Special Review

Office of the State Auditor

Getting There From Here

Recommendations to Modernize the Permit Process & Improve Financial Controls

at the Department of Environmental Conservation

Elizabeth M. Ready
Vermont State Auditor

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Mission Statement

The mission of the State Auditor's Office is to be a catalyst for good government by promoting reliable and accurate financial reporting as well as economy, efficiency and effectiveness in State government.

Getting There From Here

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The Promise of IT

This year our Office issued a Special Review of the State's oversight and development of Information Technology systems, and a high-level assessment of the State's security and data recovery policies.

We found that the Department of Environmental Conservation, like other departments across state government, does not always make the most of the taxpayers' investments in information technology. Vermont could increase customer satisfaction and save money by providing online permit services and enhancing the use of financial accounting and reporting functions.

These reports, *Wiring Vermont's Future* and *Securing the Enterprise*, are available on our website: www.state.vt.us/sao.

Executive Summary

All Vermonters are stakeholders in the performance of the Department of Environmental Conservation (DEC). Thousands experience the positive result of the Department's stewardship of land and water resources through a high quality of life, a safe, clean environment, and numerous recreational activities related to natural resources. Thousands more are stakeholders as customers and applicants in the DEC's 56 permit, license and certificate programs. Therefore, we all have a stake in the DEC's performance, and the financial management and oversight of its scarce resources - especially given its inter-related mission to foster an efficient, customer-friendly permit system and protect the environment.

DEC Commissioner Chris Recchia asked the State Auditor's Office to help review financial management and oversight procedures at the DEC and at the Agency of Natural Resources following the discovery that the DEC was facing a $4.2 million deficit in its overall $27 million FY 2002 budget.

We found that this deficit came about as a result of these factors:

The DEC could improve its overall performance and enhance customer service by developing the capability to process, renew and track permit applications electronically.

- The State's permit fee structure is not adequate to support the Agency's programs;
- The DEC is currently unable to process, renew and track permit applications electronically, which could improve its overall performance and enhance customer service;
- The DEC's business practices for budget and management functions were disconnected from day-to-day Department operations, leaving crucial gaps in the oversight of revenues, expenditures, and needed staffing levels;
- The DEC faced challenges with the transition to the new computerized financial reporting module - VISION - which hampered its ability to produce useful analytical budget reports;
- Pay Act funds allocated to the DEC by the Department of Finance and Management do not adequately cover the annual increases in the DEC's personal services costs. While some of these annual increases are personal services costs supported by federal or special funds, inadequate Pay Act allocations contributed to the Department's deficit; and,
- The DEC has paid for goods and services received during one fiscal year with funds budgeted for the subsequent fiscal year. This practice has disrupted the Department's ability to match expenditures against approved budgets.

Shortly after we initiated our Review, the Agency's management made significant strides to shore up the internal communication around its business processes and gain a holistic view of the Agency's financial and staffing resources. Therefore, many of the recommendations have already been implemented or are underway.

In addition to issues related to the deficit, we found that the Department was meeting many of its performance goals related to the processing of permits, in spite of a chronic lack of staffing that hinders proper coordination between permit specialists, permit reviewers and customers.

The public perception, however, remains that a logjam of permit applications, compliance inspections and technical assistance requests exists at the Department. Staffing shortages, and the need for better long-term resource planning contribute to this perception, and are affecting the Department's ability to protect the environment, foster a positive business climate, and serve its customers.

Our Review offers a number of key recommendation for ways the Agency could improve its overall service to its customers - both businesses and citizens - as well as meet its mission to protect the natural resources for generations of Vermonters to come.

We recommend:

- The Agency should propose, and the Legislature should adopt, an environmental permit fee structure based upon the actual costs associated with issuing permits and administering permit programs;

- In return for these fees, applicants deserve quality service. The Agency and DEC should develop an e-government portal to provide one-stop shopping for its permits and certificates, including online application renewal and tracking capabilities, and be linked to similar sites which should be developed for other permitting departments such as the Department of Labor and Industry and the Division of Historic Preservation. This effort should be part of the statewide strategic plan to improve information technology and offer online services to citizens;

- The Agency should continue to improve its measurable goals and benchmarks to provide a constant evaluation of its work, both internally and with its varied customers;

- The Agency and DEC should conduct a thorough evaluation of their human resource needs to determine the minimum number of staff required to adequately carry out DEC's essential and required functions;

- The Agency should ensure that staff members receive training necessary to fully understand all internal business processes and associated functionality of the new VISION system; and,

- The DEC should carefully manage its budget to properly match expenditures against approved budgets. It should further ensure that sufficient carry forward of revenues and spending authority is available to cover prior year expenditures.

The DEC has already begun some of this work, and should be commended for taking the immediate steps necessary to shore up its business process and management oversight. However, the DEC should use this time to establish a strong foundation that allows it to embrace new technologies to not only better manage and track its own internal resources, but to strengthen its connection with businesses, citizens and visitors to Vermont.

Sincerely,

Elizabeth M. Ready
Vermont State Auditor

Findings & Recommendations

Finding 1

The Agency's environmental permit fee structure is not adequate to support the costs of issuing and administering State permits. This was a significant factor in the DEC's budgetary shortfalls in fiscal years 2001 and 2002.

Discussion

Environmental fees do not cover the cost of permitting and administering programs of the DEC. An example is in the stormwater permit program, where nearly 1,000 permits expired due to lack of staff.

An independent review determined the Agency of Natural Resources needed a $2.2 million fee increase in Fiscal Year 2003 to provide basic services.

The Agency has statutory authority to establish fees for some of its environmental permitting and regulatory programs as outlined in 3 V.S.A. § 2822. DEC collected $2.2 million in environmental permit fees in calendar year 2001. DEC collected $2.9 million in calendar year 2000, $2.2 million in calendar year 1999, and $2.8 million in 1998. Most funds were collected from fees associated with air pollution, mobile home, solid waste treatment, and campground permits, and air emissions fees from the Department of Motor Vehicles and water supply fees.

Fees associated with the natural resource areas of State government are currently reviewed every three years as part of an annual fee report. A request for increases is considered by the general assembly.

Two years ago the Agency commissioned a review of the fees. The Agency proposed a fee policy that would allow for:

- The total cost of issuing business licenses to be reflected in the license fee;
- An administrative processing fee to be collected from each permit application that would be equal to the total cost of clerical processing;
- New non-municipal permit fees to collect 50 percent of the Agency's total direct and indirect permit review costs; and,
- Municipal exemptions from Agency fees to continue as codified under law.

The consulting firm Economic and Policy Resources, Inc, summarized its analysis of the fee increases necessary in a December, 2000 report: "The average initial fee increase required to achieve these targets across the Agency in fiscal year 2003, the middle year of the three year period, was calculated to be 79.1%. That increase was calculated to reflect the Agency's desire to achieve a significantly higher cost coverage ratio for its fee programs. In past fiscal years, the fee program cost coverage ratio was thought to be too low. This fee proposal was developed to achieve a cost coverage ratio that was thought to be more consistent with the original legislative intent of the Agency's original fee program proposal of over ten years ago."

Approximately $2.2 million in increased fees would need to be collected by the Department to meet the cost coverage goals established by the Agency. The annual fee bill passed by the Legislature in June 2001 included fee increases for the Agency permit programs to only generate approximately $179,000 in additional revenue. In 2002, the annual fee bill included an additional $562,837 in revenue for the Agency.

Recommendation 1

The Agency should propose, and the General Assembly should adopt, an environmental permit fee structure to cover the costs associated with issuing and administering permits, certificates and licenses.

Finding 2

According to its own reports, DEC has met many of its performance measurements for permit processing. However, a public perception remains that the process is slow, its requirements cumbersome and its rules confusing. Staff vacancies and a lack of online services and computer training hamper the DEC's ability to provide better customer service.

Discussion

Citizens and permit applicants should expect a high level of service for their fee payment. The DEC must develop an online permit application, renewal and tracking system to better serve its customers.

In 2001, 92.7 percent of permits issued by the DEC met performance goals. However, public perception remains that the process is too slow.

The Agency's Strategic Plan, adopted in 2000, set out to improve in four areas: Sustainability; Improved Health; Outdoor Recreation, and Effective Operation, and adopted a set of measurements designed to evaluate its performance. The Agency stated in its Strategic Plan for 2001-2005:

"Continuous improvement in all our operations will remain our steady focus. In the next five years we will install the first new financial management system for the Agency in more than 20 years. We will increase our use of the Internet and other information technologies. We will develop measures of our performance that directly relate to our strategic and annual operating plans, and to our financial and personnel management systems. In

evaluating our performance, we will work with Vermonters, our partners, and our staff to continuously find ways to improve the quality and efficiency of our operation."

In calendar year 2001, the DEC issued a total of 6,336 environmental permit decisions and 92.7 percent of these met performance goals (*See Appendix D*) related to permit processing. However, a closer examination shows that meeting these standards varies widely (*See Table 1*). Take two permit areas - discharge and subdivision permits. While the DEC is providing timely permit reviews in nearly 90 percent of all single- and multi-lot subdivisions, it is falling behind its standard in issuing general discharge permits for municipal and industrial customers - meeting the standard at slightly better than 50 percent. According to Department staff, more complicated projects that require field surveys and reviews take longer and can become bogged down if permits are amended or a project's scope of work changes midway to completion.

Table 1: Select Performance Measures Related to Permit Processing at DEC

PROGRAM	Applications Received	Total Average Processing Days	Dept. Average Processing Days	Performance Standard	Number of Cases Completed	Number of Cases Meeting Std.	Percent of Cases Meeting Std.
Discharge Permits							
Municipal	16	375	303	180	24	11	46.0%
Industrial	29	309	273	180	37	22	59.0%
Cooling Water	2	298	298	180	4	1	25.0%
Pretreatment	18	185	166	180	15	9	60.0%
Stormwater	128	213	108	150	87	72	82.8%
Subdivisions, Campgrounds, MH Parks							
Single Lot	988		14.49	30	971	892	91.9%
Multi Lot	293		22.78	45	295	264	89.5%
Deferral	564		5.32	14	581	556	95.7%
Homestead Exemptions	248		4.96	14	238	234	98.3%
Totals (this table)					**2,252**	**2,061**	**91.5%**
Totals (all applications)					**6,336**	**5,871**	**92.7%**

The Environmental Assistance Division, which interacts directly with each permit applicant (*See Permit Specialists: Giving Customers a Clear View, page 10*), conducts an annual customer survey (*See Appendix F*). In 2001, the survey found that:

- 93 percent of respondants rated the overall permitting experience as satisfactory or better;
- 15 percent of respondants reported the timing of permit issuance to be a problem;
- 96 percent of respondants said they understood from the beginning what they needed to get their permit; and,
- 94 percent of respondants said DEC staff were helpful and treated them fairly and courteously.

Each survey is shared with the appropriate permit program, and each complaint is responded to directly by program staff. This survey information is further used when each program develops their performance measures related to permit processing times. For example, the DEC recently shortened its stormwater permit processing time from 150 to 90 days, in part, because of applicants' requests.

