

Dendro Resource Management, Inc.
*provides audit, security and consulting services
designed to raise the theft and fraud prevention stance of the timber industry.*



In this issue:
Introduction by
Aaron:
Timber Fraud Suspect
Apprehended
Featured Article:
Precautions that Support
Secure Timber Sales
Issue: November
2011



About Us

With over 23 years' experience in the forest products industry, Dendro Resource Management, Inc. (DRM) is a leader in timber audit services. DRM is committed to supporting the integrity of the forest industry by providing independent analysis and recommendations regarding internal controls as well as actively detecting and documenting theft and fraud incidents. Customer programs can be tailored with your Company's needs in mind. With DRM you are guaranteed independence and confidentiality.

**Learn more about our
products and services**

Timber Fraud Suspect Apprehended

Last month, investigators with the South Carolina Forestry Commission charged a timber harvester with failing to pay a landowner for the wood removed from his property. The alleged perpetrator is accused of removing approximately \$27K of timber from the victim's property between March and May of this year, an amount large enough to warrant felony and criminal charges.



The case involves law enforcement personnel in two states as the landowner is in Abbeville County, South Carolina and the harvester operated his business in Madison, Georgia. Although James Lafayette Weldon, Jr. was apprehended in SC he has waived extradition and will be tried in Georgia.

This case is noteworthy not only because of the blatant nature of the theft and the large amount in question, but also because the Commission expects the number of victims in this case to rise. Complaints have been piling up against Weldon in both states. It's yet unknown what the impact will be after further investigation, but it's believed that Weldon, if proven guilty, owes thousands of dollars to several landowners in both states.

Timber is valuable. The forest-related industry has a \$17.4 billion annual impact on the South Carolina economy. While most harvesters are reputable, it's wise for landowners to take appropriate precautions to ensure they get the most for their timber and are doing business with the right people.

There are simple yet effective precautions landowners should take to protect their interests when selling timber. I'll go over some recommendations in the article below.

Warm regards,

[Check out our website](#)
[About Us](#)
[Our Services](#)

[Prior Newsletters](#)



Quick Links and Resources

[ACFE \(Association of Certified Fraud Examiners\)](#)
[Society of American Foresters](#)

[Optic-Solutions, Inc.](#)
[National Federation of Independent Business](#)
[South Carolina Forestry Association](#)

Aaron Gilland, DRM, Inc.

Precautions that Support Secure Timber Sales

I am going to assume you've successfully navigated the major questions surrounding timber sales. Will you handle the sale



yourself or will you hire a consulting forester?

What type of timber sale will you have?

When will you sell?

What type of contract will you require? How

will you monitor the timber sale? What type of payment will you

accept? How many bids

will you gather, if any? Will you retain the right to refuse all bids? Is high bid always the winner? What other factors should be considered? What access will you allow? Basically, what terms will you require in exchange for selling your timber? If you haven't answered those questions then do so before proceeding with a sale.

After answering all of that, unless there are other specific considerations, many landowners sell their timber per unit to the highest bidder. Next steps should be taken to secure and monitor the timber sale.

Checklist for a Successful Sale

I've provided a checklist below that you can use as a guide to walk you through the process so you will take the appropriate precautions to ensure a successful and uneventful transaction:

1. Conduct a thorough reference check of the harvester and his business values and history so you know that a reputable contractor will be operating on your timber sale. This step is one of the most important and yet easily overlooked or skipped, especially if the contractor is known or referred by someone you trust. However, making a misstep here can make securing the timber sales that much harder when they've already started harvesting. Even when the parties are known to each other, establishing a standard process or procedure for assessing the contracting organization is a healthy way to make sure you are both on the right wave length and have business values and understandings that are compatible. Ask for references and then call them and/or check with your appropriate state agencies to see what they may know about the contractor you're thinking of hiring. State agencies that can assist in this process are the various forestry agencies and the better business bureau where

the contractor resides.

2. Ensure you have your entire property lines clearly marked. If you're not selling all of the timber on your property, make sure you have the timber sale boundaries clearly marked also.

3. Ensure you have a complete contract before harvesting begins. Both parties appreciate knowing up front what is expected of them. A clear contract up front can avoid costly misunderstandings for either party. Clarifying potential issues before harvesting has begun sets the groundwork for a good working relationship throughout the process. A thorough contract should, at a minimum, include all of the following items:

- Type of work to be done.
- Equipment to be used. (This is normally not a part of most contracts I see, however, if you are concerned about the impact to a residual stand, dictating the type of equipment to be utilized can protect the residual stand (harvester/forwarder vs. felling machine/skidder)
- Compliance practices that conform to forestry best management practices.
- A specific description of the harvesting area, including any hazards or special areas not included.
- Time frame for completion of the job. (This can vary by region, but many contracts are for a year period with an option to extend if weather prevents harvesting.)
- Communication methods, frequency and information to be supplied between parties.
- Standards for successful completion of the job (roads closed, water bars, decks cleaned, seeded, fences or gates left as found, etc.)
- Requirement for strict weekly accounting by the contractor of all loads removed. (This should include a copy of all scale tickets, a copy of the load sheet being kept on the job, and of course prompt payment.)
- Requirement for Indemnity Insurance listing you (or your company) as an additional insured. (Require that a copy be provided to you prior to harvesting.)
- Specific cancellation rights that provide you with the right to halt operations until a resolution of the problem, or barring no agreement, asking the contractor to leave the premises.
- Method and time frame for payment. (This can also vary, but weekly settlements with the proper documentation are a good idea.)
- Rights to inspect operations regularly. (Inspections should be performed in a safe manner and with the contractor's knowledge to prevent injuries.)

- Rights to conduct counting activities of loads exiting your property, with the method to be determined by you.

4. Assess conformance to contract guidelines periodically throughout the process and especially when the project is nearly complete. Go out to the site and see for yourself (or your representative). Have they harvested the area and the products as specified in the contract? Have all paperwork, documentation and payments been timely? Is there any activity outside the harvest area?

5. Finally, evaluate how the contractor performed using the contract as your evaluation form. The key is to have inspected the job frequently enough that when you receive notification from the contractor that he will be finished in a weeks' time, there are no surprises during the final inspection.

Finally, don't take my word for it; utilize your state agencies and/or consulting foresters to assist you in the process of selling your timber. In SC you can utilize the following link to make sure you cover your bases. Their website is

<http://www.trees.sc.gov/refserv.htm> .

Even if you don't reside in SC the web resources are still valuable and many of the ideas will apply. Best of luck with your timber sale!