are still being met at a lower quality and permanent fire staff risks career burn out.

- There is a limited career ladder for firefighters. These positions would contribute greatly to safe and effective firefighting as well as investigating fire starts.
- Presently cannot maintain sufficient qualified personnel to staff region Type 3 incident management teams to ensure effective suppression and must rely on utilization of out of state or federal resources.

Improved administration and fire business management.

- Current DNR Wildfire Fiscal Support and Incident Business Functions are under resourced resulting in limited ability to effectively manage budget development, analysis, tracking and reporting for Emergency Fire Suppression; the implementation and reconciliation of cost shares; track and process reimbursable fire billings; creation of encumbrances as appropriate during the fiscal year, and provide final accrual information for fires by fiscal year end.
- Regions cannot provide administrative support to Wildfire programs without extensive utilization of overtime. This limits procurement of goods and services; auditing and processing of fire payments to contractors, fire districts, and casual hires in a timely manner; or maintain cost components of EIRS.

More effective utilization of Department of Corrections/DNR Camps Program.

- Deliverables are currently met with minimum requirements for field supervision in spite of assistant camp manager and camp manager spending significant time performing administrative work limiting their time for field supervision.

Increase the number and qualifications of available trained wildland firefighters and provide for better support of fire personnel and incident management teams.

- Current limitation in capacity to train DNR, fire district, interagency and National Guard personnel due to the number and availability of qualified instructors.
- Limitations in available IT personnel challenge program meeting the fire administration deliverable. Additional personnel are needed to provide technical support to the fire program including Type 3 IMT kit management, tablet and smart phone management, and work on integrated technology systems.
- Region fire cache is struggling to support the agency's response efforts and region supply needs.

Improved regulation of smoke management permits allowing for greater utilization of prescribed fire.

- Limitations on the availability of regional regulatory personnel threatened program ability to meet deliverables related to the increased use of prescribed fire of both wildland fire and forest health strategies.

Funding Sources

Upon review of feedback, some Funding Sources (ARRF, Ag Trust, FDA, NREF, and RMCA) were not explicit in how the funding supports the Wildfire Program.

The following State Lands accounts are provided as a component of Wildfire Division’s Camps Program budget for state trust lands work the camps provide:

- Agricultural College Trust Management (Ag Trust) (830) [RCW 79.64.090](#)
- Forest Development Account (FDA) (014) [RCW 79.64.100](#)
- Resource Management Cost Account (RMCA) (041) [RCW 79.64.020](#)

The Engineering Division's Access Road Revolving Account (ARRF) (198) [RCW 79.38.050](#) account is provided as a component of Wildfire Division's Camps Program budget for roads work projects the camps participate in.

The Natural Resources Equipment Fund (NREF) (411) [RCW 43.30.305](#) account is the fund source for PI 86K Aviation Program (850-04-01 Aircraft Helicopter).

Accomplishments by Activity

The following additional detail for accomplishments are included below:

Camps Program

Staffed and maintained 35 crews. All available crews were trained, and ongoing training occurred throughout the wildland fire season. Each crew has ten people so a total of 350 crew members were trained.

Fire Training

The total number of red cards (fireline qualifications) issued in 2020 was 5,273, down from 5,890 in 2019. Local and rural fire district staff comprised 2,989, or 57%, of the red cards issued. A total of 851 red cards were issued to other agency staff, including 249 Washington National Guard personnel who successfully completed the required training to qualify as a Firefighter Type 2 or maintain fire line currency.