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Permit Specialists: Giving Customers a Clear View

When a private citizen or business decides to develop a piece of land or rehabilitate an older building for a new use often the first question is: What state permits will I need?

The person with the answer is one of four State permit specialists who develop a Project Review Sheet to determine all state permits. "We believe that helping people early on will reduce the staff time needed later on because an application was filed incorrectly," says Nancy Manley, permitting coordinator of the DEC's Environmental Assistance Division (EAD).

Four permit specialists cover the entire State, often meeting with people at regional planning commission offices and other locations. "This keeps them one-half step closer to applicants," adds Manley.

One regular EAD customer is Olivia Beleau of the Gilman Housing Trust, a Newport-based non-profit housing developer. "When we have a project ready, we sit down and go over the scope of work and [the Permit Specialist] runs to the different offices to make sure nothing raises any flags and we know what permits we're going to need," she says. "They also have a really good handle of who to contact - whether it's at the Agency of Transportation or the Division of Historic Preservation, which saves me a lot of time chasing people down."

Beleau thinks more businesses and developers need to be aware of the program and the assistance it offers. "I just don't think people know enough about the specialists and how much easier they make it for people."

For some large-scale developments, such as Husky Injection Moldings in Milton and the State prison in Springfield, permit specialists provide project management. This entails sticking with the business through the entire process and being named as a contact for that business.

Four permit specialists cover the entire State, often meeting with people at regional planning commission offices and other locations.

Specialists don't advocate for or against a project. Instead they ensure that no communication problems occur between permit reviewers and the customer, Manley says. "It's unfortunate that we have to spend so much time with these cases, because in my estimation they have the resources to hire consultants to help them through the process."

Instead, Manley wishes staff could offer targeted project management for small businesses. The EAD would have to develop a screening mechanism because such help could not be offered to all projects. Such triggers could be the need for several permits and a significant impact on natural resources, Manley said.

"This program would pick out small business projects and ask the applicants questions as early as possible, because those are the applicants who don't have the ability to hire consultants and who we believe need our help the most," says Manley.

The DEC updates performance measures annually. Each division is provided a list of its current measures and a summary of factors to consider when updating them. Division staff review the measures and propose any changes. The proposal is then reviewed by a DEC planning team of division directors and Commissioner's Office staff. The Commissioner gives the final approval. Customer satisfaction surveys are acknowledged during the ongoing review of internal operations. But, there is no direct involvement of permit customers to reflect their expectations related to the performance of the DEC in reviewing and issuing permits.

These measurements are designed specific to each of the DEC's strategic programs, helping to assess its dual mission: to protect natural resources and be consumer-friendly. To become more consumer-friendly, the Agency established measurements that related to citizen interaction.

The DEC also provides the U.S. Environmental Protection Agency (EPA) with an annual report of how well it is meeting the indictors established under its Environmental Partnership with the federal agency (*See Appendix E*). The indicators in this Environmental Performance Agreement are used to measure and track the work of the DEC and the changes that occur as a result. Indicators range from changes in the behavior of a regulated group, i.e., being in compliance with existsing state and federal environmental standards, to the quality of an environmental measure such as the number of impaired waters, the amount of phosphorous discharged into Lake Champlain annually and the DEC's work to keep invasive species such as milfoil and water chestnut in check.

As permits lapse with little governmental concern, people's confidence in the permitting system is weakened.

The measures also monitor internal performance at DEC as it relates to interactions with its permit customers. For example, the EAD set a target of helping 70 businesses to comply with permits through their hotline in 1999, 2000 and 2001 based on an actual number of 60 businesses helped in 1998. However, the actual number of businesses helped in those three years rose dramatically to 148, 448 and 599 respectively. The EAD has since raised its projections to reflect the increase, and now expects to provide 250 assistance calls each year for 2002 and 2003.

Using Information Technology to Enhance Performance

The Agency has improved its website to include more public information about its programs and services. However, it falls short of using technology to its fullest potential. A great number of applications are available online, but they can't be filled out online. This does little to streamline internal business processes.

In 2001, the DEC's stormwater program was consolidated into its Water Quality Division and the DEC is using information technology to streamline this program. The Department said last year, "We have secured scanning equipment for each regional office so that the land record documents can be converted to electronic format. New permits will be stored in a 'document vault' in electronic format. Electronic format will eventually allow for online searches of these documents by the public and will increase our use of computerized maps. Over the next several years this will assist, most particularly, with file searches and other file management issues that may reduce response time."

The DEC has an operational team looking at ways to move to a paperless system. But, that will take some effort to re-train managers in this new environment, as well as field specialists and permit specialists. This effort is currently being piloted in several programs.

A DEC web portal should be part of a larger government-wide strategic plan for online services; the effort should be coordinated through Vermont's Chief Information Officer. DEC, and other departments, would then receive the authorization to accept electronic signatures and credit card transactions, allowing people to apply and pay for new and renewed permits without ever leaving their office or home.

A DEC web portal should be part of a larger government-wide strategic plan for online services; the effort should be coordinated through Vermont's Chief Information Officer.

This would help the DEC focus its staffing resources on new permit applications. In recent years, more than 1,000 of the State's stormwater permits have expired during a period when the DEC has inspected few of the systems to make sure the discharges meet water quality standards. As a result, water quality has suffered and businesses have been unable to expand or locate in affected watersheds, slowing economic development. As permits lapse with minimal governmental concern, people's confidence in the permitting system is weakened.

Recommendation 2

The DEC should develop an e-government portal that allows citizens and businesses to apply for and renew permits and licenses, including the ability to accept electronic signatures. This effort should be part of a statewide strategy to improve information technology and offer online services to citizens.

Recommendation 2a

The DEC should continue to improve its measurable goals and benchmarks to provide a constant evaluation of its work, both internally and with its varied customers. Customers should be engaged and provided the opportunity to offer their insight into the DEC's performance standards related to permit processing times.

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Stormwater Permits: Cleaning Out the Pipeline

The Agency of Natural Resources regulates stormwater pollution with a permit program that often requires developers to first contain the water and then send it through a buffer strip of vegetation before it is released into a nearby brook.

In recent years, more than 1,000 of these permits have expired. The State inspected few of these systems to make sure the discharges met water quality standards. As a result, many Vermont streams - including several brooks in Chittenden County - became so polluted with stormwater that they no longer met state water quality standards, and in many cases were unable to support any animal life. This pollution added to the phosphorus run-off into Lake Champlain, and slowed economic development because business could not be permitted to locate or expand in the affected watersheds. In all, 25 small streams statewide became affected.

This backlog of expired permits meant that thousands of dollars in permit fees went uncollected, shortchanging taxpayers in the process.

In Fiscal Year 2001, fee collections totaled $39,682 from new permits and voluntary permit renewals. This compares to a three-year average (1997-1999) of $27,700. Budget cuts led the division managers to allocate just one technical person and a half-time clerical person to review new permit requests. With that level of staffing, managers say, permit renewals were left to lapse. The Department estimates it was spending $75,000 a year in staff to do its work to review new permits, and allowed a backlog to occur.

As a result of legislation passed in 2000, the Agency of Natural Resources beefed up its stormwater program. First, it was moved from the waste management division into the water quality division and was assigned more staff.

Taxpayer are shortchanged when permit renewals are not tracked and fees to go uncollected.

On September 26, 2001 ANR Secretary Scott Johnstone and Gov. Howard Dean announced they would attack this backlog problem with a new Urban Stormwater Management Plan. The State's three-part strategy would bring Vermont's waters into compliance with clean water laws by:

- Issuing "general permits" for each polluted watershed, with a requirement that all stormwater dischargers comply with their existing permit;
- Requiring the largest polluters in each area to meet current standards; and,
- Granting new permits under current standards.

The Agency is now in the process of updating its stormwater rules that, if enacted, would require permits for all projects creating more than one acre of impervious area.

Finding 3

The Agency and DEC did not have an adequate organizational structure and system of internal controls in place to oversee and manage the financial operations of the Department of Environmental Conservation.

- ***There was limited communication between overall program management that occurs at the Department level and overall financial management that occurs at the Agency level.***

- ***There was no relationship between program management and financial management within the Divisions. Directors had not been properly trained and had not traditionally been responsible for the financial operations of the their respective divisions.***

Discussion

The Agency and DEC realized during the close-out of FY 2001 that the Department was facing a $4.2 million budget shortfall for FY 2002. Agency and Department leaders with assistance from other state officials began to assess how the FY 2002 budget became 15 percent short of its target. They identified a number of problems and observations:

- Divisions were not generating basic financial information or tracking actual revenues against expenditures;

- Key staff members were not receiving financial information and analyzing it to determine if any required changes in financial or program practices were needed;

- DEC's Business Manager and accounting staff were organizationally located within the Agency's Central Office and did not report to the DEC commissioner; and,

- The budgeting process did not include a full evaluation of federal receipts against grant obligations and state matching requirements.

A team of Agency and other state financial personnel has been formed to assess the strengths and weaknesses of the Agency's financial management system.

In conducting this special review our Office had a number of discussions with Agency and DEC personnel regarding the processes they have in place for financial oversight and management. We found that the Agency and DEC have taken a number of steps to improve their system of internal controls.

Financial and Program Oversight

In February of 2002 the Department began monthly management team meetings focusing specifically on the financial and budgetary status of each division within the Department.

These meetings aim to provide timely financial and budgetary information to the people responsible for managing all of the DEC's environmental programs. These meetings involve the DEC Commissioner, Chief of Operations, Business Manager and Division directors as well as a representative from the Agency's Central Office.

At the February 11 meeting Division directors were presented, for the first time, with financial and budgetary reports that detailed actual FY 2002 year-to-date revenues and expenditures as well as projections for the fiscal year by division. The Business Manager generated these reports by utilizing information and reports contained within the State's new financial management information system, VISION.

The financial aspects of the DEC's operations were previously overseen and directed by the Agency's Central Office. This scenario provided very limited financial information to DEC's Division directors, and there was little to no relationship between program and financial management. As a result, Division directors focused primarily on the operational components of the programs within their respective divisions and did not relate that work to DEC or the Agency as a whole.

The DEC now plans to train Division directors how to read, interpret and analyze financial reports produced by the DEC Business Manager. This will help directors become more responsible for revenues and expenditures of the programs within their respective Division. These monthly meetings, and the financial and budgetary reports discussed at these meetings, should provide Division directors and program managers with the necessary information to more effectively manage and guide departmental operations.

Organizational Structure

Effective February 18, 2002 business managers for each of the Agency's departments were reassigned to report directly to the commissioner of the respective department. All business managers and supporting accounting staff were previously located organizationally within the Agency's Central Office. The business managers and accounting staff did not report to departmental managers, even though their work assignments were directly related to a specific department. At DEC, the Business Manager and the accounting staff will now report to the DEC Chief of Operations.

The DEC Business Manager will produce detailed financial and budgetary reports for the Commissioner, Chief of Operations and Division directors, along with carrying out the Department's business and accounting processes. The Agency's Director of Management Services, who is housed in the Central Office, will continue to coordinate and oversee Agency-wide business management functions.

