

H. CARL McCALL
STATE COMPTROLLER



A.E. SMITH STATE OFFICE BUILDING
ALBANY, NEW YORK 12236

STATE OF NEW YORK
OFFICE OF THE STATE
COMPTROLLER

February 25, 1999

Mr. John P. Cahill
Commissioner
Department of Environmental Conservation
50 Wolf Road
Albany, NY 12233-1550

Re: Report 98-F-36

Dear Mr. Cahill:

According to the State Comptroller's authority as set forth in Article V, Section 1 of the State Constitution and Article II, Section 8 of the State Finance Law, we have reviewed the actions taken by officials of the Department of Environmental Conservation (Department), as of December 8, 1998, regarding the issue raised for consideration in our prior report, *Staff Study on Program Planning and Performance Measurement* (Report 95-D-30). Our report, which was issued on March 1, 1996, reviewed the extent to which formal strategic planning, risk assessment, and program performance techniques had been used by the Department.

Background

The Department of Environmental Conservation is responsible for protecting and managing the State's environmental resources, to enhance the health, safety, and welfare of the people of the State and their overall economic and social well-being. The Department regulates and monitors entities that create and discharge wastes, as well as those that handle other environmentally sensitive materials. It also regulates and monitors the use of the State's fish and wildlife resources.

Our prior study focused on the Office of Environmental Quality and the Office of Natural Resources, which carried out much of the Department's program activity. Since our study, the Office of Environmental Quality has been divided into the Office of Air and Waste Management and the Office of Water Quality and Environmental Remediation.

For fiscal year 1997-98, the Department had about 3,800 employees working at its central

office in Albany and 9 Regional offices located throughout the State. Its budget for that year totaled more than \$800 million (including funds for State operations, aid to localities, and capital projects), of which about \$124 million came from the State's General Fund. The remainder was derived from Federal and other special revenue sources.

Summary Conclusions

In our prior report, we found that managers of several of the Department's operating units were using or considering the use of some form of strategic planning, risk assessment, and program performance techniques. However, to develop an integrated, department-wide system using such techniques, the Department's senior management needed to provide more leadership and guidance. In addition, we had found that the Department would be more effective at planning activities, allocating resources, and identifying and prioritizing environmental problems on a department-wide basis if it used formal risk assessments on a routine basis. Although the Department was already collecting and reporting data that could be used as performance indicators, it could improve its practices if it established a complete and integrated system for reporting its activities, achievements, and progress toward the accomplishment of its goals and objectives.

In our follow-up review, we found that Department officials have begun to develop and implement the type of integrated, department-wide system we had proposed they consider, including the preparation and use of a strategic plan and documented risk assessments. Department-wide performance measurement and reporting practices could be improved further if senior management established stronger links between strategic planning goals and corresponding program accomplishments (outputs and outcomes).

Summary of Status of the Issue To Be Considered in the Prior Report

The Department has considered the issue raised in our prior report.

Issue To Be Considered

Governmental entities nationwide, including those responsible for preserving natural resources and the environment, are making increased use of strategic planning, risk assessments, and program performance measurement to enhance the management and effectiveness of public programs. Department executive management should consider the development and implementation of an integrated, department-wide system of strategic planning, risk assessment, and program performance measurement.

Status - Considered

Agency Action - In his May 21, 1996 response to our prior report, the Commissioner stated that the Department had made efforts in response to the issues presented in our report.

According to the Commissioner, the Department's Quality through Participation (QtP) initiative, which had begun in May 1995, included strategic planning and performance measurement and reporting practices. Subsequent changes in the Department's senior management team, including the Commissioner and the individual directly responsible for the QtP initiative, has had a significant impact on the implementation of this initiative. The Department's new administration has revised the quality implementation plans and has begun to develop and implement new processes of strategic planning, risk assessment, and program performance measurement. The current status of these processes is summarized as follows:

Strategic Planning

In July 1997, an executive team, composed of Regional and Division directors, approved a new Departmental strategic plan entitled *Focusing the Quality Initiative at DEC*. This new plan included six recommendations designed to bring about cultural change within the Department, including the establishment of a Quality Executive Committee and Quality Initiative Office to oversee and coordinate the program's activities. Department officials designed the strategic plan to be implemented in phases over a period of several years. Based on our follow-up review, we determined that Department management has made adequate progress on all six recommendations.