Financial Management Review Team

Agency Secretary Scott Johnstone convened a team of Agency and other state financial personnel to review the Agency's financial management system in an effort to fully assess the strengths and weaknesses of the Agency's financial management system. The goal of the team is to ensure that the Agency is "as efficient and effective as possible in managing our financial affairs and in supporting the mission of the agency of managing the state's natural resources and protecting the public health."

Members of this management team include the Agency Deputy Secretary as Chair, business managers and a line manager from each department, the Director of Management Services, the Director of Information Management, and the Chief Financial Officer from the Agency of Human Services. The team also includes a Department of Finance and Management Budget Analyst who was temporarily assigned to the Agency to assist with the Chief Financial Officer duties. This team will review the Agency's current financial management system and develop long-term strategies to improve its overall efficacy. Improvements will be based on these principles:

- The Agency Central Office will strengthen its ability to plan, budget, monitor and control the financial affairs of the Agency. It will develop the capacity and ability to conduct financial analyses for Agency Departments;

- Individual departments will continue to develop, implement and monitor their respective budgets. However, the Agency Central Office will assume greater control over the development, accounting and distribution of revenues, and oversight of each department's budget development and implementation. It will also manage year-end close-out activities;

- The Agency will ensure that program and financial managers are using information from the VISION financial management system to manage their finances and programs;

- Managers will strengthen the reporting system within the departments, between the departments and the Agency, and between the Agency and the Administration; and,

- Managers will adapt the financial system to include performance-based budgeting.

Recommendation 3

The Agency and the DEC should develop a management structure and system of internal controls to ensure the proper oversight and management of its financial operations. The Agency and DEC should:

- ***Ensure that all appropriate staff receive the necessary training to make the best use of the new VISION accounting and financial management system;***

- ***Provide training to improve the ability of managers to develop and analyze a range of key financial reports, from budgets to expenditures; and,***

- ***Establish clear roles and responsibilities for key personnel in the financial operations of the Agency and DEC.***

Finding 4

The DEC has not re-engineered its business processes to maximize the potential benefits of the new VISION accounting system. It does not have a financial procedures manual.

Discussion

DEC would benefit from a well-maintained Financial Policies and Procedures Manual. The scope of the manual should include procedures for handling purchase orders, invoices, cash receipts and cash disbursements, payroll and financial reports.

Our Office conducted a sample audit of DEC accounting records dated between July 2001 and February 2002, and interviewed DEC's Business Manager to assess the DEC's internal control environment. As a part of our assessment we requested a copy of the DEC's financial policies and procedures manual. The Business Manager acknowledged the lack of such a manual, and explained the existing "unwritten" internal controls governing key business processes.

We found no evidence of review and approval for 18 out of 25 purchase orders and 7 out of 25 cash deposits.

We tested several key business processes against these existing "unwritten" internal controls. We assessed the purchase order process, invoice process, and cash deposit process for appropriate internal control including evidence of review and approval of transaction source documentation and tracing of source document dollar amounts to the VISION actuals ledger and budget ledger. We found no evidence of review and approval for 18 out of 25 purchase orders we tested. The 18 exceptions were associated with duly approved contracts. However, there was no direct evidence of review or approval on the purchase orders. We found no evidence of review and approval by the Business Manager for 5 out of 25 invoices tested. And we found no evidence of review and approval for 7 out of 25 cash deposit receipts tested (*See Table* 2).

Table 2

	Population*	Sample Selection*	Exceptions	Exception Rate (%)
Number of purchase orders	**587**	**25**	**18**	**72**
Number of invoices	**5,320**	**25**	**5**	**20**
Number of deposits	**558**	**25**	**7**	**28**

(Dates of samples July 2001 - February 2002)*

Failure to review and approve purchase orders, invoices and deposits according to established "unwritten" business procedures is evidence of a lack of proper internal controls. The results of our test work highlight the need for a manual to guide and control all business transactions and processes.

Department staff point to challenges posed by the new VISION accounting system for stalling work on the procedures manual. During the course of our review the DEC Business Manager acknowledged that she was spending considerable time trying to extract budget and other financial information in a format that was understandable to Department managers. Consequently, development of a financial guide to strengthen and formalize the control over DEC's business processes in this new environment was put on the back burner.

The current Business Manager at DEC was hired in April 2001. In a relatively short time she has become well versed in the mechanics of governmental accounting and budgeting. The position is currently the sole expert point of contact on Departmental accounting and budgetary issues within the VISION system. The DEC is at significant risk should the Business Manager decide to change jobs or not be available for an extended period of time.

Recommendation 4

The Agency and the DEC should create and maintain a Financial Policies and Procedures Manual to guide and control its business processes in the context of the new VISION environment. Managers should follow these policies and procedures when reviewing and approving purchase orders, invoices and deposits.

Recommendation 4a

The duties of the Business Manager should be cross-trained with other key staff within the Agency to help ensure that a disruption of critical DEC reporting is minimized.

Finding 5

Pay Act funds allocated to the DEC by the Department of Finance and Management do not fully cover the annual increases in DEC's personal service costs. While some of these annual increases are supported by federal or special funds, inadequate Pay Act allocations have contributed to the DEC's deficit. This has forced DEC to increase its vacancy savings and divert program funds to cover staffing costs, thereby diminishing the DEC's ability to accomplish its mission.

Discussion

Each fiscal year the State budgets personal services costs based on the salary levels at the close of the previous fiscal year. These personal services costs are included in the annual Appropriations Act for the Support of Government. General and Transportation funds to support increases in personal services stemming from union contracts are appropriated separately by the General Assembly in what is referred to as the "Pay Act." Pay Act funds are allocated to state agencies and departments by the Department of Finance and Management based on the percentage of each department's personal services expenditures that are supported by General and Transportation funds.

Costs associated with cost of living and step increases typically average 4 to 5 percent per year for DEC, yet General Fund Pay Act increases allocated by the Department of Finance and Management to cover these costs have only increased at an annual rate of less than 1 percent. Combined with federal revenues that have been level funded for the past six years, and fees that have not kept pace with inflation, DEC has, according to Secretary Johnstone, "started each year with a deficit." Other inflationary costs, beyond Pay Act, such as medical benefits, are also not covered by the General Fund increases.

The DEC business manager estimated that increased costs for personal services for FY 2002 amounted to $614,711. The Pay Act allocated by the Department of Finance and Management for FY 2002 totaled $105,449, $101,239 in general funds and $4,210 in transportation funds. This left DEC with a shortfall of $509,262 that had to be absorbed within their FY 2002 budget. For FY 2001 this personal service, or Pay Act, deficit totaled $537,457.

To cover these shortfalls the Department did not fill positions as they became vacant due to employee turnover, thus weakening the department's ability to provide services to the public. The Department held 22 positions vacant to help defray the FY 2002 budget deficit, and to meet its FY 2003 budget it proposed a 10 percent reduction to programs and services.

Agency of Natural Resources' Guiding Principles:

We are public servants, whose every power is derived from law and whose authority is that given us by the people of Vermont.

We believe that people have a right to the reasonable use and enjoyment of the State's natural resources.

We believe that the State's natural resources - plants, animals, soils, minerals, air, and water - are functioning parts of complex and delicate natural systems.

We believe that we must teach and practice stewardship to protect the integrity of the state's natural heritage and assure its wise use, and to protect and improve the health of Vermont's people and ecosystems.

We believe that a public that is fully informed about natural resource issues can best guide us and help us achieve our mission.

We believe we should be leaders in fostering mutual understanding among groups with conflicting demands and in promoting solutions based on principles of good stewardship.

We believe that, for the benefit of this and future generations, the integrity, diversity, and vitality of Vermont's natural systems must be sustained and enhanced.

We believe we should treat people fairly and honestly. Our actions should always be consistent with the law. We should show respect for the people we serve, and the resources and natural systems for which we are stewards.

- from the Agency of Natural Resources' Strategic Plan 2001-2005

In a June 8, 2001 Memorandum to Department Heads and Business Managers, the Department of Finance and Management acknowledged that the General and Transportation funds appropriated in the most recent Pay Act were not adequate to completely pay for the negotiated FY 2002 salary increases. At that time, the Department of Finance and Management estimated that, "about 35% of the funds needed for salary increases are NOT appropriated in H.506, and will need to be found in your approved budgets." Departments were advised to find adequate funding in their appropriated budgets or from any carry forward available from FY 2001 savings.

The Department in most cases cannot earn additional federal funds or special funds to help offset the cost of personal service expenditures not supported by Pay Act. The only alternatives are to divert program funds or forestall the hiring of staff to fill vacant positions. Neither of these alternatives help the Department meet its mission to preserve, enhance, restore, and conserve Vermont's natural resources, and protect human health.

Recommendation 5

The DEC should conduct a thorough evaluation of its current Pay Act requirements to identify those increases in personal service costs that cannot be recovered from federal or special funds. These costs should be communicated to the Department of Finance and Management, which should allocate the money necessary to more fully fund that portion of DEC's increased staffing costs.

Recommendation 5a

The Agency and DEC should conduct a thorough evaluation of their human resource needs to determine the minimum number of staff required to adequately carry out DEC's essential and required functions. Costs associated with these human resource needs should be included as part of the DEC's annual budget discussions with both the Administration and the General Assembly.

Finding 6

The DEC has paid for goods and services received during one fiscal year with funds budgeted for the subsequent fiscal year. This practice has disrupted the Department's ability to properly match expenditures against approved budgets.

Discussion

During July, August and September of 2001, our Office noted that DEC paid bills totaling $2,885,886 from its FY 2002 budget for expenditures that were incurred during the previous fiscal year. The prior fiscal year DEC paid bills totaling $830,240 from expenditures incurred during FY 2000.

As an example, nearly $2 million of the FY 2001 expenditures paid in FY 2002 were from the Petroleum Clean-up Fund, which had a carry forward balance of $1.5 million dollars. The DEC will need to ask the Legislature to appropriate a half million in excess receipts from the Petroleum Clean-up Fund to cover the balance of the prior year expenditures that are not covered by the carry forward of revenues.

According to the DEC's Business Manager, the DEC lacked adequate spending authority in its FY 2002 budget to cover $101,903 of its prior year expenditures.

The issue of paying for items in one fiscal year with appropriations from the next throughout state government was listed as a reportable condition in the Office of the State Auditor's Management Letter for the Fiscal Year Ended June 30, 2001, which was issued April 3, 2002. That finding read as follows:

"When expenditures for goods or services received during one fiscal year are paid in the subsequent fiscal year without the corresponding carry forward authority, departments are unable to properly match annual budgets and spending against those budgets. As of the end of October 2001, $83 million of bills for goods and services received during fiscal year 2001 were paid for in fiscal year 2002. This number has increased from the prior year when $70 million of bills for goods and services received during fiscal year 2000 were paid for in fiscal year 2001. The State has a total of $68 million in general fund and $6.7 million in transportation fund appropriated carry forward authority from fiscal year 2001 available for fiscal year 2002. However, there is not always a relationship between the amount of a department's carry forward expenditures and the amount of its appropriated spending authority. Management of departmental budgets could be adversely affected if the appropriate amounts of carry forward expenditure authority are not authorized to cover prior year expenditures. It is particularly important to note the carry forward of 2001 expenditures to fiscal year 2002, because fiscal year 2002 will be the first year the State plans to institute a full encumbrance accounting system."

Recommendation 6

The DEC should carefully manage its budget to properly match expenditures against approved budgets. It should further ensure that sufficient carry forward of revenues and spending authority is available to cover prior year expenditures.

Appendix A

Statement of Purpose, Scope and Methodology

Purpose

The Office of the State Auditor conducted a high-level review of the Department of Environmental Conservation's (DEC) financial operations and business processes as well as the Agency of Natural Resources' (the Agency) administration and oversight of the Department. The purpose of a review is to identify findings and observations and to make recommendations so that the reviewed agency can better accomplish its mission and more fully comply with laws and regulations. This review was conducted at the request of the Secretary of the Agency and the Commissioner of the DEC.

Authority

This review was conducted pursuant to the State Auditor's authority contained in 32 VSA §§ 163 and 167.

Scope and Methodology

The scope of this review included an evaluation of the DEC's organizational and management structure as well as its system of internal controls over business and financial management processes. This evaluation also included reviewing the Agency's administration and oversight of the DEC's financial operations.

The methodology involved a review of relevant statutes, regulations, policies, internal memoranda and correspondence relating to the DEC's and Agency's activities. It included interviews with relevant Agency and DEC staff to ensure that established procedures and controls are being followed, and documenting the DEC's and Agency's internal control policies and procedures. The Auditor's Office also conducted field tests (on a sample basis) of the DEC's business processes related to purchasing, invoices, and deposits.

This review relied upon representations of, and information provided by staff from both the Agency and DEC. If an audit had been performed, the findings and recommendations may or may not have differed.

Appendix B

Background

The State Auditor's Office was asked by the Agency and DEC to help review financial management procedures following the discovery that DEC was facing a $4.2 million deficit in its overall $27 million FY 2002 budget.

Prior to initiating our review, DEC implemented numerous actions to reduce the FY 2002 budget shortfall to approximately $438,000. These actions included not filling vacant positions, reducing operating and equipment expenditures, and tapping into unspent, non-state revenues. The Department also received permission from the federal Environmental Protection Agency to utilize a greater percentage of Section 319 Clean Water Act Funds for staffing costs.

The Agency of Natural Resources' mission is to "protect, sustain, and enhance Vermont's natural resources for the benefit of this and future generations." The Agency accomplishes this mission by:

- Promoting the sustainable use of Vermont's natural resources;
- Protecting and improving the health of Vermont's people and ecosystems; and,
- Promoting sustainable outdoor recreation.

The Agency consists of the Agency Central Office; the Department of Fish and Wildlife; Department of Forests, Parks and Recreation; and the Department of Environmental Conservation. The Agency's FY 2002 operating budget is approximately $63 million. Special funds account for almost one third of the Agency's budget while Federal, Fish and Wildlife and state General funds each comprise approximately 20 percent of its total budget. The DEC's share of the FY 2002 Agency operating budget is approximately $27 million, or 43 percent.

DEC's FY 2002 budget consists of 44 percent special funds, 37 percent federal funds, and 17 percent general funds. The remaining 2 percent of DEC's budget consists of transportation funds and interdepartmental transfers. At the time we initiated this review the Agency had 581 positions, 288 of which were located within the DEC.

The DEC's mission is to preserve, enhance, restore, and conserve Vermont's natural resources, and protect human health. The Department achieves this through the funding, oversight and operation of seven divisions. These divisions provide:

- Public education and technical assistance;
- Financial assistance, through grants and loans to municipalities;
- Permits for construction, development and operational activities that require specific conditions and compliance inspections;
- Enforcement of permit conditions to ensure public health and the environment are protected in a fair and effective manner;
- Monitoring of environmental quality measures; and,
- Conducting projects such as aquatic weed harvesting and riverbank restoration.

Each division has a director and distinct staff to accomplish its role particular to DEC's overall mission. A brief description of each division follows.

Air Pollution Control Division

The Air Pollution Control Division's goal is to protect public health and the environment. It achieves this goal by administering a statewide program of air pollution prevention, abatement, and control. Recently, the Division has been involved at the national level in efforts to demonstrate the effect of emissions from Mid-western power plants on the environment of Vermont and other eastern states. Five sections fall under the direction of the Division: Engineering Services, Field Services, Mobile Sources, Planning, and Technical Services.

Water Quality Division

The Water Quality Division protects surface water quality and quantity for Vermont's lakes, ponds, rivers, streams and wetlands by conducting environmental monitoring and guiding citizen monitoring programs. Its regulatory programs implement the state's Wetland Rules, Stormwater Program and Water Quality Standards, and assure the protection of wetlands, stream flows below dams, hydropower reservoirs, and rivers, and lakeshores. Planning efforts, grants, and technical assistance are used to guide and facilitate state and local non-point source pollution management activities.

Environmental Assistance Division

The Environmental Assistance Division is the only division within the Department of Environmental Conservation without regulatory responsibilities. This Division's goal is to promote a sustainable economy and environmental excellence through education, cooperation, and innovation. Compliance and Permit Specialists, along with staff in the Water Prevention Section, work to: provide environmental compliance assistance; reduce hazardous waste generation, toxic air emissions and wastewater discharges; reduce the use of toxic materials; and, identify necessary environmental permits.

Water Supply Division

The Water Supply Division takes sanitary surveys, provides technical assistance, offers operator certification, ensures compliance tracking for nearly 100 contaminants, and handles the permitting of all aspects of construction and operation of public water systems. This division ensures that Vermont's 1,400 public water systems provide clean and safe water to their customers. The division also oversees the state's groundwater protection and well driller's regulatory programs.

Wastewater Management Division

The Wastewater Management Division administers the permit programs for municipal and industrial wastewater, indirect discharges, residuals management, and underground injection control. Approximately 3,000 permits are issued annually.

Ancillary to the permitting programs are the compliance review, enforcement, and licensing of treatment plant operators as well as inspections of, and technical assistance for, treatment plant operations. These programs regulate the pollutants and promote compliance in approximately 150 million gallons of effluent discharged to Vermont waters each day.

Facilities Engineering Division

The Facilities Engineering Division administers state and federal programs that fund planning and construction of municipal wastewater systems, municipal and privately owned public water systems, and municipal solid waste implementation projects. Four sections fall under this division: the Agency Facilities section, the Construction section, the Dam Safety section, and the Financial Management section.

Geological Survey

The Geological Survey conducts surveys and research and provides aid and advice on the geology, mineral resources, and topography of Vermont. The geological information gathered plays a significant role in locating groundwater supplies, arranging waste disposal, understanding the movement of contaminants, and addressing natural hazards such as landslides, radioactivity, erosion, and earthquakes.

Appendix C

Department of Environmental Conservation Regulatory Programs

Water Supply/Wastewater Disposal: Issued from DEC regional offices; for construction or renovation of a building other than a single-family home or any renovations to sewage disposal or water supply serving those buildings.

Underground Injection Control (UIC): Required to discharge non-sanitary waste into an opening in the ground; including stormwater infiltration structures.

Subdivision: Issued from DEC regional offices; for division of property - one or more lots of less than 10 acres.

Campground: Issued from regional offices; to establish or expand a campground with three or more sites for recreational use.

Mobil Home Park: Issued from regional offices; to establish or expand a mobil home park or alter sewage disposal or water supply system

Stormwater Discharge: Regulates discharge of stormwater runoff from impervious surfaces.

Industrial or Municipal Direct: Regulates wastewater discharges to surface waters from industrial activities, or municipal treatment plants.

Pretreatment Discharge: Regulates wastewater discharges from industrial/commercial activities to municipal treatment plants.

Indirect Discharge: For land-based sewage disposal systems of greater than 6,500 gallons per day and discharges from unlined landfills to groundwater.

Residual Management Certification: for management of wastewater treatment biosolids, septage and other special wastes.

Air Pollution Construction: Regulates construction or modification of air source - good for life of facility.

Air Pollution Operation: Regulates operation of an air contaminant source.

Air Pollution Registration Certificate: Annual registration of stationary sources to include industrial processes or fuel-burning equipment.

Air Pollution Indirect Source: Regulates emissions from facilities providing significant amounts of parking or vehicular traffic.

Air Pollution Open Burning: Allows burning of certain materials provided no public nuisance is created.

Bottled Water: Must be obtained to sell bulk or bottled water in Vermont.

Water System Permit to Operate: Required to operate or maintain a public water system with at least 10 service connections serving an average of 25 people.

Public Water System Construction: For new system construction, system expansion or line extension of greater than 500 feet.

Public Water Source Approval: Approval required for sources to public community systems, bulk-systems or bottled water.

Shoreland Encroachment: Required to encroach beyond the shoreline of, or alters the land underlying public lakes or ponds.

Wetlands Conditional Use Determination: Regulates uses/activities in significant wetland areas and their adjacent buffer zones.

Aquatic Nuisance Control: Regulates use of chemicals, biological controls, or bottom barriers to control nuisance aquatic plants.

Stream Alteration: Regulates the alteration of streams, including bank stabilization, utility crossings under streambeds, bridge construction or repair.

Underground Storage Tanks: For owner or operator of a "category one tank;" most underground gasoline and fuel oil storage tanks need permit; farm or residential motor fuel storage or storage of fuel oil for on-site use exempt.

Hazardous Waste TSD Certificate: Required for facilities engaged in treatment, long-term storage, and disposal of hazardous waste.

Hazardous Waste Handler Notification: Any facility or person must notify DEC of hazardous waste handling activities.

Solid Waste Transfer Station/ Recycling/ Compost Certificate: Authorizes owner/operator to construct/operate a transfer station, certain recycling facilities or certain types of composting facilities.

Solid Waste Lined Landfill Certificate: For owner/operator to construct/operate a lined landfill for the disposal of municipal solid waste.

Solid Waste Insignificant Waste Disposal: Authorizes one-time disposal of certain solid wastes such as stumps, untreated wood, masonry or other inert wastes.

Dam Operations: Regulates the construction, alteration, or removal of dams or impoundments or greater than 500,000 gallons.

Appendix D

ANNUAL REPORT OF PERMIT ACTIVITY

CALENDAR YEAR 2001

{Title 3 VSA, 2822(g)}

Submitted to the Vermont General Assembly By:

Department of Environmental Conservation

Agency of Natural Resources

February 2002

AGENCY OF NATURAL RESOURCES

DEPARTMENT OF ENVIRONMENTAL CONSERVATION

ANNUAL REPORT OF PERMIT ACTIVITY

CALENDAR YEAR 2001

The following report is submitted pursuant to Title 3, VSA, Section 2822(g) which requires the Secretary of Natural Resources to provide the General Assembly with an annual summary of activities in the permits programs managed by the Department of Environmental Conservation. The 1987 legislation that established the Environmental Permits Fund and a fee and performance standards system for Agency of Natural Resources regulatory programs was re-authorized in 1990, 1993, 1996, 1998 and again in 2001.