The Department is currently working with a consultant to develop a Strategic Business Plan. To date, the consultant has worked with administrators and Regional employees to gain a general understanding of the Department, including staffing structures and current management tools. Once the consultant completes this stage of the review, he will identify any gaps between management's plan and current operations and develop a new set of strategic goals with objectives for accomplishing them.

In addition to developing a department-wide strategic plan, Department officials have required all of the Bureaus within the Department to develop their own annual strategic plans, which Department management refers to as "work plans." The annual work plans include program goals and objectives, identification of the resources necessary to accomplish them, and the anticipated dates of completion.

Risk Assessment

In 1996, the Department's Internal Control Officer began developing an internal control assessment process that would comply with the State Internal Control Act and Division of Budget guidelines. The Internal Control Unit tested this new process at one Regional office and two Divisions before it was fully implemented in the Fall of 1997. As of November 1998, the Department had completed one annual internal control cycle. Furthermore, Internal Control Unit staff have conducted meetings with Regional and Divisional staff to obtain feedback on this first effort.

Because just one year's data was available for our review, we could not determine whether control weaknesses (or risks) or planned corrective actions had been tracked, assessed, or revised from year to year. However, we concluded that the Department's internal control process represents an integrated, department-wide effort that includes clearly-reported risk areas, goals, planned corrective actions, and targeted implementation dates.

Performance Measurement

In our prior report, we noted that some Divisions within the Department had implemented performance measurement and reporting on their own. During this follow-up review, as previously noted, we found that all Divisions within the Office of Air and Waste Management and the Office of Water Quality and Environmental Remediation prepare and utilize annual work plans that include program goals and objectives. In addition, as part of the Department's internal control process, individual operating units use management plans to document the goals and objectives for their specific areas of responsibility. Generally, the management and staff of the Divisions and the operating units have used the goals and objectives prescribed by the various plans to conduct some form of formal program performance assessment. However, some Divisions and operating units are not documenting clearly whether or how goals are accomplished, carried over, and/or revised from year to year.

Moreover, we concluded that senior Department management still needs to provide guidance and oversight to coordinate the assessment and reporting of program goals and corresponding accomplishments on a department-wide basis. Our follow-up review disclosed that Department management had reported significant program accomplishments in its 1997 Annual Report, but did not present those accomplishments in relation to established plans and goals (either qualitative or quantitative) for the year.

For example, the 1997 Annual Report noted that 28 of 90 priority sites listed in the State's 1995 Open Space Conservation Plan were permanently conserved by the end of 1997. We acknowledge that progress toward accomplishing the objectives prescribed by the 1995 Conservation Plan is positive. However, the Annual Report could have placed this matter in broader perspective. For example, it could have indicated: the number of sites that should have been completed during 1997; the number of sites that were actually completed during 1997; and timetables for the completion of remaining sites. Likewise, we determined that other program accomplishments identified in the Annual Report could not be traced readily to corresponding goals prescribed by management.

Officials told us that the department-wide coordination of program performance assessment and reporting is complicated because (1) the nature of the Department's programs differs greatly among the Divisions, and (2) the program-reporting requirements of the Federal Environmental Protection Agency (EPA) can vary significantly, depending on the program.

Auditors' Comments - We acknowledge that the unique and varying nature of the Department's programs and EPA reporting requirements complicates department-wide efforts to coordinate program performance assessment and reporting. Nonetheless, senior management should seek ways to improve the integration of its systems for both department-wide strategic planning and program performance assessment and reporting. To help minimize any redundancies in these processes, such a system should be designed with Federal and any other reporting requirements in mind.

Major contributors to this report were Brian Mason and Kristee Iacobucci.

We would appreciate a written response to this report within 30 days, indicating any actions planned or taken to address any unresolved matters discussed in this report. We also thank the management and staff of the Department of Environmental Conservation for the courtesies and cooperation extended to our staff during this review.

Very truly yours,

Frank J. Houston
Audit Director

cc: Robert L. King