1. Performance Standards

In accordance with 3 VSA 2822(g) the Secretary of Natural Resources established performance standards for the timely processing of applications for permits, licenses and registrations issued by the Department of Environmental Conservation. In calendar year 2001, the Department issued a total of 6336 decisions and 92.7% of these met the performance standard. Attached to this report is a table summarizing fees received and permit actions for calendar year 2001.

2. Areas Which Hinder Effectiveness

The Department has had some vacancies in the permit processing programs, and is currently under a hiring freeze. In some divisions, the Department has had difficulty attracting future employees, due to the nature of the job market in the Northeast. Significant sick leave for both worker's compensation reasons and the normal aging/elder care creates the same effect as vacancies. When there is a marginal or low level of staff to workload, this can cause a significant drop in PEP times, as well as increasing stress levels in those trying to keep up. This is especially true in the regional offices. The Department's regional offices have not replaced the positions removed during the downsizing and significant additional workloads have been added due to the Bianchi and Hunter Broadcasting decisions.

3. Changes Made to Improve Performance

The Department continues to improve internal processes through the use of cross-department and agency teams. A team is working on reducing potential conflicts between existing program activities and improving our coordination with the Act 250 process. The drafting of an agency Buffer Policy is an outcome of this effort. Team work is also being used to improve our procedures for engineering, funding and permitting review related to wastewater treatment plants. These procedures address issues such as funding approval, water quality anti-degradation reviews, alternatives analysis, and waste management zone implementation.

This year the stormwater program was consolidated in the Water Quality Division. The Department created a separate stormwater section and has added two positions to improve application processing and reduce the backlogs. We have secured scanning equipment for each regional office so that the land record documents can be converted to electronic format. New permits will be stored in a "document vault" in electronic format. Electronic format will eventually allow for on-line searches of these documents by the public and will increase our use of computerized maps. Over the next several years this will assist, most particularly, with file searches and other file management issues that may reduce response time.

4. Staffing for the Coming Year

The Department plans to reassign staff to meet the anticipated workloads for onsite septic permits associated with the closure of the 10-acre exemption. The new on-site rules will eliminate deferral permits. We are proposing a general permit for Indirect Discharge permits with flows less than 15,000 gpd. We are also proposing to reassign staff to the stormwater program to assist with its permitting program. The Department is proposing additional fees and the use of new general funds to maintain existing staff. Should these funds not become available in fiscal year 2003, then significant changes will be made to the Department's permitting programs.

5. Fees Collected

During calendar year 2001, the Department deposited $2,254,827 in fees listed on the attached table. This compares with $2,978,607 for 2000, $2,161,437 for 1999 and $2,755,312 for 1998. Lower fees in 2001 were associated with a lack of one-time fees from larger solid waste projects and fees collected for multiple year permits. Selected fees will be reviewed in this legislative session at the request of the department to address funding shortfalls.

6. Certification That Revenue is at Least Equal to Cost

The estimated revenues for 2001 were not equal to all the costs of our permit programs. Additional funds from other sources will be needed to fully support these permit programs.

Calendar Year 2001 PEP Report

PROGRAM	Applications Received	Fees Received	Total Average Processing Days	Dept. Average Processing Days	Performance Standard	Number of Cases Completed	Number of Cases Meeting Std.	Percent of Cases Meeting Std.
Air Pollution		$623,747						
Minor Sources	24		54	37	90	20	17	85.0%
Minor Sources w/hearing	10		130	113	150	13	9	69.0%
Administrative Amendments	10		33	16	30	9	7	78.0%
Registrations	163					163	163	100.0%
Indirect Sources	1		126	120	200	4	4	100.0%
Lakes and Ponds		$3,668						
Shoreland Encroachments	28		188	70	90	30	25	83.3%
Discharge Permits		$184,566						
Municipal	16		375	303	180	24	11	46.0%
Industrial	29		309	273	180	37	22	59.0%
Cooling Water	2		298	298	180	4	1	25.0%
Pretreatment	18		185	166	180	15	9	60.0%
Stormwater	128		213	108	150	87	72	82.8%
Indirect > 10,000 g.p.d.	42		114	84	150	51	49	96.0%
Indirect <= 10,000 g.p.d.	24		96	69	90	29	26	90.0%
Underground Injection	6		119	119	90	2	0	0
Operating Fees								
Wastewater Treatment Plants		$9,705						
Operator Certification	140		14	8	21	136	132	97.0%
								::
Subdivisions, Campgrounds, MH Parks		$775,527						
Single Lot	988			14.49	30	971	892	91.9%
Multi Lot	293			22.78	45	295	264	89.5%
Deferral	564			5.32	14	581	556	95.7%
Homestead Exemptions	248			4.96	14	238	234	98.3%
Wastewater Less Than 500 g.p.d.	575			19.58	30	564	483	85.6%
Wastewater More Than 500 g.p.d.	435			24.54	45	459	402	87.6%
Stream Alterations		$5,740						
Stream Alterations	123		41	32	45	133	110	82.7%
Dams		$401						
Dams	3		143	40	45	2	2	100.0%

Stream Alterations		$5,740						
Stream Alterations	123		41	32	45	133	110	82.7%
Dams		$401						
Dams	3		143	40	45	2	2	100.0%
Aquatic Nuisance Control		$1,775						
Aquatic Nuisance Control	16		151	110	90	18	7	38.9%
Well Drillers		$1,900						
Original Application	2		37	2	30	1	0	0.0%
Sludge Disposal		$6,285						
Sludge Disposal	14		262	86	130	19	19	100.0%
Solid Waste		$35,335						
Composting Facility Certification	4		68	65	120	3	3	100.0%
Unlined Landfills	23		221	182	120	16	9	56.3%
Recycling Facilities (New)	26		135	81	120	24	20	83.3%
Storage and Transfer Facilities	13		430	222	120	15	4	26.7%
Underground Storage Tanks		$80,887						
UST Permits and Renewals	662			30	60	659	659	100.0%
UST Permits Annual Fees	1173					1173	1173	100.0%
Site Technicians		$6,451						
Site Technician Applications Processed	80		41	14	45	73	70	96.0%
Water Supply		$518,840						
Construction Permits	115		81	31	30	113	72	63.7%
Source Permits	7		760	61	180	7	6	85.7%
Operating Permits	90		83	48		58	58	100.0%
Bottled Water Permits	10		173	75	30	12	3	25.0%
Operator Certification	301		11	11	30	278	278	100.0%
Totals		**$2,254,827**				**6336**	**5871**	**92.7%**

Appendix E

End of Year Report for

FEDERAL FISCAL YEAR 2001

and Update for

FEDERAL FISCAL YEAR 2002

ENVIRONMENTAL PERFORMANCE AGREEMENT

between the

VERMONT DEPARTMENT OF ENVIRONMENTAL CONSERVATION

and the

US ENVIRONMENTAL PROTECTION AGENCY, REGION I

February 2002

Appendix A

Indicators for FY 2001 to 2003 PPA

Introduction

This appendix contains a listing of indicators for the Department of Environmental Conservation Performance Partnership 2001 to 2003. Indicators are used to measure and track the work of the Department and the changes that occur as a result of that work. Indicators may range from changes in the behavior of a regulated group, to changes in the quality of an environmental measure. Indicators are listed by the Department Programs, then projects, and then activities as " PROGRAM - Project - Activity Name." Projected (P) and actual (A) values are provided for each where available for the period 1996 to 2003.

Surface Water - Aquatic Nuisance Species Management

Aquatic Nuisance Monitoring

Indicator Name	Projected/Actual	1996	1997	1998	1999	2000	2001	2002	2003
Northernmost extent of uncontrolled water chestnut in Lake Champlain	P		McNeil	McNeil	Porter Bay	Porter Bay	Fields Bay	Fields Bay	Fields Bay
Northernmost extent of uncontrolled water chestnut in Lake Champlain	A	Otter Cr	McNeil	McNeil	Porter Bay	Kimball	Converse		
Southernmost extent of contiguous water chestnut mgt efforts in Lake Champlain	P				NY Light 4	NY Light 4	NY Light 4		
Southernmost extent of contiguous water chestnut mgt efforts in Lake Champlain	A	NY Light 4	NY Light 4	NY Light 4					
Number of lakes with either moderate or heavy milfoil populations	P	<24	<25	<32	<32	<34	<34		
Number of lakes with either moderate or heavy milfoil populations	A	21	23	27	30	31	31		
Percent of Vermont's 766 waterbodies on the E list (exotic species impaired)	P	<5	<6	<6	<6	<6			
Percent of Vermont's 766 waterbodies on the E list (exotic species impaired)	A	5.0	5.0	5.7	5.7				

Surface Water - Basin & Waterbody Planning

TMDL Listing and Development

Indicator Name	**Projected/Actual**	**1996**	**1997**	**1998**	**1999**	**2000**	**2001**	**2002**	**2003**
Number of TMDLs completed/approved	P	2/2	6/6	13/10-13	13/10-13	14/10-14			
Number of TMDLs completed/approved	A	0/0	5/0	4/2					

Watershed Improvement Program

Indicator Name	Projected/Actual	1996	1997	1998	1999	2000	2001	2002	2003
Number of basins updated with basin plans	P	1	1	0	0	0	0	3	1
Number of basins updated with basin plans	A	1	1	0	0	0	0		
Number of lake and watershed associations	P						128		
Number of lake and watershed associations	A						115	127	

WQ Assessment Planning and Reports

Indicator Name	Projected/Actual	1996	1997	1998	1999	2000	2001	2002	2003
Number of basins assessed under the rotational watershed assessments	P	3	4	4	3	2	3	3	
Number of basins assessed under the rotational watershed assessments	A	1	1	2	1	2			

Surface Water - Compliance and Inspections

Wastewater Treatment Inspections

Indicator Name	Projected/Actual	1996	1997	1998	1999	2000	2001	2002	2003
Inspection Reports	P	75	75	45	45	45	45	45	
Inspection Reports	A	58	55	37	47	66			

Compliance activities

Indicator Name	Projected/Actual	1996	1997	1998	1999	2000	2001	2002	2003
% facilities in significant compliance	P	85	90	90	92	92	92	92	92
% facilities in significant compliance	A	85	96	87	88	91			

Wastewater Treatment Lab Inspections

Indicator Name	Projected/Actual		1996	1997	1998	1999	2000	2001	2002	2003
Laboratory Inspection Reports	P	30	15	15	20	30	60			
Laboratory Inspection Reports	A	27	10	13	24					

Surface Water - Direct Discharge Permits

General Permit for runoff

Indicator Name	Projected/Actual		1996	1997	1998	1999	2000	2001	2002	2003
Stormwater permits incl UIC	P	55	55	85*	65*	65*	65*	65*		
Stormwater permits incl UIC	A	54	58	66	47	62				

Industrial Sites federal general permits

Indicator Name	Projected/Actual		1996	1997	1998	1999	2000	2001	2002	2003
General permit	P	1	1	1	2	2	1	0	0	
General permit	A	1	0	0	0	0				

NPDES Municipal/Industrial

Indicator Name	Projected/Actual		1996	1997	1998	1999	2000	2001	2002	2003
Municipal/Industrial permits	P	50	50	50	50	50	50	50	50	
Municipal/Industrial permits	A	59	53	37	56	42				

Pretreatment Permits

Indicator Name	Projected/Actual		1996	1997	1998	1999	2000	2001	2002	2003
Pretreatment permits	P	15	15	15	15	15	15	15	15	
Pretreatment permits	A	19	12	18	15	13				

Surface Water - Flow Management

FERC Licensing

Indicator Name	Projected/Actual	1996	1997	1998	1999	2000	2001	2002	2003
% of 62 hydropower segments meeting flow stds (non-CT R. proj.; pre-date 1970)	P	35	38	41	45	74	77	55	65
% of 62 hydropower segments meeting flow stds (non-CT R. proj.; pre-date 1970)	A	23	27	27	29	29	29		

Surface Water - Monitoring, Assessment and Research

General

Indicator Name	Projected/Actual	1996	1997	1998	1999	2000	2001	2002	2003
Number of sites/waterbodies included in long-term trend monitoring	P			180-200	180-200	180-200	180-200	180-200	180-200
Number of sites/waterbodies included in long-term trend monitoring	A	180-200	180-200	180-200	205	210	375		

Surface Water - Point & Non-point Source Management

General

Indicator Name	Projected/Actual	1996	1997	1998	1999	2000	2001	2002	2003
% of 766 VT waterbodies on list of impaired and flow altered waters (A; F lists)	P					23	23	22	22
% of 766 VT waterbodies on list of impaired and flow altered waters (A; F lists)	A		24		24	25	25		
% of VT assessed lakes and ponds meeting all designated uses (w/o Lake Champlain)	P								20
% of VT assessed lakes and ponds meeting all designated uses (w/o Lake Champlain)	A	20					20		
% of Lake Champlain meeting all designated uses	P								0
% of Lake Champlain meeting all designated uses	A	0					0		
% of VT assessed rivers/streams meeting all designated uses	P								57
% of VT assessed rivers/streams meeting all designated uses	A	57					57		

Lake Champlain Phosphorus Strategy

Indicator Name	Projected/Actual	1996	1997	1998	1999	2000	2001	2002	2003
Annual total metric tons of P discharged to Lake Champlain from VT WWTFs	P			38 (cal yr)	37 (cal yr)	37 (cal yr)			
Annual total metric tons of P discharged to Lake Champlain from VT WWTFs	A	57 (cal yr)	51 (cal yr)	55 (cal yr)	51 (cal yr)	44 (cal yr)			

Agricultural Water Quality

Indicator Name	Projected/Actual	1996	1997	1998	1999	2000	2001	2002	2003
% Wells Sites Exceeding Drinking Water Standards	P						5		
% Wells Sites Exceeding Drinking Water Standards	A				7	6			
Number of Best Management Practices Installed	P			125					
Number of Best Management Practices Installed	A	100	64	95	244		214		
Number of pounds of phosphorus loading reduced through Agricultural BMPs.	P							7500	
Number of pounds of phosphorus loading reduced through Agricultural BMPs.	A	4873	3156	4256	9336	10300			

Surface Water - Riparian Corridor Management

General

Indicator Name	Projected/Actual	1996	1997	1998	1999	2000	2001	2002	2003
Number of miles of riparian corridor restored	P				2	3	4	2	2
Number of miles of riparian corridor restored	A				2	2	4		

Surface Water - Water Resources Information & Education

General Aquatic Ecology Information

Indicator Name	Projected/Actual	1996	1997	1998	1999	2000	2001	2002	2003
Number of people on Out of the Blue mailing list (by request only)	P			1500	1500	1500	1500	1500	1500
Number of people on Out of the Blue mailing list (by request only)	A	1460	1463	1479	1489	1533			

Project WET

Indicator Name	Projected/Actual	1996	1997	1998	1999	2000	2001	2002	2003
Number of teachers trained to use Project WET	P		150	100	100	100	100	100	100
Number of teachers trained to use Project WET	A	102 cal yr	137 cal yr	150 cal yr	116 cal yr	113 cal yr			

Surface Water - Wetlands Management

Technical Assistance to Towns and Property Owners

Indicator Name	Projected/Actual	1996	1997	1998	1999	2000	2001	2002	2003
Net number of known wetland acres saved	A	101.82	31.92 acres	4.01 acres	27.96 acres	30.0 (P)	35(P)	40(P)	40(P)

AIR - Air Pollution Control Compliance

Stage II vapor recovery at gas stations

Indicator Name	Projected/Actual	1996	1997	1998	1999	2000	2001	2002	2003
Stage II vapor recovery testing at gas stations	P		20	45	49	100	180	80	20
Stage II vapor recovery testing at gas stations	A		2	66	40	120	144		

NAMS/SLAMS monitoring except PM2.5

Indicator Name	Projected/Actual	1996	1997	1998	1999	2000	2001	2002	2003
% criteria pollutants except PM2.5 in compliance with federal standards	P				100	100	100	100	100
% criteria pollutants except PM2.5 in compliance with federal standards	A				100				

PM2.5 monitoring

Indicator Name	Projected/Actual	1996	1997	1998	1999	2000	2001	2002	2003
% PM2.5 sites in compliance with federal air quality standards	P				*	*	100	100	100

* First Assessment CY 2001

Drinking Water - Compliance/Enforcement

General

Indicator / Output Name	Projected/Actual	1996	1997	1998	1999	2000	2001	2002	2003
% of NTNC in Compliance with Health-Based Standards	P			NA	NA	NA	76	77	78
% of NTNC in Compliance with Health-Based Standards	A			66.0	72.3	74.3	77		
% of NTNC Population in Compliance with Health-Based Standards	P			NA	NA	NA	79	81	84
% of NTNC Population in Compliance with Health-Based Standards	A			73.3	73.6	77.6	82		

% of PCWS in Compliance with Health-Based Standards	P		NA	NA	NA	74	77	80	
% of PCWS in Compliance with Health-Based Standards	A		68.7	73.7	72.6	80			
% of PCWS Population in Compliance with Health-Based Standards	P		NA	NA	NA	92	93	94	
% of PCWS Population in Compliance with Health-Based Standards	A		88.3	92.7	91.3	93			

Drinking Water - Data Management

Compliance Monitoring

Indicator / Output Name	Projected/Actual	1996	1997	1998	1999	2000	2001	2002	2003
Monitoring Compliance Records	P				1374	1374	1374	1374	1374
Monitoring Compliance Records	A	1200	1200	1374	1355	1359	1366		
Percent of PCWS Population Issued Timely Monitoring Schedules.	P				100	100	100	100	100
Percent of PCWS Population Issued Timely Monitoring Schedules.	A		100	100	100	100	100		

Computer Systems Management

Indicator / Output Name	Projected/Actual	1996	1997	1998	1999	2000	2001	2002	2003
Development/Implementation of Software that automates Permits	P				Yes	Yes	Yes		
Development/Implementation of Software that automates Permits	A				No	No	No		

Fees/Billing

Indicator / Output Name	Projected/Actual	1996	1997	1998	1999	2000	2001	2002	2003
Fees/Billing	P				1700	1700	1700	1700	1700
Fees/Billing	A	1414	612	1700	1802	2064	1860		

Drinking Water - Financial Aid Administration

DWSRF Project Administration

Indicator Name	Projected/Actual	1996	1997	1998	1999	2000	2001	2002	2003
Financial Aid Requests Processed	P			10	10	12	12	15	
Financial Aid Requests Processed	A	66	15	6	34	17	12		

General

Indicator / Output Name	Projected/Actual	1996	1997	1998	1999	2000	2001	2002	2003
Number of PWS Constructed improvements to Increase SDWA Compliance	P			10	10	12	12	12	
Number of PWS Constructed improvements to Increase SDWA Compliance	A	6	4	6	15	16	2		

Groundwater Coordinating Committee

GWCC Meetings

Indicator / Output Name	Projected/Actual	1996	1997	1998	1999	2000	2001	2002	2003
Adoption of Revised GWR & Strategy	A			yes					
GWCC Meetings	P				11	11	7	7	7
GWCC Meetings	A	11	11	11	7	6	5		
Recommendations to ANR Secretary	P		2	2	2	2	2	2	
Recommendations to ANR Secretary	A	1	0	0					

Drinking Water - Licensing/Certification

Water System Operator Certification

Indicator Name	Projected/Actual	1996	1997	1998	1999	2000	2001	2002	2003
% of PCWS Population Served by Cert Operators	P				99.5	99.5	99.8	99.8	99.8
% of PCWS Population Served by Cert Operators	A	99.3	98.9	99.5	99.5	99.6	99.8	99.9	

Drinking Water - Outreach/Training

Operator Training

Indicator Name	Projected/Actual	1996	1997	1998	1999	2000	2001	2002	2003
Percent of PCWS served by Certified Operator	P				99	99.0	99.0	99.0	99.0
Percent of PCWS served by Certified Operator	A			96.6	99.2	97.7	98.4		

Group Outreach

Indicator / Output Name	Projected/Actual	1996	1997	1998	1999	2000	2001	2002	2003
Distribute all Consumer Confidence Report data to all PWSs	P				Yes	Yes	Yes	Yes	Yes
Distribute all Consumer Confidence Report data to all PWSs	A	Yes	Yes	Yes					

Outreach/Training Events	P				50	55	55	55	55	
Outreach/Training Events	A	39	43	47	60	48	45			

Drinking Water - Permits/Determinations

Source Protection Plans

Indicator Name	Projected/Actual	1996	1997	1998	1999	2000	2001	2002	200
Source Approvals	P				25	25	20	20	20
Source Approvals	A		13	22	15	16	14	7	

Construction Permits

Indicator / Output Name	Projected/Actual	1996	1997	1998	1999	2000	2001	2002	2003
Construction Permits	P				100	100	150	200	200
Construction Permits	A		98	112	150	126	196	147	

Groundwater Under the Direct Influence

Indicator / Output Name	Projected/Actual	1996	1997	1998	1999	2000	2001	2002	2003
GWUDI Determinations	P				75	200	200	200	200
GWUDI Determinations	A		159	117	117	245	131	97	

Monitoring Waivers

Indicator / Output Name	Projected/Actual	1996	1997	1998	1999	2000	2001	2002	2003
Monitor Waivers	P				30	30	35	35	35
Monitor Waivers	A		40	28	26	55	62	57	

Operating Permits

Indicator / Output Name	Projected/Actual	1996	1997	1998	1999	2000	2001	2002	2003
Operating Permits	P			150	200	200	200	200	
Operating Permits	A	151	146	124	230	214	79		

Out of State Lab Certification

Indicator / Output Name	Projected/Actual	1996	1997	1998	1999	2000	2001	2002	2003
Out of State Lab Determinations	P				25	25	25	25	
Out of State Lab Determinations	A	25	30	26	17	28	37		

Source Protection Plans

Indicator / Output Name	Projected/Actual	1996	1997	1998	1999	2000	2001	2002	2003
Percent of PCWS Population Served byApproved SPPs.	P				60	74	80	90	100
Percent of PCWS Population Approved SPPs.	A		29	40	46	53	87	74 w/out Lake Champlain	
Source Protection Plans	P			60	60	92	92	92	92	92
Source Protection Plans	A		64	54	92	43	37	43		
Source Protection Plans (Groundwater)	P					57	57	87	81	81
Source Protection Plans (Groundwater)	A					41	35	41		
Source Protection Plans (Surface Water)	P					2	2	4	10	10
Source Protection Plans (Surface Water)	A					1	1	1		
Source Protection Plans (Surface/Groundwater)	P					1	1	1	1	1
Source Protection Plans (Surface/Groundwater)	A					1	1	1		
% of PCWSs and NTNCs Served by Approved SPPs	P						60	68	76	84
% of PCWSs and NTNCs Served by Approved SPPs	A			41	48	55		63		

Source Protection Areas

Indicator / Output Name	Projected/Actual	1996	1997	1998	1999	2000	2001	2002	2003
Source Protection Areas	P				60	60	20	20	20
Source Protection Areas	A		20	45	16	10	14	15	

NTNC/TNC Sanitary Surveys

Indicator / Output Name	Projected/Actual	1996	1997	1998	1999	2000	2001	2002	2003
NTNC/TNC Sanitary Surveys Conducted	P				39	39	65	65	100
NTNC/TNC Sanitary Surveys Conducted	A		26	93	26	29	65	42	

Drinking Water - Sanitary Surveys

PCWS Sanitary Surveys

Indicator Name	Projected/Actual	1996	1997	1998	1999	2000	2001	2002	2003
PCWS Sanitary Surveys Conducted	P				96	96	100	100	150
PCWS Sanitary Surveys Conducted	A		83	111	105	235	116	73	

Ground Water and Earth Materials - Underground Injection Control Permits

Underground Injection Control permits

Indicator Name	Projected/Actual	1996	1997	1998	1999	2000	2001	2002	2003
Follow-Up inspections	P			6	6	6	6	50	50
Follow-Up inspections	A			3	2	1			

Waste - Hazardous Waste Management

RCRA GIS

Indicator Name	Projected/Actual	1996	1997	1998	1999	2000	2001	2002	2003
% of LQGs and SQGs in GIS	P	5%	60%	90%		95%	98%	99%	99%
% of LQGs and SQGs in GIS	A	5%	65%	92%		98%	98%		

RCRA Compliance Inspections

Indicator Name	Projected/Actual	1996	1997	1998	1999	2000	2001	2002	2003
# of inspections	P	100	100	90	80	70	50	45	45
# of inspections	A	138	92	90	91	98	67		

RCRA Corrective Action

Indicator Name	Projected/Actual	1996	1997	1998	1999	2000	2001	2002	2003
Corrective Action GPRA goals achieved	A					4			

RCRA Enforcement - Referrals

Indicator Name	Projected/Actual	1996	1997	1998	1999	2000	2001	2002	2003
Enforcement cases	P						4	4	4
Enforcement cases	A						4		

RCRA Permitting

Indicator Name	Projected/Actual	1996	1997	1998	1999	2000	2001	2002	2003
Permits in renewal process	P						5	3	2
Permits in renewal process	A						5		

RCRA Program Development

Indicator Name	Projected/Actual	1996	1997	1998	1999	2000	2001	2002	2003
Regulations revised	P						1	1	0
Regulations revised	A						0		

RCRA Transporter Certification

Indicator Name	Projected/Actual	1996	1997	1998	1999	2000	2001	2002	2003
Transporter permits issued	P						110	110	110

Waste - Underground Storage Tank Program

General

Indicator Name	Projected/Actual	1996	1997	1998	1999	2000	2001	2002	2003
Number of New Releases affecting receptors	P						15	10	7
Number of New Releases affecting receptors	A	54	17	16	14	22	0		
Percentage of tanks in Substantial Compliance with Release Detection	P					55%	60%	65%	75%
Percentage of tanks in Substantial Compliance with Release Detection	A				45%		>50%		
Petroleum Cleanup Fund Annual report	P						Yes	Yes	Yes
	A						Yes		
Semi-Annual report submitted to EPA	P						Yes	Yes	Yes

UST Enforcement

Indicator Name	Projected/Actual	1996	1997	1998	1999	2000	2001	2002	2003
Enforcement actions	P				4	5	5	5	5
Enforcement actions	A				4	5	4		

UST Inspections

Indicator Name	Projected/Actual	1996	1997	1998	1999	2000	2001	2002	2003
Inspections	P						200	200	200
Inspections	A				297	186			
Percentage of Category I Tanks meeting 1998 requirements	P	80	95	100					

UST Outreach & Compliance Assistance

Indicator Name	Projected/Actual	1996	1997	1998	1999	2000	2001	2002	2003
Compliance workshop series	P					NA			
	A					5			
UST Program Newsletter	P						3 or more	3 or more	3 or more
UST Program Newsletter	A						3		

Waste - WMD Technical Services

Manifest System

Indicator Name	Projected/Actual	1996	1997	1998	1999	2000	2001	2002	2003
Amount of taxes	P		380K	350K	350K	350K	350K	350K	
Amount of taxes	A	380K	380K	380K	390K				

Management - EAD Assistance

General

Indicator Name	Projected/Actual	1996	1997	1998	1999	2000	2001	2002	2003
Hazardous Waste reduction statewide (% from 1992 baseline)	P		30	35	35	40	40	40	40
Hazardous waste reduction statewide (% from 1992 baseline)	A	21.2	29.7	38.1	38.4	28.1	46		
Toxics use reduction by large users (% of toxics from 1996 baseline)	P		5	10	10	10	15	15	15
Toxics use reduction by large users of toxics (%from 1996 baseline)	A		5.4	5.4	1	13.5	25		

Business Assistance

Indicator Name	Projected/Actual	1996	1997	1998	1999	2000	2001	2002	2003
Pollution Prevention Plans reviewed	P	65	65	65	50	50	50	50	40
Pollution Prevention Plans reviewed	A	65	65	55	54	45	19		

Business Compliance Assistance (Direct)

Indicator Name	Projected/Actual	1996	1997	1998	1999	2000	2001	2002	2003
# and type of violations at small businesses identified hotline	P			50	50	50	50	50	50
# and type of violations at small businesses identified hotline	A			44	44	85	475		
# violations corrected by businesses through on-site reviews	P			10	20	30	30	50	50
# violations corrected by businesses through on-site reviews	A			16	58	136	68		
Businesses receiving compliance assistance through hotline	P	5	25	45	70	70	70	250	250
Businesses receiving compliance assistance through hotline	A	5	25	60	146	448	599		
Businesses receiving compliance assistance through on-site reviews	P			10	20	30	30	30	30
Businesses receiving compliance assistance through on-site reviews	A			16	18	6	32		
# and type of violations at municipalities identified hotline	P						15	40	40
# and type of violations at municipalities identified hotline	A					0	43 RCRA 5 WW 2 WS 12 UIC		
# violations corrected by municipalities through on-site reviews	P					10	10	20	20
# violations corrected by municipalities through on-site reviews	A					0	11		
Municipalities receiving compliance assistance through hotline	P					5	25	14	16
Municipalities receiving compliance assistance through hotline	A					0	8		
Municipalities receiving compliance assistance through on-site reviews	P					1	1	10	10
Municipalities receiving compliance assistance through on-site reviews	A					0	8		
# compliance manuals for businesses	P		2	2	2	2	1	1	1
# compliance manuals for businesses	A		1	2	1	1			

Management - EAD Compliance Coordination

ICE Coordination

Indicator Name	Projected/Actual	1996	1997	1998	1999	2000	2001	2002	2003
DEC Compliance Policy	P			1 policy	1 policy	1 policy	1 policy		
DEC Compliance Policy	A			0	0	0	1 policy		

Supplemental Env Proj Procedure

Indicator Name	Projected/Actual	1996	1997	1998	1999	2000	2001	2002	2003
Electronic Complaint system	P	1	1	1		1			
Electronic complaint system	A	0	0						

Management - Wastewater Enforcement

Enforcement

Indicator Name	Projected/Actual	1996	1997	1998	1999	2000	2001	2002	2003
Enforcement cases	P		5	5	5	5	5	5	5
Enforcement cases	A		2	5	1	5	4		
Minor orders (division total not just NPDES)	P	5	5	5	5	5	5	5	5
Minor orders (division total not just NPDES)	A	20	6	13	14	23	23		

Management - Environmental Leadership

Agency Annual Environmental Indicators Report

Indicator Name	Projected/Actual	1996	1997	1998	1999	2000	2001	2002	2003
ANR Environment Report	P	1	1	1	1	1	1	1	1
ANR Environment Report	A	1	1	1	1	1	1		

Education for Sustainability

Indicator Name	Projected/Actual	1996	1997	1998	1999	2000	2001	2002	2003
Biennial legislative report on pollutionprevention	P	1		1		1		1	
Biennial legislative report on pollution prevention	A			1		1			

Pollution Prevention Integration

Indicator Name	Projected/Actual	1996	1997	1998	1999	2000	2001	2002	2003
# DEC rules reviewed for pollution prevention	P	3	3	3	3	3	3	3	3
# DEC rules reviewed for pollution prevention	A	3	3	5	2	3	4		

VT Business Environmental Partnership

Indicator Name	Projected/Actual	1996	1997	1998	1999	2000	2001	2002	2003
# of businesses enlisted in VT BusinessEnvironmental Partnership	P		25	25	25	25	15	15	15
# of businesses enlisted in VT Business Environmental Partnership	A		10	8	6	13	15		

Appendix F

DEC PERMIT CUSTOMER SURVEY

Now that you have completed a permitting process, we would like your feedback to improve that process. This survey is being sent to everyone who has completed a permitting process in any of the Department of Environmental Conservation's permitting programs. Most of the questions can be answered with a 'Yes' or 'No' response so it shouldn't take more than a few minutes to complete the form. If you want to provide a more detailed response, please feel free to do so, either in the space provided or attach an additional sheet. If you used a consultant to obtain your permit, you may choose to have them complete the form. Fold the form so the address appears on the outside; tape (don't staple - the Post Office machines don't like it); stamp and send! Thanks for helping us learn more about how what we do affects you!

****

PERMIT TYPE/LOCATION (**Completed by DEC program**) _____

(Optional) NAME, PHONE, ADDRESS _____

1. *Have you received other DEC permits before this one? Yes or No If Yes, please list the types of permits:*

2. *Did you or your consultant review the DEC's 'Permit Handbook' in the process? Yes or No*
   Did you or your consultant talk to a regional office permit specialist? Yes or No
   Did you deal directly with DEC program staff at the beginning of the process? Yes or No

3. *Did you understand what you needed to do to get your permit from the beginning of the process? Yes or No*

4. *Were the application forms and supporting information understandable and clear? Yes or No If No, why not?*

5. *Were all the staff you dealt with courteous and helpful? Yes or No Do you feel that you were treated fairly by all staff? Yes or No*

6. *Were you informed of the likely processing time for your permit early in the process? Yes or No Did the timing of its issuance, cause you problems? Yes or No If Yes, why?*

7. *Do you think the permit regulations and permit processing requirements are reasonable? Yes or No If no, why not?*

8. *Please rate your overall experience in this permitting process on a scale of 1 to 5, where 1 is poor and 5 is excellent.*

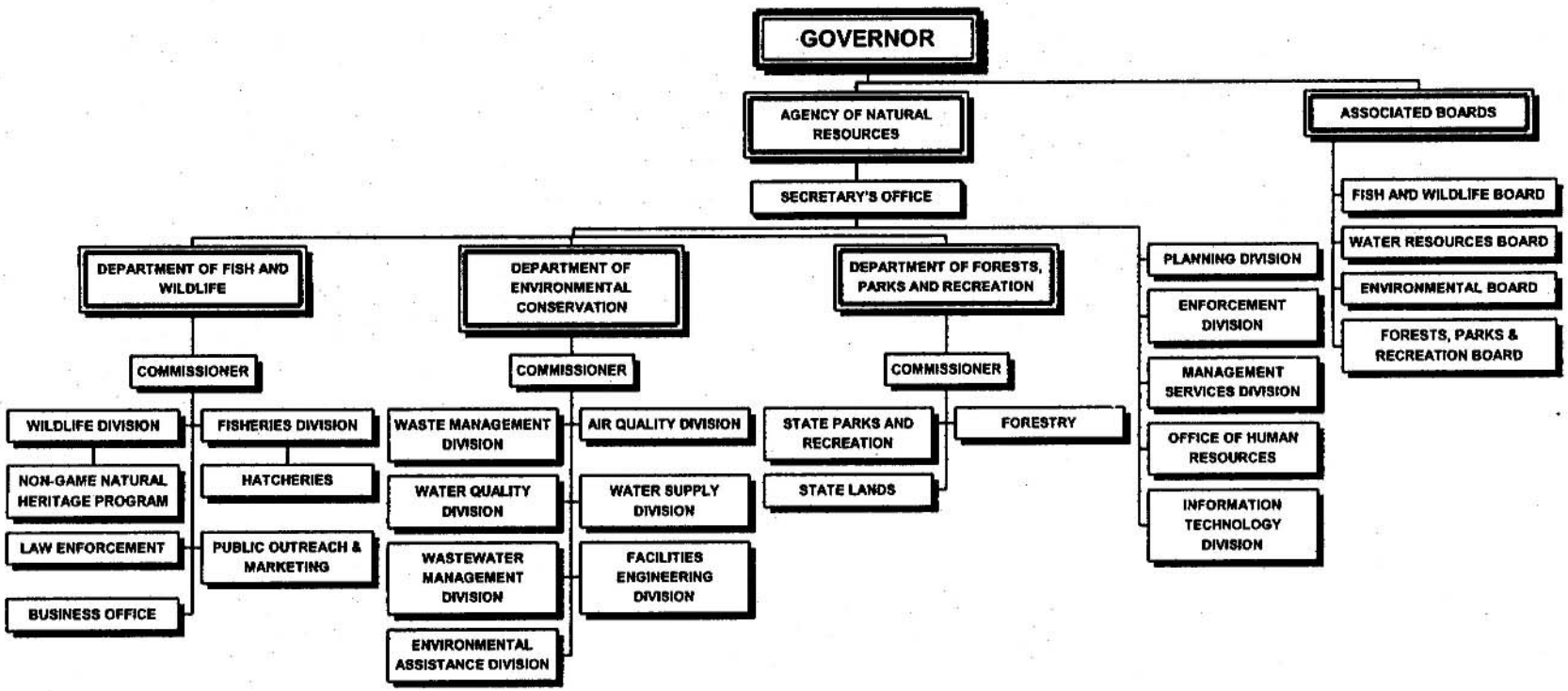
9. Specifically, how can DEC improve this permit process?

If you have any questions on the survey or permitting related concerns you'd like to discuss, please feel free to call me. Thanks again for your help in this effort!

Nancy R. Manley, DEC Permit Coordinator
Environmental Assistance Division (802) 241-3835

Vermont Department of Environmental Conservation
Environmental Assistance Division,
The Laundry Building, 103 South Main Street,
Waterbury, VT 05671-0411.

Appendix G



AGENCY OF NATURAL RESOURCES
ORGANIZATION CHART
OVERVIEW

Appendix H

State of Vermont

AGENCY OF NATURAL RESOURCES
Department of Environmental Conservation
Commissioner's Office
Building One South
103 South Main Street
Waterbury, VT 05671-0411
Tel: (802) 241 3800
Fax: (802) 244 5141

MEMORANDUM

TO: Canute Dalmasse, Deputy Secretary

FROM: Christopher Recchia, Commissioner

DATE: September 4, 2002

SUBJECT: Comments on the 8/23/02 Draft Report Office of the State's Auditor's Special Review of the Department of Environmental Conservation

Our comments are in two parts, overarching and more detailed, as requested.

Overarching

Please include in the cover letter that overall the report is a good job, accurately reflects the issues associated with the problems reflected in the FY 2002 DEC budget, and thank the Auditor's Office for their efforts.

1. The Department had targeted a reduction in their 4.2 million dollar deficit to about $400,000 which was to be paid off over two years. In fact, due to aggressive cost saving and additional revenues, as well as a great deal of help from all individuals, we balanced last year's budget and ended FY 2002 with a small surplus. A summary of the Actual Versus Budget Projections is attached and shows a small surplus at the end of FY 2002. We welcome suggestions on how we can continue to improve our business operations.

2. We would be happy to participate in additional training on the Vision system. Training topics would range from an overview of the Vision system as it is used by division directors, to the development of custom reports by department business offices.

3. I know that you are actively involved in the State e-government contract on behalf of the Agency and other departments, and we agree with the Auditor's recommendation that DEC join

that effort as a means to improve efficiencies. We are also supportive of continuing and expanding the personal contacts we offer applicants, particularly those individuals that only go though our permit process one time.

4. We support the need for us to continue to improve our environmental indicator tracking. It is important to point out that some of the environmental systems we monitor, such as air quality or Mercury concentration in Vermont fish, are complex and influenced by both in state and out of state activities. We can accomplish important reductions in releases of contaminants to the environment, but changes in the natural system may take many years (10 to 50+) to respond. Still, we fully agree that the measures of our programmatic success should be the environmental results achieved, not the number of permits issued, actions taken, etc.

<u>More Detailed</u>

1. Page 1, second bullet, this is more of a recommendation than a factor that caused the result. Suggest moving recommendation to recommendation section.

2. Page 1, fourth bullet, DEC financial problems began before the state began using the Vision system. The Vision system did hamper our ability to get timely information in FY 2002 to respond to the deficit, however was not a cause of the deficit.

3. Page1, fifth bullet, suggest mentioning that short falls in the DEC budget occurred in part due to federal and special funds not keeping up with inflationary costs. New federal funds, when received, came with new work requirements.

4. Page 2, second bullet following "We recommend", second sentence, replace with "The Agency and DEC should develop links the e-government portal recently signed by the State CIO's office to provide one-stop shopping for its permits, certificates and licenses, including on-line application renewal and tracking capabilities.

5. Page 2, third bullet following "We recommend", the Agency and DEC have been developing and tracking measurable goals and benchmarks for several years. We acknowledge more work needs to be done in this area, per our overarching comment #4. Suggest replacing "establish clear" with "continue to improve its".

6. Page 2, fifth bullet following "We recommend", the Department of Finance and Management needs to provide Vision training opportunities so that the Agency and DEC can ensure staff are trained.

7. Page 6, Recommendation 1, annual inflationary cost adjustments should be authorized and added to routine permit fee structures to maintain adequate revenues.

8. Page 6, Finding 2, we agree. The DEC routine polling information shows that DEC permit applicants have an overall positive experience with our permit processes, but those that "hear" about our permits have a different opinion. More outreach and explanation of our permit programs is needed.

9. Page 7, second paragraph, first sentence, suggest replacing “permit” with “strategic”

10. Page 8, paragraph beginning “The DEC has an operational team...”

We have reviewed this issue along with your draft report’s recommendation to proceed with an e-government portal, and suggest that we not pursue the study as proposed earlier by Winslow Ladue as we believe we are now further along in this process than we were. Suggest replacing this paragraph with; “The DEC has an operational team working on moving to a more paperless office. This effort is currently being piloted in several programs and will be phased in once these early efforts are reviewed and modified as appropriate.”

11. Page 8, paragraph beginning “In recent years...”, replace second and third sentence with,

“As a result, water quality has suffered and businesses have continued to develop with limited government oversight. As permits lapse with minimal government oversight, people’s confidence in the permitting system is weakened.” DEC is starting to implement it’s Watershed Improvement Program that address this backlog. E-government would be a useful tool of implementing this program.

12. Page 8, Recommendation 2, suggest including need for electronic signature capacity in DEC.

13. Page 8, Recommendation 2a, the Agency and DEC have been developing and tracking measurable goals and benchmarks for several years. Suggest replacing “establish clear” with “continue to improve its”.

14. Page 9, first and second bullet, suggest replacing “no relationship” with “limited communication”.

15. Page 10, fourth paragraph, second sentence, suggest replacing “virtually no” with “very limited”.

16. Page 12, Recommendation 3, the Department of Finance and Management, rather than the Agency and DEC, needs to provide additional training opportunities on the Vision system. Once training opportunities are provided, the Agencies and Departments can ensure appropriate staff and managers are trained.

17. Pages 12 and 13, change “informal” to “unwritten” in all paragraphs where it occurs in quotations.

18. Page 12, last paragraph, comments on lack of review and approvals on 18 purchases made under contract are explainable and to be expected. These purchases were approved as part of an approved contract. Because the Vision system requires contracts to be administered as purchase orders, it appears as though they were not approved, when in truth, they were. No approval was needed, as the contracts went through appropriate approval processes.

19. Page 13, all Exceptions noted in the table (18, 5, 7) were approved electronically through the “paperless” Vision system by either the ANR or DEC Business Managers, as part of our routine practices. This shows that “paperless” systems have their limitations with respect to ability to track approvals, etc.

20. Page 14, Discussion, suggest adding to the discussion section that other inflationary costs beyond pay act, such as medical benefits, are not covered by general fund increases.

21. Page 14, last paragraph, change “20 positions” to “22 positions” (at the end of FY 2002).

22. Page 15, Finding 6, the practice of paying for goods and services from one fiscal year with another fiscal years spending authority and funds is an outfall of the State using a “cash” based accounting system. The Vision system now allows departments to encumber the spending authority for goods and services obligated in one year, and paid for in the following year.

To obtain additional copies of this report contact:

Elizabeth M. Ready
State Auditor

Office of the State Auditor
132 State Street
Montpelier, VT 05633-5101
(802) 828-2281
1-877-290-1400 (toll-free in Vermont)
auditor@sao.state.vt.us

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